

# Foreword

## Andrew Boraine

Chairperson of Convenco

The CTICC is the indisputable jewel in the crown of Cape Town's rapidly expanding visitor economy, which extends across all the sectors within the tourism industry to include meetings, conventions, exhibitions, events, festivals, cultural tourism and leisure.

As part of a strategy for the whole region, the city's aim is to continuously increase its visitor economy. I am therefore delighted that the CTICC has been the catalyst for, and created a climate conducive to, economic growth and job creation in both city and province. While the CTICC gets the lion's share of the meeting business, other city establishments have benefited enormously from the increased activity in this sector.

As a natural consequence of the centre's phenomenal success, the need for expansion has become increasingly urgent, and I am pleased that negotiations with the Department of Public Works are well underway to make the Customs House building on the northern side of the Eastern Boulevard freeway available for this project.

I wish to extend my thanks to the board members of Convenco for their passion and commitment, as well to the shareholders for their unwavering support during what has been a seminal year for Convenco and the CTICC. In the year ahead, I look forward to working with all our partners to make the expansion and continued growth a reality.

## Denis Skeate

Acting CEO of Convenco

The CTICC is an organisation characterised by its exemplary performance. The centre experienced another year of substantial growth, one that saw a 12 percent increase in events, even though staff numbers remained largely unchanged.

I would like to compliment the management and staff of the CTICC on this outstanding achievement. Their efforts have paid off handsomely, and to much international acclaim, such as Cape Town now being ranked 29th convention destination in the world and being regarded as the number one long-haul destination by the United Kingdom meeting industry.

I believe the CTICC to be one of the best-run – if not the very best – municipal entities in South Africa. The audit results have been impressive – most companies in South Africa can take a leaf out of the CTICC's book and follow its exceptional example. I am very impressed by the manner in which the CTICC staff have adjusted to a new and stringent set of management rules set by the Municipal Finance Management Act.

CTICC managing director Dirk Elzinga is to be applauded for ensuring the centre's success and profitability under tough constraints. The service and quality levels in the maintenance and kitchen are areas that we are very proud of and will ensure that these standards are maintained into our expansion.

# Managing Director's Report (Operating Company)

Dirk Elzinga

Once again, Cape Town International Convention Centre looks back over a year of exceptional achievements. The 2006/07 financial year was one during which unexpected new records were set, the most significant of which is a milestone in our history - a turnover of more than R100 million.

From a business perspective, we are delighted by the fact that Cape Town as a destination has moved into 29th position on the International Congress and Convention Association list of conference destinations, and that an increased number of international conferences have been hosted at the CTICC, bringing more delegates than ever before.

A conference that drew particular attention was the 19th World Diabetes Congress in December 2006, a mega event that attracted 12 300 delegates. The conference took place without any major problems, once again proving that Cape Town and the CTICC can play host to the world's most important global conferences.

We were disappointed that our efforts, in co-operation with the City of Cape Town and the provincial government of the Western Cape, to attract the International Broadcast Centre for the 2010 World Cup Soccer were not successful. However, we congratulate our colleagues at the National Exhibition Centre in Johannesburg on winning their bid to host the international broadcasting community, and trust that Fifa and the broadcasters will find a good home on the East Rand in 2010.

Of course, this also has an upside, since we can now work towards maximising occupancy of our facilities for other meetings that are sure to find their way to South Africa, attracted by the soccer World Cup.

At the end of March, in time for the Cape Town International Jazz Festival, CTICC was able to take occupation of the extended exhibition facilities on the ground floor of the new Convention Centre Tower under construction on the Heerengracht side. This new facility adds a welcome 1 200m<sup>2</sup> exhibition space to our existing facilities and has allowed already successful events such as the Cape Town Jazz Festival, Decorex and Homemaker Expo to grow by more than 10 percent.

With more conventions, events, delegates, and therefore a higher turnover, the centre has performed beyond all expectations. This performance could be achieved only thanks to the seamless team effort of our management, hundreds of permanent and temporary employees, subcontractors and concessionaires.

I want to thank the CTICC management team and staff for their contribution to the successes of the year. I also want to express my gratitude to the boards of our operating company and of Convenco, both of whose members are always around to motivate and inspire us to go the extra mile. The fruits of their encouragement and support have not gone unnoticed by our clients.

On a more personal note, I would like to express my appreciation at the extension of the management contract between Convenco and Amsterdam RAI, which allows me to enjoy a few more years in this highly inspiring environment.

# Annual Financial Statements

## Contents

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

Contents	Page
Report of the Independent Auditor on the Financial Statements	4
Report of the Directors	6
Statement of Financial Position	8
Statement of Financial Performance	9
Statement of Changes in Net Assets	10
Cash Flow Statement	11
Notes to the Financial Statements	12 - 26
The following supplementary schedules do not form part of the financial statements, and are unaudited.	
Detailed Statement of Financial Performance	27 - 28

### Approval of the Annual Financial Statements

The financial statements which appear on pages 8 - 28 were approved by the board of directors on 31 August 2007 and are signed on their behalf by:



Director  
31 August 2007



Director  
31 August 2007



Director  
31 August 2007

# Report of the Independent Auditor on the Financial Statements

Auditor-General's Report to the Board on the Financial Statements and Performance Information of Cape Town International Convention Centre Company (Pty) Ltd for the year ended 30 June 2007

## Introduction

1. I have audited the accompanying financial statements of Cape Town International Convention Centre Company (Pty) Ltd (CONVENCO) which comprise the statement of financial position as at 30 June 2007, 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, as set out on pages 8 to 26.

## Responsibilities 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 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, in South Africa, (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
  - 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, 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 International Standards on Auditing. 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
  - overall presentation of the financial statements.
7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## Basis of Accounting

8. The municipal entity's policy is to prepare financial statements in accordance with the basis of accounting determined by National Treasury as set out in note 1 to the financial statements.

## Opinion

9. In my opinion these financial statements present fairly, in all material respects, the financial position of Cape Town International Convention Centre Company (Pty) Ltd as at 30 June 2007 and of its financial performance and its cash flows for the year then ended in accordance with the basis of accounting determined by National Treasury as set out in note 1 to the financial statements and in the manner required by the MFMA and Companies Act of South Africa.

