ICC DURBAN

INTERNATIONAL CONVENTION CENTRE
INKOSI ALBERT LUTHULI ICC COMPLEX
DURBAN SOUTH AFRICA

ICC DURBAN (PTY) LTD
Annual Financial Statements
FOR THE YEAR ENDED 30 JUNE 2011

GENERAL INFORMATION

LEGAL FORM OF ENTITY	Municipal Entity
ACCOUNTING OFFICER	Julie-May Ellingson
CHIEF FINANCE OFFICER (CFO)	Jeremy Hurter
DIRECTORS	
	D Madlala B Ndamase Paledi S Ngcobo J van Rooyen A Sewnarain M Ngubane L Pampallis
REGISTERED OFFICE	45 Bram Fischer Road Durban 4001 4001
POSTAL ADDRESS	PO Box 155 Durban 4001
BANKERS	Standard Bank
AUDITORS	Auditor-General
COMPANY REGISTRATION NUMBER	1992/005887/07

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

ABBREVIATIONS

SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
IAS	International Accounting Standards
ME's	Municipal Entities
MFMA	Municipal Finance Management Act

Accounting Officer's Responsibilities and Approval

The directors are required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the directors to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

Although the accounting officer are primarily responsible for the financial affairs of the entity, they are supported by the entity's external auditors.

The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors and their report is presented on page 6.

The annual financial statements set out on pages 6 to 33, which have been prepared on the going concern basis, were approved by the accounting officer on 30 November 2011 and were signed on its behalf by:

Director
Designation

Durban

Accounting Officer's Responsibilities and Approval

30 November 2011

Audit Committee Report

Accounting Officer's Report

The directors submit their report for the year ended 30 June 2011.

1. Incorporation

The entity was incorporated on 09 October 1992 and obtained its certificate to commence business on the same day.

2. Review of activities

Main business and operations

The entity is engaged in conference centre management and operates in South Africa. The company is defined as a municipal entity and is 100% controlled by the eThekwini Municipality. In terms of an agreement, the company has agreed to manage the International Convention Centre and Durban Exhibition Centre related amenities and ancillary buildings for the eThekwini Municipality.

During the year there were no major changes in the activities of the business.

The operating results and state of affairs of the entity are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net deficit of the entity was R 29,564,471 (2010: deficit R 45,342,453)

3. Going concern

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

4. Subsequent events

The directors are not aware of any matter or circumstance arising since the end of the financial year.

5. Directors' interest in contracts

The directors of the company did not have any interest in the contracts entered into by the company.

6. Share capital / contributed capital

There were no changes in the authorised or issued share capital of the entity during the year under review.

7. Accounting Officer

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

Name	Nationality
D Madlala	South African
B Ndamase Paledi	South African
S Ngcobo	South African
J van Rooyen	South African
A Sewnarain	South African
M Ngubane	South African
L Pampallis	South African

8. Secretary

The secretary of the entity is Jeremy Hurter of:

Business address	
	45 Bram Fischer Road
	Durban
	4001
	4001
Postal address	

Accounting Officer's Report

21 Kildare Road
Glenwood
4001

9. Member and executive managers emoluments

Economic entity

	Salary or Fee	Retirement Fund contributions	Medical contributions	Other	Total package 2011	Total package 2010
Non-Executive Directors						
D Madlala	39,000	-	-	-	39,000	27,000
B Ndamase Paledi	30,000	-	-	-	30,000	4,408
S Ngcobo	21,000	-	-	-	21,000	2,908
J van Rooyen	6,000	-	-	-	6,000	750
A Sewnarain	30,000	-	-	-	30,000	5,724
M Ngubane	12,000	-	-	-	12,000	1,500
L Pampalis	21,000	-	-	-	21,000	3,750
	159,000	**-**	**-**	**-**	**159,000**	**46,040**
Executive Managers						
Finance Director (Acted as CEO 1 April 2010 - 31 March 2011)	1,000,266	71,394	15,528	5,638	1,092,826	951,601
Sales and Marketing Director	933,825	67,539	17,632	5,340	1,024,336	480,588
Operations Director	903,818	71,311	17,706	5,632	998,467	680,724
Executive Chef	594,976	46,943	17,706	3,748	663,373	661,767
Human Resources Manager	518,946	40,944	6,774	3,284	569,948	461,333
Facilities Manager	734,414	57,945	10,341	4,597	807,297	631,314
Chief Executive Officer	-	-	-	-	-	1,267,784
	4,686,245	**356,076**	**85,687**	**28,239**		**5,135,111**
	4,845,245	**356,076**	**85,687**	**28,239**	**5,315,247**	**5,181,151**

10. Controlling entity

The entity's controlling entity is eThekwini Municipality.

