

Planning by	Reviewed	Performed by	Final review



**West Rand Development Agency**  
(Registration number 2005/005372/07)  
Annual Financial Statements  
for the year ended 30 June 2020

# West Rand Development Agency

(Registration number 2005/005372/07)

Annual Financial Statements for the year ended 30 June 2020

## General Information

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<b>Country of incorporation and domicile</b>	South Africa
<b>Legal form of entity</b>	Municipal entity
<b>Nature of business and principal activities</b>	<p>The West Rand Development Agency (WRDA) was created as a focused response to the challenges faced by West Rand Regional municipalities in fulfilling their developmental local government role; and to be the economic development agency for the West Rand region. It was established for the express and sole purpose of assisting the West Rand District Municipality (WRDM) to achieve global standards of economic growth and development for all within the jurisdiction of the WRDM. The WRDA is regulated by the Municipal Systems Act (Act 32 of 2000) and the Municipal Finance Management Act (Act 56 of 2003). It was established through Council Resolution and in terms of the new Companies Act of 2008; the organization is a State Owned Company (SOC Ltd) with effect from 1 May 2011.</p>
<b>Directors</b>	<p>Z. Mphaphuli (Acting Chief Executive Officer) M. Mohlakoana (Non-Executive Director) L. Mpambani (Chairperson of Audit, Finance &amp; Risk Committee) E. Mokhine (Chairperson of Human Resources &amp; Remuneration Committee) B. Friedman (Chairperson of Economic Development &amp; Investment Committee)</p>
<b>Registered office</b>	<p>22 Stubbs Street Randfontein 1760</p>
<b>Business address</b>	<p>25 Boshoff street Krugersdorp 1740</p>
<b>Controlling entity</b>	West Rand District Municipality
<b>Bankers</b>	First National Bank
<b>Auditors</b>	<p>Auditor General - South Africa Chartered Accountants (S.A.) Registered Auditors</p>
<b>Company registration number</b>	2005/005372/07
<b>Tax reference number</b>	9267870153
<b>Preparer</b>	<p>The annual financial statements were internally compiled by: Samuel Ramaele CFO of Parent Municipality</p>

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MBRR	Municipal Budget and Reporting regulations
MPAC	Municipal Public accounts committee
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
mSCOA	Municipal Standard Chart of Accounts
GGDA	Gauteng Growth and Development Agency
IAS	International Accounting Standards
GIFA	Gauteng Infrastructure Financing Agency
GDARD	Gauteng Department of Agriculture and rural development
ME's	Municipal Entities
MMC	Member of the Mayoral committee
MFMA	Municipal Finance Management Act
IDC	Industrial Development Corporation
CIGFARO	Chartered Institute of Government Financial, Audit and Risk officers
IFRS	International Financial Reporting Standards
WRDM	West Rand District Municipality

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## Board's Responsibilities and Approval

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The directors are required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are 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 directors 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 was 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)

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

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board 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 entity 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 entity. 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 directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The directors have reviewed the entity's cash flow forecast for the year to 30 June 2021 and, in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The entity is wholly dependent on the West Rand District municipality for continued funding of operations. The annual financial statements are prepared on the basis that the entity will not be a going concern in future and that the Council of West Rand District municipality has approved an item to unwind the entity due to its financial challenges and being wholly dependant on the Parent municipality. West Rand District municipality has been placed under Provincial intervention in terms of section 139 of MFMA. One of the critical requirements of the financial recovery plan is to suspend annual subsidy given to the entity, being a sole funding source of the entity's short term obligations.

Although the board are primarily responsible for the financial affairs of the entity, they are supported by the entity's external auditors.

The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors and their report is presented on page 5.

The annual financial statements set out on pages 5 to 45, which have not been prepared on the going concern basis, were approved by the board on 31 August 2020 and were signed on its behalf by:

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**M. Mohlakoana (Non-Executive Director)**  
**Acting Chairperson of the Board Committee**

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## Audit Committee Report

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We are pleased to present our report for the financial year ended 30 June 2020.

### Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 3 times per annum as per its approved terms of reference. During the current year four (4) number of meetings were held.

<b>Name of member</b>	<b>Number of meetings attended</b>
L. Mpambani (Chairperson)	4
G. Masobe (Member)	4
E. Mokhine (Member)	4
L. Hibbert (Member)	4
J. Mohlakoana (Member)	4

### Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

### The effectiveness of internal control

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.

### Evaluation of annual financial statements

The audit committee has:

- reviewed and discussed the unaudited annual financial statements to be included in the annual report, with the Auditor-General and the board;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices (delete if not applicable);
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

The audit committee concur with and accept the Auditor-General of South Africa's report the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

### Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

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**Chairperson of the Audit Committee**

**Date:** \_\_\_\_\_

# West Rand Development Agency

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## Director's Report

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The directors submit their report for the year ended 30 June 2020.

### 1. Incorporation

The entity was incorporated on 17 February 2005 and obtained its certificate to commence business on the same day.

### 2. Review of activities

#### Main business and operations

The operating results and state of affairs of the entity are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

### 3. Going concern

We draw attention to the fact that at 30 June 2020, the entity had an accumulated surplus (deficit) of R (6 269 740) and that the entity's total assets exceed its liabilities by R 8 308 788.

The ability of the entity to continue as a going concern is questionable based on the item approved by Council of the Parent municipality on 29 June 2020 to unwind the entity based on its negative financial situation.

Please refer to note 32 (Going concern)

### 4. Subsequent events

The directors have taken all events, matters and /or circumstances arising after year end in preparing and presenting the annual financial statements.

### 5. Directors' interest in contracts

The director's did not have interest in any contracts of the WRDA.

### 6. Accounting policies

The annual financial statements prepared in accordance prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

### 7. Share capital / contributed capital

There were no changes in the authorised or issued share capital of the entity during the year under review.

The share premium of R14 578 428 arose in 2008 when 100 ordinary shares with a par value of R1 per share were subscribed for at a value of R14,578,528 represented by the transfer of assets by WRDM to WRDA.

