

SOUTH AFRICAN HAJJ AND UMRAH COUNCIL

Also known as

SAHUC

**Audited Annual Financial Statements
for the year ended 31 March 2022**

SOUTH AFRICAN HAJJ AND UMRAH COUNCIL

Annual Financial Statements for the year ended 31 March 2022

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SOUTH AFRICAN HAJJ AND UMRAH COUNCIL

Annual Financial Statements for the year ended 31 March 2022

General Information

COUNTRY OF INCORPORATION AND DOMICILE

South Africa

NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES

The organisation is a volunteer based Public Benefit Organisation which is engaged in facilitating the travel of Hujaaj to the Kingdom of Saudi Arabia. The organisation is required to ensure compliance of muslim pilgrims going for Hajj in terms of agreements entered into with the Saudi Arabian Ministry of Hajj as well as compliance with the laws governing these agreements

BOARD

Shaheen Essop (President)
Adam Macheso (First Deputy President)
Riaad Fataar (Second Deputy President)
Hassan Faried Choonara (Secretary General)
Moaaz Casoo (Assistant Secretary General)
Bilal Saloojee (Treasurer)
Asif Essop (Assistant Treasurer)
Ismail Kholvadia
Moosa Seedat
Yusuf Cassim
Mohammad Groenewald (Regional Chairperson - Cape Town)
Mohammed Hassan Ameer (Regional Chairperson - KZN)
Abdul Rahman Dajee (Regional Chairperson - Gauteng)

REGISTERED OFFICES

Cape Town Office
21 Belgravia Road
Wembley Centre
Athlone
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Tel: 010 020 7400
Fax: 086 459 7364
Email: sahucsg@sahuc.org.za

Durban Office
The NMJ Islamic Centre
37/41 Mountain View Road
Roseglen
Durban
4000
Tel: 010 020 7400
Fax: 086 459 7364
Email: sahucsg@sahuc.org.za

SOUTH AFRICAN HAJJ AND UMRAH COUNCIL

Annual Financial Statements for the year ended 31 March 2022

General Information

	Johannesburg Office Second Floor, South Section Saley House Fordsburg Johannesburg Tel: 010 020 7400 Fax: 086 459 7364 Email: sahucsg@sahuc.org.za
BANKERS	First National Bank Limited Albaraka Bank Limited Saudi Arabia British Bank
INCOME TAX REGISTRATION NUMBER	9078046241
PBO NUMBER	930060856
LEVEL OF ASSURANCE	These financial statements have been audited in compliance with the applicable requirements of the International Auditing Standards
INDEPENDENT AUDITORS	Turning Point Consulting Southern Africa Inc. Office 9, West Riding Offices 50 West Riding Row Sherwood Durban 4000
PREPARER	The annual financial statements have been compiled internally by Bilal Saloojee CA(SA)
WEBSITE	www.sahuc.org.za
EMAIL ADDRESS	sahucsg@sahuc.org.za

South African Hajj and Umrah Council

Annual Financial Statements for the year ended 31 March 2022

Board of SAHUC's Responsibilities and Approval

The Board of SAHUC is required 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 satisfy the financial reporting standards as to form and content and present fairly the statement of financial position, results of operations and business of the organisation, and explain the transactions and financial position of the business of the organisation at the end of the financial year. The annual financial statements are based upon appropriate accounting policies consistently applied throughout the organisation and supported by reasonable and prudent judgements and estimates.

The board acknowledges that they are ultimately responsible for the system of internal financial control established by the organisation and place considerable importance on maintaining a strong control environment. To enable the board to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the organisation and all employees are required to maintain the highest ethical standards in ensuring the organisations business is conducted in a manner that in all reasonable circumstances is above reproach.

The focus of risk management in the organisation is on identifying, assessing, managing and monitoring all known forms of risk across the organisation. While operating risk cannot be fully eliminated, the organisation endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The board is of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss. The going-concern basis has been adopted in preparing the financial statements. Based on forecasts and available cash resources the board has no reason to believe that the organisation will not be a going concern in the foreseeable future. The financial statements support the viability of the organisation.

The financial statements have been audited by the independent auditing firm, Turning Point Consulting Southern Africa Inc. , who have been given unrestricted access to all financial records and related data, including minutes of all meetings. The board believes that all representations made to the independent auditor during the audit were valid and appropriate. The external auditors' unqualified audit report is presented on pages 4 to 5.