11. Executive Meetings

Name	Board Meetings	Finance Committee Meetings	Human Resources Committee Meetings
D Madlala (Chairperson)	5	3	-
B Ndamase Paledi	4	4	4
L Pampalis	3	-	4
S Ngcobo	4	4	-
J van Rooyen	2	-	-
A Sewnarain	4	3	4
M Ngubane	3	1	-

The Board has met on 4 separate occasions during the financial year. The Board schedules to meet at least 4 times per annum. The board held one special meeting to deal with the CEO appointment, The chairperson was the only board member to attend all 5 meetings.

Non-executive directors have access to all members of management of the company.

ICC Durban (Pty) Ltd

Annual Financial Statements for the year ended 30 June 2011

Statement of Financial Position

Figures in Rand	Note(s)	2011	2010
Assets			
Current Assets			
Inventories	5	1,438,449	1,190,712
Trade and other receivables from exchange transactions	6	12,461,915	5,365,628
VAT receivable		-	229,715
Cash and cash equivalents	8	100,907,585	95,894,281
		114,807,949	**102,680,336**
Non-Current Assets			
Property, plant and equipment	2	682,452,222	714,346,128
Intangible assets	3	392,568	568,824
		682,844,790	**714,914,952**
Total Assets		**797,652,739**	**817,595,288**
Liabilities			
Current Liabilities			
Trade and other payables from exchange transactions	10	18,884,927	12,850,496
VAT payable		353,637	-
Consumer deposits		20,036,020	16,802,165
		39,274,584	**29,652,661**
Non-Current Liabilities			
Loans from shareholders	4	226,589,660	226,589,660
Total Liabilities		**265,864,244**	**256,242,321**
Net Assets		**531,788,495**	**561,352,967**
Net Assets			
Share capital / contributed capital	9&9	1	1
Accumulated surplus		531,788,494	561,352,966
Total Net Assets		**531,788,495**	**561,352,967**

STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand	Note(s)	2011	2010
Revenue	11	128,684,392	104,981,364
Cost of sales		(33,276,835)	(25,411,354)
Gross surplus		**95,407,557**	**79,570,010**
Other income		1,043,741	664,978
Operating expenses		(131,135,286)	(132,124,907)
Operating deficit	13	**(34,683,988)**	**(51,889,919)**
Investment revenue		5,203,151	6,841,789
Fair value adjustments		129,403	(287,032)
Finance costs	15	(213,037)	(7,291)
Deficit for the year		**(29,564,471)**	**(45,342,453)**

Statement of Changes in Net Assets

Figures in Rand	Share capital / contributed capital	Accumulated surplus	Total net assets
Balance at 01 July 2009	**1**	**606,695,419**	**606,695,420**
Changes in net assets			
Surplus for the year	-	(45,342,453)	(45,342,453)
Total changes	-	(45,342,453)	(45,342,453)
Balance at 01 July 2010	**1**	**561,352,965**	**561,352,966**
Changes in net assets			
Surplus for the year	-	(29,564,471)	(29,564,471)
Total changes	-	(29,564,471)	(29,564,471)
Balance at 30 June 2011	**1**	**531,788,494**	**531,788,495**
Note(s)	9		

Cash Flow Statement

Figures in Rand	Note(s)	2011	2010
Cash flows from operating activities			
Receipts			
Sale of goods and services		120,599,115	106,515,393
Payments			
Employee costs		(48,897,960)	(46,156,056)
Suppliers		(69,790,750)	(86,448,059)
		(118,688,710)	(132,604,115)
Net cash flows from operating activities	17	**1,910,405**	**(26,088,722)**
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(1,975,044)	(5,851,413)
Proceeds from sale of property, plant and equipment	2	196,272	-
Purchase of other intangible assets	3	(237,846)	(247,940)
Proceeds from sale of financial assets		129,403	(287,032)
Interest Income		5,203,151	6,841,789
Finance costs		(213,037)	(7,291)
Net cash flows from investing activities		**3,102,899**	**448,113**
Net increase/(decrease) in cash and cash equivalents		**5,013,304**	**(25,640,609)**
Cash and cash equivalents at the beginning of the year		95,894,281	121,534,890
Cash and cash equivalents at the end of the year	8	**100,907,585**	**95,894,281**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand and based upon appropriate policies consistently applied and supported by reasonable and prodent judgements and estimates.

