

Contents

Message of the Chairman	1
Convenco Purpose and Structure	2
Report of the CEO	3
Corporate Governance Report	8
Key Performance Information	9
Annual Financial Statements – Contents	10
Approval of the Annual Financial Statements	10
Auditor-General’s Report	11
Report of the Directors	14
Statement of Financial Position	16
Statement of Financial Performance	17
Statement of Changes in Net Assets	18
Cash Flow Statement	19
Notes to the Financial Statements	20
Detailed Income Statement	20
Corporate Information	IBC

Message of the Chairman

ANDREW BORAINÉ

Chairman: Convenco

When the Cape Town International Convention Centre Company (Convenco) was first established in 1999, and the initial plans for the Cape Town International Convention Centre began to take shape, everyone involved hoped that South Africa's newest convention destination would prove a highly successful addition to the region's business tourism portfolio. Now, five years after it first opened its doors to delegates and visitors from around the world, those initial hopes and dreams for the CTICC have been far surpassed.

The exceptional success of the centre is the combination of a number of factors, not least of which is the almost tangible passion and dedication of the people who are employed there. Of course, a burgeoning South African business environment, steadily growing tourism industry, and the continued commitment by my fellow Convenco Board Members to realise the vision for the centre, can also share some of the credit for the phenomenal success story that is the CTICC.

In five short years, the centre has not only grown into a profitable organisation, but it has also made a significant contribution to job creation and Black Economic Empowerment, both in the Western Cape and the rest of South Africa. What's more, the CTICC has achieved an enviable international reputation for its consistently excellent services and facilities, and its ability to deliver on its promise to support its clients in creating unforgettable experiences for their guests.

The CTICC's recent inclusion amongst the Top 500 Companies in South Africa is further, independent evidence that the organisation is certainly on track to realise the vision and objectives that were first set out for it by Convenco. The Top 500 Companies list recognises South Africa's leading businesses according to the extent to which they meet best practice benchmarks, their level of performance, operational, and human resources excellence, and their financial success, particularly in terms of triple bottom line reporting standards. The CTICC's inclusion on this list means the centre is achieving at all these levels, and the management and staff are to be commended for this significant achievement.

In March 2008, Convenco was fortunate enough to have its ranks strengthened by the appointment of Rashid Toefy to the position of CEO. I would like to take this opportunity to formally welcome Rashid to Convenco and wish him every success in his new role. I would also like to thank Denis Skeate for the valuable contribution he has made as acting CEO of Convenco since 2007. Lastly, I extend my thanks to the entire Convenco board for their ongoing continued support and the role they have played in the success of the CTICC over the past year.

As chairman of Convenco, I am indeed proud, and consider it a privilege, to have been able to play a small part in that success myself, and I look forward to many more years of working together to contribute to the sustainable economic growth of our city, province and nation.

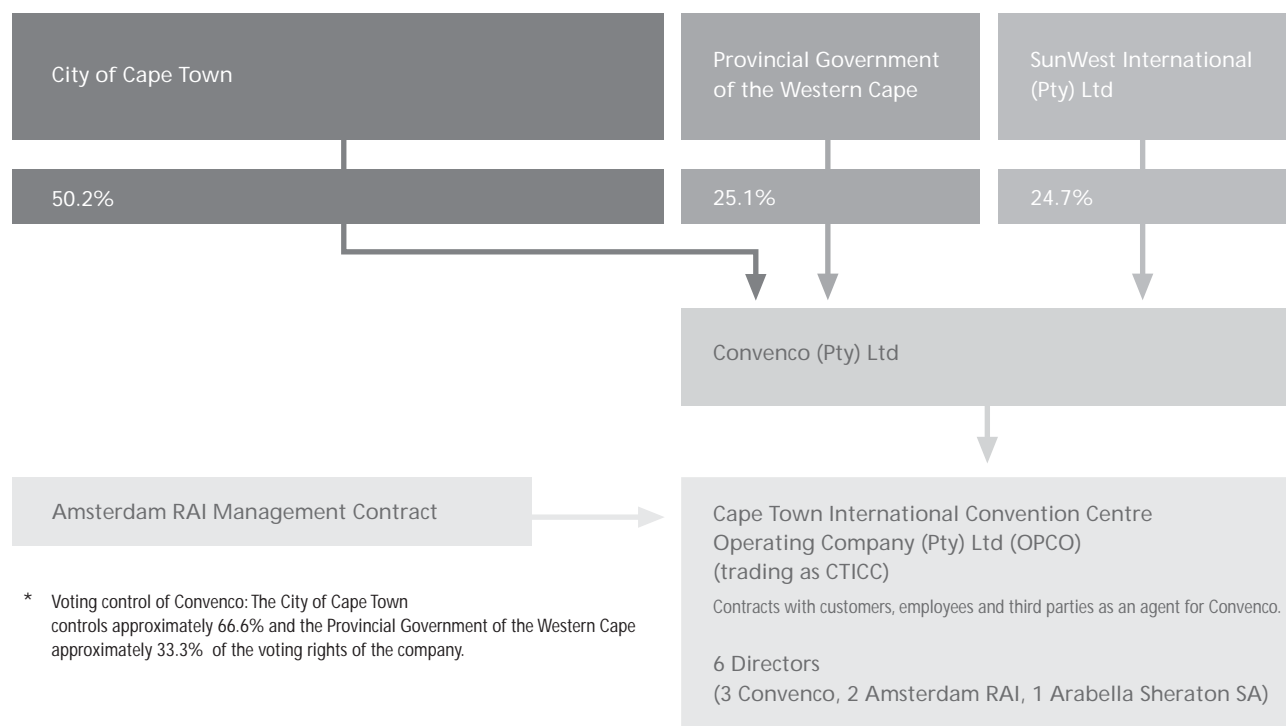
Convenco Purpose and Structure

The Cape Town International Convention Centre Company (Convenco) was established in 1999 as a collaborative effort between the City of Cape Town, the Provincial Government of the Western Cape and Business Cape. It is effectively the holding company of the CTICC and was first established to bring to fruition the shared vision of a world-class, Cape Town-based convention centre. While this vision was realised when the CTICC first opened its doors in June 2003, the task of Convenco is ongoing and the board has as its primary objectives:

- to oversee the ongoing development of the CTICC and the extension of its world-class facilities and services;
- to establish, reinforce and grow business tourism in the Western Cape;
- to add value to business tourism initiatives in the Western Cape and beyond, as well as any complementary infrastructural projects that develop out of such initiatives; and
- to serve as contributor to South Africa's GDP.

CONVENCO STRUCTURE

Convenco Shareholding (as at 30 June 2008)



Convenco Directors

(as at 30 June 2008)

AM Borraine, Chairman
 R Toefy, CEO
 DC Skeate, Director
 SA Fisher (Dr), Director
 FG Fredericks, Director
 MA Gierdien, Director
 DS Jack, Director
 TW Manyathi, Director
 S Montsi, Director
 T Pasiwe, Director
 LF Platzky (Dr), Director
 HJ Taljaard, Director
 BP Zazaza, Director

OPCO Directors

(as at 30 June 2008)

AJ Bakker, Chairman
 D Elzinga, Managing Director
 FG Fredericks, Director
 HF Grub, Director
 DC Skeate, Director
 R Toefy, Director

Company Secretary

MM Thirion

Report of the CEO

RASHID TOEFY

Chief Executive Officer: Convenco

The CTICC is widely regarded as the leading convention centre in the southern hemisphere, and its achievements over the past financial year would certainly appear to substantiate this reputation. Apart from the exceptional financial performance delivered for 2008, the centre has succeeded in its efforts to impact positively on the communities in which it operates, and to limit any negative impact it has on the environment. Quite apart from the legislative requirement to achieve such triple bottom line success, the CTICC regards this as a vital component in its long-term, sustainable contribution to the economic future of the region, and the country.

As South Africa, and indeed the world, finds itself in a period of unprecedented economic, social and political uncertainty, it is my sincere belief that the CTICC can, and must, exert a positive influence on our nation's socio-economic landscape. In accepting the role of CEO of Convenco, I have committed myself to the responsibility of ensuring that the centre does precisely that.

The CTICC exists to serve the ratepayers and citizens of Cape Town, and I would like to thank the people of Cape Town for the support and encouragement they have so willingly offered the centre over the past five years.

I would also like to extend my heartfelt thanks to our many partners and associates, including Wesgro, Cape Town Tourism and Cape Town Routes Unlimited, whose tireless efforts to assist the CTICC in attracting business and leisure tourists to Cape Town do not go unnoticed.

Finally, the CTICC would undoubtedly not be the success it is were it not for the talented and dedicated managers and employees who strive on a daily basis to deliver the kind of excellent service that keeps our clients returning again and again. In particular, I would like to commend Managing Director, Dirk Elzinga, for his visionary leadership and unwavering commitment to realising the full vision of the CTICC.

The report contained in the following pages represents an overview of the business of the CTICC and its contribution to the ongoing

economic, environmental and human resources development of the Western Cape.

Notes:

1. As a holding company, Convenco delegates its operating responsibilities to the Cape Town International Convention Centre Operating Company (Pty) Ltd (CTICC). Most business activities take place within the CTICC, hence the primary focus of this report on the operations of that company.
2. For the purpose of this report, "2008" refers to the financial year from July 2007 to June 2008.

CTICC Business Overview

2008 saw the CTICC hosting more than 500 highly successful events for the second consecutive year and welcoming almost 550 000 delegates – well above the targets set across all event categories.

Particularly noteworthy were the 42 international conferences hosted at the centre. Apart from the opportunity such international events offer for the CTICC to expand its global reputation as a leading conference destination, the influx of international visitors is of immense importance to the economy of Cape Town and South Africa, as statistics show that business travellers spend an average of approximately R2 500 per day whilst in the country.

