



Cacadu
Development Agency

ANNUAL FINANCIAL STATEMENTS

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ANNUAL PERFORMANCE REPORT

FOR THE YEAR ENDED 30 JUNE 2018

CACADU DISTRICT DEVELOPMENT AGENCY SOE SOC LTD

**Financial statements
for the year ended 30 June 2018**

CACADU DISTRICT DEVELOPMENT AGENCY SOE SOC LTD

Financial Statements for the year ended 30 June 2018

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>	LS Blouw NN Koeberg A Taai D Mgoduko
<u>Accounting Officer</u>	C Wilken
<u>Bankers</u>	ABSA Bank Limited
<u>Preparer</u>	The financial statements were internally compiled by: R N Lorgat
<u>Auditors</u>	Auditor-General South Africa

CACADU DISTRICT DEVELOPMENT AGENCY SOE SOC LTD

Financial Statements for the year ended 30 June 2018

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Abbreviations

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

CACADU DISTRICT DEVELOPMENT AGENCY SOE SOC LTD

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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 financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the 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 financial statements and were given unrestricted access to all financial records and related data.

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

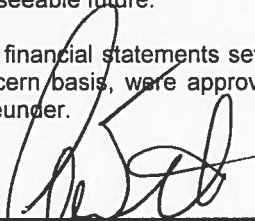
The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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 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 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 financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Accounting Officer has reviewed the entity's cash flow forecast for the year to 30 June 2019 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.

The financial statements set out on page 4 to 36, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August 2018 and signed hereunder.



Mr C Wilken
Accounting Officer

CACADU DISTRICT DEVELOPMENT AGENCY SOE SOC LTD

Financial Statements for the year ended 30 June 2018

Statement of Financial Position as at 30 June 2018

Figures in Rand	Note(s)	2018	2017
Assets			
Current Assets			
Receivables from exchange transactions	4	95,000	296,552
Receivables from non-exchange transactions	5	-	658,350
VAT receivable	6	-	30,532
Cash and cash equivalents	8	6,752,538	4,895,201
		6,847,538	5,880,635
Non-Current Assets			
Property, plant and equipment	9	62,275	91,225
Total Assets		6,909,813	5,971,860
Liabilities			
Current Liabilities			
Payables from exchange transactions	10	453,863	538,477
VAT payable	7	615,750	-
Unspent conditional grants and receipts	11	1,061,055	1,061,055
Provisions	12	68,736	155,596
		2,199,404	1,755,128
Total Liabilities		2,199,404	1,755,128
Total assets less liabilities		4,710,409	4,216,732
Net Assets			
Accumulated surplus		4,710,409	4,216,732
Total Net Assets		4,710,409	4,216,732

CACADU DISTRICT DEVELOPMENT AGENCY SOE SOC LTD

Financial Statements for the year ended 30 June 2018

Statement of Financial Performance

Figures in Rand	Note(s)	2018	2017
Revenue			
Revenue from exchange transactions			
Rental of facilities and equipment		-	293,900
Other Revenue		21,500	10,450
Investment revenue	13	146,590	297,435
Total revenue from exchange transactions		168,090	601,785
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	14	5,400,000	6,031,210
Total revenue		5,568,090	6,632,995
Expenditure			
Employee costs	15	(3,075,153)	(3,401,336)
Remuneration of board members	16	(139,900)	(93,900)
Depreciation		(23,651)	(24,981)
Finance costs	17	-	(648)
Debt impairment	4; 5	(733,932)	-
Grants and subsidies paid	18	-	(878,648)
General Expenses	19	(1,096,480)	(934,147)
Total expenditure		(5,069,116)	(5,333,660)
Loss on disposal of assets		(5,297)	-
Surplus for the year		493,677	1,299,335
Attributable to:			
Controlling entity		493,677	1,299,335

CACADU DISTRICT DEVELOPMENT AGENCY SOE SOC LTD

Financial Statements for the year ended 30 June 2018

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2016	2,917,397	2,917,397
Changes in net assets		
Surplus for the year	1,299,335	1,299,335
Balance at 01 July 2017	4,216,732	4,216,732
Changes in net assets		
Surplus for the year	493,677	493,677
Balance at 30 June 2018	4,710,409	4,710,409



CACADU DISTRICT DEVELOPMENT AGENCY SOE SOC LTD

Financial Statements for the year ended 30 June 2018

Cash Flow Statement

Figures in Rand	Note(s)	2018	2017
<u>Cash flows from operating activities</u>			
Receipts			
Government grants and subsidies		5,400,000	4,500,000
Investment revenue		146,590	297,435
Other receipts		21,500	35,644
		<u>5,568,090</u>	<u>4,833,079</u>
Payments			
Employee costs		(3,375,233)	(3,558,996)
Cash paid to suppliers		-	(878,648)
Other payments		(335,520)	(1,122,651)
		<u>(3,710,753)</u>	<u>(5,560,295)</u>
Net cash flows from operating activities	20	<u>1,857,337</u>	<u>(727,216)</u>
<u>Cash flows from investing activities</u>			
Purchase of property, plant and equipment	9	-	(9,021)
Net (decrease) / increase in cash and cash equivalents		1,857,337	(736,237)
Cash and cash equivalents at the beginning of the year		4,895,201	5,631,438
Cash and cash equivalents at the end of the year	8	<u>6,752,538</u>	<u>4,895,201</u>

