Durban Marine Theme Park SOC Limited (RF)
Annual Financial Statements
for the year ended 30 June 2013

Index

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

The following supplementary information does not form part of the annual financial statements and is unaudited:

General information

1. Legal form of entity
State owed company Limited (Ring Fenced)

2. Chief Financial Officer & Acting Accounting Officer
P v d Berg

3. Registered Office
1 King Shaka Avenue
Durban
4001

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

5. Bankers
Standard Bank
Rand Merchant Bank
Investec Specialist Bank

6. Lawyers
Pearce, du Toit & Moodie

7. 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 45 to 87,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 29 November 2013 :

Acting Accounting officer / Acting Chief Executive Officer

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

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the Durban Marine Theme Park SOC Limited set out on pages 45 to 87, which comprise the statement of financial position as at 30 June 2013, the statement of financial performance, statement of changes in net assets and cash flow statement for the year then 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 the South African Standards of Generally Recognised Accounting Practice (SA Standards 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 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 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 the Durban Marine Theme Park SOC Limited as at 30 June 2013, and its financial performance and cash flows for the year then ended in accordance with the SA Standards of GRAP and the requirements of the MFMA and the Companies Act.

Emphasis of matters

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

Financial sustainability/going concern

8. As disclosed in note 16 to the financial statements, although the entity is making losses, the parent municipality has confirmed its commitment to ensuring the future financial viability of the entity and to meet any funding shortfalls that may compromise its ability to continue trading as a going concern.

Subsequent event

9. As disclosed in note 33 to the financial statements, the entity took over the payroll function of the Moses Mabhida Stadium for a two-year period on 1 July 2013 via an agreement with the eThekwini Municipality.

Additional matters

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

Unaudited supplementary schedules

11. The supplementary information set out on pages 88 to 92 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

Other reports required by the Companies Act

12. As part of my audit of the financial statements for the year ended 30 June 2013, I have read the director's report for the purpose of identifying whether there are material inconsistencies between this report and the audited financial statements. This report is the responsibility of the respective preparers. I have not audited the report and accordingly do not express an opinion thereon.

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 relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

14. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages 12 to 18 of the annual report.

15. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant, as required by the National Treasury's *Framework for managing programme performance information.*

16. The reliability of the information in respect of the selected objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

17. There were no material findings on the annual performance report concerning the usefulness and reliability of the information.

Compliance with laws and regulations

18. I did not identify any instances of material non-compliance with specific matters in key applicable laws and regulations as set out in the general notice issued in terms of the PAA.

Internal control

19. I did not identify any deficiencies in internal control that I considered sufficiently significant for inclusion in this report.

OTHER REPORTS

Investigations

20. Three investigations relating to alleged procurement fraud, non-compliance with municipal supply chain management regulations and financial misconduct by employees are in progress.

Auditor - General

Pietermaritzburg

15 October 2013

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Directors' Report

The directors submit their report for the year ended 30 June 2013.

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, especially in light of the conversion of shareholder loan to equity and the financial support from the parent municipality as disclosed in 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 legislation applicable to municipal entities.

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. Management agreement

The ten year contract with High Footprint Management (Pty) Ltd expired on 31 March 2013 in terms of which High Footprint Management (Pty) Ltd were responsible for the management and operations of uShaka Marine World. The decision not to renew the contract was effective 1 April 2013 and the directors are pleased with the transition process and DMTP now has employees who manage and operate the park.

The company has also entered into a long term agreement with SAAMBR, in terms of which SAAMBR are responsible for the operations of Sea World. Until 30 June 2007 the company reimbursed SAAMBR 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 SAAMBR changed and notwithstanding contractual obligations the company does not fund SAAMBR expenses for the time being.

4. Financial results of the company

The financial statements from pages 45 to 86 set out fully the financial position and results of operations and cash flows of the company for the period ended 30 June 2013. Pages 87 to 91 do not form part of the financial statements but are included as additional information.

No dividends have been declared during the period.

Directors' Report

5. Share capital

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

At 30 June 2013 the company had issued 9,385 shares for a total value of R872,994,927.

6. Directors'

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

Name	Resignations
G J Whiteford (Director - appointed 14 March 2003)	
G J Whiteford (Accounting Officer - resigned 1 April 2013)	
HC Rudham (alternate - appointed 16 November 2004)	Resigned 20 June 2013
J T Russell (Director - appointed 8 April 2005) (Chairman - appointed 28 May 2010)	Resigned 14 October 2013
B J Mtembu (appointed 8 April 2005)	Resigned 1 March 2013
S Pillay (appointed 8 April 2005)	
J H de Villiers Botha (appointed 3 December 2001)	
R Turner (alternate - 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

S Thompson appointed Accounting Officer on 1 April 2013 and suspended on 21 August 2013.
P v d Berg was appointed Accounting Officer on 21 August 2013.