The total revenue for the CTICC for the financial year under review increased by 27.7% from R102 million to R130 million. Venue rentals and food and beverage services were the most significant contributors to this revenue with the former up 26.2% and the latter rising by 32.8% over the previous year.

Many of the centre's essential services divisions also contributed to the financial success. The parking department accounted for R7.8 million of income (up 20.1% on the previous year), while the hotel services department added R0.7 million to the bottom line, which represents a year-on-year increase of 60.3%.

In terms of expenses, the CTICC saw the cost of delivering its services increasing for the period, with raw materials up by 17.6% and direct personnel expenditure up 33.3% on the previous period. Total indirect expenses rose by 26.1% to R109 million for the year.

Despite these cost increases, the CTICC's annual contribution to Convensco for the 2007/2008 period increased by 37% to R41.5 million.

International Accolades

The CTICC continues to enjoy international recognition for its services and facilities. The *Business Britain* publication awarded the CTICC its award for "Convention & Exhibition Venue of the Year 2008", while *European CEO* recently named the CTICC its "Convention Centre of the Year 2008, Global". The centre was also awarded a bronze medal in the "Best Overseas Conference Centre" category at the *Meetings & Incentives Travel Awards* held in London.

Events and Occupancy

While the CTICC continues to attract a broad spectrum of local and international clients, the real measure of the centre's success is the occupancy level of its venues. During 2008, the CTICC exhibition halls enjoyed an average occupancy rate of 59%, 12% up on the previous year and well within the range of international best practice benchmarks. The months of March and April 2008 saw average occupancy in these venues exceeding 80%.

High occupancy levels have been sustained, throughout the year, in all main CTICC conference venues, as indicated in the table below:

Venue	Occupancy
The Ballroom	63%
Exhibition Halls	59%
The Roof Terrace	55%
Auditorium 1	48%
Auditorium 2	44%

The significant increase in the number of trade fairs hosted at the CTICC bodes well, both for the centre itself and the South African convention industry as a whole, as the trade fair industry still represents a significantly underdeveloped market in this country.

Attendance Figures

The number of national conferences hosted by the CTICC increased to 32. The year under review saw an increase in average attendance at these national conferences from 318 to 522 delegates.

While average attendance figures at the international conferences hosted at CTICC

dropped slightly from 991 delegates to 789, this figure still exceeds the world average of 656.

Business Development

The year again saw extensive efforts being made to market the CTICC internationally with the centre represented at the following international trade fairs:

- EIBTM (European Incentive, Business Travel and Meetings Exhibition) in Barcelona in December 2007.
- AIME (Asia Pacific Incentive and Meetings Expo) in February 2008, in Melbourne, Australia.
- RCMA (Religious Conference Management Association) in February 2008 in Orlando, Florida.
- GIBTM (Gulf Incentive Business Travel and Meetings Exhibition) in April 2008 in Abu Dhabi.
- IMEX (The Worldwide Exhibition for Incentive Travel Meetings and Exhibitions) in April 2008, in Frankfurt.

In February 2008, representatives of the CTICC also participated in a special workshop of the International Congress and Convention Association (ICCA) in Berlin, at which 15 of the biggest meeting organisers in the world were present.

In partnership with Cape Town Routes Unlimited, the CTICC participated in the "Best Cities" Global Convention Bureau Alliance workshop in Europe this year. The Alliance is the world's first convention bureau alliance, with eight partners on five continents, namely Cape Town, Copenhagen, Dubai, Edinburgh, Melbourne, San Juan, Singapore and Vancouver, and aims to deliver the world's best services experience to the meeting industry. CTICC representatives also attended a promotional meeting of another international alliance of leading conference destinations known as "All Corners", to profile the city and the centre, and secure meetings and conferences post-2010.

Closer to home, CTICC representatives attended "Meetings Africa" in February 2008, which has established itself as the African continent's top Business Tourism Exhibition. It is the only exhibition in Africa with a specific focus on showcasing events, incentives, conferences and business travel products and services.

Through these and other efforts, the CTICC continues to raise its local and international profile and is enhancing Cape Town's growing reputation as a leading business tourism destination.

Maintenance and Refurbishment

The CTICC's total ordinary maintenance expenditure for 2008 amounted to R7.06 million, while R10.95 million was spent on enhancements and refurbishments, which included the following:

- Slightly less than 50% of the extensive basement flooring surface area, which provides access to the kitchens and storage areas, received an epoxy recoating to make it more durable.
- 800 m² of wall cladding in the main kitchens, scullery and ice production areas was refurbished.
- A climate controlled new goods receiving area was established for the receipt and processing of all fresh produce.
- In the auditoriums, carpets were replaced in the aisles and in front of the stages.
- All wooden staircases in the CTICC building were completely refurbished.
- Most light bulbs in the building were replaced with energy-efficient globes.

Thanks to the rigorous maintenance and refurbishment schedule, and the thorough preparation by the centre's food and beverage department, the CTICC was ready to undergo its Hazardous Analysis and Critical Control Points (HACCP) accreditation. The HACCP accreditation ensures the highest standards of food safety and hygiene across all business operations, and the CTICC's score of 298 points out of a possible 300 means the centre now boasts the first HACCP-approved kitchen in the Western Cape.

Economic Contribution by the CTICC

The sixth annual study into the economic contribution made by the CTICC during 2008 revealed that the centre contributed R2.7 billion to national Gross Domestic Product (GDP) and R872.1 million to the Western Cape's Gross Geographic Product (GGP) during the period under review*. As a direct result of the CTICC's operations, 3 744 people were employed in the Western Cape and a further 5 308 people were employed, indirectly, across the rest of the country*.

The macroeconomic contribution of the CTICC is largely a result of the total visitor days generated by the centre. For 2008, more than 1 166 000 such visitor days were generated of which 404 000 (35%) were by international visitors and delegates. In addition, it is estimated that a further 625 000 international visitor days were generated from induced tourism.

Other macroeconomic benefits of the CTICC for 2008 include the generation of R249.8 million in tax revenue for the state, and the creation of R1.35 billion in indirect household income.

The figures for 2008 mean that, to date, the CTICC has contributed over R9.5 billion to South Africa's GDP and projections are that the next five years of operation will grow that contribution by another R21.5 billion. The centre's total contribution to the provincial GGP over the last five years has been R3.25 billion.

* Figures take into account the effect of induced tourism as a result of the operations of the CTICC.

People Development

The CTICC corporate culture is one of teamwork, recognition, personal accountability and employee well-being. To maintain this environment, the CTICC spares no expense or effort in empowering its people to develop personally and achieve their career aspirations.

Training and Development

The CTICC *Passport to Success* training programme continues to grow in popularity, with 568 part-time staff members of CTICC having completed the programme, which is aimed at enabling them to maintain the high standards of service delivery expected of the CTICC. The effectiveness of the *Passport to Success* programme is increasingly becoming recognised within the broader South African hospitality industry, and individuals who have completed the programme tend to find it easier to obtain permanent employment as a result.

During the year under review, permanent CTICC staff members were also exposed to a range of training opportunities aimed both at furthering their personal development goals and equipping them to increase their contribution to the centre's ongoing success. In total, permanent and part-time staff members attended 2 390 training days during 2008, demonstrating the commitment of the CTICC to empowering and equipping its people.

The CTICC Internship Programme – which affords local and international students the opportunity to gain first-hand experience in running a convention centre – also proved particularly popular. The past year saw 19 students pass through the programme, including eleven from the Tourism, Hospitality and Sport Education and Training Authority (THETA). Seventeen of these interns were from previously disadvantaged backgrounds, reinforcing the CTICC's commitment to furthering transformation within the hospitality industry.

Employee Well-being

Sick leave figures are widely recognised as a sound quantitative measure of an organisation's overall employee well-being. During 2008, the CTICC Human Resources Department reported total sick leave of less than 2%, which is well below the industry average.

The CTICC Social Committee continued to make a valuable contribution to ensuring healthy levels of social interaction and an acceptable work-life balance as part of the CTICC culture.

Promoting Transformation

From the outset, the CTICC set a target of employing at least 66% of its staff members from historically disadvantaged communities. The centre has succeeded in meeting that target every year, and the current demographic profile shows 85% of permanent CTICC staff fall within the historically disadvantaged category.

Corporate Social Investment

Since its inception, the CTICC has been committed to making a positive contribution to the communities in which it operates. On a regular basis, the centre has donated conference materials and excess food stuffs to worthy causes around Cape Town. 2008 saw the centre formalising its approach to Corporate Social Responsibility with the identification of eight organisations in need to which it would henceforth try to make such contributions in a way that does not affect the centre's bottom line results. Staff members were invited to participate in the charity selection process and all of the organisations selected are already being supported by CTICC employees in their personal capacities. They are:

- The Eziko Cooking and Catering Training Centre
- The SPCA

- The Farouk Abrahams Goalkeeper Academy
- The League of Friends of the Blind
- CAFDA
- Nazareth House
- Doornbacht Community Centre
- Homes for Kids in South Africa

A Green Centre

The CTICC recognises and understands the responsibility it has to use its resources wisely, minimise its impact on the environment and, wherever possible, reduce its carbon footprint for the good of the planet.

From the first day of construction, the centre has therefore paid careful attention to its environmental impact. As a direct result, a recent evaluation by Green Buildings for Africa revealed that the CTICC has achieved 77.1% compliance with the South African Energy and Demand Efficiency Standards. On completion of its new extension, the centre intends applying for a Six Star rating from the Green Building Council of South Africa.

