

Precinct 2a Investments SOC Limited
(Registration number 1998/000252/30)

Audited Annual financial statements
for the year ended 31 March 2021

These audited annual financial statements were prepared by:
M Thompson (CA(SA))

Precinct 2a Investments SOC Limited

(Registration number 1998/000252/30)

Audited Annual Financial Statements for the year ended 31 March 2021

GENERAL INFORMATION

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Property Management
Directors	TJ Fuzani B Matshego B Mbomvu B Pityi K Reddy NI Phenyane
Registered office	The Maples Riverwoods Office Park 24 Johnson Road Bedfordview 2008
Business address	The Maples Riverwoods Office Park 24 Johnson Road Bedfordview 2008
Postal address	P O BOX 75480 Gardenview 2047
Holding company	Airports Company South Africa SOC Limited incorporated in South Africa
Bankers	Nedbank of South Africa Limited
Auditors	Auditor-General SA Chartered Accountants (SA) Registered Auditor
Secretary	Fefekazi Sefara

Precinct 2a Investments SOC Limited

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Level of assurance

These audited annual financial statements have been audited in compliance with the applicable requirements of the Companies Act No. 71 of 2008 of South Africa.

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DIRECTORS' RESPONSIBILITIES AND APPROVAL

The directors are responsible for the preparation and fair presentation of the annual financial statements of Precinct 2a SOC Limited, comprising the statement of financial position at 31 March 2021, the statement of profit or loss and other comprehensive income, the statement of changes in equity, statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with the International Financial Reporting Standards and in the manner required by the Companies Act No. 71 of 2008 of South Africa and the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA).

The directors' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these 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.

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 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 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 audited annual financial statements. However, any system of internal financial control can provide only reasonable assurance against material misstatement or loss.

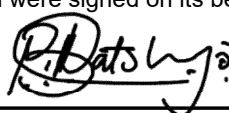
The liquidation basis has been adopted in preparing the financial statements. The directors have considered these financial statements and determined that due to the nature of the company, the liquidation basis does not result in significant differences when compared to the historical cost basis.

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

The audited annual financial statements set out on pages 10 to 35, which have been prepared on the liquidation basis, were approved and authorised by the board on 31 July 2021 and were signed on its behalf by:



NI Phenyane
Chairman



B Matshego
Director

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Company Secretary's Certification

Declaration by the Company secretary in respect of Section 88(2)(e) of the Companies Act No. 71 of 2008 of South Africa

I hereby certify that in terms of Section 88(2)(e) of the Companies Act, No.71 of 2008, as amended, to the best of my knowledge, the Company has lodged with the Companies and Intellectual Property Commission all such returns and notices as are required of a state-owned company in terms of this Act and that all such returns and notices are true and correct and up to date.



Fefekazi Sefara
Company Secretary

Report of the auditor-general to the shareholders of Precinct 2a Investments SOC Limited

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Precinct 2a Investments SOC Limited set out on pages 10 to 35 which comprise the statement of financial position as at 31 March 2021, the statement of financial profit or loss and other comprehensive income, statement of changes in net equity and statement of cash flows for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Precinct 2a Investments SOC Limited as at 31 March 2021, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Framework (IFRS) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA) and Companies Act 71 of 2008 (Companies Act).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
4. I am independent of the entity in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matter

6. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Liquidation basis of accounting

7. As described in note 21 to the financial statements, the directors decided to liquidate the company in the previous financial year. Approval for this transaction was received by the executive authority on 30 November 2020. The company is no longer a going concern and as a result, the company has changed its basis of accounting for periods subsequent to 23 January 2020 from the going-concern basis to a liquidation basis. A wind-up plan will be

implemented in the next financial year to transfer the assets and liabilities to the holding company, Airports Company South Africa SOC Limited (ACSA).

Responsibilities of the accounting authority for the financial statements

8. The board of directors, which constitutes the accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and the requirements of the PFMA and Companies Act, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
9. In preparing the financial statements, the accounting authority is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

10. My 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 my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
11. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

12. Section 55(2)(a) of the PFMA, requires the entity to prepare an annual performance report. The entity's performance information was reported in the annual performance report of ACSA. The usefulness and reliability of the reported performance information was tested as part of the audit of ACSA and any audit findings are included in the management and auditor's reports of ACSA.

Report on the audit of compliance with legislation

Introduction and scope

13. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

14. The material findings on compliance with specific matters in key legislation are as follows:

Annual financial statements and annual report

15. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by section 55(1) (b) of the PFMA. Material misstatements of disclosure items identified by the auditors in the submitted financial statements were corrected, resulting in the financial statements receiving an unqualified audit opinion.

Expenditure management

16. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R821 149 as disclosed in note 23 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the irregular expenditure was caused by contravention of supply chain management policy and the Preferential Procurement Policy Framework Act (PPPFA) and Regulations.

Other information

17. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the directors' report and the company secretary's certificate, as required by the Companies Act. The other information does not include the financial statements and the auditor's report thereon.

