

ACCOUNTING GUIDE

**DRAFT GUIDE ON FINANCIAL  
REPORTING BY SHARE BLOCK  
COMPANIES**

August 2010

This exposure draft of a Guide on Financial Reporting by Share Block Companies, issued by The South African Institute of Chartered Accountants (SAICA), is released for public comment by the Accounting Practices Committee (APC).

Comments received on the exposure draft will be considered in issuing the final Guide on Financial Reporting by Share Block Companies, by the APC.

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Your comments should be dispatched so as to be received no later than **11 October 2010**. All comment letters will be regarded as being on public record unless confidentiality is requested.

**ED 287**

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SHARE BLOCK COMPANIES**

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# DRAFT GUIDE ON FINANCIAL REPORTING BY SHARE BLOCK COMPANIES

## INVITATION TO COMMENT

The South African Institute of Chartered Accountants (SAICA) invites comments on any aspect of this draft Guide on Financial Reporting by Share Block Companies. SAICA would particularly welcome answers to the questions below. Comments are most helpful if they indicate the specific paragraph to which they relate, contain a clear rationale and, where applicable, provide a suggestion for alternative wording.

Comments should be submitted in writing so as to be received no later than 11 October 2010.

### **Question 1**

The draft guide provides an approach for share block companies to follow when preparing their financial statements. Specifically, it regards the company as being a principal in relation to the property used by its shareholders and not an agent. Do you agree with this approach? If not, please explain why.

### **Question 2**

The draft guide requires a Statement of Comprehensive Income reflecting all levies and expenses that the share block company earns and incurs respectively in order to operate. Do you think this will also meet the Share Blocks Control Act, No 59 of 1980, requirements for a levy statement? If not, why not, or under what circumstances will these requirements not be met?

### **Question 3**

Does the draft guide adequately describe a typical share block company and those accounting issues that would be specific to such a company? If not, what typical features specific to share block companies have not been included? Provide details as to how you believe such issues should be accounted for in terms of the accounting standards.

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## PREFACE

This draft guide has been issued by The South African Institute of Chartered Accountants' Accounting Practices Committee (APC) to provide guidance to members on the initial recognition, initial measurement and subsequent measurement of assets and liabilities, as well as the accounting for income and expenses in the financial statements of share block companies, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), South African Statements of Generally Accepted Accounting Practice ("GAAP") or International Financial Reporting Standards for Small and Medium-sized Entities ("IFRS for SMEs").

Although accounting guides do not have the authority of IFRS, Statements of GAAP or IFRS for SMEs, in the event of significant deviation from the guidance given, and should the member's actions be questioned, the member may be required to demonstrate that such deviation was justified.

*Every effort has been made to ensure that the advice given in this guide is correct. Nevertheless, that advice is given purely as guidance to members of SAICA to assist them with particular problems relating to the subject matter of the guide, and SAICA will have no responsibility to any person for any claim of any nature whatsoever that may arise out of, or relate to, the contents of this guide.*

## Introduction

- 01 This draft guide has been issued to clarify the appropriate accounting by share block companies. It deals with the financial statements of share block companies prepared in terms of South African Statements of Generally Accepted Accounting Practice (“GAAP”), International Financial Reporting Standards (“IFRS”) or International Financial Reporting Standards for Small and Medium-sized Entities (“IFRS for SMEs”).
- 02 The draft guide covers:
- The initial recognition, measurement and subsequent measurement of:
    - assets (movable and immovable property); and
    - liabilities; and
  - The recognition of income and expenses.
- It does not deal with the disclosure requirements required by the relevant accounting frameworks.
- 03 The focus of this draft guide is on share block companies where the company gives the share block developer<sup>1</sup> (“developer”) of the property indefinite right of use of the property and the developer then passes that indefinite right of use on to a number of different parties (e.g. a week per annum with no expiry period) in exchange for cash. A typical example of a share block company is a timeshare company. This has been provided as an example, as this is the most common type of share block structure.
- 04 Other examples of share block companies covered by this guide may include:
- Share block companies where the company gives the developer of the property indefinite right of use of the property, but, instead of the common approach of this indefinite right of use being transferred to other parties, the developer then passes on a finite right of use (e.g. a week per annum for 10 years only) to other parties in exchange for cash;
  - Structured share block companies, for example companies (including banks) that enter into structured finance transactions that include share block companies; and
  - Units in share block structures where the right of use is indefinite and not limited to a number of weeks per annum.
- 05 The following guidance is subject to change should the Accounting Practices Board (APB), its successor, if any, or the International Accounting Standards Board (IASB) issue, amend or revise existing or new standards or interpretations. This draft guide is not intended to be used by analogy by entities providing rights of use of property that are not registered as share block companies. For example, this could include fractional ownership arrangements or arrangements governed by other Acts, such as the Sectional Titles Act, No 95 of 1986.