The centre favours reusable and recyclable products. As such, it has eliminated the use of styrofoam cups and utilises biodegradable soaps and detergents. All administration offices have recycling bins, and all glass and plastic products are recycled. Water is conserved through use of a dual-flushing toilet system, while all irrigation operates on an automated drip system to minimise wastage.

The CTICC's commitment to environmental preservation extends beyond its own activities and operations. The management team is committed to working with conference organisers to ensure that delegates and guests also understand the need to minimise their impact on the environment. The centre recommends hotels and transport options that will assist them in doing so.

Looking Forward

On 23 July 2007, Western Cape Premier in Office, Ebrahim Rasool, announced that consensus had been reached with the Department of Public Works to make the Customs House site opposite the CTICC building available for the extension of the centre's facilities. This represents an opportunity for the CTICC to almost double its capacity, thereby facilitating the projected growth in events and occupancy.

Although Cape Town was not appointed as the International Broadcast Centre for the 2010 FIFA World Cup, the CTICC successfully bid to host the final draw for the event in December 2009. Much time and effort has been spent preparing for this prestigious event and it promises to be another golden opportunity to showcase all that the CTICC and the city of Cape Town have to offer national and international business and leisure visitors.

As the world continues to move toward what has been termed the "Experience Economy" in the

coming decade and beyond, the CTICC is perfectly positioned to build on its proven ability to bring people together by creating and hosting unforgettable experiences.

As is evident from this report, the past five years have seen the CTICC evolve from an inspired vision into an exceptionally successful organisation that is making a valuable contribution to the South African economy. And the next five years promise to be even more exciting and challenging.

Corporate Governance Report

BOARD OF DIRECTORS

Convenco endorses the principles of the Code of Corporate Practices and Conduct as set out in the Second King Report. The board places strong emphasis on maintaining high standards of financial management, accounting and reporting, to ensure that the company's affairs are managed in an ethical, transparent and responsible manner, whilst also taking into consideration appropriate risk parameters.

Board Structure and Responsibilities

Convenco has a unitary board structure, which currently comprises twelve non-executive directors and one executive director in the form of the chief executive officer. The chairman, Mr Andrew Boraine, is a non-executive director.

The board meets at least four times a year, however, additional meetings are held as and when necessary. Board meetings are scheduled well in advance and board members are provided with all relevant and timeous information to enable them to make informed decisions. A record is kept of each director's attendance at all board meetings.

The directors may seek professional advice on matters concerning the affairs of the company.

Changes to the Board

Mr Sam Montsi was appointed as a director on 16 October 2007, and Mr Mohamad Ali Gierdien was appointed as a director on 17 October 2007. Mr Rashid Toefy was appointed as a director and chief executive officer of the company on 1 March 2008. Mr Ashley Cavel Seymour resigned as alternate director to Mr Fredericks on 13 September 2007.

Board Committees

The board has established the following sub-committees to assist it in discharging its duties and responsibilities:

Audit Committee

The audit committee has a formal mandate from the board and reviews the adequacy and effectiveness of: the financial reporting processes; the system of internal control; the management of financial, investment and operational risks; the internal and external audit processes; and compliance with laws and regulations. Meetings are held at least four times a year. Both the internal and external auditors have access to the committee and are invited to attend all audit committee meetings.

Executive Committee

The executive committee consists of six board members who meet on a monthly basis to deal with issues delegated to it by the board.

Remuneration Committee

The remuneration committee consists of four directors and meets once a year for the purpose of reviewing annual salary increases, bonus incentives, and the company's remuneration strategy.

Company Secretary

The company secretary ensures that, in accordance with pertinent laws, the proceedings and affairs of the directorate and, where appropriate, members of the company are properly administered. The directors have direct access to the secretary and can seek the advice of the secretary on board matters. The company secretary also acts as secretary to all committees or sub-committees of the board.

Internal Control

The directors are responsible for ensuring that the company has internal control systems in place aimed at providing reasonable assurance regarding the safeguarding of assets and the prevention of their unauthorised use or disposal. They are also responsible for ensuring the maintenance of proper accounting records and the reliability of financial and operational information utilised in the business.

For the period under review, nothing has come to the attention of the directors or external auditors to indicate any material breakdown in the functioning of controls, procedures or systems.

Risk Management

The board recognises the critical importance of effective risk management and is committed to complying with the risk management requirements set out in the Code of Corporate Practices and Conduct of the King II Report on Corporate Governance. To this end, a risk identification and management process has been put in place, and is assessed regularly by senior management. The severity of risks is measured, and appropriate risk mitigating interventions are prioritised accordingly.

Sustainability

The board is committed to the sustainability of the organisation and has put in place the relevant procedures to enable the company to meet its commitments to its various stakeholders in an ethical, socially responsible, and environmentally friendly manner.

The board has affirmed its ongoing commitment to procurement from Black Economically Empowered companies and to the development of intellectual and human capital within the company with a particular focus on historically disadvantaged individuals.

Key Performance Information

2007/2008 FINANCIAL YEAR

The following key performance indicators, relating to the event categories, have been agreed between Cape Town International Convention Centre Company (Pty) Ltd and the City of Cape Town for the year ended 2007/2008.

July 07 – June 08		
Type	Annual Target	Actual Total
International Conference	32	42
National Conference	30	32
Exhibition	16	18
Trade Fair	13	18
Banquet	55	71
Other Event	182	296
Special Event	23	26
TOTAL	351	503

The actual performance per event category has exceeded the agreed targets as a result of the additional business gained during the financial year.

Annual Financial Statements

for the year ended 30 June 2008

Contents	Page
Report of the Independent Auditors	11 – 13
Report of the Directors	14 – 15
Statement of Financial Position	16
Statement of Financial Performance	17
Statement of Changes in Net Assets	18
Cash Flow Statement	19
Notes to the Financial Statements	20 – 38
The following supplementary schedules do not form part of the financial statements, and are unaudited:	
Detailed Income Statement	39 – 40

Approval of the Annual Financial Statements

The financial statements which appear on pages 16 – 40 were approved by the board of directors on 28 August 2008 and are signed on their behalf by:



Director
28 August 2008



Director
28 August 2008



Director
28 August 2008

Auditor-General's Report

REPORT OF THE AUDITOR-GENERAL TO THE PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE CAPE TOWN INTERNATIONAL CONVENTION CENTRE COMPANY (PTY) LTD FOR THE YEAR ENDED 30 JUNE 2008

Report on the Financial Statements Introduction

1. I have audited the accompanying financial statements of the Cape Town International Convention Centre Company (Pty) Ltd (Convenco) which comprise the statement of financial position as at 30 June 2008, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes and the directors' report, as set out on pages 14 to 38.

Responsibility of the Accounting Officer for the Financial Statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting determined by National Treasury, as set out in note 1.1 to the financial statements and in the manner required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and the Companies Act of South Africa, 1973 (Act No. 61 of 1973). This responsibility includes:

- designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error;
- selecting and applying appropriate accounting policies; and
- making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor-General

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996) read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004), my responsibility is to express an opinion on these financial statements based on my audit.

4. I conducted my audit in accordance with the International Standards on Auditing and *General Notice 616 of 2008*, issued in *Government Gazette No. 31057* of 15 May 2008. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

6. An audit also includes evaluating the:

- appropriateness of accounting policies used;
- reasonableness of accounting estimates made by management; and
- overall presentation of the financial statements.

7. Paragraph 11 et seq of the Statement of Generally Recognised Accounting Practice, GRAP 1 *Presentation of Financial Statements* require that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is not effective for this financial year, I have determined that my audit of any disclosures made by CONVENCO in this respect will be limited to reporting on non-compliance with this disclosure requirement.

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

Basis of Accounting

9. The municipal entity's policy is to prepare financial statements on the basis of accounting determined by the National Treasury, as set out in note 1.1 to the financial statements.

Auditor-General's Report (continued)

Opinion

10. In my opinion the financial statements present fairly, in all material respects, the financial position of The Cape Town International Convention Centre Company (Pty) Ltd as at 30 June 2008 and its financial performance and cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury, as set out in note 1 and in the manner required by the MFMA and Companies Act of South Africa.

Emphasis of Matter(s)

Without qualifying my audit opinion, I draw attention to the following matter(s):

Highlighting Critically Important Matters Disclosed in the Financial Statements

Consolidated financial statements

11. As disclosed in note 3 to the financial statements, consolidated financial statements were not prepared due to the results of the subsidiary company, OPCO, being reflected in the financial statements of CONVENCO in terms of an agreement with OPCO.

Contingent liability

12. As disclosed in note 15, to the financial statements, the company lodged an objection to SARS for the disallowance of tax deductions. The ultimate outcome of this matter cannot presently be determined as the company is still in negotiations with

SARS. No provision for any liability that may result due to the disallowance of the tax deductions has been made in the financial statements.

Other Matters

Without qualifying my audit opinion, I draw attention to the following matters that are ancillary to my responsibilities in the audit of the financial statements:

Non-compliance with Applicable Legislation MFMA

13. The upper limits of the remuneration packages of senior management of the entity have not been determined by the parent municipality, as prescribed by section 89(a) of the MFMA.

14. Senior management remuneration has not been disclosed as required by section 124(2) of the MFMA.

Companies Act

15. The number of directors appointed in the entity is in excess of the number of directors that is allowed in terms of the entity's articles of association and section 209 of the Companies Act, 1973.

