Durban Marine Theme Park SOC Limited (RF)
Annual Financial Statements
for the year ended 30 June 2014

Durban Marine Theme Park SOC Limited (RF)

(Registration number 2001/020025/07)
Annual Financial Statements for the year ended 30 June 2014

Index

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

General Information

1. Legal form of entity
State owned company Limited (Ring fenced)

2. Accounting Officer
C N Khumalo

3. Chief Financial Officer
P v d Berg (Resigned 24 October 2014)

4. Registered Office
1 King Shaka Avenue
Durban
4001

5. Postal Address
P.O. Box 38416
Point
4069

6. Bankers
Standard Bank
Rand Merchant Bank
Investec Bank Limited

7. Lawyers
Cox Yeats Attorneys
De Jager Clemens & Associates
Garlicke & Bousfield Incorporated
Macgregor Eramus Attorneys
Norton Rose Fulbright South Africa Incorporated as Deneys Reitz Inc
Pearce, Du Toit & Moodie
Strauss Daly Incorporated
Spoor & Fisher, Patent, Trademark and Copy Rights Attorneys

8. Auditors
The Auditor - General

Accounting Officer's Approval

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

I am responsible for the preparation of these annual financial statements, set out on pages 51 to 99, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Durban Marine Theme Park SOC Limited (RF) on 27 November 2014 :

Accounting Officer
C N Khumalo

REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE AND COUNCIL ON THE DURBAN MARINE THEME PARK SOC LIMITED (RF)

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the Durban Marine Theme Park SOC Limited (RF) set out on pages 44 to 99, which comprise the statement of financial position as at 30 June 2014, the statement of financial performance, statement of changes in net assets, the cash flow statement and the statement of comparison of budget information with actual information for the year ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Statements of Generally Recognised Accounting Practice (SA Statements of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Companies Act of South Africa, 2008 (Act No. 71 of 2008) (Companies Act), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-general's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of Durban Marine Theme Park SOC Limited (RF) as at 30 June 2014 and its financial performance and cash flows for the year then ended, in accordance with SA Statements of GRAP and the requirements of the MFMA and the Companies Act.

Emphasis of matter

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

Going concern

8. Note 16 to the financial statements, indicates that the Durban Marine Theme Park incurred a net loss of R28,52 million during the year ended 30 June 2014. This condition, indicate the existence of a material uncertainty that may cast significant doubt on the entity's ability to operate as a going concern. Although the municipal entity is making losses, the parent municipality has confirmed its commitment to ensuring the future financial viability of the municipal entity and to meet any funding shortfalls that may compromise its ability to continue trading as a going concern.

Additional matters

9. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Unaudited supplementary information

10. The supplementary information set out on pages 100 to 104 does not form part of the financial statements and is presented as additional information. I have not audited this schedule and, accordingly, I do not express an opinion thereon.

Unaudited disclosure notes

11. In terms of section 125(2)(e) of the MFMA, the municipality is required to disclose particulars of non-compliance with the MFMA. This disclosure requirement did not form part of the audit of the financial statements and accordingly I do not express an opinion thereon.

Other reports required by the Companies Act

12. As part of our audit of the financial statements for the year ended 30 June 2014, I have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports I have not identified material inconsistencies between the reports and the audited financial statements. I have not audited the reports and accordingly do not express an opinion on them.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

13. In accordance with the PAA and the general notice issued in terms thereof, I report the following findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report, non-compliance with legislation as well as internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

14. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected objectives presented in the annual performance report of the municipal entity for the year ended 30 June 2014:

- Objective: technical service on pages 16 to 24
- Objective: village walk on pages 16 to 24

- Objective: entertainment on pages 16 to 24
- Objective: ticketing footfall and ticketing revenue on pages 16 to 24
- Objective: sales on pages 16 to 24
- Objective: aquarium exhibit (large and small) on pages 16 to 24
- Objective: new exhibit on pages 16 to 24
- Objective: penguin and seals presentation on pages 16 to 24

15. I evaluated the reported performance information against the overall criteria of usefulness and reliability.

16. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information.*

17. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

18. I did not raise any material findings on the usefulness and reliability of the reported performance information for the selected objectives.