### 8. Board

The directors of the entity during the year and to the date of this report are as follows:

Name	Nationality	Changes
Z. Mphaphuli (Acting Chief Executive Officer)	South African	
T. Mokale (Chairperson of the board committee)	South African	Resigned Tuesday, 30 June 2020
M. Mohlakoana (Non-Executive Director)	South African	
L. Mpambani (Chairperson of Audit, Finance & Risk Committee)	South African	
E. Mokhine (Chairperson of Human Resources & Remuneration Committee)	South African	
P. Nodada (Chairperson of Projects & Procurement Committee)	South African	Resigned Tuesday, 30 June 2020
L. Hibbert (Non-Executive Director)	South African	Resigned Tuesday, 30 June 2020
B. Friedman (Chairperson of Economic Development & Investment Committee)	South African	
J.E. Sloan (Non-Executive Director)	South African	Resigned Tuesday, 30 June 2020

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## Director's Report

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G. Sebola (Non-Executive Director)

South African

Resigned Tuesday, 30 June 2020

### 9. Board Member and Executive Managers Emoluments

#### Whole owned subsidiary

	Acting allowance	Board fee	Total package 2020	Total package 2019
<b>Non-Executive Members</b>				
T. Mokale (Chairperson of the board committee)	-	45 000	45 000	55 000
L. Mpambani (Chairperson of Audit, Finance & Risk Committee)	-	78 000	78 000	70 000
E. Mokhine (Chairperson of Human Resources & Remuneration Committee)	-	79 000	79 000	90 000
B. Friedman (Chairperson of Economic Development & Investment Committee)	-	80 500	80 500	105 000
L. Hibbert (Non-Executive Director)	-	70 500	70 500	76 500
J. Mohlakoana (Non-Executive Director)	-	66 000	66 000	69 000
J. Sloan (Non-Executive Director)	-	67 500	67 500	94 500
A. Masiu (Member of subcommittee)	-	46 500	46 500	60 000
L. Brits (Member of subcommittee)	-	3 000	3 000	36 000
G. Masobe (Member of subcommittee)	-	28 500	28 500	29 500
	-	<b>564 500</b>	<b>564 500</b>	<b>685 500</b>
<b>Executive Managers</b>				
Z. Mphaphuli (Acting Chief Executive Officer)	658 651	-	658 651	618 452

### 10. Controlling entity

The entity's controlling entity is West Rand District Municipality incorporated in (If not in the RSA).

### 11. Bankers

The entity primarily banks with First National Bank.

### 12. Auditors

Auditor General - South Africa will continue in office for the next financial period.



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## Statement of Financial Position as at 30 June 2020

Figures in Rand	Note(s)	2020	2019 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Other receivables	3	-	2 229 997
Cash and cash equivalents	4	3 435 878	4 763 434
		<b>3 435 878</b>	<b>6 993 431</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	5	12 100 165	12 710 538
Intangible assets	6	1	1
		<b>12 100 166</b>	<b>12 710 539</b>
<b>Total Assets</b>		<b>15 536 044</b>	<b>19 703 970</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	8	3 597 436	3 294 655
Transfers payable (non-exchange)	9	2 000 000	2 000 000
VAT payable	10	1 629 820	1 682 548
		<b>7 227 256</b>	<b>6 977 203</b>
<b>Total Liabilities</b>		<b>7 227 256</b>	<b>6 977 203</b>
<b>Net Assets</b>		<b>8 308 788</b>	<b>12 726 767</b>
Share capital / contributed capital	11	14 578 528	14 578 528
Accumulated deficit		(6 269 740)	(1 851 761)
<b>Total Net Assets</b>		<b>8 308 788</b>	<b>12 726 767</b>

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## Statement of Financial Performance

Figures in Rand	Note(s)	2020	2019 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Rental of facilities and equipment	13	275 308	344 796
Interest income	14	232 484	184 878
<b>Total revenue from exchange transactions</b>		<b>507 792</b>	<b>529 674</b>
<b>Revenue from non-exchange transactions</b>			
<b>Transfer revenue</b>			
Government grants & subsidies	15	-	4 138 520
<b>Total revenue</b>	<b>12</b>	<b>507 792</b>	<b>4 668 194</b>
<b>Expenditure</b>			
Employee related costs	16	(2 392 082)	(2 469 146)
Board remuneration	16&17	(564 500)	(685 500)
Depreciation and amortisation	18	(148 071)	(159 933)
Interest costs	21	(287 605)	(141 362)
Lease rentals on operating lease	22	(174 000)	(174 224)
Contracted services	23	(225 030)	(256 979)
Operating costs	24	(672 188)	(2 256 799)
<b>Total expenditure</b>		<b>(4 463 476)</b>	<b>(6 143 943)</b>
<b>Operating deficit</b>		<b>(3 955 684)</b>	<b>(1 475 749)</b>
Loss on disposal of assets and liabilities	19	(2)	(27 192)
Impairment loss	20	(462 298)	-
		<b>(462 300)</b>	<b>(27 192)</b>
<b>Deficit for the year</b>		<b>(4 417 984)</b>	<b>(1 502 941)</b>

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## Statement of Changes in Net Assets

Figures in Rand	Share capital / contributed capital	Share premium	Total share capital	Accumulated deficit	Total net assets
<b>Balance at 01 July 2018</b>	<b>100</b>	<b>14 578 428</b>	<b>14 578 528</b>	<b>(348 820)</b>	<b>14 229 708</b>
Changes in net assets					
Deficit for the year	-	-	-	(1 502 941)	(1 502 941)
<b>Total changes</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1 502 941)</b>	<b>(1 502 941)</b>
Opening balance as previously reported	100	14 578 428	14 578 528	(1 721 834)	12 856 694
Adjustments					
Prior year adjustments (refer to note 30)	-	-	-	(129 922)	(129 922)
<b>Restated* Balance at 01 July 2019 as restated*</b>	<b>100</b>	<b>14 578 428</b>	<b>14 578 528</b>	<b>(1 851 756)</b>	<b>12 726 772</b>
Changes in net assets					
Deficit for the year	-	-	-	(4 417 984)	(4 417 984)
<b>Total changes</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4 417 984)</b>	<b>(4 417 984)</b>
<b>Balance at 30 June 2020</b>	<b>100</b>	<b>14 578 428</b>	<b>14 578 528</b>	<b>(6 269 740)</b>	<b>8 308 788</b>
Note(s)	11	11	11		

