

THE TWO OCEANS MARATHON NPC
(Registration number 2008/024732/08)
Trading as Two Oceans Marathon
Annual Financial Statements
for the year ended 30 June 2018

Advantage Accountants Inc.
Registered Auditors

Issued 03 October 2018

THE TWO OCEANS MARATHON NPC

(Registration number 2008/024732/08)

Trading as Two Oceans Marathon

Annual Financial Statements for the year ended 30 June 2018

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Sports events co-ordination
Directors	D M Maralack (Chairperson) R K Maharage (Vice Chairperson) H Berman L H Cameron C R Goldschmidt A F Gouws K J Harlock T A Jobson S F Lewis K A Mc Quaide C Peters W C Swartbooi
Registered office	125 Main Road Heathfield 7945
Business address	15 Torrens Road Ottery Cape Town 7800
Bankers	Nedbank Limited
Auditor's	Advantage Accountants Inc. Registered Auditors
Secretary	Resolve Secretarial Services CC
Company registration number	2008/024732/08
Tax reference number	9102546174

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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.

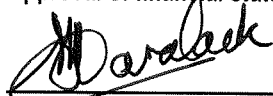
The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial 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 2019 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 pages 6 to 15, which have been prepared on the going concern basis, were approved by the board of directors on 03 October 2018 and were signed on its behalf by:

Approval of financial statements



D.M. Maralack (Chairperson)

Wednesday, 03 October 2018

Independent Auditor's Report

To the shareholders of THE TWO OCEANS MARATHON NPC

Opinion

We have audited the Annual Financial Statements of THE TWO OCEANS MARATHON NPC set out on pages 7 to 15, which comprise the Statement of Financial Position as at 30 June 2018, 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.

In our opinion, the Annual Financial Statements present fairly, in all material respects, the financial position of THE TWO OCEANS MARATHON NPC as at 30 June 2018, 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 conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's 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 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.

Independent Auditor's Report

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.

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 scepticism 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.

Advantage Accountants Inc.
R A Letcher
Director

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Directors' Report

The directors have pleasure in submitting their report on the annual financial statements of THE TWO OCEANS MARATHON NPC for the year ended 30 June 2018.

1. Nature of business

THE TWO OCEANS MARATHON NPC was incorporated in South Africa with interests in the Non-profit industry. The company operates in South Africa.

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

2. Review of financial results and activities

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

3. Directors

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

Directors	Changes
D M Maralack (Chairperson)	
R K Maharage (Vice Chairperson)	
D J Barnes	Resigned 30 September 2017
H Berman	
L H Cameron	
C R Goldschmidt	
A F Gouws	Appointed 20 November 2017
K J Harlock	
T A Jobson	
S F Lewis	
K A Mc Quaide	
C Peters	
W C Swartbooi	

4. Events after the reporting period

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

5. Auditors

Advantage Accountants Inc. continued in office as auditors for the company for 2018.

6. Secretary

The company secretary is Resolve Secretarial Services CC.

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Statement of Financial Position as at 30 June 2018

Figures in Rand	Note(s)	2018	2017
Assets			
Non-Current Assets			
Property, plant and equipment	2	5,037,712	5,070,712
Investments	3	5,481,913	5,139,130
		10,519,625	10,209,842
Current Assets			
Inventories	4	342,222	277,956
Trade and other receivables	5	1,866,025	2,303,551
Cash and cash equivalents	6	11,022,240	10,857,852
		13,230,487	13,439,359
Total Assets		23,750,112	23,649,201
Funds and Liabilities			
Funds and reserves			
Accumulated funds		21,519,327	16,577,506
Liabilities			
Current Liabilities			
Trade and other payables	7	2,230,785	7,071,695
Total Funds and Liabilities		23,750,112	23,649,201

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Statement of Comprehensive Income

Figures in Rand	Note(s)	2018	2017
Income	8	34,340,692	32,582,094
Other income	9	1,437,404	1,810,769
Operating expenses		(30,614,773)	(29,307,949)
Surplus		5,163,323	5,084,914
Fair value adjustments	10	396,351	131,259
Two Oceans Marathon Initiative		(617,853)	(1,037,514)
Interest paid		-	(7,338)
Surplus for the year		4,941,821	4,171,321
		-	-
Total comprehensive income for the year		4,941,821	4,171,321

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Statement of Changes in Equity

Figures in Rand	Accumulated funds	Total funds
Balance at 01 July 2016	12,406,185	12,406,185
Profit for the year	4,171,321	4,171,321
	-	-
Surplus for the year	4,171,321	4,171,321
Balance at 01 July 2017	16,577,506	16,577,506
Profit for the year	4,941,821	4,941,821
	-	-
Surplus for the year	4,941,821	4,941,821
Balance at 30 June 2018	21,519,327	21,519,327

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Statement of Cash Flows

Figures in Rand	Note(s)	2018	2017
Cash flows from operating activities			
Cash receipts from race entrants, sponsors, advertisers and exhibitors		34,799,041	30,964,957
Cash paid to suppliers and employees		(35,515,535)	(24,748,925)
Cash (used in) generated from operations	12	(716,494)	6,216,032
Interest income		852,367	709,297
Fair value adjustment		396,351	131,259
Net cash from operating activities		532,224	7,056,588
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(25,054)	(330,451)
Net movement of investments		(342,783)	2,928,932
Loans advanced to associates		-	175,000
Net cash from investing activities		(367,837)	2,773,481
Cash flows from financing activities			
Repayment of mortgage bond - short term portion		-	(165,437)
Net cash from financing activities		-	(165,437)
Total cash movement for the year		164,387	9,664,632
Cash at the beginning of the year		10,857,852	1,193,220
Total cash at end of the year	6	11,022,239	10,857,852

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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, except for biological assets at fair value less point of sale costs, and incorporate the principal accounting policies set out below. They are presented in South African Rands.

