

OCEANS HOTEL LIMITED

Registration number: 2016/210810/06

Financial Statements

As at 30 June 2016

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

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Level of Assurance

These financial statements have been audited in compliance with the applicable requirements of the Companies Act, No.71 of 2008

These financial statements were prepared under the supervision of

Nisha Rampaul
Financial Manager

Directors responsibilities and approval

The directors are required by the Companies Act of South Africa, to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the company as at 30 June 2016 and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets 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 financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The auditors are responsible for reporting on whether the financial statements are fairly presented in accordance with the applicable financial reporting framework. The financial statements have been examined by the company's external auditors and their report is presented on page 4 to 5.

The financial statements set out on pages 6 to 12, which have been prepared on the going concern basis, were approved by the board of directors on 4 October, 2016 and are signed on their behalf:



Director

Director

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF OCEANS HOTEL LIMITED

Report on the financial statements

We have audited the financial statements of Oceans Hotel Limited, as set out on pages 6 to 34, which comprise the statement of financial position as at 30 June 2016 and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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 financial statements.

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

Opinion

In our opinion the financial statements present fairly, in all material respects, the financial position of Oceans Hotel Limited as at 30th June, 2016 in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

PKF Durban

(formerly David Strachan & Tayler)

Chartered Accountants (SA) Registered Auditors

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**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF
OCEANS HOTEL LIMITED**

Other reports required by the Companies Act

As part of our audit of the financial statements for as at 30 June 2016, we have read the Directors' Report for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. 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 these reports.



PKF Durban
Partner: K Gertenbach
Registered Auditor
4 October 2016
Durban

Director's Report

The directors have pleasure in submitting their report on the financial statements of Oceans Hotel Limited as at 30 June 2016.

1. Date of Incorporation

The company was incorporated on 20 May 2016.

2. Nature of business

The business of the company will be to own and operate a hotel in the leisure and business conferencing industry which is yet to be constructed. The Hotel will be known as the *Raddison Blu Hotel Durban, Umhlanga*.

3. Review of financial results and activities

The company has not yet commenced trading .

4. Directors

The directors in office at the date of this report are as follows:

V Reddy	Appointed: 20 May 2016
R.E Alexander	Appointed: 20 May 2016

5. Auditors

PKF Durban are the appointed auditors of the company

6. Secretary

The secretary of the company is Ramathe, Desai, Bhagat & Jeena whose business address is as follows:

101 Dr R D Naidu Drive
Overport
Durban

Statement of financial position as at 30 June 2016

	Notes	2016 R
ASSETS		
Current assets		
Loans receivable	2	100
Total assets		<u>100</u>
EQUITY		
Stated capital	3	100
Total equity and liabilities		<u>100</u>

BASIS OF PREPARATION

Basis of measurement

The financial statements have been prepared in conformity with International Financial Reporting Standards ("IFRS").

SIGNIFICANT ACCOUNTING POLICIES

Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Costs include expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use. Where significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Freehold land is stated at cost and is not depreciated. Freehold buildings are stated at cost and depreciated over periods of up to 50 years as deemed appropriate to reduce carrying values to estimated residual values over their useful lives. The company recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when the cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced item is derecognised. All other costs are recognised in profit or loss as an expense as incurred.

Borrowing costs incurred on funds raised to erect hotel buildings (qualifying assets) are capitalised up to the date that the activities necessary to prepare the hotel for its intended use are substantially complete.

Pre-opening expenditure of a capital nature are capitalised to the cost of the hotel buildings.

Depreciation is charged to profit or loss to write off the cost of the asset to its estimated residual value on a straight-line basis over the estimated useful life of each part of an item of property, plant and equipment. Depreciation commences the month following acquisition. The estimated useful lives are currently as follows:

- | | |
|-------------------------------------|----------------|
| • Buildings | 20 to 50 years |
| • Furniture, fittings and equipment | 3 to 5 years |

The residual values, depreciation methods, and useful lives are reassessed annually. Gains and losses arising on the disposal of property, plant and equipment are included in profit or loss.

Leases

Operating leases as lessee

Leases, where the lessor retains the risk and rewards of ownership of the underlying asset, are classified as operating leases. Operating lease payments are expensed in profit or loss on a straight-line basis over the period of the leases. Other contingent operating lease payments are charged against profit or loss as they are incurred.

Impairment

Non-derivative financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more loss events have had a negative effect on the estimated future cash flows of that asset that can be measured reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount.

All impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and equity-accounted investees, the reversal is recognised in profit or loss.

