URBAN IMPROVEMENTS PRECINCTS
(Registration number 2000/026018/08)
Annual Financial Statements
for the year ended 30 June 2011
Published 10 November 2011

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Crime monitoring and street cleaning
Directors	R Rascher O C Brits G M Davey D S E Cockhead
Registered office	2209 Embassy Building 199 Smith Street Durban 4001
Business address	2209 Embassy Building 199 Smith Street Durban 4001
Postal address	PO Box 701056 Overport 4067
Bankers	Standard Bank of South Africa
Auditors	SPN Auditors and Accountants Inc Chartered Accountants (S.A.) Registered Auditor
Secretary	Secretarial Services Trust
Company registration number	2000/026018/08
Tax reference number	9012283140

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

Level of assurance

These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.

Published

10 November 2011

Independent Auditors' Report

To the members of URBAN IMPROVEMENTS PRECINCTS

We have audited the annual financial statements of URBAN IMPROVEMENTS PRECINCTS, which comprise the statement of financial position as at 30 June 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on 6 to 19.

Directors' Responsibility for the Annual Financial Statements

The company's directors are responsible for the preparation and fair presentation of these annual financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, and requirements of the Companies Act 71 of 2008, and for such internal control as the directors determine is necessary to enable the preparation of annual financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these annual financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the annual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the annual financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

Section 17 of the International Financial Reporting Standard for Small and Medium-sized Entities requires items of property, plant and equipment to be capitalised on acquisition and depreciated over the expected useful life of the asset. The company is not adhering to this section as detailed in the directors' report.

Qualified Opinion

Independent Auditors' Report

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the annual financial statements present fairly, in all material respects, the financial position of URBAN IMPROVEMENTS PRECINCTS as at 30 June 2011, and its financial performance and cash flows for the year then ended in accordance with the International Financial reporting Standard for Small and Medium-sized Entities, and the requirements of the Companies Act 71 of 2008.

Accounting and secretarial duties

Without qualifying our opinion, we draw attention to the fact that with the written consent of all members, we have performed certain accounting and secretarial duties.

SPN Auditors and Accountants Inc
Registered Auditor

10 November 2011

26 Overport Drive
Overport
4067

Directors' Responsibilities and Approval

The directors are required by the Companies Act 71 of 2008, 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 their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with the International Financial Reporting Standard for Small and Medium-sized Entities. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

Internal controls and risk management

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the directors set standards for internal control aimed at reducing the risk of error or loss 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 company and all employees are required to maintain the highest ethical standards in ensuring the company’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company 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 loss.

Going concern

The directors have reviewed the company’s cash flow forecast for the year to 30 June 2012 and, in the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditor are responsible for independently reviewing and reporting on the company's annual financial statements. The annual financial statements have been examined by the company's external auditor and their report is presented on page 3.

Approval

The annual financial statements set out on pages 6 to 15, which have been prepared on the going concern basis, were approved by the directors on 10 November 2011 and were signed by:

D S E Cockhead	**G M Davey**

Directors' Report

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

1. Review of activities

Main business and operations

The company is engaged in crime monitoring and street cleaning.

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

Net loss of the company was R 489 123 (2010: profit R 175 411), after taxation of R - (2010: R nil).

2. Events after the reporting period

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

3. Directors

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

Name	Changes
P D Williams	Resigned 05 August 2010
R Rascher	
O C Brits	
Y Wildenboer	Resigned 30 November 2010
G M Davey	
G D Jorgensen	Resigned 05 August 2010
D S E Cockhead	

4. Secretary

The secretary of the company is Secretarial Services Trust of:

Business address	26 Overport Drive Overport 4067
Postal address	PO Box 701056 Overport 4067

5. Auditors

SPN Auditors and Accountants Inc will continue in office in accordance with section 90 of the Companies Act 71 of 2008.

Statement of Financial Position

Figures in Rand	Note	2011	2010
Assets			
Current Assets			
Current tax receivable		-	55 245
Trade and other receivables	2	815 345	282 384
Cash and cash equivalents	3	1 832 011	2 299 222
		2 647 356	**2 636 851**
Total Assets		**2 647 356**	**2 636 851**
Equity and Liabilities			
Equity			
Retained income		2 049 988	2 539 111
Liabilities			
Current Liabilities			
Trade and other payables	4	597 368	97 740
Total Equity and Liabilities		**2 647 356**	**2 636 851**

Statement of Comprehensive Income

Figures in Rand	Note	2011	2010
Revenue			
Rendering of services		5 297 302	5 251 840
Other income			
Precincts reserve income		-	252 630
Interest received	6	103 180	166 826
		103 180	**419 456**
Operating expenses			
Accounting fees		38 719	33 225
Advertising		124 099	154 836
Auditors' remuneration	9	30 096	27 360
Bank charges		5 291	4 031
Office cleaning		558	718
Crime monitoring		4 004 160	3 692 012
Employee costs		380 997	346 497
Entertainment		3 536	3 250
Equipment purchases		1 670	2 939
Lease rentals on operating lease		28 132	27 577
Legal expenses		1 140	-
Printing and stationery		8 533	8 941
Street cleaning		1 244 672	1 131 707
Subscriptions		3 235	2 807
Sundry expense		1 245	954
Telephone and fax		13 480	14 399
		5 889 563	**5 451 253**
Operating (loss) profit	5	**(489 081)**	**220 043**
Finance costs	7	(42)	(5 862)
(Loss) profit before taxation		**(489 123)**	**214 181**
Taxation	8	-	38 770
(Loss) profit for the year		**(489 123)**	**175 411**
Other comprehensive income		-	-
Total comprehensive (loss) income		**(489 123)**	**175 411**

