



PARADISE OF THE ZULU KINGDOM

Ugu-South Coast Tourism (Pty) Ltd  
(Registration number 2009/003419/07)  
Financial statements  
for the year ended 30 June 2011

# Ugu-South Coast Tourism (Pty) Ltd

(Registration number 2009/003419/07)

Financial Statements for the year ended 30 June 2011

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

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# Ugu-South Coast Tourism (Pty) Ltd

(Registration number 2009/003419/07)

Financial Statements for the year ended 30 June 2011

## Directors' Report

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The directors present their report, which forms part of the audited annual financial statements of the Ugu-South Coast Tourism (Pty) Ltd for the year ended 30 June 2011.

### 1. Review of activities

#### Main business and operations

Ugu-South Coast Tourism (Pty) Ltd was registered in terms of Section 86C of the Local Government: Municipal Systems Act 32 of 2000. The entity started operations on 1 July 2009 when it took over all assets, liabilities and all responsibilities and functions of Hibiscus Tourism Association.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003). The standards and pronouncements that form the GRAP Reporting Framework for the 2011 financial period are set out in Directive 5 and the supplements thereto Issued by the Accounting Standards Board (ASB) on 11 March 2009 and in January 2011.

The company carries on the business of tourism development and promoting the Ugu district as a tourism destination.

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

### 2. Going concern

The company is dependent on the support of its parent and related entities for funding for the next financial cycle and the foreseeable future. The directors are concerned that such funding may not be forthcoming timeously. Notwithstanding the concern, these 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.

### 3. Events after the reporting period

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

### 4. Authorised and issued share capital

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

### 5. Directors

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

Name	No of meetings attended	Changes
Elizabeth Joy Crutchfield	5	
Howard Russell Kelly	3	
Colin John Davenport	4	
Joan Harris	3	
Paul Timothy Jeffreys	3	
Wutu Victor Mzulwini	4	
Zama Patrick Ngubane	3	
Dhanapalan Deveraj Naidoo	4	
Msizi Hollingsworth Zulu	2	
Sazi Darius Mbhele	2	
Thompson Bongumusa Mbhele		Resigned - June 2010
Sibusiso Wycliff Mkhize	2	
Khethukuthula Joseph Zulu	3	

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## Directors' Report

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### 6. Secretary

The company had no secretary during the year.

### 7. Auditors

The Auditor-General will continue in office for the next financial period.

### 8. Expression of appreciation

I am grateful to the directors, the Audit Committee and the General Manager: Finance & HR for the support extended during the financial year. A special word of thanks to all staff who assisted with the collation of year-end information necessary for the compilation of these annual financial statements.

### 9. Approval of the financial statements

The financial statements set out on pages 2 to 31, which have been prepared on the going concern basis, were approved by the board of directors on 31 August 2011 and were signed on its behalf by:

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Director

# Ugu-South Coast Tourism (Pty) Ltd

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## Statement of Financial Position

Figures in Rand	Note(s)	2011	2010
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	2	532 321	535 527
Intangible assets	3	122 676	188 389
		<b>654 997</b>	<b>723 916</b>
<b>Current Assets</b>			
Trade and other receivables	4	3 615 598	2 391 660
Cash and cash equivalents	5	1 767 478	2 360 155
		<b>5 383 076</b>	<b>4 751 815</b>
<b>Total Assets</b>		<b>6 038 073</b>	<b>5 475 731</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Share capital	6	100	100
Retained income		4 805 686	4 530 712
		<b>4 805 786</b>	<b>4 530 812</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Operating lease liability	7	27 950	1 903
Trade and other payables	8	1 204 337	924 390
Income received in advance	9	-	18 626
		<b>1 232 287</b>	<b>944 919</b>
<b>Total Equity and Liabilities</b>		<b>6 038 073</b>	<b>5 475 731</b>

# Ugu-South Coast Tourism (Pty) Ltd

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## Statement of Comprehensive Income

Figures in Rand	Note(s)	2011	2010
<b>Revenue</b>			
Municipal grants	10	11 190 000	10 140 000
<b>Other income</b>			
Commissions		158 859	154 030
Events		400 000	438 005
Information office projects		176 687	76 392
Interest received		110 747	134 905
Membership subscriptions		239 329	150 190
Sales		6 540	1 356
	11	<b>1 092 162</b>	<b>954 878</b>
<b>Expenses (Refer to page 6)</b>		<b>(12 007 000)</b>	<b>(9 764 468)</b>
<b>Operating profit</b>		<b>275 162</b>	<b>1 330 410</b>
Finance costs	12	(188)	(4 200)
<b>Profit for the year</b>		<b>274 974</b>	<b>1 326 210</b>

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(Registration number 2009/003419/07)

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## Statement of Comprehensive Income

Figures in Rand	Note(s)	2011	2010
<b>Operating expenses</b>			
Accounting and secretarial fees		30 215	35 137
Advertising		1 562 241	1 506 860
Annual event support		2 763 238	2 323 088
Annual report		26 425	-
Auditor's remuneration	13	299 405	-
Bad debts - cancelled membership		44 796	-
Bank charges		19 490	24 460
Beach entertainment programme		330 000	327 500
Branding		-	41 791
Conferences		70 691	76 410
Depreciation, amortisation and impairments		555 773	111 638
Development strategy		184 763	21 450
Directors' remuneration	14	57 000	97 500
Donations		2 950	1 036
Electricity and water		58 772	38 558
Employee costs	15	3 590 313	3 250 685
Insurance		30 620	25 038
Internet		27 978	40 746
Legal fees		35 790	84 541
Media educationals		125 259	32 438
Motor vehicle expenses		18 228	-
Office cleaning and refreshments		45 829	41 480
Photo library		7 780	6 600
Postage		5 375	3 898
Printing and stationery		67 184	57 748
Professional fees		144 113	2 546
Promotional items		7 915	16 405
Rental - Equipment		22 591	20 786
Rental - Offices		401 655	288 660
Repairs and maintenance		69 513	42 557
Security		109 817	57 915
Shows and exhibitions		404 948	443 801
Signage		34 381	11 879
Special projects		20 311	75 237
Subcommittee expenses		755	3 358
Subscriptions and membership		26 164	28 962
Telephone and fax		236 639	223 082
Training and development	16	469 263	227 363
Transport and freight		1 500	-
Travel reimbursement		40 723	116 995
Uniforms		9 797	43 351
Webhosting		46 800	12 969
		<b>12 007 000</b>	<b>9 764 468</b>
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<b>274 974</b>	<b>1 326 210</b>