18. My opinion on the financial statements and findings on compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.

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

20. If based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact. I have nothing to report in this regard.

Internal control deficiencies

21. I considered internal control relevant to my audit of the financial statements and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.

22. Management did not implement effective review processes relating to the financial statements and did not perform effective oversight over the compliance with applicable laws and regulations.

Auditor-General

Pretoria

31 July 2021



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general’s responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on the entity’s compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor’s report, I 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 my 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 entity’s internal control
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting authority
 - conclude on the appropriateness of the accounting authority’s use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of Precinct 2a Investments SOC Limited to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor’s report. However, future events or conditions may cause a entity to cease operating as a going concern
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

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DIRECTORS' REPORT

The directors have pleasure in submitting their report on the audited annual financial statements of Precinct 2a Investments SOC Limited for the year ended 31 March 2021.

1. Review of financial results and activities

The company is engaged in property investments and operates principally in South Africa.

The operating results and state of affairs of the company are fully set out in the attached annual financial statements. The directors decided to liquidate the company prior to the financial year-end. The company is no longer a going concern and therefore the financial statements have been prepared on a liquidation basis.

A wind-up plan will be implemented in the next year to transfer the assets and liabilities to the holding company, Airports Company South Africa SOC Limited.

2. Share capital

There have been no changes to the authorised or issued share capital during the year under review.

3. Dividends

No dividends were declared or paid to shareholders during the year.

4. Directorate

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

Directors	Office	Designation	Date of appointment/ resignation
TJ Fuzani		Non-executive	
B Matshego		Non-executive	
B Mbomvu		Non-executive	
B Pityi		Non-executive	
KP Nene		Alternate	Resigned 9 March 2021
K Reddy		Alternate	
NI Phenyane	Chairman	Non-executive Independent	

5. Holding company

The company's holding company is Airports Company South Africa SOC Limited which holds 100% (2020: 100%) of the company's issued share capital. Airports Company South Africa SOC Limited is incorporated in South Africa.

6. Events after the reporting period

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

7. Auditors

Auditor-General SA continued in office as auditors for the company for 2021.

8. Secretary

Ms Fefekazi Sefara.

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DIRECTORS' REPORT

9. Information required in terms of the Public Finance Act

As per section 55(2)(b)(i) and (iit) of the PFMA, any losses due to criminal conduct or irregular or fruitless and wasteful expenditure that individually (or collectively where items are closely related), must be disclosed separately, including any criminal or disciplinary steps taken as a consequence of such losses or irregular and wasteful expenditure.

Fruitless and wasteful expenditure - R nil (2020: R nil)

Irregular expenditure - R 821 149 (2020: R 1 179 162)

Management has put in place controls to monitor and report on this type of expenditure on a regular basis. This information is to be presented to the Board and the Audit and Risk Committee for review on a quarterly basis.

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STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2021

	Note	2021 R	2020 R
Assets			
Non-Current Assets			
Property, plant and equipment	2	151 235	151 235
Investment property	3	855 700 000	858 500 000
		855 851 235	858 651 235
Current Assets			
Trade and other receivables	6	10 566 940	3 765 156
Cash and cash equivalents	7	11 967 657	17 070 238
		22 534 597	20 835 394
Total Assets		878 385 832	879 486 629
Equity and Liabilities			
Equity			
Share capital	8	100	100
Accumulated loss		(1 277 863)	98 088 004
		(1 277 763)	98 088 104
Liabilities			
Non-Current Liabilities			
Deferred tax	5	44 156 295	17 541 939
Current Liabilities			
Loans from group companies	4	817 354 224	748 052 921
Trade and other payables	9	18 153 076	15 803 665
		835 507 300	763 856 586
Total Liabilities		879 663 595	781 398 525
Total Equity and Liabilities		878 385 832	879 486 629

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2021 R	2020 R
Revenue	10	56 309 641	53 712 934
Other operating income	11	-	44 521 558
Operating expenses	12	(62 911 884)	(28 720 726)
Operating (loss) /profit	12	(6 602 243)	69 513 766
Investment income	13	230 538	816 761
Fair value adjustments	3	(2 800 000)	3 345 000
Finance costs	14	(63 579 806)	(62 968 383)
(Loss) / profit before taxation		(72 751 511)	10 707 144
Taxation	15	(26 614 356)	(2 863 546)
(Loss) / profit for the year		(99 365 867)	7 843 598
Other comprehensive income		-	-
Total comprehensive (loss) / income for the year		(99 365 867)	7 843 598

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STATEMENT OF CHANGES IN EQUITY

	Share capital	Accumulated loss	Total equity
	R	R	R
Balance at 1 April 2019	100	90 244 406	90 244 506
Profit for the year	-	7 843 598	7 843 598
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	7 843 598	7 843 598
Balance at 1 April 2020	100	98 088 004	98 088 104
Loss for the year	-	(99 365 867)	(99 365 867)
Other comprehensive income	-	-	-
Total comprehensive Loss for the year	-	(99 365 867)	(99 365 867)
Balance at 31 March 2021	100	(1 277 863)	(1 277 763)
Note	8		

