ANNUAL FINANCIAL STATEMENTS

CONTENTS

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

EXCO, MANCO and Leadership Team

DIRECTORS' RESPONSIBILITY STATEMENT

for the year ended 30 June 2019

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) Limited (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, No. 56 of 2003 and the Companies Act of South Africa, No. 71 of 2008. 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 175 to 221, were approved by the Board of Directors on 27 November 2019 and are signed on their behalf by:

DA Cloete
Authorised Director
27 November 2019

A Cilliers
Authorised Director
27 November 2019

REPORT OF THE DIRECTORS

for the year ended 30 June 2019

The Directors have pleasure in presenting their report for the year ended 30 June 2019.

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

No changes in the authorised and issued share capital of the Company during the period under review.

4. Directors

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

DA Cloete (Chairperson)

CK Zama

W Parker

A Cilliers

G Harris

N Pangarker

JM Ellingson (CEO)

W De Wet (CFO)

S Myburgh

SW Fourie

JC Fraser

HV Ntoi (Resigned: 12/03/2019)

EI Hamman (Resigned: 12/03/2019)

5. 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).

6. Shareholding

The City of Cape Town owns 71.4% of the company's shares. The remaining shares are held by the Provincial Government of the Western Cape (23.2%) and SunWest International (Pty) Limited (5.4%).

7. Subsidiary

The Company has only one subsidiary, the Cape Town International Convention Centre Operating Company Limited (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.

8. Holding Company

The City of Cape Town.

COMPANY SECRETARY'S CERTIFICATE

for the year ended 30 June 2019

In terms of section 88(2)(e) of the Companies Act, No. 71 of 2008, as amended, we, First Corporate Transfer Secretaries Proprietary Limited, in our capacity as Company Secretary of Cape Town International Convention Centre Company (SOC) Limited (RF), confirm that, for the year ended 30 June 2019, the company has lodged with the Companies and Intellectual Property Commission, all such returns as are required of a public company in terms of the Companies Act, No. 71 of 2008 and that all such returns and notices are, to the best of our knowledge, true, correct and up to date.

First Corporate Transfer Secretaries Proprietary Limited
Company Secretary
8 August 2019

REPORT OF THE AUDIT AND RISK COMMITTEE

for the year ended 30 June 2019

The Audit and Risk Committee ("the committee") submits its report in respect of the financial year ended 30 June 2019.

Audit committee mandate

The committee is governed by a charter which has been approved by the Board and is reviewed annually. The committee fulfils its responsibilities in terms of its charter, the Companies Act, No. 71 of 2008 ("Companies Act") and the Municipal Finance Management Act, No. 56 of 2003 ("MFMA").

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 the Board of its responsibilities but makes objective and independent recommendations. The committee is satisfied that it has, during the past financial year, met its responsibilities as stipulated in its charter and that it has complied with all its legal, regulatory and other responsibilities.

Composition of the committee

The committee comprises five members, all of whom hold appropriate qualifications and experience, of which two are independent non-executive directors and all of whom are appointed by the Council of the City of Cape Town.

The committee was chaired by Ms El Hamman until 12 March 2019 when Ms A Cilliers took over as its chairperson.

The table below discloses relevant information on the audit committee members:

Attendance at meetings

The committee meets at least four times a year and its meetings were attended by the executive managers, internal and external auditors. A representative quorum for meetings is a majority of members present, and at least one (1) member being a Non-executive Director of the Board.

The committee met four times during the year under review.

Name	Qualifications	Membership	Date appointed	No. of meetings attended
Mr M Burton	CA (SA)	External independent	1 April 2018	3/4
Ms A Cilliers	CA (SA)	Independent Non-Executive Director	31 January 2019	2/2
Ms E Hamman	CA (SA)	Independent Non-Executive Director	19 December 2013	3/3
Mrs L Ndaba	B Compt Certified Internal Auditor Certified Ethics Officer	External	24 August 2017	2/4
Dr D Singh	LLD (Doctor of Laws)	External independent	24 August 2017	3/4
Ms K Zama	CA (SA)	Non-Executive Director	26 June 2018	1/3

REPORT OF THE AUDIT AND RISK COMMITTEE

for the year ended 30 June 2019 (continued)

Key responsibilities of the committee

The statutory responsibilities of the committee are as set out in Section 94(7) of the Companies Act, No. 71 of 2008, and Section 166(2) of the Municipal Finance Management Act, No. 56 of 2003 ("MFMA").

The committee

- Exercises oversight of the internal financial controls of the company;
- Oversees the internal audit function, which is outsourced and which reports directly to the 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;
- Oversees and reviews the expertise, resources and experience of the company's finance function;
- 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;
- Ensures that any significant issues arising from the audit are brought to the committee's attention;
- Oversees financial reporting risks in relation to financial reporting;
- 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;
- 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;
- Oversees the development and annual review of a policy and plan for risk management to recommend for approval to the Board and ensures that frameworks and methodologies are implemented to increase the possibility of anticipating unpredictable risks;
- Ensures that the combined assurance received is appropriate to address all the significant risks facing the company and monitors the relationship between the assurance providers and the company;
- Oversees compliance with all applicable laws and regulations and reviews the effectiveness of the company's systems for monitoring compliance;
- Makes recommendations to the Board of Directors, and advises the Board, the accounting officer and 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; and
- Performs such additional oversight functions as may be determined by the Board from time to time.

Discharge of responsibilities

The committee has a work plan 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 charter and that it has complied with all its legal, regulatory and other requirements.

Internal controls

The committee has, during the year under review:

- 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;
- Reviewed the effectiveness of the company's system of internal financial controls, including receiving assurance from management, internal audit and external audit;
- Reviewed and made recommendations to relevant company policies;
- Satisfied itself that the Chief Financial Officer has the appropriate expertise and experience to act in this capacity;
- The committee has reviewed the quarterly financial and performance reporting together with findings from the Auditor-General and Internal Audit. These findings have been discussed with management;
- Evaluated the appropriateness of accounting policies and procedures, compliance with Standards of Generally Recognised Accounting Practice ("GRAP") and overall accounting standards;
- Discussed and resolved any significant or unusual accounting issues;
- Reviewed relevant company procedures for the prevention and detection of fraud;
- Reviewed relevant company procedures for the prevention and detection of fraud;
- Reviewed the significant issues raised by the internal and external auditors;

- Reviewed the effectiveness of the monitoring of compliance with relevant laws and regulations and is satisfied that all regulatory compliance matters has been considered in the preparation of the financial statements;
- Exercised oversight of the financial aspects of capital projects, including the CTICC East expansion.

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 year under review:

- Exercised oversight in respect of the enterprise risk management function, which remains management's responsibility;
- Monitored implementation of the company's risk management action plan and made recommendations regarding the improvement thereof and reporting thereon.

The committee believes that the combined assurance model is adequate for the entity.

Internal audit

The committee has, during the year under review:

- Ensured that the company's internal audit function was independent and that it had the necessary resources 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 of the internal audit function;
- Exercised oversight of the co-operation between the internal and external auditors and served as a link between these functions.

The following assurance engagements were completed in the 2018/2019 internal audit plan:

- o Commercial contracts;
- o Performance information;
- o Events Business Management System (EBMS) applications.

The internal audit plan was completed for the year and the areas for improvement were agreed to by management.

External audit

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

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

The committee has reviewed the external auditors' management letter and management's response thereto.

The committee concurs with the Auditor-General's opinion on the annual financial statements.

Annual financial statements

The committee has reviewed the year-end financial statements and integrated annual report and is satisfied with their integrity.

The committee recommended the approval thereof to the board.

A Cilliers
CA(SA)
Audit Committee Chairperson
20 November 2019

REPORT OF THE HUMAN RESOURCES AND REMUNERATION COMMITTEE

for the year ended 30 June 2019

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 2019.

Mandate of the committee

The committee is governed by a formal charter, which has been approved by the Board and is reviewed annually. The committee has an independent oversight and advisory role. A detailed annual work plan was formally approved to ensure the effective functioning of the committee. The work plan is reviewed at least annually.

The committee is satisfied that it has, during the past financial year, met its responsibilities as stipulated in its charter and that it has complied with all its legal, regulatory and other responsibilities.

Composition of the committee

The committee comprises four independent Non-executive Directors of the company. The Executive Directors and certain members of the company's Executive Management team also attend committee meetings at the invitation of the committee. A quorum for meetings is 50% of the members present. The committee was chaired by Mr DA Cloete until 30 May 2019 when Mr G Harris took over as its Chairperson.

Attendance at meetings

The committee met four times during the period under review. Details of the Directors' attendance at meetings appear on page 121 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;
- Selects appropriate comparative groups when comparing remuneration levels in the company;
- Ensures that all benefits, including retirement benefits and other financial arrangements, are justified and correctly valued;
- Evaluates the performance of the Chief Executive Officer in determining her remuneration;
- Exercises oversight on matters relating to Human Resource management and succession planning; and
- Performs such additional oversight functions as may be determined by the Board from time to time.

Discharge of responsibilities

During the year under review, the committee:

- Reviewed the Non-executive Directors' remuneration policy;
- Reviewed the remuneration strategy, which included the benchmarking of all remuneration levels in the company;
- Exercised oversight over salary increases;
- Reviewed various company policies;
- Set, in conjunction with the Chief Executive Officer, 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;
- Exercised oversight of matters related to Human Resource management and succession planning; and
- Performed such additional oversight functions as may be determined by the Board from time to time.

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. Furthermore, a reward and recognition programme is in place.

During the period under review, and with the assistance of independent external advice from Auld Compensation Consulting, the committee reviewed the remuneration trends in the market. All remuneration packages in the company were benchmarked to similar positions in the meetings industry to ensure that they are fair and competitive. The committee was satisfied that the advisor was independent and objective.

Despite it being a turbulent year for the South African economy and the drought that affected local businesses in the Cape metropole, the CTICC performed strongly and continued to deliver against its strategic short, medium and long-term targets. The committee is satisfied that the company's remuneration strategy and policy achieved its desired objectives during the period under review.

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 our Directors, and ensuring that they are remunerated fairly and responsibly within the constraints of the Municipal Finance Management Act, No. 56 of 2003, and the company's Memorandum of Incorporation.

The company's Directors' Remuneration Policy is currently under review and will be benchmarked with those of the other City of Cape Town entities and then tabled at the Annual General Meeting of the company (held on 11 December 2019) for consideration and approval by the shareholders.

Please refer to page 212 for details of the Directors' remuneration for the period under review

G Harris
Human Resources and Remuneration Committee Chairperson

REPORT OF THE NOMINATIONS COMMITTEE

for the year ended 30 June 2019

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 2019.

Mandate of the committee

The committee is governed by a formal charter, which has been approved by the Board and is reviewed annually. The committee has an independent oversight and advisory role and makes recommendations to the Board of Directors.

Composition of the committee

The committee comprises three independent Non-executive Directors and one Non-executive Director of the company. Executive Directors attend committee meetings only by invitation. A quorum for meetings is 50% of the members present. The committee was chaired by Mr HV Ntoi until 12 March 2019 when Mr DA Cloete took over as its Chairperson.

Attendance at meetings

The committee met twice during the period under review. Details of the Directors' attendance at meetings appear on page 121 of this report.

Role of the committee

The committee:

- Assists the Board in determining that it has the appropriate composition to enable it to execute its duties effectively;
- Assists the Board in ensuring that the Directors are appointed through a formal and transparent process;
- Assists the Board in ensuring that the respective Board committees have the appropriate skill sets to enable them to fulfil their responsibilities;
- Ensures that induction, ongoing training and development and evaluation of the Directors takes place;
- Ensures that an appropriate succession plan is in place in respect of the Chief Executive Officer and Board of Directors;
- Assists the Board with the annual Board and Board committees' effectiveness evaluations;
- Reviews the Board and its own charter annually;
- Reviews the role of the Chairperson of the Board annually;
- Assists the Board in determining the retirement and succession of Directors;
- Reviews the policy governing the seeking of independent professional advice by individual Board members;
- Reviews the performance of the Company Secretary and makes recommendations to the Board in this regard; 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 annual work plan, which has been 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 charter.

