

**URBAN IMPROVEMENTS PRECINCTS (RF) NPC
(Registration number 2000/028018/08)
Annual Financial Statements
for the year ended 30 June 2013**

URBAN IMPROVEMENTS PRECINCTS (RF) NPC

Annual Financial Statements for the year ended 30 June 2013

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Crime monitoring and street cleaning
Directors	D S E Cockhead A Hurjan G M Davey O C Brits
Registered office	2209 Embassy Building 199 Anton Lembede Street Durban 4001
Business address	2209 Embassy Building 199 Anton Lembede Street Durban 4001
Postal address	P O Box 701056 Overport 4067
Bankers	Standard Bank of South Africa
Auditors	SPN Auditors and Accountants Inc Chartered Accountants (S.A.) Registered Auditors
Secretary	Secretarial Services Trust
Company registration number	2000/026018/08
Tax reference number	9012/283/14/0
Level of assurance	These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa, 71 of 2008.
Preparer	The annual financial statements were independently compiled by: S A Wilkinson BCom
Published	19 September 2013

URBAN IMPROVEMENTS PRECINCTS (RF) NPC

Annual Financial Statements for the year ended 30 June 2013

Index

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

Index	Page
Directors' Responsibilities and Approval	3
Independent Auditors' Report	4 - 5
Directors' Report	6 - 7
Statement of Financial Position	8
Statement of Comprehensive Income	9
Statement of Changes in Equity	10
Statement of Cash Flows	11
Accounting Policies	12 - 13
Notes to the Annual Financial Statements	14 - 15
The following supplementary information does not form part of the annual financial statements and is unaudited:	
Statement of Financial Performance	16
Divisional Statement of Financial Performance - 2013	17
Divisional Statement of Financial Performance - 2012	18
Divisional Analysis of Accumulated Surplus	19

URBAN IMPROVEMENTS PRECINCTS (RF) NPC

Annual Financial Statements for the year ended 30 June 2013

Directors' Responsibilities and Approval

The directors are required by the Companies Act of South Africa, 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 judgements 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 board of 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 2014 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 auditors 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 auditors and their report is presented on page 4.

Approval

The annual financial statements set out on page 6 to 19, which have been prepared on the going concern basis, were approved by the board of directors on 19 September 2013 and were signed on its behalf by:

D S E Cockhead

G M Davey

Registered Auditors
Vat Reg No. 4620252413
Reg No. 2008/029240/21

Business Address
26 Overport Drive
Berea
Durban
4001

Postal Address
P O Box 701056
Overport
4067

Phone: 031 207 9201
Fax: 031 207 9291
E-mail: klips@iafrica.com

Directors
K J Stone B Compt (Hons) CA (SA)
K Peters-Newman B Compt (Hons) CA (SA)

Independent Auditors' Report

To the members of URBAN IMPROVEMENTS PRECINCTS (RF) NPC

We have audited the accompanying annual financial statements of URBAN IMPROVEMENTS PRECINCTS (RF) NPC, which comprise the directors' report, the statement of financial position as at 30 June 2013, the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 6 to 15.

Directors' Responsibility for the 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 in the manner required by the Companies Act of South Africa, 71 of 2008. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 auditors' 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 auditors 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 the directors, 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 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 director's report.

Qualified Opinion

In our opinion, except for the 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 (RF) NPC as at 30 June 2013, and its financial performance and cash flows for the year ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, and the requirements of the Companies Act of South Africa, 71 of 2008.

Accounting and Secretarial Duties

We draw your attention to the fact that with the written consent of all members, we have performed certain accounting and secretarial duties.

Supplementary Information

We draw your attention to the fact that the supplementary information set out on pages 16 to 19 do not form part of the annual financial statements and are presented as additional information. We have not audited this information and accordingly do not express an opinion thereon.

Other reports required by the Companies Act

As part of our audit of the annual financial statements for the year ended 30 June 2013, we have read the Directors' Report for the purposes of identifying whether there are material inconsistencies between these reports and the audited financial statements. This report is the responsibility of the respective preparer. Based on reading this report we have not identified material inconsistencies between this report and the audited financial statements. However, we have not audited this report and accordingly do not express an opinion on this report.

SPN Auditors and Accountants Inc
Registered Auditors

19 September 2013

26 Overport Drive
Berea
Durban
4001

KJS

URBAN IMPROVEMENTS PRECINCTS (RF) NPC

Annual Financial Statements for the year ended 30 June 2013

Directors' Report

The directors submit their report for the year ended 30 June 2013.