# Ugu-South Coast Tourism (Pty) Ltd

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## Statement of Changes in Equity

	Share capital	Retained income	Total equity
Figures in Rand			
<b>Balance at 01 July 2009</b>	-	-	-
Changes in equity			
Total comprehensive income for the year	-	1 326 210	1 326 210
Issue of shares	100	-	100
Transfer from Hibiscus Coast Tourism Association	-	3 204 502	3 204 502
<b>Total changes</b>	<b>100</b>	<b>4 530 712</b>	<b>4 530 812</b>
<b>Balance at 01 July 2010</b>	<b>100</b>	<b>4 530 712</b>	<b>4 530 812</b>
Changes in equity			
Total comprehensive income for the year	-	274 974	274 974
<b>Total changes</b>	<b>-</b>	<b>274 974</b>	<b>274 974</b>
<b>Balance at 30 June 2011</b>	<b>100</b>	<b>4 805 686</b>	<b>4 805 786</b>
Note(s)	6		



# Ugu-South Coast Tourism (Pty) Ltd

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## Statement of Cash Flows

Figures in Rand	Note(s)	2011	2010
<b>Cash flows from operating activities</b>			
Cash used in operations	17	(566 383)	(139 601)
Interest income		110 747	134 905
Finance costs		(188)	(4 200)
<b>Net cash from operating activities</b>		<b>(455 824)</b>	<b>(8 896)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	2	(129 935)	(235 412)
Sale of property, plant and equipment	2	5 947	3 467
Purchase of other intangible assets	3	(12 865)	(171 774)
<b>Net cash from investing activities</b>		<b>(136 853)</b>	<b>(403 719)</b>
<b>Cash flows from financing activities</b>			
Net cash flows of discontinued operations		-	2 772 770
<b>Total cash movement for the year</b>		<b>(592 677)</b>	<b>2 360 155</b>
Cash at the beginning of the year		2 360 155	-
<b>Total cash at end of the year</b>		<b>1 767 478</b>	<b>2 360 155</b>

# Ugu-South Coast Tourism (Pty) Ltd

(Registration number 2009/003419/07)

Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 1. Presentation of Financial Statements

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003). The standards and pronouncements that form the GRAP Reporting Framework for the 2011 financial period is set out in Directive 5 and its supplements Issued by the Accounting Standards Board (ASB) on 11 March 2009 and in January 2011.

The Accounting Framework of the municipality is as follows (Listed below are only the relevant GRAP standards):

- GRAP 1 Presentation of Financial Statements
- GRAP 2 Cash Flow Statements
- GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors
- GRAP 9 Revenue from Exchange Transactions
- GRAP 13 Leases
- GRAP 14 Events after the Reporting Date
- GRAP 17 Property, Plant and Equipment
- GRAP 19 Provisions, Contingent Liabilities and Contingent Assets
- GRAP 100 Non-Current Assets Held for Sale and Discontinued Operations
- GRAP 102 Intangible Assets
- IPSAS 20 Related Party Disclosure
- IFRS 7 Financial Instruments: Disclosures
- IAS 19 Employee Benefits
- IAS 32 Financial Instruments: Presentation
- IAS 39 Financial Instruments: Recognition and Measurement
- IFRIC 4 Determining whether an arrangement contains a lease

#### 1.1 Going concern assumption

The annual financial statements have been prepared on the assumption that the entity is a going concern and will continue in operation for the foreseeable future.

#### 1.2 Offsetting

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

#### 1.3 Property, plant and equipment

Property, plant and equipment are tangible items that:

- are held for use for administrative purposes; and
- are expected to be used during more than one period.

Costs include costs incurred initially to acquire 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.

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

Depreciation is provided using the straight-line method to write down the cost, less estimated residual value over the useful life of the property, plant and equipment, which is as follows:

Item	Average useful life
Furniture and fixtures	5 years
Motor vehicles	5 years
Computer equipment	3 years

The residual value, depreciation method and the useful life of each asset are reviewed at each annual reporting period if there are indicators present that there is a change from the previous estimate.

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Financial Statements for the year ended 30 June 2011

## Accounting Policies

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

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 and have significantly different patterns of consumption of economical benefits is depreciated separately over its useful life.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss in the period.

### 1.4 Intangible assets

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

Intangible assets are initially recognised at cost.

If the company is unable to make a reliable estimate of the useful life of an intangible assets, the life will be presumed to be 10 years.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting period date if there are indicators present that there is a change from the previous estimate.

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

Computer software, other	3 years
Website	3 years

### 1.5 Financial instruments

A financial asset is any asset that is a cash or contractual right to receive cash. The entity has the following types of financial assets as reflected on the face of the statement of financial position or in the notes thereto:

- Accounts receivables (Trade debtors)
- Other receivables
- Bank balances and cash

In accordance with IAS 39.09, all the financial assets of the entity are classified into the category Loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets.

Loans and receivables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the effective interest method less any impairment, with interest revenue recognised on an effective yield basis.

Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence of impairment of financial assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with IAS 39.

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The entity has the following types of financial liabilities as reflected on the face of the statement of financial position or in the notes thereto:

- Creditors
- Short term loans

In accordance with IAS 39.09, all the financial liabilities of the entity are classified into the category financial liabilities at amortised cost. Financial liabilities at amortised cost are initially measured at fair value, net of transaction costs. The financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

### 1.6 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.

# Ugu-South Coast Tourism (Pty) Ltd

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## Accounting Policies

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### 1.6 Leases (continued)

#### Finance leases – lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

#### Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

### 1.7 Impairment of assets

The company assesses at each reporting period date whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the company also:

- tests goodwill, with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount (selling price less costs to complete and sell, in the case of inventories), but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset (or group of assets) in prior years. A reversal of impairment is recognised immediately in profit or loss.

### 1.8 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

### 1.9 Provisions and contingencies

Provisions are recognised when:

- the company has an obligation at the reporting period date as a result of a past event;
- it is probable that the company will be required to transfer economic benefits in settlement; and
- the amount of the obligation can be estimated reliably.