DA Cloete
Nominations Committee Chairperson
8 August 2019

REPORT OF THE SOCIAL AND ETHICS COMMITTEE

for the year ended 30 June 2019

This report is presented by the Social and Ethics Committee ("the committee") and describes how the committee has discharged its duties in respect of the financial year ended 30 June 2019 as required by Regulation 43(5) of the Companies Regulations, read in conjunction with section 72 of the Companies Act, No. 71 of 2008.

Mandate of the committee

The committee is governed by a formal charter that has been approved by the Board and is reviewed annually. The committee fulfils its responsibilities in terms of Regulation 43 of the Companies Regulations, section 72 of the Companies Act, No. 71 of 2008, and it's charter. 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.

Composition of the committee

The committee comprises one independent Non-executive Director, one Non-executive Director of the company and one Prescribed Officer. Certain members of the company's Executive Management team also attend committee meetings by invitation. A quorum for meetings is 50% of the members present. The committee is chaired by Ms S Myburgh.

Attendance at meetings

The committee met four times during the period under review. Details of our Directors' attendance at meetings appear on page 121 of this report.

Key responsibilities of the committee

The statutory responsibilities of the committee are as set out in the Companies Act, No. 71 of 2008, and the Companies Regulations.

In executing its duties, the committee is responsible for monitoring and overseeing:

- Ethics;
- Social and economic development;
- Good corporate citizenship;
- Customer relations;
- Environment, health and public safety;
- Broad-Based Black Economic Empowerment (B-BBEE);
- Labour and employee engagement; and
- Compliance with applicable laws and regulations.

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 ethics management.

Discharge of responsibilities

The committee has a detailed annual 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, B-BBEE, 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 charter 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.

In terms of broader organisational ethics, the committee continues to review and monitor the company's ethics-related policies to enable the fostering of a good ethical culture in the company. Furthermore, a staff conference focusing on the values of the company was hosted during the period under review.

In addition to the Audit and Risk Committee, the committee also monitored compliance with laws and regulations within its own mandate. During the period under review, Management confirmed that there has been no material non-compliance with legislation or regulations within the remit of the committee's mandate.

The company also reports to the UN Global Compact in respect of its labour, human rights, and environmental policies.

REPORT OF THE SOCIAL AND ETHICS COMMITTEE

for the year ended 30 June 2019 (continued)

In terms of environment, health and safety, the committee continued to monitor environmental, health and safety aspects in accordance with the short, medium and long-term strategy of the company. Due to the prolonged drought in the Western Cape, various water initiatives were implemented by the company, as well as the installation of a reverse osmosis plant. Furthermore, the company is effectively monitoring its use of electricity and water, waste management and its contribution to recycling efforts throughout the year. No significant environmental, health and safety issues arose during the period under review.

S Myburgh
Social and Ethics Committee Chairperson
8 August 2019

REPORT OF THE AUDITOR-GENERAL TO THE WESTERN CAPE PROVINCIAL PARLIAMENT AND THE COUNCIL ON CITY OF CAPE TOWN ON CAPE TOWN INTERNATIONAL CONVENTION CENTRE COMPANY SOC LIMITED (RF)

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Cape Town International Convention Centre Company SOC Limited (RF) (CTICC) set out on pages 175 to 221, which comprise the statement of financial position as at 30 June 2019, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the CTICC as at 30 June 2019, and its financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Companies Act of South Africa, 2008 (Act No. 71 of 2008) (the Companies Act).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor-General's responsibilities for the audit of the financial statements section of this auditor's report.

4. I am independent of the entity in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants' ***Code of Ethics for Professional Accountants*** and, parts 1 and 3 of the International Ethics Standards Board for Accountants' ***International Code of Ethics for Professional Accountants*** (including ***International Independence Standards***) (IESBA codes), as well as the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.

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

Other matter

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

Unaudited disclosure notes

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

Responsibilities of the accounting officer for the financial statements

8. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with SA Standards of GRAP and the requirements of the MFMA and Companies Act, No. 71 of 2008, 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.

9. In preparing the financial statements, the accounting officer is responsible for assessing the CTICC's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

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

10. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

11. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

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 material findings on the reported performance information against predetermined objectives for selected key performance categories presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.

13. My procedures address the reported performance information, which must be based on the approved performance planning documents of the entity. I have not evaluated the completeness and appropriateness of the performance indicators/measures included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

14. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected key performance categories presented in the annual performance report of the entity for the year ended 30 June 2019.

Key performance categories	Pages in the annual performance report
KPC 1 – International events	59
KPC 1 – Total events hosted	59
KPC 4 – Supply Chain Procurement from B-BBEE Suppliers	59
KPC 6 – Graduate Program: Contribution to Youth Employment and Skills Development	60
KPC 7 – The number of people from the employment equity target groups employed in the three highest level of management in compliance with the entity's approved employment equity plan	60
KPC 8 – Quality Offering	60
KPC 9 – Capital Projects	60
KPC 10 – Minimum Competency Level	60

15. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

    I did not raise any material findings on the usefulness and reliability of the reported performance information for the following key performance categories:

    - KPC 1 – International events
    - KPC 1 – Total events hosted
    - KPC 4 – Supply Chain Procurement from B-BBEE Suppliers
    - KPC 6 – Graduate Program: Contribution to Youth Employment and Skills Development
    - KPC 7 – The number of people from the employment equity target groups employed in the three highest level of management in compliance with the entity's approved employment equity plan
    - KPC 8 – Quality Offering
    - KPC 9 – Capital Projects
    - KPC 10 – Minimum Competency Level

Other matter

16. I draw attention to the matter below.

Achievement of planned targets

17. Refer to the annual performance report on pages 59 to 60 for information on the achievement of planned targets for the year.

Report on the audit of compliance with legislation

Introduction and scope

18. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

19. I did not raise material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

Other information

20. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report, which includes the directors' report, the audit committee's report and the company secretary's certificate, as required by the Companies Act of South Africa, 2008 (Act No. 71 of 2008) (Companies Act). The other information does not include the financial statements, the auditor's report and those selected key performance categories presented in the annual performance report that have been specifically reported in the auditor's report.

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

22. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected key performance indicators presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

23. I have nothing to report in this regard.

Internal control deficiencies

24. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. I did not identify any significant deficiencies in internal control.

Other reports

25. I draw attention to the following engagements conducted by various parties that had, or could have, an impact on the matters reported in the entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

26. In the prior year a Public Protector investigation was in progress based on the alleged failure by the Cape Town International Convention Centre Company (Pty) Limited and the City of Cape Town to implement the recommendations of the City's forensic services department issued on 21 October 2014. On 3 December 2018, the investigation had been closed by the Public Protector on the basis that the investigation indicated that there was no such failure to implement these recommendations.

Auditor-General

Cape Town
20 November 2019

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

ANNEXURE – AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

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

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in the auditor's report, I also:

   - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
   - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
   - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer.
   - conclude on the appropriateness of the accounting officer's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the CTICC's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause the entity to cease continuing as a going concern.
   - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

STATEMENT OF FINANCIAL POSITION

as at 30 June 2019

	NOTES	2019	RESTATED 2018
		R	R
ASSETS			
Non-current assets		**880 698 670**	881 878 082
Property, plant and equipment	2	**573 462 472**	574 441 684
Intangible assets	3	**8 014 948**	697 307
Investment in subsidiary	4	**100**	100
Service-in-kind benefit	5	**175 051 024**	177 175 000
Deferred taxation	6	**124 170 126**	129 563 991
Current assets		**252 294 712**	247 268 613
Inventories	7	**2 065 465**	1 591 437
Trade receivables and other receivables	8	**62 859 567**	19 796 330
Service-in-kind benefit	5	**2 123 976**	2 123 976
South African Revenue Services	18.2	**3 002 224**	–
Cash and cash equivalents	18.3	**182 243 480**	223 756 870
Total assets		**1 132 993 382**	1 129 146 695
NET ASSETS AND LIABILITIES			
Net financial position		**1 034 686 398**	1 022 202 363
Contribution from owners	9	**1 277 427 701**	1 277 427 701
Accumulated deficit		**(242 741 303)**	(255 225 338)
Non-current liability			
Operating lease liability	10	**335 155**	244 280
Current liabilities		**97 971 829**	106 700 052
Client deposits	11	**41 385 627**	28 162 844
Trade payables and other payables	12	**51 009 307**	71 820 350
Provisions	13	**5 576 895**	4 723 383
South African Revenue Services	18.2	**–**	1 993 475
Total net assets and liabilities		**1 132 993 382**	1 129 146 695

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 30 June 2019

	NOTES	2019	RESTATED 2018
		R	R
Revenue from exchange transactions	15	**271 434 321**	238 874 596
Cost of sales		**(31 568 293)**	(29 891 260)
Gross profit		**239 866 028**	208 983 336
Other operating revenue from exchange transactions		**20 473 429**	25 298 447
Finance income	16.1	**14 482 276**	17 829 123
Other revenue	16.2	**5 991 153**	7 469 324
Impairment of property, plant and equipment	2.2	**(2 548 136)**	(462 599 006)
Operating expenses		**(239 913 421)**	(201 243 630)
Operating Profit / (Loss)	14	**17 877 900**	(429 560 853)
Finance costs		**–**	–
Profit / (Loss) before taxation		**17 877 900**	(429 560 853)
Taxation	17	**(5 393 865)**	117 590 109
Profit / (Loss) for the year		**12 484 035**	(311 970 744)

STATEMENT OF CHANGES IN NET ASSETS

for the year ended 30 June 2019

	NOTES	CONTRIBUTIONS FROM OWNERS	RESTATED ACCUMULATED DEFICIT	RESTATED TOTAL
		R	R	R
Balance at 1 July 2016		1 084 427 701	(168 000 555)	916 427 146
Profit for the year – As previously stated		–	43 476 413	43 476 413
Prior year error – Service-in-kind charge	5	–	(2 123 976)	(2 123 976)
Prior year error – Lease straight-lining	10	–	(153 404)	(153 404)
Share issue		193 000 000	–	193 000 000
Service-in-kind benefit	5	–	183 546 928	183 546 928
Balance at 1 July 2017		1 277 427 701	56 745 406	1 334 173 107
Loss for the year		–	(311 970 744)	(311 970 744)
Balance at 30 June 2018		**1 277 427 701**	**(255 225 338)**	**1 022 202 363**
Profit for the year		**–**	**12 484 035**	**12 484 035**
Balance at 30 June 2019		**1 277 427 701**	**(242 741 303)**	**1 034 686 398**

CASH FLOW STATEMENT

for the year ended 30 June 2019

	NOTES	2019 R	2018 R
Cash flow from operating activities		**20 003 869**	88 732 036
Cash receipts from customers (venue rental, sale of goods and other services)		**247 577 036**	248 151 461
Cash paid to suppliers and employees		**(237 423 498)**	(173 847 032)
Suppliers		**(175 574 688)**	(118 882 616)
Employee costs		**(61 848 810)**	(54 964 416)
Cash generated from operations	18.1	**10 153 538**	74 304 429
Finance income received	16.1	**14 846 029**	17 829 123
Taxation paid	18.2	**(4 995 699)**	(3 401 516)
Cash flow from investing activities		**(61 517 259)**	(115 960 048)
Acquisition of property, plant and equipment	2	**(63 399 220)**	(115 090 983)
Acquisition of intangible assets	3	**(2 687 955)**	(869 065)
Claims against capital spend	2 (ii)	**4 569 916**	–
Cash flow from financing activities		**–**	–
Decrease in cash and cash equivalents		**(41 513 390)**	(27 228 012)
Cash and cash equivalents at beginning of the year	18.3	**223 756 870**	250 984 882
Cash and cash equivalents at the end of the year	**18.3**	**182 243 480**	223 756 870