Matters of Governance

16. The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of certain key governance responsibilities, which we have assessed as follows:

No.	Matter of governance	Yes	No
	Audit committee		
1(a)	The municipal entity had an audit committee in operation throughout the financial year.	g	
1(b)	The audit committee operates in accordance with approved written terms of reference.	g	
1(c)	The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA.	g	
	Internal audit		
2(a)	The municipal entity had an internal audit function in operation throughout the financial year.	g	
2(b)	The internal audit function operates in terms of an approved internal audit plan.	g	
2(c)	The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA.	g	
	Other matters of governance		
3	The annual financial statements were submitted for audit as required by section 126 of the MFMA.	g	
4	The financial statements submitted for audit were not subject to any material amendments resulting from the audit.		g
5	No significant difficulties were experienced during the audit concerning delays or the unavailability of expected information and/or the unavailability of senior management.	g	
6	The prior year's external audit recommendations have been substantially implemented.		g

Auditor-General's Report (continued)

Unaudited Supplementary Schedules

17. The supplementary schedules as set out on pages 39 to 40 do not form part of the annual financial statements and are presented as additional information. I have not audited these schedules and accordingly I do not express an opinion on them.

Other Reporting Responsibilities Reporting on Performance Information

18. I have reviewed the performance information as set out on page 9.

Responsibilities of the Accounting Officer

19. In terms of section 121(4)(d) of the MFMA, the annual report of a municipal entity must include an assessment by the entity's accounting officer of the entity's performance against any measurable performance objectives set in terms of the service delivery agreement or other agreement between the entity and its parent municipality.

Responsibility of the Auditor-General

20. I conducted my engagement in accordance with section 13 of the Public Audit Act, 2004 (Act No. 25 of 2004) read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057* of 15 May 2008.

21. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

22. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.

No Service Delivery Agreement

23. The City of Cape Town did not enter into a service delivery agreement with The Cape Town International Convention Centre Company (Pty) Ltd, as required in terms of section 76 of the Municipal Systems Act.

Appreciation

24. The assistance rendered by the staff of The Cape Town International Convention Centre Company (Pty) Ltd during the audit is sincerely appreciated.

Auditor - General

Cape Town
2 September 2008



AUDITOR - GENERAL

Report of the Directors

for the year ended 30 June 2008

The directors have pleasure in presenting their report for the year ended 30 June 2008. This report forms part of the audited financial statements.

1. General Review

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

2. Statements of Responsibility

The directors have responsibility 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 (Proprietary) Ltd. The financial statements have been prepared in accordance with the South African Statements of Generally Accepted Accounting Practices (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board, with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board. 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, which 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.

3. Dividends

No dividends were declared or recommended during the year.

4. Share Capital

There were no changes in the authorised and issued share capital of the company during the period under review.

5. Events Subsequent to Year-end

There have been no facts or circumstances of a material nature that have occurred between the balance sheet date and the date of this report.

Report of the Directors (continued)

for the year ended 30 June 2008

6. Directors

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

R Toefy (CEO)	Appointed 1 March 2008
AM Boraine (Chairman)	
DC Skeate	
SA Fisher (Dr)	
FG Fredericks	
DS Jack	
T Manyathi	
T Pasiwe	
LF Platzky (Dr)	
S Montsi	Appointed 16 October 2007
MA Gierdien	Appointed 17 October 2007
AC Seymour (Alternate)	Resigned 13 September 2007
HJ Taljaard	
BP Zazaza	

7. Auditors

The office of the Auditor-General was reappointed as auditor in terms of the MFMA.

8. Holding Company

The company is controlled by the City of Cape Town, which owns 50.2% of the company's shares. The remaining shares are held by the Provincial Government of the Western Cape (25.1%) and SunWest International (Pty) Ltd (24.7%).

9. Subsidiary

The company has only one subsidiary, The Cape Town International Convention Centre Operating Company (Pty) Ltd (OPCO). The subsidiary is managed by Amsterdam RAI BV in terms of a management agreement.

Statement of Financial Position

as at 30 June 2008

	Notes	2008 R	2007 R
ASSETS			
Non-current assets		156 595 654	137 267 761
Property, plant and equipment	2	154 893 730	137 267 661
Investment in subsidiary	3	100	100
Deferred taxation	4	1 701 824	–
Current assets		109 085 157	77 099 751
Inventories	5	1 096 517	706 068
Trade and other receivables	6	14 220 536	14 057 271
Cash and cash equivalents	14.2	93 768 104	62 336 412
Total assets		265 680 811	214 367 512
NET ASSETS AND LIABILITIES			
Net assets		216 002 377	185 729 139
Contribution from owners	7	565 639 701	565 639 701
Accumulated deficit		(349 637 324)	(379 910 562)
Current liabilities		49 678 434	28 638 373
Client deposits		8 035 869	7 254 436
Trade and other payables	8	36 241 490	20 030 279
Provisions	9	1 947 517	1 353 658
Receiver of revenue		3 453 558	–
Total net assets and liabilities		265 680 811	214 367 512

Statement of Financial Performance

for the year ended 30 June 2008

	Notes	2008 R	2007 R
Revenue		130 366 767	102 017 536
Cost of sales		(15 615 922)	(13 272 284)
Gross profit		114 750 845	88 745 252
Other operating income		26 872 663	7 391 302
Interest received	11	7 897 562	4 227 517
Reversal of impairment		17 421 985	1 940 328
Other		1 553 116	1 223 457
Operating expenses		(109 598 487)	(86 880 362)
Operating profit	10	32 025 021	9 256 192
Finance costs	12	(49)	(57 413)
Profit before taxation		32 024 972	9 198 779
Taxation income/(taxation)	13	(1 751 734)	(13 017)
Net profit for the year		30 273 238	9 185 762

Statement of Changes in Net Assets

for the year ended 30 June 2008

	Issued capital R	Share premium R	Contributions from owners R	Accumulated deficit R	Total R
Balance at 1 July 2006	866	565 639 135	565 640 001	(389 096 324)	176 543 677
Share buy-back	(300)	-	(300)	-	(300)
Profit for the year	-	-	-	9 185 762	9 185 762
Balance at 30 June 2007	566	565 639 135	565 639 701	(379 910 562)	185 729 139
Balance at 1 July 2007	566	565 639 135	565 639 701	(379 910 562)	185 729 139
Profit for the year	-	-	-	30 273 238	30 273 238
Balance at 30 June 2008	566	565 639 135	565 639 701	(349 637 324)	216 002 377

Cash Flow Statement

for the year ended 30 June 2008

	Notes	2008 R	2007 R
Cash flow from operating activities		47 883 903	17 972 933
Cash receipts from customers		130 946 805	95 356 807
Cash paid to suppliers and employees		(83 062 853)	(77 313 444)
Cash generated from operations	14.1	47 883 952	18 043 363
Interest paid	12	(49)	(57 413)
Taxation paid		–	(13 017)
Cash flow from investing activities		(16 452 211)	(8 851 670)
Acquisition of property, plant and equipment	2	(24 419 948)	(13 079 187)
Proceeds on disposal of property, plant and equipment		70 175	–
Interest received	11	7 897 562	4 227 517
Cash flow from financing activities		–	(300)
Loans repaid		–	–
Decrease in share capital		–	(300)
Increase in cash and cash equivalents		31 431 692	9 120 963
Cash and cash equivalents at beginning of the year	14.2	62 336 412	53 215 449
Cash and cash equivalents at end of the year	14.2	93 768 104	62 336 412

Notes to the Financial Statements

for the year ended 30 June 2008

1. Accounting Policies

1.1 Basis of Preparation

The financial statements have been prepared in accordance with the South African Statements of Generally Accepted Accounting Practices (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board, with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board replacing the equivalent GAAP Statements as follows:

Standard of GRAP Replacing Statement of GAAP (following in parentheses)

- GRAP 1: Presentation of financial statements
(AC 101: Presentation of financial statements);
- GRAP 2: Cash flow statements
(AC 118: Cash flow statements); and
- GRAP 3: Accounting policies, changes in accounting estimates and errors
(AC 103: Accounting policies, changes in accounting estimates and errors).

The recognition and measurement principles in the above GRAP and GAAP Statements do not differ or result in material differences in items presented and disclosed in the financial statements.

The implementation of GRAP 1, 2 and 3 has resulted in the following significant changes in the presentation of the financial statements:

(i) Terminology differences:

Standard of GRAP Replacing Statement of GAAP (following in parentheses)

- Statement of financial performance
(Income statement);
- Statement of financial position
(Balance sheet);
- Statement of changes in net assets
(Statement of changes in equity);
- Net assets
(Equity);
- Surplus/Deficit for the period
(Profit/Loss for the period);
- Accumulated surplus/deficit
(Retained earnings);
- Contributions from owners
(Share capital); and

- Reporting date
(Balance sheet date).

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

In accordance with section 122(3) of the Municipal Finance Management Act (Act No. 56 of 2003), the Cape Town International Convention Centre Company (Proprietary) Ltd (Convenco) has adopted the Standards of Generally Accepted Municipal Accounting Practice and GRAP issued by the Accounting Standards Board during the financial year. Comparative amounts have been restated retrospectively to the extent possible. The principle accounting policies adopted in the preparation of these annual financial statements are set out below.

The preparation of financial statements in conformity with South African GAAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. Where applicable, the areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, will be disclosed within the relevant notes.

Interpretations of South African Statements of GAAP Effective for the First Time for the June 2008 Year-end

- **IFRIC 10** (AC 443), Interim Financial Reporting and Impairment (effective from 1 November 2006). IFRIC 10 (AC 443) prohibits the reversal of the impairment losses recognised in an interim period on goodwill and investments in equity instruments and financial assets carried at cost, at a subsequent balance sheet date.
- **IFRIC 11** (AC 444), IFRS 2 – Group and Treasury Share Transactions (effective from 1 March 2007). IFRIC 11 (AC 444) addresses how to apply IFRS 2 (AC 139) to share-based payment arrangements involving an entity's equity instruments or equity instruments of another entity in the same group (e.g. equity instruments of its parent).
- **IFRS 7**, Financial Instruments: Disclosures, and the complementary amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures,

Notes to the Financial Statements

for the year ended 30 June 2008

1. Accounting Policies (continued)

1.1 Basis of Preparation (continued)

introduced new disclosures relating to financial instruments.

