

Tshiping Water User Association
Annual Financial Statements
for the year ended 28 February 2021

Tshiping Water User Association

Annual Financial Statements for the year ended 28 February 2021

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Duties as a Water User Association in terms of the National Water Act, 1998.
Registered office	Farm Soetfontein POSTMASBURG 8420
Postal address	PO Box 434 Postmasburg 8420
Bankers	Standard Bank
Auditors	Nel & Vennote Chartered Accountants (SA) Registered Auditors 20 Van Coppenhagen Street Upington 8801 PO Box 1331 Upington 8800
Tax reference number	9346034177
Level of assurance	These annual financial statements have been audited in compliance with the applicable requirements of the Constitution of the association.
Preparer	The annual financial statements were independently compiled by: PAE Nel Chartered Accountant (S.A.) Registered Auditor

Tshiping Water User Association

Annual Financial Statements for the year ended 28 February 2021

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

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Tshiping Water User Association

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Management Committee' Responsibilities and Approval

The Management Committee is required to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the body corporate 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 basis of accounting described in Note 1.

The annual financial statements are prepared in accordance with the basis of accounting described in Note 1 and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The members of the Management Committee acknowledge that they are ultimately responsible for the system of internal financial control established by the body corporate and place considerable importance on maintaining a strong control environment. To enable the Management Committee to meet these responsibilities, the Chief Executive Officer 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 association and all employees are required to maintain the highest ethical standards in ensuring the association's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the association is on identifying, assessing, managing and monitoring all known forms of risk across the association. While operating risk cannot be fully eliminated, the association endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

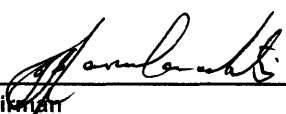
The members of the Management Committee are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any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

The members of the Management Committee have reviewed the association's cash flow forecast for the year to 28 February 2022 and, in the light of this review and the current financial position, they are satisfied that the association 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 association's annual financial statements. The annual financial statements have been examined by the association's external auditors and their report is presented on page 4.

The annual financial statements set out on pages 4 to 15, which have been prepared on the going concern basis, were approved by the Management Committee on 11 August 2021 and were signed on its behalf by:

Approval of annual financial statements



Chairman

Independent Auditor's Report

To the members of Tshiping Water User Association

Opinion

We have audited the annual financial statements of Tshiping Water User Association set out on pages 6 to 15, which comprise the statement of financial position as at 28 February 2021, and the statement of comprehensive income, statement of changes in reserves and statement of cash flows for the year then ended, and notes to the annual financial statements, including a summary of significant accounting policies.

In our opinion, the annual financial statements of Tshiping Water User Association for the year ended 28 February 2021 are prepared, in all material respects, in accordance with the basis of accounting described in Note 1 to the annual financial statements and the requirements of the Constitution of the association.

Basis for opinion

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

Responsibilities of the Management Committee for the Annual Financial Statements

The Management Committee are responsible for the preparation of the annual financial statements in accordance with the basis of accounting described in Note 1 and the requirements of the Constitution of the association, for determining that the basis of preparation is acceptable in the circumstance and for such internal control as the Management Committee determine is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the Management Committee is responsible for assessing the association'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 Management Committee either intend to liquidate the association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the annual 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 annual 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 annual 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 association's internal control.
 - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Committee.
 - Conclude on the appropriateness of the Management Committee's 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 association'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 annual 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 association to cease to continue as a going concern.
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Independent Auditor's Report

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Management Committee 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.

Nel & Vennote
Frederick Gerhardus Mulder
Partner
Chartered Accountants (SA)
Registered Auditors

20 Van Coppenhagen Street
Upington
8801

Tshiping Water User Association

Annual Financial Statements for the year ended 28 February 2021

Statement of Financial Position as at 28 February 2021

Figures in Rand	Note(s)	2021	2020
Assets			
Non-Current Assets			
Property, plant and equipment	2	417,407	320,573
Intangible assets		4	4
		417,411	320,577
Current Assets			
Trade and other receivables	3	4,390	259,124
Cash and cash equivalents	4	2,168,360	848,576
		2,172,750	1,107,700
Total Assets		2,590,161	1,428,277
Equity and Liabilities			
Members' funds and reserves			
Accumulated surplus		2,480,066	1,420,205
Liabilities			
Current Liabilities			
Trade and other payables	5	110,095	8,072
Total Equity and Liabilities		2,590,161	1,428,277

Tshiping Water User Association
Annual Financial Statements for the year ended 28 February 2021

