

**SOMERSET WEST CITY IMPROVEMENT DISTRICT NPC
(REGISTRATION NUMBER 2015/250540/08)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

BGR Pyper Turner Incorporated
Registered Auditors
Issued 26 August 2020

Somerset West City Improvement District NPC

(Registration number: 2015/250540/08)

Financial Statements for the year ended 30 June 2020

General Information

| | |
|--|--|
| Country of incorporation and domicile | South Africa |
| Nature of business and principal activities | General upliftment of Somerset West City centre |
| Directors | M Stander H J J Wiid Y van der Spuy G M J Nel |
| Registered office | Nadmic Centre 135 Main Road Somerset West 7130 |
| Auditors | BGR Pyper Turner Incorporated Registered Auditors |
| Company registration number | 2015/250540/08 |
| Tax reference number | 9200847193 |
| Level of assurance | These financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008. |
| Preparer | The financial statements were independently compiled by: J L Coetzee Chartered Accountant (SA) |

Somerset West City Improvement District NPC

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Financial Statements for the year ended 30 June 2020

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The reports and statements set out below comprise the financial statements presented to the members:

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Directors' Responsibilities and Approval

The directors are required by the Companies Act 71 of 2008, to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the 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 the International Financial Reporting Standard for Small and Medium-sized Entities. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities 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 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 financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

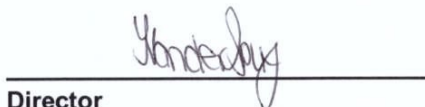
The directors have are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the company's financial statements. The financial statements have been examined by the company's external auditors and their report is presented on pages 5 to 6.

The financial statements set out on pages 7 to 13, which have been prepared on the going concern basis, were approved by the directors and signed on their behalf by:



Director



Director

Somerset West

26 August 2020

Somerset West City Improvement District NPC

(Registration number: 2015/250540/08)

Financial Statements for the year ended 30 June 2020

Directors' Report

The directors submit their report on the financial statements of Somerset West City Improvement District NPC for the year ended 30 June 2020.

1. Nature of business

Somerset West City Improvement District NPC was incorporated in South Africa with interests in the Services industry. The company operates in South Africa.

There have been no material changes to the nature of the company's business from the prior year.

2. Review of financial results and activities

The financial statements have been prepared in accordance with International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act 71 of 2008. The accounting policies have been applied consistently compared to the prior year.

Full details of the financial position, results of operations and cash flows of the company are set out in these financial statements.

3. Directors

The directors in office at the date of this report are as follows:

M Stander
H J J Wiid
Y van der Spuy
G M J Nel

There have been no changes to the directorate for the period under review.

4. Events after the reporting period

On 27 March 2020, the South African Government implemented a national lockdown for 3 weeks to combat the spread of the COVID-19 pandemic. On 9 April 2020, the national lockdown was extended with another 2 weeks until 30 April 2020. Since then, a Five Level approach was announced to ease the lockdown regulations. On 1 May 2020 the lockdown was eased from Level 5 to Level 4 and on 1 June to Level 3, and on 18 August to Level 2, in order to slowly introduce economic activity. The effect of the lockdown regulations on the company's operations, as well as the duration of the regulations is currently uncertain.

The directors is not aware of any other events after the reporting period, which should be noted in this report.

5. Going concern

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

Independent Auditor's Report

To the members of Somerset West City Improvement District NPC

Opinion

We have audited the financial statements of Somerset West City Improvement District NPC set out on pages 7 to 13, which comprise the statement of financial position as at 30 June 2020, and the statement of 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 Somerset West City Improvement District NPC as at 30 June 2020, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act 71 of 2008.

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 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 directors are responsible for the other information. The other information comprise the Directors' Report on pages 4 and 5, as required by the Companies Act 71 of 2008.

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 International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act 71 of 2008, 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 International Standards on Auditing 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 International Standards on Auditing, 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.



BGR Pyper Turner Incorporated
Registered Auditors
Director: E J Turner CA (SA) / RA
26 August 2020

Somerset West City Improvement District NPC

(Registration number: 2015/250540/08)

Financial Statements for the year ended 30 June 2020

Statement of Financial Position as at 30 June 2020

| Figures in Rand | Notes | 2020 | 2019 |
|-------------------------------------|-------|------------------|------------------|
| Assets | | | |
| Non-Current Assets | | | |
| Property, plant and equipment | 2 | 173,255 | 90,312 |
| Current Assets | | | |
| Trade and other receivables | 3 | 81,524 | 128,145 |
| Cash and cash equivalents | 4 | 1,423,330 | 1,046,476 |
| | | 1,504,854 | 1,174,621 |
| Total Assets | | 1,678,109 | 1,264,933 |
| Equity and Liabilities | | | |
| Equity | | | |
| Retained surplus | | 1,678,109 | 1,263,938 |
| Liabilities | | | |
| Current Liabilities | | | |
| Trade and other payables | 5 | - | 995 |
| Total Equity and Liabilities | | 1,678,109 | 1,264,933 |