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## Cash Flow Statement

Figures in Rand	Note(s)	2020	2019 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		339 430	391 290
Grants and subsidies		2 200 000	2 200 000
Interest income		232 484	160 106
Other receipts		-	108 458
		<b>2 771 914</b>	<b>2 859 854</b>
<b>Payments</b>			
Employee costs		(3 074 314)	(3 096 103)
Suppliers of goods and services		(1 025 157)	(2 343 094)
		<b>(4 099 471)</b>	<b>(5 439 197)</b>
<b>Net cash flows from operating activities</b>	<b>27</b>	<b>(1 327 557)</b>	<b>(2 579 343)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	5	-	(16 850)
Proceeds from sale of property, plant and equipment	5	1	5 260 125
<b>Net cash flows from investing activities</b>		<b>1</b>	<b>5 243 275</b>
<b>Cash flows from financing activities</b>			
Loan to Parent municipality		(5 000 000)	-
Repayment of loan from Parent municipality		5 000 000	-
<b>Net cash flows from financing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(1 327 556)</b>	<b>2 663 932</b>
Cash and cash equivalents at the beginning of the year		4 763 434	2 099 502
<b>Cash and cash equivalents at the end of the year</b>	<b>4</b>	<b>3 435 878</b>	<b>4 763 434</b>

# West Rand Development Agency

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## 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						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Rental of facilities and equipment	218 459	49 000	<b>267 459</b>	275 308	<b>7 849</b>	A
Licences and permits	1 800 082	(1 800 082)	-	-	-	
Interest income	81 459	(40 000)	<b>41 459</b>	232 484	<b>191 025</b>	B
<b>Total revenue from exchange transactions</b>	<b>2 100 000</b>	<b>(1 791 082)</b>	<b>308 918</b>	<b>507 792</b>	<b>198 874</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Transfer revenue</b>						
Government grants & subsidies	3 900 000	(3 900 000)	-	-	-	
<b>Total revenue</b>	<b>6 000 000</b>	<b>(5 691 082)</b>	<b>308 918</b>	<b>507 792</b>	<b>198 874</b>	
<b>Expenditure</b>						
Personnel	(2 747 000)	131 000	<b>(2 616 000)</b>	(2 392 082)	<b>223 918</b>	C
Board remuneration	(793 000)	93 000	<b>(700 000)</b>	(564 500)	<b>135 500</b>	D
Depreciation and amortisation	(523 000)	-	<b>(523 000)</b>	(148 071)	<b>374 929</b>	E
Impairment loss/ Reversal of impairments	-	-	-	(462 298)	<b>(462 298)</b>	E
Finance costs	-	-	-	(287 605)	<b>(287 605)</b>	F
Lease rentals on operating lease	(175 000)	-	<b>(175 000)</b>	(174 000)	<b>1 000</b>	
Contracted Services	(230 000)	-	<b>(230 000)</b>	(225 030)	<b>4 970</b>	G
Operating costs	(4 108 000)	3 800 000	<b>(308 000)</b>	(672 188)	<b>(364 188)</b>	H
<b>Total expenditure</b>	<b>(8 576 000)</b>	<b>4 024 000</b>	<b>(4 552 000)</b>	<b>(4 925 774)</b>	<b>(373 774)</b>	
<b>Operating deficit</b>	<b>(2 576 000)</b>	<b>(1 667 082)</b>	<b>(4 243 082)</b>	<b>(4 417 982)</b>	<b>(174 900)</b>	
Loss on disposal of assets and liabilities	-	-	-	(2)	<b>(2)</b>	
<b>Deficit before taxation</b>	<b>(2 576 000)</b>	<b>(1 667 082)</b>	<b>(4 243 082)</b>	<b>(4 417 984)</b>	<b>(174 902)</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>(2 576 000)</b>	<b>(1 667 082)</b>	<b>(4 243 082)</b>	<b>(4 417 984)</b>	<b>(174 902)</b>	

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## 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						
<b>Cash Flow Statement</b>						
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Grants	3 900 000	(1 700 000)	<b>2 200 000</b>	2 200 000	-	
Interest income	81 000	(39 000)	<b>42 000</b>	232 484	<b>190 484</b>	B
Other receipts	2 018 000	(1 751 000)	<b>267 000</b>	339 430	<b>72 430</b>	A
	<b>5 999 000</b>	<b>(3 490 000)</b>	<b>2 509 000</b>	<b>2 771 914</b>	<b>262 914</b>	
<b>Payments</b>						
Employee costs	(3 540 000)	224 000	<b>(3 316 000)</b>	(3 074 314)	<b>241 686</b>	C
Suppliers	(4 513 000)	3 805 000	<b>(708 000)</b>	(1 025 156)	<b>(317 156)</b>	H
	<b>(8 053 000)</b>	<b>4 029 000</b>	<b>(4 024 000)</b>	<b>(4 099 470)</b>	<b>(75 470)</b>	
<b>Net cash flows from operating activities</b>	<b>(2 054 000)</b>	<b>539 000</b>	<b>(1 515 000)</b>	<b>(1 327 556)</b>	<b>187 444</b>	
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment	(50 000)	-	<b>(50 000)</b>	-	<b>50 000</b>	I
<b>Cash flows from financing activities</b>						
Loan to Parent municipality	-	-	-	(5 000 000)	<b>(5 000 000)</b>	J
Repayment of loan from Parent municipality	-	-	-	5 000 000	<b>5 000 000</b>	J
<b>Net cash flows from financing activities</b>	-	-	-	-	-	
Net increase/(decrease) in cash and cash equivalents	(2 104 000)	539 000	<b>(1 565 000)</b>	(1 327 556)	<b>237 444</b>	
Cash and cash equivalents at the beginning of the year	2 528 000	2 235 000	<b>4 763 000</b>	4 763 434	<b>434</b>	
<b>Cash and cash equivalents at the end of the year</b>	<b>424 000</b>	<b>2 774 000</b>	<b>3 198 000</b>	<b>3 435 878</b>	<b>237 878</b>	

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## 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
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Figures in Rand

**A-** over collection on rental of facilities relates to Donaldson Dam revenue where there was a venue hire of more than R70,000 for Golden West.

**B-** over collection on interest received relates to interest on loan granted to Parent municipality at a borrowing rate of 10.25% in November 2019, interest on call investments at the investment rate of 5.5% and interest on favourable bank balance at the rate of 2.5%.

**C-** under spending on employee related cost relates to decrease in number of employees as one of the highest paid employees died in December 2019 and the reduction on number of leave days for existing employees due to leave days taken.

**D-** under spending on board remuneration relates to the limited number of board meetings held during 2019/2020 financial year.

**E-** under spending on depreciation relates to number of assets with life span coming to end and needs to be reviewed as per the accounting policy. Due to the perpetual vandalism at the Donaldson Dam, the Palisade wall (asset number: X05913) in the Fixed Asset Register has been proposed for impairment.

**F-** over spending on finance cost relates to interest charged on overdue account by Rand West City Local municipality and the entity is presently disputing the amount owed to the municipality for municipal levies..