Additional matter

19. Although I raised no material findings on the usefulness and reliability of the reported performance information for the selected objectives, I draw attention to the following matter:

Achievement of planned targets

20. Refer to the annual performance report on pages 16 to 24 for information on the achievement of the planned targets for the year.

Compliance with legislation

21. I performed procedures to obtain evidence that the municipal entity had complied with applicable legislation regarding financial matters, financial management and other related matters. I did not identify any instances of material non-compliance with specific matters in key applicable legislation, as set out in the general notice issued in terms of the PAA.

Internal control

22. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. I did not identify any significant deficiencies in internal control.

OTHER REPORTS

Investigations

23. The City Integrity unit performed four investigations, which covered the period February 2013 to April 2014. The investigations were initiated based on an allegation received from whistle blowers relating to irregular and wasteful expenditure, inappropriate conduct as well as irregular appointment. The investigations were concluded in August 2014 and the report was handed over to the accounting officer.

Auditor-General

Pietermaritzburg

28 November 2014

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Directors' Report

The directors submit their report for the year ended 30 June 2014.

1. Statement of Directors' Responsibilities

The directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information. The auditors are responsible to report on the fair presentation of the financial statements. The financial statements have been prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board replacing the equivalent GAAP Statement.

The directors are also responsible for the company's systems of internal financial control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect misstatement and loss. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The financial statements have been prepared on the going concern basis, since the directors have every reason to believe that the company has adequate resources in place to continue in operation for the foreseeable future, refer to note 16.

2. Nature of business

The company is defined as a Municipal Entity as it is controlled by the eThekwini Municipality. As part of an urban regeneration project for the Point Precinct in Durban, the company has developed a large marine theme park situated on the beachfront in the Point Precinct.

The company complies with the Municipal Financial Management Act, 2003 and all other applicable legislation.

This marine theme park which trades as uShaka Marine World is the sole operation of the company and commenced operations on 30 April 2004. uShaka Marine World comprises four main components, being:

- an Oceanarium, known as Sea World;
- a Waterpark, known as Wet 'n Wild;
- a Retail Shopping Mall known as Village Walk;
- a kids playground, known as uShaka Kids World.

3. Material agreement

The company has also entered into a long term agreement with the South African Association for Marine Biological Research, in terms of which the South African Association for Marine Biological Research is responsible for the operations of Sea World. Until 30 June 2007 the company reimbursed the South African Association for Marine Biological Research for all costs incurred by it in the performance of those obligations, including the costs of staff employed for that purpose. Effective 1 July 2007 the funding arrangements between the company and the South African Association for Marine Biological Research changed and notwithstanding contractual obligations the company does not fund the South African Association for Marine Biological Research expenses for the time being. The funding is currently being received from Ethekwini Municipality.

4. Financial results of the company

The financial statements from pages 54 to 99 set out fully the financial position and results of operations and cash flows of the company for the period ended 30 June 2014. Pages 100 to 104 do not form part of the financial statements but are included as additional information.

No dividends have been declared during the period.

5. Share capital

The authorised share capital of the company is 10,000 shares of R1,00 each.

At 30 June 2014 the company had issued 9,385 shares for a total value of R872,994,927.

Directors' Report

6. **Directors'**

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

Name	Details
G J Whiteford (Director - Appointed 14 March 2003)	End of term 29 November 2013
J T Russell (Director - appointed 8 April 2005) (Chairman - appointed 28 May 2010)	Resigned 14 October 2013
S Pillay (appointed 8 April 2005)	End of term 29 November 2013
J H de Villiers Botha (appointed 3 December 2001) (Chairman - appointed 29 November 2013)	
R Turner (appointed 5 May 2011)	
I E Konyn (appointed 17 July 2013)	
I Vally (appointed 4 July 2013)	
P Mzizi (appointed 20 June 2013)	
G Buthelezi (appointed 1 July 2013)	
B B Berry (appointed 27 June 2013)	

7. **Accounting officer**

P v d Berg was appointed acting accounting officer on 21 August 2013.
N Pillay was appointed acting accounting officer on 15 January 2014
C N Khumalo was appointed accounting officer on 2 June 2014

8. **Secretary**

The secretary of the entity is M Pharos, whose details are:

Business address	Suite 1-3 Dalbergia Forest Square Derby Downs Office Park Westville
Postal address	PO Box 1930 Westville 3630

9. **Non voting municipal representatives**

N Shabalala (Deputy Mayor)

S Sithole (Municipal Manager).

