# ANNUAL FINANCIAL STATEMENTS

## Contents

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

# DIRECTORS' RESPONSIBILITY STATEMENT
## for the year ended 30 June 2016

The Directors are responsible for the maintenance of adequate accounting records and the preparation, integrity and fair presentation of the financial statements of the Cape Town International Convention Centre Company SOC Ltd (RF). The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations of such Statements issued by the Accounting Standards Board, the Municipal Finance Management Act of South Africa, 2003 and the Companies Act of South Africa. The financial statements are based on appropriate accounting policies, consistently applied.

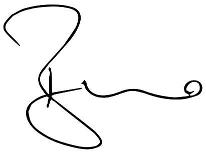
The Directors are also responsible for the company's systems of internal financial control. These control procedures are designed to provide reasonable, but not absolute, assurance about the reliability of the financial statements, that assets are safeguarded and to prevent and detect losses. The Directors are not aware of any significant breakdown in the functioning of these measures, procedures and systems during the year under review.

The going concern basis has been adopted in preparing the financial statements. The Directors have no reason to believe that the company will not be a going concern in the foreseeable future, based on forecasts and available cash and finance resources.

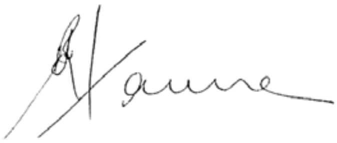
The financial statements have been audited by the Auditor-General of South Africa, who was given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, Board of Directors and committees of the Board. The Directors are of the opinion that all representations made to the independent auditors during the audit are valid and appropriate. The responsibility of the external auditors is to express an opinion on the financial statements in accordance with the accounting framework.

**Approval of the annual financial statements**

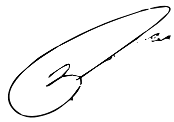
The annual financial statements which appear on pages 115 to 145 were approved by the Board of Directors on 25 August 2016 and are signed on their behalf by:



Authorised Director
25 August 2016



Authorised Director
25 August 2016



Authorised Director
25 August 2016

# REPORT OF THE DIRECTORS
## for the year ended 30 June 2016

The Directors have pleasure in presenting their report for the year ended 30 June 2016.

**1. General review**

The company's business and operations and the results thereof are clearly reflected in the attached financial statements.

**2. Dividends**

No dividends were declared or recommended during the year.

**3. Share capital**

There were no changes in the authorised share capital. There were changes to the issued share capital of the company during the period under review. Refer to note 7.

**4. Events subsequent to year-end**

Further tranches of shares in the company will be issued to the shareholders on pre-agreed dates in terms of the accepted share offer letter. The shares are issued in return for cash to fund the planned expansion of the CTICC.

**5. Directors**

The Directors of the company during the year under review and at the date of this report were:

AM Boraine (Chairman)

J Ellingson (CEO)

GM Fisher

F Parker (CFO)

S Myburgh-De Gois

RSH Eksteen

SW Fourie

EI Hamman

BJ Lodewyk

AA Mahmood

DA Cloete – Appointed on 27 October 2015

GJ Lundy – Resigned on 31 March 2016

HJ Taljaard – Retired by rotation on 27 October 2015

**6. Auditors**

The Auditor-General of South Africa was reappointed as auditor in terms of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA).

**7. Shareholding**

The City of Cape Town owns 67.8% of the company's shares. The remaining shares are held by the Provincial Government of the Western Cape (25.3%) and SunWest International (Pty) Ltd (6.9%).

**8. Subsidiary**

The company has only one subsidiary, the Cape Town International Convention Centre Operating Company Ltd (OPCO). OPCO is in the process of being deregistered.

Consolidated financial statements have not been prepared as OPCO is dormant and is not considered material.

# COMPANY SECRETARY'S CERTIFICATE
## for the year ended 30 June 2016

In terms of Section 88(2)(e) of the Companies Act, 71 of 2008 ("the Act"), I certify that the company has lodged with the Companies and Intellectual Property Commission, all returns and notices as required by the Act in respect of the financial year ended 30 June 2016, and that all such returns and notices are true, correct and up to date.

**MM Thirion FCIS**
Company Secretary

1 August 2016

# REPORT OF THE AUDIT AND RISK COMMITTEE
## for the year ended 30 June 2016

The Audit and Risk Committee ("the committee") submits its report in respect of the financial year ended 30 June 2016 as required by section 94 of the Companies Act, 71 of 2008.

## Audit and Risk Committee mandate

The committee is governed by formal terms of reference, which have been approved by the Board and which are regularly reviewed. It fulfils its responsibilities in terms of the Companies Act, 71 of 2008, the Municipal Finance Management Act, 56 of 2003 (MFMA), and its terms of reference. The committee has an independent role with accountability to both the Board and the shareholders. It does not assume the functions of management, which remain the responsibility of the Executive Directors, officers and other members of management. The committee acts in an advisory and oversight capacity; it does not relieve management of its responsibilities but makes objective and independent recommendations.

## Composition of the committee

The committee currently comprises four Non-executive Directors with appropriate qualifications and experience, nominated by the Board and appointed by the Council of the City of Cape Town.

| ***Name of committee member*** | ***Qualifications*** |
|---|---|
| BJ Lodewyk (Chairman) | B.Com (Acc.); Hons B. Compt; CA (SA) |
| SW Fourie | B.Com (Econ); Hons, MBus. Admin. |
| EI Hamman | B.Com (Acc.); PGDA; CA(SA) |
| AA Mahmood | B.Com; MBA |

## Attendance at meetings

The committee meets at least four times a year and its meetings are attended by the Chief Executive Officer, Chief Financial Officer, other Executive Managers of the company and representatives of the internal and external auditors. A quorum for meetings is 50% of the members present. The committee met five times during the period under review. Refer to page 90 for the attendance at meetings of the committee.

## Key responsibilities of the committee

The legal responsibilities of the committee are set forth in the Companies Act, 71 of 2008, and the Municipal Finance Management Act, 56 of 2003.

The committee:

- exercises oversight of the internal financial controls of the company;
- makes submissions to the Board of Directors, and advises the Board, the accounting officer and the management of the company on matters relating to internal financial control and internal audit; risk management; accounting policies; the adequacy, reliability and accuracy of financial reporting and information; performance management and evaluation; effective governance, compliance with the MFMA and other applicable legislation and any other matters referred to it by the Board;
- ensures that the combined assurance received is appropriate to address all the significant risks facing the company; and monitors the relationship between the external assurance providers and the company;
- oversees and reviews the expertise, resources and experience of the company's finance function;
- oversees the internal audit function, which is outsourced and which reports directly to the Audit and Risk Committee; reviews and approves the internal audit plan, and monitors the effectiveness of the internal audit function in terms of its scope of work, progress with execution of the internal audit plan and independence;
- expresses a view on the effectiveness of the internal control environment by monitoring internal controls for effectiveness;
- oversees the external audit process and approves the terms of engagement and remuneration of the external auditors and reviews the effectiveness of the external audit process. Any significant issues arising from the audit are brought to the committee's attention;
- assists the Board in ensuring that the company has implemented an effective policy and plan for risk management, which will enhance the company's ability to achieve its strategic objectives;
- forms an integral part of the risk management process and specifically oversees financial reporting risks, internal financial controls, fraud risk in relation to financial reporting, and information technology risks as they relate to financial reporting;
- oversees the development and annual review of the company's risk management action plan and ensures that frameworks and methodologies are implemented to increase the possibility of anticipating unpredictable risks;
- monitors implementation of the risk management action plan and ensures that risk management assessments are performed on a continuous basis and reports to the Board in this regard;
- makes recommendations to the Board concerning levels of tolerance and risk appetite; and
- performs such additional oversight functions as may be determined by the Board from time to time.

## Discharge of responsibilities

The committee has a detailed work plan, which is formally adopted to support its effective functioning during the year. The committee is satisfied that it has, during the past financial year, met its responsibilities as stipulated in its terms of reference and that it has complied with all its legal, regulatory and other requirements.

# REPORT OF THE AUDIT AND RISK COMMITTEE
## for the year ended 30 June 2016 (continued)

**Internal control**

The committee has, during the period under review:

- satisfied itself that the Chief Financial Officer has the appropriate expertise and experience to act in this capacity;
- reviewed the expertise, resources and adequacy of the company's finance function and found it to be adequate;
- reviewed the quarterly and annual financial results and performance information and reporting to ensure proper and complete disclosure of timely, reliable and consistent information;
- evaluated on an ongoing basis the appropriateness, adequacy and efficiency of accounting policies and procedures, compliance with Standards of Generally Recognised Accounting Practice (GRAP) and overall accounting standards as well as any changes thereto;
- discussed and resolved any significant or unusual accounting issues;
- reviewed and monitored the effectiveness, efficiency and the management as well as reporting of tax-related matters;
- reviewed the effectiveness of the company's system of internal financial controls including receiving assurance from management, internal audit and external audit;
- reviewed relevant company procedures for the prevention and detection of fraud;
- reviewed and made recommendations to the relevant company policies;
- reviewed the significant issues raised by the internal and external auditors;
- had oversight of IT governance; and
- exercised oversight of the financial aspects of capital projects including the CTICC East expansion.

The committee has extensively reviewed quarterly financial and performance reporting together with findings from the Auditor-General and internal audit. These findings have been discussed with management. Based on the processes and assurances obtained, the committee believes that the significant internal financial controls are generally effective and that accounting practices are appropriate.

**Risk management**

The committee has, during the period under review:

- exercised oversight in respect of the enterprise risk management function, which remains management's responsibility;
- exercised oversight of a process, facilitated by the internal auditors, in terms of which management has assessed the effectiveness of the company's system of internal control and risk management, including internal financial controls;
- monitored implementation of the company's risk management action plan and made recommendations regarding the improvement thereof and reporting thereon.

**Internal audit**

The committee has, during the period under review:

- ensured that the company's internal audit function was independent and that it had the necessary resources and standing to enable it to discharge its duties;
- reviewed and approved the internal audit plan in terms of its scope and coverage and monitored progress with the execution thereof;
- monitored the effectiveness and independence of the internal audit function;
- exercised oversight of the co-operation between the internal and external auditors and served as a link between the Board and these functions.

**External audit**

The committee is satisfied that the external auditors were independent of the company.

The committee had considered the fees to be paid to the auditors as well as their terms of engagement, and found it to be acceptable.

**Annual financial statements and conclusion**

The committee has reviewed the year-end financial statements and Integrated Annual Report and is satisfied with its integrity. The committee recommended approval thereof to the Board. The financial statements are prepared in accordance with the basis of accounting determined by the National Treasury as set out in accounting policy note 1 and in the manner required by the MFMA. The committee has reviewed the external auditor's management letter and management's response thereto.