CACADU DISTRICT DEVELOPMENT AGENCY SOE SOC LTD

Financial Statements for the year ended 30 June 2018

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 outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2018										
Financial Performance										
Investment revenue	465,000	-	465,000	-	-	465,000	146,590	(318,410)	32 %	32 %
Transfers recognised - operational	5,000,000	400,000	5,400,000	-	-	5,400,000	5,400,000	-	100 %	108 %
Other own revenue	2,995,100	-	2,995,100	-	-	2,995,100	21,500	(2,973,600)	1 %	1 %
Total revenue (excluding capital transfers and contributions)	8,460,100	400,000	8,860,100	-	-	8,860,100	5,568,090	(3,292,010)	63 %	66 %
Employee costs	(4,489,600)	(300,000)	(4,789,600)	-	-	(4,789,600)	(3,075,153)	1,714,447	64 %	68 %
Remuneration of board members	(108,000)	-	(108,000)	-	-	(108,000)	(139,900)	(31,900)	130 %	130 %
Debt impairment	-	-	-	-	-	-	(733,932)	(733,932)	95 %	95 %
Depreciation and asset impairment	(25,000)	-	(25,000)	-	-	(25,000)	(23,651)	1,349	95 %	95 %
Other expenditure	(3,787,500)	(100,000)	(3,887,500)	-	-	(3,887,500)	(1,101,777)	2,785,723	28 %	29 %
Total expenditure	(8,410,100)	(400,000)	(8,810,100)	-	-	(8,810,100)	(5,074,413)	3,735,687	58 %	60 %
Surplus/(Deficit)	50,000	-	50,000	-	-	50,000	493,677	443,677		
Surplus/(Deficit) for the year	50,000	-	50,000	-	-	50,000	493,677	443,677		
Capital expenditure and funds sources										
Total capital expenditure	50,000	-	50,000	-	-	50,000	-	(50,000)	- %	- %
Sources of capital funds										
Internally generated funds	(50,000)	-	(50,000)	-	-	(50,000)	-	50,000	- %	- %

CACADU DISTRICT DEVELOPMENT AGENCY SOE SOC LTD

Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s31 of the MFMA)	Final adjustments and budget (i.t.o. s28 and budget s31 of the MFMA)	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
Cash flows											
Net cash from (used) operating	-	-	-	-	-	-	1,857,337		1,857,337		
Cash and cash equivalents at the beginning of the year	4,895,201	(4,895,201)				-	4,895,201		4,895,201		
Cash and cash equivalents at year end	4,895,201	(4,895,201)				-	6,752,538		(6,752,538)		

The actuals presented are on a comparable basis. Refer to Note 36 for explanations on material variances.

CACADU DISTRICT DEVELOPMENT AGENCY SOE SOC LTD

Financial Statements for the year ended 30 June 2018

Accounting Policies

1. Presentation of financial statements

The 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(3) of the Municipal Finance Management Act 56 of 2003.

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

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

1.2 Going concern assumption

These financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

1.3 Basis of Preparation

Statement of compliance

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) prescribed by the Minister of Finance.

These accounting policies have been applied to ensure that the financial statements provide information that is relevant to the decision-making needs of users and are reliable.

Basis of measurement

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 assets. The condition of the assets are assessed together with the use of the asset to determine whether an impairment is required.

The useful life of an asset is reviewed annually and management assess the condition and the usefulness of the asset at each reporting date to determine the remaining useful life of the assets.

CACADU DISTRICT DEVELOPMENT AGENCY SOE SOC LTD

Financial Statements for the year ended 30 June 2018

Accounting Policies

1.3 Basis of Preparation (continued)

Offsetting

Assets, liabilities, revenues and expenses have not been offset, except when offsetting is required or permitted by a Standard of GRAP.

There are no key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial year.

1.4 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

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 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.

CACADU DISTRICT DEVELOPMENT AGENCY SOE SOC LTD

Financial Statements for the year ended 30 June 2018

Accounting Policies

1.4 Property, plant and equipment (continued)

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
Computer equipment	2 - 10 years

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 estimates the recoverable amount of the asset.

If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of the asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

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 loss 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.

CACADU DISTRICT DEVELOPMENT AGENCY SOE SOC LTD

Financial Statements for the year ended 30 June 2018

Accounting Policies

1.5 Provisions

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate of the provision. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent liability is a possible obligation depending on whether some uncertain future event occurs, or a present obligation but payment is not probable or the amount cannot be measured reliably

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 23 and 24.

1.6 Receivables from exchange and non-exchange transactions

Receivables are classified as "Financial assets at amortised costs" and are initially recognized at fair value plus / minus transaction costs. Subsequent measurement is at amortised value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. 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.

