



# 7/ SYCOM PROPERTY FUND MANAGERS LIMITED

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## 7/ Directors' Responsibility and Approval of the Annual Financial Statements for the year ended 31 March 2011

The directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the annual financial statements and related information. The auditors are responsible for reporting on the fair presentation of the annual financial statements. The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and in the manner required by the Companies Act of South Africa.

The directors are also responsible for the systems of internal control. These are designed to provide reasonable, but not absolute assurance as to the reliability of the annual financial statements, to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect material misstatement and loss. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The annual financial statements are prepared on a going concern basis. Nothing has come to the attention of the directors to indicate that the company will not remain a going concern for the foreseeable future.

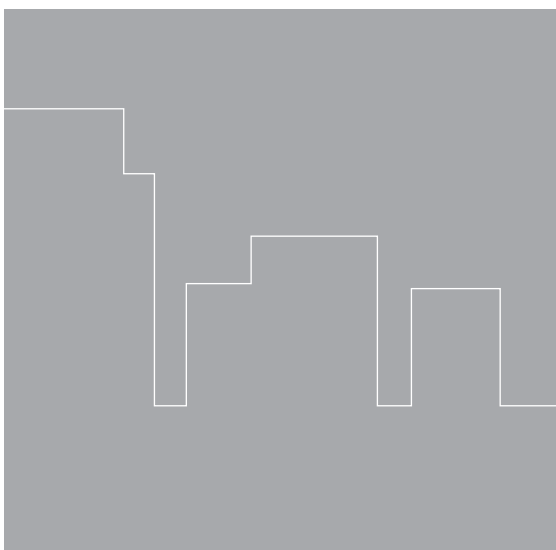
The annual financial statements, set out on pages 69 to 76 were approved by the Board of Directors on 9 June 2011 and are signed on its behalf by:



**GK Everingham**  
Chairman  
Sycom Property Fund  
Managers Limited



**PA Theodosiou**  
Chief Executive Officer  
Sycom Property Fund  
Managers Limited



## Independent Auditor's Report To the Members of Sycom Property Fund Managers Limited

7/

We have audited the annual financial statements of Sycom Property Fund Managers Limited, which comprise the statement of financial position at 31 March 2011, the statement of comprehensive income, changes in unitholders' funds and cash flows for the year then ended, and the notes to the annual financial statements, which include a summary of significant accounting policies and other explanatory notes, as set out on pages 69 to 76.

### **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 in the manner required by 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 misstatement, whether due to fraud or error.

### **AUDITOR'S 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 auditor's 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 annual financial statements present fairly, in all material respects, the financial position of the Company as at 31 March 2011, and of the financial performance and the cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

### **KPMG Inc.**

REGISTERED AUDITOR



### **PJ Conradie**

Chartered Accountant (SA)

Registered Auditor

9 June 2011

1 Mediterranean Street

Foreshore

Cape Town

## 7/ Directors' Report

### OPERATIONS

The Company continues to manage Sycom Property Fund and earn fees for providing this service.

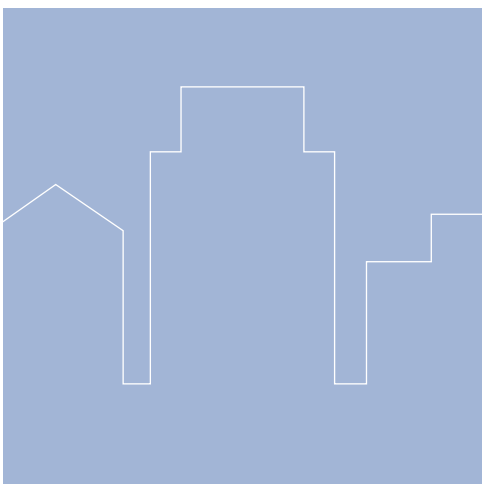
At 31 March 2011 the management company held 150 000 Sycom units (2010: 150 000) at a valuation of R3 million (2010: R3.3 million) from which it earns investment income.

### EARNINGS

No net income was earned for the year under review (2010: nil) and no dividend was declared out of revenue profits.

### CAPITAL COMPLIANCE

The eligible capital of R952 298 exceeds the minimum capital requirement of R802 606 set by the Collective Investment Schemes Control Act of 2002.



### DIRECTORATE

The Board of Directors for the year consisted of the following directors:

GK Everingham \*+ (Chairman of the Board of Directors)

MS Moloko \*+ (Deputy Chairman of the Board of Directors)

F M Berkeley \*+

J P D Flanagan\*+

G R Jones

CB Marlow

BM Stocks \*+ (Chairman of the Audit Committee) (Appointed 9 April 2010)

P A Theodosiou #

L Norval (Resigned 16 August 2010)

NFJ Haasbroek (Resigned 16 August 2010)

SJ Wentzal (Resigned 16 August 2010)

\* Non-Executive + Independent # British

### Secretary

The Management Company's Secretary is CB Marlow CA (S.A.)