The Board has subsequently approved the integrated report, which will be open for discussion at the upcoming annual general meeting.

The committee is confident of the combined assurance approach with the continued support of the Board, shareholders and key stakeholders in the new financial year.

**BJ Lodewyk CA(SA)**
Audit and Risk Committee Chairman

25 August 2016

# REPORT OF THE HUMAN RESOURCES AND REMUNERATION COMMITTEE
## for the year ended 30 June 2016

This report is presented by the Human Resources and Remuneration Committee ("the committee") and describes how the committee has discharged its duties in respect of the financial year ended 30 June 2016.

## Mandate of the committee

The committee is governed by formal terms of reference, which have been approved by the Board and which are regularly reviewed. The committee has an independent oversight and advisory role. A detailed work plan was formally adopted to ensure the effective functioning of the committee. The committee is satisfied that it has, during the past financial year, met its responsibilities as stipulated in its terms of reference and that it has complied with all its legal, regulatory and other responsibilities.

## Composition of the committee

The committee currently comprises three independent Non-executive Directors of the company and there is currently one vacancy. The Executive Directors and certain members of the company's Executive Management team also attend committee meetings. A quorum for meetings is 50% of the members present.

Mr HJ Taljaard, the previous chairman of this committee, retired by rotation at the Annual General Meeting of the company on 27 October 2015. He was replaced as chairman of this committee by Mr GJ Lundy on 27 October 2015. I, Deon Cloete, was appointed as chairman of this committee following Mr Lundy's resignation on 31 March 2016.

## Attendance at meetings

The committee met five times during the period under review. Details of Directors' attendance at meetings appear on page 90 of this report.

## Key responsibilities of the committee

The committee:

- assists the Board in ensuring that the company remunerates its Directors and Executives fairly and responsibly and that the disclosure of remuneration is accurate, complete and transparent and in accordance with the laws and regulations applicable to the company;
- monitors the administration of remuneration at all levels in the company;
- oversees the establishment of a remuneration strategy, which promotes the achievement of the company's strategic objectives and encourages individual performance;
- evaluates the performance of the Chief Executive Officer in determining her remuneration; and
- exercises oversight of matters related to human resource management and succession planning.

## Discharge of responsibilities

During the year under review the committee:

- exercised oversight over salary increases;
- reviewed various company policies;
- set, in conjunction with the CEO, her key performance indicators (KPIs) and carried out the necessary review of performance against the set KPIs;
- had oversight of the company's employment equity reporting; and
- exercised oversight of matters related to human resource management and succession planning.

### Remuneration strategy and policy

The company's remuneration strategy is aimed at attracting, motivating and retaining competent and talented employees to ensure that its business remains sustainable. Remuneration levels are influenced by the scarcity of skills and work performance.

A performance based incentive scheme is in place in respect of all levels of the company to acknowledge the contributions of individual employees by rewarding them for exceptional performance. KPIs are identified and agreed between each staff member and his/her immediate superior and his/her performance is measured against these agreed indicators. Individuals' KPIs are linked to the company's KPIs as a means of ensuring that the company achieves its objectives. A reward and recognition programme has also been implemented.

Remuneration packages are benchmarked to similar positions in the meetings industry to ensure that they are fair and competitive.

## Directors' remuneration

The company's strategy for the remuneration of Non-executive Directors is aimed at ensuring that levels of remuneration are sufficient to attract, retain and motivate suitably skilled and experienced Non-executive Directors, recognising the responsibilities borne by Directors and ensuring that they are remunerated fairly and responsibly within the constraints of the Municipal Finance Management Act, 56 of 2003 and the company's Memorandum of Incorporation.

The company's Directors' Remuneration Policy was last approved by the shareholders at the Annual General Meeting of the company, held on 21 October 2014. It will again be put to the shareholders for approval at the Annual General Meeting of the company to be held on 25 October 2016.

Please refer to page 139 for details of the Directors' remuneration for the period under review.

**DA Cloete**
Human Resources and Remuneration Committee Chairman

25 August 2016

# REPORT OF THE NOMINATIONS COMMITTEE
## for the year ended 30 June 2016

This report is presented by the Nominations Committee and describes how the committee has discharged its duties in respect of the financial year ended 30 June 2016.

## Role of the committee

The committee has an oversight role and makes recommendations to the Board regarding the Directors of the company to ensure:

- that the Board has the appropriate composition to enable it to execute its duties effectively;
- that Directors are appointed through a formal and transparent process;
- that the respective Board committees have the appropriate skill sets;
- that induction, ongoing training and development and evaluation of Directors takes place; and
- that an appropriate succession plan is in place in respect of the Chief Executive Officer of the company.

## Composition of the committee

The committee currently comprises two Non-executive Directors, appointed by the shareholders, as well as the Chairman of the Board who also chairs this committee. There is currently a vacancy on the committee. A quorum for meetings is 50% of the members present.

## Attendance at meetings

The committee must, in terms of its terms of reference, meet at least twice a year, and more often if required. It met three times during the past financial year. Please refer to page 90 for the attendance at meetings of the committee.

## Discharge of responsibilities

The committee has a detailed work plan, which has been formally adopted to support its effective functioning during the year.

During the year under review the committee made recommendations to the Board regarding the composition of the CTICC's various committees. It also exercised oversight of the recruitment process of the two independent Non-executive Directors who were appointed to replace Messrs HJ Taljaard and GJ Lundy respectively.

The committee is satisfied that it has, during the past financial year, met its responsibilities as stipulated in its terms of reference.

**AM Boraine**
Nominations Committee Chairman

25 August 2016

# REPORT OF THE SOCIAL AND ETHICS COMMITTEE
## for the year ended 30 June 2016

This report is presented by the committee to describe how it has discharged its statutory duties in terms of the Companies Act, 71 of 2008, in respect of the financial year ended 30 June 2016.

### Ethics and corporate social responsibility

The Board of Directors subscribes to the highest standards of ethics and corporate social responsibility and assesses the company's performance against various mandatory and voluntary standards. The Board assumes the ultimate responsibility for the company's ethics performance, which is delegated to the Executive Management, but it does not relieve management of its duties and responsibilities in this regard. The Chief Executive Officer is the visible link between the Board's corporate ethics expectations and the company's management of ethics.

### Mandate of the committee

The committee derives its mandate from section 72 of the Companies Act, 2008, read together with Regulation 43(5) of the Companies Regulations, published under Government Gazette Notice R351 in Government Gazette 34239 of 26 April 2011.

The committee's role and responsibilities are set forth in its terms of reference, which have been approved by the Board and are reviewed annually. The committee is accountable to both the Board and the company's shareholders. It has an independent role and acts in an advisory and oversight capacity.

The main objective of the committee is to assist the Board in monitoring the company's performance, having regard to all relevant laws, standards and principles with regard to matters relating to, not only financial sustainability, but good corporate citizenship, social and economic development, the environment, client relationships, labour and employment and health and safety.

### Composition of the committee

The committee currently comprises three Non-executive Directors and the Chief Executive Officer of the company. A quorum for meetings is 50% of the members present.

### Attendance at meetings

The committee must, in terms of its terms of reference, meet at least twice a year. It met three times during the past financial year. Details of meeting attendance appear on page 90 of this report.

### Discharge of responsibilities

The committee has a detailed work plan, which has been formally adopted, to support its effective functioning during the year.

The committee has, during the period under review, monitored the company's activities, having regard to relevant legislation and other legal requirements and codes pertaining to matters relating to social and economic development, the environment, Broad-Based Black Economic Empowerment, employment equity, health and safety, employee wellness and stakeholder relationships. It is satisfied that it has, during the past financial year, met its responsibilities as stipulated in its terms of reference and that it has complied with its legal, regulatory and other responsibilities.

The committee is satisfied that the company takes its governance, social and environmental responsibilities seriously. While the committee recognises that areas within its mandate are constantly evolving, it is confident that management is committed to integrating ethics into the business of the company and that it continues to pay sufficient attention to ethics management.

**EI Hamman CA(SA)**
Social and Ethics Committee Chairman

25 August 2016

# Report of the auditor-general to the Western Cape Provincial Parliament and the Council of The City of Cape Town on the Cape Town International Convention Centre Company SOC Limited (RF)

## Report on the financial statements

### Introduction

1. I have audited the financial statements of the Cape Town International Convention Centre Company SOC Limited (RF) (CTICC) set out on pages 115 to 145, which comprise the statement of financial position as at 30 June 2016, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as 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 Standards of Generally Recognised Accounting Practise (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 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 CTICC as at 30 June 2016 and its financial performance and cash flows for the year then ended, in accordance with SA Standards 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:

Significant uncertainties:

8. With reference to note 24 to the financial statements, there is an ongoing income tax dispute between the municipal entity and SARS. The ultimate outcome of the matter cannot be presently determined and no provision for any liability that may result has been made in the financial statements.

### Additional matters

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

#### Unaudited disclosure notes

10. In terms of section 125(2)(e) of the MFMA the municipal entity is required to disclose particulars of non-compliance with the MFMA. The disclosure requirement did not from part of the audit of the financial statements and accordingly I do not express an opinion thereon.

## Other reports required by the Companies Act

11. As part of my audit of the financial statements for the year ended 30 June 2016, 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 these reports and the audited financial statements. I have not audited these reports and, accordingly, I do not express an opinion thereon.

### Report on other legal and regulatory requirement

12. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives of selected key performance areas presented in the annual performance report, compliance with legislation and 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

13. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information of the following selected key performance areas presented in the annual performance report of the CTICC for the year ended 30 June 2016:

    - Key performance area 1: events, on page 55
    - Key performance area 3: customer centricity and service excellence, on page 55
    - Key performance area 5: budget, on page 55
    - Key performance area 6: governance, on page 55

14. 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 key performance areas. 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 (FMPPI).*

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

16. I did not identify any material findings on the usefulness and reliability of the reported performance information for the selected key performance areas.

## Report of the auditor-general to the Western Cape Provincial Parliament and the Council of The City of Cape Town on the Cape Town International Convention Centre Company SOC Limited (RF) (continued)

**Additional matter**

17. Although I identified no material findings on the usefulness and reliability of the reported performance information for the selected key performance areas, I draw attention to the following matter:

**Achievement of planned targets**

18. Refer to the annual performance report on page 55 for information on the achievement of the planned targets for the year.

**Compliance with legislation**

19. I performed procedures to obtain evidence that the CTICC 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 legislation, as set out in the general notice issued in terms of the PAA.

