



Integrated  
Annual Report  
**2019**

A modern interior space with large windows and a curved ceiling, featuring a white table and chairs in the foreground.

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

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## General Information

|  |   |
|--|---|
| <b>Country of incorporation and domicile</b>       | South Africa  |
| <b>Nature of business and principal activities</b> | Hotel Industry  |
| <b>Directors</b>                                   | Vathasallum Reddy<br>Robert Edward Alexander<br>Graham Wood<br>Ahmed Vally Mahomed<br>Theresa Mokgokong<br>Dulipkumar Itcharam Garach |
| <b>Registered office</b>                           | 1 Sinembe Park<br>Douglas Saunders Drive<br>La Lucia Ridge<br>Kwa-Zulu Natal<br>4320  |
| <b>Postal address</b>                              | P0 Box 4115<br>The Square<br>Umhlanga Rocks<br>4320   |
| <b>Bankers</b>                                     | Standard Bank Limited   |
| <b>Auditors</b>                                    | Arvind Magan and Associates Inc.<br>Chartered Accountants (SA)<br>Registered Auditor  |
| <b>Company registration number</b>                 | 2016/210810/06  |
| <b>Tax reference number</b>                        | 9037607265  |
| <b>Level of assurance</b>                          | These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.   |

## 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 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 annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the Company's cash flow forecast for the year to 30 June 2020 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 auditing 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.

The annual financial statements set out on page 8, which have been prepared on the going concern basis, were approved by:



**Director**  
**Durban**  
**27 January 2020**



**Director**  
**Durban**  
**27 January 2020**





# Directors' Report

The directors have pleasure in submitting their report on the annual financial statements of Oceans Hotel Limited for the year ended 30 June 2019.

## 1. Incorporation

The Company was incorporated on 20 May 2016 and obtained its certificate to commence business on the same day.

## 2. Nature of business

Oceans Hotel Limited was incorporated in South Africa with interests in the Hotel industry. The Company operates in South Africa.

The business of the Company will be to own and operate a hotel in the leisure and business conferencing industry which is being constructed.

There have been no material changes to the nature of the Company's business from the prior year.

## 3. Review of financial results and activities

The annual financial statements have been prepared in accordance with International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act 71 of 2008. The accounting policies have been applied consistently compared to the prior year.

Full details of the financial position, results of operations and cash flows of the Company are set out in these annual financial statements.

## 4. Share capital

At the Annual General Meeting held on the 25 February 2019, it was resolved by special resolution that the Company issue 4 930 442 ordinary shares at R20 each in exchange for the transfer of the Real Right and Goodwill issued to Oceans Umhlanga (Pty) Ltd. This was issued by the Company on the 1 March 2019.

## 5. Directors

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

| Directors                       | Changes                 |
|---------------------------------|-------------------------|
| Vathasallum Reddy               |                         |
| Robert Edward Alexander         |                         |
| Graham Wood                     |                         |
| Vuka Eliakim Maswazi Tshabalala | Resigned<br>2 July 2019 |
| Ahmed Vally Mahomed             |                         |
| Theresa Mokgokong               |                         |
| Dulipkumar Itcharam Garach      |                         |

There have been no changes to the directorate for the period under review.

## 6. Events after the reporting period

At the Annual General Meeting held on the 25 February 2019 it was resolved by special resolution that the Company issue 9 328 385 ordinary shares at R20 each to Tour the World (Pty) Ltd. These shares were issued by the company on the 3 December 2019.

At the Annual General Meeting held on the 25 February 2019 it was resolved by special resolution that the Company reacquire all the F Class Shares, being 10 268 467 F Class Shares at the consideration of R0.01 per F Class Share. These shares were reacquired by the Company on the 2 December 2019.

The directors are not aware of any other material event which occurred after the reporting date and up to the date of this report.