Standards and Interpretations Not Yet Effective

The following is a list of standards and interpretations that have been issued, which are not yet effective and are not expected to have an impact on the financial statements in 2009. The company has not early adopted any of these standards and interpretations:

- **IAS 1**, Presentation of Financial Statements (effective from 1 January 2009). The objective of this standard is to prescribe the basis for presentation of general purpose financial statements, to ensure comparability with the entity's financial statements of previous periods and with the financial statements of other entities.
- **IAS 23** (Amendment), Borrowing Costs (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of the asset. The option of immediately expensing those borrowings costs will be removed. The company will apply IAS 23 (Amendment) from 1 January 2009.
- **IAS 27** (Revised), Consolidated and Separate Financial Statements (effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. This will no longer result in goodwill or gains and losses. It also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value with a gain or loss recognised in the income statement. Management does not anticipate that this will have significant impact on the company's consolidated financial statements.
- **IFRS 3** (Amendment), Business Combinations (effective from 1 July 2009). Transaction costs no longer form part of the acquisition price but are expensed

as incurred. The consideration now includes the fair value of all interests that the acquirer may have held previously in the acquired business. In addition, the requirements for the recognition of contingent consideration have been amended. Management does not anticipate that this will have a significant impact on the group's consolidated financial statements.

- **IFRS 8**, Operating Segments (effective from 1 January 2009). IFRS 8 replaces the previous IAS 14. The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes.
- Amendment to **IFRS 2** (AC 139), Amendment to IFRS 2 Share-based Payments: Vesting Conditions and Cancellations (effective from 1 January 2009). The amendment deals with two matters. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment.
- **IFRIC 12**, Service Concession Arrangements (effective from 1 January 2008). IFRIC 12 addresses how service concession operators should apply existing IFRS to account for the obligations they undertake and rights they receive in service concession agreements. Management does not anticipate that this will have an impact on the company's financial statements.
- **IFRIC 13**, Customer Loyalty Programmes (effective from 1 July 2008). IFRIC 13 addresses accounting by entities that grant loyalty award credits to customers who buy other goods or service. Specifically, it explains how such entities should account for their obligations to provide free or discounted goods or services to customers who redeem award credits. Management does not anticipate that this will have an impact on the company's consolidated financial statements.

Notes to the Financial Statements

for the year ended 30 June 2008

1. Accounting Policies (continued)

1.1 Basis of Preparation (continued)

- **IFRIC 14** (IAS 19), The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective from 1 January 2008). IFRIC 14 provides general guidance on how to assess the limit in IAS 19 on the amount of surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected when there is a statutory or contractual minimum funding requirement. Management is of the opinion that this has no significant impact on the company's consolidated financial statements.

Standards of GRAP Approved But Not Effective

- **GRAP 4**, The Effects on Changes in Foreign Exchange Rates. Applicable to Convenco, effective 1 July 2009;
- **GRAP 5**, Borrowing Costs. Applicable to Convenco effective 1 July 2009;
- **GRAP 6**, Consolidated and Separate Financial Statements. Applicable to Convenco, effective 1 July 2009;
- **GRAP 7**, Investment in Associates. Not applicable to Convenco;
- **GRAP 8**, Investment in Joint Ventures. Not applicable to Convenco;
- **GRAP 9**, Revenue from Exchange Transaction. Not applicable to Convenco;
- **GRAP 10**, Financial Reporting in Hyper-inflationary Economies. Not applicable to Convenco;
- **GRAP 11**, Construction Contracts. Not applicable to Convenco;
- **GRAP 12**, Inventories. Applicable to Convenco, effective 1 July 2009;
- **GRAP 13**, Leases. Applicable to Convenco, effective 1 July 2009;
- **GRAP 14**, Events after Reporting Date. Applicable to Convenco effective, 1 July 2009;
- **GRAP 16**, Investment Property. Not applicable to Convenco;
- **GRAP 17**, Property, Plant and Equipment. Applicable to Convenco, effective, 1 July 2009;
- **GRAP 19**, Provisions, Contingent Liabilities and Contingent Assets. Applicable to Convenco, effective 1 July 2009;
- **GRAP 100**, Non-current Assets Held for Sale and Discontinued Operations. Not applicable to Convenco;
- **GRAP 101**, Agriculture. Not applicable to Convenco; and
- **GRAP 102**, Intangible Assets. Applicable to Convenco, effective 1 July 2009.

1.2 Property, Plant and Equipment

All property, plant and equipment is stated at cost less accumulated depreciation.

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:

	%
Fixtures and equipment	16.67 – 20.00
Motor vehicles	25.00
Furniture and fittings	16.67
Kitchen and catering equipment	20.00 – 50.00
Office equipment	16.67 – 50.00
Computer equipment	33.33
Computer software	50.00
Escalators and elevators	8.33
Carpets and laminated flooring	16.67
Curtains and blinds	20.00
Signage	10.00
Audiovisual equipment	16.67
Fences and gates	6.67
Cold rooms	16.67
Air conditioning equipment	16.67
Sprinkler system	20.00
Auditorium seating	16.67
Building management system	16.67
Building	2.50

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2008

1. Accounting Policies (continued)

1.2 Property, Plant and Equipment (continued)

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

1.3 Impairment of Assets

Non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

1.4 Leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

1.5 Inventories

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

1.6 Deferred Taxation

Deferred taxation assets and liabilities are determined, using the liability method, for all temporary differences arising between the tax base of assets and liabilities and their carrying value for financial reporting purposes. Currently enacted tax rates are used in the determination of deferred income tax. Deferred tax assets are recognised to the extent that is probable that future taxable profits will be available, against which the temporary differences can be utilised.

1.7 Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, when it

is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of the obligation can be made.

1.8 Revenue Recognition

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

1.9 Financial Instruments

The company classifies its financial assets in the following categories: a fair value through profit or loss, loans and receivables and available for sale. 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 Through Profit or Loss

Financial assets at fair value through profit or loss 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. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. They are included in current assets except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the balance sheet.

Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in the non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular purchases and sales of financial assets are not recognised on the trade date on which the company commits to purchase or sell the assets. Investments are initially

Notes to the Financial Statements

for the year ended 30 June 2008

1. Accounting Policies (continued)

1.9 Financial Instruments (continued)

recognised at a fair value plus transaction costs for all financial assets not carried at fair value through profit and loss. Financial assets carried at fair value through profit and loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the right to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest rate.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit and loss" category are presented in the income statement within "other (losses)/gains – net" in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the company's right to receive payment is established.

Changes in the fair value of the monetary securities denominated in a foreign currency and classified as available for sale are analysed between translation differences resulting from trading changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on the monetary securities are recognised in the profit and loss; translation differences on non-monetary securities are recognised in equity. Changes in the fair value of the monetary and non-monetary securities are classified as available for sale and are recognised in equity.

When securities classified as available for sale are sold or impaired the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities. Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of "other income". Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the company's right to receive the payments is established.

The fair values of the quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted shares), the company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analyses and option pricing models, making maximum use of the market inputs and relying as little as possible on entity specific inputs.

The company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value less any impairment loss on those financial assets previously recognised in the profit and loss, is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

1.9.1 Trade Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will 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. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within selling

Notes to the Financial Statements

for the year ended 30 June 2008

1. Accounting Policies (continued)

1.9 Financial Instruments (continued)

Available-for-sale Financial Assets

(continued)

and marketing costs. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recovery of amounts previously written off are credited against selling and marketing costs in the income statement.

1.9.2 Cash and Cash Equivalents

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

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.

Where any company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued.

1.9.3 Trade Payables

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

1.9.3.1 Financial Risk Factors

(i) Interest Rate Risk

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

(ii) Credit Risk

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

The company has policies in place to ensure that sales of products and services are made to

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

(iii) Liquidity Risk

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

(iv) Capital Risk Management

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

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

1.9.3.2. Fair Value Estimation

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

1.10 Translation of Foreign Currencies

Transactions

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

Notes to the Financial Statements

for the year ended 30 June 2008

At each balance sheet 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 were initially recorded during the period, or reported in previous financial statements, are recognised as income or expenses in the period in which they arise.

1.11 Employee Benefits

The company operates a defined contribution plan. A defined contribution plan is a pension plan through which the company pays fixed contributions into a separate entity. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The company has no payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due.

1.12 Unauthorised Expenditure

Unauthorised expenditure is expenditure that has not been budgeted; expenditure that is not, in terms of the conditions of an allocation, received from another sphere of government, municipality or organ of state; and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act. Unauthorised expenditure is accounted for as an expense in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.13 Irregular Expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act, the Municipal Systems Act (Act No. 32 of 2000), the Public Office-bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is

accounted for as expenditure in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.14 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.

1.15 Comparative Information

Budgeted amounts have been included in the annual financial statements for the current financial year only.

1.16 Critical Accounting Estimates and Judgements

The company makes estimates and assumptions concerning the future. The resulting accounting estimate 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 below.