### 1.10 Municipal grants

Municipal grants are recognised when there is reasonable assurance that:

- the company will comply with the conditions attaching to them; and
- the grants will be received.

Municipal grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

A municipal grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.

# Ugu-South Coast Tourism (Pty) Ltd

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## Accounting Policies

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### 1.11 Revenue

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the company 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 associated with the transaction will flow to the company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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 end of the reporting period. 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 associated with the transaction will flow to the company;
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Interest is recognised, in profit or loss, using the effective interest rate method.

### 1.12 Employee costs

Remuneration to employees is recognised in the statement of financial performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a provision in the statement of financial position. The municipality recognises the expected cost of performance bonuses when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

### 1.13 Related parties

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Chief Executive Officer and all other managers reporting directly to him or as designated by him, and the directors.

### 1.14 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 or municipal entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the statement of financial performance. If the expenditure is not condoned by the board of directors, it is treated as an asset until it is recovered or written off as irrecoverable.

### 1.15 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. If the expenditure is not condoned by the board of directors, it is treated as an asset until it is recovered or written off as irrecoverable.

# Ugu-South Coast Tourism (Pty) Ltd

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## Accounting Policies

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### 1.16 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted for; 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. If the expenditure is not condoned by the board of directors, it is treated as an asset until it is recovered or written off as irrecoverable.

### 1.17 Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the financial statements.

# Ugu-South Coast Tourism (Pty) Ltd

(Registration number 2009/003419/07)

Financial Statements for the year ended 30 June 2011

## Notes to the Financial Statements

Figures in Rand

2011

2010

### 2. Property, plant and equipment

	2011			2010		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Furniture and fixtures	568 413	(208 179)	360 234	455 992	(157 502)	298 490
Motor vehicles	161 046	(32 209)	128 837	161 046	-	161 046
Computer equipment	149 375	(106 125)	43 250	146 289	(70 298)	75 991
<b>Total</b>	<b>878 834</b>	<b>(346 513)</b>	<b>532 321</b>	<b>763 327</b>	<b>(227 800)</b>	<b>535 527</b>

#### Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	298 490	113 203	(418)	(51 041)	360 234
Motor vehicles	161 046	-	-	(32 209)	128 837
Computer equipment	75 991	16 732	(5 529)	(43 944)	43 250
	<b>535 527</b>	<b>129 935</b>	<b>(5 947)</b>	<b>(127 194)</b>	<b>532 321</b>

#### Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Furniture and fixtures	-	58 366	(3 467)	284 423	(40 832)	298 490
Motor vehicles	-	161 046	-	-	-	161 046
Computer equipment	-	16 000	-	94 497	(34 506)	75 991
	-	<b>235 412</b>	<b>(3 467)</b>	<b>378 920</b>	<b>(75 338)</b>	<b>535 527</b>

### 3. Intangible assets

	2011			2010		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Website and software	243 464	(120 788)	122 676	230 599	(42 210)	188 389

#### Reconciliation of intangible assets - 2011

	Opening balance	Additions	Amortisation	Total
Website and software	188 389	12 865	(78 578)	122 676

#### Reconciliation of intangible assets - 2010

	Opening balance	Additions	Transfers	Amortisation	Total
Website and software	-	171 774	49 446	(32 831)	188 389

# Ugu-South Coast Tourism (Pty) Ltd

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## Notes to the Financial Statements

Figures in Rand 2011 2010

### 4. Trade and other receivables

#### Trade and other receivables

Tourism KwaZulu Natal	456 000	114 000
Municipalities	3 350 000	2 000 000
Other debtors	87 478	137 827
Deposits	33 414	30 868
Vat	63 293	108 965
Provision for bad debts	(374 587)	-

**3 615 598 2 391 660**

#### Municipalities

Ugu District Municipality	3 000 000	-
Hibiscus Coast Municipality	200 000	1 600 000
Umzumbe Municipality	150 000	150 000
Vulamehlo Municipality	-	250 000

**3 350 000 2 000 000**

Management has impaired the debts of Hibiscus Coast Municipality in the amount of R200 000 and Umzumbe Municipality in the amount of R150 000. A provision for bad debts of R24 587 against membership debtors has been made.

The management of the entity is of the opinion that the carrying value of debtors approximate their fair values.

The fair value of debtors was determined after considering the standard terms and conditions of agreements entered into between the entity and debtors as well as the current payment ratio's of the entity's debtors.

#### Current

0 - 30 days 562 690 83 089

#### Past due

31 - 60 days - 6 250

61 - 90 days - 33 828

91 - 120 days 2 999 640 2 237 625

+ 120 days 99 070 30 868

**3 661 400 2 391 660**

Vat is payable on the invoice basis. When invoice is raised amount of Vat is payable to SARS.

No interest is payable to SARS if the Vat is paid over timeously, but interest for late payments is charged according to SARS policies.

The average credit period for grants and subsidies is dependent on the municipality involved and the nature of the claim. No interest is charged on outstanding government grants and subsidies. The subsidies is payable to the entity based on agreements between the entity and the relevant municipalities.

The management of the entity is of the opinion that the carrying value of debtors approximate their fair values.

The fair value of debtors was determined after considering the standard terms and conditions of agreements entered into between the entity and municipalities / provincial departments as well as other debtors. The current payment ratio's of other debtors were also taken into account for fair value determination.



# Ugu-South Coast Tourism (Pty) Ltd

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## Notes to the Financial Statements

Figures in Rand 2011 2010

### 5. Cash and cash equivalents

#### Cash and cash equivalents

Cash	3 938	17 371
Cash at bank	1 763 540	2 342 784
	<b>1 767 478</b>	<b>2 360 155</b>

#### Bank accounts

Absa Bank - KZN Public Sector Branch, Account No: 407 403 6586	1 091 119	815 697
Absa Bank - KZN Public Sector Branch, Account No: 92 3286 9178	628 174	1 265 671
First National Bank - Margate Branch, Account No: 6202 7132 597	100	8 670
First National Bank - Margate Branch, Account No: 5296 0803 454	6 854	4 776
First National Bank - Margate Branch, Account No: 5296 8005 557	714	1 307
First National Bank - Margate Branch, Account No: 6201 5950 828	579	210 663
Absa - Rent guarantee	36 000	36 000
	<b>1 763 540</b>	<b>2 342 784</b>

Interest on overdrawn current accounts are charged at the banker's prime rate plus two percent per annum. Interest is earned at different rates per annum on favourable balances.