**Internal control**

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

Auditor-General

Cape Town

7 October 2016

AUDITOR-GENERAL
SOUTH AFRICA

*Auditing to build public confidence*

# STATEMENT OF FINANCIAL POSITION
## as at 30 June 2016

| | NOTES | 2016 R | 2015 R |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | **622 079 336** | 264 119 857 |
| Property, plant and equipment | 2 | **619 425 592** | 264 115 089 |
| Investment in subsidiary | 3 | **100** | 100 |
| Deferred taxation | 4 | **2 653 644** | 4 668 |
| **Current assets** | | **437 925 550** | 582 845 409 |
| Inventories | 5 | **1 259 812** | 1 765 555 |
| Receivables and other receivables from exchange transactions | 6 | **18 070 712** | 26 448 312 |
| Cash and cash equivalents | 14.3 | **418 595 026** | 554 631 542 |
| **Total assets** | | **1 060 004 886** | 846 965 266 |
| **NET ASSETS AND LIABILITIES** | | | |
| **Net assets** | | **916 427 146** | 752 174 213 |
| Contribution from owners | 7 | **1 084 427 701** | 967 427 701 |
| Accumulated deficit | | **(168 000 555)** | (215 253 488) |
| **Current liabilities** | | **143 577 740** | 94 791 053 |
| Client deposits | | **46 620 494** | 36 429 117 |
| Payables and other payables from exchange transactions | 8 | **91 973 122** | 53 938 793 |
| Provisions | 9 | **3 537 828** | 3 364 567 |
| Receiver of revenue | 14.2 | **1 446 296** | 1 058 576 |
| **Total net assets and liabilities** | | **1 060 004 886** | 846 965 266 |

# STATEMENT OF FINANCIAL PERFORMANCE
## for the year ended 30 June 2016

| | NOTES | 2016<br>R | 2015<br>R |
|---|---|---|---|
| Revenue from exchange transactions | 11 | **202 459 444** | 189 999 837 |
| **Cost of sales** | | **(25 682 611)** | (23 225 817) |
| Gross profit | | **176 776 833** | 166 774 020 |
| Other operating income from exchange transactions | | **41 894 633** | 38 481 468 |
| Finance income | 12 | **35 271 842** | 30 836 658 |
| Other | | **6 622 791** | 7 644 810 |
| Operating expenses | | **(151 369 407)** | (144 441 217) |
| Operating profit | 10 | **67 302 059** | 60 814 271 |
| Finance costs | 12 | **(42 327)** | (95 104) |
| Profit before taxation | | **67 259 732** | 60 719 167 |
| Taxation | 13 | **(20 006 799)** | (18 576 297) |
| **Net profit for the year** | | **47 252 933** | 42 142 870 |

# STATEMENT OF CHANGES IN NET ASSETS
## for the year ended 30 June 2016

| | CONTRIBUTIONS FROM OWNERS<br>R | ACCUMULATED DEFICIT<br>R | TOTAL<br>R |
|---|---|---|---|
| Balance at 1 July 2014 | 764 713 201 | (257 396 358) | 507 316 843 |
| Profit for the year | – | 42 142 870 | 42 142 870 |
| Share issue | 202 714 500 | - | 202 714 500 |
| Balance at 30 June 2015 | 967 427 701 | (215 253 488) | 752 174 213 |
| Profit for the year | – | 47 252 933 | 47 252 933 |
| Share issue | 117 000 000 | - | 117 000 000 |
| **Balance at 30 June 2016** | **1 084 427 701** | **(168 000 555)** | **916 427 146** |

# CASH FLOW STATEMENT
## for the year ended 30 June 2016

| | NOTES | 2016<br>R | 2015<br>R |
|---|---|---|---|
| **Cash flow from operating activities** | | **127 269 799** | 78 796 255 |
| Cash receipts from customers | | **227 555 789** | 189 449 136 |
| Cash paid to suppliers and employees | | **(113 247 450)** | (121 640 053) |
| Cash generated from operations | 14.1 | **114 308 339** | 67 809 083 |
| Finance costs | 12 | **(42 327)** | (95 104) |
| Finance income | 12 | **35 271 842** | 30 836 658 |
| Taxation paid | 14.2 | **(22 268 055)** | (19 754 382) |
| | | | |
| **Cash flow from investing activities** | | **(380 306 315)** | (81 878 694) |
| Acquisition of property, plant and equipment | | **(380 306 315)** | (81 878 694) |
| | | | |
| **Cash flow from financing activities** | | **117 000 000** | 202 714 500 |
| Proceeds from share issue | 7 | **117 000 000** | 202 714 500 |
| | | | |
| (Decrease)/increase in cash and cash equivalents | | **(136 036 516)** | 199 632 061 |
| Cash and cash equivalents at beginning of the year | 14.3 | **554 631 542** | 354 999 481 |
| | | | |
| **Cash and cash equivalents at end of the year** | **14.3** | **418 595 026** | 554 631 542 |

# STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
## for the year ended 30 June 2016

| | NOTES | ACTUAL 2016 R | APPROVED BUDGET 2016 R | FINAL BUDGET 2016 R | FAVOURABLE/ UNFAVOURABLE VARIANCE 2016 R | VARIANCE % |
|---|---|---|---|---|---|---|
| **STATEMENT OF FINANCIAL PERFORMANCE** | 19.2 | | | | | |
| **Revenue** | (i) | **174 453 822** | **168 312 338** | **169 312 338** | **5 141 484** | **3%** |
| **Other income** | (ii) | **34 628 413** | **24 414 160** | **25 414 160** | **9 214 253** | **36%** |
| **Less: direct costs** | | **43 110 929** | **41 007 804** | **42 132 115** | **(978 814)** | **-2%** |
| Cost of sales | | **25 178 796** | **24 879 928** | **26 004 239** | **825 443** | **3%** |
| Direct personnel | (iii) | **13 555 021** | **11 744 828** | **11 744 828** | **(1 810 193)** | **-15%** |
| Parking costs | | **3 390 862** | **3 578 973** | **3 578 973** | **188 111** | **5%** |
| Equipment hire | | **986 250** | **804 075** | **804 075** | **(182 175)** | **-23%** |
| **Add: finance income** | (iv) | **35 271 843** | **22 567 788** | **27 111 735** | **8 160 108** | **30%** |
| **Less: indirect expenditure** | (v) | **133 983 417** | **155 932 808** | **155 630 305** | **21 646 888** | **14%** |
| Personnel costs | | **48 046 825** | **54 301 387** | **56 361 387** | **8 314 562** | **15%** |
| Operations general | | **2 067 575** | **2 898 628** | **2 176 008** | **108 433** | **5%** |
| Utility services | | **17 799 026** | **19 633 530** | **19 333 530** | **1 534 504** | **8%** |
| Maintenance | | **7 856 031** | **8 041 373** | **8 041 373** | **185 342** | **2%** |
| Building costs | | **14 310 529** | **15 199 098** | **15 199 098** | **888 569** | **6%** |
| Office costs | | **3 794 562** | **4 713 686** | **4 713 686** | **919 124** | **19%** |
| Computer expenses | | **3 415 263** | **4 944 717** | **3 804 834** | **389 571** | **10%** |
| Advisors | | **2 923 308** | **4 495 586** | **4 495 586** | **1 572 278** | **35%** |
| Travel and entertainment | | **1 109 256** | **1 877 631** | **1 877 631** | **768 375** | **41%** |
| Marketing and corporate communications | | **5 186 347** | **6 890 065** | **6 890 065** | **1 703 718** | **25%** |
| Catering materials | | **2 182 156** | **2 866 614** | **2 666 614** | **484 458** | **18%** |
| Bad debts | | **418 083** | **280 900** | **280 900** | **(137 183)** | **-49%** |
| Depreciation | | **24 832 129** | **29 789 593** | **29 789 593** | **4 957 464** | **17%** |
| Finance costs | | **42 327** | **–** | **–** | **(42 327)** | **–** |
| **Net profit for the period** | **(vi)** | **67 259 732** | **18 353 674** | **24 075 813** | **43 183 919** | **179%** |

**Capital expenditure for the year ended 30 June 2016**

| **CATEGORY** | NOTES | ACTUAL R | APPROVED BUDGET R | FINAL BUDGET R | FAVOURABLE/ UNFAVOURABLE VARIANCE R | VARIANCE % |
|---|---|---|---|---|---|---|
| Building enhancements | | 15 194 123 | 16 495 000 | 16 495 000 | 1 300 877 | 8% |
| IT & electronic infrastructure | | 10 517 398 | 10 849 109 | 10 849 109 | 331 711 | 3% |
| Kitchen enhancements | | 786 288 | 1 050 000 | 1 050 000 | 263 712 | 25% |
| Catering furniture and equipment | | 2 596 609 | 4 174 897 | 3 174 897 | 578 288 | 18% |
| Other capex items | | 351 207 982 | 467 975 076 | 354 442 039 | 3 234 057 | 1% |
| **Total capital expenditure** | 19.3 | 380 302 400 | 500 544 082 | 386 011 045 | 5 708 645 | 1% |

## 1 Accounting policies

### 1.1 Basis of preparation

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including interpretations guidelines and directives issued by the Accounting Standards Board in accordance with the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

The cash flow statement has been prepared in accordance with the direct method. The amount and nature of any restrictions on the cash balance are disclosed.

**GRAP Standards issued but not yet effective**

The following GRAP Standards have been issued but are not yet effective and have not been early adopted by the entity:

| | |
|---|---|
| GRAP 20 Related Party Disclosures | This standard ensures that a reporting entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties. |
| GRAP 32 Service Concession Arrangements Grantor | This standard prescribes the accounting for service concession arrangements by the grantor, a public sector entity. |
| GRAP 108 Statutory Receivables | This standard prescribes the accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables. |

**Standards not applicable to the entity include**

| | |
|---|---|
| GRAP 18 | Segment Reporting (Not required by the Accounting Standards Board) |
| GRAP 103 | Heritage Assets (The entity does not hold any heritage assets) |
| GRAP 105 | Transfers of functions between entities under common control (There are no entities under common control) |
| GRAP 106 | Transfers of functions between entities not under common control (There are no entities not under common control) |
| GRAP 107 | Mergers (The entity does not hold any mergers) |
| GRAP 32 | Accounting for service concession arrangements by the grantor, a public sector entity (The entity does not service concession arrangements) |
| GRAP 108 | The recognition, measurement, presentation and disclosure of statutory receivables (The entity does not hold any statutory receivables) |

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued, but is not yet in effect, an entity may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event before applying paragraph 12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

## 1 Accounting policies (continued)

### 1.1 Basis of preparation (continued)

The significant accounting policies are set out below, and are consistent with those applied in the previous financial year.

In the process of applying the accounting policies, management has made the following significant accounting judgements, estimates and assumptions, which has the most significant effect on the amounts recognised in the financial statements:

**Operating lease commitments – Entity as lessor**

The entity has entered into commercial property leases on its property portfolio. The entity has determined that it retains all the significant risks and rewards of ownership of these properties, and so accounts for them as operating leases.