1.7 Payables from exchange and non-exchange transactions

Payables are classified as "Liabilities at amortised cost" and are initially recognized at the fair value plus or minus transaction costs of the present obligation of a past event. Subsequent measurement is at amortised value.

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.

CACADU DISTRICT DEVELOPMENT AGENCY SOE SOC LTD

Financial Statements for the year ended 30 June 2018

Accounting Policies

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 and rentals are recognised on a time proportion basis.

Revenue from the sale of goods is recognised when the risk is passed to the consumer.

All other revenue is recognised as it accrues.

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.

Donations are recognised on a cash receipt basis, or where the donation is in the form of property, plant and equipment, at the cost of the consideration received or receivable.

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 municipality has not met the condition, a liability is recognised.

Contributed property, plant and equipment is recognised when ownership of the items of property, plant and equipment is transferred to the entity.

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

Financial Statements for the year ended 30 June 2018

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 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.

Interest earned on investments is treated in accordance with grant conditions. If interest is payable to the grantor, it is recognised as a liability and if not, it is recognised as interest earned in the statement of financial performance.

1.11 VAT

The entity accounts for Value Added Tax on the invoice basis.

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.

VAT is submitted on a bi-monthly basis.

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

Financial Statements for the year ended 30 June 2018

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

Financial Statements for the year ended 30 June 2018

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 municipality 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.

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 a 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

Financial Statements for the year ended 30 June 2018

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

Financial Statements for the year ended 30 June 2018

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 Events after reporting date

Management conducts an assessment on any events occurring subsequent to the end of the reporting date and prior to the finalisation of the financial statements to identify any incidents that would provide the user with additional information that could influence decision-making and the usefulness of the financial statements. This information is then disclosed accordingly in the financial statements.

1.21 Effective interest rate

The entity uses the prime interest rate less 0.5% to discount future cash flows.

1.22 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 municipality 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

Financial Statements for the year ended 30 June 2018

Accounting Policies

1.23 Budget information

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

The approved budget covers the fiscal period from 2017/07/01 to 2018/06/30.

The Statement of Comparison of Budget and Actual amounts has been included in the financial statements as the recommended disclosure when the 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.

1.24 Related parties

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality 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 municipality.

All transactions with related parties are disclosed.

1.25 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

Financial Statements for the year ended 30 June 2018

Accounting Policies

1.26 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Entity as a lessor

Assets leased to third parties under operating leases are included in property, plant and equipment in the statement of financial position. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment.

Where the assets are not owned by the entity, agreements giving the right to use the assets are in place. The assets will not be included in property, plant and equipment in the statement of financial position and will not be depreciated by the entity.

Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

Entity as the lessee

Leases in terms of which the entity assumes substantially all the risks and rewards of ownership are classified as finance leases and where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases.

Upon initial recognition the finance leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments and the corresponding liabilities are raised. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Financial Performance on a straight-line basis over the period of the lease.

CACADU DISTRICT DEVELOPMENT AGENCY SOE SOC LTD

Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements

Figures in Rand 2018 2017

2. Changes in accounting policy

There were no changes in accounting policies during the financial year.

3. New standards and interpretations

3.1 Standards and interpretations effective in the current year

In the current financial year, the entity has adopted all the standards that is effective for the current financial year and that may be relevant to its operations.

<u>Standard/ Interpretation:</u>	<u>Effective date:</u> <u>Years beginning on or</u> <u>after</u>	<u>Expected impact:</u>
GRAP 18: Segment reporting	1 April 2020	The effects on the financial statements are limited : the standard is being implemented.

4. Receivables from exchange transactions

Trade debtors	170,582	296,552
Allowance for impairment	(75,582)	-
	<u>95,000</u>	<u>296,552</u>

Receivables from exchange transactions past due but not impaired

Receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2018, R - (2017: R 125,970) were past due but not impaired.

The difference between the amount below and the amount disclosed here relate to receivables that are not yet past due.

The ageing of amounts past due but not impaired is as follows:

3 to 6 months	-	125,970
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Receivables from exchange transactions impaired

At 30 June 2018, R 75,582 (2017: R -) were receivables from exchange transactions impaired and provided for.

The total receivables from exchange transactions is owed by Progress Flight Academy for the utilisation of runways 16/34, 12/30 two hangars and the terminal building at the Somerset East aerodrome. The lease agreement is for a period of 9 years and 364 days and this is the first year of the agreement.

The lessee was unable to operate for the major part of the year due to the property becoming unusable by the lessee as the fencing around the property has been stolen. The lease agreement has been put on hold until corrective measures are put in place of which the timing is uncertain.