The management of the entity is of the opinion that the carrying value of Bank balances, cash and cash equivalents recorded at amortised cost in the financial statements approximate their fair values.

The fair value of Bank balances, cash and cash equivalents was determined after considering the standard terms and conditions of agreements entered into between the entity and financial institutions.

#### Absa Bank - KZN Public Sector Branch, Account No: 407 403 6586

Bank statement balance at beginning of year	852 781	-
Cash book balance at beginning of year	815 697	-
Bank statement balance at end of year	1 267 490	852 781
Cash book balance at end of year	1 091 119	815 697

#### Absa Bank - KZN Public Sector Branch, Account No: 92 3286 9178

Bank statement balance at beginning of year	1 265 671	-
Cash book balance at beginning of year	1 265 671	-
Bank statement balance at end of year	628 174	1 265 671
Cash book balance at end of year	628 174	1 265 671

#### First National Bank - Margate Branch, Account No: 6202 7132 597

Bank statement balance at beginning of year	8 670	-
Cash book balance at beginning of year	8 670	-
Bank statement balance at end of year	100	8 670
Cash book balance at end of year	100	8 670

#### First National Bank - Margate Branch, Account No: 5296 0803 454

Bank statement balance at beginning of year	4 776	-
Cash book balance at beginning of year	4 776	-
Bank statement balance at end of year	6 854	4 776
Cash book balance at end of year	6 854	4 776

#### First National Bank - Margate Branch, Account No: 5296 8005 557

Bank statement balance at beginning of year	1 307	-
Cash book balance at beginning of year	1 307	-
Bank statement balance at end of year	714	1 307
Cash book balance at end of year	714	1 307

#### First National Bank - Margate Branch, Account No: 6201 5950 828

Bank statement balance at beginning of year	210 663	-
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Figures in Rand	2011	2010
Cash book balance at beginning of year	210 663	-
Bank statement balance at end of year	579	210 663
Cash book balance at end of year	579	210 663
<b>Absa Rental Guarantee</b>		
Bank statement balance at beginning of year	36 000	-
Cash book balance at beginning of year	36 000	-
Bank statement balance at end of year	36 000	36 000
Cash book balance at end of year	36 000	36 000

For the purposes of the statement of financial position and the cash flow statement, Bank, cash and cash equivalents include cash on hand, cash in banks and Investments in money market Instruments, net of outstanding bank overdrafts.

### 6. Share capital

#### Authorised

100 ordinary shares of R1 each	100	100
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#### Issued

100 ordinary shares of R1 each	100	100
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### 7. Operating lease liabilities / payables

Operating leases are recognised on the straightline basis as per the requirements of GRAP 13. In respect of non-cancellable operating leases the following liabilities have been recognised:

#### Operating leases

Balance at beginning of year	1 903	-
Operating lease expenses recorded	(360 763)	(19 860)
Operating lease payments - straightlined	386 810	21 763
	<b>27 950</b>	<b>1 903</b>

### 8. Trade and other payables

Trade payables	604 919	603 749
Amounts received in advance	-	34 123
Accrued leave pay	219 134	144 083
Provision for performance bonuses	114 788	-
Accrued expense	265 496	142 435
	<b>1 204 337</b>	<b>924 390</b>

The average credit period on purchases is 30 days from the receipt of the invoice. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the entity deals with. The entity has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

### 9. Income received in advance

Subscriptions paid in advance	-	18 626
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Figures in Rand	2011	2010
<b>10. Municipal grants</b>		
<b>Municipal grants</b>		
Ugu District Municipality	9 000 000	8 000 000
Hibiscus Coast Municipality	1 400 000	1 400 000
Vulamehlo Municipality	250 000	250 000
Umdoni Municipality	200 000	200 000
Umzumbe Municipality	150 000	150 000
Umuziwabantu Municipality	150 000	100 000
Ezinqoleni Municipality	40 000	40 000
	<b>11 190 000</b>	<b>10 140 000</b>
<b>11. Other income</b>		
<b>Commissions</b>		
Boat charters	675	2 624
Coach tours	75 689	65 006
Shelly Panel advert	60 201	72 000
Show commission	6 575	14 400
Other commissions	15 719	-
	<b>158 859</b>	<b>154 030</b>
<b>Events</b>		
Tourism KwaZulu Natal	400 000	400 000
Portuguese Mariners Food and Wine	-	38 005
	<b>400 000</b>	<b>438 005</b>
<b>Information office projects</b>		
Hibberdene Kiosk	4 419	2 565
Hibberdene: Arts and Crafts	12 812	7 303
Rent: Head Office	46 826	-
Rent: Intercity	62 978	57 253
Umdoni Market	9 385	9 271
HCM Airport Indaba	40 267	-
	<b>176 687</b>	<b>76 392</b>
<b>Interest received</b>		
Bank	110 747	134 905
<b>Membership subscriptions</b>		
Membership subscriptions	239 329	150 190
<b>Sales</b>		
Sales	6 540	1 356
<b>Total other income</b>	<b>1 092 162</b>	<b>954 878</b>
<b>12. Finance costs</b>		
Credit cards	188	4 200

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Figures in Rand	2011	2010
<b>13. Auditor's remuneration</b>		
Audit fees	299 405	-
<b>14. Directors' remuneration</b>		
<b>For services as directors</b>		
Ms EJ Crutchfield	21 000	18 000
Mr. HR Kelly	6 000	15 000
Mr. PT Jeffreys	4 500	10 500
Ms J Harris	9 000	16 500
Mr ZP Ngubane	4 500	7 500
Mr C Davenhill	6 000	15 000
Mr. V Mzulwini	6 000	15 000
	<b>57 000</b>	<b>97 500</b>