8. Suspension of the Chief Executive Officer

The Board of directors suspended the Chief Executive Officer (S.H Thompson) on 21 August 2013, pending an investigation into alleged corruption charges. Until further notice the Chief Financial Officer (P.v.d Berg), has taken over the duties of the Chief Executive Officer in an acting capacity.

9. Secretary

D L D Marigny resigned 01 March 2013 and P v d Berg was appointed, whose details are:

Business address	1 King Shaka Avenue Durban 4001
Postal address	P.O BOX 38416 Point 4069

10. Non voting municipal representatives

N Shabalala (Deputy Mayor)

S Sithole (Municipal Manager)

Directors' Report

11. Directors' interest in contracts

H.C. Rudham is a director of Mbatha Walters & Simpson, who are appointed as sub-consultant to Boogertman & Partners.
B.B Berry represents the Development Bank of South Africa (DBSA) on the board. At June 2013 the following balances relate to DBSA, Debentures & interest of R 112,264,567 (Refer to note 14).

12. 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.

Name	Social & Ethics Committee	Remuneration Committee	Audit, IT & Risk Committee	Board
Total number of meetings held	4	4	4	4
G J Whiteford	4	3	4	4
H C Rudham	A	A	A	2
J T Russell	4	4	B	4
B J Mtembu	A	A	A	0
S Pillay	A	A	A	4
J H de Villiers Botha	4	4	4	4
R Turner (Alternate)	A	A	A	2
I E Konyn	A	A	A	N/A
I Vally	A	A	A	N/A
P Mzizi	A	A	A	N/A
G Buthelezi	A	A	A	N/A
B B Berry	A	A	A	N/A

A - indicates that attendance is not applicable as the director is not a member of the committee.
B - indicates that the member attended as an invitee.
N/A - Not applicable.

13. Controlling entity

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

14. Directors' approval

Statement of Financial Position

Figures in Rand	Note	2013	2012
Assets			
Current Assets			
Inventories	2	5,060,872	4,115,502
Receivables from exchange transactions	3	2,097,681	1,450,245
VAT receivable	4	418,609	20,341
Cash and cash equivalents	5	41,396,881	31,861,635
		48,974,043	**37,447,723**
Non-Current Assets			
Investment property	6	70,486,858	73,275,907
Property, plant and equipment	7	390,460,823	412,820,567
Intangible assets	8	991,841	1,070,274
Deferred income	9	4,899,384	5,976,801
		466,838,906	**493,143,549**
Total Assets		**515,812,949**	**530,591,272**
Liabilities			
Current Liabilities			
Payables from exchange transactions	10	23,446,434	15,891,731
Provisions	11	2,237,807	1,809,538
Tenant rental deposits	12	1,411,292	1,416,029
Current portion of long term liabilities	13	758,968	698,243
		27,854,501	**19,815,541**
Non-Current Liabilities			
Debentures	14	107,800,782	98,899,800
Long term liabilities	13	2,198,643	2,957,611
		109,999,425	**101,857,411**
Total Liabilities		**137,853,926**	**121,672,952**
Net Assets		**377,959,023**	**408,918,320**
Net Assets			
Share capital / contributed capital	15	872,994,927	872,994,927
Reserves			
Convertible instruments reserve		4,463,785	4,463,785
Accumulated deficit		(499,499,689)	(468,540,392)
Total Net Assets		**377,959,023**	**408,918,320**

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	(432,034,442)	445,424,270
Adjustments						
Prior period error (Note 17)	-	-	-	-	4,278,607	4,278,607
Balance at 01 July 2011 as restated	**9,385**	**872,985,542**	**872,994,927**	**4,463,785**	**(427,755,835)**	**449,702,877**
Changes in net assets						
Deficit for the year	-	-	-	-	(40,784,557)	(40,784,557)
Total changes	-	-	-	-	(40,784,557)	(40,784,557)
Balance at 01 July 2012	**9,385**	**872,985,542**	**872,994,927**	**4,463,785**	**(468,540,392)**	**408,918,320**
Changes in net assets						
Deficit for the year	-	-	-	-	(30,959,297)	(30,959,297)
Total changes	-	-	-	-	(30,959,297)	(30,959,297)
Balance at 30 June 2013	**9,385**	**872,985,542**	**872,994,927**	**4,463,785**	**(499,499,689)**	**377,959,023**
Note(s)	15	15	15			