CACADU DISTRICT DEVELOPMENT AGENCY SOE SOC LTD

Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements

Figures in Rand

	2018	2017
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5. Receivables from non-exchange transactions

Government grants and subsidies	658,350	658,350
Allowance for impairment	(658,350)	-
	<u>-</u>	<u>658,350</u>

Receivables from non-exchange transactions past due but not impaired

Receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2018, R - (2016: R 658 350) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

3 to 6 months	-	219,450
over 6 months	-	438,900

Receivables from non-exchange transactions impaired

At 30 June 2018, R 658,350 (2017: R -) were receivables from non-exchange transactions impaired and provided for.

The total receivables from non-exchange transactions is owed by the Blue Crane Route Municipality. This amount is for an implementation fee that was agreed upon between the municipality and the entity when absorbing a Programme Manager on the disestablishment of the Blue Crane Development Agency.

The amount budgeted was R770 000 and invoiced in quarterly instalments. The Programme Manager however resigned effectively on 31 March 2017. Therefore, only three quarterly instalments were invoiced. The full amount is still outstanding.

Management has considered the impairment of the amount past due by considering the agreement entered into and cannot confirm that the debtor will pay the outstanding balance in the new financial year.

6. VAT receivable

Value added taxation	-	<u>30,532</u>
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VAT is accounted for on the invoice basis.

No discounting was performed.

CACADU DISTRICT DEVELOPMENT AGENCY SOE SOC LTD

Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements

Figures in Rand	2018	2017
7. <u>VAT payable</u>		
Value added taxation	615,750	-

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	2,416	1,074
Bank balances	6,750,122	4,894,127
	6,752,538	4,895,201

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

Current Account (Primary account): 40-8134-2536
Call Account: 92-8612-7645

Cash and cash equivalents are classified as a financial asset at amortised cost. All short-term deposits mature within 3 months after the reporting date.

No discounting was performed due to the short term nature of the cash turnover and the fact that all Call account deposits earned interest.

No cash deposits were ceded as collateral and there are no restrictions on cash.

CACADU DISTRICT DEVELOPMENT AGENCY SOE SOC LTD

Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements

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9. Property, plant and equipment

	2018		2017			
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	87,541	(43,823)	43,718	87,541	(36,676)	50,865
Office equipment	557	(528)	29	3,750	(2,137)	1,613
Computer equipment	78,471	(59,943)	18,528	95,218	(56,471)	38,747
Total	166,569	(104,294)	62,275	186,509	(95,284)	91,225

Reconciliation of property, plant and equipment - 2018

	Opening balance	Disposals	Depreciation	Total
Furniture and fixtures	50,865	-	(7,147)	43,718
Office equipment	1,613	(1,050)	(534)	29
Computer equipment	38,747	(4,249)	(15,970)	18,528
	91,225	(5,299)	(23,651)	62,275

CACADU DISTRICT DEVELOPMENT AGENCY SOE SOC LTD

Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	57,291	-	(6,426)	50,865
Office equipment	2,146	-	(533)	1,613
Computer equipment	47,748	9,021	(18,022)	38,747
	107,185	9,021	(24,981)	91,225

Pledged as security

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

Other information

The fixed asset register is available at the Cacadu District Development Agency office for inspection.

CACADU DISTRICT DEVELOPMENT AGENCY SOE SOC LTD

Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements

Figures in Rand	2018	2017
10. Payables from exchange transactions		
Trade payables	109,263	120,752
Employee costs	73,058	89,853
Accrued leave pay *	271,542	327,872
	453,863	538,477

* Not financial liabilities.

Normal terms of payment is 30 days and no amortisation was calculated.

11. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Sarah Baartman District Municipality grants	1,055,870	1,055,870
Dakawa Project Grant	5,185	5,185
	1,061,055	1,061,055

There were no conditional grants received during the current year.

The conditions of these grants were not met at the reporting date as the projects are still in progress.

12. Provisions

Reconciliation of provisions - 2018

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Performance bonus	155,596	68,736	(56,811)	(98,785)	68,736

Reconciliation of provisions - 2017

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Performance bonus	378,893	155,596	(71,528)	(307,365)	155,596

Performance bonus provision

The performance bonus is based on performance of the chief executive officer and the programme managers and is dependent on the outcome of the performance reviews and the board's approval.

In the prior year, the performance bonus paid was only paid to the chief executive officer.

CACADU DISTRICT DEVELOPMENT AGENCY SOE SOC LTD

Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements

Figures in Rand 2018 2017

13. Investment revenue

Interest revenue

Current account	212	99
Call account	146,378	297,336
	<u>146,590</u>	<u>297,435</u>

Interest was earned on the Call account at an average rate of 5.62% during the year.

14. Government grants and subsidies

Blue Crane Route Municipality	-	577,500
Dakawa Project Grant	-	467,976
SBDM Grant - Investor Conference	-	410,672
SBDM Grant - Operations	5,400,000	4,500,000
VAT claimed on Conditional Grants	-	75,062
	<u>5,400,000</u>	<u>6,031,210</u>

Unconditional grants 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.

Prior year

The grant received from Blue Crane Route Municipality was in accordance with an agreement entered into with the municipality upon the disestablishment of the Blue Crane Development Agency. This grant is received as an implementation fee for absorbing specific personnel and the finalisation of the disestablished Agency's projects that were transferred to the Cacadu Development Agency.