The annual financial statements as set out on pages 6 to 21 were approved by the Board on 13 September 2022 and were signed on its behalf by:



Shaheen Essop (President)



Bilal Saloojee (Treasurer)

Independent Auditor's Report

To the Board and Members of South African Hajj and Umrah Council

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of South African Hajj and Umrah Council set out on pages 8 to 21, which comprise the statement of financial position as at 31 March 2022, and the statement of comprehensive income, the statement of changes in equity and the 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 South African Hajj and Umrah Council as at 31 March 2022, 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.

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 organisation in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The board are responsible for the other information. The other information comprises the information included in the document titled "South African Hajj and Umrah Council Annual Financial Statements for the year ended 31 March 2022", which includes the Board of SAHUC's Report, and the supplementary information set out on page 22. 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 Board for the Financial Statements

The board 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 for such internal control as the board 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 board are responsible for assessing the organisation'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 board either intend to liquidate the organisation 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 organisation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board.
- Conclude on the appropriateness of the board 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 organisation'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 organisation 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 board 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.

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Turning Point Consulting Southern Africa Inc. have been the auditors of South African Hajj and Umrah Council for 2 years.

Turning Point Consulting Southern Africa Inc.

Turning Point Consulting Southern Africa Inc

Per: FB Lavangee

Director / Partner

Chartered Accountant (SA)

13 September 2022

SOUTH AFRICAN HAJJ AND UMRAH COUNCIL

Annual Financial Statements for the year ended 31 March 2022

Board of SAHUC's Report

The Board presents their report for the year ended 31 March 2022.

1. Review of activities

Main business and operations

The principal activity of the organisation is the organisation is a volunteer based Public Benefit Organisation which is engaged in facilitating the travel of Hujaaj to the Kingdom of Saudi Arabia. The organisation is required to ensure compliance of muslim pilgrims going for Hajj in terms of agreements entered into with the Saudi Arabian Ministry of Hajj as well as compliance with the laws governing these agreements.

Other related services include:

- to accredit pilgrims that intend going to Hajj, provide medical and other services during the Hajj period; and
- to supervise the Hajj operators delivering services to the South African pilgrims during the period of Hajj.

The organisation operates principally in the Republic of South Africa and the Republic of Saudi Arabia.

There were no major changes to the nature of the organisations business from the prior year, however, due to the COVID19 global pandemic, there was no Hajj for the South African pilgrims during 2021 (Hajj 1442) and 2020 (Hajj 1441) which has impacted the operating results of the organisation as no accreditation fees were earned.

In prior periods the organisation was not registered for Value added taxes (VAT) despite rendering taxable services. During the previous financial year, the organisation had commenced the process of registering for VAT and had quantified the potential obligation to SARS for the period 1 March 2006 to 31 March 2021.

The organisation had engaged the services of a VAT specialist for performing the computation, registration, submission of all VAT returns and the voluntary disclosure programme (VDP) application. The estimated net VAT liability owing to SARS for the period 1 March 2006 to 31 March 2021 of R 2,202,383 had been recorded as an expense in the 2021 annual financial statements. The estimated liability was computed based on the apportionment method, however, management was also exploring an alternate method of computing the potential obligation. The estimated obligation had been recorded as a provision in the 2021 annual financial statements. At the date of signing off the 2021 annual financial statements, the alternate computation had not been finalised and accordingly a provision had been raised based on the apportionment method.

Interest amounting to R 1,739,132 had been computed on the outstanding VAT and was recorded as an expense in the 2021 annual financial statements and included in note 14. Accordingly a total provision of R 3 824 648 was recognised in the 2021 annual financial statements. This resulted in the organisation reflecting a deficit of R 4 599 541 in the 2021 annual financial statements.

During the 2022 financial year, the VAT registration was not yet finalised, however, the basis of computing the VAT liability had been amended. As noted above, management was investigating an alternate method of computing the VAT liability and instead of working on an apportionment basis, the VAT was computed on an activity basis.

This new method had a significant impact on the VAT computation as the estimated VAT liability inclusive of interest of R 1 169 084 for the period 1 March 2006 to 31 March 2022 was now computed at R 1 615 063. As a provision of R 3 824 648 was recognised in the 2021 annual financial statements, the excess provision had to be reversed in the 2022 annual financial statements.

