

CACADU DISTRICT DEVELOPMENT AGENCY SOE SOC LTD

**Annual Financial Statements
for the year ended 30 June 2021**

CACADU DISTRICT DEVELOPMENT AGENCY SOE SOC LTD

Annual Financial Statements for the year ended 30 June 2021

General Information

<u>Legal form of entity</u>	Municipal Entity
<u>Parent Municipality (Controlling entity)</u>	Sarah Baartman District Municipality (DC10)
<u>Nature of business and principal activities</u>	Promote socio-economic and infrastructural development in the Sarah Baartman District
<u>Registered office</u>	32 Govan Mbeki Ave Standard Bank Building Port Elizabeth 6001
<u>Postal address</u>	P O Box 318 Port Elizabeth 6000
<u>Board of directors</u>	A Taai NN Koeberg D Mgoduka
<u>Accounting Officer</u>	LS Blouw
<u>Bankers</u>	ABSA Bank Limited
<u>Preparer</u>	The annual financial statements were internally compiled by: L Nomarwayi
<u>Auditors</u>	Auditor-General South Africa

CACADU DISTRICT DEVELOPMENT AGENCY SOE SOC LTD

Annual Financial Statements for the year ended 30 June 2021

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CDDA	Cacadu District Development Agency
DMA	District Management Area
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
SBDM	Sarah Baartman District Municipality

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Accounting Officer's Responsibilities and Approval

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), 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 the responsibility of the Accounting Officer to ensure that the annual financial statements fairly present the state of affairs of the Entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the Entity and places considerable importance on maintaining a strong control environment. To enable the Entity to meet these responsibilities, the Accounting Officer sets standards for internal control aimed at reducing the risk of error or deficit 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 financial year and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the spectrum. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Officer 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 deficit.

The Accounting Officer has reviewed the entity's cash flow forecast for the year to 30 June 2022 and, in the light of this review and the current financial position, he is satisfied that the Entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

LS Blouw

Dr S Blouw
Accounting Officer

CACADU DISTRICT DEVELOPMENT AGENCY SOE SOC LTD

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Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	2021	2020
Assets			
Current Assets			
Receivables from non-exchange transactions		1	-
VAT receivable	5	714,275	-
Cash and cash equivalents	6	20,127,329	36,445,616
		20,841,605	36,445,616
Non-Current Assets			
Property, plant and equipment	7	82,156	104,562
		82,156	104,562
Current Assets			
Non-current assets held for sale (and) (assets of disposal groups)		-	-
Total Assets		20,923,761	36,550,178
Liabilities			
Current Liabilities			
Payables from exchange transactions	8	588,824	694,724
VAT payable	9	-	541,900
Unspent conditional grants and receipts	10	13,271,983	29,697,806
Provisions	11	175,458	152,475
		14,036,265	31,086,905
Non-Current Liabilities			
		-	-
Current Liabilities			
Liabilities of disposal groups		-	-
Total Liabilities		14,036,265	31,086,905
Total assets less liabilities		6,887,496	5,463,273
Net Assets			
Accumulated surplus		7,105,455	5,463,272

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Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020
Revenue			
Revenue from exchange transactions			
	12	-	-
Other revenue		3,260	3,804
Interest revenue	12	81,713	114,209
Total revenue from exchange transactions		84,973	118,013
Revenue from non-exchange transactions			
<u>Transfer revenue</u>			
Grants & subsidies	13	22,520,009	6,150,035
		84,973	118,013
		22,520,009	6,150,035
Total revenue		22,604,982	6,268,048
Expenditure			
Employee costs	14	(3,705,180)	(4,171,774)
Remuneration of board members	15	(186,788)	(66,900)
Depreciation		(35,212)	(32,253)
Impairment loss		(1,602)	-
General expenses	16	(17,034,007)	(1,287,001)
Total expenditure		(20,962,789)	(5,557,928)
Surplus before taxation		1,642,193	710,120
Taxation		-	-
Surplus for the year		1,642,193	710,120