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 328 255 (2012: loss R 119 004), after taxation of R - (2012: R -).

2. Events after the reporting period

The directors are not aware of any matter or circumstance arising since the end of the financial year that has a material impact on the annual financial statements.

3. Directors

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

Name
D S E Cockhead
A Hurjan
G M Davey
O C Brits

4. Secretary

The secretary of the company is Secretarial Services Trust of:

Business address

28 Overport Drive
Berea
Durban
4001

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 of South Africa, 71 of 2008.

6. Non-compliance with the International Financial Reporting Standard for Small and Medium-sized Entities

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.

Since it is not the intention of the company to own any assets, all acquisitions of property, plant and equipment are expensed in the period in which they are acquired. During the year, acquisitions of equipment amounted to R3 317 (2012: R3 076). The directors believe this is not material to the appreciation of the financial statements.

The income statements are prepared to reflect all expenditures of the company as a deduction from income received.

URBAN IMPROVEMENTS PRECINCTS (RF) NPC

Annual Financial Statements for the year ended 30 June 2013

Directors' Report

7. Treatment of bad debts and trade receivables balance

The company brings to account at year end the total amount which has been invoiced to the ratepayers less the amounts received and net of any adjustments. The difference between the total accounts receivable outstanding as calculated and the amount received in the following month is written off as a bad debt. Any amounts recovered subsequently from ratepayers is reflected as a bad debt recovered. Refer to accounting policy note 1.7 below.

URBAN IMPROVEMENTS PRECINCTS (RF) NPC

Annual Financial Statements for the year ended 30 June 2013

Statement of Financial Position as at 30 June 2013

Figures in Rand	Note	2013	2012
Assets			
Current Assets			
Trade and other receivables	2	541 321	931 395
Cash and cash equivalents	3	1 792 846	1 643 019
		<u>2 334 167</u>	<u>2 574 414</u>
Total Assets		<u>2 334 167</u>	<u>2 574 414</u>
Equity and Liabilities			
Equity			
Retained income		<u>1 602 729</u>	<u>1 930 984</u>
Liabilities			
Current Liabilities			
Trade and other payables	4	731 438	643 430
Total Equity and Liabilities		<u>2 334 167</u>	<u>2 574 414</u>

URBAN IMPROVEMENTS PRECINCTS (RF) NPC

Annual Financial Statements for the year ended 30 June 2013

Statement of Comprehensive Income

Figures in Rand	Note	2013	2012
Revenue	1.1	7 370 483	7 136 705
Other income		54 613	-
Operating expenses		(7 830 891)	(7 322 535)
Operating loss	5	(405 795)	(185 830)
Investment revenue	6	77 550	85 364
Finance costs	7	(10)	(18 538)
Loss for the year		(328 255)	(119 004)
Other comprehensive income		-	-
Total comprehensive loss for the year		(328 255)	(119 004)

URBAN IMPROVEMENTS PRECINCTS (RF) NPC

Annual Financial Statements for the year ended 30 June 2013

Statement of Changes in Equity

Figures in Rand	Retained income	Total equity
Balance at 01 July 2011	2 049 988	2 049 988
Loss for the year	(119 004)	(119 004)
Other comprehensive income	-	-
Total comprehensive loss for the year	(119 004)	(119 004)
Balance at 01 July 2012	1 930 984	1 930 984
Loss for the year	(328 255)	(328 255)
Other comprehensive income	-	-
Total comprehensive loss for the year	(328 255)	(328 255)
Balance at 30 June 2013	1 602 729	1 602 729

URBAN IMPROVEMENTS PRECINCTS (RF) NPC

Annual Financial Statements for the year ended 30 June 2013

Statement of Cash Flows

Figures in Rand	Note	2013	2012
Cash flows from operating activities			
Cash generated from (used in) operations	10	72 287	(255 818)
Interest income		77 550	85 364
Finance costs		(10)	(18 538)
Net cash from operating activities		149 827	(188 992)
Total cash movement for the year		149 827	(188 992)
Cash at the beginning of the year		1 643 019	1 832 011
Total cash at end of the year	3	1 792 846	1 643 019

URBAN IMPROVEMENTS PRECINCTS (RF) NPC

Annual Financial Statements for the year ended 30 June 2013

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 of South Africa, 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.

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.

1.2 Property, plant and equipment

All acquisitions of property, plant and equipment are written off in full in the period in which they are acquired.

