Blackheath City Improvement District
(Non Profit Company)
(Registration Number 2005/036286/08)

Annual Financial Statements
for the year ended
30 June 2019

Blackheath City Improvement District NPC
(Registration number 2005/036286/08)

Annual Financial Statements for the year ended 30 June 2019

Index

The report and statements set out below comprise the financial statements presented to the stakeholders:

INDEPENDENT AUDITOR'S REPORT TO THE STAKEHOLDERS OF BLACKHEATH CITY IMPROVEMENT DISTRICT NPC

Report on the Financial Statements

We have audited the annual financial statements of Blackheath City Improvement District, which comprise the statement of financial position as at 30 June 2019, the statement of comprehensive income and the statement of changes in equity for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 6 to 18.

Director's Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in conformity with the International Financial Reporting Standard for Small to Medium-sized Entities, appropriate to the business of the company. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the representatives, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Operational finding

We want to draw attention to the fact that the company secretary, Brendan van der Merwe, who is full time employed by Blackheath City Improvement District, also serves as a member of council at the City of Cape Town. This fact has been disclosed to the directors and are mentioned at the Annual General meeting of the company to all present. We are of the opinion that this operational finding has no material effect on our audit opinion.

SAICA member number: 00067192
61 Blanc de Noir street, Oude Westhof, Bellville, 7535
Tel: 021 - 913 6710 / email marius_vanwyk@telkomsa.net

Audit opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company as at 30 June 2019, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities.

Marius van Wyk

Marius van Wyk CA(SA)
Bellville
13 August 2019

Director's Responsibility and Approval

The directors are required by the South African Companies Act 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 their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with the International Financial Reporting Standard for Small and Medium-sized Entities. The external reviewers are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and 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 company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a matter that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed with 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 loss.

The directors have reviewed the company's cash flow forecast for the year to 30 June 2020 and, in the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 6 to 18, which have been prepared on the going concern basis, were approved by the board of directors on 13 August 2019 and were signed on its behalf by:

Blackheath
13 August 2019

Blackheath City Improvement District NPC
(Registration number 2005/036286/08)

Annual Financial Statements for the year ended 30 June 2019

Director's Report

The directors submit their report for the year ended 30 June 2019.

1. **Nature of business**

The business operations of the company are that of the improvement and promotion of the industrial area by providing and procuring the provision of services to and in the industrial area.

There was no change in the nature of the business.

2. **Financial results and dividends**

The financial results of the company are set out in the attached financial statements. As the company is a non-profit company with no share capital, no dividends were declared during the financial year (2018: R Nil)

3. **Going concern**

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

4. **Post year end events**

There were no post year end events to report.

5. **Authorised and issued share capital**

There is no issued share capital as the company is a Non-Profit Company.

6. **Directors and secretary**

The present directors of the company are:

GRP Ferreira
G Kuppers
GM Noonan
MC Rust
AJ Smuts
JH van Zyl

The secretary of the company is Brendan van der Merwe.

Blackheath City Improvement District NPC
(Registration number 2005/036286/08)

Financial Statements for the year ended 30 June 2019

Statement of Financial Position

	Note	2019 Rand	2018 Rand
Assets			
Non-current assets		69 998	166 597
Furniture and equipment	2	69 998	166 597
Investments		651 566	476 516
Money Market Account		651 566	476 516
Current assets		259 880	226 767
Trade receivables and deposits		700	700
Bank and cash on hand		259 180	226 067
Total assets		981 444	869 880
Equity and Liabilities			
Equity and reserves		931 339	841 670
Accumulated surplus		931 339	841 670
Current liabilities		50 105	28 210
Trade and other payables		50 105	28 210
Total equity and liabilities		981 444	869 880

Blackheath City Improvement District NPC
(Registration number 2005/036286/08)

Financial Statements for the year ended 30 June 2019

Statement of Financial Performance

	Note	2019 Rand	2018 Rand
Revenue - Services rendered: Income from Additional Rates	3	2 587 698	2 407 480
Other Income		279 736	252 975
Interest received		35 050	19 747
Donations received: Free office rental		76 500	72 000
Retention refund		168 185	161 228
Total Income		2 867 433	2 660 455
Operating expenses		2 777 764	2 375 427
Accounting and audit fees		17 380	18 705
Advertising		3 043	2 941
Bank charges		6 512	6 237
Cleansing		617 638	575 437
Computer expenses		7 399	8 489
Depreciation		95 719	145 267
Donations		-	12 000
Entertainment, functions and meetings		12 599	8 419
Insurance		35 372	28 220
Loss on asset scrapping		880	-
Office expenses		3 494	2 035
Projects		120 445	69 841
Printing and stationery		6 168	8 419
Rental expense		76 500	72 000
Repair and maintenance		45 897	45 077
Security		720 940	488 404
Staff costs		815 745	696 409
Sundry expenses		8 745	4 407
Telephone, postage and internet		16 035	22 394
Travel		167 253	160 726
Surplus before taxation		89 669	285 028
Taxation	4	-	-
Surplus after taxation		89 669	285 028

Blackheath City Improvement District NPC
(Registration number 2005/036286/08)

Financial Statements for the year ended 30 June 2019

Statement of Changes in Equity and Reserves

	2019 Rand	2018 Rand
Accumulated surplus: Beginning of the year	841 670	556 642
Surplus for the year	89 669	285 028
Accumulated surplus: End of the year	931 339	841 670

Blackheath City Improvement District NPC
(Registration number 2005/036286/08)