These annual financial statements have also been prepared on a going concern basis.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Accounting Policies

1.1 Property, plant and equipment (continued)

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for those items that were acquired at no cost which are carried at revalued amount being the fair value at the date of acquisition less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Where impaired land and buildings are valued, the increase in value of land and buildings are recognised as revenue to the extent that it reverses the impairement loss previously recognised as an expense

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	**Average useful life**
Buildings	29.6 years
Plant and machinery	4 Years
Furniture and fixtures	6 years
Motor vehicles	5 years
IT equipment	3 years
Operating equipment	2 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.2 Intangible assets

An asset is identified as an intangible asset when it:
- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the entity or from other rights and obligations.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

Accounting Policies

1.2 Intangible assets (continued)

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	**Useful life**
Computer software	3 years

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

Accounting Policies

1.3 Financial instruments

Classification

The entity classifies financial assets and financial liabilities into the following categories:
- Financial assets at fair value through surplus or deficit - held for trading
- Financial assets at fair value through surplus or deficit - designated
- Held-to-maturity investment
- Loans and receivables
- Available-for-sale financial assets

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Financial assets classified as at fair value through surplus or deficit which are no longer held for the purposes of selling or repurchasing in the near term may be reclassified out of that category:
- in rare circumstances
- if the asset met the definition of loans and receivables and the entity has the intention and ability to hold the asset for the foreseeable future or until maturity.

A financial asset classified as available-for-sale that would have met the definition of loans and receivables may be reclassified to loans and receivables if the entity has the intention and ability to hold the asset for the foreseeable future or until maturity.

Initial recognition and measurement

Financial instruments are recognised initially when the entity becomes a party to the contractual provisions of the instruments.

The entity classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.

Regular way purchases of financial assets are accounted for at .

Financial instruments designated as at fair value through surplus or deficit

A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management. Derivatives are also categorised as ‘held for trading’ unless they are designated as hedges. Assets in this category are classified as current.

Financial instruments designated as available-for-sale

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 non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Accounting Policies

1.3 Financial instruments (continued)

Loans to shareholders, directors, managers and employees

These financial assets are classified as loans and receivable and are initially measured at fair value plus direct transaction costs.

Subsequently these loans are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts

On loans receivable an impairment loss is recognised in profit or loss when there is objective evidence that it is impaired. The impairment is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Debtors are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of debtors is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of the debtors. 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 effective interest rate. Impairment losses are recognised in the Statement of Financial Performance.

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current.

Trade and other 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.

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance sheet date.

1.3 Financial instruments (continued)

Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the entity has the positive intention and ability to hold to maturity are classified as held to maturity.

1.4 Tax

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable surplus will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable surplus will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

1.4 Tax (continued)

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in surplus or deficit for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to net assets; or
- a business combination.

Current tax and deferred taxes are charged or credited to net assets if the tax relates to items that are credited or charged, in the same or a different period, to net assets.

1.5 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Payments made under operating leases (net of incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by ways of penalty is recognised as an expense in the period in which termination takes place.

1.6 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the entity incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.7 Employee benefits

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

The scheme is generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The company has defined contribution plans. A defined contribution plan is a pension plan under 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. A defined benefit plan is a pension plan that is not a defined contribution plan.

For defined contribution plans, the company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

1.8 Provisions and contingencies

Provisions are recognised when:
- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

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

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Accounting Policies

1.8 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the entity

No obligation arises as a consequence of the sale or transfer of an operation until the entity is committed to the sale or transfer, that is, there is a binding agreement.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note .

1.9 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Accounting Policies

1.9 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity,and;

the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Revenue from events is recognised on completion of the event.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends, or their equivalents are recognised, in surplus or deficit, when the entity’s right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.10 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At each reporting date:
- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in surplus or deficit in the period in which they arise.