**G-** under spending on contracted services relates to projected savings realised as per the COVID-19 lockdown restrictions for three months (April, May and June 2020)

**H-** over spending on other expenditure relates to the municipal levies account being disputed by the municipality, cost of bereavement due to the employee who died on 31 December 2019 and cost of audit fees which were not budgeted for.

**I-** non spending of capital assets relates to computer equipment which was budgeted for but was not spent due to the impact of COVID-19 pandemic.

**J-** The entity entered into a loan agreement with the Parent municipality at the borrowing rate of 10.25% where the entity assisted the Parent municipality financially in order to pay their obligations. The loan was repayed within 30 days from the date of lending the Parent municipality.

The accounting policies on pages 17 to 29 and the notes on pages 30 to 45 form an integral part of the annual financial statements.

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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
<b>2020</b>											
<b>Financial Performance</b>											
Interest income	81 459	(40 000)	41 459	-	-	41 459	232 484	-	191 025	561 %	285 %
Transfers recognised - operational	3 900 000	(3 900 000)	-	-	-	-	-	-	-	DIV/0 %	- %
Other own revenue	2 018 541	(1 751 082)	267 459	-	-	267 459	275 308	-	7 849	103 %	14 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>6 000 000</b>	<b>(5 691 082)</b>	<b>308 918</b>	<b>-</b>	<b>-</b>	<b>308 918</b>	<b>507 792</b>	<b>-</b>	<b>198 874</b>	<b>164 %</b>	<b>8 %</b>
Employee costs	(2 747 000)	131 000	(2 616 000)	-	-	(2 616 000)	(2 392 082)	-	223 918	91 %	87 %
Board remuneration	(793 000)	93 000	(700 000)	-	-	(700 000)	(564 500)	-	135 500	81 %	71 %
Depreciation and asset impairment	(523 000)	-	(523 000)	-	-	(523 000)	(610 369)	-	(87 369)	117 %	117 %
Finance charges	-	-	-	-	-	-	(287 605)	-	(287 605)	DIV/0 %	DIV/0 %
Other expenditure	(4 513 000)	3 800 000	(713 000)	-	-	(713 000)	(1 071 220)	-	(358 220)	150 %	24 %
<b>Total expenditure</b>	<b>(8 576 000)</b>	<b>4 024 000</b>	<b>(4 552 000)</b>	<b>-</b>	<b>-</b>	<b>(4 552 000)</b>	<b>(4 925 776)</b>	<b>-</b>	<b>(373 776)</b>	<b>108 %</b>	<b>57 %</b>
<b>Surplus/(Deficit)</b>	<b>(2 576 000)</b>	<b>(1 667 082)</b>	<b>(4 243 082)</b>	<b>-</b>	<b>-</b>	<b>(4 243 082)</b>	<b>(4 417 984)</b>	<b>-</b>	<b>(174 902)</b>	<b>104 %</b>	<b>172 %</b>
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>(2 576 000)</b>	<b>(1 667 082)</b>	<b>(4 243 082)</b>	<b>-</b>	<b>-</b>	<b>(4 243 082)</b>	<b>(4 417 984)</b>	<b>-</b>	<b>(174 902)</b>	<b>104 %</b>	<b>172 %</b>
<b>Surplus/(Deficit) for the year</b>	<b>(2 576 000)</b>	<b>(1 667 082)</b>	<b>(4 243 082)</b>	<b>-</b>	<b>-</b>	<b>(4 243 082)</b>	<b>(4 417 984)</b>	<b>-</b>	<b>(174 902)</b>	<b>104 %</b>	<b>172 %</b>



## West Rand Development Agency

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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
<b>Cash flows</b>											
Net cash from (used) operating	(2 054 000)	539 000	(1 515 000)	-		(1 515 000)	(1 327 557)		187 443	88 %	100 %
Net cash from (used) investing	(50 000)	-	(50 000)	-		(50 000)	1		50 001	- %	- %
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(2 104 000)</b>	<b>539 000</b>	<b>(1 565 000)</b>	<b>-</b>		<b>(1 565 000)</b>	<b>(1 327 556)</b>		<b>237 444</b>	<b>85 %</b>	<b>63 %</b>
Cash and cash equivalents at the beginning of the year	2 528 000	2 235 000	4 763 000	-		4 763 000	4 763 434		434	100 %	188 %
<b>Cash and cash equivalents at year end</b>	<b>424 000</b>	<b>2 774 000</b>	<b>3 198 000</b>	<b>-</b>		<b>3 198 000</b>	<b>3 435 878</b>		<b>(237 878)</b>	<b>107 %</b>	<b>810 %</b>

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Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
<b>2019</b>				
<b>Financial Performance</b>				
Interest income				184 878
Transfers recognised - operational				4 138 520
Other own revenue				344 796
<b>Total revenue (excluding capital transfers and contributions)</b>				<b>4 668 194</b>
Employee costs	-	-	-	(2 469 146)
Remuneration of councillors	-	-	-	(685 500)
Depreciation and asset impairment	-	-	-	(159 933)
Finance charges	-	-	-	(141 362)
Other expenditure	-	-	-	(2 715 194)
<b>Total expenditure</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6 171 135)</b>
<b>Surplus/(Deficit)</b>				<b>(1 502 941)</b>
<b>Surplus/(Deficit) for the year</b>				<b>(1 502 941)</b>
<b>Cash flows</b>				
Net cash from (used) operating				(2 579 343)
Net cash from (used) investing				5 243 275
<b>Net increase/(decrease) in cash and cash equivalents</b>				<b>2 663 932</b>
Cash and cash equivalents at the beginning of the year				2 099 502
<b>Cash and cash equivalents at year end</b>				<b>4 763 434</b>

# West Rand Development Agency

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## Accounting Policies

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### 1. Presentation of Annual 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(3) of the Municipal Finance Management Act (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, unless specified otherwise. They are presented in South African Rand.

The entity has complied with Municipal standard chart of accounts (mSCOA) in terms of mSCOA regulations. The primary objective of mSCOA is to achieve an acceptable level of uniformity and quality from the collection of data. The data is then used to compile both budgets and financial statements. Budget and financial transactions are captured in the system using seven segments code. All municipalities and municipal entities were expected to comply from the 1st July 2017.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period, except for the changes set out in note Changes in accounting policy.

#### 1.1 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.

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.

