Tshiping Water User Association
Annual Financial Statements
for the year ended 28 February 2022

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: Petrus Abel Elias Nel Chartered Accountant (S.A.) Registered Auditor

Contents

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

Management Committee's 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 association 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 association 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 2023 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 pages 6-15.

The annual financial statements set out on pages 6-15 which have been prepared on the going concern basis, were approved by the Management Committee on ___________________________________ and were signed on its behalf by:

Approval of annual financial statements

____

Chairman

Nel&Vennote
CHARTERED ACCOUNTANTS (SA) | REGISTERED AUDITORS
GEOKTROOIEERDE REKENMEESTERS (SA) | GEREGISTREERDE OUDITEURE

T : +27 (0) 54 337 8100
F : +27 (0) 54 332 3932
info@nelenvennote.co.za
www.nelenvennote.co.za

20 Van Coppenhagen Street
Van Coppenhagenstraat 20
Upington
8801

PO Box
Posbus 1331
Upington
8800

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 (the association) set out on pages 6 to 15, which comprise the statement of financial position as at 28 February 2022, statement of comprehensive income, statement of changes in reserves and statement of cash flows for the year then ended, and the 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 2022 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 Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of annual 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.

Emphasis of Matter - Basis of Accounting

We draw attention to Note 1 to the annual financial statements, which describes the basis of accounting. The annual financial statements are prepared in accordance with the association's own accounting policies to satisfy the financial information needs of the association's member. As a result, the annual financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

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 to the annual financial statements 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.

Independent Auditor's Report

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.
- 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

Statement of Financial Position as at 28 February 2022

Figures in Rand	Note(s)	2022	2021
Assets			
Non-Current Assets			
Property, plant and equipment	2	319 038	417 407
Intangible assets		4	4
		319 042	**417 411**
Current Assets			
Trade and other receivables	3	438 838	4 390
Cash and cash equivalents	4	2 683 132	2 168 360
		3 121 970	**2 172 750**
Non-Current Assets		319 042	417 411
Current Assets		3 121 970	2 172 750
Non-current assets held for sale (and) (assets of disposal groups)		-	-
Total Assets		**3 441 012**	**2 590 161**
Equity and Liabilities			
Members' funds and reserves			
Accumulated surplus		3 393 635	2 480 066
Liabilities			
Current Liabilities			
Trade and other payables	5	47 377	110 095
Non-Current Liabilities		-	-
Current Liabilities		47 377	110 095
Liabilities of disposal groups		-	-
Equities		3 393 635	2 480 066
Liabilities		47 377	110 095
Total Equity and Liabilities		**3 441 012**	**2 590 161**

Statement of Comprehensive Income

Figures in Rand	Note(s)	2022	2021
Revenue			
Water tariffs and management fees		3 005 218	2 951 023
		3 005 218	2 951 023
		-	-
Operating expenses			
Adjustment to provision for bad debts		83 448	(31 017)
Advertising		13 415	4 380
Auditors remuneration	7	26 742	20 849
Bad debts		-	19 725
Bank charges		3 360	4 206
Cleaning		-	130
Compensation fund		2 811	1 358
Computer expenses		3 858	4 895
Depreciation, amortisation and impairments		98 369	75 042
Employee costs		1 381 520	1 378 651
Entertainment		418	1 054
HDI Support & Emerging Farmers		-	55 080
Insurance		16 163	23 639
Lease rentals on operating lease		71 500	74 754
Legal expenses		1 477	7 086
Management committee fees		28 441	17 617
Meetings and conferences		7 622	-
Motor vehicle expenses		35 090	5 850
Office equipment		5 406	8 173
Other consulting and professional fees		374 913	226 121
Postage		1 537	426
Printing and stationery		1 426	3 459
Subscriptions		-	15 753
Telephone and fax		18 330	22 594
Travel - local		-	12 661
		2 175 846	**1 952 486**
		3 005 218	2 951 023
		-	-
		(2 175 846)	(1 952 486)
Operating surplus		**829 372**	**998 537**
Investment income	9	84 197	61 324
Profit (loss) before taxation		913 569	1 059 861
Taxation		-	-
		-	-
Surplus for the year		**913 569**	**1 059 861**

Statement of Changes in Reserves

Figures in Rand	Accumulated surplus	Total members' funds and reserves
Balance at 01 March 2020	**1 420 205**	**1 420 205**
Surplus for the year	**1 059 861**	**1 059 861**
Balance at 01 March 2021	**2 480 066**	**2 480 066**
Surplus for the year	**913 569**	**913 569**
Balance at 28 February 2022	**3 393 635**	**3 393 635**