Rental is paid based on turnover rental contracts and is recognised as accrued.

**Impairment of trade receivables from exchange transactions**

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

**Property, plant and equipment**

The useful lives of assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time.

**Provisions and contingent liabilities**

Management's judgement is required when recognising and measuring provisions, and when measuring contingent liabilities as set out in note 9. Provisions are discounted where the effect of discounting is material using actuarial valuations.

### 1.2 Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs 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.

Depreciation is calculated on the straight-line method to write off the cost of each asset to its residual value over its estimated useful life as follows:

## 1 Accounting policies (continued)

### 1.2 Property, plant and equipment (continued)

| | 2016<br>% | 2015<br>% |
|---|---|---|
| Plant and equipment | **8.33 – 50.00** | 8.33 – 50.00 |
| Motor vehicles | **14.28 – 25.00** | 14.28 – 25.00 |
| Furniture and fittings | **6.67 – 50.00** | 6.67 – 50.00 |
| Kitchen and catering | **6.67 – 50.00** | 6.67 – 50.00 |
| Office equipment | **10.00 – 50.00** | 10.00 – 50.00 |
| Computer equipment | **16.67 – 50.00** | 16.67 – 50.00 |
| Computer software | **33.33 – 50.00** | 33.33 – 50.00 |
| Escalators and elevators | **5.56 – 10.00** | 5.56 – 10.00 |
| Carpets/laminated flooring | **12.50 – 16.67** | 12.50 – 16.67 |
| Curtains/blinds | **11.11 – 20.00** | 11.11 – 20.00 |
| Signage | **8.33 – 33.33** | 8.33 – 33.33 |
| Audiovisual | **7.69 – 16.67** | 7.69 – 16.67 |
| Fences and gates | **6.67 – 20.00** | 6.67 – 20.00 |
| Cold rooms | **5.88 – 16.67** | 5.88 – 16.67 |
| Air-conditioning system | **5.56 – 50.00** | 5.56 – 50.00 |
| Sprinkler system | **16.67 – 20.00** | 16.67 – 20.00 |
| Auditorium seating | **8.33 – 16.67** | 8.33 – 16.67 |
| Building management system | **5.88 – 16.67** | 5.88 – 16.67 |
| Building | **2.5 – 50.00** | 2.5 – 50.00 |

The assets’ estimated useful lives and residual values are reviewed on an annual basis.

Repairs and maintenance are generally charged to expenses during the financial period in which they are incurred. However, major renovations are capitalised and included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the company. Major renovations are depreciated over the remaining useful life of the related asset.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in operating profit.

Where the carrying value of an asset exceeds the calculated recoverable amount, the asset is immediately written down.

### 1.3 Impairment of assets

#### 1.3.1 Impairment of cash-generating assets

Cash-generating assets are those assets held by the entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash flows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

1 **Accounting policies (continued)**

1.3 **Impairment of assets (continued)**

1.3.1 **Impairment of cash-generating assets (continued)**

Fair value less costs to sell is the amount obtainable from the sale of an asset in the arm's length transaction between knowledgeable, willing parties, less costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Useful life is either:

a) The period of time over which an asset is expected to be used by the entity; or

b) The number of production or similar units expected to be obtained from the assets by the entity.

Criteria developed by the entity to distinguish cash-generating assets from non-cash-generating assets are as follows:

**Identification**

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

**Value in use**

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the entity applies the appropriate discount rate to those future cash flows.

**Composition of estimates of future cash flows**

Estimates of future cash flows include:

- Projections of cash inflows from the continuing use of the asset;
- Projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- Net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flow exclude:

- Cash inflows or outflows from financing activities; and
- Income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the entity expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

**Discount rate**

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

**Recognition and measurement (individual asset)**

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1 **Accounting policies (continued)**

1.3 **Impairment of assets (continued)**

1.3.1 **Impairment of cash-generating assets (continued)**

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.3.2 **Impairment of non-cash-generating assets**

Cash-generating assets are those assets held by the entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

**Identification**

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The entity assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable service amount of the asset.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Irrespective of whether there is any indication of impairment, the entity also tests a cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

**Value in use**

Value in use of an asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of an asset is determined using the following approaches:

**Depreciated replacement cost approach**

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the entity would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are necessary for the goods or services the asset provides. Overcapacity assets are assets that have greater capacity than is necessary to meet the demand for the goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

**Restoration cost approach**

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

## 1 Accounting policies (continued)

### 1.3 Impairment of assets (continued)

### 1.3.2 Impairment of non-cash-generating assets (continued)

**Recognition and measurement**

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the entity recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge of the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating assets revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

**Reversal of an impairment loss**

The entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

**Redesignation**

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset may only occur when there is clear evidence that such a redesignation is appropriate.

### 1.4 Leases

Leases where a significant portion of the risks and rewards of ownership are 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 period of the lease.

### 1.5 Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined on the weighted average method and includes transport and handling costs. The weighted average cost is determined using a weighted average cost for the month based on the most recent month's purchases. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

### 1.6 Current tax

Taxation on the profit or loss for the year comprises current and deferred taxation. Taxation is recognised in profit or loss.

## 1 Accounting policies (continued)

### 1.6 Current tax (continued)

#### 1.6.1 Current taxation

Current taxation comprises tax payable calculated on the basis of the estimated taxable income for the year, using the tax rates enacted at the reporting date, and any adjustment of tax payable for previous years.

#### 1.6.2 Deferred taxation

Deferred taxation is provided on all temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and their tax base. The amount of deferred taxation provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the reporting date.

Deferred taxation is charged to profit or loss except to the extent that it relates to a transaction that is recognised in equity, in which case it is recognised in equity, or a business combination that is an acquisition, in which case it is recognised as an adjustment to goodwill. The effect on deferred taxation of any changes in tax rates is recognised in profit or loss, except to the extent that it relates to items previously charged or credited to equity.

A deferred taxation asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised. Deferred taxation assets are reduced to the extent that it is no longer probable that the tax benefit will be realised.

### 1.7 Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of the obligation can be made.

### 1.8 Revenue recognition

Revenue comprises the invoiced value of sales of goods and services net of value-added tax, rebates and all discounts. Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to the buyer. Revenue arising from the rendering of services is recognised when the event takes place.

#### 1.8.1 Revenue from exchange transactions

Revenue from exchange transactions relate to income earned from venue rental and other services.

Commission income is recognised for the rendering of services as an agent in accordance with the contract of hire agreements.

### 1.9 Financial instruments

The company classifies financial assets into the following categories: at fair value through profit or loss, amortised cost and cost. The classification depends on the purpose for which the financial assets are acquired. Management determines the classification of its financial assets at initial recognition.

**Financial assets at fair value**

Financial assets at fair value are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

**Financial instruments at amortised cost**

Financial instruments at amortised cost are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. They are included in current assets for maturities less than 12 months after the reporting date. These are classified as non-current assets. Financial instruments at amortised cost are classified as trade and other receivables in the statement of financial position.

#### 1.9.1 Receivables from exchange transactions

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

## 1 Accounting policies (continued)

## 1.9 Financial instruments (continued)

### 1.9.2 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of six months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

### 1.9.3 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### 1.9.4 Payables from exchange transactions

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

### 1.9.5 Client deposits

Client deposits received in advance for upcoming events.

### 1.9.6 Financial risk factors

The company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance.

i) Interest rate risk

The company's income and operating cash flows are substantially independent of changes in market interest rates.

ii) Credit risk

Concentrations of credit risk with respect to trade receivables are limited due to the company's large number of customers, who are both internationally and nationally dispersed.

The company has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. The company has policies that limit the amount of credit exposure to any one financial institution, and cash transactions are limited to creditworthy institutions.

iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

iv) Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

### 1.9.7 Fair value estimation

In assessing the fair value of financial instruments, the company uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. The fair value of financial assets and liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the company for similar financial instruments.

## 1 Accounting policies (continued)

### 1.10 Translation of foreign currencies

**Transactions**

Foreign currency transactions are recorded on initial recognition in Rands, by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the transaction.

At each reporting date:

(a) foreign currency monetary items are reported using the closing rate; and

(b) non-monetary items, which are carried in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction.

Exchange differences arising on the settlement of monetary items or on reporting an enterprise's monetary items at rates different from those at which they are initially recorded during the period, or reported in previous financial statements, are recognised as income or expenses in the period in which they arise.

### 1.11 Short-term employee benefits

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service.

The accruals for employee entitlements to salaries, performance bonuses and annual leave represent the amounts which the entity has a present obligation to pay as a result of employees' services provided at the reporting date. The provisions have been calculated at discounted amounts based on current salary levels at the reporting date.

### 1.12 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act, 2003 (Act No. 56 of 2003), the Municipal Systems Act, 2000 (Act No. 32 of 2000), and the Public Office Bearers Act, 1998 (Act No. 20 of 1998), or is in contravention of the Municipal Entity Supply Chain Management Policy. Irregular expenditure is accounted for as expenditure in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.13 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.14 Comparative information

Comparative figures are reclassified or restated as necessary to afford a proper and more meaningful comparison of results, as set out in the affected notes to the financial statements. Budgeted amounts have been included in the annual financial statements for the current financial year only.

### 1.15 Critical accounting estimates and judgements

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed on the next page.

#### 1.15.1 Asset useful lives and residual values

Plant and equipment is depreciated over its useful life taking into account residual values where appropriate. The actual useful lives of the assets and residual values are assessed annually and vary depending on a number of factors. In reassessing the assets useful lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal value.

## 1 Accounting policies (continued)

### 1.16 Investment

Investments in subsidiary companies are stated at cost, less impairment losses.

### 1.16.1 Finance income

Finance income comprises interest income. Interest income is recognised in profit or loss on a time proportion basis, taking account of the principal outstanding and the effective interest rate over the period maturity, when it is probable that such income will accrue to the entity.

### 1.16.2 Finance costs

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

### 1.17 Commission income

When the entity acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the entity.