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STATEMENT OF CASH FLOWS

	Notes	2021 R	2020 R
Cash flows from operating activities			
Cash generated from operations	16	4 666 881	82 540 424
Interest income		230 538	816 761
Net cash from operating activities		4 897 419	83 357 185
Cash flows from financing activities			
Repayment of loans from group companies		(10 000 000)	(84 500 000)
Net cash from financing activities		(10 000 000)	(84 500 000)
Total cash movement for the year		(5 102 581)	(1 142 815)
Cash at the beginning of the year		17 070 238	18 213 053
Total cash at end of the year	7	11 967 657	17 070 238

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ACCOUNTING POLICIES

1. Presentation of audited annual financial statements

These accounting policies are consistent with the previous period.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the interpretations issued by the International Accounting Standards Board (IASB) as well as the requirements of the Companies Act No. 71 of 2008 of South Africa and the requirements of the Public Finance Management Act (Act 1 of 1999, as amended).

The liquidation basis has been adopted in preparing the financial statements. However due to the nature of the company and the wind-up plan to transfer the assets and liabilities to the holding company, Airports Company South Africa SOC Limited, the liquidation basis does not result in significant differences when compared to the historic cost basis.

Basis of measurement

The financial statements have been prepared on the historical cost basis, except for investment property, which is disclosed below.

Functional and presentation currency

These financial statements are presented in South African Rand, which is the Company's functional currency

1.1 Significant judgements and sources of estimation uncertainty

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Estimates are based on historical information and other information available at the time of assessment of the estimate used. Significant judgements include:

Trade receivables

The company assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the company makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial assets and liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments.

Provisions

Provisions are raised based on management's determination of an estimate based on the information available at the time the provision is recognised and subsequently measured.

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Audited Annual Financial Statements for the year ended 31 March 2021

ACCOUNTING POLICIES

1.1 Significant judgements and sources of estimation uncertainty (continued)

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The company recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The company recognises the net future tax benefit related to deferred tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the company to make significant estimates related to the expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the company to realise the deferred tax assets recorded at the end of the reporting period could be impacted.

1.2 Investment property

Investment property comprises a number of commercial properties that are leased to third parties. Investment property is carried at fair value, determined annually using discounted cash flow projections. Changes in fair values are recorded as other income.

Significant judgement, estimate and source of estimation uncertainty

The discounted cash flow analysis valuation technique, uses transactions observable in the market at the reporting date. The Group and Company use their judgement to select a variety of methods and makes assumptions relating to market yields, escalation rates and key valuation inputs that are mainly based on market conditions existing at each reporting date.

1.3 Property and equipment

Property and equipment are tangible assets which the company holds for its own use or for rental to others and which are expected to be used for more than one year.

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Borrowing costs related to the acquisition and construction of qualifying assets are capitalised during the period of time required to complete and prepare the property for its intended use, as part of the cost of the asset.

When parts of an item of property and equipment (i.e. equipment, motor vehicles, roads, runways and aprons, and buildings) have different useful lives, they are accounted for as separate items (major components) of property and equipment

Gains and losses on disposal are determined by comparing the proceeds from disposal with the carrying amount of property, and equipment and are recognised net within 'other operating income' in profit and loss.

The depreciation charge for each period is recognised in profit or loss on a systematic basis over its' useful life unless it is included in the carrying amount of another asset. The estimated useful lives and depreciation methods for the current and prior period are as follows:

Item	Depreciation method	Average useful life
Office equipment	Straight line	5

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ACCOUNTING POLICIES

1.3 Property and equipment (continued)

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Impairment of property, plant and equipment is determined based on the accounting policy per 1.7 below.

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.

Depreciation methods, useful lives and residual values are re-assessed at each reporting date.

1.4 Financial instruments

Classification

Financial assets are classified into the following categories:

- Amortised cost; or
- Fair value through profit or loss

The classification is determined by both;

- the entities model for managing the financial asset
- the contractual cash flow characteristics of the financial asset

Financial liabilities are classified as financial liabilities at amortised cost. Additional text

- Loans and receivables
- Financial liabilities measured at amortised cost

Initial recognition and measurement

The company initially records both financial assets and financial liabilities at fair value. Where transaction costs are incurred they are recognised as part of the initial cost of the financial instrument.

Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

All of the company's financial assets are categorised as 'loans and receivables' and are therefore subsequently measured at amortised cost. Amortised cost is the basis of moving the initial amount of the financial instrument (fair value of the instrument) to the maturity value of the instrument on a systematic basis using a fixed interest rate (effective interest rate) taking into account repayment dates and initial premiums or discounts. The carrying amount of amortised cost financial assets is adjusted for impairments.