## The Concept of Share Block Companies

- 06 In terms of section 7(1) of the Share Blocks Control Act, No 59 of 1980 (“the Act”), the main object and business of a share block company is to operate a share block scheme<sup>2</sup> in respect of immovable property owned or leased by it. For this purpose, a share block scheme involves a share that confers a right to, or an interest in, the use of specified immovable property.
- 07 The Act, together with the use agreement<sup>3</sup>, was conceived as a mechanism for a shareholder of a company (called a “member”) to have the benefits of ownership (but not legal title) of certain property owned by the company. This is achieved by granting the benefits of ownership of a portion of immovable and movable property (for example, the indefinite right to occupy a specified unit for one week a year) acquired by a company. The immovable property consists of the unit as well as a common area (for example, a gym). The movable property consists of furnishings in the unit itself and in the common area.

<sup>1,2,3</sup> – See the glossary on page 13

- 08 In terms of the Act, the articles of a share block company provide that a member is entitled to the use of a specified part of the immovable property, in respect of which the share block scheme is operated, on the terms and conditions of a written use agreement entered into between the company and the member (Act, section 7(2)).
- 09 A share block consists of a block of shares in a limited liability company. The shares grant the member a personal right to occupy a portion of property owned or leased by the company for an indefinite period. The members of the company enjoy the benefit of limited liability for the debts of the company in terms of the Companies Act, No 61 of 1973, as amended (“Companies Act”), and the Companies Act, No 71 of 2008, with the exception of the loan mentioned in paragraph 10 below. A company that operates a share block scheme is obliged to have the expression “share block” included in its name.
- 10 The share is issued to the member along with a corresponding loan obligation, being the pro-rata portion of the loan obligation of the share block company itself (i.e. it is allocated to the members in proportion to each member’s share in the total number of shares in issue). A share can only be sold/transferred with the corresponding loan obligation.
- 11 The Act, section 1, states that the loan obligation
- “In relation to a share block company, means the total amount owing from time to time by the company, excluding any amount owing by the company in respect of—*
- (a) its share capital;*
  - (b) the aggregate of the amounts transferred in terms of the Companies Act to the reserves and provisions of the company;*
  - (c) any debt to be discharged from moneys in the levy fund established in terms of section 13 by the company.”*
- 12 In accordance with section 14(2) of the Act, the loan obligation is assigned to all members of the company. In accordance with section 14(1) of the Act, the permission of 75% of the members is required before the share block company can increase such an obligation.
- 13 A share block company is required (in respect of its share block scheme) to establish and to maintain a levy fund sufficient for the repair, upkeep, control, management and administration of the company and of the immovable property and to deposit levies received into a separate bank account. The members pay such levy. Section 13(1) of the Act states:
- “A share block company shall in respect of the share block scheme it operates establish and maintain a levy fund sufficient, in the opinion of its directors, for the repair, upkeep, control, management and administration of the company and of the immovable property in respect of which it operates the share block scheme, for the payment of rates and taxes and other local authority charges on the said immovable property, any charges for the supply of electric current, gas, water, fuel and sanitary and any other services to the said immovable property, and services required by the company, for the covering of any losses suffered by the company, for the payment of any premiums of insurance and of all expenses incurred or to be incurred to effect the opening under section 5 of the Sectional Titles Act of a sectional title register in relation to the said immovable property, and for the discharge of any other obligation of the company.”*

## Regulatory Requirements

- 14 The Act states that the provisions of the Companies Act apply to a share block company in so far as those provisions are not in conflict with the Act. Financial statements are required by the Act, having regard to the requirements of the Companies Act. The Act requires an auditor to be appointed in terms of the Companies Act.