## 2 Property, plant and equipment

| | | | 2016 | | | 2015 |
|---|---|---|---|---|---|---|
| | COST | ACCUMULATED DEPRECIATION AND IMPAIRMENT | CARRYING VALUE | COST | ACCUMULATED DEPRECIATION AND IMPAIRMENT | CARRYING VALUE |
| | R | R | R | R | R | R |
| Escalators | **3 564 611** | **1 797 126** | **1 767 485** | 4 153 097 | 2 092 652 | 2 060 445 |
| Elevators | **8 438 473** | **6 759 946** | **1 678 527** | 10 431 903 | 8 197 469 | 2 234 434 |
| Carpets/laminated flooring | **8 152 043** | **3 797 154** | **4 354 889** | 8 437 337 | 3 523 624 | 4 913 713 |
| Curtains/blinds | **1 332 791** | **1 322 524** | **10 267** | 2 703 521 | 2 570 266 | 133 255 |
| Signage | **4 550 930** | **2 429 573** | **2 121 357** | 3 966 059 | 2 717 227 | 1 248 832 |
| Audiovisual | **9 694 291** | **8 887 770** | **806 521** | 13 053 983 | 12 105 738 | 948 245 |
| Fences and gates | **1 307 262** | **950 954** | **356 308** | 1 223 469 | 968 128 | 255 341 |
| Cold rooms | **3 301 547** | **2 507 089** | **794 458** | 3 188 210 | 2 235 046 | 953 164 |
| Air-conditioning system | **34 939 307** | **24 082 413** | **10 856 894** | 34 303 314 | 22 281 815 | 12 021 499 |
| Sprinkler system | **4 891 993** | **4 881 956** | **10 037** | 4 891 993 | 4 859 636 | 32 357 |
| Auditorium seating | **339 600** | **191 933** | **147 667** | 5 249 773 | 5 045 506 | 204 267 |
| Building management system | **18 697 297** | **11 451 499** | **7 245 798** | 33 287 513 | 24 995 785 | 8 291 728 |
| Building | **472 159 014** | **366 778 762** | **105 380 252** | 462 686 531 | 361 784 473 | 100 902 058 |
| Plant and equipment | **6 688 359** | **4 018 117** | **2 670 242** | 10 715 633 | 8 260 649 | 2 454 984 |
| Motor vehicles | **1 623 183** | **1 364 773** | **258 410** | 1 641 713 | 1 254 098 | 387 615 |
| Furniture and fittings | **12 366 206** | **9 690 769** | **2 675 437** | 15 097 374 | 12 272 163 | 2 825 211 |
| Kitchen and catering | **14 917 113** | **9 019 988** | **5 897 125** | 15 477 071 | 10 781 954 | 4 695 117 |
| Office equipment | **3 171 809** | **2 683 329** | **488 480** | 4 468 230 | 3 621 003 | 847 227 |
| Computer equipment | **17 312 839** | **9 794 084** | **7 518 755** | 13 067 153 | 7 943 419 | 5 123 734 |
| Computer software | **9 244 749** | **5 007 801** | **4 236 948** | 7 773 425 | 3 129 400 | 4 644 025 |
| Assets in progress* | **476 241 079** | **16 091 344** | **460 149 735** | 125 029 182 | 16 091 344 | 108 937 838 |
| | **1 112 934 496** | **493 508 904** | **619 425 592** | 780 846 484 | 516 731 395 | 264 115 089 |

*Assets in progress relate to the capitalised costs incurred on the expansion of the convention centre.

## 2 Property, plant and equipment (continued)

The carrying amounts of property, plant and equipment can be reconciled as follows:

| 2016 | CARRYING VALUE AT BEGINNING OF YEAR | RECLASSIFICATION AND ADJUSTMENTS | ADDITIONS | DISPOSALS | DEPRECIATION | CARRYING VALUE AT END OF YEAR |
|---|---|---|---|---|---|---|
| | R | R | R | R | R | R |
| Escalators | 2 060 445 | – | – | – | 292 960 | 1 767 485 |
| Elevators | 2 234 434 | – | – | – | 555 907 | 1 678 527 |
| Carpets/laminated flooring | 4 913 713 | – | 731 559 | – | 1 290 383 | 4 354 889 |
| Curtains/blinds | 133 255 | 76 | – | – | 123 064 | 10 267 |
| Signage | 1 248 832 | – | 1 151 423 | – | 278 898 | 2 121 357 |
| Audiovisual | 948 245 | 61 828 | 210 944 | – | 414 496 | 806 521 |
| Fences and gates | 255 341 | – | 186 101 | – | 85 134 | 356 308 |
| Cold rooms | 953 164 | – | 13 747 | – | 172 453 | 794 458 |
| Air-conditioning system | 12 021 499 | – | 791 124 | – | 1 955 729 | 10 856 894 |
| Sprinkler system | 32 357 | – | – | – | 22 320 | 10 037 |
| Auditorium seating | 204 267 | – | – | – | 56 600 | 147 667 |
| Building management system | 8 291 728 | (61 828) | 831 729 | – | 1 815 831 | 7 245 798 |
| Building | 100 902 058 | (1 673) | 11 165 347 | – | 6 685 480 | 105 380 252 |
| Plant and equipment | 2 454 984 | – | 973 839 | – | 758 581 | 2 670 242 |
| Motor vehicles | 387 615 | – | – | – | 129 205 | 258 410 |
| Furniture and fittings | 2 825 211 | (29 703) | 1 016 697 | 90 736 | 1 046 032 | 2 675 437 |
| Kitchen and catering | 4 695 117 | 58 754 | 2 351 465 | 72 947 | 1 135 264 | 5 897 125 |
| Office equipment | 847 227 | (31 369) | 260 912 | – | 588 290 | 488 480 |
| Computer equipment | 5 123 734 | 492 568 | 5 837 607 | – | 3 935 154 | 7 518 755 |
| Computer software | 4 644 025 | (492 568) | 3 575 839 | – | 3 490 348 | 4 236 948 |
| Assets in progress* | 108 937 838 | 3 915 | 351 207 982 | – | – | 460 149 735 |
| | 264 115 089 | – | 380 306 315 | 163 683 | 24 832 129 | 619 425 592 |

*Assets in progress relate to the capitalised costs incurred on the expansion of the convention centre.

## 2 Property, plant and equipment (continued)

The carrying amounts of property, plant and equipment can be reconciled as follows: (continued)

| 2015 | CARRYING VALUE AT BEGINNING OF YEAR | RECLASSIFICATION AND ADJUSTMENTS | ADDITIONS | DISPOSALS | DEPRECIATION | CARRYING VALUE AT END OF YEAR |
|---|---|---|---|---|---|---|
| | R | R | R | R | R | R |
| Escalators | 2 353 405 | – | – | – | 292 960 | 2 060 445 |
| Elevators | 2 790 341 | – | – | – | 555 907 | 2 234 434 |
| Carpets/laminated flooring | 4 868 322 | – | 1 158 601 | – | 1 113 210 | 4 913 713 |
| Curtains/blinds | 378 702 | (1 540) | – | – | 243 907 | 133 255 |
| Signage | 1 457 928 | – | 175 951 | – | 385 047 | 1 248 832 |
| Audiovisual | 1 296 571 | – | 46 448 | – | 394 774 | 948 245 |
| Fences and gates | 357 587 | – | – | 4 036 | 98 210 | 255 341 |
| Cold rooms | 1 082 204 | – | 151 480 | – | 280 520 | 953 164 |
| Air-conditioning system | 13 140 089 | 1 540 | 856 594 | 17 849 | 1 958 875 | 12 021 499 |
| Sprinkler system | 73 188 | – | – | – | 40 831 | 32 357 |
| Auditorium seating | 661 288 | – | – | – | 457 021 | 204 267 |
| Building management system | 9 185 619 | – | 945 265 | – | 1 839 156 | 8 291 728 |
| Building | 94 551 323 | – | 12 717 446 | 22 593 | 6 344 118 | 100 902 058 |
| Plant and equipment | 3 100 116 | – | 173 349 | 2 428 | 816 053 | 2 454 984 |
| Motor vehicles | 67 636 | – | 516 819 | 51 747 | 145 093 | 387 615 |
| Furniture and fittings | 3 799 472 | 27 399 | 251 241 | – | 1 252 901 | 2 825 211 |
| Kitchen and catering | 4 550 613 | (27 399) | 2 134 110 | 10 342 | 1 951 865 | 4 695 117 |
| Office equipment | 748 205 | – | 817 559 | 293 | 718 244 | 847 227 |
| Computer equipment | 5 024 149 | – | 2 782 004 | – | 2 682 419 | 5 123 734 |
| Computer software | 1 745 355 | – | 4 295 995 | – | 1 397 325 | 4 644 025 |
| Assets in progress* | 54 082 006 | – | 54 855 832 | – | – | 108 937 838 |
| | 205 314 119 | – | 81 878 694 | 109 288 | 22 968 436 | 264 115 089 |

*Assets in progress relate to the capitalised costs incurred on the expansion of the convention centre.

## 2 Property, plant and equipment (continued)

### Cost (fully depreciated property, plant and equipment)

| | 2016<br>R | 2015<br>R |
|---|---|---|
| Audiovisual | **1 258 235** | 4 891 570 |
| Auditorium seating | **–** | 4 910 173 |
| Building | **2 365 214** | 5 348 828 |
| Building management system | **2 527 401** | 17 877 057 |
| Carpets/laminated flooring | **–** | 718 550 |
| Curtains/blinds | **1 304 890** | 1 479 167 |
| Fences and gates | **347 177** | 362 659 |
| Signage | **1 411 635** | 1 882 123 |
| Sprinkler system | **4 821 657** | 4 706 801 |
| Air-conditioning system | **–** | 362 296 |
| Escalators | **–** | 588 486 |
| Elevators | **–** | 1 993 430 |
| Motor vehicles | **1 106 364** | 1 124 894 |
| Computer software | **1 771 821** | 1 258 395 |
| Computer equipment | **5 578 460** | 3 863 440 |
| Office equipment | **2 109 179** | 2 335 634 |
| Furniture and fittings | **6 917 497** | 7 941 089 |
| Artwork | **1 321 095** | 1 321 095 |
| Cold rooms | **–** | – |
| Plant and equipment | **166 507** | 4 978 481 |
| Kitchen and catering | **2 538 678** | 5 900 022 |
| | **35 545 810** | 73 844 190 |

### Impairment consideration

In line with our accounting policy for property, plant and equipment and GRAP for the impairment of assets, non-current assets were assessed during the period for possible indicators of impairment.

During the review, management has confirmed the following:

**Cash-generating unit comprises:**

| | 2016<br>R | 2015<br>R |
|---|---|---|
| Escalators | **1 767 485** | 2 060 445 |
| Elevators | **1 678 527** | 2 234 434 |
| Cold rooms | **794 458** | 953 164 |
| Air-conditioning system | **10 856 894** | 12 021 499 |
| Auditorium seating | **147 667** | 204 267 |
| Building | **105 380 252** | 100 902 058 |
| Kitchen and catering | **5 897 125** | 4 695 117 |
| **Total carrying value** | **126 522 408** | 123 070 984 |

## 2 Property, plant and equipment (continued)

(a) The main purpose of establishing the centre was to generate spin-off returns for the region.

(b) Due to the restrictions imposed on the use of the facility and site, no active market exists within which the value of the centre can be determined through an arm's length transaction between a willing buyer and a willing seller, and as such the value in use of the centre has been used to determine whether the building's carrying value may not be recoverable.

