West Property Fund Proprietary Limited
(Registration number 2019/029593/07)
Annual Financial Statements
for the year ended 29 February 2020
Issued 30 April 2020

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Investment property holding
Directors	N Morris N M Hegarty
Registered office	Block C, 2 Brunton Road Nicol Main Office Park Bryanston 2191
Business address	Block C, 2 Brunton Road Nicol Main Office Park Bryanston 2191
Postal address	Postnet Suite 236 Private Bag 9976 Sandton 2196
Auditors	Stein Registered Auditors Chartered Accountants (SA) Registered Auditors
Tax reference number	9284037232
Level of assurance	These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.
Preparer	The annual financial statements were independently compiled by: J Pietens CA(SA)

Contents

The reports and statements set out below comprise the annual financial statements presented to the shareholders:

Directors' Responsibilities and Approval

The directors are required by the Companies Act 71 of 2008, 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 auditors 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 directors set 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 manner 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 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 loss.

The directors have reviewed the company’s cash flow forecast for the next 12 months 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 external auditors are responsible for independently auditing and reporting on the company's annual financial statements. The annual financial statements have been examined by the company's external auditors and their report is presented on pages 4 to 5.

The annual financial statements set out on pages 6 to 17, which have been prepared on the going concern basis, were approved by the directors on 30 April 2020:

N Morris	**N M Hegarty**

Independent Auditor's Report

To the shareholders of West Property Fund Proprietary Limited

Opinion

We have audited the annual financial statements of West Property Fund Proprietary Limited (the company) set out on pages 8 to 17, which comprise the statement of financial position as at 29 February 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the annual financial statements, including a summary of significant accounting policies.

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of West Property Fund Proprietary Limited as at 29 February 2020, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act 71 of 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the annual financial statements section of our report. We are independent of the company in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of annual financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "West Property Fund Proprietary Limited annual financial statements for the year ended 29 February 2020", which includes the Directors' Report as required by the Companies Act 71 of 2008 and the Detailed Income Statement, which we obtained prior to the date of this report. The other information does not include the annual financial statements and our auditor's report thereon.

Our opinion on the annual 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 annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, 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 directors for the Annual Financial Statements

The directors are responsible for the preparation and fair presentation of the annual financial statements in accordance with International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act 71 of 2008, and for such internal control as the directors determine is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the directors are responsible for assessing the company'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 directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the annual 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 International Standards on Auditing 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 annual financial statements.

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

- Identify and assess the risks of material misstatement of the annual 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' 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 company'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 annual 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 company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors 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.

Stein Registered Auditors
Per: M L Katzenstein CA(SA)
Registered Auditor
Melrose Arch
30 April 2020

Directors' Report

The directors submit their report on the annual financial statements of West Property Fund Proprietary Limited for the year ended 29 February 2020.

1. Nature of business

The company operates in South Africa and is engaged in investment property holding.

2. Review of financial results and activities

The annual financial statements have been prepared in accordance with International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act 71 of 2008.

Full details of the financial position, results of operations and cash flows of the company are set out in these annual financial statements.

3. Stated capital

Refer to note 8 of the annual financial statements for detail of the movement in authorised and issued stated capital.

4. Dividends

No dividends have been declared or paid to the shareholders during the year.

5. Directors

The directors in office at the date of this report are as follows:

Name	Changes
N Morris	Appointed 17 April 2019
N M Hegarty	Appointed 27 March 2019

6. Events after the reporting period

Since 27 March 2020, South Africa has been under “Lockdown” due to the spread of COVID-19. In many countries, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown.

The directors have determined that these events are non-adjusting subsequent events. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the company, or that of the company’s clients, for future periods. The directors assume there is no significant doubt about the entity’s ability to continue as a going concern at this stage.

The directors are not aware of any other material event which occurred after the reporting date and up to the date of this report.

7. Going concern

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

The directors continue to monitor the financial impact of COVID-19. Although the outcome is uncertain, the directors are confident that based on the nature of the business and the working capital resources it has at its disposal, the company has appropriately adopted the going concern assumption for the financial reporting period to 29 February 2020.

Directors' Report

8. Auditors

Stein Registered Auditors continued in office as auditors for the company for 2020.

9. Liquidity and solvency

The directors have performed the required liquidity and solvency tests as required by the Companies Act 71 of 2008.

