Claremont Improvement District Company
(Non-Profit Company)
(Registration number 2000/029184/08)
Annual Financial Statements
for the year ended 30 June 2019

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	To provide Community-based Private Urban Management within the public areas of Claremont
Directors	F Behardien N Gardner GR Hiscock G Huntingford M Nixon DS Stoll C Vaskys
Registered office	25 Stegman Road Claremont 7708
Auditors	BDO South Africa Inc. Chartered Accountants (SA) Registered Auditors
Company registration number	2000/029184/08
Level of assurance	These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa.
Preparer	The annual financial statements were independently compiled by: KAS Drafting Proprietary Limited Hoosain Abbas Chartered Accountant (SA)
Issued	23 August 2019

Index

Tel: +27 21 460 6300
Fax: +27 21 460 6336
www.bdo.co.za

6th Floor,
119 - 123 Hertzog
Boulevard, Foreshore,
Cape Town, 8001
PO Box 2275
Cape Town, 8000

Independent Auditor's Report

To the directors of
Claremont Improvement District Company (Non-Profit Company)

Opinion

We have audited the financial statements of Claremont Improvement District Company (Non-Profit Company) set out on pages 8 to 22, which comprise the statement of financial position as at 30 June 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Claremont Improvement District Company (Non-Profit Company) as at 30 June 2019 , and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants* (including International Independence Standards) respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Claremont Improvement District Company (Non-Profit Company) Annual Financial Statements for the year ended 30 June 2019", which includes the Directors' Report as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

BDO South Africa Inc.

BDO South Africa Incorporated
Registered Auditors

Yolanda Weaver-Sasman
Partner
Registered Auditor

26 August 2019

6th Floor, BDO House
119-123 Hertzog Boulevard
Foreshore
Cape Town
8001

Directors' Responsibilities and Approval

The directors are required in terms of the Companies Act of South Africa to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

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

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

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

The directors have reviewed the company's cash flow forecast for the next 12 months from signature of this report and, in light of this review and the current financial position, they are satisfied that the company has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the company's annual financial statements. The annual financial statements have been examined by the company's external auditors and their report is presented on pages 3 to 5.

The annual financial statements set out on pages 7 to 23, which have been prepared on the going concern basis, were approved by the board of directors on 23 August 2019 and were signed on their behalf by:

DS Stoll	**G Huntingford**

Cape Town

23 August 2019

Directors' Report

The directors submit their report for the year ended 30 June 2019.

1. Review of activities

Main business and operations

The company is engaged in supporting the existing and future environment of the Claremont area, through programs to ensure that the public space is safe, clean, attractive, exciting, entertaining and user-friendly, ensuring that the various bodies and authorities meet their responsibilities, assisting wherever possible and protecting and enhancing the existing asset base, thereby enhancing the area and seeking to attract new investment, tenants and customers.

The company operates in South Africa.

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

The net profit of the company was R 314 707 (2018: R 747 792).

2. Going concern

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

3. Events after the reporting period

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

4. Dividends

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

5. Directors

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

Directors	Changes
F Behardien	Appointed 13 September 2018
B Bibby	Resigned 13 September 2018
N Gardner	
GR Hiscock	
G Huntingford	
M Nixon	
DS Stoll	
C Vaskys	

6. Auditors

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

7. Liquidity and solvency

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

Statement of Financial Position as at 30 June 2019

Figures in Rand	Notes	2019	2018
Assets			
Non-Current Assets			
Property, plant and equipment	3	74 895	122 971
Current Assets			
Trade and other receivables	4	34 989	31 380
Cash and cash equivalents	5	5 604 840	5 021 919
		5 639 829	**5 053 299**
Total Assets		**5 714 724**	**5 176 270**
Equity and Liabilities			
Equity			
Retained income		4 780 920	4 466 213
Liabilities			
Current Liabilities			
Loans from related party	6	260 929	254 050
Operating lease liability		925	649
Provisions	7	539 000	407 500
Trade and other payables	8	132 950	47 858
		933 804	**710 057**
Total Equity and Liabilities		**5 714 724**	**5 176 270**

Statement of Profit or Loss and Other Comprehensive Income

Figures in Rand	Notes	2019	2018
Revenue	9	8 634 401	7 994 897
Other income	10	533 966	627 876
Operating expenses		(9 134 290)	(8 066 992)
Operating profit	11	**34 077**	**555 781**
Investment income	12	280 630	192 046
Finance costs		-	(35)
Profit for the year		**314 707**	**747 792**
Other comprehensive income		-	-
Total comprehensive income for the year		**314 707**	**747 792**