Statement of Comprehensive Income

Figures in Rand	Note(s)	2021	2020
Revenue			
Water tariffs and management fees		2,951,023	2,779,037
Operating expenses			
Adjustment to provision for bad debts		(31,017)	(237,624)
Advertising		4,380	23,620
Auditors remuneration	9	20,849	21,349
Bad debts		19,725	5,443
Bank charges		4,206	5,082
Cleaning		130	-
Compensation fund		1,358	3,783
Computer expenses		4,895	1,737
Depreciation, amortisation and impairments		75,042	75,042
Employee costs		1,378,651	1,310,030
Entertainment		1,054	4,168
HDI Support & Emerging Farmers		55,080	-
Insurance		23,639	23,344
Lease rentals on operating lease		74,754	77,430
Legal expenses		7,086	8,841
Management committee fees		17,617	22,000
Meetings and conferences		-	25,411
Motor vehicle expenses		5,850	-
Office equipment		8,173	1,783
Other consulting and professional fees		226,121	996,449
Postage		426	2,326
Printing and stationery		3,459	1,385
Repairs and maintenance		-	326
Subscriptions		15,753	8,986
Telephone and fax		22,594	18,614
Travel - local		12,661	44,521
		1,952,486	2,444,046
Operating surplus	6	998,537	334,991
Investment income		61,324	57,961
Surplus or deficit for the year		1,059,861	392,952

Tshiping Water User Association

Annual Financial Statements for the year ended 28 February 2021

Statement of Changes in Reserves

Figures in Rand	Accumulated surplus	Total members' funds and reserves
Balance at 01 March 2019	1,027,253	1,027,253
Surplus or deficit for the year	392,952	392,952
Balance at 01 March 2020	1,420,205	1,420,205
Surplus or deficit for the year	1,059,861	1,059,861
Balance at 28 February 2021	2,480,066	2,480,066

Tshping Water User Association

Annual Financial Statements for the year ended 28 February 2021

Statement of Cash Flows

Figures in Rand	Note(s)	2021	2020
Cash flows from operating activities			
Cash receipts from customers		3,205,757	2,587,425
Cash paid to suppliers and employees		(1,775,421)	(2,897,150)
Cash generated from (used in) operations	10	1,430,336	(309,725)
Interest income		61,324	57,961
Net cash from / (used in) operating activities		1,491,660	(251,764)
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(171,875)	-
Total cash movement for the year		1,319,785	(251,764)
Cash at the beginning of the year		848,576	1,100,340
Total cash at end of the year	4	2,168,361	848,576

Accounting Policies

1. Basis of preparation and summary of significant accounting policies

The annual financial statements have been prepared on a going concern basis in accordance with the accounting policies as set out below. The annual financial statements have been prepared on the historical cost basis. 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 are tangible assets which the association holds for its own use or for rental to others and which are expected to be used for more than one period.

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the association, and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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. 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.

The initial estimate of the costs of dismantling and removing an asset and restoring the site on which it is located is also included in the cost of property, plant and equipment, when such dismantling, removal and restoration is obligatory.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the association and the cost can be measured reliably. Day to day servicing costs are included in surplus or deficit in the period in which they are incurred.

Property, plant and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses, except for land which is stated at cost less any accumulated impairment losses.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the association.

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

Item	Depreciation method	Average useful life
Plant and machinery	Straight line	3 - 5 years
Motor vehicles	Straight line	5 years (30% residual value)
Office equipment	Straight line	5 years
IT equipment	Straight line	3 - 5 years

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount.

Where major components of an item of property, plant and equipment have significantly different patterns of consumption of economic benefits, the cost of the asset is allocated to the components and they are depreciated separately over each component's useful life.

When indicators are present that the useful lives and residual values of items of property, plant and equipment have changed since the most recent annual reporting date, they are reassessed. Any changes are accounted for prospectively as a change in accounting estimate.

Accounting Policies

1.1 Property, plant and equipment (continued)

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in surplus or deficit to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in surplus or deficit when the item is derecognised.

1.2 Financial instruments

Financial instruments at amortised cost

These include loans, trade receivables and trade payables. Those debt instruments which meet the criteria in section 11.8(b) of the standard, are subsequently measured at amortised cost using the effective interest method. Debt instruments which are classified as current assets or current liabilities are measured at the undiscounted amount of the cash expected to be received or paid, unless the arrangement effectively constitutes a financing transaction.

At each reporting date, the carrying amounts of assets held in this category are reviewed to determine whether there is any objective evidence of impairment. If there is objective evidence, the recoverable amount is estimated and compared with the carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in surplus or deficit.

1.3 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee. All other leases are operating leases.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term unless:

- another systematic basis is representative of the time pattern of the benefit from the leased asset, even if the payments are not on that basis, or
- the payments are structured to increase in line with expected general inflation (based on published indexes or statistics) to compensate for the lessor's expected inflationary cost increases.