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

for the year ended 30 June 2019

	NOTES	ACTUAL 2019 R	ORIGINAL APPROVED BUDGET 2019 R	FINAL APPROVED BUDGET 2019 R	FAVOURABLE/ (UNFAVOURABLE) VARIANCE 2019 R	FAVOURABLE/ (UNFAVOURABLE) VARIANCE 2019 %
STATEMENT OF FINANCIAL PERFORMANCE	23.2					
Revenue and other income		277 425 474	286 614 158	263 109 500	14 315 974	5
Revenue		227 019 251	239 754 964	219 184 759	7 834 492	4
Other income	(i)	50 406 223	46 859 194	43 924 741	6 481 482	15
Less: Direct costs		56 650 766	54 214 595	52 766 823	(3 883 943)	(7)
Cost of sales		31 300 126	34 367 212	31 155 061	(145 065)	(0)
Direct personnel	(ii)	17 797 070	8 586 402	9 244 304	(8 552 766)	(93)
Parking costs	(iii)	5 155 186	7 504 500	8 849 298	3 694 112	42
Event-related marketing costs	(iv)	1 416 140	2 761 681	2 761 682	1 345 542	49
Equipment hire		982 244	994 800	756 478	(225 766)	(30)
Add: Finance income	(v)	14 482 276	4 515 185	12 261 535	2 220 741	18
Less: Indirect expenditure		217 379 084	267 625 901	245 028 796	27 649 712	11
Personnel costs	(vi)	66 747 421	99 060 644	89 116 902	22 369 481	25
Operations general		1 707 339	3 143 915	2 368 823	661 484	28
Utility services	(vii)	27 539 279	41 161 888	36 288 332	8 749 053	24
Maintenance	(viii)	14 303 592	16 613 028	15 765 643	1 462 051	9
Building costs		25 172 322	28 799 639	24 249 134	(923 188)	(4)
Office costs		4 077 658	5 139 108	4 726 831	649 173	14
Computer expenses		4 942 048	6 180 096	5 520 710	578 662	10
Advisors	(ix)	3 837 036	6 978 053	7 235 205	3 398 170	47
Travel and entertainment		1 789 379	2 196 454	2 193 242	403 863	18
Marketing and corporate communications	(x)	10 770 186	11 841 959	11 843 844	1 073 658	9
Catering materials		1 956 359	3 559 619	2 768 630	812 271	29
Bad debts		413 864	300 000	300 000	(113 864)	(38)
Depreciation, amortisation and impairment of assets	(xi)	54 122 601	42 651 498	42 651 499	(11 471 102)	(27)
Profit / (Loss) before taxation		**17 877 900**	**(30 711 153)**	**(22 424 584)**	**40 302 484**	**180**
Capital expenditure for the year ended 30 June 2019						
Building enhancements	(i)	28 977 335	18 680 000	37 391 129	8 413 794	23
IT and electronic infrastructure		15 558 803	15 222 500	16 426 303	867 500	5
Kitchen enhancements		1 340 313	1 348 100	1 348 100	7 787	1
Catering, furniture and equipment	(ii)	5 797 305	5 375 000	7 875 000	2 077 695	26
Other capex items	(iii)	14 413 419	8 566 932	18 258 469	3 845 050	21
Total capital expenditure	23.3	**66 087 175**	**49 192 532**	**81 299 001**	**15 211 826**	**19**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2019

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 financial statements have been prepared on the historical cost basis and incorporate the principal accounting policies set out below.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. The basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent liabilities and commitments will occur in the ordinary course of business.

The cash flow statement has been prepared in accordance with the direct method.

The company does not prepare consolidated financial statements as the subsidiary is dormant and not considered material.

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:

Standards that have been assessed:

STANDARD	DESCRIPTION	DATE EFFECTIVE	ASSESSED IMPACT ON ENTITY	REASON FOR ASSESSMENT
IGRAP 17 Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	Interpretation of the Standard of GRAP on Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset.	1 April 2019	Low	The entity has not granted any service concessions.
GRAP 18 Segment Reporting	This Standard establishes principles for reporting financial information by segments.	1 April 2020	Low	The entity does not have individual segments to report on.
IGRAP 18 Recognition and Derecognition of Land	Interpretation of the Standard of GRAP on Recognition and Derecognition of Land.	1 April 2019	Low	The entity does not own land.
IGRAP 19 Liabilities to Pay Levies	The interpretation provides guidance on the accounting for levies in the financial statements of the entity that is paying the levy.	1 April 2019	Low	The entity does not have liabilities to pay levies.
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.	1 April 2019	Medium	The entity has transactions with Related Parties. The entity used IPSAS 20 to develop its accounting policy for Related Parties.
GRAP 32 Service Concession Arrangements Grantor	Accounting for service concession arrangements by the grantor, a public sector entity.	1 April 2019	Low	The entity has not granted any service concessions.

STANDARD	DESCRIPTION	DATE EFFECTIVE	ASSESSED IMPACT ON ENTITY	REASON FOR ASSESSMENT
GRAP 34 Separate Financial Statements	This Standard prescribes the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.	To be determined by the Minister of Finance	Low	The entity discloses its investments in controlled entities at cost.
GRAP 35 Consolidated Financial Statements	This Standard establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.	To be determined by the Minister of Finance	Low	The entity is not required to present consolidated financial statements.
GRAP 36 Investments in Associates and Joint Ventures	This Standard prescribes the accounting for investments in associates and joint ventures and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.	To be determined by the Minister of Finance	Low	The entity does not hold investments in associates and joint ventures.
GRAP 37 Joint Arrangements	The Standard establishes principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).	To be determined by the Minister of Finance	Low	The entity does not have joint arrangements.
GRAP 38 Disclosure of Interests in Other Entities	This Standard prescribes additional disclosures by entities that have any interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated.	To be determined by the Minister of Finance	Low	The only interest the entity has in other entities is an interest in a dormant company. The entity discloses its investment at cost.
GRAP 108 Statutory Receivables	This Standard prescribes the accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.	1 April 2019	Medium	The entity has receivables due from SARS, which meets the definition of a statutory receivable.
GRAP 109 Accounting by Principals and Agents	This Standard prescribes the principles to be used to assess whether an entity is party to a principal-agent arrangement.	1 April 2019	Low	The entity is not a party to a principal-agent arrangement in terms of GRAP 109.
GRAP 110 Living and Non-living Resources	This Standard prescribes the recognition, measurement, presentation and disclosure requirements for living resources and disclosure requirements for non-living resources.	1 April 2020	Low	The entity does not own living and non-living resources.

Where a Standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards, 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2019 (continued)

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. The amendments to GRAP 21 and GRAP 26 relating to the designation of an asset as cash-generating or non-cash-generating had no impact on the initial classification of the cash-generating unit.

Significant judgements and estimates

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 in the relevant notes.

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:

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.

Impairment of assets in progress

As part of the impairment calculation, management estimates the recoverable amount by calculating the value in use of the cash-generating unit to which the asset belongs. In arriving at the value in use, management has needed to make significant assumptions regarding future cash flows and discount rates, which are disclosed in Note 2.2.

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.

Provisions and contingent liabilities

Management's judgement is required when recognising and measuring provisions, and when measuring contingent liabilities as set out in Note 27.

Management's judgement is also required in the assessment for the provision of doubtful debts as set out in Note 8.

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 incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised. Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Capital work-in-progress is carried at cost and depreciated from the date the assets are capable of operating in the manner intended by management.

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:

	2019	2018
	%	%
Escalators and elevators	**5.56 – 16.67**	5.56 – 16.67
Carpets / Laminated flooring	**16.67 – 25.00**	16.67 – 25.00
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 – 16.67**	6.67 – 16.67
Cold rooms	**5.88 – 16.67**	5.88 – 16.67
Air-conditioning system	**5.56 – 16.67**	5.56 – 16.67
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	**2.50 – 50.00**	2.50 – 50.00
Plant and equipment	**8.33 – 33.33**	8.33 – 33.33
Motor vehicles	**5.26 – 25.00**	5.26 – 25.00
Furniture and fittings	**6.67 – 50.00**	6.67 – 50.00
Kitchen and catering	**5.26 – 50.00**	5.26 – 50.00
Office equipment	**6.25 – 50.00**	6.25 – 50.00
Computer equipment	**11.11 – 50.00**	11.11 – 50.00
Computer software	**11.11 – 50.00**	11.11 – 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 of the renovation will flow to the company. Major renovations are depreciated over the remaining useful life of the related asset.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment is included in operating profit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2019 (continued)

1. Accounting policies (continued)

1.3 Intangible assets

An intangible asset is defined as an identifiable non-monetary asset without physical substance.

Intangible assets are recognised initially at cost and subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets are amortised on the straight-line basis over the useful lives of the assets. The residual value, amortisation method and useful life, if not insignificant, are reassessed annually, with the effect of any changes in estimate accounted for on a prospective basis.

Amortisation 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 folows:

	2019	2018
Useful life of acquired software licences	**33.33%**	33.33%

Intangible assets are derecognised on disposal (including disposal through a non-exchange transaction) or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from the derecognition of an intangible asset shall be included in surplus or deficit when the asset is derecognised.

1.4 Impairment of assets

1.4.1 Impairment of cash-generating assets

Definitions

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that the positive cash flows are expected to be significantly higher than the cost of the assets.

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 is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an 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:

The company considers cash-generating assets to be those assets which are used to host events, which represents the company's core revenue stream, which is all of its assets as a single cash-generating unit.

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.

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.

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

After the recognition of an impairment loss, the depreciation 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2019 (continued)

1. Accounting policies (continued)

1.4 Impairment of assets (continued)

1.4.1 Impairment of cash-generating assets (continued)

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 cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable 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 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 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.

1.4.2 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that the positive cash flows are expected to be significantly higher than the cost of the assets.

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

The entity does not have any non-cash-generating assets, as its entire operation is regarded as a single cash-generating unit.

1.5 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 Statement of Financial Performance on a straight-line basis over the period of the lease.

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

1.6 Inventories

Inventories are recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the entity and if the cost of the inventories can be measured reliably. Inventories are initially measured at cost.

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.

When inventories are utilised or consumed, the carrying amounts of those inventories are recognised as an expense in the period. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. Reversals of any write-downs of inventories arising from the increase in net realisable value are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.7 Taxation

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

1.7.1 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.

1.7.2 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, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which, at the time of the transaction, affects neither accounting profit nor taxable surplus/deficit. The amount of deferred taxation provided is measured at the tax rates that are expected to apply to the period when the asset is released or the liability is settled, based on the tax rates/laws that have been enacted or substantively enacted by the end of 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 net assets, in which case it is recognised in net assets, 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 net assets.

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.

1.8 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.

Provisions are reviewed at the reporting date and adjusted to reflect the current best estimate. When it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision shall be reversed.

When the effect of the time value of money is material, the entity determines the level of provision by discounting the expected cash flows at a pre-tax rate reflecting the current risks specific to the liability.

1.9 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. Where the event is held over a month-end, the revenue is split as earned. Revenue is measured at the fair value of consideration receivable.

1.9.1 Revenue from exchange transactions

Revenue from exchange transactions relate to income earned from venue rental, sale of goods and other services.

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2019 (continued)

1. Accounting policies (continued)

1.9 Revenue recognition (continued)

1.9.2 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 to maturity, when it is probable that such income will accrue to the entity.