The following grants are conditional grant and reflect the conditional grant expenditure:

- Dakawa Project Grant
- SBDM Grant - Investor Conference

The input VAT claimed on conditional grant expenditure is recognised as revenue.

Conditional grants received	-	953,710
Unconditional grants received	5,400,000	5,077,500
	<u>5,400,000</u>	<u>6,031,210</u>

CACADU DISTRICT DEVELOPMENT AGENCY SOE SOC LTD

Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements

Figures in Rand	2018	2017
15. <u>Employee costs</u>		
Remuneration of employees	2,670,409	3,137,797
Performance bonus provision charge	(30,049)	(151,770)
Unemployment insurance fund	5,741	6,692
Skills development levies	27,846	29,531
Leave pay charge	113,089	122,002
Acting allowances	288,117	257,084
Total Employee Costs	3,075,153	3,401,336

Set out below are the details for remuneration paid to the following:

Remuneration of Chief Executive Officer

Annual remuneration	667,787	938,797
Car allowance	80,000	120,000
Performance bonus	56,811	71,528
Travel re-imbusement	1,324	-
Leave paid	169,419	-
	975,341	1,130,325

Mr GM Mvoko was appointed as the Chief Executive Officer on the 1 July 2013 for a period of 2 years and was extended thereafter. Mr Mvoko resigned as at 28 February 2018. Therefore the remuneration for the current year is for a period of 8 months.

16. Remuneration of board of directors

L S Blouw	41,500	31,500
N Koeberg	44,400	26,400
A Taai	30,000	19,500
D Mgoduko	24,000	16,500
	139,900	93,900

In-kind benefits

The Board of Directors are non-executive directors that were appointed by the Council of the Parent Municipality.

The Remuneration of the Board is received for attendance of Board and Committee meetings.

17. Finance costs

Late payment of tax	-	648
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Refer to Note 25 - Unauthorised, Irregular, Fruitless and Wasteful expenditure.

18. Grants and subsidies paid

Dakawa Project Grant	-	467,976
SBDM Grant - Investors Conference	-	410,672
	-	878,648

CACADU DISTRICT DEVELOPMENT AGENCY SOE SOC LTD

Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements

Figures in Rand	2018	2017
19. <u>General expenses</u>		
Advertising	63,608	30,320
Audit Committee remuneration	37,311	65,928
Audit fees - external	195,077	168,445
Audit fees - internal	22,705	273,952
Bank charges	5,325	4,899
Catering	15,224	14,440
Fines and penalties	-	19,116
IT expenses	82,700	63,296
Printing and stationery	6,521	1,296
Project costs	315,000	15,000
Telephone and fax	43,564	69,967
Training and development	22,328	10,340
Travel - local	287,117	197,148
	1,096,480	934,147
20. <u>Cash generated from (used in) operations</u>		
Surplus	493,677	1,299,335
<u>Adjustments for:</u>		
Depreciation	23,651	24,981
Loss on disposal of property, plant and equipment	5,297	-
Contributions to provisions	(86,860)	(223,297)
<u>Changes in working capital:</u>		
Receivables from exchange transactions	201,552	(296,552)
Receivables from non-exchange transactions	658,350	(658,350)
Payables from exchange transactions	(84,812)	70,480
VAT receivable	646,482	9,897
Unspent conditional grants and receipts	-	(953,710)
	1,857,337	(727,216)

CACADU DISTRICT DEVELOPMENT AGENCY SOE SOC LTD

Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements

Figures in Rand	2018	2017
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21. Financial instruments - financial assets by category

Financial instruments are classified into the following categories:

Financial assets: At amortised cost

Financial liabilities: At amortised cost

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

2018

	Financial assets at amortised cost	Total
Cash and cash equivalents	6,752,538	6,752,538

2017

	Financial assets at amortised cost	Total
Trade and other receivables	201,552	201,552
Other receivables from non-exchange transactions	658,350	658,350
Cash and cash equivalents	4,895,201	4,895,201
	5,755,103	5,755,103

22. Financial instruments: financial liabilities by category

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

2018

	Financial liabilities at amortised cost	Total
Unspent conditional grants and receipts	1,061,055	1,061,055
Payables from exchange transactions	182,321	182,321
	1,243,376	1,243,376

2017

	Financial liabilities at amortised cost	Total
Unspent conditional grants and receipts	1,061,055	1,061,055
Payables from exchange transactions	210,605	210,605
	1,271,660	1,271,660

CACADU DISTRICT DEVELOPMENT AGENCY SOE SOC LTD

Financial Statements for the year ended 30 June 2018

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23. Contingent liabilities

There were no contingent liabilities that require disclosure at the reporting date.

24. Contingent assets

There were no contingent assets that require disclosure at the reporting date.