## Emphasis of Matter

10. Without qualifying my audit opinion, I draw attention to the following matters:

## Matters affecting the Financial Statements

11. As disclosed in note 3 to the financial statements, consolidated financial statements were not prepared,

# Report of the Independent Auditor on the Financial Statements

as the results of the subsidiary company, OPCO, are reflected in the financial statements of CONVENCO in terms of an agreement with OPCO.

12. According to note 15 to the financial statements, CONVENCO lodged an objection to SARS for the disallowance of tax deduction. The company has filed an objection and the outcome is uncertain as SARS has not provided any comment on the objection. The ultimate outcome of this matter cannot be determined at present, and no provision for any liability that may result has been made in the financial statements.

## OTHER MATTERS

I draw attention to the following matters which are ancillary to my responsibilities on the audit of the financial statements.

### Non-compliance with applicable legislation

During the audit, the non-compliance with the following sections of the MFMA and other applicable legislation was noted and brought to the attention of the accounting officer.

#### 13. Disclosure of remuneration to senior management

The particulars of salaries, allowances and benefits of the entity's senior managers have not been disclosed in the notes to the financial statements as prescribed by section 124(2)(d) of the MFMA.

#### 14. Unaudited supplementary schedules

The supplementary schedules set out on pages 27 to 28 do not form part of the annual financial statements and are presented as additional information. We have not audited these schedules and accordingly we do not express an opinion on them.

## OTHER REPORTING RESPONSIBILITIES

### Reporting on performance information

#### Responsibility of the Accounting Officer

15. In terms of section 121(4)(d) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003), (Act No 56 of 2003) 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

16. I conducted my engagement in accordance with section 13 of the Public Audit Act, 2004 (Act No. 25 of 2004) read with General Notice 646 of 2007, issued in Government Gazette no. 29919 of 25 May 2007.
17. 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.
18. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.

### Audit Findings

#### Non-compliance with regulatory requirements

19. The annual report of CONVENCO did not 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, as required by section 121(4)(d) of the MFMA.

### APPRECIATION

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



J Diedericks for Auditor-General  
Cape Town  
12 September 2007



AUDITOR - GENERAL

# Report of the Directors

for the year ended 30 June 2007

The directors have pleasure in presenting their report for the year ended 30 June 2007. 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) Limited. The financial statements have been prepared in accordance with 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 system 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

During the year the company bought back its 300 ordinary shares of R1 each for R300.

## 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

for the year ended 30 June 2007

## 6. Directors

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

DC Skeate (Acting CEO)	Appointed	17 October 2006
AM Boraine (Chairman)	Appointed	17 October 2006
VF Fesi	Appointed	18 August 2005
	Resigned	26 October 2006
SA Fisher (Dr)	Appointed	09 February 2007
FG Fredericks	Appointed	18 August 2005
DS Jack		
K Lubelwana	Resigned	25 January 2007
T Manyathi	Appointed	1 August 2005
M Mdludlu	Appointed	18 August 2005
	Resigned	25 October 2006
V Ndzakana-Mabutyana	Appointed	18 August 2005
	Resigned	06 September 2006
T Pasiwe		
LF Platzky (Dr)	Appointed	1 August 2005
AC Seymour (Alternate)	Appointed	18 August 2005
HJ Taljaard		
MA Thompson	Resigned	09 February 2007
BP Zazaza	Appointed	09 February 2007

## 7. Auditors

The office of the Auditor-General was re-appointed 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 2007

	Notes	2007 R	2006 R
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2	137 267 761	147 517 791
Investment in subsidiary	3	100	100
<b>Current assets</b>			
Inventories	5	77 099 751	60 541 083
Trade and other receivables	6	706 068	724 517
Cash and cash equivalents	14.2	14 057 271	6 601 117
		62 336 412	53 215 449
<b>Total assets</b>		<b>214 367 512</b>	<b>208 058 874</b>
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net Assets</b>			
Contribution from owners	7	185 729 139	176 543 677
Accumulated Deficit		565 639 701	565 640 001
		(379 910 562)	(389 096 324)
<b>Current liabilities</b>			
Client deposits		28 638 373	31 515 197
Trade and other payables	8	7 254 436	6 900 965
Provisions	9	20 030 279	13 099 523
		1 353 658	11 514 709
<b>Total net assets and liabilities</b>		<b>214 367 512</b>	<b>208 058 874</b>

# Statement of Financial Performance

for the year ended 30 June 2007

	Notes	2007 R	2006 R
Revenue		102 017 536	78 975 706
Cost of sales		(13 272 284)	(9 469 632)
<hr/>			
Gross profit		88 745 252	69 506 074
Other operating income		7 391 302	3 239 223
Interest received	11	4 227 517	2 765 278
Reversal of Impairment		1 940 328	-
Other		1 223 457	473 945
Operating expenses		(86 880 362)	(400 083 002)
<hr/>			
Operating Profit / (Deficit)	10	9 256 192	(327 337 705)
Finance costs	12	(57 413)	(61 924)
<hr/>			
Profit / (Deficit) before taxation		9 198 779	(327 399 629)
Taxation	13	(13 017)	-
<hr/>			
Net Profit / (Deficit) for the year		9 185 762	(327 399 629)

# Statement of Changes in Net Assets

for the year ended 30 June 2007

	Notes	Issued capital R	Share premium R	Contributions from owners R	Accumulated deficit R	Total R
<b>Year ended 30 June 2006</b>						
Balance at 1 July 2005		866	565 639 135	565 640 001	(61 696 695)	503 943 306
Deficit for the year		-	-	-	(327 399 629)	(327 399 629)
<hr/>						
Balance at 30 June 2006		866	565 639 135	565 640 001	(389 096 324)	176 543 677
<hr/>						
Balance at 1 July 2006		866	565 639 135	565 640 001	(389 096 324)	176 543 677
Profit for the year		-	-	-	9 185 762	9 185 762
Share buy-back		(300)	-	(300)	-	(300)
<hr/>						
<b>Balance at 30 June 2007</b>		<b>566</b>	<b>565 639 135</b>	<b>565 639 701</b>	<b>(379 910 562)</b>	<b>185 729 139</b>