Statement of Changes in Equity

Figures in Rand	Retained income	Total equity
Balance at 01 July 2017	**3 718 421**	**3 718 421**
Total comprehensive income for the year	747 792	747 792
Balance at 01 July 2018	**4 466 213**	**4 466 213**
Total comprehensive income for the year	314 707	314 707
Balance at 30 June 2019	**4 780 920**	**4 780 920**

Statement of Cash Flows

Figures in Rand	Notes	2019	2018
Cash flows from operating activities			
Cash generated from operations	14	295 412	802 149
Interest income		280 630	192 046
Finance costs		-	(35)
Net cash from operating activities		**576 042**	**994 160**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	-	(48 904)
Net cash used in investing activities		**-**	**(48 904)**
Cash flows from financing activities			
Proceeds from loans from related party		6 879	-
Repayment of loans from related party		-	(341 776)
Net cash from (used in) financing activities		**6 879**	**(341 776)**
Total cash movement for the year		**582 921**	**603 480**
Cash at the beginning of the year		5 021 919	4 418 439
Total cash at end of the year	5	**5 604 840**	**5 021 919**

Accounting Policies

1. Significant accounting policies

The principal accounting policies applied in the preparation of these annual financial statements are set out below.

1.1 Basis of preparation

The annual financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these annual financial statements and the Companies Act of South Africa of South Africa, as amended.

The annual financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Rands, which is the company's functional currency.

These accounting policies are consistent with the previous period, except for IFRS 9 and IFRS 15.

1.2 Property, plant and equipment

Property, plant and equipment are initially measured at cost less accumulated depreciation and any impairment losses.

Impairment losses and reversal of impairment losses are recognised in the statement of comprehensive income.

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

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

Item	Average useful life
Computer Equipment	3 - 8 years
Leasehold improvements	2 - 4 years
Office equipment	6 years
Security Trailer	5 years

1.3 Financial instruments

Financial instruments held by the company are classified in accordance with the provisions of IFRS 9 Financial Instruments.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the company are presented below:

Accounting Policies

1.3 Financial instruments (continued)

Trade and other receivables

Classification

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost (note 4).

Recognition and measurement

Trade and other receivables are recognised when the company becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

Trade and other receivables are subsequently measured at amortised cost.

Impairment

The company recognises a loss allowance for expected credit losses on trade and other receivables, excluding VAT and prepayments. The amount of expected credit losses is updated at each reporting date.

The company measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

Borrowings

Classification

Borrowings (note 6) are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

Borrowings are recognised when the company becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

Borrowings are subsequently measured at amortised cost using the effective interest rate method.

No interest is charged on the borrowings.

Trade and other payables

Classification

Trade and other payables (note 8), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

Trade and other payables are recognised when the company becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

Trade and other payables are subsequently measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents are stated at carrying amount which is deemed to be fair value.

Accounting Policies

1.4 Financial instruments: IAS 39 comparatives

Initial recognition and measurement

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

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

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

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

Trade and other receivables

Trade and other receivables with no fixed maturity are measured at cost after deducting accumulated impairment losses.

Trade and other payables

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits. These are initially and subsequently recorded at fair value.

1.5 Leases

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

Operating leases – lessee

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

1.6 Provisions and contingencies

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

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

1.7 Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The company recognises revenue when it transfers control of a service to a customer.

1.8 Borrowing costs

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

Notes to the Annual Financial Statements

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• IFRS 9 Financial Instruments	01 January 2018	The impact of the standard is not material.
• IFRS 15 Revenue from Contracts with Customers	01 January 2018	The impact of the standard is not material.

2.2 Standards and interpretations not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• IFRS 16 Leases	01 January 2019	Unlikely there will be a material impact.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

3. Property, plant and equipment

	2019			2018		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Computer equipment	76 294	(69 364)	6 930	76 294	(63 694)	12 600
Leasehold improvements	688 129	(688 127)	2	688 129	(688 127)	2
Security trailer	306 603	(238 640)	67 963	306 603	(196 234)	110 369
Total	**1 071 026**	**(996 131)**	**74 895**	**1 071 026**	**(948 055)**	**122 971**

Reconciliation of property, plant and equipment - 2019

	Opening balance	Other movements	Depreciation	Closing balance
Computer equipment	12 600	-	(5 670)	6 930
Leasehold improvements	2	-	-	2
Security trailer	110 369	(648)	(41 758)	67 963
	122 971	**(648)**	**(47 428)**	**74 895**