The impact of the revised approach has resulted in an amount of R 2 117 472 being recorded as "other income" in the 2022 annual financial statements and has resulted in a surplus for the year amounting to R 1 781 386.

SOUTH AFRICAN HAJJ AND UMRAH COUNCIL

Annual Financial Statements for the year ended 31 March 2022

Board of SAHUC's Report

The organisation also has a potential estimated liability of R 304 384 (2021: R 842 795 using the apportionment method) relating to penalties that could be raised by SARS. As the organisation will be submitting a VDP application, the estimated penalty had not been recorded as an expense as there is a probability that this will be waived by SARS. The estimated penalty has been disclosed as a contingent liability in the 2022 annual financial statements (refer note 16).

The operating results and statement of financial position of the organisation are fully set out in the attached financial statements and do not in our opinion require any further comment.

2. Going concern

The Board believes that the organisation has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The Board has satisfied themselves that the organisation is in a sound financial position and that it has sufficient facilities to meet its foreseeable cash requirements. The Board is not aware of any new material changes that may adversely impact the organisation except for the impact of COVID19. The Board is also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the organisation.

3. Events after reporting date

All events subsequent to the date of the annual financial statements and for which the applicable financial reporting framework require adjustment or disclosure have been adjusted or disclosed.

The Board is not aware of any other material event which occurred after the reporting date and up to the date of the report.

4. Board

The board of the organisation during the year and to the date of this report are as follows:

Shaheen Essop (President)
Adam Macheso (First Deputy President)
Riaad Fataar (Second Deputy President)
Hassan Faried Choonara (Secretary General)
Moaaz Casoo (Assistant Secretary General)
Bilal Saloojee (Treasurer)
Asif Essop (Assistant Treasurer)
Ismail Kholvadiah
Yusuf Cassim
Moosa Seedat
Mohammad Groenewald (Regional Chairperson - Cape Town)
Mohammed Hassan Ameer (Regional Chairperson - KZN)
Abdul Rahman Dajee (Regional Chairperson - Gauteng)

5. Independent Auditors

Turning Point Consulting Southern Africa Inc. were the independent auditors for the year under review.

SOUTH AFRICAN HAJJ AND UMRAH COUNCIL

Financial Statements for the year ended 31 March 2022

Statement of Financial Position

Figures in R	Notes	2022	2021
Assets			
Non-Current Assets			
Property, plant and equipment	3	1,389,986	1,396,859
Intangible assets	4	484,745	266,487
		1,874,731	1,663,346
Current Assets			
Trade and other receivables	5	517,389	1,580,063
Cash and cash equivalents	6	15,403,336	14,936,200
		15,920,725	16,516,263
Total Assets		17,795,456	18,179,609
Reserves and Liabilities			
Reserves			
Revaluation reserve	7	-	-
Retained earnings		16,100,367	14,318,981
		16,100,367	14,318,981
Non-Current Liabilities			
Deferred revenue	8	9,161	19,661
Current Liabilities			
Provisions	9	1,615,063	3,824,648
Trade and other payables	10	70,865	16,319
		1,685,928	3,840,967
Total Reserves and Liabilities		17,795,456	18,179,609

SOUTH AFRICAN HAJJ AND UMRAH COUNCIL

Financial Statements for the year ended 31 March 2022

Statement of Comprehensive Income

Figures in R	Notes	2022	2021
Revenue	11	489,381	516,942
Other income		2,132,796	7,500
Operating costs		(1,254,787)	(3,968,663)
Operating surplus / (deficit)	12	1,367,390	(3,444,221)
Finance income	13	415,196	583,812
Finance costs	14	(1,200)	(1,739,132)
Surplus / (deficit) for the year		1,781,386	(4,599,541)

SOUTH AFRICAN HAJJ AND UMRAH COUNCIL

Financial Statements for the year ended 31 March 2022

Statement of Changes in Reserves

Figures in R	Revaluation Reserve	Accumulated surplus	Total
Balance at 1 April 2020	300,000	18,918,522	19,218,522
Realisation of reserves	(150,000)	-	(150,000)
Total comprehensive income for the year			
Deficit for the year	-	(4,599,541)	(4,599,541)
Total comprehensive income for the year	-	(4,599,541)	(4,599,541)
Transfer	(150,000)		(150,000)
Balance at 31 March 2021	-	14,318,981	14,318,981
Balance at 1 April 2021	-	14,318,981	14,318,981
Total comprehensive income for the year			
Surplus for the year	-	1,781,386	1,781,386
Total comprehensive income for the year	-	1,781,386	1,781,386
Balance at 31 March 2022	-	16,100,367	16,100,367