# Cash Flow Statement

for the year ended 30 June 2007

	Notes	2007 R	2006 R
<b>Cash flow from operating activities</b>		<b>22 200 450</b>	<b>17 587 408</b>
Cash Receipts from customers		95 356 807	82 612 637
Cash paid to suppliers and employees		(77 313 444)	(67 728 583)
Cash generated from operations	14.1	18 043 363	14 884 054
Interest received		4 227 517	2 765 278
Interest paid		(57 413)	(61 924)
Taxation paid		(13 017)	-
<b>Cash flow from investing activities</b>		<b>(13 079 187)</b>	<b>(4 934 495)</b>
Acquisition of property, plant and equipment		(13 079 187)	(4 935 793)
Proceeds on disposal of property, plant and equipment		-	1 298
<b>Cash flow from financing activities</b>		<b>(300)</b>	<b>-</b>
Share buy-back		(300)	-
Increase / (decrease) in cash and cash equivalents		9 120 963	12 652 913
Cash and cash equivalents at beginning of the year	14.2	53 215 449	40 562 536
Cash and cash equivalents at end of the year	14.2	62 336 412	53 215 449

# Notes to the Financial Statements

for the year ending 30 June 2007

## 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 Replace Statement of GAAP

GRAP 1: Presentation of financial statements	AC101: Presentation of financial statements
GRAP 2: Cash flow statements	AC118: Cash flow statement
GRAP 3: Accounting policies, changes in accounting estimates and errors	AC103: 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 & 3 has resulted in the following significant changes in the presentation of the financial statements

i) Terminology differences:

Standard of GRAP Replace	Statement of GAAP
Statement of financial performance	Income statement
Statement of financial position	Balance sheet
Statement of changes in net assets	Statement of changes in equity
Net assets	Equity
Surplus/deficit for the period	Profit/loss for the period
Accumulated surplus/deficit	Retained earnings
Contributions from owners	Share capital
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) Limited 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, this will be disclosed within the relevant notes.

### Interpretations and amendments to published standards effective in 2005

The following amendments and interpretations to standards are mandatory for the Group's accounting periods beginning on or after 1 September 2004:

– **IFRIC 2**, Members' Shares in Co-operative Entities and Similar Instruments (effective from 1 January 2005);

– **SIC 12** (Amendment), Consolidation – Special Purpose Entities (effective from 1 January 2005); and

– **IAS 39** (Amendment), Transition and Initial Recognition of Financial Assets and Financial Liabilities (effective from 1 January 2005).

Management assessed the relevance of these amendments and interpretations with respect to the Conenco's operations and concluded that they are not relevant.

### Standards, interpretations and amendments to published standards that are effective in 2006

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for Conenco's accounting periods beginning on or after 1 January 2006 or later periods but which Conenco have not early adopted, as follows:

– **IAS 19** (Amendment), Employee Benefits (effective from 1 January 2006). This amendment introduces the option of an alternative recognition approach for actuarial gains and losses. It may impose additional recognition requirements

# Notes to the Financial Statements

for the year ending 30 June 2007

for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements. As Conenco does not intend to change the accounting policy adopted for recognition of actuarial gains and losses and does not participate in any multi-employer plans, adoption of this amendment may only impact the format and extent of disclosures presented in the accounts. Conenco will apply this amendment from annual periods beginning on or after 1 January 2006.

– **IAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions** (effective from 1 January 2006). The amendment allows the foreign currency risk of a highly probable forecast intragroup transaction to qualify as a hedged item in the consolidated financial statements, provided that: (a) the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction; and (b) the foreign currency risk will affect consolidated profit or loss. This amendment is not relevant to Conenco's operations as it does not have any intragroup transactions that would qualify as a hedged item in the consolidated financial statements.

– **IAS 39 (Amendment), The Fair Value Option** (effective from 1 January 2006). This amendment changes the definition of financial instruments classified at fair value through profit or loss and restricts the ability to designate financial instruments as part of this category. This amendment should not have a significant impact on the classification of financial instruments, as Conenco should be able to comply with the amended criteria for the designation of financial instruments at fair value through profit and loss. Conenco will apply this amendment from annual periods beginning 1 January 2006.

– **IAS 39 and IFRS 4 (Amendment), Financial Guarantee Contracts** (effective from 1 January 2006). This amendment requires issued financial guarantees, other than those previously asserted by the entity to be insurance contracts, to be initially recognised at their fair value and subsequently measured at the higher of: (a) the unamortised balance of the related fees received and deferred, and (b) the expenditure required to settle the commitment at the balance sheet date. Management considered this amendment to IAS 39 and concluded that it is not relevant for Conenco.

– **IFRS 1 (Amendment), First-time Adoption of International Financial Reporting Standards and IFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources** (effective from 1 January 2006). These amendments are not relevant to Conenco's operations as the Group is

not a first-time adopter of IFRS and does not carry out exploration for and evaluation of mineral resources.

– **IFRS 6, Exploration for and Evaluation of Mineral Resources** (effective from 1 January 2006)<sup>1</sup>. IFRS 6 is not relevant to Conenco's operations.

– **IFRIC 4, Determining whether an Arrangement contains a Lease** (effective from 1 January 2006). IFRIC 4 requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement. It requires an assessment of whether: (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset. Management is currently assessing the impact of IFRIC 4 on Conenco's operations.

– **IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds** (effective from 1 January 2006). IFRIC 5 is not relevant to Conenco's operations.

– **IFRIC 6, Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment** (effective from 1 December 2005). IFRIC 6 is not relevant to Conenco's operations.

## Standards, interpretations and amendments to published standards that are not yet effective

– **IFRS 7, Financial Instruments: Disclosures, and a complementary amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures** (effective from 1 January 2007). IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in IAS 32, Financial Instruments: Disclosure and Presentation. It is applicable to all entities that report under IFRS. The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. Management assessed the impact of IFRS 7 and the amendment to IAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendment of IAS 1. Conenco will apply IFRS 7 and the amendment to IAS 1 from annual periods beginning 1 January 2007.