Any contingent rents are expensed in the period they are incurred.

1.4 Impairment of assets

The association assesses at each reporting date whether there is any indication that property, plant and equipment or intangible assets may be impaired.

If there is any such indication, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in surplus or deficit.

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

1.5 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as leave pay 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.

Accounting Policies

1.6 Provisions and contingencies

Provisions are recognised when the association has an obligation at the reporting date as a result of a past event; it is probable that the association will be required to transfer economic benefits in settlement; and the amount of the obligation can be estimated reliably.

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 the passage of time is recognised as interest expense.

Provisions are not recognised for future operating losses.

Contingent assets and contingent liabilities are not recognised.

1.7 Revenue

Levies and recoveries are recognised as revenue once owners are invoiced. Ordinary levies are invoiced monthly, based on the proportional amount as per the approved budget. Other recoveries are recognised as and when due by the owners and are disclosed with the expenses to which they relate. When the inflow of cash and cash equivalents is deferred, the fair value of the consideration receivable is the present value of all future receipts using the imputed rate of interest.

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

1.8 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

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Notes to the Annual Financial Statements

Figures in Rand 2021 2020

2. Property, plant and equipment

	2021			2020		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Plant and machinery	313,017	(80,547)	232,470	141,142	(49,777)	91,365
Motor vehicles	300,072	(115,528)	184,544	300,072	(73,518)	226,554
Office equipment	19,694	(19,683)	11	19,694	(19,683)	11
IT equipment	45,996	(45,614)	382	45,996	(43,353)	2,643
Total	678,779	(261,372)	417,407	506,904	(186,331)	320,573

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Depreciation	Closing balance
Plant and machinery	91,365	171,875	(30,770)	232,470
Motor vehicles	226,554	-	(42,010)	184,544
Office equipment	11	-	-	11
IT equipment	2,643	-	(2,261)	382
	320,573	171,875	(75,041)	417,407

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Depreciation	Closing balance
Plant and machinery	122,135	-	(30,770)	91,365
Motor vehicles	268,564	-	(42,010)	226,554
Office equipment	11	-	-	11
IT equipment	4,905	-	(2,262)	2,643
	395,615	-	(75,042)	320,573

3. Trade and other receivables

Trade receivables	4,390	250,570
VAT	-	8,554
	4,390	259,124

4. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	51,065	27,317
Short-term deposits	2,117,295	821,259
	2,168,360	848,576

5. Trade and other payables

Trade payables	88,138	8,072
VAT	21,957	-
	110,095	8,072

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
6. Operating surplus (deficit)		
Operating surplus (deficit) for the year is stated after accounting for the following:		
Operating lease charges		
Premises		
• Contractual amounts	74,754	77,430
Depreciation on property, plant and equipment	75,042	75,042
Employee costs	1,378,651	1,310,030
7. Employee cost		
Employee costs		
Basic	1,258,117	1,150,585
Bonus	114,124	107,169
UIF	5,056	4,759
Other payroll levies	1,354	47,517
	1,378,651	1,310,030
8. Investment revenue		
Interest revenue		
Bank	54,021	50,230
Interest charged on trade and other receivables	7,303	7,731
	61,324	57,961
9. Auditor's remuneration		
Fees	17,990	17,050
Consulting	1,339	961
Tax and secretarial services	1,520	1,350
Expenses	-	1,988
	20,849	21,349
10. Cash generated from (used in) operations		
Surplus before taxation	1,059,861	392,952
Adjustments for:		
Depreciation and amortisation	75,042	75,042
Interest received	(61,324)	(57,961)
Changes in working capital:		
Trade and other receivables	254,734	(191,612)
Trade and other payables	102,023	(528,146)
	1,430,336	(309,725)

Tshiping Water User Association

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Notes to the Annual Financial Statements

Figures in Rand 2021 2020

11. Related parties

Relationships

Related party of member of key management

Hardeveld Toerisme (Pty) Ltd

Members of key management

AJ Viljoen

Related party balances and transactions with other related parties

Related party transactions

Rent paid to (received from) related parties

Hardeveld Toerisme (Pty) Ltd	74,754	77,430
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12. Employee costs

2021	Basic Salary	Annual Bonus	Travel Allowances	Leave paid out	UIF	Total
AJ Viljoen (CEO)	801,792	92,160	1,354	-	-	895,306
ME Nel (Assistant)	263,568	21,964	-	-	-	285,532
M Bezuidenhout (Technician)	187,920	-	-	4,163	-	192,083
Subtotal	1,253,280	114,124	1,354	4,163	-	1,372,921
Company Contributions	-	-	-	-	5,730	5,730
	1,253,280	114,124	1,354	4,163	5,730	1,378,651