

WYNLAND WATER USERS' ASSOCIATION
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2018

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ANNUAL FINANCIAL STATEMENTS for the year ended 30 June 2018

WATER USERS' ASSOCIATION

The following subdistricts are consolidated and are shown as Wynland Water Users' Association.

Stellenbosch (Subdistrict 1)
Helderberg (Subdistrict 2)
Eerste River (Subdistrict 3)

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The annual financial statements set out on pages 4 tot 12 are approved by the Management Committee and is signed on behalf of the Management Committee by:


CHAIRMAN


SECRETARY

11/12/2018
DATE



Independent auditor's report

To the *Management Committee*

Our opinion

In our opinion, the financial statements of Wynland Water Users' Association for the year ended 30 June 2018 are prepared, in all material respects, in accordance with the basis of accounting described in note 1 to the annual financial statements.

What we have audited

Wynland Water Users' Association's annual financial statements set out on pages 4 to 12 comprise:

- the statement of financial position as at 30 June 2018;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Wynland Water Users' Association in accordance with the *Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants (Parts A and B)*.

Emphasis of Matter – Basis of Accounting

We draw attention to note 1 to the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the association's own accounting policies to satisfy the financial information needs of the association's management committee. As a result, the financial statements may not be suitable for another purpose.

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Chief Executive Officer: T D Shango

Management Committee: S N Madikane, J S Masondo, P J Mothibe, C Richardson, F Tonelli, C Volschenk

The Company's principal place of business is at 4 Lisbon Lane, Waterfall City, Jukskei View, where a list of directors' names is available for inspection.
Reg. no. 1998/012055/21, VAT reg.no. 4950174682.

Other information

The management committee is responsible for the other information. The other information comprises the information included in the annual financial statements of Wynland Water Users' Association for the year ended 30 June 2018. Other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the management committee for the financial statements

The management committee are responsible for the preparation of the financial statements in accordance with the basis of accounting described in note 1 to the financial statements and for determining that the basis of preparation is acceptable in the circumstances and for such internal control as the management committee determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management committee are responsible for assessing the Wynland Water Users' Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management committee either intend to liquidate the association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error,



as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management committee.
- Conclude on the appropriateness of the management committee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.

We communicate with the management committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: FHS Weilbach
Registered Auditor
Stellenbosch

11/12/2018
Date

WYNLAND WATER USERS' ASSOCIATION

STATEMENT OF FINANCIAL POSITION

on 30 June 2018

	Notes	2018 R	2017 R
Assets			
Non-current assets			
Property, plant and equipment	2	24,041,944	25,296,712
Other financial assets	3	11,042	32,783
		24,052,986	25,329,495
Current assets			
Inventory	4	754,458	754,458
Trade and other receivables	5	1,733,931	1,665,079
Cash and cash equivalents	6	85,731,692	78,789,511
		88,220,081	81,209,048
Total assets		112,273,067	106,538,543
EQUITY AND LIABILITIES			
Capital and reserves			
Retained income		35,090,833	35,053,544
Subsidy		15,035,950	15,035,950
Reserve for project replacement		61,220,485	56,009,055
		111,347,267	106,098,549
Current liabilities			
Trade and other payables	7	925,799	439,994
		925,799	439,994
Total equity and liabilities		112,273,067	106,538,543

WYNLAND WATER USERS' ASSOCIATION

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2018

	2018 R	2017 R
INCOME	13,448,852	12,767,815
Revenue	12,836,195	12,123,996
Commission received	453,710	320,822
Profit on sale of assets	-	150,000
Interest received	158,947	172,997
Less: EXPENSES	13,411,563	13,171,132
Administrative	779,742	713,604
Depreciation	1,581,028	1,585,368
Electricity	1,573,639	2,318,153
Employee costs	3,366,678	3,014,806
Repairs and maintenance	1,218,107	1,530,701
Water costs	4,892,370	4,008,500
Operating loss for the year	37,289	(403,317)
Investment income	5,211,430	4,395,676
Net profit for the year	5,248,718	3,992,359

WYNLAND WATER USERS' ASSOCIATION**STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2018**

	2018	2017
	R	R
RETAINED INCOME		
Beginning of the year	35,053,544	35,456,861
Retained profit for the year	5,248,718	3,992,359
Transfer to reserve for project replacement	(5,211,430)	(4,395,676)
Interest on surplus funds	(5,211,430)	(4,395,676)
End of the year	35,090,833	35,053,544
SUBSIDIES		
At the beginning and end of the year	15,035,950	15,035,950
RESERVE FOR PROJECT REPLACEMENT		
Beginning of the year	56,009,055	51,613,379
Transfer from Retained Income	5,211,430	4,395,676
Interest on surplus funds	5,211,430	4,395,676
End of the year	61,220,485	56,009,055

WYNLAND WATER USERS' ASSOCIATION**CASH FLOW STATEMENT
for the year ended 30 June 2018**

		2018	2017
	Notes	R	R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash received from members		13,221,053	12,454,426
Cash paid to suppliers and employees		(11,344,730)	(12,014,246)
Cash from activities	8	1,876,323	440,180
Interest received		5,370,377	4,568,673
Cash generated from operating activities		7,246,699	5,008,853
CASH FLOW FROM INVESTMENT ACTIVITIES			
Additions to property, plant and equipment		(326,260)	(287,318)
Loan repayments		21,741	20,237
Cash used in investment activities		(304,519)	(267,081)
CASH FLOW FROM FINANCING ACTIVITIES			
Loans repaid		-	(189,332)
Cash used in financing activities		-	(189,332)
Increase in cash and cash equivalents		6,942,181	4,552,439
Cash and cash equivalents in the beginning of the year		78,789,511	74,237,072
Cash and cash equivalents at the end of the year	6	85,731,692	78,789,511

WYNLAND WATER USERS' ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2018

ACCOUNTING POLICY

The financial statements are compiled on the historical cost-basis and incorporate the following main accounting policies which are consistent with the previous years.