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, it's 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.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

# West Rand Development Agency

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## Accounting Policies

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### 1.1 Property, plant and equipment (continued)

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

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

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

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

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

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Item	Depreciation method	Average useful life
Land		Indefinite
Buildings	Straight line	30
Plant and machinery	Straight line	4 - 15
Furniture and fixtures	Straight line	4 - 18
Office equipment	Straight line	10
IT equipment	Straight line	5 - 17
Security	Straight line	10 - 25
Roads	Straight line	20
Emergency Equipment	Straight line	5

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

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 method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The entity assesses at each reporting date whether there is any indication that the entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

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

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.

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.

The entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note ).

# West Rand Development Agency

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## Accounting Policies

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### 1.2 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

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Item	Amortisation method	Average useful life
Computer software	Straight line	3-5 years

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### 1.3 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

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## Accounting Policies

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### 1.3 Financial instruments (continued)

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

#### Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

<b>Class</b>	<b>Category</b>
Loan	Financial asset measured at amortised cost
Other receivables	Financial asset measured at fair value
Cash and cash equivalents	Financial asset measured at fair value

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

<b>Class</b>	<b>Category</b>
Trade and other payables from exchange transactions	Financial liability measured at fair value
Transfers payable (non exchange)	Financial liability measured at amortised cost

#### Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

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## Accounting Policies

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### 1.3 Financial instruments (continued)

#### Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

### 1.4 Tax

#### Tax expenses

Current and deferred taxes are recognised as income or an expense and included in surplus or deficit for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to net assets; or
- a business combination.

Current tax and deferred taxes are charged or credited to net assets if the tax relates to items that are credited or charged, in the same or a different period, to net assets.

### 1.5 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.

#### Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

#### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

### 1.6 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

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## Accounting Policies

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### 1.6 Impairment of cash-generating assets (continued)

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

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

Useful life is either:

- the period of time over which an asset is expected to be used by the entity; or
- the number of production or similar units expected to be obtained from the asset by the entity.

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

[Specify judgements made]

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the entity; or
- the number of production or similar units expected to be obtained from the asset by the entity.

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows:

[Specify judgements made]



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## Accounting Policies

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### 1.7 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

### 1.8 Provisions and contingencies

Provisions are recognised when:

- the entity 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.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. 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 surplus (deficit).

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 constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the entity

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## Accounting Policies

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### 1.8 Provisions and contingencies (continued)

No obligation arises as a consequence of the sale or transfer of an operation until the entity is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 30.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The entity recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the entity for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the entity considers that an outflow of economic resources is probable, an entity recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

### 1.9 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

### 1.10 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

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## Accounting Policies

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### 1.10 Revenue from exchange transactions (continued)

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

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

#### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- The amount of the revenue can be measured reliably.

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

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the entity's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the entity can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

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.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

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.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

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## Accounting Policies

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### Revenue from non-exchange transactions (continued)

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

### Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

### Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

### Transfers

Apart from Services in kind, which are not recognised, the entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

### Grants and subsidies in-kind

Grants and subsidies in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

#### 1.11 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

#### 1.12 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

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

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## Accounting Policies

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### 1.13 Comparative figures

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

### 1.14 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.

### 1.15 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful 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.

### 1.16 Irregular expenditure

Irregular expenditure as defined in chapter 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the Municipal Systems Act 32 of 2000, or any regulations made in terms of the Act; or
- (c) the Public Office-Bearers Act, 1998 (Act No. 20 of 1998), or any regulations made in terms of the Act; and a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law

Irregular expenditure that was incurred and identified during the current financial 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 also 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.

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.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy.

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## Accounting Policies

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### 1.17 Budget information

Entity are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

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 2019/07/01 to 2020/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

### 1.18 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

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

The entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the entity is exempt from the disclosures in accordance with the above, the entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

### 1.19 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

# West Rand Development Agency

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## Accounting Policies

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### 1.19 Events after reporting date (continued)

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

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### 2. New standards and interpretations

#### 2.1 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 July 2020 or later periods:

<b>Standard/ Interpretation:</b>	<b>Effective date: Years beginning on or after</b>	<b>Expected impact:</b>
• GRAP 104 (amended): Financial Instruments	01 April 2009	Unlikely there will be a material impact
• Directive 14: The application of Standards of GRAP by Public Entities that apply IFRS® Standards	01 April 2021	Unlikely there will be a material impact
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2020	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	01 April 2009	Unlikely there will be a material impact
• IGRAP 20: Accounting for Adjustments to Revenue	01 April 2020	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 34: Separate Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 35: Consolidated Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 36: Investments in Associates and Joint Ventures	01 April 2020	Unlikely there will be a material impact
• GRAP 37: Joint Arrangements	01 April 2020	Unlikely there will be a material impact
• GRAP 38: Disclosure of Interests in Other Entities	01 April 2020	Unlikely there will be a material impact
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2020	Unlikely there will be a material impact
• IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue	01 April 2020	Unlikely there will be a material impact
• Directive 13: Transitional Provisions for the Adoption of Standards of GRAP by Community Education and Training (CET) Colleges	01 April 2020	Unlikely there will be a material impact
• Directive 7 (revised): The Application of Deemed Cost	01 April 2020	Unlikely there will be a material impact
• GRAP 18 (as amended 2016): Segment Reporting	01 April 2020	Unlikely there will be a material impact



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## Notes to the Annual Financial Statements

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### 3. Other receivables

Deductions from Receiver of Receiver relates to PAYE, UIF and SDL concerning the amounts which were deducted from the entity's bank account. The entity has lodged a query with the Receiver of Revenue concerning this issue since in terms of the statement of account the entity did not owe anything and still awaiting for response.

#### Other receivables from non exchange transactions

Subsidy from WRDM	-	2 200 000
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#### Other receivables from exchange transactions

Rental debtor	-	5 225
Accrued interest	-	24 772
	-	<b>29 997</b>

#### Other receivables

Other receivables from non exchange transactions	-	2 200 000
Other receivables from exchange transactions	-	29 997
	-	<b>2 229 997</b>

### 4. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	435	351
Bank balances	25 632	252 294
Short-term deposits	3 409 811	4 510 789
	<b>3 435 878</b>	<b>4 763 434</b>

#### The entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2020	30 June 2019	30 June 2018	30 June 2020	30 June 2019	30 June 2018
First National Bank - Cheque account	24 322	(2 322)	-	25 632	(2 322)	-
First National Bank - Call account	3 409 811	-	-	3 409 811	-	-
Standard Bank - Current account	-	114 160	2 097 124	-	254 619	2 097 124
Standard Bank - Call account	-	4 510 789	1 683	-	4 510 789	1 683
Petty cash	-	-	-	435	351	695
<b>Total</b>	<b>3 434 133</b>	<b>4 622 627</b>	<b>2 098 807</b>	<b>3 435 878</b>	<b>4 763 437</b>	<b>2 099 502</b>