Somerset West City Improvement District NPC

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Financial Statements for the year ended 30 June 2020

Statement of Comprehensive Income

| Figures in Rand | Notes | 2020 | 2019 |
|--------------------------------------|-------|------------------|------------------|
| Revenue | 6 | 2,948,600 | 2,728,926 |
| Other income | | | |
| Retention refund - City of Cape Town | | 113,711 | 21,092 |
| Interest received | | 32,752 | - |
| | | 146,463 | 21,092 |
| Operating expenses | | | |
| Accounting fees | | 4,050 | 9,687 |
| Advertising | | 5,312 | 5,068 |
| Auditors remuneration | 10 | 14,650 | 12,598 |
| Bank charges | | 2,609 | 2,481 |
| CIPC Fees | | 450 | 450 |
| Cleaning | | 306,000 | 283,380 |
| Computer expenses | | 12,000 | 12,000 |
| Depreciation | | 46,188 | 30,652 |
| Insurance | | 3,178 | 2,632 |
| Lease rentals on operating lease | | 75,779 | 62,766 |
| Levies | | 572 | - |
| Management services | | 408,000 | 377,880 |
| Motor vehicle expenses | | 22,000 | 22,560 |
| Municipal expenses | | - | 6,296 |
| Repairs and maintenance | | 1,895 | 5,555 |
| Security | | 1,743,910 | 1,706,363 |
| Social responsibility | | 11,600 | 11,200 |
| Staff welfare | | 4,699 | - |
| Telephone and fax | | 18,000 | 18,840 |
| | | 2,680,892 | 2,570,408 |
| Operating surplus | | 414,171 | 179,610 |
| Finance costs | 7 | - | (419) |
| Surplus for the year | | 414,171 | 179,191 |

Somerset West City Improvement District NPC

(Registration number: 2015/250540/08)

Financial Statements for the year ended 30 June 2020

Statement of Changes in Equity

| Figures in Rand | Retained surplus | Total equity |
|--------------------------------|------------------|------------------|
| Balance at 01 July 2018 | 1,084,747 | 1,084,747 |
| Surplus for the year | 179,191 | 179,191 |
| Balance at 01 July 2019 | 1,263,938 | 1,263,938 |
| Suplus for the year | 414,171 | 414,171 |
| Balance at 30 June 2020 | 1,678,109 | 1,678,109 |

Somerset West City Improvement District NPC

(Registration number: 2015/250540/08)

Financial Statements for the year ended 30 June 2020

Statement of Cash Flows

| Figures in Rand | Notes | 2020 | 2019 |
|---|-------|------------------|------------------|
| Cash flows from operating activities | | | |
| Cash generated from operations | 9 | 473,233 | 122,237 |
| Interest income | | 32,752 | - |
| Finance costs | | - | (419) |
| Net cash from operating activities | | 505,985 | 121,818 |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 2 | (129,131) | (22,166) |
| Total cash movement for the year | | 376,854 | 99,652 |
| Cash at the beginning of the year | | 1,046,476 | 946,824 |
| Total cash at end of the year | 4 | 1,423,330 | 1,046,476 |

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Accounting Policies

1. Presentation of financial statements

The financial statements have been prepared on a going concern basis in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, and the Companies Act 71 of 2008. The financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in South African Rands.

These accounting policies are consistent with the previous period.

1.1 Property, plant and equipment

Property, plant and equipment is carried at cost less accumulated depreciation and accumulated impairment losses.

Cost includes 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.

Property, plant and equipment with a cost of R7,000.00 or less per item, is depreciated in full during the year of acquisition.

Depreciation is provided using the straight-line method to write down the cost, less estimated residual value over the useful life of the property, plant and equipment as follows:

| Item | Average useful life |
|--------------------|---------------------|
| Office equipment | 6 years |
| Other fixed assets | 5 years |

1.2 Financial instruments

Initial measurement

Financial instruments are initially measured at the transaction price (including transaction costs except in the initial measurement of financial assets and liabilities that are measured at fair value through profit or loss) unless the arrangement constitutes, in effect, a financing transaction in which case it is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial instruments at cost

Equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably without undue cost or effort are measured at cost less impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

1.3 Revenue

Revenue is recognised to the extent that the company has transferred the significant risks and rewards of ownership of goods to the buyer, or has rendered services under an agreement provided the amount of revenue can be measured reliably and it is probable that economic benefits associated with the transaction will flow to the company. Revenue is measured at the fair value of the consideration received or receivable, excluding sales taxes and discounts.