When a gain or loss on a non-monetary item is recognised directly in net assets, any exchange component of that gain or loss is recognised directly in net assets. When a gain or loss on a non-monetary item is recognised in surplus or deficit, any exchange component of that gain or loss is recognised in surplus or deficit.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

Accounting Policies

1.11 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.12 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.13 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -
- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

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), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity'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 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

Accounting Policies

1.15 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

Investments in securities

Investments in securities are recognised on a trade date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the entity has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment losses recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with over investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as either held for trading or available-for-sale, and are measured at subsequent reporting dates at fair value, based on quoted market prices at the reporting date. Where securities are held for trading purposes, unrealised gains and losses are included in net surplus/(deficit) for the period. For available-for-sale investments, unrealised gains and losses are recognised directly in net assets, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in net assets is included in the net surplus/(deficit) for the period.

Investments in derivative financial instruments

Derivative financial instruments are initially recorded at cost and are remeasured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments that are designated and effective as cash flow hedges are recognised directly in accumulated surpluses/(deficits). Amounts deferred in net assets are recognised in the statement of financial performance in the same period in which the hedged firm commitment or forecasted transaction affects net surplus/(deficit).

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the statement of financial performance as they arise.

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

2. Property, plant and equipment

	2011			2010		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	814,252,111	(141,941,661)	672,310,450	813,993,997	(114,558,060)	699,435,937
Plant and machinery	19,149,926	(15,444,381)	3,705,545	20,546,110	(15,732,395)	4,813,715
Furniture and fixtures	13,706,250	(8,161,176)	5,545,074	14,379,363	(7,561,305)	6,818,058
Motor vehicles	471,779	(408,668)	63,111	524,233	(437,142)	87,091
IT equipment	2,822,850	(2,152,022)	670,828	3,016,713	(1,957,010)	1,059,703
Operating Equipment	4,694,203	(4,536,989)	157,214	3,867,933	(1,736,309)	2,131,624
Total	**855,097,119**	**(172,644,897)**	**682,452,222**	**856,328,349**	**(141,982,221)**	**714,346,128**

Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Depreciation	Total
Buildings	699,435,937	-	(27,125,487)	672,310,450
Plant and machinery	4,813,715	1,337,303	(2,445,473)	3,705,545
Furniture and fixtures	6,818,058	81,255	(1,354,239)	5,545,074
Motor vehicles	87,091	-	(23,980)	63,111
IT equipment	1,059,703	349,025	(737,900)	670,828
Operating Equipment	2,131,624	207,461	(2,181,871)	157,214
	714,346,128	**1,975,044**	**(33,868,950)**	**682,452,222**

Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Depreciation	Total
Buildings	725,446,667	1,019,974	(27,030,704)	699,435,937
Plant and machinery	6,783,120	723,323	(2,692,728)	4,813,715
Furniture and fixtures	7,825,742	375,037	(1,382,721)	6,818,058
Motor vehicles	136,009	-	(48,918)	87,091
IT equipment	1,562,253	419,031	(921,581)	1,059,703
Operating Equipment	240,918	3,314,048	(1,423,342)	2,131,624
	741,994,709	**5,851,413**	**(33,499,994)**	**714,346,128**

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the entity. Assets with a net book value of Nil were disposed of for R196,272. 2323 assets have been fully depreciated and are still in use (gross carrying amount of Nil). On review of the fixed asset register various assets were re-allocated into categories which better reflected their nature

3. Intangible assets

	2011			2010		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	3,174,919	(2,782,351)	392,568	2,923,242	(2,354,418)	568,824

Figures in Rand	2011	2010

3. Intangible assets (continued)

Reconciliation of intangible assets - 2011

	Opening balance	Additions	Amortisation	Total
Computer software, other	568,824	237,846	(414,102)	392,568

Reconciliation of intangible assets - 2010

	Opening balance	Additions	Amortisation	Total
Computer software, other	653,917	247,940	(333,033)	568,824

4. Loans from shareholders

	2011	2010
eThekwini municipality Unsecured The loan in terms of the operating lease agreement, is interest free and is not repayable within 12 months. The eThekwini Municipality has agreed to provide finance to the company in the form of annual loans which are to enable the company to fulfil its obligations. Repayment has been deferred until such time as the assets of the company, fairly valued, exceed its liabilities.	(226,589,660)	(226,589,660)

5. Inventories

	2011	2010
Food and Beverage	1,438,449	1,190,712

6. Trade and other receivables from exchange transactions

	2011	2010
Trade debtors	7,200,148	1,780,391
Deposits	1,113,659	2,143,873
Operating lease receivables (if immaterial)	-	7,176
Prepaid expenses	107,900	59,500
Related Party Debtors	4,040,208	1,374,688
	12,461,915	**5,365,628**

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2011, 2 689 207 (2010: 688 164) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

	2011	2010
1 month past due	1,075,924	437,924
2 months past due	202,354	188,644
3 months past due	483,083	61,596
Greater than 3 months past due	927,846	-

Trade and other receivables impaired

As of 30 June 2011, trade and other receivables of R 3,044,889 (2010: R 3,257,774) were impaired and provided for.