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## Notes to the Annual Financial Statements

Figures in Rand

### 5. Property, plant and equipment

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	10 693 880	-	10 693 880	10 693 880	-	10 693 880
Buildings	5 902 992	(5 153 388)	749 604	5 902 992	(5 120 824)	782 168
Plant and machinery	237 253	(223 681)	13 572	234 240	(213 910)	20 330
Furniture and fixtures	516 714	(455 173)	61 541	519 872	(428 300)	91 572
IT equipment	282 645	(274 229)	8 416	292 745	(269 100)	23 645
Security	3 972 545	(3 710 931)	261 614	3 972 545	(3 208 272)	764 273
Leased Assets	88 164	(88 164)	-	88 164	(88 164)	-
Roads	1 683 600	(1 409 915)	273 685	1 683 600	(1 388 884)	294 716
Electrical reticulation	325 590	(287 737)	37 853	325 590	(285 636)	39 954
<b>Total</b>	<b>23 703 383</b>	<b>(11 603 218)</b>	<b>12 100 165</b>	<b>23 713 628</b>	<b>(11 003 090)</b>	<b>12 710 538</b>

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## Notes to the Annual Financial Statements

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### 5. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2020

	Opening balance	Disposals	Depreciation	Impairment loss	Total
Land	10 693 880	-	-	-	10 693 880
Buildings	782 168	-	(32 564)	-	749 604
Plant and machinery	20 330	-	(6 758)	-	13 572
Furniture and fixtures	91 572	(1)	(30 030)	-	61 541
IT equipment	23 645	(2)	(15 227)	-	8 416
Security	764 273	-	(40 361)	(462 298)	261 614
Roads	294 716	-	(21 031)	-	273 685
Electrical Reticulation	39 954	-	(2 101)	-	37 853
	<b>12 710 538</b>	<b>(3)</b>	<b>(148 072)</b>	<b>(462 298)</b>	<b>12 100 165</b>

#### Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Depreciation	Total
Land	10 693 880	-	-	-	10 693 880
Buildings	843 054	-	(27 193)	(33 693)	782 168
Plant and machinery	43 146	-	-	(22 816)	20 330
Furniture and fixtures	122 197	-	-	(30 625)	91 572
IT equipment	16 037	16 850	-	(9 242)	23 645
Security	804 634	-	-	(40 361)	764 273
Roads	315 747	-	-	(21 031)	294 716
Electrical Reticulation	42 055	-	-	(2 101)	39 954
	<b>12 880 750</b>	<b>16 850</b>	<b>(27 193)</b>	<b>(159 869)</b>	<b>12 710 538</b>

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the entity.

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### Notes to the Annual Financial Statements

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#### 6. Intangible assets

	2020			2019		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	111 815	(111 814)	1	111 815	(111 814)	1

#### Reconciliation of intangible assets - 2020

	Opening balance	Total
Computer software	1	1

#### Reconciliation of intangible assets - 2019

	Opening balance	Amortisation	Total
Computer software	61	(60)	1

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## Notes to the Annual Financial Statements

Figures in Rand 2020 2019

### 7. Deferred tax

The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:

#### Reconciliation of deferred tax asset \ (liability)

At beginning of year	-	-
Increases (decrease) in tax loss available for set off against future taxable income - gross of valuation allowance	95 136	248 117
Increases (decrease) in valuation allowance of deferred tax asset	(95 136)	(248 117)
	-	-

#### Make up of Deferred Taxation Balance 2020

	Balance at the beginning of year	Charge/ (credit) for the year	Balance at end of year
Property, plant and Equipment	264 509	(166 183)	98 326
Provision for leave pay	(16 392)	13 202	(3 190)
Estimated tax loss utilised	(248 117)	152 981	(95 136)
	-	-	-

#### Make up of Deferred Taxation Balance 2019

	Balance at the beginning of year	Charge/ (credit) for the year	Balance at end of year
Property, plant and Equipment	(712 648)	977 157	264 509
Provision for leave pay	(25 087)	8 695	(16 392)
Estimated tax loss utilised	737 735	(985 852)	(248 117)
	-	-	-

### 8. Payables from exchange transactions

Trade payables (1)	3 415 080	3 016 595
Leave pay provision	159 531	148 138
Income received in advance (2)	22 825	-
Third parties outstanding	-	129 922
	<b>3 597 436</b>	<b>3 294 655</b>

(1) Included in trade payables is R3 405 640 accrued for municipal levies from Rand West City Local Municipality. This account reflected a payable of R3 001 189 at 01 July 2019. The account is presently under dispute as it does not reflect the consumption made by the entity at Donaldson Dam. The entity engaged with officials at Rand West City Local Municipality and Gauteng Provincial Treasury has intervened on the matter.

(2) Amount included under income received in advance relates to rental received from AfriGold for the months from July to November 2020.

### 9. Transfers payable (non-exchange)

Transfers payable	2 000 000	2 000 000
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The grant was originally gazetted to West Rand District Municipality from Gauteng Department of Agriculture and rural development. West Rand Development Agency was therefore appointed to be an implementing agent through the Council resolution of the Parent Municipality.

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Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>10. VAT payable</b>		
VAT payables	1 629 820	1 682 548
<b>The total vat payable balance at year end comprise of the following:</b>		
VAT on Subsidies from WRDM	2 674 793	2 674 793
Other VAT on income and expenses	(1 044 973)	(992 245)
	<b>1 629 820</b>	<b>1 682 548</b>
<b>11. Share capital / contributed capital</b>		
<b>Issued</b>		
Ordinary	100	100
Share premium	14 578 428	14 578 428
	<b>14 578 528</b>	<b>14 578 528</b>
The share premium comprises the equity contribution by the WRDM when assets were transferred on establishment of WRDA.		
The assets transferred were identified during transitional provision application of GRAP 17 and Directive 4. The value of the assets was correctly accounted for in accordance with Directive 7: The application of deemed cost on the adoption of standards of GRAP.		
<b>12. Revenue</b>		
Rental of facilities and equipment	275 308	344 796
Interest income	232 484	184 878
Government grants & subsidies	-	4 138 520
	<b>507 792</b>	<b>4 668 194</b>
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Rental of facilities and equipment	275 308	344 796
Interest income	232 484	184 878
	<b>507 792</b>	<b>529 674</b>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Transfer revenue</b>		
Government grants & subsidies	-	4 138 520
<b>13. Rental of facilities and equipment</b>		
<b>Premises</b>		
Premises	51 173	53 739
Venue hire	60 650	-
	<b>111 823</b>	<b>53 739</b>
<b>Facilities and equipment</b>		
Rental of facilities	163 485	291 057
	<b>275 308</b>	<b>344 796</b>

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## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>14. Interest income</b>		
<b>Interest revenue</b>		
Call account	137 010	184 878
Favourable bank balance	68 796	-
Loans to Parent municipality	26 678	-
	<b>232 484</b>	<b>184 878</b>

Interest income relating to inter-company loans, calculated using the effective interest rate of 10.25%, is based on financial assistance provided to Parent municipality on 15 November 2019 and the loan was repayed on 13 December 2019.