The company's financial liabilities are classified as 'financial liabilities at amortised cost' and are therefore subsequently measured at amortised cost. Fair value is the amount for which a liability could be settled between knowledgeable willing parties in arms' length transactions.

Fair value determination

The fair value of financial instruments may require some judgement or may be derived from readily available sources. The degree of judgement involved is reflected in the fair value measurements sections below, although this does not necessarily indicate that the fair value is more or less likely to be realised.

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ACCOUNTING POLICIES

1.4 Financial instruments (continued)

Impairment of financial assets

Financial assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. Impairment is normally determined based on a realistic assessment of future cash flows discounted using the original effective interest rate compared with contractual amounts. Impairment losses are recognised in profit or loss.

Loans to (from) group companies

These include loans to and from holding companies, fellow subsidiaries, subsidiaries, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

Loans to group companies are classified as loans and receivables.

Loans from group companies are classified as financial liabilities measured at amortised cost.

Trade and other receivables

Trade and other receivables are classified as loans and receivables

Trade receivables are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other payables

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit and loss, any directly attributable transaction costs.

1.5 Tax

Current tax assets and liabilities

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of the previous years

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ACCOUNTING POLICIES

1.5 Tax (continued)

Deferred tax assets and liabilities

Deferred tax is recognised using the balance sheet method by providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit to the extent that is probable that they will not reverse in the foreseeable future and the timing of the reversal of the temporary difference is controlled by the entity. Deferred tax is measured at the tax rate that is expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset the liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will realise

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

Tax expenses

Income tax expense comprises current and deferred tax. Income tax is recognised in the profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

1.6 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.

Precinct 2A has adopted IFRS 16 using the modified retrospective/cumulative approach, with the effect of initially applying this standard recognised at the date of initial application. Precinct 2A elected the following practical expedients:

- to apply IFRS 16 to contracts that were previously identified as leases in IAS 17 Leases and IFRIC 4 Determining whether an arrangement contains a lease
- not to apply IFRS 16 to contracts that were not previously identified as a lease in IAS 17 and IFRIC 4.

The company is only a lessor in lease contracts and the application of IFRS 16 did not have a quantitative impact on the annual financial statements presented.

Operating leases - lessor

Operating lease income is recognised as income 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 income.

Income for leases is disclosed under revenue in profit or loss.

Precinct 2A leases out its investment property. Precinct 2A is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor and Precinct 2A is not involved in any sublease arrangement.

Precinct 2A has applied IFRS 15 Revenue from Contracts with Customers to allocate consideration in the contract to each lease and non-lease component.

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ACCOUNTING POLICIES

1.7 Impairment of assets

Non-financial assets:

The carrying amounts of the company's non-financial assets, other than investment property and deferred tax assets, are reviewed at each reporting date to determine whether there is an indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit and loss.

Financial assets:

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events had a negative effect on the estimated future cash flows of that asset

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between the carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of significant or prolonged decline of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit and loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit and loss.

The

reversal of the impairment cannot exceed what the value would have been had there been no impairment.

1.8 Share capital and equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

1.9 Revenue

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company;
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Revenue of the company comprises the following:

Rental income

Rental income is recognised in profit and loss on a straight line basis over the term of the lease. Lease incentives are recognised as an integral part of rental income, over the term of the lease.

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ACCOUNTING POLICIES

1.10 Related parties

Precinct 2a Investments SOC Limited is a subsidiary of Airports Company South Africa SOC Limited (ACSA). Its related parties include ACSA and entities directly or indirectly owned by the holding company (ACSA) and the related parties of ACSA.

Key management is defined as being individuals with the authority and responsibility for planning, directing and controlling the activities of the entity as defined by the standard

Close family members of key management personnel are considered to be those family members who may be expected to influence, or be influenced by key management individuals in their dealings with the entity.

Other related party transactions are also disclosed in terms of the requirements of the standard. The objective of the standard and the financial statements is to provide relevant and reliable information and therefore materiality is considered in the disclosure of these transactions.

1.11 Finance income and expense

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit and loss, using the effective interest method.

Finance expenses comprise interest expense on borrowings. All borrowings costs are recognised in profit and loss, using the effective interest method.

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NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

2. Property, plant and equipment

	2021			2020		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Capital Work in progress	151 235	-	151 235	151 235	-	151 235

Reconciliation of property, plant and equipment - 2021

	Opening balance	Total
Capital Work in progress	151 235	151 235

Reconciliation of property, plant and equipment - 2020

	Opening balance	Total
Capital Work in progress	151 235	151 235

The Work in progress relates to expenditure incurred for the proclamation process.