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Statement of Changes in Net Assets

	Accumulated surplus	Total attributable to owners of the economic entity / controlling entity	Total net assets
Figures in Rand			
Balance at 01 July 2019		4,753,153	4,753,153
Changes in net assets			
Surplus for the year		710,120	710,120
Total changes		710,120	710,120
Balance at 01 July 2020		5,463,273	5,463,273
Changes in net assets			
Surplus for the year		1,642,193	1,642,193
Total changes		1,642,193	1,642,193
Balance at 30 June 2021		7,105,466	7,105,466

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Cash Flow Statement

Figures in Rand	Note(s)	2021	2020
<u>Cash flows from operating activities</u>			
Receipts			
Grants and subsidies		4,935,586	34,786,786
Interest revenue		81,713	114,209
Other receipts		3,260	3,804
		<u>5,020,559</u>	<u>34,904,799</u>
Payments			
Employee costs		(3,762,483)	(4,044,764)
Other payments		(17,684,545)	(1,353,901)
		<u>(21,447,028)</u>	<u>(5,398,665)</u>
Net cash flows from operating activities	17	<u>(16,426,469)</u>	<u>29,506,134</u>
<u>Cash flows from investing activities</u>			
Purchase of property, plant and equipment	7	<u>(14,408)</u>	<u>(70,478)</u>
Net (decrease) / increase in cash and cash equivalents		<u>(16,440,877)</u>	<u>29,435,656</u>
Cash and cash equivalents at the beginning of the year		36,445,616	6,993,388
Cash and cash equivalents at the end of the year	6	<u>20,004,739</u>	<u>36,445,616</u>

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Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						

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Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2021											
Financial Performance											
Operational grant	5,000,000	(5,000,000)	5,000,000	-	-	5,000,000	5,000,000	-	-	- %	- %
Investment revenue	241,000	(161,000)	80,000	-	-	80,000	81,713	-	1,713	102 %	34 %
Transfers recognised - operational	32,860,145	(9,643,358)	23,216,787	-	-	23,216,787	17,520,010	-	(5,696,777)	75 %	53 %
Contribution from surplus	5,011,477	(5,011,477)	5,011,477	-	-	5,011,477	5,011,477	-	-	100 %	100 %
Total revenue (excluding capital transfers and contributions)	43,112,622	(19,815,835)	33,308,264	-	-	33,308,264	27,613,200	-	(5,695,064)	83 %	64 %
Employee costs	(6,500,665)	1,060,520	(5,440,145)	-	-	(5,440,145)	(3,705,180)	-	1,734,965	68 %	57 %
Board remuneration	(83,310)	(42,620)	(125,930)	-	-	(125,930)	(186,788)	-	(60,858)	148 %	224 %
Depreciation and asset impairment	(55,000)	-	(55,000)	-	-	(55,000)	(36,814)	-	18,186	67 %	67 %
Other expenditure	(33,710,096)	3,909,614	(29,800,482)	-	-	(29,800,482)	(17,034,007)	-	12,766,475	57 %	51 %
Total expenditure	(40,349,071)	4,927,514	(35,421,557)	-	-	(35,421,557)	(20,962,789)	-	14,458,768	59 %	52 %
Total revenue (excluding capital transfers and contributions)	43,112,622	(19,815,835)	33,308,264	-	-	33,308,264	27,613,200	-	(5,695,064)	83 %	64 %
Total expenditure	(40,349,071)	4,927,514	(35,421,557)	-	-	(35,421,557)	(20,962,789)	-	14,458,768	59 %	52 %
Surplus/(Deficit)	2,763,551	(14,888,321)	(2,113,293)	-	-	(2,113,293)	6,650,411	-	8,763,704	(315)%	241 %