# Notes to the Financial Statements

for the year ending 30 June 2007

## 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%
Motor vehicles	25.00%
Furniture and fittings	16.67%
Kitchen and catering equipment	20.00%
Office equipment	16.67%
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%
Audio visual 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 value is reviewed on an annual basis.

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

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

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

## 1.3 Impairment of assets

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 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 values 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 it 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 for sales of goods and services net of value-added tax, rebates, and discounts. Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer.

# Notes to the Financial Statements

for the year ending 30 June 2007

Revenue arising from rendering of services is recognised when the event takes place.

## 1.9 Financial instruments

Financial instruments carried at the balance sheet date include cash and bank balances, trade receivables and trade payables.

### 1.9.1 Trade receivables

Trade receivables are carried at original invoice amount less provision made for impairment of these receivables. Such provision for impairment of trade receivables is established if there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables.

### 1.9.2 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

### 1.9.3 Trade payables

Trade payables are carried at the fair value of the consideration to be paid in future for goods or services that have been received or supplied and invoiced or formally agreed with the supplier.

#### 1.9.4.1. 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 credit worthy 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.

#### 1.9.4.2 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.

### 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 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 recognized as employee benefit expense when they are due.

# Notes to the Financial Statements

for the year ending 30 June 2007

## 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 (Act No.56 of 2003). 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 (Act No.56 of 2003), 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 estimates will, by definition, seldom equal the related actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a 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 may vary depending on a number of factors. In re-assessing asset 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 ending 30 June 2007

## 2. Property, Plant and Equipment

	2007				2006			
	Cost	Accumulated depreciation	Reversal of Impairment	Carrying value	Cost	Accumulated depreciation	Impairment Loss	Carrying value
	R	R	R	R	R	R	R	R
Escalators	1 759 591	(586 530)		1 173 061	1 759 591	(439 898)		1 319 693
Elevators	9 967 151	(3 322 384)		6 644 767	9 967 151	(2 491 788)		7 475 363
Carpets/ laminated floor	5 010 720	(2 987 088)		2 023 632	4 398 293	(2 199 147)		2 199 146
Curtains/ blinds	1 423 034	(1 138 427)		284 607	1 423 034	(853 820)		569 214
Signage	2 570 435	(1 016 960)		1 553 475	2 570 435	(757 771)		1 812 664
Audio visual	10 719 623	(7 144 438)		3 575 185	10 719 623	(5 357 834)		5 361 789
Fences & gates	454 597	(121 226)		333 371	454 597	(90 919)		363 678
Cold rooms	2 572 402	(1 714 935)		857 467	2 572 412	(1 286 201)		1 286 211
Air conditioning system	32 854 297	(21 858 569)		10 995 728	32 824 882	(16 385 503)		16 439 379
Sprinkler system	4 626 326	(3 701 061)		925 265	4 626 326	(2 775 796)		1 850 530
Auditorium seating	4 878 226	(3 252 151)		1 626 075	4 878 226	(2 439 113)		2 439 113
Building management system	25 424 991	(16 651 166)		8 773 825	25 061 963	(12 442 146)		12 619 817
Building	417 802 107	(342 442 435)	1 940 328	77 300 000	417 672 278	(31 179 558)	(308 292 720)	78 200 000
Plant and equipment	6 882 529	(4 416 418)		2 466 111	6 932 323	(3 253 157)		3 679 166
Motor vehicles	1 671 953	(1 321 847)		350 106	1 314 348	(1 081 385)		232 963
Furniture and fittings	10 336 570	(6 532 177)		3 804 393	10 180 301	(4 864 592)		5 315 709
Kitchen and catering	12 284 087	(8 753 869)		3 530 218	10 767 163	(6 386 238)		4 380 925
Office equipment	2 302 657	(1 492 457)		810 200	2 265 872	(1 144 492)		1 121 380
Computer equipment	3 942 581	(3 235 290)		707 291	3 356 227	(2 952 205)		404 022
Computer software	1 137 079	(1 060 600)		76 479	1 043 421	(1 006 523)		36 898
Assets in progress	9 456 405	-		9 456 405	410 031	-		410 031
	<b>568 077 361</b>	<b>(432 750 028)</b>	<b>1 940 328</b>	<b>137 267 661</b>	<b>555 198 497</b>	<b>(99 388 086)</b>	<b>(308 292 720)</b>	<b>147 517 691</b>

# Notes to the Financial Statements

for the year ending 30 June 2007

## 2. Property, plant and equipment (cont.)

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

	Carrying value at beginning of year R	Additions R	Disposals R	Depreciation R	Reversal of Impairment R	Carrying value at end of year R
<b>2007</b>						
Escalators	1 319 693			(146 632)		1 173 061
Elevators	7 475 363			(830 596)		6 644 767
Carpets/laminated flooring	2 199 146	612 427		(787 941)		2 023 632
Curtains/blinds	569 214			(284 607)		284 607
Signage	1 812 664			(259 189)		1 553 475
Audio visual	5 361 789			(1 786 604)		3 575 185
Fences & gates	363 678			(30 307)		333 371
Cold rooms	1 286 211			(428 744)		857 467
Air conditioning system	16 439 379	29 393		(5 473 044)		10 995 728
Sprinkler system	1 850 530			(925 265)		925 265
Auditorium seating	2 439 113			(813 038)		1 626 075
Building management system	12 619 817	363 029		(4 209 021)		8 773 825
Building	78 200 000	129 828		(2 970 156)	1 940 328	77 300 000
Plant and equipment	3 679 166			(1 213 055)		2 466 111
Motor vehicles	232 963	357 555		(240 412)		350 106
Furniture and fittings	5 315 709	213 905	(19 587)	(1 705 634)		3 804 393
Kitchen and catering	4 380 925	1 609 878	(5 411)	(2 455 174)		3 530 218
Office equipment	1 121 380	36 786		(347 966)		810 200
Computer equipment	404 022	586 354		(283 085)		707 291
Computer software	36 898	93 658		(54 077)		76 479
Assets in progress	410 031	9 046 374		-		9 456 405
	<b>147 517 691</b>	<b>13 079 187</b>	<b>(24 998)</b>	<b>(25 244 547)</b>	<b>1 940 328</b>	<b>137 267 661</b>