10. **Directors' interest in contracts**

B.B Berry represents the Development Bank of Southern Africa (DBSA) on the board. At June 2014 the following balances relate to DBSA:
Debentures and interest of R 119,666,838 (Refer to note 14).

11. **Corporate governance**

Attendance of meetings

The board has met on 4 separate occasions during the financial year. The board schedules to meet at least 4 times per annum.

Directors' Report

Name	Social & Ethics Committee	Remuneration Committee	Finance, Risk & IT Committee	Board
Total number of meetings held	3	4	4	4
Old Committee Members				
Meeting held	2	1	1	1
G J Whiteford	2	1	2*	2*
J T Russell	0	0	A	1
S Pillay	1	A	A	1
J H de Villiers Botha	1	1	1	1
New Committee Members				
Meetings held	2	3	3	4
J H De Villiers Botha	A	3	3	4
R Turner	A	A	A	4
I E Konyn	2	3	A	4
I Vally	A	A	3	4
P Mzizi	A	A	2	1
G Buthelezi	2	3	A	4
B B Berry	A	A	A	4

A - indicates that attendance is not applicable as the director is not a member of the committee.

Board meeting held on the 29 August 2013 was attended by both old and new board members.
J H De Villiers Botha is a member of old board and new board.

* G J Whiteford attended the Social and Ethics committee meeting on the 28 November 2014, and the Board meeting on the 29 November 2013

12. **Controlling entity**

The entity's controlling entity is eThekwini Municipality which owns 9384 of the 9385 issued shares (99.99%).

13. **Directors' approval**

Statement of Financial Position

Figures in Rand	Note	2014	2013
Assets			
Current Assets			
Inventories	2	4 675 321	5 060 872
Receivables from exchange transactions excl. debt impairment	3	2 867 551	2 097 681
VAT receivable	4	744 639	418 609
Cash and cash equivalents	5	37 812 214	41 396 881
		46 089 725	48 974 043
Non-Current Assets			
Investment property	6	67 765 234	70 470 988
Property, plant and equipment	7	397 976 193	413 679 579
Intangible assets	8	703 058	1 095 846
Deferred income	9	5 734 203	4 899 384
		472 178 688	490 145 797
Total Assets		518 268 413	539 119 840
Liabilities			
Current Liabilities			
Payables from exchange transactions	10	21 921 225	23 446 434
Provisions	11	2 192 876	2 237 807
Tenant rental deposits	12	2 019 755	1 411 292
Current portion of long term liabilities	13	825 074	758 968
		26 958 930	27 854 501
Non-Current Liabilities			
Debentures	14	113 747 878	104 355 852
Long term liabilities	13	1 373 569	2 198 643
		115 121 447	106 554 495
Total Liabilities		142 080 377	134 408 996
Net Assets		376 188 036	404 710 844
Net Assets			
Share capital / contributed capital	15	872 994 927	872 994 927
Reserves			
Convertible instruments reserve	14	5 918 961	5 918 961
Accumulated deficit		(502 725 852)	(474 203 044)
Total Net Assets		376 188 036	404 710 844

Statement of Financial Performance

Figures in Rand	Note	2014	2013
Revenue		173 921 509	163 731 323
Cost of sales		(25 614 335)	(20 669 724)
Gross surplus		**148 307 174**	**143 061 599**
Other income		7 455 551	5 290 048
Operating expenses	*	(177 222 507)	(169 251 520)
Operating deficit		**(21 459 782)**	**(20 899 873)**
Investment revenue	18	2 548 597	2 078 719
Finance costs	21	(9 611 623)	(8 898 352)
Deficit for the year		**(28 522 808)**	**(27 719 506)**

* Included in operating expenses is depreciation and amortization of R 33 648 237 (2013: R 33 436 430).