CACADU DISTRICT DEVELOPMENT AGENCY SOE SOC LTD

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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Surplus/(Deficit)	2,763,551	(14,888,321)	(2,113,293)	-	-	(2,113,293)	6,650,411	-	8,763,704	(315)%	241 %
Surplus (Deficit) after capital transfers and contributions	2,763,551	(14,888,321)	(2,113,293)	-	-	(2,113,293)	6,650,411	-	8,763,704	(315)%	241 %
Surplus/(Deficit) for the year	2,763,551	(14,888,321)	(2,113,293)	-	-	(2,113,293)	6,650,411	-	8,763,704	(315)%	241 %
Capital expenditure and funds sources											
Total capital expenditure	(340,000)	50,000	(290,000)	-	-	(290,000)	(22,257)	-	267,743	8 %	7 %
Cash flows											
Cash and cash equivalents at the beginning of the year	27,860,145	(4,643,358)	23,216,787	-	-	23,216,787	36,445,616	-	13,228,829	157 %	131 %
Net increase / (decrease) in cash and cash equivalents	-	-	-	-	-	-	(16,440,877)	-	16,440,877	DIV/0 %	DIV/0 %
Cash and cash equivalents at the beginning of the year	27,860,145	(4,643,358)	23,216,787	-	-	23,216,787	36,445,616	-	(13,228,829)	157 %	131 %
Cash and cash equivalents at year end	27,860,145	(4,643,358)	23,216,787	-	-	23,216,787	20,004,739	-	3,212,048	86 %	72 %

The actuals presented are on a comparable basis. Refer to Note 27 for explanations on material variances.

CACADU DISTRICT DEVELOPMENT AGENCY SOE SOC LTD

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1. Presentation of financial statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(1) and Section 122(3) of the Municipal Finance Management Act 56 of 2003.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement.

A summary of the significant accounting policies, which have been applied, are disclosed below. These accounting policies are consistent with the previous period.

1.1 Presentation of currency

These annual financial statements are presented in South African Rand. All amounts are rounded to the nearest rand.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the Municipal entity will continue to operate as a going concern for the foreseeable future and the entity will continue to follow leads to source funds.

1.3 Statement of compliance

The annual financial statements comply with the Standards of Generally Recognised Accounting Practice (GRAP) prescribed by section 91(1)(b) of the Public Finance Management Act, as stated in section 122(3) of the MFMA.

1.4 Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the notes.

Estimates and judgements are made to identify impairments required to be made to items of property, plant and equipment. The condition of the assets are assessed together with the use of the asset to determine whether an impairment is required.

Receivables from exchange are reviewed annually for recovery, to determine whether there are any signs of impairment.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

Recognition

CACADU DISTRICT DEVELOPMENT AGENCY SOE SOC LTD

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.5 Property, plant and equipment (continued)

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the Municipal entity; and
- the cost of the item can be measured reliably.

Initial measurement

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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

Property, plant and equipment is depreciated on the straight line basis over its expected useful lives to their estimated residual value.

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

On acquisition of items of property, plant and equipment, the useful lives are assessed as follows:

<u>Item</u>	<u>Average useful life</u>
Furniture and fixtures	7-15 years
Office equipment	2-10 years
IT equipment	2-10 years

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Accounting Policies

1.5 Property, plant and equipment (continued)

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The residual values and useful lives of each assets is assessed using an indicator approach which is based on the condition of the assets in relation to the age of the assets.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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

Impairment

The entity assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the entity calculates an impairment loss as the difference between the carrying amount and the (recoverable amount or) recoverable service amount (depending on the classification of the asset as cash generating or non-cash generating.).

If the recoverable amount of the asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units.

Where there is an impairment, the depreciation charge will be adjusted in accordance with the revised useful life and residual value of the asset.

Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

Gains and losses

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.6 **Receivables from exchange and non-exchange transactions**

Receivables are classified as "Financial instruments at amortised costs" and are initially recognized at fair value plus / minus transaction costs. Subsequent measurement is at amortised cost. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end, after taking into considering chances of recovery of the amounts. Bad debts are written off during the year in which they are identified based on an assessment on the recoverability of the receivable. Amounts that are receivable within 12 months from the reporting date are classified as current.