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 have 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 arms-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 ending 30 June 2007

## 2. Property, plant and equipment (cont.)

- (c) Since inception, all initial targets for the region (spin-offs) and the operation of the convention centre have consistently been exceeded and is forecast to maintain this level of performance for the foreseeable future,
- (d) Despite this, the value in use of the centre can only be attributed to the present value of the future cashflows 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 centre at the end of its useful life due to its disposal being highly unlikely and no reliable basis for measuring the disposal value existing.
- (f) A discount rate of 14% was used which was calculated using the RSA153 rate of return of 8.32 adjusted by 5.68% for uncertainty regarding timing and extent of certain of the cashflows,

Based on this valuation method, a value of R77 300 000 (2006:R78 200 000) was established for the building compared to a carrying value of R75 359 672 (2006:R386 492 720) at date of valuation, which has resulted in a reversal of impairment/ (impairment loss) of R1 940 328 (2006:(R308 292 720)).

	2007	2006
	R	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
--	-----	-----

The subsidiaries company 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 Cape Town International Convention Centre Operating Company (Pty) Ltd (OPCO) are reflected in Cape Town International Convention Centre Company (Pty) Ltd (CONVENCO).

## 4. Deferred taxation

Deferred income taxes are calculated on all temporary differences under the balance sheet liability method using a tax rate of 29%.

A deferred tax asset was not raised during the current year as forecasts indicate that the company will not generate sufficient taxable profits in the foreseeable future.

The deferred tax asset is made up as follows:

At beginning of year	12 430 567	8 083 934
Income statement charge	83 506	4 346 633
Correction of debt allowance & prepayments	(65 228)	-
Correction of the provision for rates & taxes	(3 691 700)	-
At end of year	8 757 145	12 430 567
The balance comprises:		
Capital allowance (non-deductible temporary differences)	6 869 178	11 939 701
Assessed losses	1 887 967	490 866
At end of year	8 757 145	12 430 567

# Notes to the Financial Statements

## for the year ending 30 June 2007

	2007 R	2006 R
<b>5. Inventories</b>		
Food and beverages	706 068	724 517
	<b>706 068</b>	<b>724 517</b>

Stated at original cost on FIFO basis, which represents the lower of cost and net realisable value.

### 6. Trade and other receivables

Trade receivables	13 636 514	6 975 785
Less: provision for impairment of trade receivables	(700 510)	(767 032)
	<b>12 936 004</b>	<b>6 208 753</b>
Prepayments	437 610	159 922
Receiver of Revenue : Vat	-	174 114
Other receivables	683 657	58 328
	<b>14 057 271</b>	<b>6 601 117</b>
<b>Trade Receivables Ageing</b>		
Current (0-30 days)	8 740 405	1 315 147
31-60 days	1 403 697	3 019 092
61-90 days	582 723	1 500 370
91-120 days	1 337 606	102 935
+120 days	1 572 083	1 038 241
<b>Total</b>	<b>13 636 514</b>	<b>6 975 785</b>

### 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	-	300
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
	<b>565 639 701</b>	<b>565 640 001</b>

The directors are authorised, until the forthcoming annual general meeting, to dispose of the unissued shares for any purpose and upon such terms and conditions as reflected in the shareholders agreement.

During the year the company bought back its 300 Ordinary shares of R1 each for R300.

# Notes to the Financial Statements

for the year ending 30 June 2007

	2007 R	2006 R
<b>8. Trade and other payables</b>		
Trade payables	7 280 232	7 673 929
Accruals	11 369 439	5 123 750
Receiver of Revenue – VAT	1 134 772	-
Sundry payables	245 836	301 844
	<b>20 030 279</b>	<b>13 099 523</b>
<b>9. Provisions</b>		
Performance Bonus	1 353 658	1 471 622
Municipal rates and taxes	-	10 043 087
	<b>1 353 658</b>	<b>11 514 709</b>

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.

## 10. Operating Profit / (Deficit)

Operating Profit / Deficit is stated after:

Income		
Profit / Loss on foreign exchange	347 608	(444)
Expenditure		
Auditors' remuneration		
- Audit fee	201 876	235 886
- Other services	59 947	-
Bad debts written off	396 732	491 202
Provision for impairment of trade receivables	66 522	280 997
Director's Remuneration	20 500	-
Depreciation		
- Property, plant and equipment	25 244 547	32 969 457
Reversal of Impairment		
- Non-current Assets	(1 940 328)	-
Impairment Loss		
- Non-current Assets	-	308 292 720
Management fees - Amsterdam RAI	8 296 907	6 116 019
- Chief Executive Officer	244 200	165 800
	<b>8 541 107</b>	<b>6 281 819</b>
Repairs and maintenance on property, plant and equipment	5 837 460	5 874 562
Key Management Remuneration	3 231 165	2 496 142

## 11. Interest received

Interest income		
- Interest on bank accounts	4 227 517	2 765 278

# Notes to the Financial Statements

for the year ending 30 June 2007

	2007 R	2006 R
<b>12. Finance costs</b>		
Finance costs	57 413	61 924
	<b>57 413</b>	<b>61 924</b>

## 13. Taxation

South African normal taxation

Current year	13 017	-
	<b>13 017</b>	<b>-</b>

No provision has been made for 2007 income tax. The estimated assessable taxable income is R686 422 for the year. No provision has been made for the 2007 income tax as the company has a calculated tax loss of R6 510 230 (2006: R7 196 652).