1.10 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. Assets with maturities greater than 12 months are classified as non-current assets.

Initial recognition

The company recognises financial instruments in the Statement of Financial Position when it becomes a party to the contractual provisions of the instrument. The company recognises financial assets using trade date accounting.

Impairment and uncollectibility of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets are impaired.

Derecognition

Financial assets

The entity derecognises a financial asset only when:

- The contractual rights to the cash flows from the financial asset expire, are settled or waived;
- The entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- The entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.
  In this case, the entity:
  - Derecognises the asset; and
  - Recognises separately any rights and obligations created or retained in the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in profit or loss.

1.10.1 Financial assests at amortised cost

Receivables from exchange transactions

Trade receivables are recognised initially at fair value plus transaction costs that are directly attributable to the trade receivable and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment through the use of a separate allowance account. 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.

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.

1.10.2 Financial liabilities at amortised cost

Payables from exchange transactions

Trade payables are recognised initially at fair value plus transaction costs that are directly attributable to the trade payable and subsequently measured at amortised cost using the effective interest method.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancels or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

1.10.3 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 cash balances are impacted by 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 cash equivalents to fund the activities of the company.

(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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2019 (continued)

1. Accounting policies (continued)

1.11 Client deposits

Client deposits received in advance for upcoming events are recognised at amortised cost and are derecognised and accounted as revenue when the event occurs.

1.12 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.

1.13 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.

1.14 Employee benefits

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 amounts for employee entitlements to salaries, performance bonus 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. There are no critical assumptions or judgements involved in determining the short-term employee benefits.

Defined contribution plan

The majority of the company's employees are members of the defined contribution plan. A defined contribution plan is a provident fund under which the company pays fixed contributions into a trustee administered fund.

The company's contributions to the defined contribution plan are charged to the Statement of Financial Performance in the financial year to which they relate.

The company has no further payment obligations once the contributions have been paid.

1.15 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 Supply Chain Management Policy.

Irregular expenditure that was incurred and identified during the current financial year, which was not condoned, must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt amount must be created if such person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, write-off of the amount must be considered.

Where irregular expenditure is condoned or not condoned, it is accounted for as expenditure in the Statement of Financial Performance and classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. However, the irregular purchases of assets are accounted for in the Statement of Financial Position and will be disclosed in the financial statements as irregular expenditure.

1.16 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.

1.17 Comparative information

Comparative figures are classified 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.

1.18 Investment

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

1.19 Capital commitments

Commitments are not recognised in the Statement of Financial Position nor the Statement of Financial Performance, but are included in the disclosure notes to the annual financial statements.

1.20 Budget information

The annual budget figures have been prepared on an accrual basis, and are consistent with the accounting policies adopted by the Board for the preparation of these financial statements.

The approved budget covers the fiscal period from 1 July 2018 to 30 June 2019. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual Amounts.

Explanatory comments on material differences are provided in the notes to the annual financial statements.

These figures are those approved by the Board as part of the annual business plan process.

Comparative information is not required for the Statement of Comparison of Budget and Actual Amounts.

The budget information is prepared for Cape Town International Convention Centre Company SOC Limited (RF).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2019 (continued)

1. Accounting policies (continued)

1.21 Related parties

The related party accounting policy was formulated using the definitions as noted in the International Public Sector Accounting Standards 20 (IPSAS 20).

The company regards a related party as a person or an entity with the ability to control the company either individually or jointly, or the ability to exercise significant influence over the company, or vice versa.

Key management personnel are regarded as a related party and includes Board members, as well as other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting entity. Where they meet this requirement, key management personnel include any key advisor of key management personnel, as well as the senior management group of the reporting entity.

Close members of the family of an individual are close relatives of the individual or members of the individual's immediate family who can be expected to influence or be influenced by that individual in their dealings with the entity.

All related party transactions are disclosed.

1.22 Value-added tax (VAT)

The company accounts for VAT on an invoice basis.

1.23 Post-balance sheet events

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

(a) Those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and

(b) Those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

2. Property, plant and equipment

	2019					2018				
	COST	ASSETS IN PROGRESS COST[ii]	ACCUMULATED DEPRECIATION [iii]	ACCUMULATED IMPAIRMENT	CARRYING VALUE	COST	ASSETS IN PROGRESS COST[ii]	ACCUMULATED DEPRECIATION	ACCUMULATED IMPAIRMENT	CARRYING VALUE
	R	R	R	R	R	R	R	R	R	R
Escalators	**15 077 454**	**–**	**4 399 278**	**4 383 426**	**6 294 750**	6 467 709	8 570 814	3 234 904	4 383 425	7 420 194
Elevators	**21 167 156**	**3 742 073**	**8 436 785**	**6 193 623**	**10 278 821**	8 838 685	12 110 254	7 665 706	6 193 623	7 089 610
Carpets / Laminated flooring	**21 035 135**	**–**	**6 499 723**	**4 313 965**	**10 221 447**	10 161 912	8 435 000	4 442 957	4 313 965	9 839 990
Curtains / Blinds	**6 339 600**	**–**	**418 305**	**3 218 264**	**2 703 031**	62 600	6 292 600	25 781	3 218 264	3 111 155
Signage	**3 929 985**	**–**	**2 531 689**	**–**	**1 398 296**	3 774 684	–	2 029 541	–	1 745 143
Audiovisual	**11 753 112**	**–**	**8 619 771**	**–**	**3 133 341**	9 686 230	–	8 094 061	–	1 592 169
Fences and gates	**1 291 407**	**–**	**841 609**	**–**	**449 798**	1 276 960	–	729 945	–	547 015
Cold rooms	**5 079 873**	**–**	**3 176 033**	**792 726**	**1 111 114**	3 301 547	1 550 000	2 912 049	792 726	1 146 772
Air-conditioning system	**70 368 184**	**–**	**29 494 284**	**17 825 202**	**23 048 698**	35 227 682	37 987 245	27 242 721	19 428 056	26 544 150
Sprinkler system	**15 678 003**	**–**	**5 037 825**	**5 435 365**	**5 204 813**	5 130 829	13 692 737	4 752 779	7 002 963	7 067 824
Auditorium seating	**1 744 982**	**–**	**1 410 499**	**–**	**334 483**	1 744 982	–	1 075 992	–	668 990
Building management system	**14 631 656**	**–**	**10 980 870**	**–**	**3 650 786**	16 761 852	–	11 813 315	–	4 948 537
Building	**1 123 741 728**	**75 331 009**	**349 553 350**	**439 471 576**	**410 047 811**	922 053 118	255 444 787	338 540 089	435 665 488	403 292 328
Plant and equipment	**82 261 680**	**–**	**8 688 060**	**31 888 530**	**41 685 090**	11 015 508	61 331 215	5 467 875	31 367 010	35 511 838
Motor vehicles	**952 371**	**–**	**842 781**	**–**	**109 590**	1 688 179	–	1 473 820	–	214 359
Furniture and fittings	**20 562 064**	**–**	**11 177 511**	**–**	**9 384 553**	20 520 809	–	9 570 230	–	10 950 579
Kitchen and catering	**34 615 068**	**–**	**16 887 507**	**–**	**17 727 561**	29 462 586	–	11 144 666	–	18 317 920
Office equipment	**3 159 081**	**–**	**1 661 704**	**–**	**1 497 377**	2 240 941	–	910 297	–	1 330 644
Computer equipment	**65 650 128**	**–**	**23 535 041**	**18 438 264**	**23 676 823**	27 289 296	35 248 338	14 827 335	18 027 279	29 683 020
Computer software[i]	**8 197 287**	**–**	**5 713 004**	**979 994**	**1 504 289**	13 171 985	–	9 752 538	–	3 419 447
	1 527 235 954	**79 073 082**	**499 905 629**	**532 940 935**	**573 462 472**	1 129 878 094	440 662 990	465 706 601	530 392 799	574 441 684

(i) Computer software assets, which form an integral part of computer equipment that were previously disclosed together with computer equipment, have been reclassified and disclosed separately. Separately acquired software licenses are classified as intangible assets. Refer to Note 3.

(ii) Assets in progress relate to the capitalised costs incurred on phase 2 of the expansion project, which is due for final technical completion during the second half of the 2019 financial year.

(iii) The reduction in accumulated depreciation in certain classes of assets from 2018 to 2019 is due to asset disposals during the year.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2019 (continued)

2. Property, plant and equipment (continued)

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

	2019								
	CARRYING VALUE AT BEGINNING OF YEAR	ASSETS IN PROGRESS RECLASSIFICATION[i]	RECLASSIFICATION[ii]	ASSETS IN PROGRESS ADDITIONS [iii]	ADDITIONS	DISPOSALS NET BOOK VALUE [iv]	DEPRECIATION	IMPAIRMENT	CARRYING VALUE AT END OF YEAR
	R	R	R	R	R	R	R	R	R
Escalators	7 420 194	–	–	–	38 931	–	1 164 374	–	6 294 751
Elevators	7 089 610	–	–	3 742 073	218 217	–	771 079	–	10 278 821
Carpets / Laminated flooring	9 839 990	–	–	–	2 521 949	7 086	2 133 407	–	10 221 446
Curtains / Blinds	3 111 155	–	–	–	–	–	408 124	–	2 703 031
Signage	1 745 143	–	–	–	184 785	13 924	517 708	–	1 398 296
Audiovisual	1 592 170	–	(6 251)	–	2 069 638	–	522 216	–	3 133 341
Fences and gates	547 015	–	–	–	14 446	–	111 664	–	449 797
Cold rooms	1 146 770	–	–	–	228 326	–	263 983	–	1 111 113
Air-conditioning system	26 544 150	(1 531 171)	–	–	287 283	–	2 251 564	–	23 048 698
Sprinkler system	7 067 824	(1 497 491)	–	–	–	–	365 521	–	5 204 812
Auditorium seating	668 991	–	–	–	–	–	334 507	–	334 484
Building management system	4 948 537	–	–	–	77 074	213 692	1 161 133	–	3 650 786
Building	403 292 328	1 201 696	(4 334 044)	10 671 345	15 127 059	25 120	13 337 315	2 548 136	410 047 814
Plant and equipment	35 511 839	498 197	–	–	9 062 694	40 180	3 347 460	–	41 685 090
Motor vehicles	214 359	–	–	–	–	30 173	74 595	–	109 591
Furniture and fittings	10 950 580	–	(34 978)	–	776 184	26 728	2 280 505	–	9 384 553
Kitchen and catering	18 317 921	–	(339 680)	–	6 587 046	25 946	6 811 780	–	17 727 561
Office equipment	1 330 643	–	(76 008)	–	947 815	–	705 073	–	1 497 377
Computer equipment	29 683 019	392 602	(45 621)	–	4 887 920	309 618	10 931 479	–	23 676 823
Computer software	3 419 447	(6 936 428)	(97 094)	–	5 956 435	2	838 069	–	1 504 289
	574 441 684	(7 872 595)	(4 933 676)	14 413 418	48 985 802	692 469	48 331 556	2 548 136	573 462 472

(i) During the 2019 year, a detailed analysis was performed on all assets installed at CTICC 2 in order to capitalise the assets into the asset register, thus, reclassifying it out of assets in progress. This process was done in preparation of agreeing the final account on the project with the Principal Building Contractor.

An amount of R7 872 595 previously included as assets in progress has been reclassified as computer software and licenses and is disclosed as Intangible Assets in Note 3.

(ii) Reclassification relates to assets previously capitalised and moved to a different class during the asset verification exercise during the year. During the year, the company achieved a favourable outcome for claims against the principal building contractor to the value of R34.6 million (Note 8). The claim was allocated to the assets in progress category, resulting in a reduction in the carrying amount. The cost claim relating to the legal fees awarded were partially paid during the year, resulting in the reclassification balance of R4 933 676. The balance of the claims were allocated against prior year additions.