SOUTH AFRICAN HAJJ AND UMRAH COUNCIL

Financial Statements for the year ended 31 March 2022

Statement of Cash Flows

Figures in R	Notes	2022	2021
Cash flows from / (used in) operating activities			
Surplus / (deficit) for the year		1,781,386	(4,599,541)
<i>Adjustments for:</i>			
Finance costs	14	1,200	1,739,132
Amortisation of intangible assets		23,722	20,117
Depreciation of tangible assets		79,139	110,178
Finance income	13	(415,196)	(583,812)
Profit on disposal of property, plant and equipment		(15,324)	-
Deferred revenue		(10,500)	(4,962,339)
Operating cash flow before working capital changes		1,444,427	(8,276,265)
<i>Working capital changes</i>			
Decrease in trade and other receivables		1,062,674	182,934
(Decrease) / increase in trade and other payables		(2,155,039)	3,821,217
Net cash flows from / (used in) operations		352,062	(4,272,114)
Finance income	13	415,196	583,812
Finance costs	14	(1,200)	(1,739,132)
Net cash flows from / (used in) operating activities		766,058	(5,427,434)
Cash flows used in investing activities			
Property, plant and equipment acquired	3	(56,942)	(100,719)
Intangible assets acquired	4	(241,980)	(255,245)
Net cash flows used in investing activities		(298,922)	(355,964)
Net increase / (decrease) in cash and cash equivalents		467,136	(5,783,398)
Cash and cash equivalents at beginning of the year		14,936,200	20,719,598
Cash and cash equivalents at end of the year	6	15,403,336	14,936,200

SOUTH AFRICAN HAJJ AND UMRAH COUNCIL

Financial Statements for the year ended 31 March 2022

Accounting Policies

1. General information

South African Hajj and Umrah Council is a non-profit organisation.

2. Summary of significant accounting policies

These annual financial statements have been prepared in accordance with the International Financial Reporting Standards for Small and Medium-sized Entities issued by the International Accounting Standards Board. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

These financial statements have been prepared under the historical cost convention and are presented in South African Rands.

The preparation of annual financial statements in conformity with the IFRS for SMEs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. No areas involving a higher degree of judgement or complexity, nor areas where assumptions and estimations are significant to the financial statements were noted.

2.1 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the organisation's activities. Revenue is shown net of value-added tax, returns, and discounts.

The organisation recognises revenue when: the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity; and specific criteria have been met for each of the organisation's activities, as described below:

2.1.1 Hajj registration fees

As the registration fee is non-refundable, it is recognised as revenue upon receipt of the funds.

2.1.2 Accreditation fees - Operators

These are recognised on an accrual basis. The accreditation fee is refundable in the event of hajj being cancelled, as was the case in both the 2022 and 2021 financial year. Accreditation fees received in advance are recognised as deferred revenue and is credited to the statement of comprehensive income once the performance condition is met and the revenue recognition criteria are met.

2.1.3 Accreditation fees - Hujaaj

These are recognised on an accrual basis. The accreditation fee is refundable in the event of hajj being cancelled, as was the case in both the 2022 and 2021 financial year. Accreditation fees received in advance are recognised as deferred revenue and is credited to the statement of comprehensive income once the performance condition is met and the revenue recognition criteria are met.

2.1.4 Interest income

Interest income is recognised using the effective interest rate method.

SOUTH AFRICAN HAJJ AND UMRAH COUNCIL

Financial Statements for the year ended 31 March 2022

Accounting Policies

2.2 Income taxes

The organisation has been approved as a public benefit organisation in terms of section 30 of the Income Tax Act, (the Act) and the receipts and accruals are exempt from income tax in terms of section 10(1)(cN) of the Act.

2.3 Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Depreciation is charged so as to allocate the cost of assets less their residual values over their estimated useful lives, using the straight-line method. Buildings are not depreciated. The following rates are used for the depreciation of property, plant and equipment:

Furniture and fittings	6 years
Office equipment	5 years
IT equipment	3 years

The Hajj registry system is not depreciated over a useful life, however, R 150 000 was released as a realisation of reserves annually. The full amount was realised in the 2021 financial statements.