Cash Flow Statement

Figures in Rand	Note	2013	2012
Cash flows from operating activities			
Receipts			
Cash receipts from customers		170,232,654	151,145,806
Payments			
Cash paid to suppliers and employees		(149,795,058)	(149,274,127)
Net cash flows from operating activities	27	**20,437,596**	**1,871,679**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	7&8	(11,996,275)	(8,403,831)
Proceeds from sale of property, plant and equipment		-	81,240
Net cash flows from investing activities		**(11,996,275)**	**(8,322,591)**
Cash flows from financing activities			
Loan repaid		(698,243)	(641,871)
Increase/(decrease) in tenant deposits		(4,737)	(70,328)
Interest income		2,078,719	1,947,700
Finance costs		(281,814)	(339,564)
Net cash flows from financing activities		**1,093,925**	**895,937**
Net (decrease)/ increase in cash and cash equivalents		**9,535,246**	**(5,554,975)**
Cash and cash equivalents at the beginning of the year		31,861,635	37,416,610
Cash and cash equivalents at the end of the year	5	**41,396,881**	**31,861,635**

Appropriation Statement

2013	Original Budget	Budget Adjustments (i.t.o. S28 and s31 of the MFMA)	Final adjustments Budget	Shifting of funds (i.t.o. S31 of the MFMA)	Virement (i.t.o. Council approved policy	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of original Budget
Merchandising Revenue	7 518 260	-877 260	6 641 000			6 641 000	7 298 041		657 041	110%	97%
Ticketing Revenue	90 312 610	-3 712 807	86 599 803			86 599 803	83 687 971		-2 911 832	97%	93%
Village Walk Rental Revenue	23 203 495	-277 848	22 925 647			22 925 647	22 096 257		-829 390	96%	95%
Sponsorship Revenue	2 505 862	500 000	3 005 862			3 005 862	2 486 596		-519 266	83%	99%
Parking Revenue	3 637 423	-231 187	3 406 236			3 406 236	4 233 497		827 261	124%	116%
Food and Beverage Revenue	33 409 665	458 230	33 867 895			33 867 895	31 744 084		-2 123 811	94%	95%
Functions and Events Revenue	12 078 350	-3 168 975	8 909 375			8 909 375	12 184 875		3 275 500	137%	101%
Photographic Opportunity	1 393 883	-	1 393 883			1 393 883	1 415 452		21 569	102%	102%
Sundry Revenue	-	-	-			-	143 263		-		
Insurance Proceeds	-	-	-			-	1 754 386		-		
Umbrella Hire	159 316	-	159 316			159 316	221 719		62 403	139%	139%
Tattoo sales	257 446	-18 800	238 646			238 646	80 875		-157 771	34%	31%
Birthday parties	738 548	-	738 548			738 548	700 742		-37 806	95%	95%
Bambinos rentals	513 993	-135 993	378 000			378 000	346 702		-31 298	92%	67%
Lounger Hire	128 921	-	128 921			128 921	138 263		9 342	107%	107%
Seta Revenue	318 000	-	318 000			318 000	268 647		-49 353	84%	84%
Reversal of bad debt provision	-	-	-			-	220 000		-		
Interest Received	953 409	-	953 409			953 409	2 078 720		1 125 311	218%	218%
Total Revenue	**177 129 181**	**-7 464 640**	**169 664 541**			**169 664 541**	**171 100 090**		**1 435 549**		
Reimbursed Employee Costs	61 887 019	-379 531	61 507 488			61 507 488	64 462 746		-2 955 258	105%	104%
Management fee	7 634 894	-458 890	7 176 004			7 176 004	6 284 917		891 087	88%	82%
Depreciation and amortization	36 000 000	-	36 000 000			36 000 000	36 391 777		-391 777	101%	101%
Impairment Loss – Asset	-	-	-			-	86 070		-		
Impairment Loss – Inventory	-	-	-			-	350 000		-		
Finance Costs	8 437 761	734 943	9 172 704			9 172 704	9 182 795		-10 091	100%	109%
Debt Impairment	240 000	-100 000	140 000			140 000	78 082		61 918	56%	33%
Repairs and maintenance	5 617 920	2 371 005	7 988 925			7 988 925	7 837 599		151 326	98%	140%
Contracted services	3 984 471	-485 451	3 499 020			3 499 020	3 366 659		132 361	96%	84%
Loss on disposal of assets and liabilities	500 000	500 000	1 000 000			1 000 000	745 653		254 347	75%	149%
General expenses	87 808 257	-8 952 507	78 855 750			78 855 750	73 273 089		5 582 661	93%	83%
Total Expenditure	**212 110 322**	**-6 770 431**	**205 339 891**			**205 339 891**	**202 059 387**		**3 280 504**		
				-		-					
NET DEFICIT FOR THE YEAR	-34 981 141	-694 209	-35 675 350			-35 675 350	-30 959 297		-4 716 053		