### Share Blocks Act Requirements

- 15 The Act, in section 15(5), provides guidance as follows:

*“Without derogating from the provision of Chapter XI of the Companies Act any share block company shall —*

- (a) *Keep in one of the official languages at its registered office such separate accounting records and financial statements as are necessary to account for, and fairly to reflect and explain the state of affairs in respect of, all moneys —*
- (i) *paid in respect of the amount referred to in section 14 (3):*
- (ii) *entrusted to a practitioner or an estate agent or deposited by the company in its account referred to in subsection (1) or invested in any savings or other interest-bearing account referred to in subsection (2):*
- (b) *Balance its books and records relating to any payment or any account referred to in paragraph (a) at intervals of not more than six months and cause such books and records and the financial statements in respect thereof to be audited at least once annually by the auditor appointed under Chapter X of the Companies Act.”*

### Companies Act Requirements

- 16 Subject to the scope requirements in the applicable reporting framework, three possible frameworks could be applicable in terms of the Companies Act. These are:

- Statements of GAAP;
- IFRS; or
- IFRS for SMEs.

- 17 This guide therefore outlines the basic principles that should be applied by share block companies to determine the appropriate accounting in terms of Statements of GAAP, IFRS or IFRS for SMEs.

## Recommended Accounting

- 18 The scenario below has been used to outline the appropriate accounting by share block companies.

- 19 A company develops a property using the funds provided by a developer in the form of a shareholder’s loan. It then converts into a share block company and, at the same time, gives the indefinite right of use of the property to the initial shareholder who is the developer (i.e. the developer has the right of use for an indefinite period). For example, assuming an arrangement in which the right of use of a unit is a week per annum for an indefinite number of years, the shareblock company initially would issue 50 shares (generally two weeks are reserved for maintenance) to the developer. From the date of conversion to a share block company the accounting as described in the paragraphs below applies. The developer would, subsequent to conversion, then on-sell these shares to investors and also sell a proportionate share of the loan with each share that transfers the right of use. Therefore, the share block company initially has one member (i.e. the developer) and then subsequently has several members (i.e. members of the public for each period for which they are entitled to the right of use).

The share block company is unaffected by the transfer of the right of use from the developer to subsequent members as the transfer is a transaction amongst members that does not give rise to any accounting in the share block company itself unless another standard, such as IFRS 2(AC 139) — *Share-based Payment* requires such accounting.

**Accounting for Property, Plant and Equipment**

- 20 On conversion of the company to a share block company, the right of use of the property no longer resides with the share block company. Instead, this right of use has been transferred indefinitely to the developer (who then passes these rights on to the public). Accordingly, all future economic benefits expected from the use of the property have been transferred by the share block company. Therefore, the asset that was initially recognised by the company for the purchase or construction of the property, plant and equipment should be derecognised.

**Accounting for Loan Liabilities**

- 21 Any loan owed to a shareholder, bank or a third party is a liability of the share block company because the share block company has a present obligation to pay a specified amount. This liability cannot be derecognised unless it meets the criteria set out in paragraph 39 of IAS 39(AC 133) — *Financial Instruments: Recognition and Measurement*.

**Accounting for Loan Assets**

- 22 On conversion of the company to a share block company, the shareholders of the company have an obligation to the company equal to its loan obligation. This is because, in exchange for the right of use, the member is required to bear a pro-rata portion of the share block company's loan obligation. The loan asset would be recognised at the same time as the property, plant and equipment are derecognised. Generally, it would be expected that the share block company would have a loan obligation to its shareholders, with a loan asset of equivalent amount with the same shareholders. If the offsetting criteria in IAS 32(AC 125) are met, then the financial liability and financial asset can be offset.

**Accounting for Income and Expenses**

- 23 The Statement of Comprehensive Income reflects the fact that the share block company is acting as a principal and not an agent of the members. The Statement of Comprehensive Income reflects all levies and expenses that the share block company earns and incurs respectively in order to operate.

## Basis for Conclusions

### IFRS for SMEs

- BC1 The requirements in IFRS for SMEs are similar to those of IFRS and Statements of GAAP with respect to the transactions considered in this guide; thus no significant differences in application are expected.

### Property

- BC2 Once the company that bought, constructed or leased the property converts to a share block company, the right of use of that property transfers to the developer, being the initial shareholder of the share block company. Under the Act, the right of use of the property is automatically conveyed to the shareholders. This right is for an indefinite period and does not return to the share block company. Instead, this right may be sold by an existing shareholder to a new shareholder.