(iii) Assets in progress relate to the capitalised costs incurred on phase 2 of the CTICC 2 expansion project and is reflected in the category relating to the costs.

(iv) Where assets are assessed to have reached the end of their economic life, they are disposed of. The company donates certain assets to various schools and other organs of state in the Cape Metropole area that may still have a net book value at time of disposal.

2.1 Assets in progress

Assets in progress relate to the capitalised costs incurred on the expansion of the convention centre (CTICC 2).

The construction project for CTICC 2 was started in 2014 and was originally due for completion in October 2016. The expected completion date of the project has been delayed numerous times and as at the reporting date, final technical completion and final works completion have not yet been achieved due to significant unexpected delays affecting the ability to operate the building in the manner intended by management.

The company has reclassified a significant portion of the costs into its separate categories of property, plant and equipment. The portion that remains in assets in progress relates to the portion of the works still to be completed, as well as other projects in CTICC 1.

Given the significant unexpected delays in construction, the company has assessed the asset for impairment in accordance with GRAP 26.

Property, plant and equipment that is taking a significantly longer period of time to complete than expected has a cost of R79 073 082 (2018: R440 662 990) and a carrying value of R62 981 738 (2018: R199 200 598).

Assets in progress comprise the following significant classes:

- Building; and
- Elevators.

	COST	IMPAIRMENT	CARRYING VALUE
	R	R	R
Movement in assets in progress			
AIP balance at beginning of the year	440 662 990	241 462 392	199 200 598
Less: AIP reclassified to categories	(376 316 275)	(225 371 048)	(150 945 227)
- PPE	(368 443 680)	(225 371 048)	(143 072 632)
- Intangibles (Note 3)	(7 872 595)	–	(7 872 595)
	64 346 715	16 091 344	48 255 371
Add: 2019 additions	14 726 367	–	14 726 367
AIP balance at year-end	**79 073 082**	**16 091 344**	**62 981 738**

The assets in progress balance has been included in the various categories of property, plant and equipment and is not disclosed seperately.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2019 (continued)

2. Property, plant and equipment (continued)

	2018						
	CARRYING VALUE AT BEGINNING OF YEAR	ASSETS IN PROGRESS ADDITIONS[ii]	OTHER ADDITIONS	DISPOSALS NET BOOK VALUE	DEPRECIATION	IMPAIRMENT	CARRYING VALUE AT END OF YEAR
	R	R	R	R	R	R	R
Escalators	10 450 132	–	2 482 399	–	1 128 912	4 383 425	7 420 194
Elevators	12 541 368	833 147	250 239	–	341 521	6 193 623	7 089 610
Carpets / Laminated flooring	13 067 766	1 783 442	919 207	–	1 616 460	4 313 965	9 839 990
Curtains / Blinds	2 003 452	4 338 858	–	–	12 891	3 218 264	3 111 155
Signage	2 133 030	–	100 442	–	488 329	–	1 745 143
Audiovisual	1 024 589	–	833 805	–	266 224	–	1 592 170
Fences and gates	287 497	–	323 254	–	63 736	–	547 015
Cold rooms	2 120 813	–	–	–	181 317	792 726	1 146 770
Air-conditioning system	66 861 166	(19 907 841)	253 653	–	1 234 772	19 428 056	26 544 150
Sprinkler system	10 816 588	2 876 149	384 458	–	6 408	7 002 963	7 067 824
Auditorium seating	1 399 755	–	–	–	730 764	–	668 991
Building management system	6 357 034	–	–	417	1 408 080	–	4 948 537
Building	719 871 873	62 422 796	3 532 256	–	14 662 903	367 871 694	403 292 328
Plant and equipment	52 258 028	11 898 487	3 698 646	–	976 312	31 367 010	35 511 839
Motor vehicles	358 615	–	–	–	144 256	–	214 359
Furniture and fittings	3 211 534	–	9 049 982	18 104	1 292 832	–	10 950 580
Kitchen and catering	4 772 404	–	18 400 962	132 725	4 722 720	–	18 317 921
Office equipment	1 049 340	–	854 892	2	573 587	–	1 330 643
Computer equipment[i]	44 352 138	3 038 033	6 086 952	632	5 766 193	18 027 279	29 683 019
Computer software[i]	6 813 146	–	636 765	–	4 030 464	–	3 419 447
	961 750 268	67 283 071	47 807 912	151 880	39 648 681	462 599 006	574 441 684

None of the company's assets are encumbered at the reporting date.

(i) Computer software assets, which form an integral part of computer equipment that was previously disclosed together with computer equipment, have been reclassified and disclosed separately. Separately acquired software licences are classified as intangible assets. Refer to Note 3.

(ii) Assets in progress relate to the capitalised costs incurred on phase 2 of the expansion project.

Repairs and maintenance

The following costs were incurred on assets to prolong the useful lives of assets:

	2019	2018
	R	R
Service providers	10 570 504	9 544 422
Materials	4 110 752	2 023 070
Total repairs and maintenance expenses	14 681 256	11 567 492

	2019	2018
	R	R
Cost (fully depreciated property, plant and equipment)		
Audiovisual	984 074	986 830
Building	2 021 978	3 612 809
Carpets / Laminated flooring	–	19 876
Curtains / Blinds	–	15 600
Sprinkler system	4 665 896	4 746 371
Air-conditioning system	114 856	114 856
Motor vehicles	–	3 350
Computer equipment	58 078	540 097
Computer software	163 235	4 293 061
Office equipment	35	29 709
Furniture and fittings	5 188 872	5 923 892
Artwork	–	1 321 095
Plant and equipment	1 454 309	350 962
Kitchen and catering	1 701 378	2 116 554
	16 352 711	24 075 062

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2019 (continued)

2. Property, plant and equipment (continued)

2.2 Impairment of the CTICC building and assets in progress

In line with the accounting policy for cash-generating assets, property, plant and equipment were assessed during the period for possible indicators of impairment.

The CTICC is a cash-generating entity established for the purposes of hosting events. The CTICC 2 building was established to enhance the capabilities of the CTICC to host additional and larger events to further contribute to the company's revenue streams. As such, the impairment testing process applicable to cash-generating assets has been applied.

During the review, management considered the impact of the delays in construction of CTICC 2, as well as the consequential delay and reduction in expected cash flows from that asset as indicators of potential impairment. During the year, a portion of the CTICC 2 building cost, which was included as part of assets in progress, was capitalised. Management views the building and assets in progress as forming part of a single cash-generating unit together with the existing CTICC building and, therefore, it is not possible to estimate the recoverable amount for the CTICC 2 centre as an individual asset.

Management estimated the recoverable amount by calculating the value in use of the cash-generating unit (being CTICC 1 and 2 combined) of R512 866 595 (2018: R490 617 296) and comparing it to the carrying value of the relevant assets in that cash-generating unit of R515 414 731 (2018: R953 216 302) at the date of impairment testing.

Therefore, the company has recognised an impairment loss of R2 548 136 (2018: R462 599 006) and has been disclosed in the impairment line item on the Statement of Financial Performance. The impairment loss is significantly lower than the prior year's amount as the impairment test was done on the combined buildings for the first time, as CTICC 2 was partially brought into use during that year, thus, requiring a significant impairment of R462 599 006.

Consideration, methods and significant assumptions applied in arriving at the value in use

(a) 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.

(b) 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. 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.

(c) 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.

(d) The two buildings of the business, as well as the remaining property, plant and equipment, are considered a single cash-generating unit for the following reasons:

– CTICC 2 does not operate independently from CTICC 1;

– The buildings are managed together as part of the event hosting business; and

– Large events are hosted in a combination of venues across the two buildings.

Accordingly, they are evaluated as a single cash-generating unit when testing for impairment.

(e) The value in use was estimated using a discounted cash flow model, which incorporated approved budget figures for a 3 year projection period. Cash flows were forecast for an additional 4 years, assuming revenue growth of 6.5% for both CTICC 1 and CTICC 2.

(f) A discount rate of 13.41% (2018: 14.04%) was used, which was calculated using the risk-free rate of the R186 bond of 8.10%adjusted by 5.31 percentage points to take into account the company's long-term borrowing cost of 9.30%, a Beta of 0.90, as well as a market risk premium of 6.10% for uncertainty regarding timing and extent of future cash flows.

Based on the value in use calculation, an amount of R512.9 million (2018: R490.6 million) was determined. The current carrying value of R515.4 million (2018: R953.2 million) was established for the relevant assets in that cash-generating unit.

This has resulted in the recognition of an impairment loss of R2.5 million in the year (2018: R462.6 million).

2.3 Revision of useful lives of property, plant and equipment

During the year, the company revised the estimated useful lives of certain items of property, plant and equipment. The change in estimate was necessary as these items were approaching the end of their originally assessed useful lives, and management determined that the assets were still going to be in use for an extended period beyond the reporting date as a result of the good condition and maintenance of the assets. The net effect of the changes in the current year was a reduction in the depreciation charge of R1 282 730 (2018: R7 201 152). The effect on future years will be an overall increase of the same amount over the subsequent financial years.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2019 (continued)

3. Intangible assets

	2019		
	COST	ACCUMULATED AMORTISATION	CARRYING VALUE
	R	R	R
Software licences	11 429 615	3 414 667	8 014 948
	11 429 615	3 414 667	8 014 948

	2018		
	COST	ACCUMULATED AMORTISATION	CARRYING VALUE
	R	R	R
Software licences	869 065	171 758	697 307
	869 065	171 758	697 307

The carrying amounts of intangible assets can be reconciled as follows:

	CARRYING VALUE AT BEGINNING OF YEAR	ADDITIONS[i]	AIP RECLASSIFICATION[ii]	AMORTISATION	CARRYING VALUE AT THE END OF YEAR
	R	R	R	R	R
2019					
Software licences	697 307	2 687 955	7 872 595	3 242 909	8 014 948
	697 307	2 687 955	7 872 595	3 242 909	8 014 948

(i) All software licences are acquired from external suppliers and are not internally generated.

(ii) The reclassification of R7 872 595 (2018: RNil) relates to software and licence costs for CTICC 2 assets previously disclosed as assets in progress and capitalised during the year (refer Note 2).

	CARRYING VALUE AT BEGINNING OF YEAR	ADDITIONS	RECLASSIFICATION AND TRANSFERS	AMORTISATION	CARRYING VALUE AT THE END OF YEAR
	R	R	R	R	R
2018					
Software licences	–	869 065	-	171 758	697 307
	–	869 065	-	171 758	697 307

4. Investment in subsidiary

The company has an investment in the following company:

Unlisted	2019 R	2018 R
Cape Town International Convention Centre Operating Company (Pty) Limited (OPCO)	**100**	100

The agency agreement between Cape Town International Convention Centre Company SOC Limited (RF) (Convenco) and Cape Town International Convention Centre Operating Company (Pty) Limited (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, which represents the share capital of OPCO.

5. Service-in-kind benefit

	2019 R	2018 R	2017 R
The service-in-kind balance is made up as follows:			
Non-current asset at beginning of year	**179 298 976**	181 422 952	183 546 928
Service-in-kind charge	**(2 123 976)**	(2 123 976)	(2 123 976)
Service-in-kind benefit at end of year	**177 175 000**	179 298 976	181 422 952

The service-in-kind benefit was not previously recorded and a prior period error was required, with the recognition of the service-in-kind benefit of R181 422 952 as a non-current asset at 1 July 2017 and adjusting the Accumulated Deficit with the same amount.

An amount of R2 123 976 will be charged to the Statement of Financial Performance each year to reflect the annual benefit utilised. This is a non-cash charge and arose as a result of the GRAP 23 accounting recognition of the service-in-kind benefit.