3. Investment property

2021	2020
R	R

Amounts recognised in profit and loss for the year

Rental income from investment property	59 962 738	56 002 772
Direct operating expenses from rental generating property	(23 338 203)	(20 073 051)
	36 624 535	35 929 721

Reconciliation of investment property

Balance at 1 April	858 500 000	855 155 000
Change in fair value	(2 800 000)	3 345 000
Balance at 31 March	855 700 000	858 500 000

Investment properties are stated at fair value, which has been determined based on valuations performed by accredited independent valuers, as at 31 March 2020 and 31 March 2019. The valuers are industry specialists in valuing these types of investment properties. The fair values of the properties have been determined on transactions observable in the market. Where there was lack of comparable data, a valuation model in accordance with that recommended by the International Valuation Standards Committee has been applied. Investment property is considered level 2 in the fair value hierarchy for the above reasons. The following main inputs have been used:

Management have considered whether any restriction on the realisability of investment property exist on disposal and are of the opinion that none exist.

The Company does not have any contractual obligations to purchase, construct or develop any investment property.

	2021	2020
Market yield of comparable properties (%)	8,5% - 11,75%	9-12%
Average escalation of lease rentals (percent)	6% - 8%	7-8%
Average duration of lease (years)	3-5yrs	3-5yrs

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3. Investment property (continued)

Investment properties with a fair value of R 856 million (2020: R 858 million) have been encumbered by secured borrowings.

The company entered into the loan agreement with ACSA in September 2012. The loans are secured by a mortgage bond over the property and bear interest at a fixed rate of 9.25%. Interest is payable on a quarterly basis. The loans are repayable on 30 September 2022.

The company's investment property consists of land and buildings.

Details of the investment properties are recorded in a register which may be inspected by the members or their duly authorised agents at the Group's registered office, as required by Regulation 25(3) of the Companies Act Regulations, 2011. Investment property comprises a number of commercial properties that are leased to third parties. No contingent rents are charged.

2021	2020
R	R

4. Loans to group companies

Holding company

Loan 1 - Airports Company South Africa SOC Ltd	591 321 784	73 721 033
The loan is unsecured, interest free and has no fixed terms of payment		
Loan 2 - Airports Company South Africa SOC Ltd	199 009 406	535 985 511
Refer to detail below		
Loan 3 - Airports Company South Africa SOC Ltd	27 023 034	138 346 377
Refer to detail below		
	817 354 224	748 052 921

The company entered into a loan agreement with Airports Company South Africa SOC Ltd in September 2012. The loan is secured by a mortgage bond over property and bears interest at a fixed rate of 9.25%. Interest is payable on a quarterly basis. The loan is repayable on 30 September 2022.

Current

Loan 1 - Airports Company South Africa SOC Ltd	591 321 784	73 721 033
Loan 2 - Airports Company South Africa SOC Ltd	199 009 406	535 985 511
Loan 3 - Airports Company South Africa SOC Ltd	27 023 034	138 346 377
	817 354 224	748 052 921

5. Deferred tax

Investment property	44 156 295	52 454 740
Computed tax loss	-	(34 912 801)
Total net deferred tax liability (asset)	44 156 295	17 541 939

Reconciliation of deferred tax liability

At beginning of year	17 541 939	14 678 393
Prior year over provision	(11 080 631)	(3 401 287)
Taxable temporary difference movement investment property at fair value	(627 200)	56 560 000
Increase in lease payables	(1 022 867)	(2 064 488)
Increase in impairment of trade receivables	4 432 252	1 360 515
Increase in tax loss available for set off against future income	(34 912 802)	(49 591 194)
	44 156 295	17 541 939

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	2021 R	2020 R
6. Trade and other receivables		
Trade receivables	61 934 186	15 558 722
Expected credit loss allowance	(51 721 134)	(12 147 454)
	<u>10 213 052</u>	<u>3 411 268</u>
Deposit - Ekurhuleni	353 888	353 888
	<u>10 566 940</u>	<u>3 765 156</u>

The directors consider that the carrying amounts of trade and other receivables approximates their fair values.

Trade and other receivables and amounts received in advance reconciliation

Trade receivables			61 934 186	15 558 722
	2021	2021	2020	2020
	Trade and other receivables	Allowance for impairment	Trade and other receivables	Allowance for impairment
Not past due	1 275 442	17 944	1 407 376	(40 168)
Past due 0 to 30 days	13 448 593	11 580 256	13 618 907	(11 732 937)
Past due 31-60 days	728 977	542 055	230 210	(169 298)
Past due 61-90 days	785 619	539 696	109 976	(4 260)
120+ Days	45 695 555	39 041 184	192 249	(200 790)
	<u>61 934 186</u>	<u>51 721 135</u>	<u>15 558 718</u>	<u>(12 147 453)</u>

Reconciliation of provision for impairment of trade and other receivables

Opening balance	12 147 454	49 575 374
Provision for impairment	39 573 680	(37 427 920)
	<u>51 721 134</u>	<u>12 147 454</u>

Recognition of expected credit losses

The company measures the loss allowance for trade receivables at an amount equal to lifetime ECL using the general approach. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for forward looking factors that are specific to the debtors, in relation to economic conditions in which the debtors operate in and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the company in full, without recourse by the company such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	11 922 405	17 026 512
Short-term deposits	45 252	43 726
	<u>11 967 657</u>	<u>17 070 238</u>