Asset Useful Lives and Residual Values

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

Notes to the Financial Statements

for the year ended 30 June 2008

2. Property, Plant and Equipment

	2008				2007			
	Cost	Accumulated depreciation	Reversal of impairment	Carrying value	Cost	Accumulated depreciation	Reversal of impairment	Carrying value
	R	R	R	R	R	R	R	R
Escalators	1 759 591	(733 163)		1 026 428	1 759 591	(586 530)		1 173 061
Elevators	9 967 151	(4 152 980)		5 814 171	9 967 151	(3 322 384)		6 644 767
Carpets/Laminated flooring	5 559 671	(3 823 546)		1 736 125	5 010 720	(2 987 088)		2 023 632
Curtains/blinds	1 423 034	(1 423 034)		-	1 423 034	(1 138 427)		284 607
Signage	2 570 435	(1 276 143)		1 294 292	2 570 435	(1 016 960)		1 553 475
Audiovisual	12 004 933	(8 960 578)		3 044 355	10 719 623	(7 144 438)		3 575 185
Fences and gates	818 423	(156 586)		661 837	454 597	(121 226)		333 371
Cold rooms	2 572 402	(2 143 669)		428 733	2 572 402	(1 714 935)		857 467
Air conditioning system	32 855 513	(27 334 450)		5 521 063	32 854 297	(21 858 569)		10 995 728
Sprinkler system	4 626 326	(4 626 326)		-	4 626 326	(3 701 061)		925 265
Auditorium seating	4 878 226	(4 065 189)		813 037	4 878 226	(3 252 151)		1 626 075
Building management system	25 446 465	(20 891 368)		4 555 097	25 424 991	(16 651 166)		8 773 825
Building	431 057 002	(343 478 987)	17 421 985	105 000 000	417 802 107	(342 442 435)	1 940 328	77 300 000
Plant and equipment	7 139 200	(5 388 881)		1 750 319	6 882 529	(4 416 418)		2 466 111
Motor vehicles	1 392 582	(1 131 865)		260 717	1 671 953	(1 321 847)		350 106
Furniture and fittings	10 652 691	(8 276 922)		2 375 769	10 336 570	(6 532 177)		3 804 393
Kitchen and catering	14 405 635	(10 239 403)		4 166 232	12 284 087	(8 753 869)		3 530 218
Office equipment	3 104 637	(1 856 054)		1 248 583	2 302 657	(1 492 457)		810 200
Computer equipment	4 472 375	(3 625 222)		847 153	3 942 581	(3 235 290)		707 291
Computer software	1 151 547	(1 125 118)		26 429	1 137 079	(1 060 600)		76 479
Assets in progress	14 323 390			14 323 390	9 456 405	-		9 456 405
	592 181 229	(454 709 484)	17 421 985	154 893 730	568 077 361	(432 750 028)	1 940 328	137 267 661

Notes to the Financial Statements

for the year ended 30 June 2008

2. Property, Plant and Equipment (continued)

	Carrying value at beginning of year	Additions	Disposals	Reclassification	Depreciation	Reversal of impairment	Carrying value at end of year
2008	R	R	R	R	R	R	R
Escalators	1 173 061				(146 633)		1 026 428
Elevators	6 644 767				(830 596)		5 814 171
Carpets/Laminated flooring	2 023 632	585 663			(873 170)		1 736 125
Curtains/Blinds	284 607				(284 607)		–
Signage	1 553 475				(259 183)		1 294 292
Audiovisual	3 575 185	1 285 310			(1 816 140)		3 044 355
Fences and gates	333 371	363 826			(35 360)		661 837
Cold rooms	857 467				(428 734)		428 733
Air conditioning system	10 995 728	1 216			(5 475 881)		5 521 063
Sprinkler system	925 265				(925 265)		–
Auditorium seating	1 626 075				(813 038)		813 037
Building management system	8 773 825	21 473			(4 240 201)		4 555 097
Building	77 300 000	5 543 500		7 711 395	(2 976 880)	17 421 985	105 000 000
Plant and equipment	2 466 111	256 671			(972 463)		1 750 319
Motor vehicles	350 106		(1)		(89 388)		260 717
Furniture and fittings	3 804 393	316 121			(1 744 745)		2 375 769
Kitchen and catering	3 530 218	2 121 548			(1 485 534)		4 166 232
Office equipment	810 200	801 979			(363 596)		1 248 583
Computer equipment	707 291	529 793			(389 931)		847 153
Computer software	76 479	14 468			(64 518)		26 429
Assets in progress	9 456 405	12 578 380		(7 711 395)	–		14 323 390
	137 267 661	24 419 948	(1)	–	(24 215 863)	17 421 985	154 893 730

In line with our accounting policy for property, plant and equipment and SA GAAP for the impairment of assets, non-current assets were assessed during the period for possible indicators of impairment. During the review management confirmed the following:

- (a) the main purpose of establishing the centre was to generate spin-off returns for the region;
- (b) due to the restrictions imposed on the use of the facility and site, no active market exists within which the value of the centre can be determined through an arm's length transaction between a willing buyer and a willing seller, and as such the value in use of the centre has been used to determine whether the building's carrying value may not be recoverable;

Notes to the Financial Statements

for the year ended 30 June 2008

2. Property, Plant and Equipment (continued)

- (c) since inception, all initial targets for the region (spin-offs) and the operation of the convention centre have consistently been exceeded and are forecasted to maintain this level of performance for the foreseeable future;
- (d) despite this, the value in use of the centre can only be attributed to the present value of the future cash flows generated within the centre itself, and excludes any value which it generates for other entities or business sectors;
- (e) no value could be attached to the centre at the end of its useful life due to its disposal being highly unlikely and no reliable basis for measuring the disposal value exists; and
- (f) a discount rate of 13.68% (2007: 14%) was used which was calculated using the RSA 153 rate of return of 10 adjusted by 2% for uncertainty regarding timing and extent of certain of the cash flows.

Based on this valuation method, a value of R105 000 000 (2007: R77 300 000) was established for the building compared to a carrying value of R87 578 015 (2007: R75 359 672) at date of valuation, which has resulted in a reversal of impairment of R17 421 985 (2007: R1 940 328).

The carrying amount at cost before impairment reversal/impairment loss is R364 370 655 (2007: R374 781 245).

	2008 R	2007 R
3. Investment in Subsidiary		
The company has an investment in the following company:		
Unlisted		
Cape Town International Convention Centre Operating Company (Pty) Ltd (OPCO)	100	100
<p>The subsidiary company's results are reflected in these financial statements in terms of an agency agreement dated November 2000, between Cape Town International Convention Centre Company (Pty) Ltd (Convenco) and Cape Town International Convention Centre Operating Company (Pty) Ltd (OPCO). OPCO does not reflect any trading activities in its financial results. Consolidated financial statements are not prepared as the results of OPCO are reflected in Convenco. The results of Convenco and OPCO are to be consolidated in the City of Cape Town's Annual Financial Statements.</p>		
4. Deferred Taxation		
Deferred income taxes are calculated on all temporary differences under the balance sheet liability method using a tax rate of 28% (2007: 29%).		
A deferred tax asset was recognised during the current year as forecasts indicate that the company will generate sufficient taxable profits in the foreseeable future.		
The deferred tax asset is made up as follows:		
At beginning of year	9 778 550	12 430 567
Income statement charge	-	83 506
Correction of debt allowance and prepayments	-	(65 228)
Correction of the provision for rates and taxes	-	(3 691 700)
Correction of deferred tax asset of previous year	(6 231 893)	1 021 405
Tax rate adjustment	(337 191)	-
Utilisation of previously recognised deferred tax asset	(1 507 642)	-
Deferred tax asset not recognised	-	(9 778 550)
At end of year	1 701 824	-
The balance comprises:		
Capital allowance (non-deductible temporary differences)	1 701 824	7 890 583
Assessed losses	-	1 887 967
	1 701 824	9 778 550

Notes to the Financial Statements

for the year ended 30 June 2008

	2008 R	2007 R
5. Inventories		
Food and beverages	1 096 517	706 068
	1 096 517	706 068
Stated at original cost on FIFO basis, which represents the lower of cost and net realisable value.		
6. Trade and Other Receivables		
Trade receivables	13 378 694	13 636 514
Less: provision for impairment of trade receivables	(425 988)	(700 510)
	12 952 706	12 936 004
Prepayments	214 224	437 610
Receiver of revenue: VAT	468 781	-
Other receivables	584 825	683 657
	14 220 536	14 057 271
Trade receivables ageing		
Current (0 – 30 days)	4 007 105	8 740 405
31 – 60 days	2 513 802	1 403 697
61 – 90 days	967 965	582 723
91 – 120 days	536 070	1 337 606
+120 days	5 353 752	1 572 083
Total	13 378 694	13 636 514
The carrying amount of trade and other receivables approximates their fair value due to their short-term maturity.		
Trade receivables in 120 days are not impaired as there is no history of default from these clients.		
The carrying value of these trade receivables is denominated in South African Rand.		
Provision for impairment of trade receivables		
Opening balance	700 510	767 032
Additional provision	425 988	700 510
Unused amounts reversed	(700 510)	(767 032)
Closing balance	425 988	700 510
7. Contribution from Owners		
Authorised		
300 ordinary shares of R1 each	300	300
56 000 A ordinary shares of 1c each	560	560
14 000 B ordinary shares of 1c each	140	140
Issued		
300 ordinary shares of R1 each	-	-
42 599 A ordinary shares of 1c each	426	426
14 000 B ordinary shares of 1c each	140	140
Share premium	565 639 135	565 639 135
	565 639 701	565 639 701