CACADU DISTRICT DEVELOPMENT AGENCY SOE SOC LTD

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.7 Payables from exchange transactions

Payables are classified as "Financial instruments at amortised cost" and are initially recognized at the fair value plus/minus transaction costs. Subsequent measurement is at amortised cost.

When a financial asset or financial liability is recognised initially, an entity shall measure it at its fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

1.8 Revenue from exchange transactions

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange. Typical exchange transactions are the purchase or sale of goods or services based on market prices.

Interest is recognised using the effective interest rate on a time proportion basis.

Revenue from the sale of goods is recognised when the risk is passed to the consumer. Risk is transferred when all the benefits and risks associated with the product or services have been transferred to the customer. All other revenue is recognised as it accrues.

Interest earned on investments that is due to the entity is recognized. If interest is payable to the grantor, it is recognised as a liability.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

1.9 Revenue from non-exchange transactions

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received, but the municipal entity has not met the condition, a liability is recognised.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act no. 56 of 2003) and is recognised when the recovery thereof from the responsible officials is virtually certain.

Revenue received from conditional grants, donations and funding is recognised as revenue to the extent that the entity has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the criteria, conditions or obligations have not been met, a liability is recognised.

CACADU DISTRICT DEVELOPMENT AGENCY SOE SOC LTD

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.10 Grants, transfers and donations

Unconditional grants and receipts

Revenue from unconditional grants is recognised when it is probable that the economic benefits or service potential will flow to the entity and the amount of the revenue can be measured reliably. Since these grants are unconditional and there are no attached stipulations, the grants are recognised as revenue or, if the asset recognition criteria have been met, as assets in the reporting period in which they are received or receivable.

Conditional grants and receipts

Revenue received from conditional grants, donations and funding is recognised as revenue to the extent that the Municipal entity has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the criteria, conditions or obligations have not been met, a liability is recognised. Revenue is recognised and the liability decreased as the conditions associated with the grant is met.

1.11 VAT

The entity is liable to account for VAT at the standard rate in terms of section 7 (1) (a) of the VAT Act, in respect of the supply of goods or services except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or is out of scope for VAT purposes.

Measurement

Initial measurement is at cost. Subsequent measurement is at amortised cost if material.

Derecognition

VAT is derecognised when the net payment is paid or received from SARS, whichever is applicable when the VAT return is presented.

1.12 Segmental information

The principal segments have been identified on a primary basis by classification of the revenue and expenditure and on a secondary basis by the classification of service of operations. The secondary basis is representative of the internal structure for both budgeting and management purposes.

The policy is not applicable to the current year.

CACADU DISTRICT DEVELOPMENT AGENCY SOE SOC LTD

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.13 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.14 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA, means expenditure incurred by a municipality in contravention of, or that is not in accordance with requirements of the following Acts or Regulation, and which has not been condoned:

- Municipal Finance Management Act
- Municipal Systems Act
- Public Office-Bearers Act
- Municipal Supply Chain Management Regulations or related by-laws

The irregular expenditure excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure".

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned / written off.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.15 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and detailed further in the notes to the financial statements and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

CACADU DISTRICT DEVELOPMENT AGENCY SOE SOC LTD

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.16 Comparative information

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.17 Finance costs

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

1.18 Financial instruments

Classification

The Municipal entity classifies financial assets and financial liabilities into the following categories:

- Financial assets at amortised cost
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Initial recognition and measurement

Financial instruments are recognised initially when the entity becomes a party to the contractual provisions of the instruments.

The entity classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an residual interest instrument in accordance with the substance of the contractual arrangement.

For financial instruments which are not at fair value, transaction costs are included in the initial measurement of the instrument.

Subsequent measurement

Financial assets at amortised cost are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Impairment of financial assets

Impairment losses are recognised by reducing the asset.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Cash and cash equivalents

Cash includes cash on hand and cash held at banks. Cash equivalents are short-term, liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

Cash and cash equivalents are classified as "Financial asset at amortised cost" and are initially measured at fair value plus / minus transaction costs. Subsequent measurement is at face value or, if material, at amortised cost.

