Thabatshweu Housing Association (Pty) Ltd
Trading as Polokwane Housing Association
Audited Annual Financial Statements
for the year ended 30 June 2023

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

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

General Information

Country of incorporation and domicile	South Africa
Legal form of entity	Municipal entity
Nature of business and principal activities	Provision of low cost rental housing
Executive management	
Position	**Name**
	MJ Gololo
	M Kgosana
	SM Mashabela
	SM Vilakazi
	O Galane
Accounting officer	J.T Maimela
Business address	Cnr Landdros Mare and Bodenstein Streets Civic Centre Polokwane 0700
Telephone	015 023 5000
Bankers	First National Bank
Auditors	Auditor-General of South Africa (AGSA)
Preparer	The audited annual financial statements were internally compiled by: Registered Auditor

Abbreviations

AGSA	Auditor General South Africa
GRAP	Generally Recognised Accounting Practice
LGSETA	Local Government Services Sector Education and Training Authority
MFMA	Municipal Finance Management Act
MPAC	Municipal Public Accounts Committee
MSIG	Municipal System Improvement Grant
NDPG	Neighbourhood Development And Partnership Grant
PAYE	Pay As You Earn
PPE	Property, Plant and Equipment
SDL	Skills Development Levy
SARS	South African Revenue Service
SCM	Supply Chain Management
SRAC	Sports, Recreation, Arts and Culture
UIF	Unemployment Insurance Fund

Board's Report

The board submit their report for the year ended 30 June 2023.

1. General Information

Main business and operations

The municipal entity is an investment and management entity with trading controlled entities engaged in provision of low cost rental housing. The municipal entity operates principally in South Africa.

Net deficit of the municipal entity was R 4 854 268 (2022: surplus R 21 400 542).

2. Going concern

We draw attention to the fact that at 30 June 2023, the municipal entity had an accumulated surplus of R 289 988 240 and that the municipal entity's total assets exceed its liabilities by R407 777 901.

The audited annual financial statements have been prepared on the going concern basis,based on the entities positive cash flows and cash balances , the availability of unitilised funding facilities and the budgets for the period to June 2023, the board believes that the entity will continue to operate for at least the next 12 months .

3. Subsequent events

The board are not aware of any matter or circumstance arising since the end of the financial year, that may need to be adjusted for or disclosed in the Annual Financial Statements.

4. Share capital

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

5. Auditors

Auditor-General of South Africa (AGSA) will continue in office for the next financial period.

The audited annual financial statements set out on pages 5 -48 , which have been prepared on the going concern basis, were approved by the board on 31 August 2023 and were signed on its behalf by:

J.T Maimela
Accounting Officer

Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	2022
Assets			
Current Assets			
Cash and cash equivalents	3	3 413 282	2 370 439
Receivables from exchange transactions	33	707 218	650 867
Receivables from non-exchange transactions	4	7 549	812 256
		4 128 049	**3 833 562**
Non-Current Assets			
Property, plant and equipment	5	420 954 417	155 350 502
Intangible assets	7	24 719	33 152
Work in progress	6	-	219 954 123
		420 979 136	**375 337 777**
Total Assets		**425 107 185**	**379 171 339**
Liabilities			
Current Liabilities			
Payables from exchange transactions	8	16 386 430	4 588 090
Payables from non-exchange transactions	9	8 309	8 309
Provisions	10	934 544	1 413 633
		17 329 283	**6 010 032**
Non-Current Liabilities			
Total Liabilities		**17 329 283**	**6 010 032**
Net Assets		**407 777 902**	**373 161 307**
Net assets presented by:			
Share capital	11	1 000	1 000
Reserves and funds	12	117 788 661	78 317 796
Accumulated surplus		289 988 240	294 842 510
Total Net Assets		**407 777 901**	**373 161 306**

Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022
Revenue			
Exchange Revenue			
Rental	14	11 485 722	11 335 132
Interest earned from receivables		2	-
Total Exchange Revenue		**11 485 724**	**11 335 132**
Non-Exchange Revenue			
Transfers and subsidies	13	9 191 403	37 197 928
Deposits forfeited	32	80 998	165 554
Total Non-Exchange Revenue		**9 272 401**	**37 363 482**
Total Revenue		**20 758 125**	**48 698 614**
Expenditure			
Employee related cost	15	8 952 836	9 756 991
Directors Remuneration	16	1 104 666	1 022 189
Bad debt impairment	17	4 686 053	6 725 527
Depreciation and amortisation	18	5 336 839	2 582 399
Impairment losses on assets	21	1 950	15 668
Contracted services	19	599 120	493 276
Operational costs	20	4 930 929	6 702 022
Total Expenditure		**25 612 393**	**27 298 072**
(Deficit) surplus for the year		**(4 854 268)**	**21 400 542**

Statement of changes in net assets

Figures in Rand	Share capital	Revaluation reserve	Total reserves	Accumulated surplus	Total net assets
Opening balance as previously reported	1 000	78 317 796	78 318 796	201 606 358	279 925 154
Adjustments					
Correction of errors	-	-	-	71 835 608	71 835 608
Balance at 01 July 2021 as restated*	**1 000**	**78 317 796**	**78 318 796**	**273 441 966**	**351 760 762**
Surplus for the year	-	-	-	21 400 542	21 400 542
Total changes	-	-	-	21 400 542	21 400 542
Balance at 01 July 2022	**1 000**	**117 788 661**	**117 789 661**	**294 842 508**	**412 632 169**
Surplus for the year	-	-	-	(4 854 268)	(4 854 268)
Total changes	-	-	-	(4 854 268)	(4 854 268)
Balance at 30 June 2023	**1 000**	**117 788 661**	**117 789 661**	**289 988 240**	**407 777 901**
Note(s)	11	12			

Cash Flow Statement

Figures in Rand	Note(s)	2023	2022
Cash flows from operating activities			
Receipts			
Cash received from customers		7 325 260	22 441 284
Transfers and Subsidies – Operational		9 191 403	37 197 928
Interest		2	-
Payments			
Suppliers and employees		(14 762 343)	(15 081 236)
Finance charges		(36 479)	(35 820)
Net cash from(used) operating activities	23	**1 717 843**	**44 522 156**
Cash flows from investing activities			
Payments			
Purchase of Property,Plant and equipment		(674 999)	(43 997 917)
Net cash flows from investing activities		**(674 999)**	**(43 997 917)**
Net increase/(decrease) in cash		**1 042 844**	**524 239**
Cash and cash equivalents at year begin		2 370 439	1 846 200
		3 413 283	**2 370 439**