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	2021 R	2020 R
7. Cash and cash equivalents (continued)		
Credit quality of cash at bank and short term deposits, excluding cash on hand		
The credit quality of cash at bank and short term deposits is as follows:		
Credit rating of Nedbank Bank		
AA-	11 967 657	18 213 053
8. Share capital		
Authorised		
1 000 Ordinary shares of R1 each	1 000	1 000
Issued		
100 Ordinary shares of R1 each	100	100
9. Trade and other payables		
Trade payables	3 666 715	3 680 392
Vat	1 152 601	2 032 243
Operating lease payables	11 026 266	7 373 170
Deposits received	2 307 494	2 717 860
	18 153 076	15 803 665
Trade payables and accruals principally comprise amounts outstanding for trade purchases, capital expenditure accruals and other costs.		
The directors consider that the carrying amount of trade and other payables approximates its fair value.		
10. Revenue		
Rental Income	59 962 738	59 062 200
Lease smoothing	(3 653 097)	(5 349 266)
	56 309 641	53 712 934
The amount included in revenue from rental income are as follows:		
Rental Income	52 589 818	50 217 497
Recoveries	7 372 920	5 785 275
	59 962 738	56 002 772
Lease revenue relating to variable lease payments not included in the measurement of the net investment in the lease for operating leases	-	-
Lease revenue relating to fixed lease payments for operating leases	52 589 818	61 352 038
	52 589 818	61 352 038

Operating leases - as lessor (income)

The Company rents out its investment properties under operating leases. Property rental income earned during the year was R 59 962 738 (2020: 56 002 772). The properties are managed and maintained by internal property managers. No properties have been leased to entities that are related parties.

At the balance sheet date, the Company has contracted with tenants for the following future minimum cash lease payment.

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	2021 R	2020 R
10. Revenue (continued)		
The Company as lessor		
- within one year	11 026 266	7 373 169
11. Other operating income		
Other income	-	44 521 558
12. Operating (loss) /profit		
Operating (loss) /profit for the year is stated after accounting for the following operating expenses:		
Administration and management fees - related party	1 801 202	1 398 993
Assessment rates and utilities	20 567 969	18 962 939
Auditors remuneration	91 264	69 278
Provision for bad debts	39 573 681	7 093 637
Bank charges	16 873	16 717
Cleaning	169 717	478 328
Consulting and professional fees	84 388	22 560
Repairs and maintenance	606 790	631 784
Other expenses	-	46 490
	62 911 884	28 720 726
13. Investment revenue		
Interest revenue		
Bank	230 538	816 761
14. Finance costs		
Loans from group companies	63 579 806	62 968 383
15. Taxation		
Major components of the tax expense (income)		
Deferred		
Deferred tax - Current year	26 614 356	2 863 546
Reconciliation of the tax expense		
Reconciliation between applicable tax rate and average effective tax rate.		
Applicable tax rate	28.00 %	28.00 %
Non-temporary differences	(0.20)%	(1.75)%
Under/(over) provision-deferred tax asset	(64.40)%	0.49 %
	(36.60)%	26.74 %

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	2021 R	2020 R
16. Cash generated from operations		
(Loss) / profit before taxation	(72 751 511)	10 707 144
Adjustments for:		
Interest received - investment	(230 538)	(816 761)
Finance costs	63 579 806	62 968 383
Fair value adjustments	2 800 000	(3 345 000)
Payments made by ACSA on behalf of precinct 2A	-	-
Lease smoothing	3 653 097	5 349 266
Other non-cash items	12 068 400	3 494 886
Changes in working capital:		
Trade and other receivables	(6 801 784)	(3 079 255)
Trade and other payables	2 349 411	7 261 761
	4 666 881	82 540 424

17. Contingencies

There are no significant contingent liabilities during the current and prior year under review.

18. Related parties

Relationships

Holding company

Airports Company South Africa SOC Limited

Related party balances

Loan accounts - Owing to by related parties

Airports Company South Africa SOC Limited	817 354 224	748 052 919
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Related party transactions

Interest payable to related parties

Airports Company South Africa SOC Limited	63 579 806	62 968 383
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Administration fees paid to related parties

Airports Company South Africa SOC Limited	1 801 202	1 398 993
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NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