CACADU DISTRICT DEVELOPMENT AGENCY SOE SOC LTD

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.18 Financial instruments (continued)

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

Derecognition:

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the entity retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the entity has transferred its rights to receive cash flows from the asset and either
 - has transferred substantially all the risks and rewards of the asset, or
 - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the entity has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the entity's continuing involvement in the asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

CACADU DISTRICT DEVELOPMENT AGENCY SOE SOC LTD

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.19 Unutilised conditional grants and receipts

Initial recognition

Unutilised conditional grants are reflected on the Statement of Financial Position as a short-term portion of unspent conditional grants. They represent unspent government grants, subsidies and contributions from the public. The following conditions are set for the creation and utilisation of these creditors:

- The grant received is initially recognised at cost as unspent conditional grants.
- Whenever an item of property, plant and equipment is funded from a grant, an amount equal to the purchase price is transferred from the unspent conditional grants account to the operating account on the Statement of Financial Performance as revenue.
- Whenever operational expenditure is funded from a grant, an amount equal to the expenditure is transferred from the unspent conditional grants account to the operating account on the Statement of Financial Performance as revenue to offset the expenditure which was expensed through the operating account.
- The cash which backs the unspent portion is invested until utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If the grant conditions indicate that interest is payable to donors then interest earned on unutilised conditional grants is allocated to the funds and is not recognised in the Statement of Financial Performance.
- The unspent grant is classified as "Financial liabilities at amortised cost".

Subsequent measurement

Unspent conditional grants are subsequently measured at amortised cost if material.

Derecognition

Unspent conditional grants are derecognised when the balance was expended per the conditions as set for a grant.

1.20 Capital commitments

Capital commitments disclosed in the financial statements represents the balance committed to capital projects at the reporting date that will be incurred subsequent to the reporting date. The capital commitment disclosed identifies awards entered into by the municipal entity against the capital projects as well as a commitment upon approval of a budget for a capital project.

CACADU DISTRICT DEVELOPMENT AGENCY SOE SOC LTD

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.21 Budget information

The approved budget is prepared on a accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2020/07/01 to 2021/06/30.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting.

Budget variances of 10% and more is considered material and explanation thereof is provided for in the notes to the financial statements.

1.22 Related parties

Management are those persons responsible for planning, directing and controlling the activities of the municipal entity, including those charged with the governance of the municipal entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipal entity.

All transactions with related parties are disclosed.

1.23 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service; and
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

CACADU DISTRICT DEVELOPMENT AGENCY SOE SOC LTD

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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2. Changes in accounting policy

The were no changes in accounting policies during the current financial year.

3. New standards and interpretations

3.1 Standards and interpretations effective and adopted in the current year

No standard identified that is relevant to the entity's operations and fair presentation of annual financial statements.

4. Receivables from exchange transactions

Receivables from exchange transactions past due but not impaired

There were no receivables in the current financial year

5. VAT receivable

VAT	714,275	-
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6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	-	1,688
Bank balances	20,127,329	36,443,928
	20,127,329	36,445,616

The entity has the following bank accounts at ABSA Limited, William Moffet, Port Elizabeth:

Current Account (Primary account): 40-8134-2536 with a balance of R 505 869.76

Call Account: 92-8612-7645 with a balance of R 3 213 838.79

Investment account: 93-5552-0986 with a balance of R 16 407 620.48

Cash and cash equivalents are classified as a financial asset at amortised cost. .

No cash deposits were ceded as collateral and the funds in the bank account s and there are no restrictions on cash.All funds of the entity are held through credible financial institution and no credit risk identified.