The amount of the provision was R (3,044,889) as of 30 June 2011 (2010: 3,257,774).

The ageing of these trade receivables is as follows:

	2011	2010
0 to 3 months	-	279,067
Over 3 months	3,044,889	2,978,707

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

7. Consumer debtors

Gross balances		
Associtations	164,759	396,950
Other Govermental Spheres	4,811,645	777,167
Corporate	1,431,350	3,836,465
Private	13,700	27,583
Owed by ICC Suppliers	778,694	-
	7,200,148	**5,038,165**

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	60,870	134,654
Bank balances	9,075,690	3,812,610
Short-term deposits	91,771,025	91,947,017
	100,907,585	**95,894,281**

The effective interest rate on short-term deposits was 5.0% (2010: 6.5%); these deposits have an average maturity of 30 days. The following gurantees are held by the company eThekwini Municipality - R450 000.00 and Durban Transitional Metro - R98 611.00

The entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2011	30 June 2010	30 June 2009	30 June 2011	30 June 2010	30 June 2009
50226959-Standard Bank - Current Account	194,326	1,266,015	3,760,470	194,326	1,266,015	3,760,470
50881201632-First National Bank-Current Account	1,920,656	1,608,325	(74,829)	1,920,656	1,608,325	(74,829)
50018949-Standard Bank-Current Account	1,050	615,642	1,641,837	1,050	615,642	1,641,837
62205575387-First National Bank-Current Account	336,005	322,628	305,899	336,005	322,628	305,899
50138162-Standard Bank-Current Account (Deposits)	6,231,707	-	-	6,231,707	-	-
50138197-Standard Bank-Current Accout (Creditors)	391,946	-	-	391,946	-	-
62161667608-FNB 1 Day-Call Account	273,339	259,206	22,318,863	273,339	259,206	22,318,863
332845-Standard Bank 1 Day-Call Account	6,945,421	5,307,421	1,007,421	6,945,421	5,307,421	1,007,421
169966- 500-Investec-32 Day Call Account	23,856,903	22,630,230	21,225,106	23,856,903	22,630,230	21,225,106
9148806852-ABSA-32 1 Day Call Account	136,200	36,450,160	43,945,533	33,395,362	36,450,160	43,945,533
2070642676-ABSA- 31 Day Call Account	33,259,162	-	-	-	-	-
03/7881023341/007-Nedbank-Call Account	27,000,000	27,000,000	27,000,000	27,000,000	27,000,000	27,000,000
33309-Standard Bank-Notice Account	300,000	300,000	300,000	300,000	300,000	300,000
Total	**100,846,715**	**95,759,627**	**121,430,300**	**100,846,715**	**95,759,627**	**121,430,300**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

9. Share capital / contributed capital

Authorised		
1000 Ordinary shares of R1 each	1,000	1,000
Issued		
Ordinary	1	1

10. Trade and other payables from exchange transactions

Trade payables	12,442,044	6,901,943
Accrued leave pay	1,831,877	1,883,976
Accrued staff 13th cheques	822,595	783,390
Other accrued expenses	2,041,307	1,547,615
Durban KZN Convention Bureau Expenditure	279,881	750,000
Related party creditor	1,467,223	983,572
	18,884,927	**12,850,496**

11. Revenue

Sale of goods	45,127,864	47,865,277
Rendering of services	17,444,087	9,360,803
Rental of facilities & equipment	61,721,652	44,363,004
Parking Revenue	4,390,789	3,392,280
	128,684,392	**104,981,364**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Sale of goods	45,127,864	47,865,277
Rendering of services	17,444,087	9,360,803
Rental of facilities & equipment	61,721,652	44,363,004
	124,293,603	**101,589,084**

The amount included in revenue arising from non-exchange transactions is as follows:		
Parking Revenue	4,390,789	3,392,280