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Figures in Rand	2011	2010
<b>15. Employee costs</b>		
Employee related costs - Salaries and wages	2 579 082	2 383 770
Employee related costs - Contributions for UIF, pensions and medical aids	269 658	270 067
Other allowances	47 181	38 445
Casual	69 505	63 560
Overtime payments	111 397	70 533
Performance bonuses	254 685	-
Annual bonuses	79 928	215 975
Arbitration settlement	100 812	33 504
Leave encashed	3 014	30 748
Provision for leave	75 051	144 083
	<b>3 590 313</b>	<b>3 250 685</b>

Included in employee costs are the following amounts paid to s57 employees of the company:

### Chief Executive Officer

Basic	701 448	653 888
Performance bonus	75 576	70 567
Employee related costs - Contributions for UIF, pensions and medical aids	8 915	1 497
Other allowances	13 640	13 200
	<b>799 579</b>	<b>739 152</b>

### General Manager: Finance and Human Resources

Basic	303 912	282 960
Performance bonus	32 160	30 000
Employee related costs - Contributions for UIF, pensions and medical aids	4 725	4 433
	<b>340 797</b>	<b>317 393</b>

### General Manager: Development

Basic	303 912	282 960
Performance bonus	32 160	30 000
Employee related costs - Contributions for UIF, pensions and medical aids	4 561	4 261
	<b>340 633</b>	<b>317 221</b>

### General Manager: Marketing

Basic	289 440	160 740
Performance bonus	34 840	-
Employee related costs - Contributions for UIF, pensions and medical aids	4 272	2 437
	<b>328 552</b>	<b>163 177</b>

### 16. Training and development

Staff training	73 800	18 039
Student cadets	116 005	50 930
SMME Training and development	279 458	158 394
	<b>469 263</b>	<b>227 363</b>

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## Notes to the Financial Statements

Figures in Rand	2011	2010
<b>17. Cash used in operations</b>		
Profit before taxation	274 974	1 326 210
<b>Adjustments for:</b>		
Depreciation and amortisation	205 773	111 638
Interest received	(110 747)	(134 905)
Finance costs	188	4 200
Impairment loss	350 000	-
Movements in operating lease assets and accruals	26 047	1 903
Movements in provisions	(18 626)	18 626
<b>Changes in working capital:</b>		
Trade and other receivables	(1 573 938)	(2 391 660)
Trade and other payables	279 946	924 387
	<b>(566 383)</b>	<b>(139 601)</b>

# Ugu-South Coast Tourism (Pty) Ltd

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## Notes to the Financial Statements

Figures in Rand 2011 2010

### 18. Financial instruments

#### Classification

#### Financial assets

In accordance with IAS 39.09 the financial assets of the entity are classified as follows:

Financial asset	Classification		
<b>Trade debtors</b>			
Tourism KwaZulu Natal	Loans and receivables	456 000	114 000
Municipalities	Loans and receivables	3 000 000	2 000 000
<b>Other debtors</b>			
Payments made in advance	Loans and receivables	-	18 626
Sundry debtors	Loans and receivables	159 598	259 034
<b>Bank, cash and cash equivalents</b>			
Bank balances	Available for sale	1 763 540	2 342 784
Cash floats and advances	Available for sale	740	740
Other cash equivalents	Available for sale	3 198	16 631
		<b>5 383 076</b>	<b>4 751 815</b>

#### Summary of financial assets

##### Loans and receivables

Trade debtors	Sundry debtors	3 456 000	2 114 000
Other debtors	Payments made in advance	-	18 626
Other debtors	Other debtors	159 598	259 034

##### Available for sale

Bank balances and cash	Bank balances	1 763 540	2 342 784
Bank balances and cash	Cash floats and advances	740	740
Bank balances and cash	Other cash equivalents	3 198	16 631

**5 383 076** **4 751 815**

#### Financial liabilities

In accordance with IAS 39.09 the financial liabilities of the entity are classified as follows:

Financial liabilities	Classification		
<b>Creditors</b>			
Trade creditors	Financial liabilities	604 919	603 749
Other creditors	Financial liabilities	599 418	320 641
		<b>1 204 337</b>	<b>924 390</b>

#### Summary of financial liabilities

##### Financial liabilities at amortised cost

Creditors	Trade creditors	604 919	603 749
Creditors	Other creditors	599 418	320 641

**1 204 337** **924 390**

#### Fair value

The fair values of financial assets and financial liabilities are determined as follows:

The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices.

# Ugu-South Coast Tourism (Pty) Ltd

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## Notes to the Financial Statements

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The management of the entity is of the opinion that the carrying value of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values. The fair value of financial assets and financial liabilities were determined after considering the standard terms and conditions of agreements entered into between the entity and other parties as well as the the current payment ratio's of the entity's debtors.

### *Capital risk management*

The entity manages its capital to ensure that the entity will be able to continue as a going concern while delivering sustainable services to customers through the optimisation of the debt and equity balance.

The capital structure of the entity consists of debt, which includes the bank, cash and cash equivalents and equity, comprising funds, reserves and accumulated surplus as disclosed in the Notes and the statement of changes in net assets.

### *Gearing ratio*

In terms of the entity's five year financial plan, financial benchmarks, year-on-year in respect of the debt-to-equity ratio, is reflected at 95,0%, reducing 90,0%. This aggressive ratio is as a result of the development challenges faced by the entity. The rate of borrowing is well below market related rates.

The gearing ratio at the year-end was as follows:

Debtors	3 615 598	2 391 660
Bank, cash and cash equivalents	1 767 478	2 360 155
	<b>5 383 076</b>	<b>4 751 815</b>
Equity	4 805 786	4 530 812
Net debt to equity ratio	1.12 %	1.05

Debt is defined as long and short term liabilities, as detailed in the notes.

Equity includes all funds and reserves of the entity, disclosed as net assets in the statement of financial position.

### *Financial risk management objectives*

Due to the largely non-trading nature of activities and the way in which they are financed, the municipal entity is not exposed to the degree of financial risk faced by other business entities. Financial instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IASs mainly apply. Generally, financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the entity in undertaking its activities.

The chief executive officer monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by management on a continuous basis, and annually by external auditors. The entity does not enter into or trade financial instruments for speculative purposes.

### *Significant accounting policies*

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity Instrument are disclosed in the accounting policies to the financial statements.

### *Market risk*

The entity's activities expose it primarily to the financial risks of changes in interest rate. No formal policy exists to hedge volatilities in the interest rate market.