Durban Marine Theme Park SOC Limited (RF)

(Registration number 2001/020025/07)
Annual Financial Statements for the year ended 30 June 2014

Statement of Changes in Net Assets

Figures in Rand	Share capital / contributed capital	Share premium	Total share capital	Convertible instruments reserve	Accumulated deficit	Total net assets
Opening balance as previously reported	9 385	872 985 542	872 994 927	4 463 785	(468 540 392)	408 918 320
Adjustments						
Prior year adjustments affecting provisions	-	-	-	1 455 176	22 056 854	23 512 030
Balance at 01 July 2012 as restated	**9 385**	**872 985 542**	**872 994 927**	**5 918 961**	**(446 483 538)**	**432 430 350**
Changes in net assets						
Deficit for the year	-	-	-	-	(27 719 506)	(27 719 506)
Total changes	-	-	-	-	(27 719 506)	(27 719 506)
Balance at 01 July 2013	**9 385**	**872 985 542**	**872 994 927**	**5 918 961**	**(474 203 044)**	**404 710 844**
Changes in net assets						
Deficit for the year	-	-	-	-	(28 522 808)	(28 522 808)
Total changes	-	-	-	-	(28 522 808)	(28 522 808)
Balance at 30 June 2014	**9 385**	**872 985 542**	**872 994 927**	**5 918 961**	**(502 725 852)**	**376 188 036**
Note(s)	15	15	15			

Cash Flow Statement

Figures in Rand	Note	2014	2013
Cash flows from operating activities			
Receipts			
Cash receipts from customers		180 384 492	170 232 654
Payments			
Suppliers		(170 842 475)	(149 795 058)
Net cash flows from operating activities	27	9 542 017	20 437 596
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	7&8	(15 305 179)	(11 996 275)
Interest income		2 548 597	2 078 719
Net cash flows from investing activities		(12 756 582)	(9 917 556)
Cash flows from financing activities			
Loan repaid		(758 969)	(698 243)
Increase/(decrease) in tenant deposits		608 463	(4 737)
Finance costs		(219 596)	(281 814)
Net cash flows from financing activities		(370 102)	(984 794)
Net (decrease)/ increase in cash and cash equivalents		(3 584 667)	9 535 246
Cash and cash equivalents at the beginning of the year		41 396 881	31 861 635
Cash and cash equivalents at the end of the year	5	37 812 214	41 396 881

Durban Marine Theme Park (Pty) Ltd

(Registration number 2001/020025/07)
Annual Financial Statements for the year ended 30 June 2014

Appropriation Statement

2014	Original Budget	Budget Adjustments (1.to. S28 of the MFMA)	Final Adjustments Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Adjustments Budget	Actual Outcome as % of Original Budget
Merchandising Revenue	7 581 877	-	7 581 877	7 474 440		(107 437)	99%	99%
Ticketing Revenue	97 521 281	3 010 985	100 532 266	87 585 264		(12 947 002)	87%	90%
Village Walk Rental Revenue	24 101 806	200 000	24 301 806	27 705 368		3 403 562	114%	115%
Sponsorship Revenue	2 435 000	-	2 435 000	2 687 114		252 114	110%	110%
Parking Revenue	4 234 015	461 207	4 695 222	5 224 584		529 362	111%	123%
Food and Beverage Revenue	31 545 341	96 611	31 641 952	30 576 305		(1 065 647)	97%	97%
Functions and Events Revenue	9 583 043	1 807 446	11 390 489	12 668 434		1 277 945	111%	132%
Photographic Opportunity	1 533 271	100 001	1 633 272	4 793 791		3 160 519	294%	313%
Sundry Revenue	-	-	-	204 786		204 786	100%	100%
Insurance Proceeds	-	-	-	462 801		462 801	100%	100%
Umbrella Hire	259 166	(25 037)	234 129	165 035		(69 094)	70%	64%
Tattoo sales	171 344	(82 874)	88 470	62 307		(26 163)	70%	36%
Birthday parties	662 466	132 493	794 959	859 327		64 368	108%	130%
Bambinos rentals	400 680	-	400 680	359 219		(41 461)	90%	90%
Lounger Hire	145 544	-	145 544	149 746		4 202	103%	103%
Seta Revenue	333 900	-	333 900	165 841		(168 059)	50%	50%
Revaluation gain assets	-	-	-	130 000		130 000	100%	1000%
Doubtful debt recovery	-	-	-	102 698		102 698	100%	100%
Interest Received	1 366 491	-	1 366 491	2 548 597		1 182 106	187%	187%
Total Revenue	181 875 225	5 700 832	187 576 057	183 925 657		(3 650 400)	98%	101%
EXPENDITURE								
Reimbursed Employee Costs	66 215 687	2 937 952	69 153 639	66 377 456		2 776 183	96%	100%
Management fee	6 195 567	(2 259 327)	3 936 240	-		3 936 240	100%	100%
Depreciation and amortization	36 000 000	1 200 000	37 200 000	33 648 237		3 551 763	90%	93%
Finance Costs	9 059 333	-	9 059 333	9 611 623		(552 290)	106%	106%
Bad Debts	140 000	-	140 000	1 242 213		(1 102 213)	887%	887%
Repairs and maintenance	8 551 972	267 124	8 819 096	8 605 822		213 274	98%	101%
Contracted services	3 750 574	258 947	4 009 521	3 739 811		269 710	93%	100%
Loss on disposal of assets and liabilities	500 000	-	500 000	458 871		41 129	92%	92%
General expenses	85 616 469	4 575 558	90 192 027	88 764 432		1 427 595	98%	104%
		-						
Total Expenditure	216 029 602	6 980 254	223 009 856	212 448 465		10 561 391	95%	98%
NET DEFICIT FOR THE YEAR	(34 154 377)	(1 279 422)	(35 433 799)	(28 522 808)		6 910 991	98%	101%