25. Unauthorised, fruitless and wasteful expenditure

Fruitless and Wasteful expenditure

Add: Fruitless and wasteful expenditure - current year	-	42,525
Less: Amounts condoned / written off	-	19,764
	-	(62,289)
	-	-

Unauthorised expenditure

Current year

There is an amount of R31 900 that was identified as unauthorised expenditure during the year.

This expenditure relates to the Remuneration of board members exceeding the budget during the year. The Board was required to have additional meetings to resolve on matters relating to the resignation of the Chief Executive Officer as well as the appointment of a new Chief Executive Officer. This has resulted in the expenditure exceeding the budgeted amount.

Prior year

There was no unauthorised expenditure incurred in the prior year.

Fruitless and wasteful expenditure

Current year

There was no fruitless and wasteful expenditure incurred.

Prior year

The entity has incurred an amount of R19 116 in penalties and R648 in interest on late submission of South African Revenue Services (SARS) returns.

An investigation was performed to determine whether an official should be held responsible for the fruitless and wasteful expenditure incurred during both the current and prior year. The Board has resolved that the amount be written off / condoned.

26. Additional disclosure in terms of Municipal Finance Management Act

External Audit fees

Opening balance	14,999	11,989
Prior year audit fee	195,077	153,446
Current year audit fee	-	14,999
Amount paid	(210,076)	(165,435)
	-	14,999

CACADU DISTRICT DEVELOPMENT AGENCY SOE SOC LTD

Financial Statements for the year ended 30 June 2018

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26. Additional disclosure in terms of Municipal Finance Management Act (continued)

PAYE, UIF and SDL

Opening balance	90,948	90,530
Current year payroll deductions	889,774	1,071,246
Amount paid - current year	(908,650)	(1,070,828)
	72,072	90,948

VAT

VAT receivable	-	30,532
VAT payable	(615,750)	-
	(615,750)	30,532

27. In-kind donations and assistance

No donations have been made in the current and prior year.

28. Risk management

Liquidity risk

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The following table details the entity's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the entity can be required to pay. The table includes both estimated interest and principal cash flows.

At 30 June 2018	1-3 months	> 3 months	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	181,335	-	-	-

Interest rate risk

The current account and the call account expose the entity to an interest rate risk on cash flows. Deposits attract interest at a rate that varies according to the prime banking rate.

The entity manages this interest rate risk by ensuring that all surplus funds are transferred to the call account and by maintaining the minimum possible balance in the current account.

Credit risk

Credit risk consists mainly of cash equivalents. The entity only holds cash with banks which have an equity above R10 billion with a good credit rating.

Trade receivables comprise a minimal customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

CACADU DISTRICT DEVELOPMENT AGENCY SOE SOC LTD

Financial Statements for the year ended 30 June 2018

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29. Events after the reporting date

Management is not aware of any events after the reporting date.

30. Commitments

The entity has not entered into any contracts nor has the entity made any awards that has resulted in any capital commitments during the year.

31. Related parties

Sarah Baartman District Municipality

The municipality holds 100% shareholding in the entity and is therefore the controlling entity (Parent Municipality). The Cacadu District Development Agency was legally formed in September 2012. The municipal entity commenced operations on 1 July 2013.

Current year transactions:

Grant to fund operations - R5 400 000

Prior year transactions:

Grant to fund operations - R4 500 000

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

Board members and employees

Board members and the employees have declared no interest or gain in or from any transaction entered into with the entity by any organisation or business.

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

<u>Staff member / 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

Key management personnel

The following are persons having authority and responsibility for planning, directing and controlling the activities of the municipal entity, directly or indirectly: Chairperson of the Board, Board members and Chief Executive Officer.

CACADU DISTRICT DEVELOPMENT AGENCY SOE SOC LTD

Financial Statements for the year ended 30 June 2018

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32. Standards of GRAP issued but not yet effective

The following standards have been issued but are not yet effective:

GRAP 20:	Related Party Disclosures
GRAP 32:	Service Concession Agreements - Grantor
GRAP 34:	Seperate Financial Statements
GRAP 35:	Consolidated Financial Statements
GRAP 36:	Investments in Associates and Joint Ventures
GRAP 37:	Joint Arrangements
GRAP 38:	Disclosure of interest in other entities
GRAP 108:	Statutory Receivables
GRAP 109:	Accounting by Principals and Agents
GRAP 110:	Living and Non-Living Resources

In accordance with the manner in which the entity operates, the application of GRAP 20, GRAP 34 and GRAP 108 is not expected to have a major impact on the accounting procedures and disclosures as the standard is partially applied and the information is readily available.

The other standards will not have an impact on the entity unless the entity enters into agreements which will require the standards to be applied.