2.4 Intangible assets

2.4.1 Trademarks and new hajj registry software

Trademarks are initially recognised at cost and subsequently at cost less accumulated amortisation and accumulated impairment losses.

The new hajj registry computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 10 years. Amortisation is only recognised once the software is available for use. During both the 2022 and 2021 financial period, the software was currently under development and accordingly no amortisation has been recognised.

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

Trademarks	5 years
Hajj Registry Software	10 years

The residual value, amortisation period and amortisation method for intangible assets are reassessed when there is an indication that there is a change from the previous estimate. During the current financial period there has been no change to the estimate.

2.4.2 Research and development cost

All research and development costs are recognised as an expense unless they form part of the cost of another asset that meets the recognition criteria.

SOUTH AFRICAN HAJJ AND UMRAH COUNCIL

Financial Statements for the year ended 31 March 2022

Accounting Policies

2.5 Impairment of non-current assets

At each balance sheet date, the carrying amounts of tangible and intangible assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If the fair value less costs to sell of an asset (or group of assets) is estimated to be less than its carrying amount, the carrying amount of the asset (or group of assets) is reduced to its fair value less costs to sell. An impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of assets) is increased to the revised estimate of its fair value less costs to sell, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset (group of assets) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2.6 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. For lease agreements that are under 12 months, the rental has been recorded at the amount paid.

2.7 Trade and other receivables

Trade and other receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the organisation will not be able to collect all amounts due according to the original terms of the receivables.

2.8 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown in current liabilities on the statement of financial position.

2.9 Deferred revenue

Hajj accreditation fees received before the revenue recognition criteria are satisfied are included in current liabilities as deferred income and are credited to the statement of comprehensive income once the performance condition is met and the revenue recognition criteria are satisfied.

Deferred revenue are measured at the fair value of the asset received or receivable.

2.10 Employee benefit obligations

2.10.1 Short-term employee benefits

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

SOUTH AFRICAN HAJJ AND UMRAH COUNCIL

Financial Statements for the year ended 31 March 2022

Accounting Policies

2.11 Trade and other payables

Trade and other payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest rate method.

2.12 Provisions

Provisions are measured at the present value of the amount expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.13 Finance costs

Finance costs are recognised on the basis of the effective interest rate method.

2.14 Foreign exchange

A foreign currency transaction is recorded on initial recognition in Rands, by applying to the foreign currency amount the spot rate between the functional currency and the foreign currency at the date of the transaction.

At the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in the profit or loss in the period in which they arise.

SOUTH AFRICAN HAJJ AND UMRAH COUNCIL

Financial Statements for the year ended 31 March 2022

Notes to the Annual Financial Statements

Figures in R	2022	2021
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3. Property, plant and equipment

	Cost	Accumulated depreciation and realisation of reserves	2022 Carrying value	Cost	Accumulated depreciation and realisation of reserves	2021 Carrying value
<i>Owned assets</i>						
Buildings	1,275,966	-	1,275,966	1,275,966	-	1,275,966
Furniture and fittings	50,267	50,267	-	50,267	50,267	-
Office equipment	52,544	12,937	39,607	156,317	124,537	31,780
IT equipment	242,087	167,674	74,413	251,359	162,246	89,113
Hajj registry system	1,250,000	1,250,000	-	1,250,000	1,250,000	-
	2,870,864	1,480,878	1,389,986	2,983,909	1,587,050	1,396,859

The carrying amounts of property, plant and equipment can be reconciled as follows:

	Carrying value at beginning of year	Additions/ Adjustments	Realisation of reserves	Disposals/ Adjustments	Depreciation	2022 Carrying value at end of year
<i>Owned assets</i>						
Buildings	1,275,966	-	-	-	-	1,275,966
Office equipment	31,780	26,446	-	(9,157)	(9,462)	39,607
IT equipment	89,113	30,496	-	24,481	(69,677)	74,413
	1,396,859	56,942	-	15,324	(79,139)	1,389,986