## 14. Notes to the cash flow statement

### 14.1 Cash generated from / (utilised in) operations

Profit / (Deficit) before taxation	9 198 779	(327 399 629)
Adjustment for:		
Depreciation	25 244 547	32 969 457
Interest received	(4 227 517)	(2 765 278)
(Reversal of Impairment)/Impairment Loss	(1 940 328)	308 292 720
Finance costs	57 413	61 924
Loss on disposal of property, plant and equipment / (Profit)	-	144 344
Asset written off	24 998	-
Increase / (Decrease) in provision for bonuses	(117 964)	471 622
Decrease in provision for rates and taxes	(10 043 087)	(2 686 913)
Increase in provision for impairment of trade receivables	66 522	280 997
	<b>18 263 363</b>	<b>9 369 244</b>
Movements in working capital		
(Increase) / Decrease in inventories	18 450	(149 073)
Decrease / (Increase) in receivables	(7 522 677)	2 881 989
Increase in payables	7 284 227	2 781 894
	<b>18 043 363</b>	<b>14 884 054</b>

### 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	2 711 546	165 519
Call and Investment Accounts	59 570 766	52 969 227
Petty Cash	5 500	4 000
Cash Float	48 600	48 600
Pick n Pay Vouchers	-	28 103
Cash and cash equivalents	<b>62 336 412</b>	<b>53 215 449</b>

# Notes to the Financial Statements

for the year ending 30 June 2007

	2007 R	2006 R
The following bank and investment accounts were held by the entity;		
Nedbank Current Account (Acc Number: 1232043850)	1 321 796	165 520
Nedbank Call Account (Acc Number: 037881544007/001)	3 192 041	7 678 745
Nedbank Investment Account (Acc Number: 037881544007)	31 005 477	24 031 815
Standard Bank Current Account (Acc Number: 070823871)	1 116 288	289 932
Standard Bank Current Account (Acc Number: 070650187)	273 461	223 125
Standard Bank Call Account (Acc Number: 078509866/001)	5 744 754	2 621 147
Standard Bank Investment Account (Acc Number: 078509866)	8 417 975	7 753 351
First National Bank Investment Account (Acc Number: 71104163119)	5 398 065	5 000 000
Oasis Crescent Management Investment Account (Acc Number: 192165)	5 812 455	5 371 111

## 15. Contingent Liabilities

An objection was lodged with SARS on 01 June 2007 in respect of the 2005 revised additional income tax assessment which was issued by SARS after a tax audit in November 2005. The outcome of this objection is uncertain at this stage as SARS have not provided any comments on the objection. 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. The impact of the disallowance could result in taxes owed to SARS amounting to R4 420 253 for the 2005 tax year. No provision has been made for the R4 420 253 and the original method of calculation has been used in the 2006 and 2007 tax calculation. The effect of SARS disallowance in the tax deduction could result in taxes paid for the current financial year of R4 623 959 (2006: R4 590 002).

## 16. 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.

Key management and their remuneration are disclosed in note 10.

### Related Party Transactions

Rates & taxes	3 539 941	5 052 807
Electricity	3 477 473	3 161 324
Water	404 367	501 890
Lease P1 Parking (including refuse, sewerage, rates & water)	2 334 264	1 225 469
Related Party Balances		
Amounts owing to City of Cape Town	1 554 146	-

# Notes to the Financial Statements

for the year ending 30 June 2007

	2007 R	2006 R
<b>17. Management Contract</b>		
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	2 076 867	2 080 693
Basic management fees	2 518 172	1 953 411
Incentive fee	3 701 868	2 081 915
	<b>8 296 907</b>	<b>6 116 019</b>
<b>18. Employee Related Costs</b>		
Salaries and Wages	9 046 423	8 254 281
Contributions for UIF, Provident Fund, WCA, Medical Aid etc	3 662 990	3 073 438
Provident Fund	871 046	785 404
Travel Allowance	127 350	210 200
Overtime	82 595	123 366
Performance Bonus	753 743	1 549 011
Other : Staff Transport and Health and Safety Costs	622 884	353 432
<b>Total Employee Related Costs</b>	<b>15 167 031</b>	<b>14 349 132</b>
<b>19. Unauthorised, Irregular and Fruitless and Wasteful Expenditure</b>		
<b>19.1 Unauthorised Expenditure</b>		
<b>Opening Balance</b>	<b>210 741</b>	-
<b>Direct Costs</b>		
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	-
	<b>5 241 423</b>	
<b>Indirect Costs</b>		
Unauthorised expenditure current year - maintenance expenditure	605 088	2 515 371
Unauthorised expenditure current year - advisors	130 425	210 741
Unauthorised expenditure current year - computer expenses	163 151	-
Unauthorised expenditure current year - catering materials	905 101	-
Unauthorised expenditure current year - interest expense	36 369	-
	<b>1 840 134</b>	<b>2 726 112</b>
<b>Management Fees</b>		
Unauthorised expenditure current year - management fees	2 539 449	-
Approved by council	-	(2 515 371)
<b>Unauthorised expenditure awaiting authorization</b>	<b>9 831 747</b>	<b>210 741</b>

The unauthorised expenditure is as a result of the company's out performance against the budget (refer to note 21).

# Notes to the Financial Statements

for the year ending 30 June 2007

## Incident and Resolution

A motivation was sent to the City of Cape Town, notifying them of the above additional and unavoidable increased spending in respect of the above expenditure, for the pre-approval of such unbudgeted expenditure.

	2007 R	2006 R
<b>19.2 Fruitless and Wasteful Expenditure</b>		
Opening Balance	61 353	-
Fruitless and wasteful expenditure current year - penalties	81 991	
Fruitless and wasteful expenditure current year - interest expense	57 413	61 353
Closing balance awaiting condonement	<u>200 757</u>	<u>61 353</u>

## Incident and Resolution

South African Revenue Services - late payment interest

Late payment interest, in the amount of R43 872 was paid to SARS in respect of Employees Tax. Due to a misallocation by SARS of the actual payment received by SARS on 12 November 2003, penalties were waived however interest was still levied.

-      43 872

City of Cape Town - late payment interest

Interest was incurred due to the late payment of the August 2005 invoices. The employee responsible is no longer employed by the Centre.

-      17 481

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

35 720

-

BOE Umbrella Provident Fund - interest on late payment

16 531

-

Various other

1 042

-

139 404      61 353

## 20. Commitment

The development regarding the expansion of Hall 4B was still in progress at year end. Spearhead Property Holdings Limited are the developers for the construction and a total of R7 301 365 was spent to date. A commitment of R2 510 124 for this development exists at year end.