Statement of Cash Flows

Figures in Rand	Note(s)	2022	2021
Cash flows from operating activities			
Cash receipts from customers		2 546 599	3 205 757
Cash paid to suppliers and employees		(2 116 024)	(1 775 421)
Cash generated from operations	10	430 575	1 430 336
Interest income		84 197	61 324
Net cash from / (used in) operating activities		**514 772**	**1 491 660**
Cash flows from investing activities			
Purchase of property, plant and equipment	2	-	(171 875)
Total cash movement for the year		**514 772**	**1 319 785**
Cash at the beginning of the year		2 168 360	848 575
Total cash at end of the year	4	**2 683 132**	**2 168 360**

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

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 surplus or deficit) 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 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.

Accounting Policies

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.

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.

Levies have been accounted for on the accrual basis and therefore includes outstanding amounts owing by the owners.

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

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

2. Property, plant and equipment

	2022			2021		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Plant and machinery	313 017	(136 513)	176 504	313 017	(80 547)	232 470
Motor vehicles	300 072	(157 538)	142 534	300 072	(115 528)	184 544
Office equipment	19 694	(19 694)	-	19 694	(19 683)	11
IT equipment	45 996	(45 996)	-	45 996	(45 614)	382
Total	**678 779**	**(359 741)**	**319 038**	**678 779**	**(261 372)**	**417 407**

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Depreciation	Closing balance
Plant and machinery	232 470	-	(55 966)	176 504
Motor vehicles	184 544	-	(42 010)	142 534
Office equipment	11	-	(11)	-
IT equipment	382	-	(382)	-
	417 407	**-**	**(98 369)**	**319 038**

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	2 644	-	(2 262)	382
	320 574	**171 875**	**(75 042)**	**417 407**

3. Trade and other receivables

	2022	2021
Trade receivables	438 838	4 390

4. Cash and cash equivalents

Cash and cash equivalents consist of:

	2022	2021
Bank balances	39 528	51 065
Short-term deposits	2 643 604	2 117 295
	2 683 132	**2 168 360**

5. Trade and other payables

	2022	2021
Trade payables	11 004	88 138
VAT	36 373	21 957
	47 377	**110 095**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

6. Operating surplus/(deficit)

Operating surplus/(deficit) include the following expenses:

Operating lease charges		
Premises		
• Contractual amounts	71 500	74 754
Depreciation and amortisation	98 369	75 042
Employee costs	1 381 520	1 378 651

7. Auditor's remuneration

Fees	18 900	17 990
Consulting	6 242	1 339
Tax and secretarial services	1 600	1 520
	26 742	**20 849**

8. Employee cost

Employee costs		
Basic	1 286 517	1 258 117
Bonuses	86 832	114 124
UIF	5 419	5 056
Other payroll levies	2 752	1 354
	1 381 520	**1 378 651**

9. Investment revenue

Interest revenue		
Bank	81 264	54 021
Interest charged on trade and other receivables	2 933	7 303
	84 197	**61 324**
	-	-
	84 197	61 324

10. Cash generated from operations

Surplus before taxation	913 569	1 059 861
Adjustments for:		
Depreciation and amortisation	98 369	75 042
Interest received	(84 197)	(61 324)
Changes in working capital:		
Trade and other receivables	(434 448)	254 734
Trade and other payables	(62 718)	102 023
	430 575	**1 430 336**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

11. Related parties

Relationships	
Related party of member of key management	Hardeveld Toerisme (Proprietary) Limited
Members of key management	AJ Viljoen

Related party balances and transactions with other related parties

Related party transactions

	2022	2021
Rent paid to (received from) related parties		
Hardeveld Toerisme (Proprietary) Limited	71 500	74 754

12. Employee costs

2022	Basic Salary	Annual Bonus	Travel Allowances	Leave paid out	UIF	Total
AJ Viljoen (CEO)	828 251	64 143	2 752	-	-	895 146
ME Nel (Assistant)	272 266	22 689	-	-	-	294 955
M du Plooy (Technician)	186 000	-	-	-	-	186 000
Subtotal	1 286 517	86 832	2 752	-	-	1 376 101
Company Contributions	-	-	-	-	5 419	5 419
	1 286 517	**86 832**	**2 752**	**-**	**5 419**	**1 381 520**