	2019 R	2018 R
Service-in-kind benefit allocation:		
- Long-term portion	**175 051 024**	177 175 000
- Short-term portion	**2 123 976**	2 123 976
Service-in-kind benefit	**177 175 000**	179 298 976

The non-cash service-in-kind benefit arose as a result of the long-term land lease entered into between the company and the City of Cape Town in 2001 for a period of 99 years at a rental of R100 per annum, which is below the market value. The company has valued the service-in-kind benefit to the value of the land. The service-in-kind benefit is recognised as a non-current asset and will be charged to the Statement of Financial Performance over the remaining period of the lease, which is 81 years and 5 months.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2019 (continued)

6. Deferred taxation

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

	2019 R	2018 R
The deferred tax balance is made up as follows:		
Asset at beginning of year	**129 563 991**	3 576 669
Temporary differences	**(5 393 865)**	125 987 322
Asset at end of year	**124 170 126**	129 563 991
The balance comprises the following temporary differences:		
Property, plant and equipment	**116 833 063**	124 355 004
Trade receivables and other receivables	**353 462**	124 078
Client deposits	**4 635 190**	3 154 238
Trade payables and other payables	**786 880**	608 124
Provisions	**1 561 531**	1 322 547
Asset at end of year	**124 170 126**	129 563 991

7. Inventories

	2019 R	2018 R
Food	**402 313**	392 618
Beverage	**980 155**	655 457
Consumables	**621 419**	498 679
Chemicals	**61 578**	44 683
Total	**2 065 465**	1 591 437

The company has not written down any inventory during the financial year (2018: RNil).

8. Trade receivables and other receivables

	2019 R	RESTATED 2018 R
Exchange transactions		
Trade receivables	**4 453 327**	4 086 945
Less: Provision for impairment of trade receivables	**(615 163)**	(10 063)
Trade receivables from exchange transactions – net	**3 838 164**	4 076 882
Prepayments	**10 116 330**	3 389 280
Other receivables	**42 508 575**	5 441 052
Non-exchange transactions		
South African Revenue Service: VAT	**5 557 367**	5 686 232
Interest receivable	**839 131**	1 202 884
Total	**62 859 567**	19 796 330
Trade receivables ageing		
Current (0 – 30 days)	**2 622 867**	3 011 293
31 – 60 days	**274 218**	594 938
61 – 90 days	**198 229**	245 274
91 – 120 days	**648 139**	183 417
+ 120 days	**709 874**	52 023
Total	**4 453 327**	4 086 945
Provision for impairment	**(615 163)**	(10 063)
Trade receivables – net	**3 838 164**	4 076 882
Trade receivables past due and not impaired		
61 – 90 days	**198 229**	53 405
91 – 120 days	**745 061**	183 419
Total	**943 290**	236 824

Trade and other receivables past due are assessed on an individual basis and provisions are raised based on management's judgement.

Other receivables includes the amount due from the City of Cape Town, which relates to costs incurred on behalf of the City relating to the basement expansion. Provision for bad debts of R1 067 989 (2018: R1 067 989) has been raised against the amount outstanding by the City as the company expects a delay in receiving the payment due to the amount being disputed by the City. Therefore, the amount has been discounted to account for the time value of money. The amount has been restated to reflect as other receivables previously being included in trade receivables. Refer Note 8.1 on restated amounts.

Other receivables also includes an amount of R34.6 million (2018: RNil) which is recoverable from the Principal Building Contractor of CTICC 2 due to the successful outcome achieved of claims lodged. The costs related to the claims now awarded were included in the assets in progress balance, which has now been reduced to reflect the amount due to the company (Note 2). The amount due was not impaired, taking into account the information available at the reporting date, which was that the amount is fully recoverable.

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2019 (continued)

8. Trade receivables and other receivables (continued)

	2019 R	RESTATED 2018 R
Provision for impairment of trade receivables and other receivables		
Opening balance	**(1 078 052)**	(190 094)
Additional provision	**(605 100)**	(1 078 052)
Unused amounts reversed	–	190 094
Closing balance	**(1 683 152)**	(1 078 052)

The other classes within trade receivables 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.

8.1 Restatement of prior year comparative figures

The amount owing by the City of Cape Town referred to above has been reclassified as other receivables during the year, as it is not considered to be a trade receivable and, accordingly, the 2018 comparative figures are restated. The changes made to the comparative figures are reflected below.

	2018 AS PREVIOUSLY REPORTED R	AMOUNT RECLASSIFIED R	RESTATED R
Trade receivables	10 491 660	(6 404 715)	4 086 945
Less: Provision for impairment of trade receivables	(1 078 052)	1 067 989	(10 063)
Trade receivables from exchange transactions – net	9 413 608	(5 336 726)	4 076 882
Prepayments	3 389 280	–	3 389 280
South African Revenue Service: VAT	5 686 232	–	5 686 232
Interest receivable	1 202 884	–	1 202 884
Other receivables	104 326	5 336 726	5 441 052
Total	19 796 330	–	19 796 330
Trade receivables ageing			
Current (0 – 30 days)	3 011 293	–	3 011 293
31 – 60 days	594 938	–	594 938
61 – 90 days	245 274	–	245 274
91 – 120 days	183 417	–	183 417
+ 120 days	6 456 738	(6 404 717)	52 021
Total	10 491 660	(6 404 717)	4 086 943
Provision for impairment	(1 078 052)	1 067 989	(10 063)
Trade receivables – net	9 413 608	(5 336 726)	4 076 882

9. 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

Issued and fully paid ordinary shares	2019 NUMBER OF SHARES	2019 STATED CAPITAL R	2018 NUMBER OF SHARES	2018 STATED CAPITAL R
Opening balance	**259 966**	**1 277 427 701**	259 966	1 277 427 701
"A" ordinary shares	**245 966**	**1 137 788 000**	245 966	1 137 788 000
"B" ordinary shares	**14 000**	**139 639 701**	14 000	139 639 701
Closing balance	**259 966**	**1 277 427 701**	259 966	1 277 427 701
"A" ordinary shares	**245 966**	**1 137 788 000**	245 966	1 137 788 000
"B" ordinary shares	**14 000**	**139 639 701**	14 000	139 639 701

10. Operating lease liability

	2019 R	2018 R	2017 R
The operating lease liability balance is made up as follows:			
Non-current liability at beginning of year	**244 280**	153 405	–
Straight-lining of lease payments	**2 614 827**	2 614 827	2 614 827
Lease payments for the year	**(2 523 952)**	(2 523 952)	(2 461 422)
Operating lease liability at end of year	**335 155**	244 280	153 405
Operating lease liability allocation:			
- Long-term portion	**335 155**	244 280	
- Short-term portion	**–**	–	
Operating lease liability	**335 155**	244 280	

The straight-lining of the lease costs was not previously recorded and a prior period error adjustment was required for the operating lease relating to P1 Parking garage that it leases from the City of Cape Town. The lease was entered into in 2001 for a period of 50 years. The market value of the lease charge is determined every 5 years and it has an escalation clause from Year 2 in the cycle. In terms of the contract, the last market valuation performed to determine the lease charge was on 1 July 2016.

The company has straight-lined the future lease payments for the period 1 July 2016 to 30 June 2021, which required a restatement of the 2017 amount, as well as the comparative amount for 2018.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2019 (continued)

11. Client deposits

	2019 R	2018 R
0 – 1 year	**37 895 757**	26 325 314
> 1 year	**3 489 870**	1 837 530
Total	**41 385 627**	28 162 844

Client deposits are received in advance for upcoming events. Client deposits are paid back to clients if an event is cancelled and an event cancellation fee is payable by the client. As an event can be cancelled at any point in time, the total balance of client deposits is disclosed as current liabilities.

12. Trade payables and other payables

	2019 R	2018 R
Trade payables	**31 501 835**	28 237 026
Accruals	**19 507 472**	43 415 716
Sundry payables	**–**	167 608
Total	**51 009 307**	71 820 350
The carrying amount of trade and other payables is stated at amortised cost, but due to the short-term nature of trade payables, amortised cost is the same.		
The carrying value of these trade payables is denominated in the following currency: South African Rand	**31 501 835**	28 237 026

13. Provisions

	2019 R	2018 R
Performance bonus provision		
Opening balance	**4 723 383**	4 959 809
Additional provisions	**5 576 895**	4 723 383
Prior year provision utilised	**(4 723 383)**	(4 959 809)
Closing balance	**5 576 895**	4 723 383

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.

14. Operating Profit / (Loss)

	2019 R	2018 R
Operating Profit / (Loss) is stated after:		
Other revenue		
Insurance recovered	**(7 984)**	(309 348)
Gain on foreign exchange	**(37 213)**	7 697
Rental income		
Vexicure Proprietary Limited t/a Westin and Redefine Properties Limited	**(4 595 956)**	(4 495 129)
Expenditure		
Auditors' remuneration – Audit fee	**1 071 925**	1 050 311
Depreciation (property, plant and equipment)	**48 331 560**	39 648 681
Amortisation	**3 242 909**	171 758
Impairment		
- Property, plant and equipment	**2 548 136**	462 599 006
Repairs and maintenance on property, plant and equipment	**14 681 256**	11 567 492

15. Revenue from exchange transactions

	2019 R	2018 R
Service fee	**29 657 510**	21 177 117
Parking	**15 709 792**	13 970 075
Sales	**226 067 019**	203 727 404
Total	**271 434 321**	238 874 596

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2019 (continued)

16. Finance and other income

16.1 Finance income

	2019	2018
	R	R
Interest receivable at the beginning of the year	**1 202 884**	1 202 884
Finance income (earned in respect of cash and cash equivalents)	**14 482 276**	17 829 123
Interest receivable at the end of the year	**(839 131)**	(1 202 884)
Net finance income	**14 846 029**	17 829 123

16.2 Other income

	2019	2018
	R	R
Turnover rental	**4 595 956**	4 495 129
Sundry income	**1 395 197**	2 974 195
Total	**5 991 153**	7 469 324

17. Taxation

17.1 South African normal taxation

	2019	2018
	R	R
Current year	**–**	8 397 213
Deferred taxation (refer Note 6)	**5 393 865**	(125 987 322)
Taxation	**5 393 865**	(117 590 109)

No company tax has been accounted for the year, as the company is in a taxable loss position of R17.6 million (2018: RNil) for the current financial year. The assessed loss relates to the capital tax allowances claimed on the CTICC 2 building. Management is comfortable that there will be sufficient taxable profits against which the assessed loss can be utilised.

The deferred tax charge in 2018 relates to the timing differences as a result of the impairment accounted for during last year.

17.2 Reconciliation of effective tax

	2019 R	2018 R
Profit / (Loss) before taxation	**17 877 901**	(429 560 853)
Tax at statutory rate (28%)	**5 005 812**	(119 656 880)
Permanent differences - Property, plant and equipment	**1 424 035**	2 066 771
Temporary difference	**(1 035 982)**	–
Effective tax	**5 393 865**	(117 590 109)

The permanent differences relates to buildings and fences and gates, as no tax allowances were claimable at the time these assets were brought into use.