(c ) Since inception, all initial targets for the region (spin-offs) and the operation of the convention centre have consistently been exceeded and are forecast to maintain this level of performance for the foreseeable future.

(d) Despite this, the value in use of the centre can only be attributed to the present value of the future cash flows generated within the centre itself, and excludes any value which it generates for other entities or business sectors.

(e) No value could be attached to the centre at the end of its useful life due to its disposal being highly unlikely with no reliable basis for measuring the disposal value.

(f) A discount rate of 13.9% (2015: 13.7% ) was used which was calculated using the risk-free rate of R186 bond of 8.8% adjusted by 5.1% for uncertainty regarding timing and extent of certain of the cash flows.

Based on the calculation of value in use, the fair value of R133 million was determined. The current carrying value of R126 million was established for the building at date of calculation. This has resulted in a nil reversal of impairment.

## 3 Investment in subsidiary

The company has an investment in the following company:

| | 2016 R | 2015 R |
|---|---|---|
| **Unlisted** | | |
| **Cape Town International Convention Centre Operating Company (Pty) Ltd (OPCO)** | **100** | 100 |

The agency agreement between Cape Town International Convention Centre Company SOC Ltd (RF) (CONVENCO) and Cape Town International Convention Centre Operating Company (Pty) Ltd (OPCO) was terminated on 30 June 2010. OPCO does not reflect any trading activities in its financial results and will be deregistered. The company is dormant and has net asset value of R100.

## 4 Deferred taxation

Deferred income taxes are calculated on all temporary differences under the balance sheet method using a tax rate of 28%.

| | 2016 R | 2015 R |
|---|---|---|
| The deferred tax balance is made up as follows: | | |
| Asset/(liability) at beginning of year | **4 668** | (2 200 973) |
| Temporary differences | **2 648 976** | 2 205 641 |
| **Asset at end of year** | **2 653 644** | 4 668 |
| | | |
| The balance comprises of the following temporary differences: | | |
| Property, plant and equipment | **(4 003 088)** | (5 262 563) |
| Trade and other receivables | **(140 397)** | (238 651) |
| Client deposits | **5 221 495** | 4 080 061 |
| Trade and other payables | **585 044** | 483 743 |
| Provisions | **990 590** | 942 078 |
| **Asset at end of year** | **2 653 644** | 4 668 |

## 5 Inventories

| | 2016<br>R | 2015<br>R |
|---|---|---|
| Food | **427 230** | 955 443 |
| Beverage | **618 492** | 631 266 |
| Consumables | **172 741** | 148 467 |
| Chemicals | **41 349** | 30 379 |
| | **1 259 812** | 1 765 555 |

## 6 Receivables and other receivables from exchange transactions

| | 2016<br>R | 2015<br>R |
|---|---|---|
| Trade receivables | **5 071 893** | 1 696 490 |
| Less: Provision for impairment of trade receivables | **(4 052)** | (13 836) |
| Receivables from exchange transactions – net | **5 067 841** | 1 682 654 |
| Prepayments | **932 047** | 1 159 655 |
| Receiver of Revenue: VAT | **12 060 414** | – |
| Other receivables* | **10 410** | 23 606 003 |
| | **18 070 712** | 26 448 312 |

* Included in the 2015 other receivables balance is an amount of R22.7 million due from the City of Cape Town relating to the second basement of the expansion.

| | 2016<br>R | 2015<br>R |
|---|---|---|
| Trade receivables ageing | | |
| Current (0 – 30 days) | **4 674 063** | 913 359 |
| 31 – 60 days | **(50 080)** | 683 281 |
| 61 – 90 days | **347 302** | 5 442 |
| 91 – 120 days | **26 857** | – |
| + 120 days | **73 751** | 94 408 |
| **Total** | **5 071 893** | 1 696 490 |
| Provision for impairment | **(4 052)** | (13 836) |
| Trade receivables due | **5 067 841** | 1 682 654 |

The carrying amount of trade and other receivables approximates their fair value due to their short-term maturity.

Trade receivables in 120 days are not impaired as there is no history of default from these clients.

The carrying value of these trade receivables is denominated in the following currency: South African Rand.

| | 2016<br>R | 2015<br>R |
|---|---|---|
| **Provision for impairment of trade receivables** | | |
| Opening balance | **(13 836)** | (1 750 654) |
| Additional provision | **(4 052)** | (13 836) |
| Unused amounts reversed | **13 836** | 1 750 654 |
| **Closing balance** | **(4 052)** | (13 836) |

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The company does not hold any collateral as security.

## 7 Contribution from owners

### Authorised share capital

10 000 000 "A" ordinary shares of no par value
1 000 000 "B" ordinary shares of no par value

On 26 November 2013, the shareholders approved the issue of up to the maximum of 158 067 new "A" ordinary shares to the City of Cape Town and up to a maximum of 79 034 new "A" ordinary shares to the Western Cape Government. These shares will be issued in tranches on agreed dates.

| | **NUMBER OF SHARES** | **STATED CAPITAL** | NUMBER OF SHARES | STATED CAPITAL |
|---|---|---|---|---|
| | | **2016** | | 2015 |
| | **R** | **R** | R | R |
| **Issued and fully paid ordinary shares** | | | | |
| Opening balance | **171 396** | **967 427 701** | 113 477 | 764 713 201 |
| "A" ordinary shares | **157 396** | **827 788 000** | 99 477 | 625 073 500 |
| "B" ordinary shares | **14 000** | **139 639 701** | 14 000 | 139 639 701 |
| Movements | **33 427** | **117 000 000** | 57 919 | 202 714 500 |
| Share issue: "A" ordinary shares (8 October 2014) | **–** | **–** | 14 285 | 49 997 500 |
| Share issue: "A" ordinary shares (30 October 2014) | **–** | **–** | 4 674 | 16 358 000 |
| Share issue: "A" ordinary shares (9 December 2014) | **–** | **–** | 34 286 | 120 001 000 |
| Share issue: "A" ordinary shares (14 January 2015) | **–** | **–** | 4 674 | 16 358 000 |
| Share issue: "A" ordinary shares (4 December 2015) | **4 285** | **15 000 000** | – | – |
| Share issue: "A" ordinary shares (18 March 2016) | **14 857** | **52 000 000** | – | – |
| Share issue: "A" ordinary shares (29 April 2016) | **10 000** | **35 000 000** | – | – |
| Share issue: "A" ordinary shares (27 May 2016) | **4 285** | **15 000 000** | – | – |
| Closing balance | **204 823** | **1 084 427 701** | 171 396 | 967 427 701 |
| "A" ordinary shares | **190 823** | **944 788 000** | 157 396 | 827 788 000 |
| "B" ordinary shares | **14 000** | **139 639 701** | 14 000 | 139 639 701 |

## 8 Payables and other payables from exchange transactions

| | **2016** | 2015 |
|---|---|---|
| | **R** | R |
| Trade payables | **15 919 686** | 12 126 091 |
| Accruals* | **75 831 901** | 39 177 212 |
| Receiver of Revenue: VAT | **–** | 2 561 088 |
| Sundry payables | **221 535** | 74 402 |
| | **91 973 122** | 53 938 793 |

*Included in the 2016 accruals balance is an amount relating to the expansion.

The carrying amount of trade and other payables approximates their fair value due to short-term maturity.

| | | |
|---|---|---|
| The carrying value of these trade payables is denominated in the following currency: South African Rand | **15 919 686** | 12 126 091 |

## 9 Provisions

| | 2016<br>R | 2015<br>R |
|---|---|---|
| Performance bonus provision | | |
| Opening balance | **3 364 567** | 3 249 504 |
| Additional provisions | **3 537 828** | 3 364 567 |
| Prior year provision utilised | **(3 364 567)** | (3 249 504) |
| **Closing balance** | **3 537 828** | 3 364 567 |

Performance bonuses accrue to staff on an annual basis based on the achievement of predetermined performance. The provision is an estimate of the amount due to staff in the service of the company at reporting date.

## 10 Operating profit

| | 2016<br>R | 2015<br>R |
|---|---|---|
| Operating profit is stated after: | | |
| Income | | |
| (Loss) on foreign exchange | **(3 938)** | (7 164) |
| | | |
| Rental income | | |
| Vexicure Proprietary Ltd t/a Westin and Redefine Properties Limited | **4 522 011** | 3 020 951 |
| | | |
| Expenditure | **1 083 053** | 1 028 877 |
| Auditor's remuneration – Audit fee | | |
| | | |
| Bad debts recovered | **–** | (611 141) |
| | | |
| Depreciation (property, plant and equipment) | **24 832 129** | 22 968 436 |

## 11 Revenue from exchange transactions

| | | |
|---|---|---|
| Commissions | **17 660 648** | 12 195 725 |
| Parking | **12 070 558** | 11 576 455 |
| Sales | **172 728 238** | 166 227 657 |
| | **202 459 444** | 189 999 837 |

## 12 Finance income and costs

| | | |
|---|---|---|
| Finance income (cash and cash equivalents) | **35 271 842** | 30 836 658 |
| Finance cost (finance costs – financial institution) | **(42 327)** | (95 104) |
| **Net finance income** | **35 229 515** | 30 741 554 |

## 13 Taxation

### 13.1 South African normal taxation

| | 2016<br>R | 2015<br>R |
|---|---|---|
| Current year | **22 655 775** | 20 500 849 |
| Underprovision prior year | **–** | 281 089 |
| Deferred taxation (refer note 4) | **(2 648 976)** | (2 205 641) |
| **Taxation** | **20 006 799** | 18 576 297 |

### 13.2 Reconciliation of effective tax

| | | |
|---|---|---|
| Profit before taxation | **67 259 732** | 60 719 167 |
| Tax at statutory rate (28%) | **18 832 724** | 17 001 367 |
| Non-deductible permanent differences | **1 895 773** | 1 804 982 |
| Disallowed expenditure | **189 423** | 28 018 |
| Prior year underprovision of current tax | **–** | 281 089 |
| Other adjustments | **( 911 121)** | (539 159) |
| **Effective tax** | **20 006 799** | 18 576 297 |

## 14 Notes to the cash flow statement

### 14.1 Cash generated from operations

| | 2016<br>R | 2015<br>R |
|---|---|---|
| Profit before taxation | **67 259 732** | 60 719 167 |
| Adjustment for: | | |
| Depreciation | **24 832 129** | 22 968 436 |
| Finance income | **(35 271 842)** | (30 836 658) |
| Asset write-off | **163 683** | 109 288 |
| Finance costs | **42 327** | 95 104 |
| Increase in provision for bonuses | **173 261** | 115 063 |
| (Decrease) in provision for impairment of receivables from exchange transactions | **(9 784)** | (1 736 818) |
| | **57 189 506** | **51 433 582** |
| Movements in working capital | | |
| Decrease/(increase) in inventories | **505 743** | (697 142) |
| Decrease/(increase) in receivables | **8 387 384** | (14 504 195) |
| Increase in payables | **48 225 706** | 31 576 838 |
| | **114 308 339** | **67 809 083** |