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

12. General expenses

Advertising	1,787,288	4,002,257
Assessment rates & municipal charges	6,172,133	7,290,163
Auditors remuneration	780,331	654,679
Bank charges	390,266	205,002
Cleaning	6,172,426	5,709,647
Commission paid	514,659	350,613
Consulting and professional fees	540,371	693,472
Entertainment	1,254	209
Flowers	3,280	13,446
Insurance	139,978	414,662
IT expenses	595,070	825,214
Lease rentals on operating lease	15,149	157,237
Garden and pest control	89,924	94,884
Magazines, books and periodicals	16,075	27,030
Motor vehicle expenses	105,781	170,789
Pest control	584,908	650,076
Fuel and oil	66,378	76,392
Placement fees	329,432	1,137,775
Postage and courier	20,441	55,561
Printing and stationery	490,660	757,519
Security (Guarding of municipal property)	5,169,138	4,821,732
Staff welfare	274,826	949,513
Subscriptions and membership fees	290,590	352,433
Telephone and fax	706,960	768,130
Transport and freight	1,312,694	852,628
Training	874,149	697,488
Travel Expenditure and Trade Shows	1,414,453	1,497,560
Electricity	7,782,369	6,254,580
Water	886,161	574,196
Uniforms	462,190	1,179,314
Other expenses	-	88
Property only	434,335	398,728
	38,423,669	**41,633,017**

13. Operating deficit

Operating deficit for the year is stated after accounting for the following:

Operating lease charges		
Premises		
• Contractual amounts	-	144,052
Equipment		
• Contractual amounts	15,149	13,185
	15,149	**157,237**

Gain on sale of property, plant and equipment	196,272	-
Auditors remuneration	780,331	654,679
Consulting and professional fees	235,475	286,340
Insurance	139,978	414,662
Legal expenses	304,896	407,132
Repairs and maintenance	9,002,662	10,485,966
Security	5,169,138	4,821,732
Depreciation on property, plant and equipment	34,283,053	33,833,025
Employee costs	48,897,960	46,156,056

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

14. Employee related costs

Basic	43,359,264	40,657,234
Bonus	618,665	800,575
Medical aid - company contributions	1,006,740	1,033,814
UIF	137,421	131,139
Leave pay provision charge	(65,420)	249,862
Pension fund contributions	1,969,855	1,762,007
Overtime payments	122,933	76,275
13th Cheques	1,748,502	1,445,150
	48,897,960	**46,156,056**

15. Finance costs

Other interest paid	213,037	7,291

16. Taxation

Major components of the tax expense

No provision has been made for 2011 tax as the entity has no taxable income. The estimated tax loss available for set off against future taxable income is RR112,436,741 (2010: R 113 102 013).

17. Cash generated from (used in) operations

Deficit	(29,564,471)	(45,342,453)
Adjustments for:		
Depreciation and amortisation	34,283,053	33,833,025
Profit on sale of assets and liabilities	(196,272)	-
Fair value adjustments	(129,403)	287,032
Interest income	(5,203,151)	(6,841,789)
Finance costs	213,037	7,291
Debt impairment	527,942	16,843
Changes in working capital:		
Inventories	(247,737)	(267,023)
Trade and other receivables from exchange transactions	(7,096,287)	(20,017)
Provision for Bad Debt	(527,942)	(16,843)
Trade and other payables from exchange transactions	6,034,429	(6,169,742)
VAT	583,352	17,866
Consumer deposits	3,233,855	(1,592,912)
	1,910,405	**(26,088,722)**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

18. Related parties

Relationships	
Directors	Refer to directors' report note
Controlling entity	eThekwini Municipality

Related party balances

	2011	2010
Loan accounts - Owing to / (by) related parties		
eThekwini Municipliaty	226,589,660	226,589,660
Amounts included in Trade receivables regarding related parties		
eThekwini Municipliaty	4,040,208	1,374,688
Amounts included in Trade payables regarding related parties		
eThekwini Municipality	1,467,223	983,572

Related party transactions

	2011	2010
Sales to related parties		
eThekwini Municipality	12,581,822	7,818,394
Purchases from related parties		
eThekwini Municipality - Electricity	7,782,369	6,254,581
eThekwini Municipality - Water	886,162	574,195
eThekwini Municipality - Durban Solid Waste	418,270	394,252
Operating Lease Rentals (Centrum Parking)	-	144,052
Gross Rates	17,536,231	17,790,163
Less: Grant in aid	(10,500,000)	(10,500,000)

19. Directors' emoluments

Refer to the Accounting Officer's Report for emoluments that were paid to the directors during the year.