33. Irregular expenditure

Opening balance	-	91,337
Add: Irregular Expenditure - current year	-	-
Less: Amounts condoned / written off	-	(91,337)
	-	-

34. Deviations

<u>Heading</u>	<u>No. of incidents</u>		
In any other exceptional case where it is impractical or impossible to follow the official procurement processes	1	15,960	54,426
Only available from a single provider	nil	-	13,601
		<u>15,960</u>	<u>68,027</u>

35. Change in estimate

Property, plant and equipment

The entity has reassessed the useful lives and residual values of property, plant and equipment which resulted in the remaining useful lives of certain items' either being reduced or increased based on the condition of the assets. The residual values of these assets have been reassessed and adjusted accordingly. The effect of the change in accounting estimate has resulted in a decrease in depreciation amounting to R 4,102 for the current period and R 3,994 in the prior year. The effect on future periods could not reasonably be determined.

CACADU DISTRICT DEVELOPMENT AGENCY SOE SOC LTD

Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements

Figures in Rand

2018

2017

36. Budget differences

Material differences between budget and actual amounts

Investment revenue

The variance of 68% 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.

Other own revenue

Based on the principles of budgeting, this area is utilised to fund the budget of the entity and therefore the budgeted amount is high. The total amount budgeted relates to the amount funded from accumulated surplus.

Employee costs

The variance of 36% is mainly 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. The variance was also due to the resignation of the Chief Executive Officer.

Remuneration of board members

The variance of 30% was due to the board members needing to meet more often as a result of the resignation of the Chief Executive Officer and to thus fast-track the appointment process.

Debt impairment

No debt impairment was budgeted for. At the time of preparing the budget and during the year, there was no indication that the receivables were irrecoverable as the debtors committed to pay.

Refer to Note 4 and 5.

Other expenditure

The expenditure variance of 72% was mainly due to the entity incurring marginal expenditure on planning and feasibility studies. The planning and feasibility studies budget was an estimate in accordance with the intended planning budget on the projects. The actual expenditure could be avoided where no co-funding on a project was required or where other measures were implemented to achieve the same outcome.

Capital expenditure

No amount was spent on capital expenditure during the year. This was mainly due to the vacant positions on the organogram of the entity for which the capital items were budgeted for. The vacancies could not be filled until the parent municipality finalised the funding arrangement of the entity.

**CACADU DISTRICT DEVELOPMENT
AGENCY SOE SOC LTD**

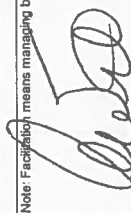
**ANNUAL PERFORMANCE REPORT
FOR THE YEAR ENDED 30 JUNE 2018**

**CACADU DISTRICT DEVELOPMENT AGENCY
ANNUAL PERFORMANCE REPORT FOR YEAR ENDED 30 JUNE 2018**

Strategic Objectives	Strategy	Nr	Key Performance Indicator	Annual Target	Actual achieved	Target achieved / Not achieved	Reason for variance	Mitigating actions
To facilitate the establishment of an industrial park to attract new investment to the Blue Crane Town of Somerset East by 2020 and beyond. (Full Cycle Development Project)	By developing phase 1 of the Industrial Park in the town of Somerset East	1	Development of the Somerset East Industrial Park (as per Quarterly Targets)	The provision of bulk and internal services completed	EGDC was appointed as Project Managers by DEDEAT for the project. Site meetings were held and after the procurement process was followed, BVI was appointed as consulting engineers. Pre-feasibility work was done by BVI in order to conclude the final concept plan.	Not achieved	The project is still in the pre-construction phase as ECDC has to draft the final concept plan before the balance of the funding is received from National Government. ECDC/BVI needed additional information but could not obtain from BCRM.	The CDA will meet with the BCRM management and to ensure that the outstanding letter is signed by the Municipality and sent to BVI.
To facilitate the establishment of Green energy projects at the various municipal industrial parks in the SBDM's local municipalities by sourcing potential investors and then to facilitate the process up to bankable stage (Facilitation Project)	By facilitating the completion of a Green Energy intervention plan between the officials of the Makana Municipality, Powerz, CDA and members of the Service Providers for the development of the energy greening projects in Grahams town, and to facilitate the project into completion of the bankability phase.	2	Facilitate the development of the Green Energy projects in the Makana Municipality	Appointment of IPPs (Independent Power Producers) to construct the Green Energy Generation Plant in Makana Municipality	CDA assisted Powerz/ Makana Municipality to conclude the draft User Agreement. Various meetings and workshops were held to assist the Municipality to develop the documentation that was used to procure the services of Powerz as an unskilled Bid.	Not achieved	The process was protracted through Makana municipality's inability to arrange for the signing of the User Agreement after a few queries from National Treasury (NT) and the Municipal bid committee. CDA had to assist through Powerz intervention, to satisfy the NT- and Bid committee queries.	CDA will assist in responding to the queries, and ensure that the agreement is signed.
	By facilitating the completion of a Green Energy intervention plan between the officials of the Blue Crane Route Municipality, Powerz, CDA and members of the Service Providers for the development of the energy greening projects in Grahams town, and to facilitate the project into completion of the bankability phase.	3	Facilitate the development of the Green Energy projects in the Blue Crane Municipality	Tender processes commenced	CDA met BCRM in Q1 to proceed with the project but since then no responds was forthcoming from BCRM.	Not achieved	The BCRM have not yet requested CDA to proceed with the implementation of the project after the Powerz meeting to council.	CDA will arrange another presentation from Powerz to the council and the matter is will be tabled to the August council meeting for final review.
	By establishing a Project Technical Action Committee, consisting of officials of a local SBDM municipality, Powerz, CDA and members of the Service Providers for the development of the Green energy projects in local municipality, and to facilitate the project into completion of the bankability phase.	4	Establishing a Project Technical Action Committee for the Industrial Greening projects in Kouga Local municipalities	Project Technical Action Committee for the project successfully established and the project to advance into the bankability stage	CDA contacted Kouga municipality on various occasions to forward the project but no response was received.	Not achieved	The Kouga municipality has not yet responded to the request of CDA as per the email to the Municipal Manager on the 8th of November 2017, to commence with the project development after introducing the project to the Kouga municipality in Q1.	Target municipality changed and the (KPI) will be included in the 2018/19 Pre-determined Objectives
To commercialize the Greening of Mohair and Wool	By assisting with the development of the Mohair and Wool greening processes	5	Development of the on-farm greening kit for Mohair and Wool Fibres	Completion of the on-farm greening kit for Mohair and Wool	The Greening Kit phase 1 was completed by end December 2017 and 100% completed by end March 2018	Target achieved	None	None
To facilitate the local communities interest in the R335 road development project (Facilitation Project)	By ensuring that the local communities will benefit from the R335 road development project that will link the towns of Somerset East and Addo	6	Facilitate the local beneficiaries in the BCR and SRV municipalities for the R335 road project (Phase 1 of 5 Phases)	To facilitate the participation of the local communities in the development of the R335 road	Facilitate the participation of the local communities in the development of the R335 road	Target achieved	None	None
To facilitate the local communities interest in the Peace Monument project (Facilitation Project)	By ensuring that the local communities of the Sundays River Municipality benefit from the Peace Monument development project	7	Facilitate the local beneficiaries in the SRV municipality for the Heritage Monument project	To facilitate the participation of the local communities in the construction of the Heritage Monument project	Site meetings held through out the year where CDA managed local beneficiaries	Target achieved	None	None
By developing a Macro Tourism Development Project for the Khosian in the SBDM (Full cycle Development Project)	To develop a Macro Tourism Development Project for the Khosian in the SBDM (Full cycle Development Project)	8	Source funding for the development of the First Peoples project (renovating buildings) in Enon)	Applications for funding submitted to potential funders	Funding application submitted in Q1	Target achieved	None	None