- BC3 IAS 16(AC 123) – *Property, Plant and Equipment*, provides guidance on derecognition of such property-related assets and states in paragraph 67:

*“The carrying amount of an item of property, plant and equipment shall be derecognised:*

*(a) on disposal; or*

*(b) when no future economic benefits are expected from its use or disposal.”*

- BC4 On the basis of the above requirements, in order for the property to continue to be recognised as an asset by the share block company, future economic benefits must be expected to flow to the share block company. There are two ways in which the future economic benefits in the property can flow to the share block company – either through use or through sale. On conversion of the company to a share block company, the right of use of the property no longer resides with the share block company. Instead, this right of use has been transferred indefinitely to the developer (who then passes the rights on to the public). Accordingly, all future economic benefits expected from the use of the property do not belong to the share block company, but to the members of the company. As the right of use of the property is indefinite, the value of the bare dominium which could be realised by way of sale is expected to be insignificant in value and therefore will not have any future economic benefits flowing to it. The property should therefore be derecognised. However, the share block company is likely to replace the property asset with a receivable from the shareholder, to the extent that there is a related obligation by the shareholder to the shareblock company as noted in BC14 below.

- BC5 If the property is ever disposed of (i.e. realised through sale) by the shareholders giving up their right of use, then this is likely to be in exchange for a right to receive the proceeds from the disposal of the property. Therefore, the company is not entitled to retain the economic benefits that flow from such disposal.

- BC6 When the members of the share block company sell their shares in the share block company, all profits and losses (i.e. the difference between the original purchase price less occupation to date and the final sale price) accrue to the members in their individual capacity and not to the share block company. The right of use includes the right to receive any income from the rental of that unit to a third party. Any rental income also flows to the member and not to the share block company.

- BC7 As a result, no future economic benefits as a result of this indefinite period right of use will flow to the share block company itself and therefore by the share block company giving up the right of use the property is derecognised because it has no potential to contribute, directly or indirectly, to the flow of cash and cash equivalents to the entity.

- BC8 Another way to view such arrangements is that the shareholder has the usufruct over the property whereas the share block company has the bare dominium. A usufruct is a limited real right which entitles a person to have the use and enjoyment of another's property and to take its fruits without impairing the substance (LAWSA Vol 24 par 422).
- BC9 An asset subject to usufruct, will be divided into the value of the usufruct on the one hand and the value of the property rights on the other. The usufructuary will then be the holder of the value of the usufruct and the owner of the property will be the holder of the property rights on the same property, known as the "bare dominium".
- BC10 On the basis of the above, the share block company has no future economic benefits either from use or from sale of the property and related assets. Therefore, all these property-related assets (immovable, movable and communal) should not continue to be recognised as assets by the share block company. The share block company should, however, consider if there are any other assets that are provided by the shareholders in place of the property-related assets (refer to BC14, which deals with the loan obligation).
- BC11 The statement of financial position of the share block company should reflect only the share capital, any loan from a third party and a corresponding receivable from the share block members (unless there is a right to set off these last two amounts) and the value of any bare dominium it is entitled to in respect of any immovable, movable or communal property because the benefits (usufruct) in the property accrue to the share block members rather than to the company itself. The value of this bare dominium is expected to be immaterial.

#### **Liability Recognition and Derecognition**

- BC12 Any loan owed to a bank or a third party is a liability of the share block company because the share block company has a contractual obligation to deliver cash or another financial asset to another entity. This liability cannot be derecognised unless it meets the criteria set out in paragraph 39 of IAS 39(AC 133) — *Financial Instruments: Recognition and Measurement*; i.e. it should be removed "*when, and only when, it is extinguished — i.e. when the obligation specified in the contract is discharged or cancelled or expires*".
- BC13 Any loan from the shareholders is not extinguished on conversion of the company to a share block company as it becomes a liability payable to the new shareholders and not the developer when the shares and related loan are sold to the new shareholders.