### 15. Government grants and subsidies

#### Operating grants

Net WRDM contribution	-	4 138 520
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### 16. Employee related costs

Basic	1 245 051	1 419 795
UIF	11 346	11 656
SDL	23 035	23 787
Leave pay provision charge/ (savings)	94 448	58 543
Bargaining council	1 876	1 114
Acting allowances	1 016 326	954 251
	<b>2 392 082</b>	<b>2 469 146</b>

### Remuneration of directors and executive managers

Board fees - non-executive directors	564 500	685 500
Acting allowances - executive managers	658 651	618 452
	<b>1 223 151</b>	<b>1 303 952</b>

Included above is the remuneration to the Acting CEO and non-executive directors, disclosed below. Further details of directors remuneration is set out on page 6.

### 17. Board remuneration

Board members	564 500	685 500
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### 18. Depreciation and amortisation

Property, plant and equipment	148 071	159 873
Intangible assets	-	60
	<b>148 071</b>	<b>159 933</b>

### 19. Gain (loss) on disposal of assets and liabilities

#### Loss on sale of asset is calculated as follows:

Carrying amount of asset at the date of a write off	(2)	(27 192)
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## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>20. Impairment of assets</b>		
<b>Impairments</b>		
Property, plant and equipment	462 298	-
Due to the perpetual vandalism at the Donaldson Dam, the Palisade wall (asset number: X05913) in the Fixed Asset Register has been proposed for impairment.		
The main classes of assets affected by impairment losses are:		
Security Assets		
The main events and circumstances that led to the recognition of these impairment losses are as follows:		
There was vandalism at the Donaldson Dam, the Palisade wall classified as Security Assets has been proposed for impairment.		
<b>21. Interest costs</b>		
Interest on municipal account	287 605	141 362
<b>22. Lease rentals on operating lease</b>		
<b>Premises</b>		
Contractual amounts	174 000	174 224
<b>23. Contracted services</b>		
<b>Outsourced Services</b>		
Security Services	222 000	242 984
<b>Contractors</b>		
Maintenance of Buildings and Facilities	3 030	13 995
	<b>225 030</b>	<b>256 979</b>



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## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>24. Operating costs</b>		
Advertising	-	44 251
Auditors remuneration	325 876	38 704
Bank charges	15 204	12 669
Consumables	16 627	30 531
Entertainment	759	-
Conferences and seminars (1)	25 443	-
Fuel and oil (2)	1 931	5 020
Printing and stationery	5 127	25 750
Telephone and fax	51 470	58 528
Utilities (3)	224 751	2 041 346
Bereavement (4)	5 000	-
	<b>672 188</b>	<b>2 256 799</b>

(1) Conference and seminars relates to the workshop concerning special economic zone workshop.

(2) Fuel and oil expense relates to fuel used by grass cutters machine at Donaldson dam.

(3) Utilities relates to municipal levies charged by Rand West City Local Municipality at Donaldson dam. Previously the estimates were used to determine service consumption. There is presently an investigation of the readings which were taken to bring the account to the level it is currently in order to confirm that consumption indeed occurred at Donaldson Dam. This may be due to possible water theft and losses, however the account is presently under dispute.

(4) Bereavement relates to the amount paid as gratuity to the family of the deceased employee.

### 25. Auditors' remuneration

Fees	325 876	38 704
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### 26. Taxation

#### Reconciliation of the tax expense

Reconciliation between accounting surplus and tax expense.

Accounting deficit	(4 417 984)	(1 502 941)
Tax at the applicable tax rate of 28% (2019: 28%)	(1 237 036)	(420 823)
<b>Tax effect of adjustments on taxable income</b>		
Tax losses carried forward	1 237 036	420 823
	-	-

# West Rand Development Agency

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## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>27. Cash used in operations</b>		
Deficit	(4 417 984)	(1 502 941)
<b>Adjustments for:</b>		
Depreciation and amortisation	148 071	159 933
Loss /(gain) on sale of assets and liabilities	2	27 192
Net impairment charge	462 298	-
Accrued interest	-	(24 772)
Other non-cash items	6	(1 028)
<b>Changes in working capital:</b>		
Other receivables	2 229 997	(2 200 003)
Payables from exchange transactions	302 781	890 383
VAT	(52 728)	71 893
	<b>(1 327 557)</b>	<b>(2 579 343)</b>

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## Notes to the Annual Financial Statements

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Figures in Rand	2020	2019
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### 28. Financial instruments disclosure

#### Categories of financial instruments

##### 2020

#### Financial assets

Cash and cash equivalents	At fair value 3 435 878	Total 3 435 878
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#### Financial liabilities

	At fair value	At amortised cost	Total
Trade and other payables from exchange transactions	3 597 436	-	3 597 436
Transfers payable (non-exchange)	-	2 000 000	2 000 000
	<b>3 597 436</b>	<b>2 000 000</b>	<b>5 597 436</b>

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##### 2019

#### Financial assets

Other receivables	At fair value 2 229 997	Total 2 229 997
Cash and cash equivalents	4 763 434	4 763 434
	<b>6 993 431</b>	<b>6 993 431</b>

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#### Financial liabilities

	At fair value	At amortised cost	Total
Trade and other payables from exchange transactions	3 294 655	-	3 294 655
Transfers payable (non-exchange)	-	2 000 000	2 000 000
	<b>3 294 655</b>	<b>2 000 000</b>	<b>5 294 655</b>

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## Notes to the Annual Financial Statements

Figures in Rand 2020 2019

### 29. Commitments

#### Authorised operational expenditure

##### Already contracted for but not provided for

• Twin Knights	119 400	222 000
• Huge Telecom	8 990	17 980
• Sasfin	17 785	35 570
	<b>146 175</b>	<b>275 550</b>

##### Total operational commitments

Already contracted for but not provided for	146 175	275 550
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#### Operating leases - as lessee (expense)

##### Minimum lease payments due

- within one year	87 000	174 000
- in second to fifth year inclusive	-	87 000
	<b>87 000</b>	<b>261 000</b>

Operating lease payments represent rentals payable by the entity for certain of its office properties in Krugersdorp over indefinite life. No contingent rent is payable.