# Notes to the Financial Statements

## for the year ending 30 June 2007

### 21. Actual versus Budget (Revenue and Expenditure) for the year ended 30 June 2007

	2007 Actual (R)	2007 Budget (R)
<b>OPCO level</b>		
<b>Revenue</b>	99 845 599	79 677 000
<b>Less Direct Costs:</b>		
Cost of Sales	13 272 284	11 255 172
Direct Personnel	7 228 848	5 066 800
Parking Costs	2 334 263	1 272 000
Event Related Marketing Costs	(294 190)	-
<b>Add: Interest Income</b>	3 564 531	2 000 000
<b>Less Indirect Expenditure</b>		
Personnel Costs	15 298 761	15 310 218
Operations General	618 981	1 523 120
Utility Services	3 897 352	4 393 000
Maintenance (note 19)	5 105 088	4 500 000
Building Costs	6 755 403	7 931 880
Office Costs	1 717 759	2 250 000
Computer Expenses (note 19)	1 813 151	1 650 000
Advisors (note 19)	727 425	597 000
Travel and Entertainment	724 847	825 900
Marketing and Corporate Communications	2 687 375	3 975 000
Catering Materials (note 19)	2 537 201	1 632 100
Bad Debts	357 658	600 000
Management Fees (note 17)	8 296 907	5 757 458
Interest Expense	36 369	-
<b>Net Surplus for the year (Contribution to Convenco)</b>	<b>30 294 648</b>	<b>13 137 352</b>
<b>CONVENCO level</b>		
<b>Add:</b>		
Convenco Interest Income	662 986	-
Arabella Sheraton	1 767 213	1 578 282
<b>Less:</b>		
Convenco Costs (personnel, advisors and interest expense)	714 948	3 150 000
Depreciation	25 244 547	24 793 199
Municipal Rates and taxes	(493 099)	2 599 999
<b>Net profit / (deficit) for the year before impairment loss</b>	<b>7 258 451</b>	<b>(15 827 564)</b>
Reversal of Impairment	1 940 328	-
<b>Net profit/(deficit) for the year</b>	<b>9 198 779</b>	<b>(15 827 564)</b>

The revenue per note 21 does not include the revenue from Arabella Sheraton of R1 767 213 which is reflected at Convenco level and utility services recoveries which have been set off against utility services costs.

# Detailed Income Statement

for the year ended 30 June 2007

	2007 R	2006 R
<b>Gross revenue</b>	<b>102 017 536</b>	78 975 706
Commissions	2 979 455	2 132 077
Parking	4 216 311	4 283 856
Sales	92 262 618	70 694 895
Subcontractor service income	22 565 193	16 543 595
Subcontractor service expense	(20 006 041)	(14 678 717)
<b>Cost of sales</b>	<b>(13 272 284)</b>	(9 469 632)
Opening stock	724 518	575 445
Purchases	13 253 834	9 618 705
Closing stock	(706 068)	(724 518)
<b>Gross profit</b>	<b>88 745 252</b>	69 506 074
<b>Other income</b>	<b>7 391 302</b>	3 239 223
Bad debt recovered	105 582	-
Interest received	4 227 517	2 765 278
(Loss)/profit on foreign exchange	347 608	(444)
Reversal of Impairment	1 940 328	-
Sundry income	770 267	474 389
<b>Total income</b>	<b>96 136 554</b>	72 745 297
<b>Expenditure</b> (Refer to page 28)	<b>(86 937 775)</b>	(400 144 926)
<b>Profit / (Deficit) for the year before taxation</b>	<b>9 198 779</b>	(327 399 629)

## Detailed Income Statement (cont.)

for the year ended 30 June 2007

	2007	2006
	R	R
<b>Expenditure</b>		
Advertising	2 606 439	2 582 809
Asset write off	24 998	-
Auditors' remuneration	261 823	235 886
Bad debts (including provision for impairment on trade receivables)	463 254	772 199
Bank charges	339 150	252 995
Catering materials	2 668 479	1 396 323
Cleaning	2 770 173	2 440 518
Computer expenses	1 813 151	917 142
Contract labour	7 228 848	5 034 273
Consulting fees	775 910	624 767
Depreciation	25 244 547	32 969 457
Discounts allowed	53 549	358 710
Directors remuneration	20 500	-
Electricity and water	3 881 840	3 663 215
Entertainment	165 510	104 365
Fines and penalties	81 991	6 769
Finance costs (note 12)	57 413	61 924
Impairment loss	-	308 292 720
General expenses	34 096	52 085
Hire of equipment	262 778	143 419
Insurance	756 313	920 480
Legal expenses	372 168	818 687
Loss on Disposal of Assets	-	144 344
Motor vehicle expenses	131 212	72 111
Management fees	8 296 907	6 116 019
Operational costs	230 250	173 333
Postage	24 406	24 884
Printing and stationery	423 231	385 267
Rates and refuse	(85 257)	5 465 141
Rental for parking	2 334 263	1 225 469
Repairs and maintenance	5 837 460	5 874 562
RSC levies	(3 597)	181 712
Salaries and wages (note 18)	15 167 031	14 349 132
Security	3 049 515	2 860 658
Staff welfare	132 263	174 721
Subscriptions	80 365	52 206
Telephone and fax	680 025	644 133
Training	322 173	342 852
Travel – local	111 748	73 586
Travel – overseas	322 850	336 053
<b>Total expenditure</b>	<b>86 937 775</b>	<b>400 144 926</b>

# Corporate Governance Report

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, taking into consideration appropriate risk parameters.

## Board structure and responsibilities

Convenco has a unitary board structure. The articles of association make provision for the appointment of no more than twelve directors. There are currently nine non-executive directors, one executive director and one alternate director. The chief executive officer is the only executive director. The Chairman, Mr Andrew Boraine, is a non-executive director. There are currently two vacancies on the Board.

The board meets at least four times a year. Additional meetings are held as and when necessary. Board meetings are scheduled well in advance and board members are timeously provided with all relevant information to enable them to make informed decisions. Record is kept of individual directors' attendance at board meetings.

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

All directors have unlimited access to the advice and services of the company secretary who is responsible to the board. The secretary acts as secretary for the committees of the board.