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Depreciation	Closing balance
Computer equipment	18 477	-	(5 877)	12 600
Leasehold improvements	120 258	-	(120 256)	2
Security trailer	99 997	48 904	(38 532)	110 369
	238 732	**48 904**	**(164 665)**	**122 971**

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

4. Trade and other receivables

	2019	2018
Financial instruments:		
Trade receivables	14 880	26 810
Deposits	4 500	4 500
Other receivable	2 056	-
Non-financial instruments:		
VAT	3 162	70
Prepayments	10 391	-
Total trade and other receivables	**34 989**	**31 380**

Fair value of trade and other receivables

The fair value of trade and other receivables approximates their carrying amounts.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

5. Cash and cash equivalents

Cash and cash equivalents consist of:

	2019	2018
Bank balances	5 598 840	5 015 919
Cash on hand	6 000	6 000
	5 604 840	**5 021 919**

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

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

Credit rating	2019	2018
Nedbank Limited (Baa3)	5 598 840	5 015 919

6. Loans from related party

Common controlled entity

	2019	2018
Claremont Road Bypass Company	260 929	254 050

The loan is unsecured, bears no interest and no date of repayment has been determined.

7. Provisions

Reconciliation of provisions - 2019

	Opening balance	Additions	Utilised during the year	Closing balance
Audit fee provision	37 250	40 500	(37 250)	40 500
Bonus provision	151 000	170 500	(151 000)	170 500
Drafting fee provision	3 250	4 000	(3 250)	4 000
Utilities provision	216 000	108 000	-	324 000
	407 500	**323 000**	**(191 500)**	**539 000**

Reconciliation of provisions - 2018

	Opening balance	Additions	Utilised during the year	Closing balance
Audit fee provision	34 020	37 250	(34 020)	37 250
Bonus provision	140 000	151 000	(140 000)	151 000
Drafting fee provision	-	3 250	-	3 250
Utilities provision	120 000	96 000	-	216 000
	294 020	**287 500**	**(174 020)**	**407 500**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

8. Trade and other payables

Financial instruments:		
Accrued leave pay	85 091	-
Other payables	47 859	47 858
	132 950	**47 858**

Fair value of trade and other payables

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

9. Revenue

Revenue from contracts with customers		
Rendering of services	8 634 401	7 994 897

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

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

10. Other income

Retention refund	485 966	585 771
Sponsorship income	48 000	42 105
	533 966	**627 876**

11. Operating profit

Operating profit for the year is stated after charging (crediting) the following, amongst others:

Employee costs

Salaries, wages and other benefits	1 535 013	1 352 190

Leases

Operating lease charges		
Premises	20 513	16 847

Depreciation		
Depreciation of property, plant and equipment	47 428	164 665

12. Investment income

Interest income		
Other interest	280 630	192 046

13. Taxation

No provision has been made for 2019 tax as the company is a public benefit organisation and is therefore exempt from taxation in terms of Section 10(1)(cN) of the Income Tax Act.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

14. Cash generated from operations

Profit before taxation	314 707	747 792
Adjustments for:		
Depreciation and amortisation	47 428	164 665
Interest income	(280 630)	(192 046)
Finance costs	-	35
Movements in operating lease assets and accruals	276	(18)
Movements in provisions	131 500	113 480
Other non-cash item	648	-
Changes in working capital:		
Trade and other receivables	(3 609)	(10 329)
Trade and other payables	85 092	(21 430)
	295 412	**802 149**

15. Commitments

The company has ceded their right and title to the rates collected by the City of Cape Town from the Claremont Improvement District ratepayers in terms of the co-operation agreements with Claremont Road Bypass Company, in favour of the Development Bank of South Africa Limited to secure the loan obligation of the latter company.

Operating leases – as lessee (expense)

Minimum lease payments due		
- within one year	21 155	19 588
- in second to fifth year inclusive	12 898	34 053
	34 053	**53 641**

Operating lease payments represent rentals payable by the company for its office. Leases are negotiated for an average term of three years and rentals are subject to an escalation rate of 8% (2018: 8%) per annum. No contingent rent is payable.

16. Contingent asset

As at the year end, the company has a contingent asset of R 641 184 (2018: R 1 126 603) in respect of amounts retained by the City of Cape Town, as a provision for bad debts.