Statement of Financial Position as at 29 February 2020

Figures in Rand	Notes	2020
Assets		
Non-Current Assets		
Investment property	2	153,636,512
Deferred tax	3	439,619
		154,076,131
Current Assets		
Loan to shareholder	4	3,452,263
Trade and other receivables	5	1,643,608
Other financial assets	6	20,485,550
Cash and cash equivalents	7	28,472,752
		54,054,173
Total Assets		**208,130,304**
Equity and Liabilities		
Equity		
Stated capital	8	92,630,570
Accumulated losses		(1,130,449)
		91,500,121
Liabilities		
Non-Current Liabilities		
Other financial liabilities	9	115,854,099
Current Liabilities		
Trade and other payables	10	776,084
Total Liabilities		**116,630,183**
Total Equity and Liabilities		**208,130,304**

Statement of Comprehensive Income

Figures in Rand	Notes	2020
Revenue	11	3,597,123
Operating expenses		(5,166,997)
Operating loss		**(1,569,874)**
Investment revenue		2,304,196
Finance costs		(2,304,390)
Loss before taxation		**(1,570,068)**
Taxation	12	439,619
Total comprehensive loss for the year		**(1,130,449)**

Statement of Changes in Equity

Figures in Rand	Stated capital	Accumulated losses	Total equity
Balance at 01 March 2019	**-**	**-**	**-**
Total comprehensive loss for the year	-	(1,130,449)	(1,130,449)
Issue of stated capital	92,630,570	-	92,630,570
Balance at 29 February 2020	**92,630,570**	**(1,130,449)**	**91,500,121**

Statement of Cash Flows

Figures in Rand	Notes	2020
Cash flows from operating activities		
Cash receipts from customers		1,953,515
Cash paid to suppliers and employees		(4,390,913)
Cash used in operations	13	(2,437,398)
Interest received		2,304,196
Finance costs		(2,304,390)
Net cash from operating activities		**(2,437,592)**
Cash flows from investing activities		
Purchase of investment property	2	(153,636,512)
Increase in other financial assets		(20,485,550)
Net cash from investing activities		**(174,122,062)**
Cash flows from financing activities		
Proceeds on share issue	8	92,630,570
Increase in other financial liabilities		115,854,099
Increase in loan to shareholder		(3,452,263)
Net cash from financing activities		**205,032,406**
Total cash movement for the year		**28,472,752**
Cash at the beginning of the year		-
Total cash at the end of the year	7	**28,472,752**

Accounting Policies

1. Basis of preparation and summary of significant accounting policies

The annual financial statements have been prepared on a going concern basis in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, and the Companies Act 71 of 2008. The annual financial statements have been prepared on the historical cost basis and incorporate the principle accounting policies set out below. They are presented in South African Rands.

1.1 Investment property

Investment property is land and buildings held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business.

Investment property is initially measured at cost and subsequently at fair value with changes in fair value recognised in profit or loss. If the fair value of investment property cannot be measured reliably without undue cost or effort, then it is measured at cost less accumulated depreciation and accumulated impairment.

The cost of investment property comprises its purchase price and any directly attributable costs incurred to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Costs include costs incurred initially to acquire or construct an investment property 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 investment property, the carrying amount of the replaced item is derecognised.

1.2 Financial instruments

Initial measurement

Financial instruments are initially measured at the transaction price including transaction costs, except in the initial measurement of financial assets and liabilities that are measured at fair value through profit or loss.

Financial instruments at amortised cost

These include loans, trade receivables and trade payables. These debt instruments are subsequently measured at amortised cost using the effective interest rate method. Debt instruments which are classified as current assets or current liabilities are measured at the undiscounted amount of the cash expected to be received or paid, unless the arrangement effectively constitutes a financing transaction.

At each reporting date, the carrying amounts of assets held in this category are reviewed to determine whether there is any objective evidence of impairment. If there is objective evidence, the recoverable amount is estimated and compared with the carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

1.3 Tax

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

Tax expense is recognised in the same component of total comprehensive income or equity as the transaction or other event that resulted in the tax expense.

Accounting Policies

1.4 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee. All other leases are operating leases.

Operating leases - lessor

Operating lease income is recognised as an income.

1.5 Impairment of assets

The company assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any such indication, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset (or group of assets) in prior years. A reversal of impairment is recognised immediately in profit or loss.

1.6 Stated capital and equity

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

1.7 Provisions and contingencies

Provisions are recognised when the company has an obligation at the reporting date as a result of a past event; it is probable that the company will be required to transfer economic benefits in settlement; and the amount of the obligation can be estimated reliably.

Provisions are not recognised for future operating losses.

Contingent assets and contingent liabilities are not recognised.

1.8 Revenue

Service revenue is recognised by reference to the stage of completion of the transaction at the end of the reporting period. When the outcome of a transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Interest is recognised, in profit or loss, using the effective interest rate method.

1.9 Borrowing costs

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

Notes to the Annual Financial Statements

Figures in Rand	2020

2. Investment property

Reconciliation of investment property - 2020

	Opening balance	Additions	Total
Investment property	-	153,636,512	153,636,512

Details of property

Investment property consists of Portion 1 of Erf 2113, Silvertown Ext 60, Portion 1 of Erf 2145, Silvertown Ext 63, Erf 2146, Silvertown Ext 58 and Efr 150, Watloo Ext 1, held under Title Deed No. T79066/2019.

- Purchase price	153,000,000
- Additions	636,512
	153,636,512

Registers with details of land and buildings are available for inspection by shareholders or their duly authorised representatives at the registered office of the company.

3. Deferred tax

The major components of the deferred tax balance are as follows:

Deferred tax asset	
Tax losses available for set off against future taxable income	439,619

4. Loan to shareholder

West Property Group Proprietary Limited	3,452,263
The above loan is unsecured, bears interest at rates linked to prime and has no fixed terms of repayment.	