## Board committees

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

### Audit committee

The audit committee 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. The committee has a formal mandate from the board. Meetings are held at least four times a year. Both the internal and external auditors have access to the committee chairman. The company's internal and external auditors are invited to attend all meetings of the committee.

### Executive committee

The executive committee consists of five board members who meet on an ad hoc basis to deal with issues delegated 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 and bonus incentives and remuneration strategy.

## Report of the company secretary

In my capacity as company secretary, I hereby confirm, in terms of the Companies Act 1973, that, for the year ended 30 June 2007, the company has lodged with the Registrar of Companies all such returns as are required in terms of the aforementioned Act and that all such returns are, to the best of my knowledge, true, correct and up to date.



MM Thirion  
Company secretary

# Notice to Shareholders

Notice is hereby given that the eighth annual general meeting of shareholders of the company will be held at 10:00 in Auditorium Two of the Cape Town International Convention Centre, Convention Square, 1 Lower Long Street, Cape Town 8001, on Tuesday, 16 October 2007 for the following purposes:

1. To receive and consider, for confirmation, the annual financial statements for the year ended 30 June 2007, and to confirm all matters and things undertaken and discharged by the directors on behalf of the company.
2. To approve the directors' remuneration as set out in the financial report.
3. To consider and, if deemed fit, to pass with or without modification the following special resolution:  
"RESOLVED as a special resolution that, in terms of Section 62 of the Companies Act, 1973, as amended, the articles of association of the company be and are hereby amended by substituting the existing articles 20 to 25 with the following new articles 20 to 25:

20. The annual general meeting shall deal with and dispose of all matters prescribed by the Act, including the sanctioning or declaring of a dividend, the consideration of the annual financial statements, the election of directors and the appointment and remuneration of an auditor, and may deal with any other business laid before it. All business laid before any other general meeting shall be deemed special business.

21. Subject to the provisions of the Act, 2 (two) members present in person or by proxy and entitled to vote, shall be a quorum for a general meeting, provided that a representative of each of the Provincial Government of the Western Cape and the City of Cape Town is present. No business shall be transacted at any general meeting unless a quorum is present.

22. If –

22.1 within 10 (ten) minutes from the time appointed for the meeting;  
or

22.2 at any time during the course of the meeting,  
a quorum is not present, the meeting, if convened upon the requisition of members, shall be dissolved.

23. In any other case it shall stand adjourned to a date not earlier than 7 (seven) days and not later than 21 (twenty one) days after the date of the meeting as the chairman may determine, and at the same time and place, or, if not possible, at such other time and/or place as the chairman of the meeting shall appoint.

24. The chairman (if any) of the board of directors, or in his absence, the deputy chairman (if any), shall preside as chairman at every general meeting of the company. If –

24.1 there is no such chairman or deputy chairman;

or

24.2 at any meeting neither the chairman nor the deputy chairman is present within 10 (ten) minutes after the time appointed for the meeting, or if neither of them is willing to act as chairman, the directors present shall choose one of their number to act as such, but if only 1 (one) director is present, he shall preside as chairman if he is willing so to act and failing the aforesaid, the members present shall elect 1 (one) of their number to act as chairman.

25. The chairman may, with the consent of a meeting at which a quorum is present (and shall if so directed by the meeting) adjourn the meeting from time to time and from place to place, but no business may be transacted at any adjourned meeting, except such business as may lawfully have been transacted at the meeting which was adjourned. Where a meeting has been adjourned in terms of article 23 or 25 the company shall, upon a date not later than 3

(three) days after the adjournment, publish in a newspaper circulating in the province where the registered office of the company is situated, a notice stating –

- 25.1 the date, time and place to which the meeting has been adjourned;
- 25.2 the matter before the meeting when it was adjourned; and
- 25.3 the reason for the adjournment.”

The reason for and effect of this special resolution is to amend the articles of association of the company so as to give effect to the intention of the members of the company regarding quorums and voting rights at general meetings of members.

- 4. To resolve as an ordinary resolution that the directors be authorised and empowered to do all such things and sign all such documents and procure the doing of all such things and the signature of all such documents as may be necessary or incidental thereto to give effect to the abovementioned special resolution.
- 5. To transact such other business as may be transacted at an annual general meeting.

A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in its stead. A proxy need not also be a member of the company. In order to be effective, proxy forms should be forwarded to reach the registered office of the company not less than 24 hours prior to the time for the holding of the meeting.

By order of the board  
MM Thirion  
Company Secretary

Cape Town  
21 September 2007

# Directorate and Administration

## DIRECTORS

AM Boraine  
Chairman  
Appointed: 17/10/2006

DC Skeate  
Acting CEO  
Appointed as Acting CEO: 17/10/2006  
Appointed to the Board: 05/07/1999

VF Fesi  
Appointed: 18/08/2005  
Resigned: 26/10/2006

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

FG Fredericks  
Appointed: 18/08/2005

DS Jack  
Appointed: 05/07/1999

K Lubelwana  
Appointed: 07/11/2003  
Resigned: 25/01/2007

TW Manyathi  
Appointed: 01/08/2005

V Ndzakana-Mabutyana  
Appointed: 18/08/2005  
Resigned: 06/09/2006

M Mdludlu  
Appointed: 18/08/2005  
Resigned: 25/10/2006

T Pasiwe  
Appointed: 05/07/1999

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

HJ Taljaard  
Appointed: 05/07/1999

MA Thompson  
Appointed: 25/06/2004  
Resigned: 09/02/2007

BP Zazaza  
Appointed: 09/02/2007

## ALTERNATE DIRECTOR

AC Seymour  
Alternate director to Mr FG Fredericks  
Appointed: 18/08/2005

## BOARD COMMITTEES

**Audit Committee**  
MA Thompson (co-opted; Chairman)  
Mr FG Fredericks  
Dr SA Fisher  
Mr AC Seymour  
Mr 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

**Registered Office**  
Convention Square PO Box 8120  
1 Lower Long Street Roggebaai  
Cape Town, 8001 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 Limited  
PO Box 688, Cape Town 8012

**Attorneys**  
Hofmeyr Herstein & Gihwala Inc  
PO Box 221, Cape Town 8000