# Ugu-South Coast Tourism (Pty) Ltd

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Financial Statements for the year ended 30 June 2011

## Notes to the Financial Statements

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Figures in Rand	2011	2010
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### *Foreign currency risk management*

The entity's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

### *Interest rate risk management*

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The entity limits its counterparty exposures from its bank and cash balances by only dealing with well-established financial institutions of high credit standing.

The entity has limited exposure to interest rate risk as the entity does not borrow funds.

### *Interest rate sensitivity analysis*

The entity had no floating rate long-term financial instruments at year-end requiring an interest rate sensitivity analysis.

### *Effective interest rates and repricing analysis*

In accordance with IFRS 7 .40 the following tables indicate the average effective interest rates of income earning financial assets and interest bearing financial liabilities at the reporting date and the periods in which they mature or, if earlier, reprice:

<b>30 June 2011</b>	<b>Average effective rate</b>	<b>6 months or less</b>	<b>6 - 60 months</b>	<b>More than 5 years</b>	<b>Total</b>
Bank and cash resources	-	1 767 478	-	-	1 767 478

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### *Other price risks*

The entity is not exposed to equity price risks arising from equity investments as the entity does not trade these investments.

### *Liquidity risk management*

Ultimate responsibility for liquidity risk management rests with the Board, which has built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk by maintaining adequate banking facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

### *Liquidity and interest risk tables*

The entity ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts. There is no credit line overdraft facility available. Interest payable is linked to the prime interest rate.

The following tables detail the entity's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the entity can be required to pay. The table includes both interest and principal cash flows.

<b>30 June 2011</b>	<b>Average effective rate</b>	<b>6 months or less</b>	<b>6 - 60 months</b>	<b>More than 5 years</b>	<b>Total</b>
Non interest bearing	-	1 204 337	-	-	1 204 337

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The following table details the entity's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the entity anticipates that the cash flow will occur in a different period.

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<b>30 June 2011</b>	<b>Average effective rate</b>	<b>6 months or less</b>	<b>6 - 60 months</b>	<b>More than 5 years</b>	<b>Total</b>	
Non interest bearing	-	3 615 598	-	-	3 615 598	
Variable interest rate instruments	-	1 767 478	-	-	1 767 478	
	-	<b>5 383 076</b>	-	-	<b>5 383 076</b>	

The entity expects to meet its obligations from operating cash flows and proceeds of maturing financial assets. The entity expects to maintain current debt to equity ratio. This will be achieved through increased service tariff charges and the increased use of unsecured bank loan facilities.

### *Credit risk management*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the entity. The entity has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The entity uses other publicly available financial information and its own trading records to assess its major customers. The entity's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate cash deposits at banks, accounts receivables and other debtors.

The entity limits its counterparty exposures from its cash deposit operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing.

Trade debtors comprise of a large number of customers, dispersed across different industries and geographical areas within the jurisdiction of the entity. Debtors are presented net of a provision for impairment.

Other debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The entity defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

Trade debtors	3 456 000	2 132 626
Other debtors	159 598	259 034
Bank, cash and cash equivalent	1 767 478	2 360 155
	<b>5 383 076</b>	<b>4 751 815</b>

### *Credit quality of financial assets:*

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

<b>Other debtors</b>		
Group 1	159 598	259 034

### **Bank balances**

Absa Bank	1 755 293	2 117 368
First National Bank	8 247	225 416
	<b>1 763 540</b>	<b>2 342 784</b>

### *Credit quality of grouping*

# Ugu-South Coast Tourism (Pty) Ltd

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Group 1 - High certainty of timely payment. Liquidity factors are strong and the risk of non-payment is small.

Group 2 - Reasonable certainty of timely payment. Liquidity factors are sound, although ongoing funding needs may enlarge financing requirement. The risk of non-payment is small.

Group 3 - Satisfactory liquidity factors and other factors which qualify the entity as investment grade. However, the risk factors of non-payment are larger.

None of the financial assets that are fully performing have been re-negotiated in the last year.

### 19. Additional disclosure in terms of the Municipal Finance Management Act

#### PAYE and UIF

Current year payroll deductions and company's contributions	34 533	-
Amount paid - current year	(34 533)	-
<b>Balance unpaid (included in creditors)</b>	-	-

#### Pension and medical aid deductions

Current year payroll deductions and company's contributions	221 142	-
Amount paid - current year	(221 142)	-
<b>Balance unpaid (included in creditors)</b>	-	-

#### Audit fees

Current year's audit fee	299 405	-
Amount paid - current year	(299 405)	-
<b>Balance unpaid (included in creditors)</b>	-	-

#### VAT

All Vat returns have been submitted by the due date throughout the year.

#### Non-Compliance with Chapter 11 of the Municipal Finance Management Act

No known matters existed at reporting date.

# Ugu-South Coast Tourism (Pty) Ltd

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## Notes to the Financial Statements

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### 20. Related party transactions

#### *Interest of related parties*

Directors and/or management of the entity have relationships with businesses as indicated below:

Name of Related Person	Designation	Description of Related Party Relationship
HR Kelly	Director	50% Partnership in Riverbend Farm
PT Jeffreys	Director	67% Ownership in Jeffreys Family Hotel CC (Oribi Gorge Hotel)
J Harris	Director	Sole proprietor of South Coast Events and www.scottburgh.co.za
Ugu District Municipality	Shareholder	100% shareholding in the company

#### *Services rendered to related parties*

The entity did not render any services during the year to anyone that can be considered as a related party.

#### *Compensation of related parties*

Compensation of key management personnel and directors is set out elsewhere in these financial statements.

#### *Purchases from related parties*

The entity did not buy goods from any companies which can be considered to be related parties

#### *Other related party transactions*

The entity utilised the Oribi Gorge Hotel in which director PT Jeffreys is an 67% member of the close corporation, Jeffreys Family Hotel CC, for media hosting. Payments to the amount of R6 935 were made.

The entity has an Information office situated at Riverbend Crocodile Farm in which director HR Kelly is a 50% partner of the business, Riverbend Farm. Payments to the amount of R8 737 in respect of rent were made.

The entity utilised the services of South Coast Events and www.scottburgh.co.za in which director Ms J Harris is the sole proprietor, for seasonal event co-ordination. Payments to the amount of R67 500 were made.