### 14.2 Taxation paid

| | | |
|---|---|---|
| Balance at beginning of year | **1 058 576** | 31 020 |
| Taxation charged to income statement | **22 655 775** | 20 781 938 |
| Balance at end of year | **(1 446 296)** | (1 058 576) |
| | **22 268 055** | **19 754 382** |

## 14 Notes to the cash flow statement (continued)

### 14.3 Cash and cash equivalents

| | 2016<br>R | 2015<br>R |
|---|---|---|
| Cash and cash equivalents consist of cash on hand and balance with banks. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts: | | |
| Current accounts | **9 704 428** | 9 703 234 |
| Call and investment accounts | **408 823 598** | 544 861 808 |
| Petty cash | **5 500** | 5 500 |
| Cash float | **61 500** | 61 000 |
| **Cash and cash equivalents** | **418 595 026** | **554 631 542** |

The following bank and investment accounts were held by the entity:

| | | |
|---|---|---|
| Nedbank – Current Account (Acc Number: 1232043850) | **264 794** | 3 117 879 |
| Nedbank – Call Account (Acc Number: 03/7881544007/46) | **16 597** | – |
| Nedbank – Investment Account (Acc Number: 03/7881544007/000104) | **15 429 431** | 14 365 969 |
| Nedbank – Investment Account (Acc Number: 03/7881544007/000101) | **–** | 10 066 164 |
| Nedbank - Money Market Fund (Acc Number: (1766000029) 03/7881111917/00006) | **–** | 41 603 718 |
| ABSA Bank – Current Account (Acc Number: 4072900553) | **6 106 098** | 4 384 298 |
| ABSA Bank – CTICC East – Current Account (Acc Number: 4072900228) | **1 067 492** | 706 |
| ABSA Bank – Exh Serv – Current Account (Acc Number: 4072900731) | **44 066** | 103 917 |
| ABSA Bank Treasury – (Acc Number: 4073731246) | **65 071** | 62 405 |
| ABSA Bank Treasury – (Acc Number : 4073733701) | **2 156 907** | 2 034 029 |
| ABSA Bank – Call Deposit (Acc Number: 4074708347) | **14 833 701** | 7 294 734 |
| First National Bank – RMB Investment – 00 506 190 167 40 | **12 788 496** | – |
| Stanlib – Corporate Money Market Fund (Acc Number: 000-402-184 (1199539) 551436367) | **51 793 529** | 9 996 168 |
| Stanlib – Corporate Money Market Fund (Acc Number: 000-402-184 (1199539) 552166459) | **7 404** | 17 031 832 |
| Standard Bank – Investment Account (Acc Number: (97212) 486008) | **–** | 12 473 075 |
| Standard Bank – Investment Account (Acc Number: (97212) 500922) | **–** | 10 261 805 |
| Standard Bank – Investment Account (Acc Number: (97212) 490390) | **–** | 12 744 348 |
| ABSA Bank – Investment New 2 (Acc Number: (506009 4072900553) 48518474) | **–** | 21 961 797 |
| ABSA Bank – Investment New 1 (Acc Number: (506009 4072900553) 44699506) | **–** | 10 307 904 |
| ABSA Bank – Investment New 1 (Acc Number: (506009 4072900553) 47954355) | **–** | 9 452 767 |
| Nedbank – Three Month Deposit (Acc Number: 03/7881544007/000102) | **–** | 15 485 004 |
| Investec – Corporate Money Market Fund (Acc Number: (462097) 1008645) | **19 488 827** | 10 112 730 |
| Investec – Corporate Money Market Fund (Acc Number: (462097) 1037793) | **23 953** | 16 018 647 |
| ABSA Bank – Call Deposit (Acc Number: 4083941322) | **14 018 123** | 35 925 224 |
| Nedgroup – Money Market Fund (Acc Number: (1800167964) 8319631) | **58 687 057** | 35 370 266 |
| Nedgroup – Corporate Money Market Fund C2 (Acc Number: (800190652) 8330496) | **20** | 40 380 865 |
| Nedgroup – Money Market Fund Class C2 (Acc Number: (800190652) 8330497) | **–** | 35 528 273 |
| ABSA Bank – Fixed Deposit (Acc Number: 506009 4072900553 – 44893640) | **–** | 32 024 611 |
| ABSA Bank – Money Market Fund (Acc Number: 9295637051) | **–** | 21 169 332 |
| ABSA Bank – CTICC Money Market Fund (Acc Number: 09316676360) | **86 823 583** | – |
| ABSA Bank – Guarantee (Acc Number: (506009 4072900553) 43939765) | **134 912 877** | 125 286 575 |

## 15 Expenses by nature

| | 2016<br>R | 2015<br>R |
|---|---|---|
| Depreciation | **24 832 129** | 22 968 436 |
| Employee related costs (note 17) | **46 182 266** | 42 935 049 |
| Changes in inventories | **(505 743)** | 697 142 |
| Raw materials and consumables used | **25 176 868** | 23 922 959 |
| Marketing and advertising costs | **4 819 105** | 4 858 342 |
| Other expenses | **76 589 720** | 72 380 209 |
| **Total cost of sales and operating expenses** | **177 094 345** | **167 762 137** |

## 16 Related parties

### 16.1 Holding Company

The company is controlled by the City of Cape Town, which owns 67.8% (2015: 69.9%) of the company's shares. The remaining shares are held by the Western Cape Government 25.3 % (2015: 21.9%) and SunWest International (Pty) Ltd 6.9% (2015: 8.2%). The City of Cape Town has leased the land on which the convention centre is built to the company for a period of 99 years at a cost of R100 per annum.

In terms of an agreement dated April 2001, Convenco has sub-leased a portion of land to Vexicure Proprietary Limited t/a Westin for an initial period of 30 years extendable to 50 years. The hotel erected on this site reverts to the City of Cape Town should the lease not be renewed.

In terms of an agreement dated September 2005, Convenco has sub-leased a portion of land to Redefine Properties Limited for an initial period of 50 years extendable by 20 years. The office tower (Convention Towers) erected on this site reverts to the City of Cape Town should the lease not be renewed.

| | 2016<br>R | 2015<br>R |
|---|---|---|
| **Related party transactions** | | |
| Rates and taxes | **5 260 215** | 4 843 818 |
| Electricity | **11 124 301** | 10 406 397 |
| Water | **1 088 520** | 963 682 |
| Lease P1 Parking (including refuse, sewerage, rates and water) | **3 390 862** | 3 100 676 |
| Y-Waste Solutions CC* | **22 969** | 48 897 |
| | | |
| **Related party balances** | | |
| Amounts owing to City of Cape Town | **1 378 698** | 1 302 609 |
| Amounts due by City of Cape Town** | **575 804** | 22 747 307 |

* Waste management service supplier where the manager's spouse (S Fourie) is a Non-executive Director and in the service of the state (HoD: Department of Economic Development and Tourism).

** The amount due from the City of Cape Town relates to the second basement of the expansion.

## 16 Related parties (continued)

### 16.2 Subsidiary

The company has only one subsidiary, the Cape Town International Convention Centre Operating Company SOC Ltd (OPCO). OPCO is in the process of being deregistered. Consolidated financial statements have not been prepared as OPCO is dormant and is not considered material.

| | 2016<br>R | 2015<br>R |
|---|---|---|
| **Director's remuneration** | | |
| Non-executive Directors' remuneration* | | |
| AA Mahmood | **52 407** | 35 432 |
| GM Fisher | **–** | 13 888 |
| AM Boraine | **94 829** | 39 694 |
| BJ Lodewyk | **79 180** | 54 667 |
| EI Hamman | **58 031** | 43 782 |
| GJ Lundy | **42 229** | 35 968 |
| HJ Taljaard | **17 476** | 57 416 |
| RSH Eksteen | **38 892** | 35 023 |
| S Myburgh-De Gois | **41 331** | 36 151 |
| DA Cloete | **28 522** | – |

* The comparatives have been re-presented in accordance with the CIPC ruling.

| | | |
|---|---|---|
| ***CEO – (J Ellingson)*** | | |
| Basic salary | **1 874 976** | 1 671 455 |
| Bonus | **232 485** | – |
| **Key management remuneration** | | |
| ***Operations – (C Barrington)*** | | |
| Basic salary | **1 214 216** | 963 820 |
| Bonus | **173 807** | 152 666 |
| ***Commercial – (M Arendse)*** | | |
| Basic salary | **1 291 495** | 1 205 375 |
| Bonus | **152 858** | 142 459 |
| ***Finance – (F Parker)*** | | |
| Basic salary | **1 382 086** | 1 287 613 |
| Bonus | **186 949** | 151 885 |

## 17 Employee-related costs

| | | |
|---|---|---|
| Salaries and wages | **35 216 194** | 33 041 294 |
| Contributions for UIF, WCA, medical aid, etc | **3 064 952** | 2 867 492 |
| Provident fund | **3 039 192** | 2 804 956 |
| Overtime | **716 360** | 729 070 |
| Performance bonus | **2 507 478** | 2 242 647 |
| Other: Staff transport and health and safety costs | **1 638 090** | 1 249 590 |
| **Total employee-related costs** | **46 182 266** | 42 935 049 |

## 18 Operating Leases

### 18.1 Lessee

| 2016 | 1 YEAR<br>R | 2-5 YEARS<br>R | Over 5 years<br>R |
|---|---|---|---|
| **Future minimum lease payments (ZAR) (incl. VAT)** | **2 708 915** | **12 561 428** | **291 575 229** |
| 2015 | | | |
| Future minimum lease payments (ZAR) (incl. VAT) | 2 560 417 | 11 872 827 | 295 552 771 |

Future minimum lease payments for the operating leases relates to the following leases:
- City of Cape Town - 99 year lease of land, remaining term 84 years 5 months; and
- City of Cape Town - 50 year lease of P1 parking garage, remaining term 35 years 3 months.

### 18.2 Lessor

The company receives rental income from Vexicure Propriety Limited t/a Westin and Redefine Properties Limited, which is a percentage based on turnover.

## 19 Budget information

**19.1** The budget is approved on an accrual basis by nature classification. The approved budget covers the fiscal period from 1 July 2015 to 30 June 2016. Both the budget and the accounting figures are prepared on the same basis.

The variances between the approved and final budgets are mainly due to the adjustment of:

– an increase in revenue due to additional short-term business gained;

– an increase in finance income due to a delay in the spending of funding for the expansion; and

– a decrease in total indirect costs mainly due to adjustments on personnel, operations and computer costs.