## 7. Going concern

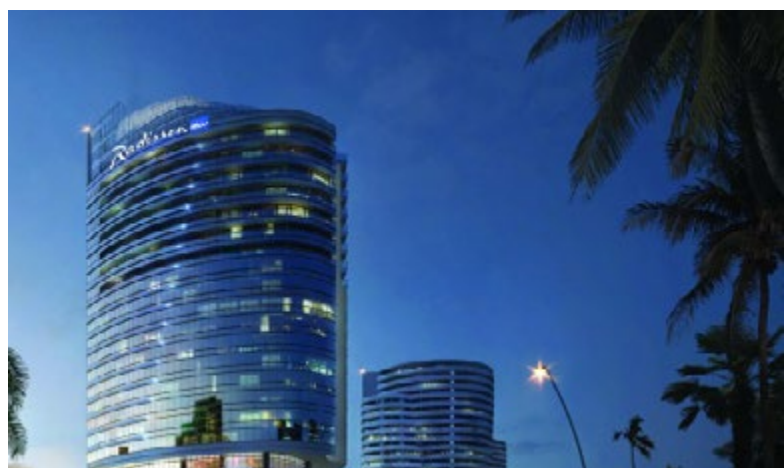
The directors believe that the Company has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the Company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the Company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the Company.

## 8. Auditors

Arvind Magan and Associates Inc. continued as Auditors for the Company for the 2019 financial year.

## 9. Secretary

The Company secretary is Ramathe, Desai, Bhagat & Jeena.



# Independent Auditor's Report



Reg. No. 2013/213935/21

Director: A.V. Magan CA (SA)

Practice No. 901362

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**To the shareholder of Oceans Hotel Limited**

## **Report on the Audit of the Annual Financial Statements**

### **In Our Opinion**

We have audited the annual financial statements of Oceans Hotel Limited set out on pages 8 to 15, which comprise the statement of financial position as at 30 June 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the annual financial statements, including a summary of significant accounting policies.

Our opinion, the annual financial statements present fairly, in all material respects, the financial position of Oceans Hotel Limited as at 30 June 2019, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act 71 Of 2008.

### **Basis for opinion**

We concluded our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors Responsibilities for the Audit of the annual financial statements section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of annual financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Other information**

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act 71 of 2008, which we obtained prior to the date of this report. Other information does not include the annual financial statements and our auditor's report thereon.

Our opinion on the annual financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of the directors for the Annual Financial Statements**

The directors are responsible for the preparation and fair presentation of the annual financial statements in accordance with International Financial Reporting Standard for Small and Medium-sized Entities and the 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 misstatement, whether due to fraud or error,

In preparing the annual financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

## Independent Auditor's Report Continued

### Auditor's responsibilities for the audit of the Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements.

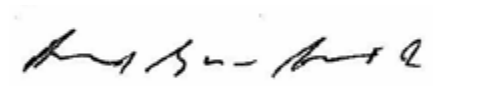
As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

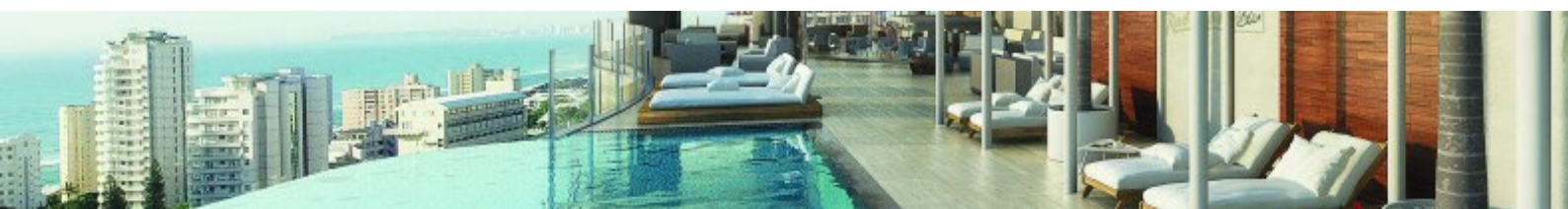
We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant Audit findings, including any significant deficiencies in internal control that we identify during our audit.

### Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Arvind Magan and Associates Inc. has been the auditor of Oceans Hotel Limited for 3 years.



**Arvind Magan and Associates Inc.**  
**Chartered Accountants (SA)**  
**Registered Auditor**  
**27 January 2020**  
**Durban**



# Annual General Meeting Minutes

**FIRST ANNUAL GENERAL MEETING OF SHAREHOLDERS HELD ON MONDAY, 25 FEBRUARY 2019 AT THE COASTLANDS UMHLANGA HOTEL, UMHLANGA ROCKS DRIVE, UMHLANGA ROCKS AT 10H00 A.M.**

**1. WELCOME**

Brian Mpono welcomed all present. The meeting was conducted in English and IsiZulu.

**2. ATTENDANCE**

As per attendance register.

**3. APOLOGIES**

As per attendance register.

**4. PROXY**

As per attendance register.

**5. CHAIRMAN'S ADDRESS**

The Chairman welcomed the shareholders and after making certain introductory remarks and taking the shareholders through the status of the development following a slide presentation that preluded his address, he advised the shareholders that certain formalities had to be dealt with in order to deal with the funding of the development and the reorganization of the company, as contemplated in the Resolutions to be adopted and contained in the Notice of the AGM.

**6. PRESENTATION OF THE ANNUAL FINANCIAL STATEMENTS**

Arvind Magan presented the Annual Financial Statements of the company to the shareholders.

**7. PROPOSED RESOLUTIONS**

The voting procedure was extensively explained to the shareholders, after which each of the following proposed resolutions were read out and the shareholders were asked to vote on their ballot sheets, in each instance:

**7.1. Ordinary Resolution Number 1 – Presentation of the Annual Financial**

**Statements of the Company**

**RESOLVED THAT** the annual financial statements of the Company since the date of its incorporation be and are hereby noted and approved.

**7.2. Ordinary Resolution Number 2 – Appointment of Auditor of the Company**

**RESOLVED THAT** Arvind Magan and Associates Incorporated be and is hereby elected as the auditor of the Company until the next annual general meeting of the Company.

**7.3. Ordinary Resolution Number 3 – Election of Audit Committee of the Company**

**RESOLVED THAT** Graham Wood, Dr. Anna Mokokong and Professor Dulip Kumar Itcharam Garach be and are hereby elected as the audit committee members of the Company until the next annual general meeting of the Company.

**7.4. Special Resolution Number 'I – Issuance of Ordinary Shares for the**

**Acquisition of the Real Right and Goodwill**

**RESOLVED THAT** in terms of section 41 of the Companies Act the Company may issue 4 930 442 ordinary shares in the authorised share capital of the Company to Oceans Umhlanga in exchange for the transfer by Oceans Umhlanga to the Company of the Real Right and Goodwill.

**7.5. Special Resolution Number 2 – Issuance of Ordinary Shares for purposes of raising capital**

**RESOLVED THAT** in terms of section 41 of the Companies Act the Company may issue up to 9 328 385 ordinary shares in the authorised share capital of the Company to Oceans SPV for a cash consideration of R186 567 708, whether in a single issuance or series of integrated issuances.



# Annual General Meeting Minutes Continued

## 7.6. Special Resolution Number 3 — Reacquisition and cancellation of all issued F Shares

**RESOLVED THAT** in terms of section 48 of the Companies Act the Company may reacquire all the issued F Shares, being 10 268 467 F Shares, from Oceans Holdings for a consideration of R0.01 per F Share, it being recorded that the Independent Expert Report as enclosed with this notice of general meeting was presented to, considered by, the shareholders for this purpose.

## 7.7. Special Resolution Number 4 — Consequential amendments to the MOI pursuant to reacquisition of F Shares

**RESOLVED THAT**, subject to the passing of Special Resolution Number 3 above, in terms of section 16 of the Companies Act, the Company's MOI be and is hereby amended by way of effecting the F Share Amendments, as set out in the Marked-Up MOI.