Non-financial assets

The carrying amounts of the company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset company that generates cash flows that largely are independent from other assets.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate or estimated using a price to earnings ratio that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Pre-opening expenses

Pre-opening administration expenses of new hotels are charged directly against profit or loss as incurred.

Inventories

Inventory is stated at the lower of cost and net realisable value, on a first-in first-out basis, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current taxation comprises taxation payable calculated on the basis of the expected taxable income for the year, using the taxation rates enacted or substantively enacted at the reporting date, and any adjustment of taxation payable for previous years.

Deferred taxation is provided based on temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. The amount of deferred taxation provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using taxation rates enacted or substantively enacted at the reporting date.

Deferred taxation is recognised in profit or loss except to the extent that it relates to a transaction that is recognised directly in equity or other comprehensive income, or a business combination that is an acquisition. The effect on deferred taxation of any changes in taxation rates is recognised in profit or loss, except to the extent that it relates to items previously recognised directly in equity or other comprehensive income.

Deferred taxation is not recognised for the following temporary differences:

- The initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit;
- differences relating to investments in subsidiaries to the extent that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

A deferred taxation asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused taxation losses and deductible temporary differences can be utilised. Deferred taxation assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related taxation benefit will be realised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Dividends withholding tax is a tax on shareholders receiving dividends and is applicable to all dividends declared on or after 1 April 2012. The company withholds dividends tax on behalf of its shareholders on dividends declared. Amounts withheld are not recognised as part of the company's tax charge, but rather as part of the dividend paid, recognised directly in equity.

Financial instruments

Measurement

Financial instruments are initially measured at fair value plus, for financial instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, these instruments are measured as set out below:

Non-derivative financial assets

The company initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated as at fair value through profit or loss) are recognised initially on the trade date, which is the date that the company becomes a party to the contractual provisions of the instrument.

Investments

Investments that meet the criteria for classification as loans and receivables are carried at amortised cost using the effective interest method, less impairment losses.

Financial assets designated as financial assets at fair value through profit or loss are carried at fair value with any gains or losses being recognised in profit or loss. Fair value, for this purpose, is market value if listed. Attributable transaction costs are recognised in profit or loss when incurred.

Trade, loan and other receivables

Trade, loan and other receivables are measured at amortised cost, using the effective interest method, less impairment losses.

Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost, using the effective interest method.

De recognition

Financial assets are derecognised if the company's contractual rights to the cash flows from the financial assets expire or if the company transfers the financial asset to another party without retaining control of substantially all risks and rewards of the asset. Financial liabilities are derecognised if the company's obligations expire or are discharged or cancelled.

Non-derivative financial liabilities

The company initially recognises debt securities issued on the date that they are originated. All other financial liabilities (including liabilities designated as fair value through profit or loss) are recognised initially on the trade date, which is the date that the company becomes a party to the contractual provisions of the instrument.

Borrowings are measured at amortised cost using the effective interest method. Any difference between proceeds (net of transaction costs) and the redemption value is recognised in profit or loss as interest expense over the period of the borrowings.

Trade and other payables are measured at amortised cost, using the effective interest method.

Derivative financial assets and liabilities

Derivatives are recognised initially at fair value, and any directly attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value with changes therein recognised in profit or loss. The company uses an interest rate swap to hedge its exposure on certain borrowings to fluctuations in interest rates. The fair value is determined using appropriate coupon curve valuation techniques based on prevailing rates at the reporting date.

Offset

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when the company has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Share capital and equity

Ordinary shares are classified as equity. Incremental external costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the liability.

Revenue

Revenue comprises revenue received from hotel accommodation, food and beverage sales, but excludes Value Added Tax. Revenue is measured at the fair value of the consideration received or receivable, net of returns, allowances and trade discounts.

Revenue is recognised on the provision of accommodation and related services in the ordinary course of the company's activities when recovery of the consideration is probable, the associated costs can be estimated reliably, there is no continuing management involvement and the amount of revenue can be measured reliably.

Financial income and expense

Financial income comprises interest income on funds invested. Interest income is recognised as it accrues, using the effective interest method. Financial expenses comprise interest expense on borrowings, dividends on preference shares classified as liabilities and unwinding of discounts on provisions. All borrowing costs, not directly attributable to the acquisition, construction or production of qualifying assets, are recognised in profit or loss using the effective interest method.

Notes to the financial statements

R 2016

2. Loans receivable

V Reddy	50
R.E Alexander	50
	<u>100</u>

3. Stated capital

Issued	
100 Ordinary shares of no par value	<u>100</u>

4. Statement of comprehensive Income

No Statement of comprehensive Income has been presented as the company has not yet commenced trading.

5. Statement of Cash flows

No Statement of cash flows has been presented as there have been no cash transactions during the year.