### 19.2 Explanation of variances greater than 5% and greater than R1 million: Final budget and actual amounts Statement of financial performance

**(i) Revenue (R5 141 484)**
Due to additional revenue gained from revenue sources such as venue and food and beverage services.

**(ii) Other income (R9 214 253)**
Mainly due to revenue gained from secondary revenue sources such as subcontracted services, parking and other services.

**(iii) Direct personnel (R1 810 193)**
Increased direct personnel is in relation to the increased revenue.

**(iv) Finance income (R8 160 108)**
Due to steady interest rate earned from favourable cash balances.

**(v) Indirect expenditure (R21 646 888)**
Substantial savings on indirect expenses achieved through strict budgetary control.

Personnel cost savings due to vacancies as at year end. The budget also includes an adjustment in staff salaries, following a salary benchmarking exercise. The salary benchmarking exercise is yet to be finalised.

Operations general cost savings on logistic services.

Utility services savings are due to a combination of savings on rates, electricity and insurance.

Building costs savings are due to tighter control on services of cleaning, refuse and security.

Office cost savings due to tighter control on office equipment usage.

Computer cost savings due to the in-sourcing of certain IT services.

Advisors cost savings due to tighter control on legal cost spend.

Marketing and corporate communications savings as a result of trade fairs and related costs and marketing events.

Travel and entertainment cost savings due to timing of the expense as a result of business operational needs.

Depreciation savings due to the timing of capital expenditure and due to a reassessment of the useful lives of assets.

**(vi) Profit before tax for the period (R43 183 919)**
Increased revenue, finance income and significant cost savings contributed to the improved performance.

## 19 Budget information (continued)

### 19.3 Explanation of variances greater than 10% and greater than R2 million: Final budget and actual amounts Capital expenditure

100% of capital expenditure projects were either complete or in progress as at year end.

Other capex items – The unspent capital expenses relates to the timing of expenditure on the CTICC East expansion programme.

Capital expenditure relates to the operation and has no impact on service delivery.

### 19.4 Revenue and other income reconciliation

Classification of certain income and expenditure differs in instances from the statement of financial performance compared to statement of comparison of budget and actual amounts.

| | 2016<br>R |
|---|---|
| Revenue per the statement of financial performance | 202 459 444 |
| Other income per the statement of financial performance | 6 622 791 |
| | 209 082 235 |
| Revenue per the statement of comparison to budget | 174 453 822 |
| Other income per the statement of comparison to budget | 34 628 413 |
| | 209 082 235 |
| **Cost of sales and operating expenses** | |
| Cost of sales per the statement of financial performance | 25 682 611 |
| Expenses per the statement of financial performance | 151 369 407 |
| | 177 052 018 |
| Finance costs included in indirect expenditure | 42 327 |
| Direct costs per the statement of comparison to budget | 43 110 929 |
| Indirect costs per the statement of comparison to budget | 133 983 417 |
| | 177 094 346 |

## 20 Financial instruments

### 20.1 Risk management

**Foreign exchange risk**

The company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar, Euro and Great British Pound. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

**Market risk**

The company's activities expose it primarily to risks of fluctuations in interest rates.

**Interest rate risk**

The company's interest rate profile consists of fixed and floating rate bank balances which expose the company to fair value interest rate risk and cash flow interest risk.

**Interest rate sensitivity risk**

The sensitivity analysis below has been determined based on the financial instruments' exposure to interest rates at reporting date.

A sensitivity analysis shows reasonable expected change in the interest rate, either an increase or decrease in the interest rate percentage. The equal but opposite 1% adjustment to the interest rate would result in an equal but opposite effect on net surplus and therefore has not been disclosed separately.

| | 2016<br>R | 2015<br>R |
|---|---|---|
| Cash and cash equivalents | 418 595 026 | 554 631 542 |
| Increase/Decrease in interest rates | 1% | 1% |
| Net surplus (post-tax) | 3 013 884 | 3 993 347 |

## 20 Financial instruments (continued)

## 20.1 Risk management (continued)

### Credit risk management

Credit risk is the risk of financial loss to the company if a customer fails to meet its contractual obligation, and arises principally from the company's customers. The company's policy is to receive the majority of payment upfront from customers. Any outstanding balances is managed through frequent communications with customers.

Due to the nature of the business, a majority of the outstanding amounts are with customers with whom the company has dealt with previously and whom have not defaulted in the past.

Financial assets, which potentially subject the entity to credit risk, consist principally of cash and cash equivalents and trade and other receivables.

The company's cash and cash equivalents are placed with high credit quality financial institutions.

Credit Risk with respect to trade receivables is limited due to the credit approval processes.

### Credit quality of trade and other receivables

The following represents the credit quality of the trade receivables:

| | **2016** | 2015 |
|---|---|---|
| | **R** | R |
| Key accounts customers | **4 517 340** | 1 042 579 |
| Other accounts customers | **550 501** | 640 075 |
| High risk customers | **4 052** | 13 836 |
| Related party recoverable* | **575 804** | 22 747 307 |
| | **5 647 697** | 24 443 797 |

The company believes that no further impairment is necessary on trade receivables as reflected in note 6.

* The related party recoverable balance is due from the City of Cape Town relating to the second basement of the expansion.

### Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they become due. The company ensures that adequate funds are available to meet its expected and unexpected financial commitments.

The following table provides details of the company's remaining contractual liability for its financial liabilities.

| | **LESS THAN 1 MONTH** | **BETWEEN 1 AND 3 MONTHS** | **TOTAL** |
|---|---|---|---|
| | **R** | **R** | **R** |
| **2016** | | | |
| Client deposits | **46 620 494** | **–** | **46 620 494** |
| Payables and other payables from exchange transactions | **15 446 903** | **76 526 219** | **91 973 122** |
| | **62 067 397** | **76 526 219** | **138 593 616** |
| 2015 | | | |
| Client deposits | 36 429 117 | – | 36 429 117 |
| Payables and other payables from exchange transactions | 12 102 882 | 39 274 823 | 51 377 705 |
| | 48 531 999 | 39 274 823 | 87 806 822 |

## 20 Financial instruments (continued)

### 20.1 Risk management (continued)

**Capital risk management**

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including borrowings and payables and other payables from exchange transactions, as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as equity, shown in the statement of financial position, plus net debt. The gearing ratios at 30 June 2016 and at 30 June 2015 were as follows:

| | **2016**<br>**R** | 2015<br>R |
|---|---|---|
| Cash and cash equivalents | **418 595 026** | 554 631 542 |
| Less: Payables and other payables from exchange transactions | **(91 973 122)** | (51 377 705) |
| Net cash | **326 621 904** | 503 253 837 |
| Total equity | **589 805 242** | 248 920 376 |
| Total capital | **916 427 146** | 752 174 213 |
| Gearing ratio | **36%** | 67% |

### 20.2 Financial instuments by category

The accounting policies for financial instruments have been applied below:

| **2016**<br>**Assets as per financial position** | **LOANS AND RECEIVABLES**<br>**R** |
|---|---|
| Receivables and other receivables from exchange transactions | **5 078 251** |
| Cash and cash equivalents | **418 595 026** |

| **Liabilities per financial position** | **OTHER FINANCIAL LIABILITIES**<br>**R** |
|---|---|
| Payables and other payables from exchange transactions | **91 973 122** |
| Client deposits | **46 620 494** |

| 2015<br>Assets as per financial position | LOANS AND RECEIVABLES<br>R |
|---|---|
| Receivables and other receivables from exchange transactions | 25 288 657 |
| Cash and cash equivalents | 554 631 542 |

| Liabilities per financial position | OTHER FINANCIAL LIABILITIES<br>R |
|---|---|
| Payables and other payables from exchange transactions | 51 377 705 |
| Client deposits | 36 429 117 |

## 21 Supply chain management regulations

### 21.1 Deviations

In terms of section 36 of the Municipal Supply Chain Management Regulations and the CTICC Supply Chain Management Policy, the CEO may ratify any minor breaches of the procurement process.

**2016**
Total deviations for the year amounted to **R21 094 062**
Listed below are material deviations:

| Incident | R |
|---|---|
| Exceptional/impractical cases | **6 776 603** |
| Sole/single provider | **5 244 722** |
| Emergency situation | **583 360** |
| Minor breaches | **8 489 377** |
| | **21 094 062** |

2015
Total deviations for the year amounted to R22 952 789
Listed below are material deviations:

| Incident | R |
|---|---|
| Exceptional/impractical cases | 1 724 908 |
| Sole/single provider | 5 227 260 |
| Emergency situation | 167 538 |
| Minor breaches | 15 833 083 |
| | 22 952 789 |

**21.2** According to section 45 of the Municipality Supply Chain Management Policy, disclosure needs to be given of awards to close family members of persons in the service of the state, in compliance with the provisions of CTICC's Supply Chain Management Policy.

Appointment of food waste management services was awarded to Y-Waste Solutions CC (non-VAT vendor). The manager's spouse (S Fourie) is in service of the state (HoD: Department of Economic Development and Tourism) and a Non-executive Director of the company. The amount of the award was 2016: R22 969 (2015: R48 897).

Tender CTICC024/2014: Appointment of upgrade P1 parkade renovation was awarded to Exeo Khokela Civil Engineering (Pty) Ltd. The Director's child (T Meyer) is in service of the state (Educator: Western Cape Education Department). The amount of the award was 2016: R1 563 789 (2015: R4 520 259).

AT Catering t/a 3 Peas was appointed onto the panel for the supply and delivery of Fresh and Prepared Fruit and Vegetables (CTICC027/2016). The Director's spouse (Mrs. M Brink) is in service of the state as a doctor at the Red Cross Hospital. The amount of the award was 2016: R491 937.

Tender CTICC010/2016: Professional services – upgrading of existing generating system was awarded to SMEC. The spouse (Mrs. Y Phosa) of the chairperson of SMEC's Board of Directors, is in service of the service of the state as Chairperson: Parliament Committee of Higher Education and Training. The amount of the award was 2016: R154 933.

## 22 Events subsequent to year end

The Directors are unaware of any events after the reporting date that would materially alter the amounts or disclosure in these annual financial statements.

## 23 Capital commitments

Commitments in respect of capital expenditure

| | 2016<br>R | 2015<br>R |
|---|---|---|
| **Category** | | |
| Other capex items | **371 850 265** | 720 463 663 |
| **Total capital commitments** | **371 850 265** | 720 463 663 |

## 24 Contingent liabilities

### 24.1 Income tax dispute

The outcome of an income tax case relating to a SARS audit of 2012 which is currently under appeal is still pending. The potential extent of the liability cannot be determined at this stage as the matter is subject to litigation.