	Carrying value at beginning of year	Additions/ Adjustments	Realisation of reserves	Depreciation	2021 Carrying value at end of year
<i>Owned assets</i>					
Buildings	1,230,966	45,000	-	-	1,275,966
Furniture and fittings	1,199	-	-	(1,199)	-
Office equipment	28,584	31,722	-	(28,526)	31,780
IT equipment	145,569	23,997	-	(80,453)	89,113
Hajj Registry System	150,000	-	(150,000)	-	-
	1,556,318	100,719	(150,000)	(110,178)	1,396,859

Details of land and buildings

ERF 152 Crown Gardens Township, Registration Division I.R, The Province of Gauteng, measuring 600 (six hundred) square metres held by Deed of Transfer Number T76560/2000

	2022	2021
-Acquired on 26 March 2020 for	1,200,000	1,200,000
-Costs of additions or improvements - prior period	75,966	30,966
-Costs of additions or improvements - current period	-	45,000
	1,275,966	1,275,966

SOUTH AFRICAN HAJJ AND UMRAH COUNCIL

Financial Statements for the year ended 31 March 2022

Notes to the Annual Financial Statements

Figures in R	2022	2021
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4. Intangible assets

	Cost	Accumulated amortisation	2022 Carrying value	Cost	Accumulated amortisation	2021 Carrying value
Trademark	124,888	(90,879)	34,009	108,276	(67,157)	41,119
Hajj Registry Software	450,736	-	450,736	225,368	-	225,368
	575,624	(90,879)	484,745	333,644	(67,157)	266,487

The carrying amounts of intangible assets can be reconciled as follows:

	Carrying value at beginning of year	Additions	Amortisation	Disposals	2022 Carrying value at end of year
Trademark	41,119	16,612	(23,722)	-	34,009
Hajj Registry Software	225,368	225,368	-	-	450,736
	266,487	241,980	(23,722)	-	484,745

	Carrying value at beginning of year	Additions	Amortisation	Disposals	2021 Carrying value at end of year
Trademark	31,359	29,877	(20,117)	-	41,119
Hajj Registry System	-	225,368	-	-	225,368
	31,359	255,245	(20,117)	-	266,487

5. Trade and other receivables

Sundry debtors	54,735	37,716
Prepaid expenses	462,654	468,187
Guarantee fees	-	1,074,160
	517,389	1,580,063

Guarantee placed with Saudi Arabian Ministry of Hajj

South African Rand	-	1,074,160
Saudi Arabian Riyaal	-	272,563

Exchange rate used for conversion of Saudi Riyaal at year end

South African Rand	-	3.94
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Prepaid expenditure relates to accommodation expenses paid in advance in respect of the Hajj period July /August 2020 (Hajj 1441) to Khidmatul Awaam Pilgrimage Services to secure accommodation in the Kingdom of Saudi Arabia for the Hajj period. This accommodation is for the SAHUC mission and medical team in Aziziah. As there was no hajj in both the 2022 and 2021 financial year for the South African pilgrims, this amount was retained for the next hajj that will be performed.

SOUTH AFRICAN HAJJ AND UMRAH COUNCIL

Financial Statements for the year ended 31 March 2022

Notes to the Annual Financial Statements

Figures in R	2022	2021
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6. Cash and cash equivalents

Favourable cash balances

Cash on hand	-	17,802
Bank balances	4,239,618	2,132,557
Short term deposits	11,163,718	12,785,841
	<u>15,403,336</u>	<u>14,936,200</u>

7. Revaluation reserve

Opening balance	-	150,000
Realisation of reserves	-	(150,000)
	<u>-</u>	<u>-</u>

The Hajj registry system was revalued to R 450 000 during the 2018 financial year under review by an independent valuator, Fingerprints Software (Pty) Ltd.

8. Deferred revenue

Hajj fees received in advance	<u>9,161</u>	<u>19,661</u>
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Deferred income represents Hajj fees received in advance for the Hajj period July/August 2020. These amounts are fully refundable.

9. Provisions

Provision - VAT

Carrying amount at the beginning of the year	3,824,648	-
(Decrease)/Increase in provision	<u>(2,209,585)</u>	<u>3,824,648</u>
Carrying amount at end of the year	<u>1,615,063</u>	<u>3,824,648</u>

In prior periods the organisation was not registered for Value added taxes (VAT) despite rendering taxable services. During the previous financial year, the organisation had commenced the process of registering for VAT and had quantified the potential obligation to SARS for the period 1 March 2006 to 31 March 2021.