Notes to the Financial Statements

for the year ended 30 June 2008

	2008 R	2007 R
8. Trade and Other Payables		
Trade payables	17 603 607	7 280 232
Accruals	18 452 062	11 369 439
Receiver of revenue – VAT	–	1 134 772
Sundry payables	185 821	245 836
	36 241 490	20 030 279
<p>The carrying amount of trade and other payables approximates their fair value due to short-term maturity.</p> <p>The carrying value of these trade payables is denominated in South African Rand.</p>		
9. Provisions		
Performance bonus provision		
Opening balance	1 353 658	1 471 622
Additional provisions	1 947 517	1 353 658
Unused amounts reversed	(1 353 658)	(1 471 622)
Closing balance	1 947 517	1 353 658
<p>Performance bonuses accrue to staff on an annual basis based on the achievement of budgeted performance. The provision is an estimate of the amount due to staff at the reporting date.</p>		
10. Operating Profit		
Operating profit is stated after:		
Income		
Profit on foreign exchange	50 655	347 608
Expenditure		
Auditors' remuneration		
– Audit fee	362 566	201 876
– Other services	–	59 947
Bad debts written off	386 745	396 732
Provision for impairment of trade receivables	(274 522)	66 522
Directors' remuneration		
Non-executive directors' remuneration	85 500	20 500
CEO – Basic Salary	225 456	–
– Benefits	50 704	–
Depreciation		
– Property, plant and equipment	24 215 863	25 244 547
Reversal of impairment		
– Non-current assets	(17 421 985)	(1 940 328)
Management fees – Amsterdam RAI (refer to note 18)	10 180 248	8 296 907
– Acting CEO	635 028	244 200
	10 815 276	8 541 107
Repairs and maintenance to property, plant and equipment	7 063 557	5 837 460
Key management remuneration	3 641 746	3 231 165

Notes to the Financial Statements

for the year ended 30 June 2008

	2008 R	2007 R
11. Interest Received		
Interest income		
– Interest on bank accounts	7 897 562	4 227 517
12. Finance Costs		
Finance costs	49	57 413
13. Taxation		
South African normal taxation		
– current year	3 453 558	–
– previous years	–	13 017
Deferred taxation	(1 701 824)	–
	1 751 734	13 017
Profit before tax	32 024 972	9 198 779
Tax calculated at 28% (2007: 29%)	8 966 993	2 667 646
Expenses not deductible for tax purposes	872 365	365 624
Income not subject to tax	(4 878 156)	–
Utilisation of previously unrecognised deferred tax asset	(1 507 644)	(3 033 270)
Deferred tax asset recognised	(1 701 824)	–
South African normal taxation – previous years	–	13 017
	1 751 734	13 017
14.1 Cash Generated From/(Utilised In) Operations		
Profit before taxation	32 024 972	9 198 779
Adjustment for:		
Depreciation	24 215 863	25 244 547
Interest received	(7 897 562)	(4 227 517)
Impairment loss	(17 421 985)	(1 940 328)
Finance costs	49	57 413
Loss/(Profit) on disposal of property, plant and equipment	(70 175)	–
Asset written off	–	24 998
Increase in provision for bonuses	593 860	(117 964)
Decrease in provision for rates and taxes	–	(10 043 087)
Increase in provision for impairment of trade receivables	(274 522)	66 522
	31 170 500	18 263 363
Movements in working capital		
(Increase)/Decrease in inventories	(390 449)	18 450
Decrease/ (Increase) in receivables	111 257	(7 522 677)
Increase in payables	16 992 644	7 284 227
	47 883 952	18 043 363

Notes to the Financial Statements

for the year ended 30 June 2008

	2008 R	2007 R
14.2 Cash and Cash Equivalents		
Cash and cash equivalents consist of cash on hand and balances with banks. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:		
Current account	14 650 288	2 711 546
Call and investment accounts	78 742 433	59 570 766
Petty cash	5 500	5 500
Cash in transit	238 283	-
Cash float	131 600	48 600
Cash and cash equivalents	93 768 104	62 336 412
The following bank and investment accounts were held by the entity:		
Nedbank Current Account (A/c No: 1232043850)*	9 738 933	1 321 796
Nedbank Call Account (A/c No: 037881544007/001)*	5 338 372	3 192 041
Nedbank Investment Account (A/c No: 037881544007)*	29 699 253	31 005 477
Standard Bank Current Account (A/c No: 070823871)*	3 293 719	1 116 288
Standard Bank Call Account (A/c No: 070650187)*	1 466 656	273 461
Standard Bank Investment Account(A/c No: 078509866)*	7 065 014	5 744 754
Oasis Crescent Management Investment Account (A/c No: 192165)*	-	5 812 455
First National Bank Investment Account (A/c No: 71104163119)*	-	5 398 065
Investec Bank Ltd (A/c No: 40002681309)	10 026 507	-
Standard Bank Investment Account (A/c No: 07850986)	16 797 074	8 417 975
Nedbank Call Account(A/c No: 03/723511442)	9 816 212	-
Nedbank Current Account (A/c No: 1232015385)	150 981	-
* Bank accounts in the name of OPCO		
15. Contingent Liabilities		
An objection was lodged with SARS on 1 June 2007 in respect of the 2005 revised income tax assessment which was issued by SARS after a tax audit in November 2005. The objection was lodged on the grounds of a disallowance of a tax deduction of R12 748 144 in terms of section 11(e) of the Act. A response to this objection was received by SARS on 25 March 2008 where R977 229 of the total disallowance is allowable as a deduction for the 2005 year. An appeal has since been lodged on 6 May 2008 in respect of the balance of R11 770 915 of the items disallowed. No provision has been made for the disallowance as the outcome of the appeal is uncertain at this stage as SARS has not provided any comments. The original method of calculation in terms of section 11(e) of the Act has been used in the years 2006, 2007 and 2008. The effect of the the SARS disallowance on the tax deduction could result in taxes paid for the following years as follows:		
2005: R4 127 084		
2006: R4 296 606		
2007: R4 340 563		
2008: R4 232 541		
16. Expenses by Nature		
Depreciation	24 215 863	25 244 547
Employee benefits (note 19)	19 028 756	15 167 031
Changes in inventories	(390 449)	18 450
Raw materials and consumables used	16 006 371	13 253 834
Advertising costs	4 474 435	2 606 439
Other expenses	61 879 433	43 862 345
Total cost of sales and operating expenses	125 214 409	100 512 646

Notes to the Financial Statements

for the year ended 30 June 2008

	2008 R	2007 R
17. Related Parties		
City of Cape Town		
The City of Cape Town is the controlling shareholder of Convenco. 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 Arabella 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 Spearhead Property Holdings Limited for a period of 50 years.		
Related Party Transactions		
Rates and taxes	2 620 702	3 539 941
Electricity	3 920 401	3 477 473
Water	1 625 275	404 367
Lease P1 Parking (including refuse, sewerage, rates and water)	2 597 856	2 334 263
Key management remuneration	3 671 746	3 231 165
Related Party Balances		
Amounts owing to City of Cape Town	3 172 449	1 554 146
18. Management Contract		
Convenco has outsourced the management of its convention centre operating division in terms of a contract dated June 2001 to Amsterdam RAI.		
Fixed management fees	2 926 749	2 076 867
Basic management fees	641 821	2 518 172
Incentive fee	6 611 678	3 701 868
	10 180 248	8 296 907
19. Employee Related Costs		
Salaries and wages	13 584 560	9 046 423
Contributions for UIF, WCA, Medical Aid, etc.	935 277	3 662 990
Provident fund	1 082 841	871 046
Travel allowance	146 000	127 350
Overtime	191 228	82 595
Performance bonus	1 706 832	753 743
Other: Staff transport and health and safety costs	1 382 018	622 884
Total employee related costs	19 028 756	15 167 031

Notes to the Financial Statements

for the year ended 30 June 2008

	2008 R	2007 R
20.1 Unauthorised, Irregular and Fruitless and Wasteful Expenditure		
Opening balance	200 757	61 353
Fruitless and wasteful expenditure current year – penalties	3 300	81 991
Fruitless and wasteful expenditure current year – interest expense	49	57 413
Approved by Council	(200 757)	–
Closing balance awaiting condonement	3 349	200 757
Incident and resolution		
South African Revenue Services – late payment penalties paid to SARS for PAYE	–	9 330
South African Revenue Services – late payment interest paid to SARS for PAYE	–	4 720
South African Revenue Services – late payment penalties paid to SARS for VAT	–	72 061
South African Revenue Services – late payment interest paid to SARS for VAT	49	35 720
BOE Umbrella Provident Fund – interest on late payment	–	16 531
Various other	3 300	1 042
	3 349	139 404
20.2 Unauthorised Expenditure		
Opening balance	9 831 747	210 741
Direct costs		
Unauthorised expenditure current year – cost of sales	–	2 017 112
Unauthorised expenditure current year – direct personnel	–	2 162 048
Unauthorised expenditure current year – parking costs	–	1 062 263
	–	5 241 423
Indirect costs		
Unauthorised expenditure current year – maintenance expenditure	–	605 088
Unauthorised expenditure current year – advisers	–	130 425
Unauthorised expenditure current year – computer expenses	–	163 151
Unauthorised expenditure current year – catering materials	–	905 101
Unauthorised expenditure current year – interest expense	–	36 369
	–	1 840 134
Management fees		
Unauthorised expenditure current year – management fees	–	2 539 449
Approved by Council	9 831 747	–
Unauthorised expenditure awaiting authorisation	–	9 831 747

21. Operating Leases

The company has entered into operating lease agreements on premises utilised. Lease agreements on these premises have been entered into for a period ranging from 2 years to 99 years. Rental comprises minimum monthly payments.

Future commitments under the operating leases are summarised as follows:

2008	1 year	2–5 years	5 years+
Future minimum lease payments	3 990 115	10 949 544	91 275 751
2007			
Future minimum lease payments	3 392 913	11 558 157	93 661 916

22. Material Losses

During the year an amount of R30 000 cash was stolen from the safe in the cashroom. After the incident a full investigation was carried out and the necessary action was taken against the guilty individuals. The company has since lodged a claim with the insurers to recover this amount.

Notes to the Financial Statements

for the year ended 30 June 2008

23. Events After Balance Sheet Date

Negotiations on the potential expansion of the convention centre have taken place after year-end which may result in a further issue of shares.