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Agency services	2 000 000	-	**2 000 000**	-	**(2 000 000)**	1
Interest on investments	660	(495)	**165**	2	**(163)**	2
Rental	13 872 000	(2 102 000)	**11 770 000**	11 485 722	**(284 278)**	3
Total revenue from exchange transactions	**15 872 660**	**(2 102 495)**	**13 770 165**	**11 485 724**	**(2 284 441)**	
Revenue from non-exchange transactions						
Taxation revenue						
Transfers and subsidies	14 000 000	(4 000 000)	**10 000 000**	9 191 403	**(808 597)**	1
Deposits forfeited	-	-	**-**	80 998	**80 998**	4
Total revenue from non-exchange transactions	**14 000 000**	**(4 000 000)**	**10 000 000**	**9 272 401**	**(727 599)**	
Total revenue	**29 872 660**	**(6 102 495)**	**23 770 165**	**20 758 125**	**(3 012 040)**	
Expenditure						
Bad debts	(8 000 000)	1 000 000	**(7 000 000)**	(4 686 053)	**2 313 947**	5
Contracted services	(800 000)	-	**(800 000)**	(599 120)	**200 880**	6
Depreciation and amortisation	(5 027 000)	(1 000 000)	**(6 027 000)**	(5 336 839)	**690 161**	7
Employee related costs	(14 089 159)	187 159	**(13 902 000)**	(8 952 836)	**4 949 164**	8
Remuneration of councillors	-	-	**-**	(1 104 666)	**(1 104 666)**	
Operational costs	(7 364 841)	597 841	**(6 767 000)**	(4 930 929)	**1 836 071**	9
Total expenditure	**(35 281 000)**	**785 000**	**(34 496 000)**	**(25 610 443)**	**8 885 557**	
Operating deficit	**(5 408 340)**	**(5 317 495)**	**(10 725 835)**	**(4 852 318)**	**5 873 517**	
Loss on disposal of assets and liabilities	-	-	**-**	(1 950)	**(1 950)**	
Deficit before taxation	**(5 408 340)**	**(5 317 495)**	**(10 725 835)**	**(4 854 268)**	**5 871 567**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(5 408 340)**	**(5 317 495)**	**(10 725 835)**	**(4 854 268)**	**5 871 567**	

Accounting Policies

The unaudited annual financial statements of Thabatshweu Housing Association (Pty) Ltd for the year ended 30 June 2023 were authorised for issue by the Directors on 31 August 2023

Except as otherwise disclosed, these accounting policies are consistent in all material respects with those applied in previous years. The principal accounting policies applied in the preparation of these financial statemnets are set out below.

1. Summary of significant accounting policies

1.1 Basis of preparation

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

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

Assets, liabilities, revenues and expenses were not offset, except whe`re offsetting is either required or permitted by a Standard of GRAP.

1.2 Functional and Presentation currency

Items included in the Annual Financial statements of the entity are measured using the functional currency of the primary economic envirnment in which the entity operates.The audited annual financial statements are presented in South African Rand, which is the functional currency of the municipal entity and all values are rounded to the nearest rand.

1.3 Comparative figures

When the presentation or classification of items in the audited annual financial statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

The presentation and classification of items in the current year is consistent with prior periods.

1.4 Significant judgements and sources of estimation uncertainty

In preparing the audited annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the audited 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 audited annual financial statements. Significant judgements include:

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of property, plant and equipment and other assets

The municipal entity's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment and other assets. This estimate involves a matter of judgement based on the experience of the municipal entity with similar assets, and whether the assets will be sold or used to the end of their economic lives and the condition at the time. The municipal entity considers all the facts and circumstances estimating the useful lives of assets, which included the consideration of financial, technical and other facts. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives and decrease the depreciation charge where useful lives are more than the previously estimated useful lives.

The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

In the application of themunicipal entity's accounting policies, which are described below, management is required to make judgement, estimates and assumption that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. The estimates and associated assumptions are based on historical experiences and other factors that are considered too reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

1.5 Property, plant and equipment

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

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

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

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

Accounting Policies

1.5 Property, plant and equipment (continued)

Initial recognition and measurement

Property, plant and equipment are initially recognised at cost on its acquisition date. 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 the municipal entity. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Examples of direclty attributable costs are;

(a) costs of employee benefits (as defined in the Standard of GRAP on Employee Benefits) arising directly from the construction or acquisition of the item of property, plant and equipment;
(b) costs of site preparation;
(c) initial delivery and handling costs;
(d) installation and assembly costs;
(e) costs of testing whether the asset is functioning properly, after deducting the net proceeds from selling any items produced while bringing the asset to that location and condition (such as samples produced when testing equipment); and
(f) professional fees

Where an asset is acquired by the municipal entity for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset 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.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipal entity expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as 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.

Subsequent measurement – revaluation model

Subsequent to initial recognition, land and buildings are carried at a revalued amount based on municipal valuations, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed by external independent values every four years, Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

An increase in the carrying amount of land and buildings as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

When revalued assets are sold or retired, the amounts included in the revaluation reserve in respect of that assets, are transferred to accumulated surplus or deficit.

Accounting Policies

1.5 Property, plant and equipment (continued)

Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated using the straight line method, to allocate their cost or revalued amounts less their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the assets' future economic benefits or service potential are expected to be consumed by the municipal entity. 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 rates are based on the following estimated useful lives:

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Office equipment	Straight-line	5 years
IT equipment	Straight-line	3 years
Buildings	Straight-line	50 years
Furniture and fittings	Straight-line	5 years

The estimated useful life, residual values and depreciation method are assessed at each reporting date on an indicator basis.

The useful lives, residual values and depreciation method are reviewed annually at the end of the financial year where there is any indication that the municipal entity's expectations about the residual amount and the useful life of an asset has changed since the preceding reporting date. Any adjustments arising from the annual review are applied prospectively.

Depreciation of an asset commences when the asset is ready for its intended use. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or, where shorter, the term of the relevant lease. The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is ready for use.

Derecognition

The carrying amount of an item of property, plant and equipment is 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 item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying values of assets (Cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of financial performance as a gain or loss on disposal of property, plant and equipment.

Assets which the municipal entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the Cash flow statement.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or surplus when the compensation becomes receivable.

1.6 Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes are classified and recognised as intangible assets.

Item	Depreciation method	Average useful life
Computer software, other	Straight-line	3 - 5 years
Service operating and land rights	Straight-line	Indefinite

Accounting Policies

1.6 Intangible assets (continued)

Initial recognition and measurement

Intangible assets are initially recognised at cost. The cost of an intangible assets is the purchase price and other costs attributable to bring the intangible assets to the location and condition necessary for it to be capable of operating in the manner intended by the municipal entity, or where an intangible assets is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost.

Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses.

Subsequent measurement

Amortisation is calculated on cost, using the straight-line method, over the useful lives of the assets, which is estimated to be between 3 to 5 years upon initial recognition. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised.

Derecognition

Intangible assets 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 on the disposal or retirement of an intangible assets is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of financial performance.

1.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity. Financial instruments are classified into three categories namely, financial instruments at fair value, financial instruments at amortised cost or financial instruments at cost. The municipal entity determines the classification of its financial instruments at initial recognition.

A financial instrument is recognised if the entity becomes a party to the contractual provisions of the instrument.

1.7.1 Classification of financial instruments

Financial assets

A financial asset is any asset that is a cash or contractual right to receive cash. In accordance with GRAP 104 the Financial Assets of the municipal entity are classified as follows into the three categories allowed by this standard:

Financial asset at amortised cost being a non-derivative financial asset with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets.

Financial assets measured at fair value being financial assets that meet either of the following conditions:

- Derivatives;
- Combined instruments that are designated at fair value;
- Instruments held for trading;
- Non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
- Financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

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

The municipal entity has the following types of financial assets as reflected on the face of the Variance explanation or in the notes thereto:

Type of financial asset	**Classification in terms of GRAP 104**
Consumer debtors	Financial assets at amortised cost

Accounting Policies

1.7 Financial instruments (continued)

Other debtors	Financial assets at amortised cost
Bank balances and cash	Financial assets at amortised cost

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the Cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipal entity categorises cash and cash equivalents as financial assets at amortised cost.

Financial liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

The following main categories of financial liabilities and the classification determining how they are measured exist:

- Financial liabilities measured at amortised cost; or
- Financial liabilities measured at fair value.

The municipal entity has the following types of financial liabilities as reflected on the face of the Variance explanation or in the notes thereto:

Type of financial liability	**Classification in terms of GRAP 104**
Other creditors	Financial liability at amortised cost

Any other financial liabilities should be classified as financial liabilities at amortised cost.

1.7.2 Initial and subsequent measurement

Initial recognition and measurement

A financial instruments is recognised, when the municipal entity becomes a party to the contractual provisions of the instrument, and are initially measured at fair value. In the case of a financial instruments not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial instruments are added or deducted from the fair value, as appropriate on initial recognition.

Accounting Policies

1.7 Financial instruments (continued)

Subsequent measurement – Financial assets

Financial assets consist of cash and cash equivalents, deposits, receivables and investments.

Receivables are subsequently measured at amortised cost using the effective interest rate method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

A provision for impairment of receivables is established when there is objective evidence that the municipal entity will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Changes in the carrying amount of the provision is recognised in the Statement of financial performance. When a receivable is considered uncollectible, it is written off against the provision. Any gains or losses arising from the change in fair value of investments measured at fair value are recognised in the Statement of financial performance.

Residual interests that do not have a quoted market price in an active market, and the fair value of which cannot be reliably are subsequently measured at cost less any impairment. Impairment is considered when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. Any calculated impairment is recognised in the Statement of financial performance.

Financial assets at amortised cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial assets. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis.

Trade and other receivables (excluding Value Added Taxation, prepayments and operating lease receivables), loans to municipal entities and loans that have fixed and determinable payments that are not quoted in an active market are classified as financial assets at amortised cost.

Financial assets measured at fair value are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the Statement of financial performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the Statement of financial performance.

Subsequent measurement – Financial liabilities

Financial liabilities consist of payables, interest bearing loans and bank overdrafts. These liabilities are subsequently measured at amortised cost, using the effective interest rate method. Finance costs are expensed in the Statement of financial performance in the period in which they are incurred except where stated otherwise (see accounting policy on borrowing costs).

1.7.3 Impairment of financial assets

Consumer debtors

Consumer debtors are assessed individually thereafter collectively, considering factors such as payment histories and ratios, qualitative factors e.g. correspondence from attorneys, disputes about certain accounts, etc.

Other debtors

Other debtors are reviewed individually considering payment histories and disputes about certain amounts. Provision for impairment is made accordingly.

Accounting Policies

1.7 Financial instruments (continued)

1.7.4 Derecognition

Financial assets

The municipal entity derecognises financial assets only when the contractual rights to the cash flows from the asset expires or it transfers the financial assets and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of financial assets due to non-recoverability.

If the municipal entity neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipal entity recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipal entity retains substantially all the risks and rewards of ownership of a transferred financial assets, the municipal entity continues to recognise the financial assets and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

The municipal entity derecognises financial liabilities when, and only when, the municipal entity's obligations are discharged, cancelled or they expire.

1.8 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Accounting Policies

1.8 Employee benefits (continued)

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

When an employee has rendered service to the entity during a reporting period, the entity recognises 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 recognises 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 the case of non-accumulating absences, when the absence occurs. The entity measures 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 recognises 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. A present obligation exists when the entity has no realistic alternative but to make the payments.

1.9 Provisions

Provisions are recognised when the municipal entity has a present (legal or constructive) obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made.

The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the municipal entity, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances, where the provision being measured involves a large population of items; the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of financial performance as a finance cost as it occurs.

Accounting Policies

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

1.11 Revenue

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

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

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

Recognition and measurement

The municipal entity recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipal entity and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipal entity bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Revenue from exchange transactions refers to revenue that accrued to the municipal entity directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the municipal entity received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Accounting Policies

1.11 Revenue (continued)

1.11.1 Revenue from exchange transactions

Rental

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

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipal entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the cost incurred for the transaction and the cost to complete the transaction can be measured reliably.

Interest

Revenue arising from the use by others of entity assets yielding interest or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipal entity, and
- The amount of the revenue can be measured reliably.

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

Income from agency services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Accounting Policies

1.11 Revenue (continued)

1.11.2 Revenue from non-exchange transactions

Transfers and subsidies

Unconditional grants

Equitable share allocations are recognised in revenue at the start of the financial year.

Conditional grants

Conditional grants recognised as revenue to the extent that the municipal entity has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Interest earned on grants received and invested is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipal entity's interest it is recognised as interest earned in the Statement of financial performance.

Revenue recognition of unclaimed deposits

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

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

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

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

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

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

1.12 Unspent conditional grants

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

1.13 Unauthorised expenditure

Section 1 of the Municipal Finance Management Act (Act 56 of 2003) (MFMA), defines Unauthorised expenditure as follows:

- Overspending of the total amount appropriated in the municipal entity’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;

Accounting Policies

1.13 Unauthorised expenditure (continued)

- Spending of an allocation referred to in the above paragraphs of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- A grant by the municipal entity otherwise than in accordance with this Act.