20. Risk management

Liquidity risk

The entity’s risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

Interest rate risk

As the entity has no significant interest-bearing assets, the entity’s income and operating cash flows are substantially independent of changes in market interest rates.

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

20. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

The entity is exposed to a number of guarantees for the overdraft facilities of economic entities and for guarantees issued in favour of the creditors of A (Pty) Ltd. Refer to note for additional details.

Foreign exchange risk

Management has set up a policy to require economic entities to manage their foreign exchange risk against their functional currency. The economic entities are required to hedge their entire foreign exchange risk exposure with the entity treasury. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the entity use forward contracts, transacted with entity treasury. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

The entity treasury's risk management policy is to hedge between 75% and 100% of anticipated cash flows (mainly export sales and purchase of inventory) in each major foreign currency for the subsequent 12 months. Approximately 90% (2010: 95%) of projected sales in each major currency qualify as 'highly probable' forecast transactions for hedge accounting purposes.

For segment reporting purposes, each controlled entity designates contracts with group treasury as fair value hedges or cash flow hedges, as appropriate. External foreign exchange contracts are designated at group level as hedges of foreign exchange risk on specific assets, liabilities or future transactions on a gross basis.

The entity reviews its foreign currency exposure, including commitments on an ongoing basis. The entity expects its foreign exchange contracts to hedge foreign exchange exposure.

21. Fruitless and wasteful expenditure

Penalties in respect of late submission of VAT return (1 Day late)	58,863	-

22. Irregular expenditure

The irregular expenditure that occurred during the financial year was due to technical issues mainly emergency procurement which resulted in not fully complying with the SCM policy. These technicalities include cases where tax clearance certificates have expired, preference procurement point system not used on purchases over R30 000, month on month contracts where there had been delays experienced in terms of finalising contracts through the bidding process and inability to advertise in some cases within 7 days for purchases over R30 000. Processes are currently being put in place and implemented to ensure compliance to SCM policy. It should however be noted that management took extra precautions in terms of ensuring that the ICC receives value for money as well as ensuring that goods and services procured are of high quality in order to maintain and provide 5 star service to our clients.

During the year there were no unauthorised expenditure that require recoverey in terms of s125(2)(d) of the MFMA. There has also not been any criminal charges laid against any ICC official as there has not been any fraudulent activities noted by management in the procurement process.

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

22. Irregular expenditure (continued)

Opening balance	36,847,647	17,776,844
Add: Irregular Expenditure - current year	10,830,048	19,120,803
Less: Amounts condoned	(29,950,851)	-
Less: Amounts recoverable (not condoned)	-	(50,000)
	17,726,844	**36,847,647**

Analysis of expenditure awaiting condonation per age classification

Prior years	17,776,844	-

23. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix A for the comparison of actual operating expenditure versus budgeted expenditure.

24. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

In terms of the Municipal Supply Chain Management Regulations, any deviations from the Supply Chain Management Policy should have been approved. The total deviations amounted to R1 106 468 (2010: R4 945 079) for the current financial year. All these deviations were as a result of emergency situations or in exceptional case where it is impractical or impossible to follow the official procurement processes and / or when goods and services were procured from sole service providers.

Detailed Income statement

Figures in Rand	Note(s)	2011	2010
Revenue			
Sale of goods		45,127,864	47,865,277
Rendering of services		17,444,087	9,360,803
Rental of facilities and equipment		61,721,652	44,363,004
Parking Revenue		4,390,789	3,392,280
Rental income		847,469	664,978
Interest received - investment		5,203,151	6,841,789
Total Revenue		**134,735,012**	**112,488,131**
Expenditure			
Personnel	14	(48,897,960)	(46,156,056)
Depreciation and amortisation		(34,283,053)	(33,833,025)
Finance costs	15	(213,037)	(7,291)
Debt impairment		(527,942)	(16,843)
Repairs and maintenance		(9,002,662)	(10,485,966)
General Expenses	12	(38,423,669)	(41,633,017)
Cost of Sales		(33,276,835)	(25,411,354)
Total Expenditure		**(164,625,158)**	**(157,543,552)**
Gain on disposal of assets and liabilities		196,272	-
Fair value adjustments		129,403	(287,032)
Deficit for the year		**(29,564,471)**	**(45,342,453)**

Supplementary Information