A grant of R9 000 000 was committed to the company by Ugu District Municipality during the year.

### 21. Contingent assets

Management has not identified any contingent assets.

### 22. Events after the reporting period

No events having financial implications requiring disclosure occurred subsequent to the reporting date.

### 23. Contingent liabilities

Management has not identified any contingent liabilities.

### 24. In-kind donations and assistance

The entity did not receive any In-kind donations and assistance during the year under review.

### 25. Commitments

#### **Commitments for expenditure**

within one year	886 255	-
Thereafter	1 945 022	-
	<b>2 831 277</b>	<b>-</b>

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# Ugu-South Coast Tourism (Pty) Ltd

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The entity was party to the following Private Public Partnerships during the financial year:

- The entity has entered into a 5 year agreement with Hibiscus Coast Municipality, Ugu District Municipality and Harley-Davidson Middle East & Africa (Pty) (2007/030773/07) to host the Annual Africa Bike Week event in Margate for a period of 5 years. The financial commitment to the 5 year contract from Ugu-South Coast Tourism is approximately R2 431 277. The contract concludes in May 2015, with an automatic extension for a further 5 years unless amended in writing by all parties
- The entity entered into a Memorandum of Understanding with Tourism KwaZulu-Natal for the 2011 Sardine Festival. Tourism KwaZulu-Natal has committed R400 000 to the festival.

### 26. Standards and interpretations In Issue not yet adopted

At the date of authorisation of these financial statements the entity has not applied the following GRAP standards that have been issued, but are not yet effective:

- GRAP 18 Segment Reporting - issued March 2005
- GRAP 21 Impairment of Non-cash-generating Assets - issued March 2009
- GRAP 23 Revenue from Non-exchange Transactions (Taxes and Transfers) - issued February 2008
- GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007
- GRAP 25 Employee Benefits - issued December 2009
- GRAP 26 Impairment of Cash-generating Assets - issued March 2009
- GRAP 103 Heritage Assets - issued July 2008
- GRAP 104 Financial Instruments - issued October 2009

Application of all of the above GRAP standards will be effective from a date to be announced by the Minister of Finance. This date is not currently available.

Management has considered all the GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the entity.

### 27. Fruitless and wasteful expenditure

To the best of management's knowledge instances of note indicating that fruitless and wasteful expenditure was incurred during the year under review were not revealed.

#### Reconciliation of fruitless and wasteful expenditure:

Opening balance	9 452	-
Interest paid to SARS.	-	3 884
Event cancellation fee	-	5 568
Approved / condoned by the board	(9 452)	-
	-	<b>9 452</b>

### 28. Irregular expenditure

To the best of management's knowledge instances of note indicating that irregular expenditure was incurred during the year under review were not revealed.

#### Reconciliation of Irregular expenditure:

Opening balance	36 818	-
Amounts paid to service providers without a tax clearance certificate	-	36 818
Irregular expenditure as detailed below	171 405	-
Approved / condoned by the board	(36 818)	-
	<b>171 405</b>	<b>36 818</b>

Irregular expenditure in respect of contracting with an entity whose member is and employee of the State (R21 000) and in respect of contracting with an entity where one of the directors is listed on National Treasury's Restricted Service Providers Database (R61 229).

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An amount of R89 176 is also included in irregular expenditure, which was paid to Du Charme Consulting (Pty) Ltd, consultants in respect of the 2010 annual financial statements, without obtaining 3 quotations.

### 29. Unauthorised expenditure

#### Reconciliation of unauthorised expenditure:

Opening balance	162 209	-
Expenditure in excess of budget	154 671	162 209
Unauthorised expenditure i.r.o Umuziwabantu Show	100 000	-
Approved / condoned by the board	(262 209)	-
	<b>154 671</b>	<b>162 209</b>

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# Ugu-South Coast Tourism (Pty) Ltd

Registration number 2009/003419/07

Financial statements for the year ended 30 June 2011

## Financial Ratios

	Change	2011	2010
<b>Profitability ratios</b>			
Surplus over grants	-81.26 %	2.24 %	11.95 %
Return on equity	-80.46 %	5.72 %	29.27 %
<b>Liquidity ratios</b>			
Current ratio	-13.12 %	4.37	5.03
<b>Activity ratio</b>			
Trade and other receivables (in days)	39	118	79
Trade payable period (in days)	3	56	53
Total asset turnover	- %	2.03	2.03
<b>Solvency ratio</b>			
Total assets to total liabilities	-15.37 %	4.90	5.79

# Ugu-South Coast Tourism (Pty) Ltd

(Registration number 2009/003419/07)

Financial Statements for the year ended 30 June 2011

## Comparison of Budget and Actual Income and Expenditure

Figures in Rand	-	-	-	Variance(%)	Actual	2010 Budget	Variance
<b>Municipal grants</b>							
Ugu District Municipality	9 000 000	9 000 000	-	- %	8 700 000	-	8 700 000
Hibiscus Coast Municipality	1 400 000	1 400 000	-	- %	800 000	-	800 000
Vulamehlo Municipality	250 000	250 000	-	- %	125 000	-	125 000
Umdoni Municipality	200 000	200 000	-	- %	225 000	-	225 000
Umzumbe Municipality	150 000	150 000	-	- %	150 000	-	150 000
Umuziwabantu Municipality	150 000	150 000	-	-	100 000	-	100 000
Ezinqoleni Municipality	40 000	40 000	-	- %	40 000	-	40 000
	11 190 000	11 190 000	-	- %	10 140 000	-	10 140 000
<b>Other income</b>							
Commissions	226 032	-	226 032	100.00 %	538 547	177 270	361 277
Events	400 000	400 000	-	- %	438 005	-	438 005
Information office projects	176 687	217 575	(40 888)	-23.14 %	76 392	-	76 392
Interest received	110 747	124 865	(14 118)	-12.75 %	134 905	97 498	37 407
Membership and subscriptions	239 329	154 552	84 777	35.42 %	150 190	147 167	3 023
Sales	6 540	-	6 540	100.00 %	1 356	-	1 356
	1 159 335	896 992	262 343	22.63 %	1 339 395	421 935	917 460
<b>Total income</b>	<b>12 349 335</b>	<b>12 086 992</b>	<b>262 343</b>	<b>2.12 %</b>	<b>11 479 395</b>	<b>421 935</b>	<b>11 057 460</b>