#### **Loan Asset Recognition**

- BC14 In terms of section 14(3) of the Act, "*any member of a share block company shall be liable to the company in respect of its loan obligation for an amount equal to that portion of the loan obligation.*" As a result, the share block company is owed an amount equal to the value of its shareholder/third party liability. This amount is owed by the shareholders in order to settle the shareholder/third party liability. This amount should therefore be recognised as an asset because the definition of a financial asset in IAS 32(AC 125) — *Financial Instruments: Presentation* is met, i.e. a contractual right to receive cash or another financial asset from another entity.

#### **Offsetting**

- BC15 The loan asset cannot be offset against the liability owed to the member, bank or third party unless the offsetting criteria specified in paragraph 42 of IAS 32(AC 125) are met; i.e. the share block company:
- (a) "*currently has a legally enforceable right to set off the recognised amounts; and*

*(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.”*

BC16 Note that the offsetting criteria are unlikely to be met if the loan liability is with a party other than the members.

**Recognition of Income and Expenses**

BC17 Paragraph 70 of the *Framework for the Preparation and Presentation of Financial Statements* (“Framework”) defines the following:

*“Income is increases in economic benefits during the accounting period in the form of inflows or enhancements of assets or decreases of liabilities that result in increases in equity, other than those relating to contributions from equity participants.”*

*“Expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrences of liabilities that result in decreases in equity, other than those relating to distributions to equity participants.”*

BC18 The above criteria are met because the share block company contracts in the capacity of a principal, not that of an agent, with the suppliers of goods or services to the share block company. In other words, it is the share block company that is buying the goods or services and that is responsible for the payment thereof. It is the primary obligor. The levy fund is the means by which the members contribute to the payment for these goods and services. The mere fact that it is the intention for the share block company to recover its costs from the members does not mean that it is acting as an agent of the members.

BC19 For example, consider electricity and water. While these expenses could be allocated to each individual unit, they generally are not allocated in this manner. If a member is a permanent occupier of a unit, then the shareholder may be responsible for these services, if each unit has its own meter and the member has a supply agreement with the local municipality. In this case, an agency basis could apply. However, if the share block company has that supply agreement with the municipality, then an agency basis does not apply even if each unit has a meter, as the company has the responsibility to pay the necessary accounts. In a timeshare arrangement there might not even be individual meters and therefore a member could pay more or less than they have consumed. In this last example, all the members are sharing costs and accordingly members could be contributing to services provided to other members. This does not correlate with an agency approach.

BC20 The same applies to other expenses, such as maintenance, where effectively a member might only pay for a portion of the cost of repairs of their unit or might be contributing to the cost of repairs of another member’s unit. In addition, members could be contributing towards past repair costs, where they only become a member after a major repair has been carried out, with the related cost being recovered from levies over a period of a year or more.

BC21 This approach is reinforced by the wording contained in section 13(5) of the Act, which refers to *“monies received and expended by or on behalf of the company”* and not *“by or on behalf of the shareholders of the company”*. In addition, the definition of a share in the Act, which confers the right of use, states that it *“does not include a right to or an interest in the assets of a company derived from a lease in respect of such assets”*. This implies that the interest or interest in the assets in a share block company is different from an agency basis in that an agency basis would include such a right or interest.

BC22 Furthermore, while a member of a share block company can be held liable for certain liabilities of the company, this does not apply to all liabilities. The definition of a loan obligation for

- which members can be held liable excludes debts to be discharged from moneys in the levy fund. Accordingly, if the moneys in the levy fund are not sufficient to cover the liabilities incurred by the fund, then the member is not liable for such amounts. In this case, the company would be expected to increase future levies, but if action was taken against the share block company before such levies were required to be paid, then the member would not be liable for the deficit if the action resulted in the creditor taking possession of the assets of the company. In this regard, the member has limited liability, which would not be expected to apply if an agency basis was applicable.
- BC23 Accordingly, the share block company's Statement of Comprehensive Income should include all items of income and expense in connection with the property it owns, unless it is agreed that certain items are not to be borne by the company because the members incur these amounts directly themselves.
- BC24 In terms of section 13(5) of the Act, a levy statement should be prepared "*to reflect and explain the state of affairs in respect of the moneys received and expended by or on behalf of the company*". If the share block company's Statement of Comprehensive Income does not meet this requirement, then a levy statement should be prepared as additional disclosure so as to comply with the requirements of the Act.