The organisation had engaged the services of a VAT specialist for performing the computation, registration, submission of all VAT returns and the voluntary disclosure programme (VDP) application. The estimated net VAT liability owing to SARS for the period 1 March 2006 to 31 March 2021 of R 2,202,383 had been recorded as an expense in the 2021 annual financial statements. The estimated liability was computed based on the apportionment method, however, management was also exploring an alternate method of computing the potential obligation. The estimated obligation had been recorded as a provision in the 2021 annual financial statements. At the date of signing off the 2021 annual financial statements, the alternate computation had not been finalised and accordingly a provision had been raised based on the apportionment method.

Interest amounting to R 1,739,132 had been computed on the outstanding VAT and was recorded as an expense in the 2021 annual financial statements and included in note 14. Accordingly a total provision of R 3 824 648 was recognised in the 2021 annual financial statements. This resulted in the organisation reflecting a deficit of R 4 599 541 in the 2021 annual financial statements.

SOUTH AFRICAN HAJJ AND UMRAH COUNCIL

Financial Statements for the year ended 31 March 2022

Notes to the Annual Financial Statements

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9. Provisions continued

During the 2022 financial year, the VAT registration was not yet finalised, however, the basis of computing the VAT liability had been amended. As noted above, management was investigating an alternate method of computing the VAT liability and instead of working on an apportionment basis, the VAT was computed on an activity basis.

This new method had a significant impact on the VAT computation as the estimated VAT liability inclusive of interest of R 1 169 084 for the period 1 March 2006 to 31 March 2022 was now computed at R 1 615 063. As a provision of R 3 824 648 was recognised in the 2021 annual financial statements, the excess provision had to be reversed in the 2022 annual financial statements.

The impact of the revised approach has resulted in an amount of R 2 117 472 being recorded as "other income" in the 2022 annual financial statements and has resulted in a surplus for the year amounting to R 1 781 386.

The organisation also has a potential estimated liability of R 304 384 (2021: R 842 795 using the apportionment method) relating to penalties that could be raised by SARS. As the organisation will be submitting a VDP application, the estimated penalty had not been recorded as an expense as there is a probability that this will be waived by SARS. The estimated penalty has been disclosed as a contingent liability in the 2022 annual financial statements (refer note 16).

10. Trade and other payables

Accrued liabilities	58,141	5,049
Leave pay accrual	12,724	11,270
	<u>70,865</u>	<u>16,319</u>

11. Revenue

An analysis of revenue is as follows:

Registration fees	586,772	516,942
Hajj Operators Registration	(97,391)	-
	<u>489,381</u>	<u>516,942</u>

As a result of the COVID19 pandemic, there was no Hajj for South African pilgrims during the July/Aug 2020 & 2021 period accordingly, no accreditation and operator fees were received or recognised in the current and prior financial year.

12. Operating (deficit)/surplus

Operating (deficit)/surplus is arrived at after taking into account the following items:

Income

Profit on disposal of property, plant and equipment	<u>15,324</u>	<u>-</u>
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Expenditure

Exchange rate losses on foreign exchange	<u>39,387</u>	<u>573,481</u>
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SOUTH AFRICAN HAJJ AND UMRAH COUNCIL

Financial Statements for the year ended 31 March 2022

Notes to the Annual Financial Statements

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12. Operating (deficit)/surplus continued

Depreciation

Owned assets

Furniture and fittings	-	1,199
Office equipment	9,462	28,526
IT equipment	69,677	80,453
	<u>79,139</u>	<u>110,178</u>

Amortisation of intangible assets	<u>23,722</u>	<u>20,117</u>
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Auditors' remuneration

Audit fees

-current	38,455	74,613
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Operating lease charges

Premises	<u>168,552</u>	<u>193,834</u>
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Employee costs	<u>-</u>	<u>(6,160)</u>
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13. Finance income

Interest income

Islamic profit share	<u>415,196</u>	<u>583,812</u>
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14. Finance costs

SARS (refer note 9)	<u>1,200</u>	<u>1,739,132</u>
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15. Income tax expense

No provision has been made as the organisation has been granted tax exemption in terms of Section 10(1)(cN) of the Income Tax Act.