#### Rental expenses relating to operating leases

Sublease payments	87 000	174 000
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The figures disclosed for both operational and lease commitments in 2019/2020 financial year are projected for the next six (6) months (1 July to 31 December 2020).

#### Operating leases - as lessor (income)

##### Minimum lease payments due

- within one year	19 848	51 174
- in second to fifth year inclusive	-	19 848
	<b>19 848</b>	<b>71 022</b>

Certain of the entity's facilities are held to generate rental income. Rental of equipment is expected to generate rental yields of 5% on an ongoing basis. Lease agreement with AfriGold is non-cancellable and have terms from 3 to 6 years. There are no contingent rents receivable.

# West Rand Development Agency

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## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>30. Contingencies</b>		
<b>Contingent liabilities</b>		
The Development Agency cannot reliably determine the amount of penalties or interest that would be payable to the Receiver of Revenue as a result of errors made in accounting for vat in prior years. The vat treatment has accordingly been reported and accounted for in prior year audited annual financial statements.		
Vodacom Services were provided for telephone and mobile. The account has been long outstanding and has been written off per the statement of account however the debt might be handed over to third party for collection.	33 069	33 069
Aurecon <i>Services were provided for legal issues. The account has been long outstanding and has been written off per the statement of account however the debt might be handed over to third party for collection.</i>	10 130	10 130
	<b>43 199</b>	<b>43 199</b>

### 31. Related parties

Relationships	
Directors	Refer to directors' report note
Controlling entity	West Rand District Municipality

#### Related party balances

##### Amounts included in Other receivables (Other Payables) regarding related parties

West Rand District Municipality	-	2 200 000
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[State terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement]

[State details of any guarantees given or received]

[State terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement]

[State details of any guarantees given or received]

##### Amounts included in Trade Payables regarding related parties

Rand West City Local Municipality	3 212 198	3 001 189
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#### Related party transactions

##### Susbisdy received from related parties

West Rand District Municipality	-	2 200 000
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##### Susbisdy accrued from related parties

West Rand District Municipality	-	2 200 000
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### 32. Prior period restatements and errors

#### Payables from exchange transactions

The entity received an updated statement from Receiver of Revenue with adjusted amounts for PAYE, UIF and SDL which was still being owed to them by West Rand Developemnt Agency.

# West Rand Development Agency

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## Notes to the Annual Financial Statements

Figures in Rand 2020 2019

### 32. Prior period restatements and errors (continued)

The correction of the error(s) results in adjustments as follows:

Statement of Financial Position	As previously reported	Restatement	Restated
Payables from exchange transactions	(3 164 733)	(129 922)	(3 294 655)
Accumulated deficit	1 721 839	129 922	1 851 761
	<b>(1 442 894)</b>	<b>-</b>	<b>(1 442 894)</b>

### 33. 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.

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

### 34. Going concern

We draw attention to the fact that at 30 June 2020, the entity's total current liabilities exceed its current assets by R 3,791,378 indicating that the entity is technically insolvent. The directors of the entity are presently finalising the unwinding process of the entity.

We draw attention to the fact that at 30 June 2020, the entity had an accumulated surplus (deficit) of R (6 269 740) and that the entity's total assets exceed its liabilities by R 8 308 788.

The annual financial statements are not prepared on the basis of accounting policies applicable to a going concern. The Council of the Parent municipality approved an item on 29 June 2020 to disestablish the entity through an unwinding process. The Service Delivery Agreement entered into between the entity and its Parent municipality, in terms of Section 76(b) of the Local Government: Municipal Systems Act, 2000, for the promotion of economic development in the West Rand, be terminated in terms of the provisions of the Service Delivery Agreement. The functions currently performed by the entity including personnel, assets and other resources must be transferred to the Parent municipality. A maximum period of six (6) months i.e. up to the end of 31 December 2020 is provided/allowed for the transfer of personnel and other resources from the entity to the Parent municipality. This period may be extended at the end of the period depending on the progress of the unwinding process. The Department of Planning and Re-industrialisation be the lead Department for the unfolding of the necessary processes and the transfer of the function back into the Parent municipality. Approval has been granted for the extension of four (4) board members' term of office up to 31 December 2020 to allow the board to function during the unwinding process.

### 35. Events after the reporting date

An item has been tabled to Council of the Parent Municipality on 29 June 2020 based on decision to disestablish the entity due to its financial difficulties. A process of winding up the entity was incorporated in the item tabled to Council. Nine (9) board members were deregistered from being the directors of the entity subsequent to their term of office coming to end on 30 June 2020.

### 36. Fruitless and wasteful expenditure

Opening balance as previously reported	381 582	381 582
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### 37. Irregular expenditure

Opening balance	214 940	214 940
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# West Rand Development Agency

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## Notes to the Annual Financial Statements

Figures in Rand

### 38. Additional disclosure in terms of Municipal Finance Management Act

#### Companies and Intellectual Property Commission

Current year subscription / fee	100	150
Amount paid - current year	(100)	(150)
	-	-

Payment to Companies and Intellectual Property Commission relates to the filing of annual returns which were outstanding in prior years.

#### Audit fees

Opening balance	4 655	33
Current year - invoices	374 602	38 704
Amount paid - current year	(372 742)	(34 082)
	<b>6 515</b>	<b>4 655</b>

#### PAYE and UIF

Opening balance	129 922	-
Current year subscription / fee	455 097	489 768
Amount paid - current year	(585 019)	(489 768)
Amount paid - previous years	-	129 922
	-	<b>129 922</b>

SARS instructed a debit order from the entity's FNB bank account on 28 February 2020. A query was lodged with SARS and this is due to the revised statements sent to the entity on amount owed in prior years.

#### VAT

VAT receivable	(4 510 451)	(4 114 863)
VAT payable	6 140 271	5 797 411
	<b>1 629 820</b>	<b>1 682 548</b>

### 39. Deviation from supply chain management regulations

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

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 of the board and includes a note to the annual financial statements.