**Glossary**

- G1 “Share block developer” means any person by whom, on whose behalf, or for whose benefit more than 50 per cent of the shares of a share block company are held or controlled and, where two or more persons by whom, on whose behalf, or for whose benefit more than 50 per cent of the shares of such a company are jointly held or controlled act in concert in relation to or are jointly connected with the business of the company, each of such persons (Act, section 1).
- G2 “Share block scheme” means any scheme in terms of which a share, in any manner whatsoever, confers a right to, or an interest in, the use of immovable property (Act, section 1).
- G3 “Use agreement” means any agreement conferring a right to, or an interest in, the use of any immovable property in respect of which a share block scheme is operated (Act, section 1). However, the use agreement also usually deals with movable assets even though it is not required to by the Act.

## Implementation Guidance

### IE1 The facts

The following steps have been outlined below to reflect the accounting treatment, the statement of financial position and the Statement of Comprehensive Income:

- Step 1 — a company develops or buys a property for R10 000, funded by a member's loan of R10 000 which is classified as a financial liability in terms of IAS 32(AC 125) – *Financial Instruments: Presentation*. In addition, R200 cash is received for share capital of 20 000 shares of one cent each.
- Step 2 — initial recognition in the share block company — the company converts to a share block company and the developer obtains the right of use of the property for all 50 weeks per annum (generally two weeks are reserved for maintenance) for an indefinite number of years through his shareholding. In return for this right of use, the developer is liable to the share block company in respect of its loan obligation. (In this case the loan obligation is the member's loan of R10 000, but in other cases the share block company may have a bank loan.) The 50 weeks per annum right of use is transferred to subsequent members as the shares are sold by the developer. These shares transfer the right of use along with a proportionate share of the shareholder's loan. Therefore, the share block company now owes the R10 000 to its new shareholders, who in turn have an obligation to settle their share of the loan. Therefore, the share block company has a liability of R10 000 to shareholders as well as an asset (being the right to get that cash) of R10 000 from the shareholders.
- Step 3 — subsequent trading in the share block company for year 1 — the share block company collects R500 in levies (the levies are set for the year at the beginning of each year); general expenses for the year are R390. The balance of R110 is to cover future costs. The R110 may be used in future years to fund major repairs and maintenance. It may also be used to cover general expenses in future years; i.e. because of the underspend in year 1, future levies may be reduced.

### IE2 The statement of financial position

#### Step 1

R200 cash is received for share capital of 20 000 shares of one cent each.

Dr bank R200  
Cr share capital R200

A company develops or buys property for R10 000, funded by a member's loan of R10 000.

Dr property R10 000  
Cr member's loan liability R10 000

**Step 2 — initial recognition in the share block company** — the company converts to a share block company and the developer obtains the indefinite right of use of the property through his shareholding.

Dr debtor — loan from member (member/developer) R10 000 \*  
Cr property R10 000

\* Note that this loan receivable may be offset against the member's loan liability from step 1 above if the requirements for offsetting in IAS 32(AC 125) are met. This would not be permitted where more than two parties are involved, e.g. the purchase of the property in step 1 is funded by a bank.

**IE3 The Statement of Comprehensive Income**

**Step 3 — subsequent trading in the share block company** — the share block company collects R500 in levies, general expenses are R390 and R110 is to cover future costs.

The entries are processed for the levies because the recognition criteria for income and expenses are met.

Dr bank R500  
Cr levy income R500

Dr operating expenses R390  
Cr bank R390

The unspent levies of R110 cannot be deferred or recognised as a liability because the share block company is not permitted to repay in cash any unspent amounts to the members. Therefore, the excess levies will be reflected in retained income.

**IE4 Extract from financial statements after steps above**Statement of Comprehensive Income

Levy income	500
Expenses	-390
Profit for the year before tax	110
Tax	0
Profit for the year	<u>110</u>

Statement of financial position

Loan to members*	0
Bank	310
	<u>310</u>
Equity	310
Liability to members*	0
	<u>310</u>

Note:

\* There is set off of the debit and credit loans. Please refer to the explanation on page 14. If the funding is provided by a bank or the offsetting criteria in paragraph 42 of IAS 32(AC 125) are not met, the loan to members above will be R10 000 and the liability will be to a bank/third party for R10 000.

- The bare dominium is not reflected as the amount thereof is expected to be insignificant, based on the fact that the indefinite right of use has been passed by the share block company to the developer.