Appropriation Statement

Capital expenditure & funds sources	Original Budget	Budget Adjustments (1.to. S28 of the MFMA)	Final adjustments Budget	Actual Outcome	Unauthorised expenditure.	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of original Budget
Capital Expenditure	10 720 500	-	10 720 500	5 905 629		4 814 871	55%	55%
Capital Expenditure funded from own resources	-	7 200 000	7 200 000	6 572 880		627 120	91%	0%
Effingham Funds	3 900 000	2 500 000	6 400 000	2 613 984		3 786 016	41%	67%
Total	14 620 500	9 700 000	24 320 500	15 092 493		9 228 007		

	Original Budget	Budget Adjustments (1.to. S28 and s31 of the MFMA)	Final adjustments Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of original Budget
Cash flows								
Net cash from (used) operating	10 601 675	(379 460)	10 222 215	9 542 017		680 198	93%	90%
Net cash from (used) investing	(13 254 009)	(9 700 000)	(22 954 009)	(12 756 582)		(10 197 427)	56%	96%
Net cash from (used) financing	(376 240)	-	(376 240)	(370 102)		(6 138)	98%	98%
Cash/ cash equivalents at the beginning of year	33 113 704	863 462	33 977 166	41 396 881		(7 419 715)	122%	125%
Cash/ cash equivalents at the year end	30 085 130	(9 215 998)	20 869 132	37 812 214		(16 943 082)		

Accounting Policies

1. **Presentation of Annual Financial Statements**

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as a basis of measurement, unless specified otherwise. They are presented in South African Rand.

Entities are required to apply the Standards of GRAP where the Minister has determined the effective date. The Minister has determined the effective date for the following standards of GRAP:

GRAP 1 Presentation of Financial Statements

GRAP 2 Cash Flow Statements

GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors

GRAP 4 The Effect of Changes in Foreign Exchange Rates

GRAP 5 Borrowing Cost

GRAP 6 Consolidated and Separate Financial Statements

GRAP 7 Investment in Associates

GRAP 8 Interests in Joint Ventures

GRAP 9 Revenue from Exchange Transactions

GRAP 10 Financial Reporting in Hyperinflationary Economies

GRAP 11 Construction Contracts

GRAP 12 Inventories

GRAP 13 Leases

GRAP 14 Events After the Reporting Date

GRAP 16 Investment Property

GRAP 17 Property Plant and Equipment

GRAP 19 Provisions, Contingent Liabilities and Contingent Assets

GRAP 21 Impairment of Non-cash-generating Assets

GRAP 23 Revenue from Non-exchange Transactions

GRAP 24 Presentation of Budget Information in the Financial Statement

GRAP 25 Employee Benefits

GRAP 26 Impairment of Cash-Generating Assets

GRAP 100 Non-Current Assets Held for Sale and Discontinued Operations

GRAP 101 Agriculture

GRAP 102 Intangible Assets

GRAP 103 Heritage Assets

GRAP 104 Financial Instruments

Accounting policies for material transactions, events or conditions not covered by the above GRAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

Directives issued and effective:

Directive 1 Repeal of Existing Transitional Provisions in, and Consequential Amendments to, Standards of GRAP

Directive 2 Transitional Provisions for the Adoption of Standards of GRAP by Public Entities, Municipal Entities and Constitutional Institutions

Directive 5 Determining the GRAP reporting framework.