5. Trade and other receivables

Deposits	100,868
Trade receivables	1,233,112
VAT	309,628
	1,643,608

6. Other financial assets

At amortised cost	
West Capital Proprietary Limited	845,073
Echelon Property Group Proprietary Limited	19,640,477
	20,485,550

The above loans are unsecured, bear interest at rates linked to prime and have no fixed terms of repayment.

Current assets	
At amortised cost	20,485,550

Notes to the Annual Financial Statements

Figures in Rand	2020

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	28,472,752

The company, on 2 December 2020, entered into a interest rate swap agreements with The Standard Bank of South Africa Limited for a notional amount of R25,000,000. Per this contract 34674331/25890761, the company is obliged to pay fixed interest rate payments of 6.68% to be made in March, June, September and December annually until 2022.

The company, on 11 December 2020, entered into a interest rate swap agreements with The Standard Bank of South Africa Limited for a notional amount of R75,000,000. Per this contract 34674348/25890686, the company is obliged to pay fixed interest rate payments of 7.17% to be made in March, June, September and December annually until 2022.

8. Stated capital

Authorised	
100,000 'A' Ordinary shares of no par value	-
100,000 'B' Ordinary shares of no par value	-
	-

97,865 'A' unissued ordinary shares and 99,951 'B' unissued ordinary shares are under the control of the directors in terms of a resolution of shareholders passed at the last annual general meeting. This authority remains in force until the next annual general meeting.

Issued	
2,135 'A' Ordinary shares of no par value	92,630,570
49 'B' Ordinary shares of no par value	-
	92,630,570

9. Other financial liabilities

At amortised cost	
Real Estate Finance, A division of The Standard Bank of South Africa Limited	115,854,099
The above loan is secured over investment property (note 2), bears interest at rates linked to prime and is repayable in monthly instalmetns.	
Non-current liabilities	
At amortised cost	115,854,099

10. Trade and other payables

Trade payables	776,084

11. Revenue

Rental income	3,288,297
Recoveries	308,825
	3,597,122

Notes to the Annual Financial Statements

Figures in Rand	2020

12. Taxation

Major components of the tax income

Deferred taxation	
South African deferred tax - current year	(439,619)

Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense:

Accounting loss	(1,570,068)
Tax at the applicable tax rate of 28%	(439,619)
Tax effect of adjustments on taxable income	
Fair value adjustment	1,747,200
	1,307,581

No provision has been made for 2020 tax as the company has no taxable income. The estimated tax loss available for set off against future taxable income is R 1,570,068.

13. Cash used in operations

Loss before taxation	(1,570,068)
Adjustments for:	
Interest received	(2,304,196)
Finance costs	2,304,390
Changes in working capital:	
Trade and other receivables	(1,643,607)
Trade and other payables	776,083
	(2,437,398)

14. Related parties

Relationships	
Shareholder	West Property Group Proprietary Limited
Entities with common directors	West Capital Proprietary Limited
	Echelon Property Group Proprietary Limited

Related party balances

Loan accounts - Owing by related parties	
West Property Group Proprietary Limited	3,452,263
West Capital Proprietary Limited	845,073
Echelon Property Group Proprietary Limited	19,640,477

Related party transactions

Management fees paid to related parties	
West Capital Proprietary Limited	2,800,000

15. Directors' remuneration

No emoluments were paid to the directors or any individuals holding a prescribed office during the year.

Notes to the Annual Financial Statements

16. Comparative figures

No comparative figures have been presented as these are the first annual financial statements of the company.

17. Going concern

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

The directors continue to monitor the financial impact of COVID-19. Although the outcome is uncertain, the directors are confident that based on the nature of the business and the working capital resources it has at its disposal, the company has appropriately adopted the going concern assumption for the financial reporting period to 29 February 2020.

18. Events after the reporting period

Since 27 March 2020, South Africa has been under “Lockdown” due to the spread of COVID-19. In many countries, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown.

The directors have determined that these events are non-adjusting subsequent events. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the company, or that of the company’s clients, for future periods. The directord assume there is no significant doubt about the entity’s ability to continue as a going concern at this stage.

Detailed Income Statement

Figures in Rand	Notes	2020
Revenue		
Rental income		3,288,297
Recoveries		308,825
	11	**3,597,122**
Other income		
Interest received		2,304,196
Operating expenses		
Accounting fees		(38,000)
Bank charges		(3,015)
Consulting and professional fees		(3,114,275)
Gifts		(565)
Insurance		(36,689)
Legal expenses		(111,808)
Municipal expenses		(474,906)
Postage		(2,800)
Printing and stationery		(4,735)
Property expenses		(22,529)
Repairs and maintenance		(195,600)
Secretarial and tax compliance fees		(12,074)
Structuring fee		(1,150,000)
		(5,166,996)
Operating profit		**734,322**
Finance costs		(2,304,390)
Loss before taxation		**(1,570,068)**
Taxation	12	439,619
Total comprehensive loss for the year		**(1,130,449)**