To sustain and grow a productive agricultural sector in SBDM	Facilitating the development of emerging and commercial farming projects to fully functional commercial farms in SBDM	9	To identify opportunities and source investors to commercialise emerging farmer in the local municipalities of the SBDM	8 Commercialisation opportunities identified and introduced to emerging farmers	Target achieved	None	None
To maximise the benefit to the communities from the IPP's	By engaging government departments, communities, IPP and Municipalities for benefit of communities in funding for socio-economic development and economic development	10	Engaging all the stakeholders in the benefitation processes for socio-economic and economic development intervention projects	12 engagements with stakeholders to ensure local benefitation from the renewable projects in the SBDM region	Target achieved	None	None
To positively contribute towards the up-skilling of the learners in SBDM and thereby improving their access to tertiary education.	By facilitating and monitoring the implementation of core subjects/courses in critical scarce fields of Maths and Science in the BCRM area	11	Facilitating (assist in obtaining funding) and monitoring the operation of Maths and Science Centre in the BCRM area	3 support programmes implemented for Grade 10, 11 and 12	Target achieved	None	None
	Facilitate the establishment of a Maths and Science centre in the Kouga/Koukamma Municipalities	12	Facilitate the establishment of a Maths and Science Centre at Kouga and Koukamma Municipalities	Establishment of a Maths & Science centre in the SBDM area at Kouga and Koukamma Municipalities	Not achieved	Project not on target due to the changing of staff of the wind farms and their priority areas.	CDA will arrange engagement meetings as soon as the Wind farms have appointed new staff, relevant to the project.
	To establish entrepreneurial activity	13	Monitoring and Evaluate the operations SWOP shop in the SBDM area	Analysis, Report, Monitoring and Evaluate the operations SWOP shop in the SBDM area	Target achieved	None	None
	Identify the potential trade and investment opportunities from international perspective	14	SBDM opportunity investigation report (Agri and Agro-processing, tourism and Other possible fields)	Submit the first draft for CDA	Target achieved	None	None
	Develop the business model for shortlisted opportunity and packaging into business plan	15	Business Proposal for the shortlisted opportunity	Completion of the first proposed business plan draft	Target achieved	None	None
	Develop the partnership proposal	16	Proposal for further development of the Jincheng and SBDM partnership	Develop the first draft proposal for internal discussion	Target achieved	None	None

Note: Facilitation means managing by way of meetings with stakeholders, investors, developers, municipalities and businesses, obtain agreements through council.


C Wilken

Accounting Officer

31 August 2018.
Date