1.1 Property, plant and equipment

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

Cost include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

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

If the major components of an item of property, plant and equipment have significantly different patterns of consumption of economic benefits, the cost of the asset is allocated to its major components and each such component is depreciated separately over its useful life.

Land is not depreciated.

The residual value, depreciation method and useful life of each asset is reviewed only where there is an indication that there has been a significant change from the previous estimate.

1.2 Investments

Investments in associates are accounted for using the equity method.

1.3 Financial instruments

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.

1.4 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee. All other leases are operating leases.

Finance leases – lessee

Finance leases are recognised as assets and liabilities at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments.

The lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the effective interest method.

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Accounting Policies

1.5 Inventories

Inventories are measured at the lower of cost and estimated selling price less costs to complete and sell, on the first-in, first-out (FIFO) basis.

1.6 Impairment of assets

The company assesses at each reporting date whether there is any indication that property, plant and equipment or intangible assets or goodwill may be impaired.

If there is any such indication, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its 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.

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.

1.7 Share capital and equity

If the company reacquires its own equity instruments, those instruments are deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the company's own equity instruments. Consideration paid or received shall be recognised directly in equity.

1.8 Income

Revenue is recognised to the extent that the company has transferred the significant risks and rewards of ownership of goods to the buyer, or has rendered services under an agreement provided the amount of revenue can be measured reliably and it is probable that economic benefits associated with the transaction will flow to the company. Revenue is measured at the fair value of the consideration received or receivable, excluding sales taxes and discounts.

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

1.9 Borrowing costs

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

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Notes to the Annual Financial Statements

Figures in Rand

2018

2017

2. Property, plant and equipment

	2018			2017		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Land and buildings - 15 Torrens Road, Ottery	1,770,163	-	1,770,163	1,770,163	-	1,770,163
Land and buildings - 125 Main Road, Heathfield	3,160,570	-	3,160,570	3,160,570	-	3,160,570
Furniture and fixtures	51,794	(11,638)	40,156	51,794	(3,004)	48,790
IT equipment	280,491	(225,633)	54,858	255,437	(184,025)	71,412
Computer software	7,329	(7,329)	-	7,329	(7,329)	-
Other property, plant and equipment	50,719	(38,754)	11,965	50,719	(30,942)	19,777
Total	5,321,066	(283,354)	5,037,712	5,296,012	(225,300)	5,070,712

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Depreciation	Total
Land and buildings - 15 Torrens Road, Ottery	1,770,163	-	-	1,770,163
Land and buildings - 125 Main Road, Heathfield	3,160,570	-	-	3,160,570
Furniture and fixtures	48,790	-	(8,634)	40,156
IT equipment	71,412	25,054	(41,608)	54,858
Other property, plant and equipment	19,777	-	(7,812)	11,965
	5,070,712	25,054	(58,054)	5,037,712

3. Investments

	2018	2017
Old Mutual Wealth - Stable Fund A2	1,620,140	1,527,312
Old Mutual Wealth - Growth Fund B1	2,253,806	2,091,911
Old Mutual Wealth - Inflation Plus	1,607,967	1,519,907
	5,481,913	5,139,130

4. Inventories

Stock on hand	342,222	277,956
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Notes to the Annual Financial Statements

Figures in Rand	2018	2017
5. Trade and other receivables		
Trade receivables	1,689,722	2,234,484
Deposits	11,935	8,480
VAT	134,031	-
Accrued income	30,337	60,587
	1,866,025	2,303,551
6. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	13,981	21,310
Bank balances	11,003,228	10,836,542
Prepaid card	5,031	-
	11,022,240	10,857,852
7. Trade and other payables		
Trade payables	902,880	3,516,558
Sundry Suppliers	1,327,905	2,893,887
VAT	-	527,041
Other payables	-	134,209
	2,230,785	7,071,695
8. Income		
Race sponsorship	16,029,841	15,202,956
Race entry fees	11,122,345	10,280,847
Sale of t-shirts	2,418,732	2,636,250
Disbursement income	3,590,209	3,342,118
Net expo and other income	638,721	482,049
Commissions received	505,737	380,831
Advertising and marketing income	15,000	185,975
Sale of food and beverages	20,107	71,068
	34,340,692	32,582,094
9. Other income		
Interest received	852,367	709,297
Sundry income	220,870	292,419
Memorabilia	146,338	273,661
Discount received	127,209	97,327
Club sites	50,000	46,053
Blue Number Club dinner	25,570	30,395
Equipment hire	15,050	361,617
	1,437,404	1,810,769
10. Fair value adjustments		
Investment in unit trust	396,351	131,259

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Notes to the Annual Financial Statements

Figures in Rand	2018	2017
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11. Taxation

No provision has been made for 2018 taxation as the company is recognised as an income tax exempt institution by South African Revenue Service.

12. Cash (used in) generated from operations

Profit before taxation	4,941,821	4,171,321
Adjustments for:		
Depreciation and amortisation	58,053	56,672
Interest received	(852,367)	(709,297)
Fair value adjustments	(396,351)	(131,259)
Changes in working capital:		
Inventories	(64,266)	32,484
Trade and other receivables	437,526	(1,617,137)
Trade and other payables	(4,840,910)	4,413,248
	(716,494)	6,216,032