	2008 Actual R	2008 Revised Budget R
24. Actual Versus Budget (Revenue and Expenditure) for the Year Ended 30 June 2008		
OPCO level		
Revenue	128 769 566	128 880 638
Less direct costs:		
Cost of sales	15 615 922	15 615 922
Direct personnel	9 642 498	9 642 498
Parking costs	2 597 856	2 597 856
Event related marketing costs		
Add: Interest income	6 813 640	6 732 074
Less indirect expenditure		
Personnel costs	19 083 640	19 083 640
Operations general	1 361 904	1 361 904
Utility services	6 073 936	6 073 936
Maintenance	6 179 566	6 179 566
Building costs	7 295 571	7 295 571
Office costs	2 322 711	2 322 711
Computer expenses	2 130 474	2 130 474
Advisers	1 383 597	1 383 597
Travel and entertainment	797 822	797 822
Marketing and corporate communications	4 720 179	4 720 179
Catering materials	4 616 213	4 616 213
Bad debts	68 320	68 320
Management fees (note 18)	10 180 248	10 214 125
Interest expense		
Net surplus for the period (contribution to Convenco)	41 512 749	41 508 378
Convenco level		
Add:		
Convenco interest income	1 083 922	1 083 922
Arabella Sheraton	2 146 132	2 146 132
Less:		
Convenco costs (personnel, advisers and interest expense)	3 649 307	3 649 307
Depreciation	24 215 863	24 215 863
Municipal rates and taxes	2 274 646	2 274 646
Net profit/(deficit) for the period before impairment loss	14 602 987	14 598 616
Reversal of Impairment	17 421 985	-
Net profit/(deficit) for the period	32 024 972	14 598 616

25. Financial Instruments

25.1 Risk Management

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 exposes the company to fair value interest rate risk and cash flow interest.

Interest Rate Sensitivity Risk

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

Notes to the Financial Statements

for the year ended 30 June 2008

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

	2008	2007
Increase/Decrease in interest rates	1%	1%
Net surplus (post-tax)	R675 130	R442 588

Foreign Currency Risk Management

Management accepts the risk as a result of changes in rate of exchange and therefore has not hedged foreign currency risk.

The only foreign currency risk that the entity is exposed to is the management fee due to RAI outstanding at year-end which is included in trade and other payables.

The company is exposed to the currency mentioned below in the table. The table details the company's sensitivity to the below-mentioned percentage strengthening and weakening in the functional currency against the relevant foreign currencies. This percentage is the sensitivity rate and represents management's assessment of the reasonable possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding Rand-denominated management fees at year-end of R6 611 678 (EUR527 667) (2007: R4 911 724 (EUR528 142)).

	2008	2007
Percentage weakening/strengthening in functional currency	5%	5%
Effect on surplus (post-tax)	R238 012	R174 363

Credit Risk Management

Credit risks refers to the risk that the counterparty will default on its contractual obligation resulting in financial loss to the company. The company has adopted a policy of only dealing with creditworthy parties.

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

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

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

Credit Quality of Trade Receivables

The following represents the credit quality of the trade receivables:

	2008	2007
	R	R
Key account customers	6 130 953	4 967 030
Other account customers	6 821 753	7 968 974
High risk customers	425 988	700 510
	13 378 694	13 636 514

The company believes that no further impairment is necessary on trade receivables.

Liquidity Risk

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

Notes to the Financial Statements

for the year ended 30 June 2008

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

2008	Less than 1 month	Between 1 and 3 months
Client deposits	8 035 869	-
Trade and other payables	2 196 231	34 045 259
	10 232 100	34 045 259
2007		
Client deposits	7 254 436	-
Trade and other payables	394 384	18 501 123
	7 648 820	18 501 123

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 and other payables, as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt.

The gearing ratios at 30 June 2008 and at 30 June 2007 were as follows:

	2008	2007
	R	R
Total borrowings	36 241 490	20 030 279
Less: cash and cash equivalents	(93 768 104)	(62 336 412)
Net cash	57 526 614	42 306 133
Total Equity	157 475 763	143 423 006
Total Capital	215 002 377	185 729 139
Gearing ratio	26%	22%

25.2 Financial Instruments by Category

The accounting policies for financial instruments have been applied below:

2008

Assets as per balance sheet	Loans and receivables
Trade and other receivables	13 537 531
Cash and cash equivalents	93 768 104
Liabilities per balance sheet	Other financial liabilities
Trade and other payables	36 341 490
Client deposits	8 035 869

2007

Assets as per balance sheet	Loans and Receivables
Trade and other receivables	13 619 661
Cash and cash equivalents	62 336 412
Liabilities per balance sheet	Other financial liabilities
Trade and other payables	18 895 507
Client deposits	7 254 436

Detailed Income Statement

for the year ended 30 June 2008

	2008 R	2007 R
Gross revenue	130 366 767	102 017 536
Commissions	4 171 243	2 979 455
Parking	7 838 179	6 259 821
Sales	115 840 470	90 219 108
Subcontractor service income	34 602 608	22 565 193
Subcontractor service expense	(32 085 733)	(20 006 041)
Cost of sales	(15 615 922)	(13 272 284)
Opening stock	706 068	724 518
Purchases	16 006 371	13 253 834
Closing stock	(1 096 517)	(706 068)
Gross profit	114 750 845	88 745 252
Other income	26 872 663	7 391 302
Bad debt recovered	13 158	105 582
Interest received	7 897 562	4 227 517
(Loss)/Profit on foreign exchange	50 655	347 608
Impairment Reversal	17 421 985	1 940 328
Profit on sale of property, plant and equipment	70 175	-
Proceeds received from insurance	801 947	-
Sundry income	617 181	770 267
Total income	141 623 508	96 136 554
Expenditure (refer to page 40)	(109 598 536)	(86 937 775)
Profit/(Deficit) for the period before taxation	32 024 972	9 198 779

Detailed Income Statement (continued)

for the year ended 30 June 2008

	2008 R	2007 R
Expenditure		
Advertising	4 474 435	2 606 439
Asset write-off	–	24 998
Auditors' remuneration	362 566	261 823
Bad debts (including provision for impairment on trade receivables)	112 223	463 254
Bank charges	400 776	339 150
Catering materials	4 557 089	2 668 479
Cleaning	3 047 109	2 770 173
Computer expenses	2 133 312	1 813 151
Contract labour	9 642 498	7 228 848
Consulting fees	2 080 878	775 910
Depreciation	24 215 863	25 244 547
Discounts allowed	382 246	53 549
Directors' remuneration	85 500	20 500
Donations	160 000	–
Electricity and water	5 545 676	3 881 840
Entertainment	123 508	165 510
Fines and penalties	3 300	81 991
General expenses	64 052	34 096
Hire of equipment	294 817	262 778
Insurance	817 585	756 313
Finance costs	49	57 413
Legal expenses	294 914	372 168
Motor vehicle expenses	90 587	131 212
Management fees	10 180 248	8 296 907
Operational costs	1 011 028	230 250
Postage	23 284	24 406
Printing and stationery	398 026	423 231
Rates and refuse	2 620 702	(85 257)
Rent	1 678 810	–
Rental for parking	2 597 856	2 334 263
Repairs and maintenance	7 063 557	5 837 460
RSC levies	–	(3 597)
Salaries and wages (note 19)	19 028 756	15 167 031
Security	3 421 338	3 049 515
Sponsorship	170 000	–
Staff welfare	319 230	132 263
Subscriptions	92 784	80 365
Telephone and fax	683 038	680 025
Training	618 398	322 173
Travel – local	294 107	111 748
Travel – overseas	508 391	322 850
Total expenditure	109 598 536	86 937 775

Corporate Information

DIRECTORS

AM Boraine
Chairman
Appointed: 17/10/2006

DC Skeate
Acting CEO
Appointed to the board: 05/07/1999
Resigned as acting CEO but remains as a director:
01/03/2008

R Toefy
CEO
Appointed: 01/03/2008

SA Fisher (Dr)
Appointed: 09/02/2007

FG Fredericks
Appointed: 18/08/2005

MA Gierdien
Appointed: 17/10/2008

DS Jack
Appointed: 05/07/1999

TW Manyathi
Appointed: 01/08/2005

S Montsi
Appointed: 16/10/2007

T Pasiwe
Appointed: 05/07/1999

LF Platzky (Dr)
Appointed: 01/08/2005

HJ Taljaard
Appointed: 05/07/1999

BP Zazaza
Appointed: 09/02/2007

ALTERNATE DIRECTOR

AC Seymour
Alternate director to Mr FG Fredericks
Appointed: 18/08/2005
Resigned: 13/09/2007

BOARD COMMITTEES

Audit committee
MA Thompson (co-opted; Chairman)
FG Fredericks
SA Fisher (Dr)
AC Seymour (co-opted)
DC Skeate

Remuneration committee
HF Grub
DC Skeate
HJ Taljaard
BP Zazaza

Executive committee
AM Boraine (Chairman)
FG Fredericks
DS Jack
LF Platzky (Dr)
DC Skeate

ADMINISTRATION

Company registration number
1999/007837/07 (Incorporated in the Republic of South Africa)

Nature of business
Development and operation of an international convention centre

Registered office
Convention Square
1 Lower Long Street
Cape Town
8001
PO Box 8120, Roggebaai 8012

Company secretary
MM Thirion
Appointed: 1 August 2006
PO Box 8120, Roggebaai 8012

Auditors
Office of the Auditor-General
Private Bag X1, Chempet 7442

Principal bankers
Nedbank, a division of Nedcor Bank Ltd
PO Box 688, Cape Town 8012

Attorneys
Hofmeyr Herbstein & Gihwala Inc.
PO Box 221, Cape Town 8000