Section 1 of the Municipal Finance Management Act (Act 56 of 2003) (MFMA) also defines a Vote as:

- One of the main segments into which a budget of a municipal entity is divided for the appropriation of money for the different departments or functional areas of the municipal entity; and
- Which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.

The municipal entity uses the Municipal Standard Chart of Accounts (mSCOA) Functions and Sub-functions, previously the Government Finance Statistics (GFS) functions, as well as departments as the main groupings of segments of the municipal entity’s budget segments within the municipal entity are grouped per department to facilitate greater accountability and budget implementation by the respective Executive Directors as well as per mSCOA classification to facilitate comparisons on a higher level.

All expenditure relating to unauthorised expenditure is recognised as an expense in the Statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of financial performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

1.14 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. 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.

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

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

1.15 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act 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 municipal 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.

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

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

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Accounting Policies

1.15 Irregular expenditure (continued)

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.16 Revaluation reserve

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

1.17 Budget information

Municipal entity 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 municipal 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 2022/07/01 to 2023/06/30.

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

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

In general, a difference of 10% or more is considered material, although the surrounding circumstances are taken into account if it could influence the decisions or assessments of the users of the annual financial statements in determining whether a difference between the budgeted and actual amount is material.

All comparisons of the budget and actual amounts shall be presented on a comparative basis to the budget. Comparative information includes the following:
- the approved and final amounts;
- actual amounts and final budget amounts.

1.18 Related parties and related party transactions

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. Related party relationships where control exists are disclosed regardless of whether any transactions took place between the parties during the reporting period.

Related parties include key management personnel, close members of family of key management and councillors.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

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.

Accounting Policies

1.18 Related parties and related party transactions (continued)

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Key management personnel include all heads of department or members of the municipal council of the reporting municipal entity where that council has jusridiction. The Council, together with the Municipal Manager and Section 57 employees has authority and responsibility to plan and control the activities of the municipal entity, to manage the resources and for the overall achievement of municipal objectives.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the municipal entity.

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

The municipal entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipal entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipal entity is exempt from the disclosures in accordance with the above, the municipal entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity’s financial statements to understand the effect of related party transactions on its annual financial statements.

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

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

1.20 Change in accounting policies, estimates and errors

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipal entity shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipal entity shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Details of changes in accounting policies, changes in estimates and correction of errors are disclosed in the notes to the audited annual financial statements where applicable.

Accounting Policies

1.21 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.22 Housing development reserve

Sections 15(5) and 16 of the Housing Act, 1997 (Act 107 of 1997), which came into operation on 1 April 1998, requires that the municipal entity maintain a separate housing operating account. This legislated separate operating account will be known as the Housing Development Fund. The Housing Act also requires in terms of section 14(4)(d)(iii)(aa) read with, inter alia, section 16(2) that the net proceeds of any letting, sale of property or alienation, financed previously from government housing funds, be paid into a separate operating account and be utilised by the municipal entity for housing development, subject to the approval of the Provincial MEC responsible for housing. Loans from national and provincial government that were used to finance housing selling schemes were extinguished on 1 April 1998 and transferred to the Housing Development Fund.

The following provisions are set for the creation and utilisation of the Housing Development Fund:

- Housing Development Fund must have its own separate bank account or allocated investments and must be backed by cash or related assets.
- Any contributions to or from the fund must be shown as transfers in the Statement of changes in net assets.
- Interest earned on the investments backing up this fund must be recorded as part of interest earned in surplus or deficit for the year and can be transferred via the Statement of changes in net assets to the Housing Development Fund.

1.23 Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash and are subject to an insignificant risk of change in value. Cash and cash equivalents are carried at amortised cost. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are carried at amortised cost.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts.

Notes to the Audited Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipal entity has not applied the following standards and interpretations, which have been published and are mandatory for the municipal entity's accounting periods beginning on or after 01 July 2023 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 25 (as revised): Employee Benefits	01 April 2023	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	01 April 2023	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact
• iGRAP 21: The Effect of Past Decisions on Materiality	01 April 2023	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2023	Unlikely there will be a material impact

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022

3. Cash and cash equivalents

3.1 Cash and cash equivalents

Cash and cash equivalents consist of the following:

Call deposits and investments		
Other cash and cash equivalents	513	754
Short term deposits	1 793 849	1 684 814
	1 794 362	**1 685 568**
Cash at bank		
Bank account	1 618 860	684 811
Cash on hand	60	60
Total cash and cash equivalents	**3 413 282**	**2 370 439**

Cash at banks earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods, depending on the immediate cash requirements earn interest at the respective short-term deposit rate.

Call deposits and investments by financial institution

3.2 Bank accounts

The municipal entity has the following bank accounts:

First National Bank	FNB Bank - Annedale Ext 2 - cheque account - 62808280490	7 495	423 830
First National Bank	FNB Bank - Polokwane Ext 76 - cheque account - 62808279352	561	784
First National Bank	FNB Bank - 32 day interest plus account - 74372485836	1 793 849	1 684 814
First National Bank	FNB Bank - Refundable Deposit - Cheque account - 62118359191	513	754
First National Bank	FNB Bank - Operational - Cheque account - 62078322105	1 610 804	260 197
Total		**3 413 222**	**2 370 379**

The entity's First National Bank -32 day interest plus account-74372485836 with a balance of R1 793 849(2022-R 1 684 814) is held for tenants depositspaid at inception of rental agreement.

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022

3. Cash and cash equivalents (continued)

3.3 Difference between cash book and bank statement

2023

	Cash book	Bank statement
First National Bank - Annedale Ext 2 - 62808280490	7 495	7 495
First National Bank - Polokwane Ext 76 - 62808279352	561	561
First National Bank - 32 days notice - 74372485836	1 793 849	1 793 849
First National Bank - Refundable Deposit - 62118359191	513	513
First National Bank - Operational - 62078322105	1 610 804	1 610 804
	3 413 222	**3 413 222**

2022

	Cash book	Bank statement
First National Bank - Annedale Ext 2 - 62808280490	423 830	423 830
First National Bank - Polokwane Ext 76 - 62808279352	784	784
First National Bank - 32 days notice - 74372485836	1 684 814	1 684 814
First National Bank - Refundable Deposit - 62118359191	754	754
First National Bank - Operational - 62078322105	260 197	260 197
	2 370 379	**2 370 379**

4. Receivables from non-exchange transactions
Other receivables

	2023	2022
SARS:PAYE	7 549	3 659
Grant receivable	-	808 597
	7 549	**812 256**

No receivables from non-exchange transactions have been held as colleteral.