1.3 Financial instruments

Financial instruments at amortised cost

Debt instruments, as defined in the standard, are subsequently measured at amortised cost using the effective interest method. Debt instruments which are classified as current assets or current liabilities are measured at the undiscounted amount of the cash expected to be received or paid, unless the arrangement effectively constitutes a financing transaction.

At the end of each reporting 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 Impairment of assets

The company assesses at each reporting date whether there is any indication that an asset may be impaired.

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, 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.

1.5 Borrowing costs

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

URBAN IMPROVEMENTS PRECINCTS (RF) NPC

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.6 Bad debt write off

Trade debtors are recognised as the amount owing to the company as at year end. The policy of the company is to write off all amounts that remain unpaid by the end of the month following the year end.

Amounts subsequently recovered are reflected as a bad debt recovered.

URBAN IMPROVEMENTS PRECINCTS (RF) NPC

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
2. Trade and other receivables		
Rates income receivable	530 902	927 432
Deposits	3 963	3 963
Interest receivable	6 456	-
	541 321	931 395
3. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Bank balances	14 846	28 019
Short-term deposits	1 778 000	1 615 000
	1 792 846	1 643 019
The company's banking facilities are secured by a securities cession from eThekweni Municipality.		
4. Trade and other payables		
Trade payables	7 059	-
Rates income received in advance	696 289	585 352
Accrued expense - current year PAYE & UIF	9 757	8 054
Accrued expense - prior years PAYE, penalties & interest	17 866	45 276
Accrued expense - prior years UIF, penalties & interest	467	4 748
	731 438	643 430
5. Operating loss		
Operating loss for the year is stated after accounting for the following:		
Operating lease charges		
Premises		
• Contractual amounts	30 079	32 574
Employee costs	495 701	462 537
6. Investment revenue		
Interest revenue		
Bank	77 550	85 364
7. Finance costs		
Bank	10	-
Late payment of tax	-	18 538
	10	18 538

URBAN IMPROVEMENTS PRECINCTS (RF) NPC

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
8. Taxation		
Major components of the tax expense		
Reconciliation of the tax expense		
Reconciliation between accounting profit and tax expense.		
Accounting loss	(328 255)	(119 004)
Tax at the applicable tax rate of 28%	(91 911)	(33 321)
Tax effect of adjustments on taxable income		
Exempt income	(2 100 741)	(2 022 179)
Exempt expenditure	2 192 652	2 050 309
Non-deductible SARS penalty & interest	-	5 191
	<u>-</u>	<u>-</u>
9. Auditors' remuneration		
Fees	35 682	33 264
10. Cash generated from (used in) operations		
Loss for the year	(328 255)	(119 004)
Adjustments for:		
Interest received	(77 550)	(85 364)
Finance costs	10	18 538
Changes in working capital:		
Trade and other receivables	390 074	(116 050)
Trade and other payables	88 008	46 062
	<u>72 287</u>	<u>(255 818)</u>
11. Commitments		
Operating leases – as lessee (expense)		
Minimum lease payments due		
- within one year	25 076	23 762
- in second to fifth year inclusive	6 385	31 461
	<u>31 461</u>	<u>55 223</u>

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.

12. Directors' remuneration

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

URBAN IMPROVEMENTS PRECINCTS (RF) NPC

Annual Financial Statements for the year ended 30 June 2013

Statement of Financial Performance

Figures in Rand	Note	2013	2012
Revenue		7 370 483	7 136 705
Other income			
Interest received	6	77 550	85 364
Recoveries		54 613	-
		132 163	85 364
Operating expenses			
Accounting fees		57 406	45 177
Advertising		169 679	134 506
Auditors' remuneration	9	35 682	33 264
Bad debts		1 017 004	907 093
Bank charges		7 523	6 607
Crime monitoring		4 499 163	4 319 563
Employee costs		495 701	462 537
Entertainment		3 268	2 812
Equipment purchases		3 317	3 076
Lease rentals on operating lease		30 079	32 574
Legal expenses		13 198	4 446
Office cleaning		-	450
Printing and stationery		9 444	9 466
Street cleaning		1 472 259	1 344 512
Subscriptions		2 501	866
Sundry expense		1 516	1 482
Telephone and fax		13 151	14 104
		7 830 891	7 322 535
Operating loss	5	(328 245)	(100 466)
Finance costs	7	(10)	(18 538)
Loss for the year		(328 255)	(119 004)

URBAN IMPROVEMENTS PRECINCTS (Non-profit Company)