## 7.8. Special Resolution Number 5 — Other amendments to the MOI

**RESOLVED THAT** in terms of section 16 of the Companies Act the Company's MOI be and is hereby amended, as reflected in the Marked-Up MOI.

## 7.9. Special Resolution Number 6 — Financial assistance to related or inter-related companies

**RESOLVED THAT** in terms of section 45 of the Companies Act the Company may from time to time provide financial assistance, whether in the form of loans, equity finance, security or otherwise, to or for the benefit of any related or inter-related companies or corporations of the Company (as defined in the Companies Act), which authority shall be valid for the ensuing two years after the passing of this resolution.

## 7.10. Special Resolution Number 7 — Remuneration of directors in their capacity as directors

**RESOLVED THAT** in terms of section 66(8) and (9) of the Companies Act the Company may, until the next annual general meeting of the Company, pay director fees of no more than R5000-00 per meeting to its directors.

## 7.11. Ordinary Resolution Number 4

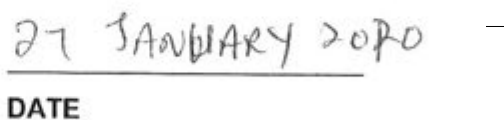
**RESOLVED THAT** any one or more of the directors of the Company, each in his/her capacity as director/s of the Company, or the Company Secretary, be and is hereby authorised to sign all such documents and do all such things as are necessary to give effect to aforementioned resolutions, and generally to do or cause to be done all such things as may be necessary or expedient in the premises in order to give effect to the aforementioned resolution, hereby ratifying and confirming and undertaking to ratify and confirm all things done or to be done by such person for or on behalf of the shareholders pursuant hereto.

## 8. GENERAL

The Chairperson fielded several general questions from the shareholders while the ballot sheets were collected by the scrutineers and tallied. The Chairperson then announced the results and advised the shareholders that copies of the results would be circulated via Computershare, before closing the meeting.

The meeting closed at approximately 13h00.

  
CHAIRPERSON

  
DATE

## Statement of Financial Position as at 30 June 2019

| Figures in Rand                     | Notes | 2019               | 2018               |
|-------------------------------------|-------|--------------------|--------------------|
| <b>Assets</b>                       |       |                    |                    |
| <b>Non-Current Assets</b>           |       |                    |                    |
| Investment property at cost         | 2     | 199 229 176        |                    |
| Goodwill                            | 3     | 28 800 042         |                    |
| Other financial assets              | 4     |                    | 75 260 163         |
|                                     |       | <b>228 029 218</b> | <b>75 260 163</b>  |
| <b>Current Assets</b>               |       |                    |                    |
| Trade and other receivables         | 5     | 15 565 905         | 11 747 123         |
| Current tax receivable              |       | 40 379             |                    |
| Cash and cash equivalents           | 6     | 623 633            | 44 573 249         |
|                                     |       | <b>16 229 917</b>  | <b>56 320 372</b>  |
| <b>Total Assets</b>                 |       | <b>244 259 135</b> | <b>131 580 535</b> |
| <b>Equity and Liabilities</b>       |       |                    |                    |
| <b>Equity</b>                       |       |                    |                    |
| Share capital                       | 7     | 226 632 303        | 128 023 455        |
| Accumulated loss                    |       | (348 948)          | (305 130)          |
|                                     |       | <b>226 283 355</b> | <b>127 718 325</b> |
| <b>Liabilities</b>                  |       |                    |                    |
| <b>Current Liabilities</b>          |       |                    |                    |
| Trade and other payables            | 8     | 17 975 780         | 2 371 868          |
| Current tax payable                 |       |                    | 1 490 342          |
|                                     |       | <b>17 975 780</b>  | <b>3 862 210</b>   |
| <b>Total Equity and Liabilities</b> |       | <b>244 259 135</b> | <b>131 580 535</b> |