Notes to the Audited Annual Financial Statements

Figures in Rand

5. Property, plant and equipment

5.1Summary

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	95 336 500	-	95 336 500	65 040 435	-	65 040 435
Buildings	370 440 929	(44 931 177)	325 509 752	127 366 512	(37 195 443)	90 171 069
Office equipment	163 615	(128 739)	34 876	163 615	(112 619)	50 996
Furniture and fixtures	208 100	(195 676)	12 424	208 100	(193 268)	14 832
IT equipment	197 992	(137 127)	60 865	210 992	(137 822)	73 170
Total	**466 347 136**	**(45 392 719)**	**420 954 417**	**192 989 654**	**(37 639 152)**	**155 350 502**

Reconciliation of property, plant and equipment - 2023

	Opening balance	Derecognition	Transfers	Revaluations	Depreciation	Total
Land	65 040 435	-	-	30 296 065	-	95 336 500
Buildings	90 171 069	-	231 463 407	9 174 802	(5 299 526)	325 509 752
Office equipment	50 996	-	-	-	(16 120)	34 876
Furniture and fixtures	14 832	-	-	-	(2 408)	12 424
IT equipment	73 170	(1 950)	-	-	(10 355)	60 865
	-	-	-	-	-	-
	155 350 502	**(1 950)**	**231 463 407**	**39 470 867**	**(5 328 409)**	**420 954 417**

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Depreciation	Impairment loss	Total
Land	65 040 435	-	-	65 040 435
Buildings	92 734 066	(2 547 330)	(15 667)	90 171 069
Office equipment	61 001	(10 005)	-	50 996
Furniture and fixtures	20 170	(5 338)	-	14 832
IT equipment	84 463	(11 293)	-	73 170
	157 940 135	**(2 573 966)**	**(15 667)**	**155 350 502**

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 municipal entity.

Revaluations

The effective date of the revaluation was Friday,30 June 2023. Revaluations were performed by MMB Consulting.MMB Consulting and its directors are not connected to the municipal entity. [The valuations are performed by Mr Madishe Shokoane CA (SA)].

Land and Building are revalued independently every three years

The valuation for land is based on the market rate per square metre , taking into account the extent of the property.

All assumptions were based on current market conditions at the time of the valuation

5.2 Property, plant and equipment pledged as security

No assets have been pledged as security.

6. Work in progress

	2023	2022
Property, plant and equipment	-	219 954 123

The work in progress relates to the construction of social housing units, situated in Ladanna, referred to as Annerdale Extension 2 project.

Reconciliation of work in progress		
Opening balance	219 954 123	196 756 197
Additional expenditure	11 509 284	23 197 926
Transfer to P.P.E	(231 463 407)	-
	-	**219 954 123**

Notes to the Audited Annual Financial Statements

Figures in Rand		2023	2022

7. Intangible assets

7.1 Reconciliation of carrying value

2023

		Computer software	Total
Opening carrying value as at 01 July 2022			
Cost		83 676	83 676
Accumulated depreciation and impairment		(58 957)	(58 957)
		24 719	**24 719**
Additions from acquisitions		-	-
Additions from transfer of functions / mergers		-	-
Revaluation adjustments		-	-
Capitalised costs (including WIP)		-	-
Amortisation	18	-	-
		-	**-**
Cost		83 676	83 676
Accumulated amortisation and impairment		(58 957)	(58 957)
		24 719	**24 719**

2022

	Computer software	Total
Opening carrying value as at 01 July 2021		
Cost	83 676	83 676
Accumulated depreciation and impairment	(50 524)	(50 524)
	33 152	**33 152**
Cost	83 676	83 676
Accumulated amortisation and impairment	(50 524)	(50 524)
	33 152	**33 152**

There are no intangible assets work in progress that are halted, delayed or taking a significantly long time to be developed in the current financial year.

7.2 Intangible assets pledged as security

No intangible assets are pledged as security.

8. Trade and other payables from exchange transactions

		2023	2022
Control and clearing accounts	8.1	9 509	4 484
Other payables	8.2	16 376 921	4 583 606
Total		**16 386 430**	**4 588 090**
Current		16 386 430	4 588 090

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022

8. Trade and other payables from exchange transactions (continued)

8.1 Control and clearing accounts

Salary Control	562	564
Skills control	8 947	3 920
Total	**9 509**	**4 484**

8.2 Other payables

Deposits received	1 793 849	1 684 814
Payables - Working in Progress	11 209 283	374 998
Payables and accruals	1 993 569	839 811
Unallocated deposits	1 026 416	1 050 364
Advance payments	353 804	633 619
Total	**16 376 921**	**4 583 606**

Notes to the Audited Annual Financial Statements

Figures in Rand

9. Trade and other payables from non-exchange transactions – Unspent transfers and subsidies

		2023		2022			
		Opening balance	Closing balance	Opening balance	Funds received	Funds utilised	Closing balance
Capital							
Monetary allocations	9.1	8 309	8 309	(5 800 287)	31 608 596	(25 800 000)	8 309
Total		**8 309**	**8 309**	**(5 800 287)**	**31 608 596**	**(25 800 000)**	**8 309**

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022

9. Trade and other payables from non-exchange transactions – Unspent transfers and subsidies (continued)

9.1 Capital monetary allocations

	2023		2022			
	Opening balance	Closing balance	Opening balance	Funds received	Funds utilised	Closing balance
Departmental agencies and accounts						
National departmental agencies	8 310	8 310	(5 800 286)	-	-	(5 800 286)
District municipalities						
Limpopo	-	-	-	31 608 596	(25 800 000)	5 808 596
Provincial government						
Limpopo	(1)	(1)	(1)	-	-	(1)
Total capital monetary allocations	**8 309**	**8 309**	**(5 800 287)**	**31 608 596**	**(25 800 000)**	**8 309**

10. Provisions

		2023	2022
Bonus		410 363	383 745
Leave	10.1	524 181	1 029 888
Closing balance		**934 544**	**1 413 633**
Transferred to current provisions		(934 544)	(1 413 633)
Total non-current provisions		**-**	**-**
Current		934 544	1 413 633

10.1 Leave

	2023	2022
Opening Balance	1 029 887	985 691
Increases	-	145 869
Reductions(payments,remeasurement etc)	(505 706)	(101 672)
Closing balance	**524 181**	**1 029 888**
Transferred to current provisions	(524 181)	(1 029 888)
Total non-current provision	**-**	**-**

11. Share capital

	2023	2022
Authorised share capital		
1000 shares at R1 each	1 000	1 000
Issued share capital		
1000 shares at R1 each	1 000	1 000

12. Reserves and funds

	2023	2022
Revaluation reserve	117 788 661	78 317 796

Refer to Statement of changes in net assets for more detail and the movement on Reserves.