CACADU DISTRICT DEVELOPMENT AGENCY SOE SOC LTD

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

7. Property, plant and equipment

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	87,541	(63,655)	23,886	87,541	(57,434)	30,107
Office equipment	557	(557)	-	557	(528)	29
IT equipment	185,612	(127,342)	58,270	171,205	(96,779)	74,426
Total	273,710	(191,554)	82,156	259,303	(154,741)	104,562

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Depreciation	Impairment loss	Total
Furniture and fixtures	30,107	-	(6,221)	-	23,886
Office equipment	29	-	-	(29)	-
IT equipment	74,426	14,408	(28,991)	(1,573)	58,270
	104,562	14,408	(35,212)	(1,602)	82,156

CACADU DISTRICT DEVELOPMENT AGENCY SOE SOC LTD

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	35,585	-	(5,478)	30,107
Office equipment	29	-	-	29
IT equipment	30,723	70,478	(26,775)	74,426
	66,337	70,478	(32,253)	104,562

Pledged as security

No assets were pledged as security during the current year and prior year:

CACADU DISTRICT DEVELOPMENT AGENCY SOE SOC LTD

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand 2021 2020

8. Payables from exchange transactions

Trade payables	77,966	191,604
Accrued leave pay*	442,330	340,832
Employee costs*	63,528	162,288
Other payables	5,000	-
	588,824	694,724

* Not financial liabilities

Normal terms of payments is 30 days and no discounting was calculated because the transaction are of short term.

9. VAT payable

Tax payables	-	541,900
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10. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Sarah Baartman District Municipality	1,055,870	1,055,870
Dakawa Project Grant	5,185	5,185
Somerset East Industrial park grants	12,210,928	28,636,751
	13,271,983	29,697,806

Movement during the year

Balance at the beginning of the year	29,697,806	29,697,806
Additions during the year - Interest from investment of grant	1,094,186	-
Expenditure incurred in the project	(17,520,009)	-
	13,271,983	29,697,806

The conditional grant of R12 210 928 is still not utilized in the current year that was allocated for the Somerset East Industrial project. The conditions of the grant were met at the reporting date and the project is still in progress. The conditional grant of R 1 055 870 received from Parent Municipality is still not utilized.

11. Provisions

Reconciliation of employee benefits - 2021

	Opening Balance	Additions	Utilised during the year	Total
Performance bonus	152,475	376,956	(353,973)	175,458

Reconciliation of employee benefits - 2020

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Performance bonus	163,814	127,011	(87,006)	(51,344)	152,475

The performance bonus is disclosed as a provision as the amount to be paid is uncertain and that it will depend on overall performance of the entity and performance of the personnel. The bonus policy disparte from 5% to 10% and on past experience the entity on average is paying 5%

CACADU DISTRICT DEVELOPMENT AGENCY SOE SOC LTD

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

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	2021	2020
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12. Interest revenue

Interest revenue

Current account	446	617
Call account	81,267	113,592
	81,713	114,209
	-	-
	81,713	114,209

Interest was earned on the Call account at an average rate of 3.89% during the year.

13. Grants and subsidies

Operating grants

SBDM Grant - Operations -unconditional grant	5,000,000	6,000,000
Somerset East Industrial Park Grant -conditional grant(revenue recognised)	17,520,009	150,035
	22,520,009	6,150,035
	22,520,009	6,150,035
	-	-

Unconditional grant and subsidies

The above grant received from Sarah Baartman District Municipality was an operational grant and was approved by the Council of the municipality and the Board of Directors of the entity.

Unconditional grants received	5,000,000	6,000,000
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14. Employee related costs

Remuneration of employees	3,497,833	3,706,864
Performance bonus	22,987	214,016
UIF	8,923	9,369
SDL	29,892	29,377
Leave pay provision charge	101,498	163,990
Subsistence allowances	280	-
Cellphone allowance	43,767	48,158
	3,705,180	4,171,774

Remuneration of Chief Executive Officer

Annual Remuneration	1,207,272	1,108,000
Car Allowance	120,000	140,000
Performance Bonuses	(1,608)	156,093
Travel reimbursement	10,477	5,201
Leave accrued	27,255	170,435
	1,366,612	1,076,170

Dr SL Blouw was appointed as the Chief Executive Officer on the 1 September 2018 for a period of 3 years.