CONSOLIDATION

Subdistricts of the Wynland Water User's Association over which management has the power to govern the financial and operating policies, are consolidated.

Subdistricts are consolidated from the date on which control is transferred to the board and are not consolidated after control is lost. Inter-subdistrict transactions, balances and unrealised profits between the subdistricts are eliminated at group level.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are shown at historical cost less accumulated depreciation. Cost includes all costs that are necessary to get the asset into working condition. Depreciation is charged to profit or loss over the expected useful life of the asset. The following depreciation periods are used:

Property	40 years
Motor vehicles	5 years
Computer equipment	3 years
Software	2 years

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and deposits and investments in bank accounts.

INVENTORY

Inventory comprises water rights, accounted for on the first-in-first-out (FIFO) method. Inventory is shown at the lowest of cost price and net realisable value.

TRADE AND OTHER RECEIVABLES

Trade receivables are shown at expected realisable values. An estimate is made of doubtful debts based on outstanding amounts at year end. Bad debts are written off when identified.

OTHER FINANCIAL ASSETS

Other financial assets comprise loans granted. The amounts are shown at amortised cost by using the effective interest rate method.

WYNLAND WATER USERS' ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2018 (continued)

TRADE AND OTHER PAYABLES

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

BORROWINGS

Borrowings are recognised initially at fair value and subsequently measured at amortised cost using the effective method interest method.

Borrowings are classified as a current liability unless the association has an unconditional right to delay the payment thereof for at least 12 months after the reporting date.

REVENUE

Revenue comprises invoiced water levies and commission received, excluding VAT. The association recognises revenue when it can be measured reliably and when economic benefits will probably flow to the association.

INTEREST RECEIVED

Interest is recognised as it accrues, unless collectibility is doubtful. All interest on surplus funds is transferred to the project replacement reserve.

WYNLAND WATER USERS' ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2018 (continued)

	2018		2017	
	R		R	
2. PROPERTY, PLANT AND EQUIPMENT				
Water scheme at book value	23,430,912		24,843,774	
Motor vehicles at book value	611,026		452,932	
Office equipment at book value	6		6	
	24,041,944		25,296,712	
	Water cheme	Motor vehicles	Office equipment	Total
30 June 2018				
<u>Cost price</u>				
Cost price 1 July 2017	56,556,726	1,085,288	165,559	57,807,573
Purchases	1,200	325,060	-	326,260
Cost price 30 June 2018	56,557,926	1,410,348	165,559	58,133,833
<u>Depreciation</u>				
Depreciation 1 July 2017	31,712,952	632,356	165,553	32,510,861
Depreciation for the year	1,414,062	166,966	-	1,581,028
Depreciation 30 June 2018	33,127,014	799,322	165,553	34,091,889
Book value 30 June 2018	23,430,912	611,026	6	24,041,944
30 June 2017				
<u>Cost price</u>				
Cost price 1 July 2016	56,269,408	1,085,288	165,559	57,520,255
Purchases	287,318	-	-	287,318
Cost price 30 June 2017	56,556,726	1,085,288	165,559	57,807,573
<u>Depreciation</u>				
Depreciation 1 July 2016	30,298,915	461,025	165,553	30,925,493
Depreciation for the year	1,414,037	171,331	-	1,585,368
Depreciation 30 June 2017	31,712,952	632,356	165,553	32,510,861
Book value 30 June 2017	24,843,774	452,932	6	25,296,712

WYNLAND WATER USERS' ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2018 (continued)

	2018	2017
	R	R
3. OTHER FINANCIAL ASSETS		
Loans receivable	11,042	32,783
4. INVENTORY		
Water rights	754,458	754,458
5. TRADE AND OTHER RECEIVABLES		
Levies receivable	1,701,028	1,531,468
Deposits	2,250	2,250
Other receivables	-	17,100
VAT receivable	30,653	114,260
	<u>1,733,931</u>	<u>1,665,079</u>
6. CASH AND CASH EQUIVALENTS		
Cash in bank	85,730,722	78,788,238
Petty cash	970	1,272
	<u>85,731,692</u>	<u>78,789,511</u>
Cash and cash equivalents are allocated as follows:		
Reserve for project replacement	61,220,485	56,009,055
Operations	24,511,208	2,280,456
	<u>85,731,692</u>	<u>78,789,511</u>

WYNLAND WATER USERS' ASSOCIATION

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2018 (continued)**

	2018	2017
	R	R
7. TRADE AND OTHER PAYABLES		
Trade payables	305,114	109,686
Provision for water rights	60,870	106,772
Provision for audit fee	283,697	143,778
Povision for accounting fee	110,450	-
Salary related creditors	165,668	79,757
	<u>925,799</u>	<u>439,994</u>
8. CASH FLOW FROM OPERATING ACTIVITIES		
Net profit for the year	5,248,718	3,992,359
Plus: Non cash flow and other items		
Depreciation	1,581,028	1,585,368
Profit from sale of water rights	-	(150,000)
Interest received	(5,370,377)	(4,568,673)
Change in operating capital	416,953	(418,875)
(Decrease) / increase in trade receivables	(68,852)	9,608
Decrease in inventory	-	432,000
Increase / (decrease) in trade payables	485,805	(860,483)
Cash flow from operating activities	<u>1,876,323</u>	<u>440,180</u>

9. TAXATION

The Water Users' Association is exempt from SA Normal Tax in terms of section 10(1)(cA) of the Income Tax Act.