Notes to the Audited Annual Financial Statements

Figures in Rand		2023	2022

13. Transfers and subsidies - Revenue

Operational			
Monetary allocations	13.1	9 191 403	14 000 000
Capital			
Monetary allocations	13.2	-	23 197 928
Total		**9 191 403**	**37 197 928**

13.1 Monetary allocations: Operational

Polokwane Municipality Operational Grant	9 191 403	14 000 000

13.2 Monetary allocations: Capital

Parent municipality	-	23 197 928

14. Rental

Non-market related	11 485 722	11 335 132

14.1 Rental by asset class

Non-market related		
Property, plant and equipment		
• Land and buildings	11 485 722	11 335 132
	11 485 722	**11 335 132**

14.2 Rental by type

Non-market related

Property, plant and equipment		
Infrastructure assets		
• Ad-hoc rentals	11 485 722	11 335 132
Total	**11 485 722**	**11 335 132**

15. Employee related cost

Municipal staff	15.1	8 952 836	9 756 991

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022

15. Employee related cost (continued)

15.1 Municipal staff costs

	2023	2022
Basic salary	6 575 011	7 207 091
Bonuses	410 363	383 745
Service-related benefits	30 066	17 267
Allowances	691 608	574 565
Bargaining council	845	845
Provident fund	1 012 389	970 262
Medical	460 288	404 136
Leave pay provision expense	(274 510)	145 155
Unemployment insurance	46 776	53 925
Total	**8 952 836**	**9 756 991**

The executive director emoluments are included in the above municipal staff costs.

This can be analysed as follows:

2023	Basic salary	Medical aid	Provident fund	UIF & SDL	Total
J.T Maimela	1 171 578	73 238	105 304	16 729	1 366 849

2022	Basic salary	Medical aid	Provident fund	UIF & SDL	Total
J.T Maimela	1 205 973	76 416	101 036	17 127	1 400 552

16. Directors Remuneration

	2023	2022
Board members and entity costs	1 104 666	1 022 189

17. Provision for bad debts

	2023	2022
Debt impairment	4 686 053	6 725 527

The following key assumptions were used in estimating the debt impairment:

- any debtor owing the entity for more than three years will not be able to pay and hence fully impaired;
- debtors whose long outstanding debt is less than three years are subjected to being present value based on the prime rate and collection rate to determine the impairment amount.

18. Depreciation and amortisation

	Note	2023	2022
Amortisation			
Intangible assets	7.1	8 432	8 432
Depreciation			
Property, plant and equipment		5 328 407	2 573 967
Total		**5 336 839**	**2 582 399**

19. Contracted services

	Note	2023	2022
Consultants and professional services	19.1	-	1 491
Contractors	19.2	82 337	206 458
Co-sourced services	19.3	516 783	285 327
Total		**599 120**	**493 276**

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022

19. Contracted services (continued)

19.1 Consultants and professional services

Business advisory services		
Credit rating agencies	-	1 491

19.2 Contractors

General services		
Gardening services	-	1 980
Maintenance services		
Maintenance of buildings and facilities	82 337	204 478
Total contractor	**82 337**	**206 458**

19.3 Co-sourced services

General services		
Internal Auditors	516 783	285 327

20. Operational costs

Advertising, Publicity and Marketing	51 365	12 404
Bank Charges, Facility and Card Fees	36 479	35 820
Communication	83 425	95 613
External Audit Fees	1 199 993	1 078 929
Legal fees	238 346	2 718 643
Insurance Underwriting	219 395	202 223
Staff welfare	768	-
Printing, Publications and Books	4 743	58 847
Professional Bodies, Membership and Subscription	45 300	38 100
Registration Fees	33 576	64 771
Skills Development Fund Levy	79 044	83 099
System Access and Information Fees	87 170	77 919
Travel and Subsistence	205 322	71 602
Uniform and Protective Clothing	-	25 041
Security services	2 646 003	2 139 011
Total	**4 930 929**	**6 702 022**

21. Impairment losses on assets

Property, plant and equipment	1 950	15 668

22. Auditors remuneration

External Audit Fees	1 199 993	1 078 929

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022

23. Net cash from/(used) operating activities

(Deficit) surplus for the year	(4 854 268)	21 400 542
Adjustments for:		
Depreciation and amortisation	5 336 839	2 582 399
Bad debts written off	4 686 053	6 725 527
Increase / (Decrease) in provisions	(479 089)	57 174
Impairment loss	1 950	15 668
Movement in working capital		
(Increase) / Decrease in receivables from non-exchange transactions	804 707	16 664 814
(Increase) / Decrease in receivables from exchange transactions	(4 742 404)	(6 563 960)
Increase / (Decrease) in trade and other payables	1 267 818	2 800 248
Payments received in advance	(279 815)	566 597
Unidentified receipts	(23 948)	273 147
Net cash flows from operating activities	**1 717 843**	**44 522 156**

24. Financial instruments

24.1 Fair value of financial instruments

The management of the municipal entity is of the opinion that the carrying value of Financial Assets and Financial Liabilities recorded at amortised cost in the audited annual financial statements approximate their fair values. In accordance with GRAP 104 the Fair Values of Financial Assets and Financial Liabilities, together with the carrying amounts shown in the Variance explanation, are as follow:

		2023		2022	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets					
Amortised cost					
Trade and other receivables from exchange transactions	33	707 218	707 218	-	-
Receivables from exchange transactions		-	-	650 867	650 867
Cash and cash equivalents	3	3 413 282	3 413 282	2 370 439	2 370 439
		4 120 500	**4 120 500**	**3 021 306**	**3 021 306**
Financial liabilities					
Amortised cost					
Trade and other payables:					
Trade and other payables from exchange transactions	8	16 386 430	16 386 430	4 588 090	4 588 090
Total financial instruments		**(12 265 930)**	**(12 265 930)**	**(6 565 835)**	**(6 565 835)**

The fair values of financial assets and financial liabilities are determined as follows:

Fair values for financial assets are based on quoted market prices in active markets for an identical instrument.

For financial liabities the contractual undiscounted cash flow is used. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

24.2 Market risk

The municipal entity’s activities expose it primarily to the financial risks of changes in interest rates (see Note 24.3 below). No formal policy exists to hedge volatilities in the interest rate market.

Notes to the Audited Annual Financial Statements

24. Financial instruments (continued)

24.3 Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk on financial assets consist mainly of fixed deposit investments and bank and cash balances.