## Statement of Comprehensive Income

| Figures in Rand                                       | Notes | 2019             | 2018             |
|---|-------|------------------|------------------|
| <b>Other income</b>                                   |       |                  |                  |
| Interest received                                     | 9     | 1 352 322        | 8 338 473        |
| <b>Operating expenses</b>                             |       |                  |                  |
| Accounting fees                                       |       | 82 923           | 7 513            |
| Administration fee - IPO                              |       | 494 114          | 1 614 231        |
| Advertising   |       | 45 779           | 632 851          |
| Annual general meeting costs                          |       | 120 344          |                  |
| Auditors remuneration                                 |       | 69 500           |                  |
| Bank charges  |       | 14 112           | 431 785          |
| Computer expenses                                     |       | 10 600           | 30 923           |
| Consulting fees                                       |       | 238 617          | 32 952           |
| Employee costs  |       |                  | 105 000          |
| External call centre fee                              |       |                  | 455 112          |
| Fines and penalties                                   |       | 100 303          |                  |
| Insurance guarantee                                   |       |                  | 441 435          |
| Legal expenses  |       |                  | 8 633            |
| Secretarial fees                                      |       |                  | 32 455           |
| Subscriptions   |       | 1 951            |                  |
| Travel - local  |       | 3 776            | 1 364            |
|   |       | <b>1 182 019</b> | <b>3 794 254</b> |
| <b>Operating profit</b>                               |       | <b>170 303</b>   | <b>4 544 219</b> |
| Finance costs   |       |                  | (263 824)        |
| <b>Profit before taxation</b>                         |       | <b>170 303</b>   | <b>4 280 395</b> |
| Taxation  | 10    | (214 121)        | (1 490 342)      |
| <b>Total comprehensive (loss) income for the year</b> |       | <b>(43 818)</b>  | <b>2 790 053</b> |

## Statement of Changes in Equity

| Figures in Rand                                       | Share capital      | Accumulated loss   | Total equity       |
|---|--------------------|--------------------|--------------------|
| <b>Balance at 01 July 2017</b>                        | <b>539 685</b>     | <b>(3 095 183)</b> | <b>(2 555 498)</b> |
| Total comprehensive income for the year               |                    | 2 790 053          | 2 790 053          |
| Issue of 6 291 440 ordinary no par value shares       | 125 828 800        |                    | 125 828 800        |
| Issue of ordinary no par value shares (unallocated)   | 1 344 970          |                    | 1 344 970          |
| Issue of 15 500 ordinary no par value shares          | 310 000            |                    | 310 000            |
| <b>Balance at 01 July 2018</b>                        | <b>128 023 455</b> | <b>(305 130)</b>   | <b>127 718 325</b> |
| Total comprehensive loss for the year                 |                    | (43 818)           | (43 818)           |
| Total Issue of 4 930 442 ordinary no par value shares | 98 608 848         |                    | 98 608 848         |
| <b>Balance at 30 June 2019</b>                        | <b>226 632 303</b> | <b>(348 948)</b>   | <b>226 283 355</b> |
| Note  | 7                  |                    |                    |

## Statement of Cash Flows

| Figures in Rand                             | Notes | 2019                 | 2018                |
|---|-------|----------------------|---------------------|
| <b>Cash flows from operating activities</b> |       |                      |                     |
| Cash generated from (used in) operations    | 11    | 10 603 111           | (16 165 739)        |
| Interest income                             |       | 1 352 322            | 8 338 473           |
| Finance costs                               |       |                      | (263 824)           |
| Tax paid                                    |       | (1 744 842)          |                     |
| <b>Net cash from operating activities</b>   |       | <b>10 210 591</b>    | <b>(8 091 090)</b>  |
| <b>Cash flows from investing activities</b> |       |                      |                     |
| Purchase of investment property at cost     | 2     | (199 229 176)        |                     |
| Purchase of financial assets                |       | 75 260 163           | (75 260 163)        |
| Goodwill                                    |       | (28 800 042)         |                     |
| <b>Net cash from investing activities</b>   |       | <b>(152 769 055)</b> | <b>(75 260 163)</b> |
| <b>Cash flows from financing activities</b> |       |                      |                     |
| Proceeds on share issue                     | 7     | 98 608 848           | 127 483 770         |
| <b>Total cash movement for the year</b>     |       | <b>(43 949 616)</b>  | <b>44 132 517</b>   |
| Cash at the beginning of the year           |       | 44 573 249           | 440 732             |
| <b>Total cash at end of the year</b>        | 6     | <b>623 633</b>       | <b>44 573 249</b>   |