18. Notes to the cash flow statement

18.1 Cash generated from operations

	2019 R	2018 R
Profit / (Loss) before taxation	**17 877 901**	(429 560 853)
Adjustment for:		
Depreciation and amortisation	**51 574 465**	39 820 439
Impairment of property, plant and equipment	**2 548 136**	462 599 006
Finance income	**(14 482 276)**	(17 829 123)
Lease straight-lining	**90 875**	90 875
Service-in-kind benefit	**2 123 976**	2 123 976
Asset write-off	**692 470**	151 880
(Decrease) / Increase in provision for bonuses	**853 512**	(236 426)
(Decrease) / Increase in provision for impairment of receivables from exchange transactions	**605 100**	887 958
	61 884 158	58 047 733
Movements in working capital		
Decrease / (Increase) in inventories	**(474 028)**	(393 272)
Decrease / (Increase) in receivables	**(43 668 335)**	(7 246 614)
(Decrease) / Increase in payables	**(7 588 257)**	23 896 582
	10 153 538	74 304 429

18.2 Taxation paid

	2019 R	2018 R
Balance at beginning of year	**1 993 475**	(3 002 222)
Current taxation charged to income statement	**–**	8 397 213
Balance at end of year	**3 002 224**	(1 993 475)
	4 995 699	3 401 516

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2019 (continued)

18. Notes to the cash flow statement (continued)

18.3 Cash and cash equivalents

	2019 R	2018 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	**11 857 864**	6 138 316
Call and investment accounts	**170 220 958**	217 475 159
Petty cash	**5 500**	5 500
Cash float	**112 500**	132 500
Cash on hand	**46 658**	5 395
Cash and cash equivalents	**182 243 480**	223 756 870
The following bank and investment accounts were held by the entity		
Nedbank – Current Account (Acc Number: 1232043850)	**–**	752 804
Nedbank – Call Deposit Account (Acc number: 03/7881544007/000105)	**20 099**	18 849
ABSA Bank – Current Account (Acc Number: 4072900553)	**8 309 320**	1 253 490
ABSA Bank – CTICC East – Current Account (Acc Number: 4072900228)	**206 598**	966 979
ABSA Bank – Exh Serv – Current (Acc Number: 4072900731)	**659 828**	642 085
ABSA Bank Treasury Account (Acc Number: 4073731246)	**74 759**	71 479
ABSA Bank Treasury Account (Acc Number: 4073733701)	**2 607 359**	2 451 479
ABSA Bank – Call Deposit (Acc Number: 4074708347)	**385 741**	14 407 371
First National Bank – RMB Investment Account – 00 506 190 167 40	**–**	14 830 872
Stanlib – Corporate Money Market Fund Account (Acc Number: 000-402-184 (1199539) 551436367)	**24 501 318**	27 739 151
Investec – Corporate Money Market Fund Account (Acc Number: (462097) 1008645)	**14 262 836**	37 715 476
ABSA Bank – Call Deposit Account (Acc Number: 4083941322)	**2 582**	2 507
Nedgroup – Money Market Fund Account – (Acc Number: (1800167964) 8319631)	**30 728 629**	28 404 622
Nedgroup – Corporate Money Market Fund C2 Account (Acc Number: (1452-027-900) 8319631)	**36 758 590**	35 082 376
ABSA Bank – Money Market Fund (Acc Number: 9295637051)	**48 938 077**	709 231
ABSA Bank – CTICC Money Market Fund Account (Acc Number: 09316676360)	**14 623 086**	13 564 704
ABSA Bank – Guarantee Account (Acc Number: (506009 4072900553) 43939765)	**–**	45 000 000

19. Expenses by nature

	2019 R	2018 R
Depreciation (Note 2)	**48 331 560**	39 648 681
Amortisation (Note 3)	**3 242 909**	171 758
Impairment of property, plant and equipment	**2 548 136**	462 599 006
Employee-related costs (Note 21)	**65 509 322**	57 477 767
Cost of sales	**31 568 293**	29 891 260
Marketing and advertising costs	**10 890 533**	10 263 749
Other expenses[(i)]	**115 182 007**	93 681 675
Total cost of sales and operating expenses	**274 029 850**	693 733 896

(i) The items included in other expenses is detailed in the Statement of Comparison of Budget and Actual Amounts on page 178.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2019 (continued)

20. Related parties

20.1 Holding company

The company is controlled by the City of Cape Town, which owns 71.4% (2018: 71.4%) of the company's shares. The remaining shares are held by the Western Cape Government, which owns 23.2% (2018: 23.2%) and SunWest International (Pty) Limited, which owns 5.4% (2018: 5.4%). 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, the company 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.

	2019	2018
	R	R
Related party transactions – City of Cape Town		
Rates and taxes	**3 017 393**	3 000 320
Electricity	**18 089 195**	13 642 596
Water	**2 479 674**	1 566 735
Lease P1 parking (including refuse, sewerage, rates and water)	**5 155 186**	3 466 277
Service-in-kind charge - Lease CTICC 1 (Note 5)	**2 123 976**	2 123 976
Related party transactions – Other		
Y-Waste Solutions CC[(i)]	**–**	10 400
Related party balances		
Amounts owing to City of Cape Town	**2 487 040**	948 194
Amounts due by City of Cape Town[(ii)]	**6 404 715**	6 404 715

(i) 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 in 2019: R0 (2018: R10 400).

(ii) The amount due from the City of Cape Town relates to costs incurred on behalf of the City relating to the basement expansion. A provision for bad debts of R1 067 989 (2018: R1 067 989) has been raised against the amount outstanding by the CTICC, as the company expects a delay in receiving the payment due to the amount being disputed by the City. Therefore, the amount has been discounted to account for the time value of money.

20.2 Subsidiary

The company has only one subsidiary, the Cape Town International Convention Centre Operating Company (Pty) Limited (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.

20.3 Directors' remuneration

Non-Executive Directors' remuneration only includes fees for attendance of Board and sub-committee meetings.

	2019 R	2018 R
Non-executive Directors' remuneration		
AA Mahmood	–	24 645
AM Boraine	–	22 228
BJ Lodewyk	–	56 977
EL Hamman	**59 028**	67 446
S Myburgh	**65 346**	59 100
DA Cloete	**44 712**	72 390
HV Ntoi	**46 812**	75 096
CK Zama[(i)]	**40 325**	34 777
JC Fraser	**19 604**	46 504
A Cilliers	**30 668**	–
G Harris	**33 806**	–
N Pangarker	**18 862**	–
Executive Directors do not receive any Directors' fees.		
Audit committee members' remuneration (External to the Board)		
D Singh	**34 170**	–
MR Burton	**21 394**	–
L Ndaba[(ii)]	–	–
Executive Directors' remuneration		
CEO remuneration		
Basic salary	**2 307 921**	2 136 871
Bonus and performance-related payments	**310 768**	287 656
Total	**2 618 689**	2 424 527
Grand total	**3 033 416**	2 883 690
CFO remuneration		
Basic salary	**1 382 714**	1 327 332
Bonus and performance-related payments	–	214 038
General Manager: Facilities and Operations remuneration		
Basic salary	**1 613 204**	1 493 615
Bonus and performance-related payments	**217 149**	201 063
General Manager: Operations - Food and Beverage remuneration		
Basic salary	**1 490 049**	1 213 865
Bonus and performance-related payments	**189 630**	130 295
General Manager: Commercial and Business Development remuneration		
Basic salary	**1 560 160**	1 300 948
Bonus and performance-related payments	**204 120**	138 565
Total	**6 657 026**	6 019 721

(i) Ms CK Zama was paid Directors' remuneration up to 31 March 2019 and no further remuneration will be made effective from 1 April 2019.
(ii) Ms L Ndaba is employed at the City of Cape Town and, accordingly, is not paid any remuneration as a member of the committee.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2019 (continued)

21. Employee-related costs

	2019	2018
	R	R
Salaries and wages	**51 057 393**	45 195 471
Contributions for Unemployment Insurance Fund, Workmens Compensation, Medical aid, etc.	**4 390 074**	3 936 000
Provident fund	**4 554 370**	4 014 334
Overtime	**779 096**	651 773
Performance bonus	**3 660 512**	2 513 351
Other: staff transport and health and safety costs	**1 067 877**	1 166 838
Total employee-related costs	**65 509 322**	57 477 767
Number of employees (includes 2 employees on temporary disability)	**219**	182

22. Operating leases

22.1 Lessee

	1 YEAR	2 – 5 YEARS	OVER 5 YEARS
2019	**R**	**R**	**R**
Future minimum lease payments (including VAT)	**3 134 749**	**15 255 574**	**402 343 260**
2018			
Future minimum lease payments (including VAT)	2 992 747	13 185 503	181 003 226

In accordance with the lease agreements from the City of Cape Town, the increases in lease payments are negotiated annually and every 5 years, a market-related value is determined for the lease premiums. Management has estimated the value of future minimum lease payment using the historical trend of increase percentages. Therefore, this estimate may change significantly from year to year.

Future minimum lease payments for the operating leases relate to the following leases:

1. City of Cape Town – 99 year lease of land, remaining term: 81 years 5 months.

   The lease gives rise to a service-in-kind benefit, as the lease cost of R100 per annum is below market value. The service-in-kind benefit has been valued and disclosed as detailed in Note 5.

2. City of Cape Town – 50 year lease of P1 parking garage, remaining term: 32 years 3 months.

3. City of Cape Town – 30 year lease of ERF 270, option to renew, remaining term: 23 years.

22.2 Lessor

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

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.

Total rental income received for the period was R4 595 956 (2018: R 4 495 129).

23. Budget information

23.1 Explanation of variances between approved and final budget amounts

The budget is approved on an accrual basis by nature classification. The approved budget covers the fiscal period from 1 July 2018 to 30 June 2019. 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:

- A decrease in revenue to account for the delayed practical completion of phase 1 of the expansion project of CTICC 2.

The reasons mentioned above resulted in an overall decrease in revenue and costs between the approved and final budget amounts.

23.2 Explanation of variances greater than 5% and greater than R1m: Final budget and actual amounts

Statement of Financial Performance

(i) Other income (R6 481 482 – over)

The growth in other income is mainly as a result of the increase in the number of events hosted during the year, as well as CTICC 2 being in operation for the full year. This resulted in good growth in the service fee and parking revenue earned.

(ii) Direct personnel (R8 552 766 – over)

The company had anticipated permanently employing staff previously provided through its labour brokers. The conversion of staff from labour brokers to permanent progressed slower than anticipated, as staff have not agreed to be insourced, hence the overspend.

(iii) Parking costs (R3 694 112 – under)

Parking costs includes all costs associated with the parking areas, namely, rental, security, cleaning and ticket costs, which were all lower than expected due to savings achieved during the year.

(iv) Event-related marketing cost (R1 345 542 – under)

During the year, the company incurred fewer costs in this category due to fewer clients making use of professional conference organisers (PCOs) for events.

(v) Finance income (R2 220 741 – over)

Due to steady interest earned from favourable cash balances, finance income was more than budgeted due to the delay in completion of CTICC 2, which resulted in higher than budgeted bank balances throughout the period and, therefore, a resulting increase in finance income.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2019 (continued)

23. Budget information (continued)

23.2 Explanation of variances greater than 5% and greater than R1m: Final budget and actual amounts (continued)

Statement of Financial Performance (continued)

(vi) Personnel cost (R22 369 481 – under)

The variance is due to savings from vacancies, new posts not filled and the conversion of labour broker staff to permanent employees that progressed slower than anticipated as staff have not agreed to be insourced.

(vii) Utility services (R8 749 053 – under)

Utility services were lower during the current period, as the company managed its water and electricity resources effectively and is benefitting from the installation of its reverse osmosis plant.

(viii) Maintenance (R1 462 051 – under)

The company has continued to effectively manage its maintenance and refurbishment programmes, thereby resulting in savings on costs.

(ix) Advisors (R3 398 170 – under)

During the current financial period, the CTICC made use of more cost-effective service providers and had fewer legal expenses due to fewer services required.

(x) Marketing and corporate communications (R1 073 658 – under)

The costs incurred on marketing and corporate communications were lower due to more effective utilisation of resources and opportunities.