19. Categories of financial instruments

Categories of financial instruments - 2021

	Note	Debt instruments at amortised cost R	Financial liabilities at amortised cost R	VAT payable	Equity and non financial assets and liabilities R	Total R
Assets						
Non-Current Assets						
Investment property	3	-	-	-	855 700 000	855 700 000
Property, plant and equipment	2	-	-	-	151 235	151 235
		-	-	-	855 851 235	855 851 235
Current Assets						
Trade and other receivables	6	10 566 940	-	-	-	10 566 940
Cash and cash equivalents	7	11 967 657	-	-	-	11 967 657
		22 534 597	-	-	-	22 534 597
Total Assets		22 534 597	-	-	855 851 235	878 385 832
Equity and Liabilities						
Equity						
Equity Attributable to Equity Holders of Parent:						
Share capital	8	-	-	-	100	100
Retained income	8	-	-	-	98 088 004	98 088 004
		-	-	-	98 088 104	98 088 104
Total Equity		-	-	-	98 088 104	98 088 104
Liabilities						
Non-Current Liabilities						
Deferred tax	5	-	-	-	44 156 295	44 156 295
Current Liabilities						
Loans from group companies	4	-	817 354 224	-	-	817 354 224
Trade and other payables	9	-	8 279 411	(1 152 601)	11 026 266	18 153 076
		-	825 633 635	(1 152 601)	11 026 266	835 507 300
Total Liabilities		-	825 633 635	(1 152 601)	55 182 561	879 663 595
Total Equity and Liabilities		-	825 633 635	(1 152 601)	153 270 665	977 751 699

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NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

Categories of financial instruments - 2020

	Notes	Debt instruments at amortised cost R	Financial liabilities at amortised cost R	VAT payable R	Equity and non financial assets and liabilities R	Total R
Assets						
Non-Current Assets						
Investment property	3	-	-	-	858 500 000	858 500 000
Property, plant and equipment	2	-	-	-	151 235	151 235
		-	-	-	858 651 235	858 651 235
Current Assets						
Trade and other receivables	6	3 765 156	-	-	-	3 765 156
Cash and cash equivalents	7	17 070 238	-	-	-	17 070 238
		20 835 394	-	-	-	20 835 394
Total Assets		20 835 394	-	-	858 651 235	879 486 629
Equity and Liabilities						
Equity						
Equity Attributable to Equity Holders of Parent:						
Share capital	8	-	-	-	100	100
Retained income	8	-	-	-	98 088 004	98 088 004
		-	-	-	98 088 104	98 088 104
Total Equity		-	-	-	98 088 104	98 088 104
Liabilities						
Non-Current Liabilities						
Deferred tax	5	-	-	-	17 541 939	17 541 939
Current Liabilities						
Loans from group companies	4	-	748 052 921	-	-	748 052 921
Trade and other payables	9	-	10 462 738	(2 032 243)	7 373 170	15 803 665
		-	758 515 659	(2 032 243)	7 373 170	763 856 586
Total Liabilities		-	758 515 659	(2 032 243)	24 915 109	781 398 525
Total Equity and Liabilities		-	758 515 659	(2 032 243)	123 003 213	879 486 629

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		2021 R	2020 R
20. Risk management			
Capital risk management			
Capital risk is managed by the holding company. The holding company's capital management strategy is designed to ensure that the group is adequately capitalised in a manner consistent with the group's risk profile, economic regulatory requirements and maintaining investment rating levels. This strategy is intended to maintain investors' confidence in ACSA's debt issued in the debt capital markets.			
The gearing ratio at 2021 and 2020 respectively were as follows:			
Total borrowings			
Loans from group companies	4	817 354 224	748 052 921
Less: Cash and cash equivalents	7	11 967 657	17 070 238
Net debt		805 386 567	730 982 683
Total equity		(1 277 763)	98 088 104
Total capital		804 108 804	829 070 787
Debt equity ratio		87%	87%

Financial risk management

The company risk management is managed by the holding company, Airports Company South Africa SOC Ltd (ACSA) which recognises that an effective risk management function is fundamental to its business. Taking international best practice into account, the holding company's comprehensive risk management process involves identifying, understanding and managing the risks associated with each of ACSA's business units. Risk awareness, control and compliance are embedded in the group's day-to-day activities. The holding company's Risk Management Unit independently monitors, manages and reports risk as mandated by the board of directors through the Audit and Risk Committee.

Sound financial risk management framework is in place at the holding company based on a best-practice Enterprise Risk Management Framework, built on rigorous governance structures. These frameworks are supported by an experienced team that manages the exposures across the holding company's structures and these are regularly monitored and reported to the respective committees and ultimately to the Board.

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20. Risk management (continued)

Liquidity risk

Liquidity risk is managed by the holding company. Liquidity risk is the risk of the company not being able to generate sufficient cash to honour financial commitments. In holding company's terms, it refers particularly to the risk of the company not being able to advance funds for capital expenditure, redeem and service loans, finance operational costs and service unanticipated financial commitments.