The municipal entity is not exposed to a high level of interest rate risk on its financial liabilities.The municipal entity does not hold any interest bearing external loan liabilities, Similarly with financial assets, the municipal entity invests its surplus funds on call deposit interest rate deposits with banks for fixed terms not exceeding one year.

The municipal entity's’s maximum exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

24.4 Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Council. The municipal entity manages liquidity risk by effectively managing its working capital, capital expenditure, external borrowings and cash flows.

30 June 2023

	Within 1 year	Total
Maturity analysis		
Trade and other payables	16 386 430	16 386 430

30 June 2022

	Within 1 year	Total
Maturity analysis		
Trade and other payables	4 588 090	4 588 090

The municipal entity expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The municipal entity expects to maintain its current debt to equity ratio. This will be achieved through the annual increase in tariffs to maintain the accumulated surplus.

24.5 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipal entity.

Potential concentrations of credit risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The municipal entity manages credit risk in its borrowing and investing activities by only dealing with wellestablished financial institutions of high credit standing, and by spreading its exposure over a range of such institutions in accordance with its approved investment policies. Credit risk relating to consumer debtors is managed in accordance with the municipal entity’s credit control and debt collection policy. The municipal entity’s credit exposure is spread over a large number and wide variety of consumers and is not concentrated in any particular sector or geographical area. Adequate provision has been made for anticipated bad and doubtful debts. Additional information relating to the analysis of consumer debtors is given in the accounting policies and Note 4 to the audited annual financial statements.

The municipal entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipal entity defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The carrying amount of financial assets recorded in the audited annual financial statements, which is net of impairment losses, represents the municipal entity’s maximum exposure to credit risk without taking account of the value of any collateral obtained.

Notes to the Audited Annual Financial Statements

Figures in Rand		2023	2022

24. Financial instruments (continued)

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follow:

Trade and other receivables from exchange transactions	33	707 218	650 867
Bank and cash balances	3	3 413 282	2 370 439
Maximum credit and interest risk exposure		**4 120 500**	**3 021 306**

25. Unauthorised, irregular, fruitless and wasteful expenditure

25.1 Irregular expenditure

Opening balance as previously reported	21 159 110	21 159 110
Add: Irregular expenditure - current	-	-
Add: Irregular expenditure – prior period	-	-
Less: Amount recoverable - current	-	-
Less Amount recoverable – prior period	-	-
Less: Amounts written-off – current	-	-
Less: Amounts written-off – prior period	-	-
Closing balance	**21 159 110**	**21 159 110**

The Municipal Public Accounts Committee is currently busy with investigations.

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25.2 Fruitless and wasteful expenditure

Opening balance as previously reported	494 400	494 400
Add: Fruitless and wasteful expenditure – current	-	-
Add: Fruitless and wasteful expenditure expenditure – prior period	-	-
Less: Amount recoverable – current	-	-
Less Amount recoverable – prior period	-	-
Less: Amounts written-off – current	-	-
Less: Amounts written-off – prior period	-	-
Closing balance	**494 400**	**494 400**

The Municipal Public Accounts Committee is currently busy with investigations.

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022

26. Related party disclosures

26.1 Nature of related party relationships

Related party	Nature of relationship
Directors	Refer to Directors fees
Controlling entity	Polokwane Municipality
Members of key management	J.T Maimela
	M.J Gololo
	M Kgosana
	S.M Mashabela
	S.M Vilakazi
	O Galane

Executive Director	Basic Salary	Medical Aid	Provident Fund	UIF & SDL	Total
J.T Maimela	1 171 578	73 238	105 304	16 729	1 366 849

Board members	Directors fees	Travel	Other	Total
M J Gololo	161 472	224	-	161 696
A.M Kgosana	145 325	894	-	146 219
S.M Mashabela	418 597	4 698	-	423 295
S.M Vilakazi	145 325	294	-	145 619
O Galane	177 619	46	-	177 665
Other expenditure relating to directors	-	-	50 171	50 171
	1 048 338	**6 156**	**50 171**	**1 104 665**

26.2 Related party transactions

	2023	2022
Grants received from related party		
Polokwane Municipality - capital grant	-	30 800 000
Polokwane Municipality - Operational grant	9 191 404	14 000 000
	9 191 404	**44 800 000**

	2023	2022
Expenditure paid by related party		
Munsoft (pty) Ltd	1 096 046	1 047 930
MMB Consulting	1 071 823	1 225 381
	2 167 869	**2 273 311**

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

26.3 Related party balances

27. Budget information

Explanation of variances between approved and final budget amounts

The reason for the variances between the approved and final budgets are mainly due to reallocations made within the approved budget parameters allowed for by the Virement Policy of Thabatshweu Housing Association (Pty) Ltd as approved by Council.

Explanation of variances greater than 10%: Final Budget and Actual Amounts.

Notes to the Audited Annual Financial Statements

27. Budget information (continued)

27.1. Variance explanation

1 - Variance is less than 10%, no explanation required.

2 - This variance is as a result of the entity not being able to bill Annadale ext 2 due to late completion of the property hence loss on interest
3 - The variance between final budget and actual amounts is as a result of uninhabitable rental unit requiring maintanace,the approved budget of R13 872 000 was adjusted down to R11 770 000 due to Annadale extension two initally being budgeted for however tenants could not accupy the building due to water challenges consequently the budget had to be adjusted. .

4 - The difference is as a result of revenue not anticipated therefore not budgeted for..

5 - The variance is due to the entity having an improved collection rate which lead to less impairment of debt, consequently the budget was adjusted for the same reasons.

6 - The entity spend less due to stringent cashflow management.

7 -The adjustment on the approved budget was as an anticipation of the comletion of Annadale Extension two project which would increase the depreciation amount however the actual amounts where less than anitcipated due to late completion of the project

8-Variance as a result of vacancies which where filed after year end.

9-Stringent cash flow management led to less speding on operational costs

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022

28. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Current year subscription / fee	1 199 993	1 078 929

UIF

Current year subscription / fee	46 776	53 925

Pension and Medical Aid Deductions

Current year subscription / fee	1 492 531	57 918

29. Going concern

We draw attention to the fact that at 30 June 2023, the municipal entity had an accumulated surplus of R 289 988 240 and that the municipal entity's total liabilities exceed its assets by R 407 777 901.

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

No material uncertainity exists that could otherwise cast significant doubt upon the entity's ability to continue as a going concern and therefore the entity will realize its assets and settle its liabilities in the ordinary course of business at the amounts recorded in the financial statements.

Management assessment is based on the following key indicators:

- the entity managed to maintain the same rate of average collection rate comparatively yearly, and in the last two months of financial year the entity collection rate increased which is encouraging
- the commitment of the parent municipality with operational grant.