# 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 Investment property

Investment property is land and buildings held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business.

Investment property is measured at cost.

The cost of investment property comprises its purchase price and any directly attributable costs incurred to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The costs include costs incurred initially to acquire or construct an investment property 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 investment property, the carrying amount of the replaced item is derecognised.

### 1.2 Goodwill

Goodwill is initially measured at cost, being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Subsequently goodwill is carried at cost less accumulated amortisation and any accumulated impairment. Goodwill amortisation is calculated by applying the straight-line method to its estimated useful life.

### 1.3 Financial instruments

#### Initial measurement

Financial instruments are initially measured at the transaction price (including transaction costs except in the initial measurement of financial assets and liabilities that are measured at fair value through profit or loss) unless the arrangement constitutes, in effect, a financing transaction in which case it is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

#### Financial instruments at amortised cost

These include loans, trade receivables and trade payables. Those debt instruments which meet the criteria in section 11.8(b) of 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 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 there is objective evidence, the recoverable amount is estimated and compared with the carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

#### Financial instruments at cost

Equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably without undue cost or effort are measured at cost less impairment.

#### Financial instruments at fair value

All other financial instruments, including equity instruments that are publicly traded or whose fair value can otherwise be measured reliably, without undue cost or effort, are measured at fair value through profit and loss.

If a reliable measure of fair value is no longer available without undue cost or effort, then the fair value at the last date that such a reliable measure was available is treated as the cost of the instrument. The instrument is then measured at cost less impairment until management are able to measure fair value without undue cost or effort.

## Accounting Policies Continued

### 1.4 Tax

#### **Current tax assets and liabilities**

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

The tax liability reflects the effect of the possible outcomes of a review by the tax authorities.

#### **Tax expenses**

Tax expense is recognised in the same component of total comprehensive income or equity as the transaction or other event that resulted in the tax expense.

### 1.5 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.

Ordinary shares are recognised at par value and classified as 'share capital' in equity. Any amounts received from the issue of shares in excess of par value is classified as 'share premium' in equity. Dividends are recognised as a liability in the year in which they are declared.

### 1.6 Revenue

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

### 1.7 Borrowing costs

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

# Notes to the Annual Financial Statements

## 2. Investment property at cost

Reconciliation of investment property at cost - 2019

| Figures in Rand     | Opening balance | Additions   | Total       |
|---------------------|-----------------|-------------|-------------|
| Investment property | -               | 199 229 176 | 199 229 176 |

### Details of property

#### Oceans Hotel

Portion 15 of ERF 379 Umhlanga Rocks, Registration Division FU, Province of Kwa-Zulu Natal, in extent approximately 5.1356 hectares,

| Figures in Rand                         | 2019               | 2018 |
|---|--------------------|------|
| - Real Right                            | 56 044 000         | -    |
| - Bulk Infrastructure                   | 13 764 806         | -    |
| - Additions since purchase or valuation | 129 420 370        | -    |
|   | <b>199 229 176</b> | -    |

Registers with details of land and buildings are available for inspection by shareholder or their duly authorised representatives at the registered office of the company.