(xi) Depreciation, amortisation and impairment asset (R11 471 102 – over)

The higher depreciation is due to the capitalisation of the majority of CTICC 2 assets and the superstructure, as well as the impact of the reassessment of useful lives performed in 2018 where the depreciation will be spread over a number of years, as well as the impairment charge for the year of R2 548 136, not included in the budget.

23.3 Explanation of variances greater than 10% and greater than R2 million: Final budget and actual amounts

Capital expenditure

97% of capital expenditure projects were either complete or in progress as at year-end.

(i) Building enhancements (R8 413 794 – under)

Certain projects were awarded towards the end of the financial year and will spread into the 2019/20 financial year. These funds were rolled over to the 2019/20 financial period.

(ii) Catering, furniture and equipment (R2 077 695 – under)

Orders were placed for furniture and uniforms and will only be delivered in the new financial year. These funds were rolled over to the 2019/20 financial period.

(iii) Other capex items (R3 845 050 – under)

The unspent capital expenses relates to the timing of expenditure on the CTICC 2 expansion programme due to unexpected delays.

23.4 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.

	2019 R
Revenue per the Statement of Financial Performance	271 434 321
Other income per Statement of Financial Performance	5 991 153
	277 425 474
Revenue per the Statement of Comparison to budget	227 019 251
Other income per Statement of Comparison to budget	50 406 223
	277 425 474
Cost of sales and operating expenses	
Cost of sales per the Statement of Financial Performance	31 568 293
Expenses per the Statement of Financial Performance	
Operating expenses	239 913 421
Impairment	2 548 136
	274 029 850
Direct costs per the Statement of Comparison to budget	56 650 766
Indirect costs per Statement of Comparison to budget	217 379 084
	274 029 850

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2019 (continued)

24. Financial instruments

24.1 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 British Pound. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

The company has no exposure to foreign exchange risk on its revenues, as all its invoicing, including invoicing to foreign clients, is denominated in South African Rands.

Limited foreign exchange risk exposure arises from payments to third parties denominated in foreign currency, which includes membership fees, advertising and marketing spend, and conference attendance costs.

Payments denominated in foreign currency are limited and, therefore, the company's risk exposure is minimal.

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.

The company manages interest rate risk in terms of the Municipal Investment Regulations.

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 as 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.

	2019	2018
Cash and cash equivalents	**182 243 480**	223 756 870
Increase / Decrease in interest rates	**1%**	1%
Net surplus (post-tax)	**1 312 153**	1 611 049

Credit risk management

Credit risk is the risk of financial loss to the company if a customer fails to meet the contractual obligation, and arises principally from the company's customers. The company's policy is to receive the full contracted payment upfront from customers. Any outstanding balances arising during the event 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 who 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 application of the Credit Control and Debt Collection Policy.

Credit quality of trade receivables and other receivables

The following represents the credit quality of the gross trade receivables and other receivables:

		RESTATED
	2019	2018
	R	R
Key accounts customers	**2 799 012**	3 436 951
Other accounts customers	**993 240**	639 931
High-risk customers	**661 075**	10 063
Other receivables (Note 8)	**37 171 849**	104 326
Related party recoverable	**6 404 715**	6 404 715
	48 029 891	10 595 986

The company believes that no further impairment is necessary on trade receivables and other receivables, as reflected in Note 8.

Liquidity risk

The liquidity risk is the risk that the company will not have sufficient financial resources to meet all obligations as they fall due, or will have to do so at excessive cost. This risk can arise from mismatches in the timing of cash flows from revenue inflows and capital and operational out flows. The entity manages liquidity risk through an ongoing review of its future commitments and available resources by preparing regular cash flow forecasts. The company ensures that adequate funds are available to meet its expected and unexpected financial commitments, through effective working capital management.

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

	LESS THAN 1 MONTH	2 - 6 MONTHS	GREATER THAN 6 MONTHS	TOTAL
	R	**R**	**R**	**R**
2019				
Financial instrument				
Trade payables and other payables from exchange transactions	**28 307 517**	**22 639 409**	**62 381**	**51 009 307**
	28 307 517	**22 639 409**	**62 381**	**51 009 307**

The company is in receipt of client deposits for events booked up to the 2023 financial year, which is disclosed in the "greater than 6 months' column.

2018				
Financial instrument				
Trade payables and other payables from exchange transactions	17 854 717	53 965 633	–	71 820 350
	17 854 717	53 965 633	–	71 820 350

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2019 (continued)

24. Financial instruments (continued)

24.1 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 trade 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 net assets, shown in the Statement of Financial Position, plus net debt.

The gearing ratios as at 30 June 2019 and at 30 June 2018 were as follows:

	2019	2018
	R	R
Cash and cash equivalents	**182 243 480**	223 756 870
Less: Trade payables and other payables from exchange transactions	**(51 009 307)**	(71 820 350)
Net cash	**131 234 173**	151 936 520
Total equity	**903 452 225**	870 265 843
Total capital	**1 034 686 398**	1 022 202 363
Gearing ratio	**13%**	15%

24.2 Financial instruments by category

The accounting policies for financial instruments have been applied below:

	2019
	FINANCIAL ASSET MEASURED AT AMORTISED COST
Assets as per financial position	**R**
Trade receivables and other receivables from exchange transactions	**46 346 739**
Cash and cash equivalents	**182 243 480**
	FINANCIAL LIABILITY MEASURED AT AMORTISED COST
Liabilities as per financial position	**R**
Trade payables and other payables from exchange transactions	**51 009 307**

	2018 FINANCIAL ASSET MEASURED AT AMORTISED COST
Assets as per financial position	R
Trade receivables and other receivables from exchange transactions	9 517 934
Cash and cash equivalents	223 756 870

	FINANCIAL LIABILITY MEASURED AT AMORTISED COST
Liabilities as per financial position	**R**
Trade payables and other payables from exchange transactions	71 820 350

25. Supply chain management regulations

25.1 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.

	2019	2018
	R	R
Total deviations for the year amounted to **R20 320 812** (2018: R13 688 285)		
Listed below are material deviations:		
Incident		
(i) Exceptional / Impractical cases	**3 299 911**	6 695 135
(ii) Sole / Single provider	**9 678 822**	1 256 568
(iii) Emergency situation	**2 937 956**	2 281 448
(vi) Minor breaches	**4 187 862**	3 437 134
(v) Works of art	**216 261**	18 000
	20 320 812	13 688 285

(i) These cases relate mainly to membership and subscription fees to local and international organisations and temporary staff required for events.

(ii) Items in this category include software licensing for the accounting system of R5.0 million, the point of sale system of R1.0 million and parking management system of R0.1 million, as well as floor tiles required for CTICC 1 that were the same as CTICC 2 and were only available from a single supplier, costing R2.9 million.

(iii) The significant items included are related to the insurance cover for the 2018/19 period, the procurement of accounting and related services required during the 2018 financial year-end and work relating to the rational fire design of CTICC 2.

(iv) The significant component of the cost relates to the architectural services contract for CTICC 2. The remainder relates to speciality foods for events.

(v) This was for works of art purchased for CTICC 2.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2019 (continued)

25. Supply chain management regulations (continued)

25.2 According to section 45 of the Municipal 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.

The contracts issued below were issued following our normal procurement procedures and were not issued through any deviations.

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 and CTICC028/2019). The Director's spouse (Mrs. M. Brink) is in service of the state as a doctor at the Red Cross Hospital. The amount of award in 2019: R1 262 988 (2018: R0).

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 the service of the state as Chairperson - Parliament Committee of Higher Education and Training. The amount of the award in 2019: R174 844 (2018: R0).

Tender CTICC057/2018: Provision of Event Safety Services was awarded to Bidvest Protea Coin (Pty) Limited. The Director's brother (Mr. M. Selepe) is in the service of the state as the Deputy Director: Risk Management at the City of Tswane. The amount of the award in 2019: R472 022 (2018: R0).

Tender CTICC032/2016 and CTICC030/2019: Internet Service Provider was awarded to Future Perfect Corporation CC. The Director's spouse (Mrs. P. Naidoo) is in the service of the state as a Project Manager at the City of Cape Town. The amount of the award in 2019: R2 265 168 (2018: R0).

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 in 2019: R0 (2018: R10 400).

26. Capital commitments

	2019	2018
	R	R
Commitments in respect of capital expenditure		
CATEGORY		
Other capex items	**18 307 671**	27 738 154
Total capital commitments	**18 307 671**	27 738 154

27. Contingent liabilities

The CTICC has received various claims which have arisen from the expansion project brought about by the Principal Building Contractor and other professional services consultants. The company is also expecting to incur legal fees in the process of responding to these claims. Claims which will be dealt with beyond the next financial year, as well as any related legal fees, are not quantifiable at this time. Subsequent to year-end, the claims have not materialised.

The significant claims have been dealt with in the 2019 financial year (refer Note 8). The CTICC was successful in overturning previous adjudications, which had been in favour of the Principal Building Contractor and is now seeking to recover monies previously paid to the Principal Building Contractor. These have been accounted for in the current financial year (refer Note 8).

28. 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.

GENERAL INFORMATION
as at 30 June 2019

Country of incorporation and domicile	South Africa
Registration Number	1999/007837/30
Nature of business and principal activities	Convention centre hosting conferences, exhibitions, trade shows and special events
Directors	DA Cloete JM Ellingson W De Wet S Myburgh SW Fourie JC Fraser CK Zama G Harris N Pangarker A Cilliers W Parker
Presentation currency	**South African Rands ("R")**
Registered and business address	Convention Square 1 Lower Long Street Cape Town 8001 Western Cape
Postal address	P O Box 8120 Roggebaai Cape Town 8012 Western Cape
Company Secretary	First Corporate Transfer Secretaries (Pty) Limited
Preparer of annual financial statements	Wayne De Wet CA (SA)
Bankers	Nedbank ABSA First National Bank Stanlib Investec
Holding company	City of Cape Town (71.4%) Western Cape Provincial Government (23.2%) SunWest International (Pty) Limited (5.4%)

UNITED NATIONS GLOBAL COMPACT INDEX

The following table outlines the specific pages of this report that contain information on the CTICC's Communication on Progress (COP) made over the last year, in terms of the key principles contained in the UNGC.

No	Principle	Met	Page reference
1	**Principle 1 –** Businesses should support and respect the protection of internationally proclaimed human rights.	✓	**3-4, 17-19, 57-60, 61-64, 67-78, 106**
2	**Principle 2 –** Businesses should make sure that they are not complicit in human rights abuses.	✓	**106**
3	**Principle 3 –** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	✓	**106**
4	**Principle 4 –** Businesses should uphold the elimination of all forms of forced and compulsory labour.	✓	**19, 106, 124**
5	**Principle 5 –** Businesses should uphold the effective abolition of child labour.	✓	**106**
6	**Principle 6 –** Businesses should uphold the elimination of discrimination in respect of employment and occupation.	✓	**3-4, 17-19, 59-60, 61-64, 106,124**
7	**Principle 7 –** Businesses should support a precautionary approach to environmental challenges.	✓	**10-12, 20, 106**
8	**Principle 8 –** Businesses should undertake initiatives to promote greater environmental responsibility.	✓	**3-4, 21-22, 105-118, 130, 149**
9	**Principle 9 –** Businesses should encourage the development and diffusion of environmentally friendly technologies.	✓	**106, 114**
10	**Principle 10 –** Businesses should work against corruption in all its forms, including extortion and bribery.	✓	**106, 120, 124**

CTICC 1

Convention Square,
1 Lower Long Street,
Cape Town, 8001, South Africa
GPS co-ordinates: -33.915141°, 18.425657°

CTICC 2

Corner of Heerengracht & Rua Bartholomeu Dias,
Foreshore,
Cape Town, 8001, South Africa
GPS co-ordinates: -33.91747°, 18.42908°

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NURTURE OUR WORLD

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