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Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

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15. Remuneration of board of directors		
N Koeberg	63,508	23,400
A Taai	67,244	27,000
D Mgoduko	56,036	16,500
	186,788	66,900
16. General expenses		
Audit Committee remuneration	97,960	81,285
Advertising	94,186	8,853
Audit fees- External	334,958	392,254
Bank charges	9,200	7,567
Consulting and professional fees	44,300	124,113
Catering	13,537	14,825
Fines and penalties	40	21,057
IT expenses	24,589	25,802
Printing and stationery	33,706	32,815
Telephone and fax	21,152	35,513
Training	1,160	37,216
Travel and accomodation	57,367	299,159
Audit fees- Internal	239,614	193,252
Beef project	138,210	-
Aerodome Fencing Project	604,721	13,290
Somerset Industrial Park	15,240,623	-
Legal Fees	78,684	-
	17,034,007	1,287,001
17. Cash (used in) generated from operations		
Surplus	1,642,193	710,120
<u>Adjustments for:</u>		
Depreciation and amortisation	35,212	32,253
Accrued Interest Income	(15,829)	-
Impairment deficit	1,602	-
Movements in employee benefits	22,983	(11,339)
Leave provision	101,498	(127,011)
<u>Changes in working capital:</u>		
Receivables from exchange transactions	-	95,000
Other receivables from non-exchange transactions	(1)	-
Payables from exchange transactions	(334,215)	328,795
VAT	(1,256,175)	(171,175)
Unspent conditional grants and receipts	(16,425,823)	28,636,751
	(16,228,555)	29,493,394

CACADU DISTRICT DEVELOPMENT AGENCY SOE SOC LTD

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Notes to the Annual Financial Statements

Figures in Rand 2021 2020

18. Financial instruments - financial assets by category

Financial assets: At amortised cost

The classification of financial instrument is determined at initial recognition based on the purpose of which the financial assets are acquired or liabilities assumed

Financial Instrument	Financial instruments at amortised cost	Total
Cash and cash equivalents	20,127,329	36,443,928
	20,127,329	36,443,928

At amortised cost

Financial Instrument	Financial instruments at amortised cost	Total
Cash and cash equivalent	20,127,329	36,443,928
	20,127,329	36,443,928

19. Financial liabilities

The accounting policies for financial instruments have been applied to the line items below:

	Financial liabilities at amortised cost	Total
Vat Payable	-	541,900
Payable from exchange	109,240	191,604
Unspent conditional grant	13,271,983	29,697,806
	13,381,223	30,431,310
	13,381,223	30,431,310
	-	-

20. Fruitless and wasteful expenditure

Opening balance as previously reported	176,916	96,745
Opening balance as restated	176,916	96,745
Add: Expenditure identified - current	12,500	80,171
Closing balance	189,416	176,916

Fruitless and wasteful expenditure

Current year

The entity has incurred an amount of R12 500 in penalties on none submission of the returns to South African Revenue Services (SARS). The entity has submitted dispute because have done manual submission after technical problems had occurred after online submission.

CACADU DISTRICT DEVELOPMENT AGENCY SOE SOC LTD

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20. Fruitless and wasteful expenditure (continued)

Prior year The entity identified R 62 200 debt of 2013/14 financial year of late submission of vat return and R 17 970 in late submission of EMP201 after change in bank signatories. The entity has incurred an amount of R17 835 in penalties on late submission of the EMP201 to South African Revenue Services (SARS) and an amount of R12 222 for interest on late payment of Value Added Taxation.

21. Deviation from Supply Chain Management Regulations

Paragraph 12(1)(d)(i) of the Government gazette No. 27636 issued on the 30 May 2005 states that a supply chain management policy the procurement of goods and services by the way of a competitive bidding procurement.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting and includes a note to the annual financial statements. Listed below are the various circumstances where goods and services were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported and subsequently approved.