## 3. Goodwill

| Figures in Rand | 2019       |                          |                | 2018 |                          |                |
|-----------------|------------|--------------------------|----------------|------|--------------------------|----------------|
|                 | Cost       | Accumulated amortisation | Carrying value | Cost | Accumulated amortisation | Carrying value |
| Goodwill        | 28 800 042 | -                        | 28 800 042     | -    | -                        | -              |

| Reconciliation of goodwill - 2019 | Opening balance | Additions  | Total      |
|-----------------------------------|-----------------|------------|------------|
| Goodwill                          | -               | 28 800 042 | 28 800 042 |

## 4. Other financial assets

| Figures in Rand   | 2019 | 2018       |
|---|------|------------|
| <b>Development</b>  |      |            |
| Other financial assets  | -    | 75 260 163 |
| Capital costs incurred for the current development of the hotel. The cost was transferred to investment property. |      |            |
| <b>Non-current assets</b>   |      |            |
| At amortised cost   | -    | 75 260 163 |

## 5. Trade and other receivables

|                        |                   |                   |
|------------------------|-------------------|-------------------|
| VAT                    | 15 348 514        | 11 235 988        |
| Construction guarantee | 217 391           | 511 135           |
|                        | <b>15 565 905</b> | <b>11 747 123</b> |

## 6. Cash and cash equivalents

Cash and cash equivalents consist of:

|               |         |            |
|---------------|---------|------------|
| Bank balances | 623 633 | 44 573 249 |
|---------------|---------|------------|

## Notes to the Annual Financial Statements Continued

### 7. Share capital

| Figures in Rand  | 2019               | 2018               |
|--|--------------------|--------------------|
| <b>Authorised</b>  |                    |                    |
| 100 000 000 Ordinary shares of no par value              |                    |                    |
| 50 000 000 "F Class" shares of no par value              |                    |                    |
| <b>Issued</b>  |                    |                    |
| 100 Ordinary no par value shares at R1 per share         | 100                | 100                |
| 11 260 977 Ordinary no par value shares at R20 per share | 225 219 548        | 126 575 700        |
| 65 498 Ordinary no par value shares (unallocated)        | 1 309 970          | 1 344 970          |
| 10 268 467 F Class - no par value at R0.01 each          | 102 685            | 102 685            |
|  | <b>226 632 303</b> | <b>128 023 455</b> |

### 8. Trade and other payables

|                |            |           |
|----------------|------------|-----------|
| Trade payables | 17 975 780 | 2 371 868 |
|----------------|------------|-----------|

### 9. Investment revenue

|                         |           |           |
|-------------------------|-----------|-----------|
| <b>Interest revenue</b> |           |           |
| Bank                    | 1 352 322 | 8 338 473 |

### 10. Taxation

|  |         |           |
|--|---------|-----------|
| <b>Major components of the tax expense</b> |         |           |
| <b>Current taxation</b>                    |         |           |
| South African normal tax - year            | 214 121 | 1 490 342 |

### 11. Cash generated from (used in) operations

|                                    |                   |                     |
|------------------------------------|-------------------|---------------------|
| <b>Profit</b> before taxation      | 170 303           | 4 280 395           |
| <b>Adjustments for:</b>            |                   |                     |
| Interest received                  | (1 352 322)       | (8 338 473)         |
| Finance costs                      |                   | 263 824             |
| <b>Changes in working capital:</b> |                   |                     |
| Trade and other receivables        | (3 818 782)       | (11 441 754)        |
| Trade and other payables           | 15 603 912        | (2 403 369)         |
| Related party                      |                   | 1 473 638           |
|                                    | <b>10 603 111</b> | <b>(16 165 739)</b> |

### 12. Related parties

#### Relationships

|                  |                                    |
|------------------|------------------------------------|
| Shareholder      | Oceans Umhlanga Holdings (Pty) Ltd |
| Common Directors | Oceans Umhlanga (Pty) Ltd          |

#### Related party balances

#### Amounts included in Trade receivable (Trade Payable) regarding related parties

|                           | 2019         | 2018        |
|---------------------------|--------------|-------------|
| Oceans Umhlanga (Pty) Ltd | (15 975 515) | (2 124 660) |

### 13. Going concern

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

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