Statement of Changes in Equity

Figures in Rand	Company Retained Income	Precincts Retained income	Total equity
Balance at 01 July 2009	**175 788**	**2 187 912**	**2 363 700**
Changes in equity			
Total comprehensive income for the year	-	175 411	175 411
Reallocation	(175 788)	175 788	-
Total changes	(175 788)	351 199	175 411
Balance at 01 July 2010	**-**	**2 539 111**	**2 539 111**
Changes in equity			
Total comprehensive loss for the year	-	(489 123)	(489 123)
Total changes	-	(489 123)	(489 123)
Balance at 30 June 2011	**-**	**2 049 988**	**2 049 988**

Statement of Cash Flows

Figures in Rand	Note	2011	2010
Cash flows from operating activities			
Cash receipts from customers		4 764 341	5 450 794
Cash paid to suppliers and employees		(5 389 935)	(6 091 959)
Cash used in operations	10	(625 594)	(641 165)
Interest income		103 180	166 826
Finance costs		(42)	(5 862)
Tax received (paid)	11	55 245	(49 471)
Net cash from operating activities		**(467 211)**	**(529 672)**
Total cash movement for the year		**(467 211)**	**(529 672)**
Cash at the beginning of the year		2 299 222	2 828 894
Total cash at end of the year	3	**1 832 011**	**2 299 222**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, and the Companies Act 71 of 2008. The annual financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in South African Rands.

These accounting policies are consistent with the previous period.

1.1 Revenue

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.

These surcharges are recognised on a cash basis as there is no legal obligation on the ratepayers to make these contributions to Urban Improvements Precincts.

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

1.2 Property, plant and equipment

All acquisitions of property, plant and equipment are written off in full in the period in which they are acquired. This is not in accordance with Section 17 of the Statement of International Financial Reporting Standards for Small and Medium-sized Entities which requires property, plant and equipment to be capitalised and depreciated over their estimated useful lives.

1.3 Financial instruments

Financial instruments at amortised cost

Financial instruments may be designated to be measured at amortised cost less any impairment using the effective interest method. These include trade and other receivables, loans and trade and other payables. At the end of each reporting period date, the carrying amounts of assets held in this category are reviewed to determine whether there is any objective evidence of impairment. If so, an impairment loss is recognised.

Financial instruments at fair value

All other financial instruments are measured at fair value through profit and loss.

1.4 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.

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.

Any contingent rents are expensed in the period they are incurred.

1.5 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.

Accounting Policies

1.5 Impairment of assets (continued)

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.

A reversal of an impairment loss of assets carried at a cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.6 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

2. Trade and other receivables

Trade receivables	811 382	282 244
Deposits	3 963	140
	815 345	**282 384**

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	26 420	22 831
Short-term deposits	1 805 591	2 276 391
	1 832 011	**2 299 222**

The Company's banking facilities are secured by a securities cession from eThekwini Municipality.

4. Trade and other payables

Trade payables	-	97 739
Amounts received in advance	590 637	-
Accrued expense	6 731	-
	597 368	**97 739**

5. Operating profit

Operating (loss) profit for the year is stated after accounting for the following:

Operating lease charges		
Premises		
• Contractual amounts	28 132	27 577
Employee costs	380 997	346 497

6. Investment revenue

Interest revenue		
Bank	101 812	166 826
SARS interest received	1 368	-
	103 180	**166 826**

7. Finance costs

Bank	42	-
Late payment of tax	-	5 862
	42	**5 862**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

8. Taxation

Major components of the tax expense

	2011	2010
Current		
Local income tax - recognised in current tax for prior periods	-	38 770

Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

	2011	2010
Accounting (loss) profit	(489 123)	214 181
Tax at the applicable tax rate of 28%	(136 954)	59 971
Tax effect of adjustments on taxable income		
Exempt Income	(1 512 135)	(1 587 963)
Exempt Expenditure	1 649 089	1 526 350
Non-deductible SARS penalty & interest	-	1 642
	-	**-**

No provision has been made for 2011 tax as the company has been granted tax exemption in terms of section 10(1)(cN) of the Income Tax Act.

9. Auditor's remuneration

	2011	2010
Fees	30 096	27 360

10. Cash used in operations

	2011	2010
(Loss) profit before taxation	(489 123)	214 181
Adjustments for:		
Interest received	(103 180)	(166 826)
Finance costs	42	5 862
Changes in working capital:		
Trade and other receivables	(532 961)	203 674
Trade and other payables	499 628	(898 056)
	(625 594)	**(641 165)**

11. Tax refunded

	2011	2010
Balance at beginning of the year	55 245	44 544
Current tax for the year recognised in profit or loss	-	(38 770)
Balance at end of the year	-	(55 245)
	55 245	**(49 471)**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

12. Commitments

Operating leases – as lessee (expense)

Minimum lease payments due		
- within one year	23 555	4 105
- in second to fifth year inclusive	5 996	-
	29 551	**4 105**

Operating lease payments represent rentals payable by the company for its office properties. Leases are negotiated for an average term of two years. No contingent rent is payable.

13. Directors' emoluments

No emoluments were paid to the directors or any individuals holding a prescribed office during the year.