16. Contingent liabilities

As noted in Note 1 of the SAHUC Board report, the organisation is currently in the processing of registering for VAT with SARS and has recorded the estimated VAT liability owing to SARS including interest. As the organisation has not submitted VAT returns nor made any VAT payments for the period 1 March 2006 to 31 March 2022, SARS will impose a late payment penalty which is computed at 10% of the vat liability and an understatement penalty in terms of Section 223 of the Tax Administration Act which can be charged at any rate between 25% and 200%.

The estimated late payment penalty has been computed using 10% and amounts to R 86 967 (2021: R 240 799). The understatement penalty has been computed using the minimum rate of 25% and amounts to R 217 417 (2021: R 601 996). Accordingly, the minimum estimated penalty owing to SARS amounts to R 304 384 (2021: R 842 795).

SOUTH AFRICAN HAJJ AND UMRAH COUNCIL

Financial Statements for the year ended 31 March 2022

Notes to the Annual Financial Statements

Figures in R	2022	2021
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16. Contingent liabilities continued

The organisation will be submitting a VDP application to SARS requesting the waiver of all penalties. As there is a probability that SARS may waive the penalty or that SARS may charge an understatement penalty at a rate higher than 25%, no obligation has been recorded in the annual financial statements. Should the VDP application be unsuccessful the organisation will be liable to SARS for the late payment penalty and the understatement penalty.

No other events occurred between 31 March 2022 and the date the board approved the financial statements that would have a material impact on the results as disclosed in the financial statements as set out on pages 8 to 21 or the continued existence of the organisation as a going concern.

17. Event after the balance sheet date

No events occurred between 31 March 2022 and the date the board approved the financial statements that would have a material impact on the results as disclosed in the financial statements as set out on pages 8 to 21 or the continued existence of the organisation as a going concern.

18. Expenses by nature

Amortisation - Intangible assets	23,722	20,117
Auditors' remuneration	38,455	74,613
Consulting fees	174,450	88,200
Depreciation - Tangible assets	79,139	110,178
Lease rental on operating lease	168,552	193,834
Loss on foreign exchange	39,387	573,481
Paygate charges	20,879	15,262
Protocol expenses	7,329	8,749
Salaries	444,396	430,092
Roadshow (refund)/ expenses	-	(6,160)
VAT liability	-	2,202,383
Other	258,478	257,914
	<u>1,254,787</u>	<u>3,968,663</u>

19. Going Concern

The members believe that the organisation will be a going concern in the year ahead. For this reason we continue to adopt the going concern basis in preparing the annual financial statements.

SOUTH AFRICAN HAJJ AND UMRAH COUNCIL

Financial Statements for the year ended 31 March 2022

Detailed Income Statement

Figures in R	Notes	2022	2021
Gross Revenue			
Registration fees		586,772	516,942
Hajj Operators Registration		(97,391)	-
		<u>489,381</u>	<u>516,942</u>
Other Income			
Investment income		415,196	583,812
Profit on sale of fixed assets		15,324	-
Rental income		-	7,500
Reversal of prior year VAT provision		2,117,472	-
		<u>2,547,992</u>	<u>591,312</u>
		<u>3,037,373</u>	<u>1,108,254</u>
Expenditure			
Advertising		6,790	15,011
Amortisation - Intangible assets		23,722	20,117
Auditors' remuneration		38,455	74,613
Bank charges		5,033	21,000
Computer expenses		16,094	53,728
Consulting fees		174,450	88,200
Depreciation - Tangible assets	3	79,139	110,178
Finance costs	14	1,200	1,739,132
Hajj & Umrah Services Conference		24,742	-
Insurance		15,760	10,501
Lease rental on operating lease		168,552	193,834
Loss on foreign exchange		39,387	573,481
Meeting expenses		38,807	16,942
Office expenses		10,387	10,077
Paygate charges		20,879	15,262
Postage and courier		-	279
Printing and stationery		4,312	3,333
Protocol expenses		7,329	8,749
Roadshow (refund)/ expenses		-	(6,160)
Salaries		444,396	430,092
Telephone and fax		56,262	81,225
Travel expenses		62,448	-
Vat liability		-	2,202,383
Website hosting and bulk sms fees		17,843	19,308
Website maintenance costs		-	26,510
		<u>1,255,987</u>	<u>5,707,795</u>
Surplus / (deficit) for the year		<u>1,781,386</u>	<u>(4,599,541)</u>