  Management has therefore determined that the actions that it has taken are sufficient to mitigate the uncertainty and has therefore prepared the financial reporting on a going concern basis.

Notes to the Audited Annual Financial Statements

30. GRAP 3 adjustments

The following restatements and adjustments occurred which are set out below:

30.1 Adjustments of Statement of Financial Position

2023

	Note	As previously reported	Correction of error	Restated
Assets				
Current assets				
Cash and cash equivalents	3	2 370 439	-	2 370 439
Receivables from exchange transactions	33	650 867	-	650 867
Receivables from non-exchange transactions	4	5 299 311	(4 487 055)	812 256
		8 320 617	**(4 487 055)**	**3 833 562**
Non-current assets				
Property, plant and equipment	5	81 514 624	73 835 878	155 350 502
Intangible assets	7	33 152	-	33 152
Work in progress	6	219 954 123	-	219 954 123
		301 501 899	**73 835 878**	**375 337 777**
Total Assets		**309 822 516**	**69 348 223**	**-**
Net assets and liabilities				
Current liabilities				
Payables from exchange transactions	8	(9 587 141)	4 999 051	4 588 090
Payables from non-exchange transactions	9	8 309	-	8 309
Provisions	10	1 413 633	-	1 413 633
		(8 165 199)	**4 999 051**	**6 010 032**
Total net assets				
Share capital		1 000	-	1 000
Reserves	12	78 317 796	-	78 317 796
Accumulated surplus		201 606 358	71 835 609	273 441 966
Total net assets and liabilities		**279 925 154**	**71 835 609**	**351 759 762**

Notes to the Audited Annual Financial Statements

30. GRAP 3 adjustments (continued)

30.2 Adjustments of Statement of financial performance items

2023

		Note	As previously reported	Correction of error	Restated
Revenue					
Non-exchange revenue					
Transfers and subsidies	13	(37 197 928)	-	-	(37 197 928)
Deposits forfeited	32	(165 554)	-	-	(165 554)
		(37 363 482)	**-**	**-**	**(37 363 482)**
Exchange revenue					
Rental	14	(11 335 132)	-	-	(11 335 132)
Total Revenue		**(48 698 614)**	**-**	**-**	**48 698 614**
Expenditure					
Employee related cost		15	9 756 991	-	9 756 991
Directors remuneration		16	1 022 189	-	1 022 189
Debt impairment / write-off			6 725 527	-	6 725 527
Depreciation, amortisation and impairment		18	5 145 398	(2 547 331)	2 598 067
Contracted services		19	493 276	-	493 376
Operational costs		20	6 666 957	35 065	6 702 022
Total expenditure			**29 810 338**	**(2 512 266)**	**27 298 172**

30.3 Correction of errors

The following prior period errors adjustments occurred:

Property,plant and equipment

Balance previously reported	81 514 624
Recognition of Land not previously included in the fixed asset register	36 640 435
Adjusting 2021 closing accumulated depreciation for building to align with correct useful life	34 648 112
Correction of prior year annual depreciation for buildings to align with correct useful life	2 547 331
	155 350 502

Receivables from non- exchange transactions

Balance previously reported	5 299 311
Correction of 2022 opening balance	(4 487 055)
	812 256

Notes to the Audited Annual Financial Statements

30. GRAP 3 adjustments (continued)

Payables from exchange transactions

Balance previously reported	(9 587 141)
Recognition of accrual not recognised in the prior year	(35 065)
Correction of 2022 opening balance	5 034 116
	(4 588 090)

Accumulated surplus

Balance previously reported	(201 606 358)
Recognition of Land not previously included in the fixed asset register	(36 640 435)
Adjusting 2021 closing accumulated depreciation for building to align with correct useful life	(34 648 112)
Correction of 2022 opening balance receivables from non-exchange	4 487 055
Correction of 2022 opening balance payables from exchange	(5 034 116)
	(273 441 966)

Depreciation and amortisation

Balance previously reported	5 129 730
Correction of prior year annual depreciation for buildings to align with correct useful life	(2 547 331)
	2 582 399

Operating cost

Balance previously reported	6 666 957
Recognition of accrual not recognised in the prior year	35 065
	6 702 022

31. Commitments

Total commitments

Total commitments		
Authorised capital expenditure	-	4 784 581
Authorised operational expenditure	1 246 264	3 927 368
	1 246 264	**8 711 949**

32. Deposits forfeited

Deposits forfeited	80 998	165 554

Notes to the Audited Annual Financial Statements

33. Receivables from exchange transactions
Consumer receivables from exchange transactions

	33.1		
Trade receivables		71 076 269	66 030 102
Less: Provision for doubful debt		(70 392 160)	(65 402 344)
Staff loans		23 109	23 109
		707 218	**650 867**

The amount disclosed in this note is net of impairment. Refer to note 33.1 for the amount before the provision (gross) and the actual value of the provision.

33.1 Consumer receivables

33.1.1 Ageing of consumer receivables

2023

		Not due	Past due			
	Total	Current	30 days	60 days	90 days	120+ days
Consumer receivables from exchange transactions						
Total by debt type						
Trade Debtors	71 076 269	458 026	414 778	429 281	425 631	69 348 553
Debtors with credit balances	1 380 220	15 505	(3 951)	(7 265)	(2 575)	1 378 506
Staff Loans	23 109	-	-	-	-	23 109
Total by debt type	**72 479 598**	**473 531**	**410 827**	**422 016**	**423 056**	**70 750 168**

2022

		Not due	Past due			
	Total	Current	30 days	60 days	90 days	120+ days
Consumer receivables from exchange transactions						
Total by debt type						
Trade Debtors	66 030 102	(313 136)	199 691	542 896	522 170	65 078 481
Debtors with credit balances	1 683 983	67 480	367 555	29 850	58 446	1 160 652
Staff Loans	23 109	-	-	-	-	23 109
Total by debt type	**67 737 194**	**(245 656)**	**567 246**	**572 746**	**580 616**	**66 262 242**

33.1.2 Consumer receivables pledged as security

No consumer debtors are pledged as security

34. Events after balance sheet date

The board are not aware of any matter or circumstance arising since the end of the financial year, that may need to be adjusted for or disclosed in the Annual Financial Statementst

Notes to the Audited Annual Financial Statements

35. Contingent assets

	-	13 430 229

Amount relating to an agreement entered into between the municipal entity and Social Housing Regulatory Authority (SHRA) for the development of 494 housing units with a final payment becoming due once all units are completed and occupied was incorretly classified as contigent asset as it does not meet the definition of a claim as per GRAP 19 Provisions, contingent liabilities and contingent assets.