Directive 7 The Application of Deemed Cost on the Adoption of Standards of GRAP

Interpretations of the Standards of GRAP

IGRAP 1 Applying the Probability Test on Initial Recognition of Exchange Revenue

IGRAP 2 Changes in Existing Decommissioning, Restoration and Similar Liabilities

IGRAP 3 Determining whether an Arrangement contains a Lease

IGRAP 4 Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

IGRAP 5 Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies

IGRAP 6 Loyalty Programmes

IGRAP 7 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

IGRAP 8 Agreements for the Construction of Assets from Exchange Transactions

IGRAP 9 Distributions of Non-cash Assets to Owners

IGRAP 10 Assets Received from Customers

IGRAP 13 Operating Leases - Incentives

IGRAP 14 Evaluating the Substance of Transactions Involving the Legal Form of a Lease

IGRAP 15 Revenue - Barter Transactions Involving Advertising Services

Effective IFRS's and IFRIC's that are applied considering the provisions in paragraphs .20 to .26 of the Directive:

IFRS 4 (AC 141) Insurance Contracts

IAS 12 (AC 102) Income Taxes

SIC - 25 (AC 425) Income Taxes - Changes in the Tax Status of an Entity or its Shareholders

SIC 29 (AC 429) Service Concession Arrangements - Disclosures

IFRIC 12 (AC 445) Service Concession Arrangements

Accounting Policies

Standards of GRAP that an entity may use to disclose information in its financial statements:

GRAP 20 Related Party Disclosures.

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous period, unless otherwise stated

Standards, amendments to standards and interpretations issued but not yet effective

GRAP 18: Segment Reporting - issued March 2005:

Compliance with this standard would have had an effect on the presentation only. Financial information would have been reported by segments. The disclosure of this information will assist users of the financial statements to better understand the entity's past performance, and to identify the resources allocated to support the major activities of the entity.

GRAP 20: Related Party Disclosures - issued June 2011:

Compliance with this standard would have had an effect on the presentation only. Related party transactions have been disclosed in accordance with IPSAS 20.

GRAP 32: Service Concession Arrangements: Grantor - issued August 2013:

Compliance with this standard will not have an impact on the current financial information, as no transactions relating to service concession arrangements exists in the current year.

GRAP 105: Transfer of functions between entities under common control - issued November 2010:

Compliance with this standard will not have an impact on the current financial information, as no transactions relating to the transfer of functions between entities under common control exists in the current year.

GRAP 106: Transfer of functions between entities not under common control - issued November 2010:

Compliance with this standard will not have an impact on the current financial information, as no transactions relating to the transfer of functions between entities not under common control exists in the current year.

GRAP 107: Mergers - issued November 2010:

Compliance with this standard will not have an impact on the current financial information, as no transactions relating to mergers exist in the current year.

GRAP 108: Statutory Receivables - issued September 2013:

Compliance with this standard would have had an effect on presentation and disclosure only. GRAP 108 requires separate disclosure of statutory receivables, together with additional disclosure on measurement basis and impairment criteria.

1.1 Significant judgements and sources of estimation uncertainty

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

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Trade receivables / Held to maturity investments and/or loans and receivables

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

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the entity is the current bid price.

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

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including supply demand, together with economic factors such as exchange rates and inflation interest.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 11 - Provisions.

Effective interest rate

The entity used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.2 Presentation of currency

These annual financial statements are presented in South African Rand and rounded to the nearest Rand,

1.3 Going concern

These annual financial statements have been prepared on a going concern basis.

Accounting Policies

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

Initial recognition
The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Property, plant and equipment comprises: - land and buildings; furniture, fittings and equipment; plant and machinery and vehicles and are included at historical cost. Cost includes all costs that are directly attributable to bringing the assets to working condition for their intended use.

Subsequent recognition
Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

Interest costs on borrowings to finance the construction of property, plant and equipment are capitalised during the period required to prepare and complete the asset for its intended use. Other borrowing costs are expensed.

Repairs and maintenance are expensed as and when incurred.