Interest is recognised, in profit or loss, using the effective interest rate method.

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(Registration number: 2015/250540/08)

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

Figures in Rand 2020 2019

2. Property, plant and equipment

| | 2020 | | | 2019 | | |
|------------------|----------------|--------------------------|----------------|----------------|--------------------------|----------------|
| | Cost | Accumulated depreciation | Carrying value | Cost | Accumulated depreciation | Carrying value |
| Office equipment | 30,828 | (17,736) | 13,092 | 30,828 | (15,111) | 15,717 |
| Other assets | 250,095 | (89,932) | 160,163 | 120,965 | (46,370) | 74,595 |
| Total | 280,923 | (107,668) | 173,255 | 151,793 | (61,481) | 90,312 |

Reconciliation of property, plant and equipment - 2020

| | Opening balance | Additions | Depreciation | Closing balance |
|------------------|-----------------|----------------|-----------------|-----------------|
| Office equipment | 15,717 | - | (2,625) | 13,092 |
| Other assets | 74,595 | 129,131 | (43,563) | 160,163 |
| | 90,312 | 129,131 | (46,188) | 173,255 |

Reconciliation of property, plant and equipment - 2019

| | Opening balance | Additions | Depreciation | Closing balance |
|------------------|-----------------|---------------|-----------------|-----------------|
| Office equipment | 10 | 22,166 | (6,459) | 15,717 |
| Other assets | 98,788 | - | (24,193) | 74,595 |
| | 98,798 | 22,166 | (30,652) | 90,312 |

3. Trade and other receivables

| | | |
|-------------|---------------|----------------|
| Deposits | 4,840 | 70,057 |
| Prepayments | 7,307 | 6,695 |
| VAT | 69,377 | 51,393 |
| | 81,524 | 128,145 |

4. Cash and cash equivalents

Cash and cash equivalents consist of:

| | | |
|---------------------------|------------------|------------------|
| ABSA Current account | 640,578 | 1,046,476 |
| ABSA Money Market account | 782,752 | - |
| | 1,423,330 | 1,046,476 |

5. Trade and other payables

| | | |
|----------------|---|-----|
| Trade payables | - | 995 |
|----------------|---|-----|

Somerset West City Improvement District NPC

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Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

| Figures in Rand | 2020 | 2019 |
|--|------------------|------------------|
| 6. Revenue | | |
| Services Rendered - City of Cape Town | <u>2,948,600</u> | <u>2,728,926</u> |
| In accordance with the Finance Agreement, the City pays over 97% of the annual budget to the CID in 1/12th instalments and retains 3% as a provision for bad debts. | | |
| Accordingly, the City paid over R2,948,600 and the cumulative retention including VAT was R375,012 for the 2019/2020 financial year. Retention of R113,711 was refunded to the Somerset West City District in 2019/20. | | |
| 7. Finance costs | | |
| Bank | <u>-</u> | <u>419</u> |
| 8. Taxation | | |
| The company is registered as a Public Benefit Organisation at the Tax Exempt Unit, therefore no provision for income tax was made for 2020 or 2019. | | |
| SARS did, however, only acknowledge the company's status as a PBO as from the 2019 year of assessment, and intends to assess the company as a normal profit company for 2016, 2017 and 2018. SARS' intended assessments are currently in dispute and in the process of being objected/appealed against. Should the objection/appeal process be unsuccessful, the company has a potential tax liability for 2016, 2017 and 2018 of R303,729 plus potential penalties / additional tax and interest. | | |
| 9. Cash generated from operations | | |
| Surplus before taxation | 414,171 | 179,191 |
| Adjustments for: | | |
| Depreciation | 46,188 | 30,652 |
| Interest received | (32,752) | - |
| Finance costs | - | 419 |
| Changes in working capital: | | |
| Trade and other receivables | 46,620 | (87,886) |
| Trade and other payables | (994) | (139) |
| | <u>473,233</u> | <u>122,237</u> |
| 10. Auditors remuneration | | |
| Audit services | 8,250 | 7,500 |
| Tax- and secretarial services | 6,400 | 5,098 |
| | <u>14,650</u> | <u>12,598</u> |
| 11. Directors' remuneration | | |
| No emoluments were paid to the directors or any individuals holding a prescribed office during the year. | | |