It is probable that R 480 888 (2018: R 553 617) of this amount will be receivable in the coming financial year (VAT inc.).

17. Related parties

Relationships

Common controlled entity	Claremont Road Bypass Company (Non-Profit Company)

Related party balances

Loan accounts - Owing to related party		
Claremont Road Bypass Company (Non-Profit Company)	260 929	254 050

18. Directors' emoluments

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

Notes to the Annual Financial Statements

19. Financial instruments and risk management

Categories of financial assets

2019

	Notes	Amortised cost	Total
Trade and other receivables	4	21 436	21 436
Cash and cash equivalents	5	5 604 840	5 604 840
		5 626 276	**5 626 276**

2018

	Notes	Amortised cost	Total
Trade and other receivables	4	31 310	31 310
Cash and cash equivalents	5	5 021 919	5 021 919
		5 053 229	**5 053 229**

Categories of financial liabilities

2019

	Notes	Amortised cost	Total
Trade and other payables	8	132 950	132 950
Loans from group companies	6	260 929	260 929
Borrowings		260 929	260 929
		654 808	**654 808**

2018

	Notes	Amortised cost	Total
Trade and other payables	8	47 858	47 858
Loans from group companies	6	254 050	254 050
Borrowings		254 050	254 050
		555 958	**555 958**

Notes to the Annual Financial Statements

19. Financial instruments and risk management (continued)

Financial risk management

Overview

The company is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk (currency risk, interest rate risk and price risk).

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, and trade debtors. The company only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

The maximum exposure to credit risk is presented in the table below:

		2019			2018		
	Notes	**Gross carrying amount**	**Credit loss allowance**	**Amortised cost**	**Gross carrying amount**	**Credit loss allowance**	**Amortised cost**
Trade and other receivables	4	21 436	-	21 436	31 310	-	31 310
Cash and cash equivalents	5	5 604 840	-	5 604 840	5 021 919	-	5 021 919
		5 626 276	-	**5 626 276**	**5 053 229**	-	**5 053 229**

Liquidity risk

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

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

2019

	Notes	**Less than 1 year**	**Total**	**Carrying amount**
Current liabilities				
Trade and other payables	8	132 950	132 950	132 950
Loans from group companies	6	-	-	260 929
Borrowings		260 929	260 929	-
		393 879	**393 879**	**393 879**

Notes to the Annual Financial Statements

19. Financial instruments and risk management (continued)

2018

	Notes	Less than 1 year	Total	Carrying amount
Current liabilities				
Trade and other payables	8	47 858	47 858	47 858
Loans from group companies	6	-	-	254 050
Borrowings		254 050	254 050	-
		301 908	**301 908**	**301 908**

Interest rate risk

There have been no significant changes in the interest rate risk management policies and processes since the prior reporting period.

20. Comparative figures

Certain comparative figures have been reclassified.

The effects of the reclassification are as follows:

Statement of Financial Position		
Provisions	-	40 500
Trade and other payables	-	(40 500)
	-	-

Statement of Financial Performance

Figures in Rand	2019	2018
Revenue		
Rendering of services	8 634 401	7 994 897
Other income		
Retention refund	485 966	585 771
Sponsorship income	48 000	42 105
	533 966	**627 876**
Operating expenses		
Accounting fees	(87 499)	(74 247)
Administration and management fees	(7 258)	(12 845)
Advertising	(288 042)	(172 126)
Auditors remuneration	(37 250)	(34 000)
Bank charges	(4 913)	(4 821)
Building staff cost	(25 791)	(28 860)
Cleaning	(1 845 774)	(1 646 250)
Computer expenses	(4 450)	(5 023)
Depreciation	(47 428)	(164 665)
Employee costs	(1 535 013)	(1 352 190)
Entertainment	(11 620)	(14 875)
Insurance	(19 088)	(11 137)
Lease rentals on operating lease	(20 513)	(16 847)
Licence fees	-	(1 004)
Motor vehicle expenses	(118 533)	(107 490)
Postage	(430)	(395)
Printing and stationery	(12 646)	(14 015)
Repairs and maintenance	(99 838)	(16 719)
Security	(4 684 243)	(4 179 982)
Social upliftment expense	(126 046)	(66 857)
Telephone and fax	(49 915)	(46 644)
Utilities	(108 000)	(96 000)
	(9 134 290)	**(8 066 992)**
Operating profit	**34 077**	**555 781**
Investment income	280 630	192 046
Finance costs	-	(35)
Profit for the year	**314 707**	**747 792**

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