The following are the contractual maturities of financial liabilities, including interest and excluding the impact of netting agreements:

	Carrying amount	Contractual cash flows	6 months or less	Between 6- 12 months	Between 1-2 years	Between 2-5 years	More than 5 years
2021							
Group company loans	817 354 224	-	-	-	-	-	-
Trade payables	18 153 076	-	-	-	-	-	-
	835 507 300	-	-	-	-	-	-
2020							
Group company loans	-	748 052 919	-	-	-	-	-
Trade payables	16 147 141	16 147 141	16 147 141	-	-	-	-
	16 147 141	764 200 060	16 147 141	-	-	-	-
						2021	2020
						R	R
Trade and other receivables						10 566 940	3 765 156
Cash and cash equivalents						11 967 657	17 070 238
Trade and other payables						(18 153 076)	(15 803 665)
Loans from group companies						(817 354 224)	(748 052 921)
						(812 972 703)	(743 021 192)

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NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

20. Risk management (continued)

Interest rate risk

Interest rate risk is managed by the holding company. The company's interest rate risk arises from its borrowings. Borrowings issued at variable rate exposes the company to cash flow risks, and borrowings issued at fixed rate exposes the company to fair value interest rate risk. The holding company's policy is to maintain a mix of fixed to floating rate debt within the Board approved parameters.

Credit risk

Credit risk is the risk of loss to the company as a result of the failure by a customer or counterparty to meet its contractual obligations. The credit risk that the company faces arises mainly from the commercial business. These risks are mitigated by the guarantees held for the exposure at a given period. Potential areas of credit risk consist predominantly of loans from the holding company. Credit risks can also arise from cash and cash equivalents and accounts receivable.

Trade and other receivables

The company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Provision is made for bad debts.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure credit risk at reporting date was:

	2021 R	2020 R
Loans and receivables	10 566 940	3 765 156
Cash and cash equivalents	11 967 657	17 070 238
	<u>22 534 597</u>	<u>20 835 394</u>

Foreign exchange risk

Foreign currency risk is managed by the holding company. The company has no exposure to foreign currency risk at year end.

The company reviews its foreign currency exposure, including commitments on an ongoing basis. The company expects its foreign exchange contracts to hedge foreign exchange exposure.

Market risk

Market risk is managed by the holding company. Market risk is the risk that the company's earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level or volatility of market rates or prices such as interest rates, foreign exchange rates, commodity prices. The holding company has developed analytical tools that are used to perform various analysis in order to assess the impact of market risk on business and to identify mitigants to manage the risk within approved tolerance levels.

21. Liquidation

The directors decided to liquidate the company prior to the financial year-end. The company is no longer a going concern and therefore the financial statements have been prepared on a liquidation basis.

A wind-up plan will be implemented in the next year to transfer the assets and liabilities to the holding company, Airports Company South Africa SOC Limited.

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NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

22. Events after the reporting period

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

23. Irregular expenditure

Irregular expenditure, defined in section 1 of the Public Finance Management Act (PFMA), 1999 as "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 State Tender Board Act, 1968 (Act No. 86 of 1968, or any regulation made in terms of that Act; or
- (c) any provisional legislation providing for procurement procedures in that provincial government."

	2021 R	2020 R
Opening balance	26 699 790	25 520 628
Add: irregular expenditure - current year	821 149	1 179 162
Irregular amount awaiting condonation	27 520 939	26 699 790
Current year	821 149	1 179 162
Prior year	26 699 790	25 520 628
	27 520 939	26 699 790

Details of irregular expenditure

The irregular expenditure identified in the current year relate to incidents which relate to contravention of Supply Chain management policy and the Preferential Procurement Policy Framework Act (PPPFA) and Regulations.

24. Fruitless and wasteful expenditure

Section 1 of the PFMA defined fruitless and wasteful expenditure as "expenditure which was made in vain and would have been avoided had reasonable care been exercised".

Opening balance	11 303	11 303
Fruitless and wasteful expenditure not yet closed	-	-
Current year	-	-
Total	11 303	11 303

Precinct 2a Investments SOC Limited

(Registration number 1998/000252/30)

Audited Annual Financial Statements for the year ended 31 March 2021

DETAILED INCOME STATEMENT

	Notes	2021 R	2020 R
Revenue			
Rental Income		59 962 738	59 062 200
Lease smoothing		(3 653 097)	(5 349 266)
	10	56 309 641	53 712 934
Other income			
Other income		-	44 521 558
Interest received	13	230 538	816 761
Fair value adjustments		-	3 345 000
		230 538	48 683 319
Operating expenses			
Administration and management fees		(1 801 202)	(1 398 993)
Assessment rates		(20 567 969)	(18 962 939)
Auditors remuneration		(91 264)	(69 278)
Provision for bad debts		(39 573 681)	(7 093 637)
Bank charges		(16 873)	(16 717)
Cleaning		(169 717)	(478 328)
Consulting and professional fees		(84 388)	(22 560)
Other expenses		-	(46 490)
Repairs and maintenance		(606 790)	(631 784)
		(62 911 884)	(28 720 726)
Operating (loss) / profit	12	(6 371 705)	73 675 527
Finance costs	14	(63 579 806)	(62 968 383)
Fair value adjustments		(2 800 000)	-
		(66 379 806)	(62 968 383)
(Loss) / profit before taxation		(72 751 511)	10 707 144
Taxation	15	(26 614 356)	(2 863 546)
(Loss) / profit for the year		(99 365 867)	7 843 598