Financial Statements for the year ended 30 June 2019

Statement of Cash Flows

	Note	2019 Rand	2018 Rand
Cash flow from / (used in) operating activities			
Cash flow from / (used in) operations	5	172 233	411 894
Interest received		35 050	19 747
Net cash from / (used in) operating activities		207 283	431 641
Cash flow (used in) / from investing activities			
(Increase) / Decrease in Money Market Account		(175 050)	(219 747)
Net Decrease / (Increase) in assets		880	(90 524)
Net cash (used in) / from investing activities		(174 170)	(310 271)
Total cash movement for the year		33 113	121 370
Bank and cash at the beginning of the year		226 067	104 697
Total bank and cash at the end of the year		259 180	226 067

Blackheath City Improvement District NPC
(Registration number 2005/036286/08)

Financial Statements for the year ended 30 June 2019

Accounting policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in conformity with International Financial Reporting Standard for Small and Medium-sized Entities, appropriate to the business of the company. The annual financial statements have been prepared on the historical cost basis, except for the measurement of investment properties and certain financial instruments at fair value (and biological assets at fair value less point of sale costs), and incorporate the principal accounting policies set out below. These accounting policies are consistent with the previous year.

1.1 Significant judgments

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgment is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgments include:

1.2 Property, plant and equipment

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

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

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.

Property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses.
Depreciation is provided on all property, plant and equipment other than freehold land, to write down the cost, less residual value, by equal instalments over their useful lives as follows:

Item	Useful life
CCTV equipment	3 years
Computer equipment	3 years
Equipment	6 years
Furniture and fittings	6 years
Motor vehicles	5 years

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

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

1.3 Financial instruments

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

Financial assets and financial liabilities are recognised on the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are recognised initially at fair value. In the case of financial assets or liabilities not classified as at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument are added to the fair value.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting.

An asset that is subsequently measured at cost or amortised cost is recognised initially at its fair value on the trade date.

Any change in the fair value of the asset to be received during the period between the trade date and the settlement date is not recognised for assets carried at cost or amortised cost, other than impairment losses.

Assets carried at fair value: the change in fair value shall be recognised in profit or loss or in equity, as appropriate.

Subsequent measurement
After initial recognition financial assets are measured as follows:

- loans and receivables and held-to-maturity investments are measured at amortised cost using the effective interest method;
- investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are measured at cost;
- Other financial assets, including derivatives, at fair values, without any deduction for transaction costs which may incur on sale or other disposal

After initial recognition financial liabilities are measured as follows:

- financial liabilities at fair value through profit or loss, including derivatives that are liabilities, are measured at fair value.
- other financial liabilities are measured at amortised cost using the effective interest method.

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

- A gain or loss on a financial asset or financial liability classified as at fair value through profit or loss is recognised in profit or loss.
- A gain or loss on an available-for-sale financial asset is recognised directly in equity, through the statement of changes in equity, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss.
- Financial assets and financial liabilities carried at amortised cost: a gain or loss is recognised in profit or loss when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

Blackheath City Improvement District NPC
(Registration number 2005/036286/08)

Financial Statements for the year ended 30 June 2019

Accounting policies

1.4 Cash and cash equivalents

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant risk in change in value.

Cash and cash equivalents are measured at fair value.

1.5 Impairment of assets

The company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the company also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual year and at the same time every year.
- test goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash- generating unit to which the asset belongs is determined.

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

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

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.6 Provisions and contingencies

Provisions are recognised when:

- the company has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be

required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Accounting policies

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

Provisions shall not be recognised for future operating losses.
If an entity has a contract that is onerous, the present obligation under the contract shall be 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 business or part of a business concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for terminating their services;
  - 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.

After their initial recognition contingent liabilities recognised in business 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.

1.7 Trade and other payables

Trade and other payables are measured amortised cost using the effective interest method.

Notes to the Financial Statements

2 Property, plant and equipment

	Cost	Accumulated Depreciation	Book value
	Rand	Rand	Rand
2019			
CCTV Equipment	493 335	448 517	44 818
Computer equipment	16 891	15 331	1 560
Equipment	4 887	3 768	1 119
Furniture and fittings	14 262	7 768	6 494
Motor vehicles	65 434	49 427	16 007
	594 809	524 811	69 998
2018			
CCTV Equipment	493 335	360 456	132 879
Computer equipment	19 751	17 021	2 730
Equipment	4 887	3 494	1 393
Furniture and fittings	17 068	7 567	9 501
Motor vehicles	65 434	45 340	20 094
	600 475	433 878	166 597

Reconciliation of property, plant and equipment

	Book value 01/07/2018	Additions / (Disposals)	Depreciation	Book value 30/06/2019
	Rand	Rand	Rand	Rand
CCTV equipment	132 879	-	88 061	44 818
Computer equipment	2 730	(2)	1 168	1 560
Equipment	1 393	-	274	1 119
Furniture and fittings	9 501	(878)	2 129	6 494
Motor vehicles	20 094	-	4 087	16 007
	166 597	(880)	95 719	69 998

3 Revenue - Services rendered: Income from Additional Rates

	2019	2018
	Rand	Rand
Income from Additional Rates	2 587 698	2 407 480

Income from services rendered consists of additional rates income net of VAT

Notes to the Financial Statements

	2019 Rand	2018 Rand

4 Taxation

No taxation is provided for as the company has been exempt from taxation

5 Cash generated by / (used in) operations

	2019 Rand	2018 Rand
Surplus after taxation	89 669	285 028
Adjusted for:		
Depreciation	95 719	145 267
Interest income	(35 050)	(19 747)
Changes in working capital:		
Increase / (Decrease) in trade and other payables	21 895	1 346
	172 233	411 894

6 Going concern

These annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.