Licence Renewal -Sole Provider	13,635	10,255
Supply and install lights at airfield- Sole Provider	209,725	44,011
Completion of prior year AFS - Emergency	21,200	-
IMFO Conference by Sage - Sole Provider	11,920	-
Flower bereavement - Emergency	300	-
	256,780	54,266

22. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Opening balance	-	-
Current year subscription / fee	334,958	392,254
Amount paid - current year	(334,958)	(392,254)
	-	-

PAYE and UIF

Opening balance	-	113,990
Current year subscription / fee	-	947,149
Amount paid - current year	-	(916,821)
	-	144,318

VAT

VAT receivable	714,276	-
VAT payable	-	541,900
	714,276	541,900

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

CACADU DISTRICT DEVELOPMENT AGENCY SOE SOC LTD

Annual Financial Statements for the year ended 30 June 2021

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23. Risk management

Liquidity risk

The entity's risk to liquidity is a result of the funds available to cover future commitments. The municipal entity manages liquidity risk through an ongoing review of future commitments and credit facilities. Payments are made in 30 days to ensure no penalties or interests are incurred. N

Credit risk

Credit risk consists mainly of cash equivalents. The municipal entity only holds cash with major commercial banks.

Trade receivables comprise a minimal customer base. Management evaluated credit risk relating to customers on an ongoing basis. No collateral entered with any commercial bank or credit provider.

Market risk

Interest rate risk

24. Events after the reporting date

Management is not aware of any events that may impact the financial affairs of the entity.

25. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	9,789,050	1,724,618
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Total capital commitments

Already contracted for but not provided for	9,789,050	1,724,618
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CACADU DISTRICT DEVELOPMENT AGENCY SOE SOC LTD

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26. Related parties

Sarah Baartman District Municipality

The municipality holds 100% shareholding in the entity and is therefore the Parent Municipality.

The Municipal entity received an operational unconditional grant of R5000 000 from the Parent municipality. The entity received a conditional grant from EC Department of Economic Development, Environmental Affairs and Tourism of total of R28 000 000 and revenue is recognised on expenditure of the grant and liability is recognised on unspent grant. The project will be completed in 2021/22 financial year.

Management and Board members

The following interests in institutions have been declared, but no transactions have been entered into:

<u>Management/Board members</u>	<u>Entity Name</u>	<u>Transactions</u>
Mr LS Blouw	Nojoli Development Corporation	None
Ms N Koeberg	Chris Hani Development Agency	None
Mrs D Mgoduka	Doreen Mgoduka Attorneys	None
Mr A Taai	Flourisent Trading t/a Kowie Bus Service	None.

Related party balances

The were no other transactions between municipality and the entity during the current and prior year.

27. Budget differences

Material differences between budget and actual amounts

Interest revenue

The variance of 85% is due to the delay of transfer of the unconditional grant from the parent municipality and thus interest was only accumulated on the limited funds available and reduction in repo rate in the financial year.

Transfers recognised

Late approval by local municipality of electrification plan and environmental certificate for electrification still in progress.

CACADU DISTRICT DEVELOPMENT AGENCY SOE SOC LTD

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27. Prior-year adjustments (continued)

Employee costs

The variance is due to the vacant positions on the organogram of the entity. The vacancies could not be filled until the parent municipality finalised the funding arrangement of the entity.

Remuneration of board members

Launch of infrastructure project board had to attend and additional meeting for CEO and staff performance reviews and sit for interviews for CEO.

Depreciation and impairment

No additional staff was employed as planned, so no additional assets were bought and unused depleted assets were written off.

Other expenditure

Late approval by local municipality of electrification plan resulted to delay in the project which resulted to less expenditure than budgetted.

Capital

expenditure

No additional staff was employed as per planning and resulted to less expenditure than budgetted.

28. Vat receivable

Balance at year end	714,276	-
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