Annual Financial Statements for the year ended 30 June 2013

Divisional Statement of Financial Performance - 2013

Figures in Rands

	Precinct 1 <u>R</u>	Precinct 2 <u>R</u>	Precinct 3 <u>R</u>	Total <u>R</u>
Grant-in-aid				
Rates received	3,869,824	719,680	2,780,979	7,370,483
Other income				
Bad debt recovered	4,326	5,417	44,870	54,613
Interest	43,040	10,392	24,118	77,550
TOTAL INCOME	3,917,190	735,489	2,849,967	7,502,646
Expenses				
Accounting fees	31,631	7,692	18,083	57,406
Advertising	66,500	21,263	81,916	169,679
Audit fees	19,661	4,781	11,240	35,682
Bad debts	427,730	153,751	435,523	1,017,004
Bank charges	4,145	1,008	2,370	7,523
Crime monitoring	2,588,325	652,757	1,258,081	4,499,163
Employee costs	247,850	72,373	175,478	495,701
Entertainment	1,951	514	803	3,268
Equipment purchases	1,828	444	1,045	3,317
Lease rentals on operating lease	16,573	4,031	9,475	30,079
Legal expenses	7,272	1,769	4,157	13,198
Prining and stationery	5,207	1,259	2,978	9,444
Street cleaning	871,212	-	601,047	1,472,259
Subscriptions	1,504	375	622	2,501
Sundry expenses	841	190	485	1,516
Telephone and fax charges	7,247	1,762	4,142	13,151
	4,299,477	923,969	2,607,445	7,830,891
Finance Costs	(6)	(1)	(3)	(10)
Taxation	-	-	-	-
Surplus / (deficit) for the year	(382,293)	(188,481)	242,519	(328,255)

URBAN IMPROVEMENTS PRECINCTS (Non-profit Company)

Annual Financial Statements for the year ended 30 June 2012

Divisional Statement of Financial Performance - 2012

Figures in Rands

	Precinct 1 <u>R</u>	Precinct 2 <u>R</u>	Precinct 3 <u>R</u>	Total <u>R</u>
Grant-in-aid				
Rates received	4,045,711	915,252	2,175,742	7,136,705
Other income				
Interest	47,377	11,439	26,548	85,364
TOTAL INCOME	4,093,088	926,691	2,202,290	7,222,069
Expenses				
Accounting fees	24,892	6,054	14,231	45,177
Advertising	54,686	18,024	61,796	134,506
Audit fees	18,328	4,457	10,478	33,264
Bad debts	418,385	79,693	409,015	907,093
Bank charges	3,640	885	2,081	6,607
Crime monitoring	2,395,250	756,088	1,168,224	4,319,563
Employee costs	232,314	67,285	162,938	462,537
Entertainment	1,549	377	886	2,812
Equipment purchases	1,695	412	969	3,076
Lease rentals on operating lease	17,948	4,365	10,261	32,574
Legal expenses	2,450	596	1,400	4,446
Office Cleaning	248	60	142	450
Printing and stationery	5,216	1,268	2,982	9,466
Street cleaning	799,426	-	545,086	1,344,512
Subscriptions	477	116	273	866
Sundry expenses	822	190	471	1,482
Telephone and fax charges	7,771	1,890	4,443	14,104
	3,985,099	941,761	2,396,676	7,322,535
Finance Costs	(9,269)	(2,707)	(6,562)	(18,538)
Taxation	-	-	-	-
Surplus / (deficit) for the year	98,720	(17,776)	(199,948)	(119,004)

URBAN IMPROVEMENTS PRECINCTS (Non-profit Company)

Annual Financial Statements for the year ended 30 June 2013

Divisional Analysis of Accumulated Surplus / (Deficit)

Figures in Rands

	Precinct 1	Precinct 2	Precinct 3	Total
	<u>R</u>	<u>R</u>	<u>R</u>	<u>R</u>
Balance at 01 July 2011	1,810,075	929,420	(689,507)	2,049,988
Changes in equity				
Surplus / (deficit) for the year	98,720	(17,776)	(199,948)	(119,004)
Total changes	<u>98,720</u>	<u>(17,776)</u>	<u>(199,948)</u>	<u>(119,004)</u>
Balance at 01 July 2012	1,908,794	911,644	(889,455)	1,930,984
Changes in equity				
Surplus / (deficit) for the year	(382,293)	(188,481)	242,519	(328,255)
Total changes	<u>(382,293)</u>	<u>(188,481)</u>	<u>242,519</u>	<u>(328,255)</u>
Balance at 01 July 2013	1,526,501	723,163	(646,936)	1,602,729