Durban Marine Theme Park (Pty) Ltd

(Registration number 2001/020025/07)
Annual Financial Statements for the year ended 30 June 2013

Appropriation Statement

Capital expenditure & funds sources											
Capital Expenditure	8 452 000	8 452 000	-			8 452 000	8 117 550		334 450	96%	104%
Huggies Sponsorship	118 850	118 850				118 850	108 724		10 126	91%	109%
Effingham Funds	3 500 000	3 500 000				3 500 000	3 304 620		195 380	94%	106%
									-		
Total	**12 070 850**	**12 070 850**	-			**12 070 850**	**11 530 894**		**539 956**		
Cash flows											
Net cash from (used) operating	10 416 219	2 030 799	12 447 018			12 447 018	20 437 212		7 990 194	164%	196%
Net cash from (used) investing	-16 217 931	-	-16 217 931			-16 217 931	-11 996 275		4 221 656	74%	74%
Net cash from (used) financing	-1 005 025	-	-1 005 025			-1 005 025	1 093 925		2 098 950	-109%	-109%
Cash/ cash equivalents at the beginning c	29 855 839	-	29 855 839			29 855 839	31 861 635		2 005 796	107%	107%
Cash/ cash equivalents at the year end	**23 049 102**	**2 030 799**	**25 079 901**			**25 079 901**	**41 396 497**		**16 316 596**		

Accounting Policies

1. Presentation of Annual Financial Statements

The principal accounting policies adopted in the preparation of the financial statements are set out below and are consistent with those of the previous year.

The financial statements have been prepared in accordance with the effective Standards of Generally Recognized Accounting Practices (GRAP) issued by the Accounting Standards Board as follows:

Standard of GRAP
GRAP 1: Presentation of financial statements
GRAP 2: Cash flow statements
GRAP 3: Accounting policies, changes in accounting accouting estimates and errors
GRAP 17: Property,plant and equipment
GRAP 21: Impairment of Non-Cash Generating Assets
GRAP 26: Impairment of Cash-Generating Assets
GRAP 25: Employee benefits
GRAP 103: Heritage assets
GRAP 104: Financial Instruments

The following standards have been early adopted;
GRAP 18: Segment reporting
GRAP 23: Revenue from non-exchange transactions
(Taxes and transfers)
GRAP 24: Presentation of budget information in financial statements

The following standards have been issued but not yet effective;
GRAP 20: Related party disclosures
GRAP 105: Transfers of functions between entities under common control
GRAP 106: Transfers of functions between entities not under common control
GRAP 107: Mergers
The standards have no impact on Durban Marine Theme Park

Currently the recognition and measurement principles in the above GRAP and GAAP Statements do not differ or result in material differences in items presented and disclosed in the financial statements. The implementation of GRAP has resulted in the following changes in the presentation of the financial statements:

a) Terminology differences:

Standard of GRAP	Replaced Statement of GAAP
Statement of financial performance	Income Statement
Statement of financial position	Balance sheet
Statement of changes in net assets	Statement of changes in equity
Net assets	Equity
Surplus / deficit	Profit / loss
Accumulated surplus / deficit	Retained earnings
Contributions from owners	Share capital
Distribution to owners	Dividends

Accounting Policies

b) The cash flow statement can only be prepared in accordance with the direct method.

c) Specific information has been presented separately on the statement of financial position such as:
- Receivables from non-exchange transactions, including taxes and transfers;
- Taxes and transfers payable;
- Trade and other payables from non-exchange transactions;

d) Amount and nature of any restrictions on cash balances is required.

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:

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.

Accounting Policies

1.1 Transfer of functions between entities under common control (continued)

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.

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:

Accounting Policies

1.4 Property, plant and equipment (continued)

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	3-11 years
Biological assets	50-85 years

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	2-11 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.

Accounting Policies

1.5 Heritage assets (continued)

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.

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.

Accounting Policies

1.7 Financial instruments (continued)

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.

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.