Motor vehicles are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

All assets, other than land and motor vehicles, are depreciated on a straight line basis over their estimated useful lives and the rates range between:

Item	Average useful life
Buildings and Building Structures	3-45 years
Plant and machinery	3-20 years
Furniture and Fittings and Equipment	2-20 years
Motor vehicles	4-15 years
Biological assets	50-85 years

Accounting Policies

1.4 Property, plant and equipment (continued)

Useful life and residual value is reviewed annually and the prospective depreciation is adjusted accordingly.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in income or expenditure.

Property, plant and equipment that meet the recognition criteria are stated in the statement of financial position at amortised cost, being the initial cost price less any amortisation and impairment. The entity assesses at each reporting date whether there is any indication that an asset may be impaired.

Land is not depreciated as it is deemed to have an indefinite life.

Derecognition:
Items of Property, Plant and Equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.
The entity tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date.

1.5 Intangible assets

An asset is identified as an intangible asset when it:
- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the entity or from other rights and obligations.

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

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

Subsequent recognition
Intangible assets that meet the recognition criteria are stated in the statement of financial position at amortised cost, being the initial cost price less any amortisation and impairment.

Amortisation is charged so as to write off the cost of intangible assets over their estimated useful lives, using the straight-line method as follows:

Item	Useful life
Computer software	2-12 years

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

The useful lives of intangible assets are reassessed at the end of each financial year.
The entity tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date.

Accounting Policies

1.6 Leased assets

Leases of property, plant and equipment where the company assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalised at the estimated present value of the underlying lease payment.

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the year of the lease. When an operating lease is terminated before the lease year has expired, any payment required to be made to the lessor by ways of penalty is recognised as an expense in the year in which termination takes place.

Lease income received

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

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

1.7 Financial instruments

Initial recognition and measurement

Recognition
Financial assets and financial liabilities are recognized on the company's statement of financial position when the company becomes a party to the contractual provision of the instrument.

Financial instruments carried on the statement of financial position include a loan, prepayments and advances, non-exchange transfers receivable, trade and other receivables from exchange transactions, cash and cash equivalents, non-exchange transfers payable, trade and other payables from exchange transactions and VAT payable. Where relevant, the particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Measurement
Financial instruments are initially measured at fair value plus any transaction costs directly attributable to the acquisition or issue of financial asset / liability. Subsequent to initial recognition, these instruments are measured as set out below.

Financial assets
The company's financial assets are cash and bank balances trade and other receivables.

Cash and cash equivalents
Cash and cash equivalents are carried in the balance sheet at amortised cost. For the purposes of the cash flow statement, cash and cash equivalent comprise cash on hand, deposits held with banks, and bank overdrafts.

Trade receivables
Trade receivables are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off during the year in which they are identified.

Financial liabilities
Trade and other payables
Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Other payables relate to VAT payable and accruals.
Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

Accounting Policies

1.7 Financial instruments (continued)

Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Compound financial instruments
Compound financial instruments issued by the group comprise convertible debentures that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Derecognition
A financial asset or a portion thereof is derecognised when the company realises that the contractual rights to the benefits specified in the contract expire; the company surrenders those rights or otherwise loses control of the contractual rights that comprise the financial asset. On derecognition, the difference between the carrying amount of the financial asset and the sum of the proceeds receivable and any prior adjustment to reflect the fair value of the asset that had been reported in net assets is included in net surplus or deficit for the period.

Fair value considerations
The fair values at which financial instruments are carried at the reporting date have been determined using available market values. Where market values are not available, fair values have been calculated by discounting expected future cash flows at prevailing interest rates. The fair values have been estimated using available market information and appropriate valuation methodologies, but are not necessarily indicative of the amounts that could be realised in the normal course of business. The carrying amounts of financial assets and financial liabilities with a maturity of less than one year are assumed to approximate their fair value due to the short-term trading cycle of these items.

Subsequent measurement

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Available-for-sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses.

Gains and losses arising from changes in fair value are recognised in equity until the asset is disposed of or determined to be impaired. Interest on available-for-sale financial assets calculated using the effective interest method is recognised in surplus or deficit as part of other income. Dividends received on available-for-sale equity instruments are recognised in surplus or deficit as part of other income when the entity's right to receive payment is established.