# Ugu-South Coast Tourism (Pty) Ltd

(Registration number 2009/003419/07)

Financial Statements for the year ended 30 June 2011

## Comparison of Budget and Actual Income and Expenditure

Figures in Rand				Variance(%)	Actual	2010 Budget	Variance
<b>Expenses</b>							
Accounting and secretarial fees	30 215	31 000	(785)	(2.60)%	35 137	-	35 137
Advertising	1 562 241	1 599 298	(37 057)	-2.37 %	1 506 860	1 772 376	(265 516)
Annual event support	2 763 238	2 765 726	(2 488)	-0.09 %	2 323 088	2 541 375	(218 287)
Annual report	26 425	54 400	(27 975)	-105.87 %	-	-	-
Auditor's remuneration	299 405	274 000	25 405	8.49 %	-	160 792	(160 792)
Audit committee and shared services	-	56 000	(56 000)	-	-	-	-
Bad debts - cancelled membership	44 798	-	44 798	100.00 %	-	-	-
Bank charges	19 490	27 072	(7 582)	-38.90 %	24 460	28 085	(3 625)
Beach entertainment programme	330 000	332 750	(2 750)	-0.83 %	327 500	327 500	-
Branding	-	-	-	- %	41 791	43 457	(1 666)
Conferences	70 691	124 695	(54 004)	-76.39 %	76 410	180 613	(104 203)
Depreciation, amortisation and impairments	555 773	603 611	(47 838)	-8.61 %	111 638	427 455	(315 817)
Development strategy	184 763	181 200	3 563	1.93 %	21 450	200 000	(178 550)
Directors' remuneration	57 000	90 000	(33 000)	-57.89 %	97 500	151 862	(54 362)
Donations	2 950	-	2 950	100.00 %	1 036	-	1 036
Electricity and water	58 772	37 287	21 485	36.56 %	38 558	29 322	9 236
Employee costs	3 590 313	3 827 419	(237 106)	-6.60 %	3 250 685	3 794 155	(543 470)
Insurance	30 620	44 363	(13 743)	-44.88 %	25 038	32 173	(7 135)
Internet	27 978	33 338	(5 360)	-19.16 %	40 746	28 488	12 258
Legal fees	35 790	83 443	(47 653)	-133.15 %	84 541	28 488	56 053
Medial educationals	125 259	80 838	44 421	35.46 %	32 438	-	32 438
Motor vehicle expenses	18 228	24 000	(5 772)	-31.67 %	-	-	(7 980)
Office cleaning	45 829	51 113	(5 284)	-11.53 %	41 480	49 460	(7 980)
Photo library	7 780	19 600	(11 820)	-151.93 %	6 600	16 602	(10 002)
Postage	5 375	7 155	(1 780)	-33.12 %	3 898	6 663	(2 765)
Printing and stationery	67 184	40 292	26 892	40.03 %	57 748	50 768	6 980
Professional fees	144 113	179 805	(35 692)	-24.77 %	2 546	-	2 546
Promotional items	7 915	56 405	(48 490)	-612.63 %	16 405	148 955	(132 550)
Rental - Equipment	22 591	31 160	(8 569)	-37.93 %	20 786	32 041	(11 255)
Rental - Offices	401 655	521 260	(119 605)	-29.78 %	288 660	322 582	(33 922)
Repairs and maintenance	69 513	73 167	(3 654)	-5.26 %	42 557	35 310	7 247
Security	109 817	81 362	28 455	25.91 %	57 915	71 429	(13 514)
Shows and exhibitions	404 948	425 980	(21 032)	-5.19 %	443 801	618 000	(174 199)
Signage	34 381	57 515	(23 134)	-67.29 %	11 879	99 528	(87 649)
Special projects	20 311	349 713	(329 402)	-1 621.79 %	75 237	275 000	(199 763)
Sub committee expenses	755	5 029	(4 274)	-566.09 %	3 358	2 029	1 329
Subscriptions and memberships	26 164	28 095	(1 931)	-7.38 %	28 962	38 085	(9 123)
Telephone and fax	236 639	240 000	(3 361)	-1.42 %	223 082	226 819	(3 737)
Training and development	469 263	960 973	(491 710)	-104.78 %	227 363	194 069	33 294
Transport and freight	1 500	-	1 500	100.00 %	-	-	-
Travel reimbursement	40 723	100 196	(59 473)	-146.04 %	116 995	195 500	(78 505)
Uniforms	9 797	22 483	(12 686)	-129.49 %	43 351	52 857	(9 506)
Webhosting	46 800	61 200	(14 400)	-30.77 %	12 969	52 857	(39 888)
<b>Total expenses</b>	<b>12 007 002</b>	<b>13 582 943</b>	<b>(1 575 941)</b>	<b>-13.13 %</b>	<b>9 764 468</b>	<b>12 234 695</b>	<b>(2 470 227)</b>
<b>Surplus</b>	<b>342 333</b>	<b>(1 233 608)</b>			<b>2 584 867</b>	<b>114 640</b>	

Appendix A

Ugu - South Coast Tourism (Pty) Ltd

Disclosure of Grants and Subsidies In terms of section 123 Of MFMA, 56 OF 2003

Grants and Subsidies received

Name of Grant	Name of Entity, Organ of State or Municipality	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies Delayed / Withheld					Reason for Delay / Withholding of Funds	Compliance to Revenue Act (*)	Reason for Non-compliance
		Jun	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun			
Local Municipality	LM		1 400 000	400 000	1 190 000	700 000										350 000	N/A	Yes	N/A
Local District Municipality	LDM			3 000 000	500 000	2 500 000		2 823 548	3 081 319	3 117 509	3 387 614	N/A	N/A	N/A	N/A	3 000 000	N/A	Yes	N/A
<b>Total Grants and Subsidies Received</b>		<b>0</b>	<b>1 400 000</b>	<b>3 400 000</b>	<b>1 690 000</b>	<b>3 200 000</b>	<b>0</b>	<b>2 823 548</b>	<b>3 081 319</b>	<b>3 117 509</b>	<b>3 387 614</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3 350 000</b>			