Business address: Suite A11, Westlake Square, Westlake Drive, Westlake

Postal address: PO Box 31079, Tokai, 7966



## Statement of Comprehensive Income for the Year Ended 31 March 2011

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	Notes	2011 R'000	2010 R'000
<b>Revenue</b>		<b>33 742</b>	24 398
Investment income from listed investment units		239	235
Property management fees		3 254	3 000
Asset management fee from Sycom Property Fund		30 249	21 163
<b>Administrative expenses</b>		<b>33 742</b>	24 398
Auditor's remuneration – audit fees		90	-
Directors' emoluments	4	745	399
Management fee		32 367	23 596
Other expenses		540	403
<b>Profit before income tax</b>		<b>-</b>	-
Taxation	5	-	-
<b>Profit for the year</b>		<b>-</b>	-
<b>Other comprehensive (expense)/ income for the year</b>			
Net change in value of listed shares		( 193)	602
<b>Total comprehensive (expense)/ income for the year</b>		<b>( 193)</b>	602

## Statement of Financial Position as at 31 March 2011

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	Notes	2011 R'000	2010 R'000
<b>Assets</b>			
<b>Non-current assets</b>		<b>3 042</b>	3 265
Investment in securities	6	3 042	3 265
Investment in joint venture companies	7	-	-
<b>Current assets</b>		<b>2 535</b>	2 336
Trade and other receivables	8	2 468	2 288
Cash and cash equivalents		67	48
<b>Total assets</b>		<b>5 577</b>	5 601
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>		<b>2 858</b>	3 051
Share capital	9	880	880
Non-distributable reserve		1 978	2 171
<b>Non-current liabilities</b>			
Deferred taxation	10	263	293
<b>Current liabilities</b>			
Trade and other payables	11	2 456	2 257
<b>Total equity and liabilities</b>		<b>5 577</b>	5 601

## 7/ Statement of Changes in Equity for the Year Ended 31 March 2011

	Share Capital R'000	Non-distributable reserve R'000	Retained Earnings R'000	Total R'000
<b>Balance at 1 April 2009</b>	880	1 569	-	2 449
Total comprehensive income for the year	-	602	-	602
Surplus on the revaluation of investment in property fund	-	700		700
Deferred capital gains tax on revaluation of listed shares	-	( 98)		( 98)
<b>Balance at 31 March 2010</b>	880	2 171	-	3 051
Total comprehensive income for the year	-	( 193)	-	( 193)
(Deficit)/surplus on the revaluation of investment in property fund	-	( 223)		( 223)
Deferred capital gains tax on revaluation of listed shares	-	30		30
<b>Balance at 31 March 2011</b>	880	1 978	-	2 858

## 7/ Statement of Cash Flows for the Year Ended 31 March 2011

	Note	2011 R'000	2010 R'000
<b>Cash flow from operating activities</b>			
Cash utilised in operations	12	( 239)	( 235)
Investment and interest income		239	235
Changes in working capital	13	19	4
<b>Net cash inflow in the current year</b>		19	4
<b>Cash and cash equivalents at beginning of the year</b>		48	44
<b>Cash and cash equivalents at end of the year</b>		67	48



## 1. GENERAL INFORMATION

Sycom Property Fund Managers Limited (the Company) is a limited company incorporated in South Africa.

## 2. ADOPTION OF NEW AND REVISED STANDARDS

IAS 24 – Related party transactions – effective 1 January 2011;

IFRS 9 – (Amendment) Financial instruments – effective 1 January 2013;

The directors anticipate that all of the above Standards and Interpretations will be adopted in the Company's financial statements for the period in which they become effective and that the adoption of these Standards and Interpretations will have no material impact on the financial statements of the Company in the period of initial application.

## 3. ACCOUNTING POLICIES

### 3.1 Statement of Compliance

The financial statements are prepared in accordance with International Financial Reporting Standards and the requirements of the South African Companies Act.

### 3.2 Basis of preparation

The financial statements have been prepared on the historical cost basis except for the revaluation of certain non-current assets and financial instruments. The principal accounting policies are consistent with the prior year and are set out below.

### 3.3 Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes party to the contractual provisions of the instrument.

Financial instruments are initially measured at cost, including directly attributable transaction costs. Subsequent to initial recognition these instruments are measured as follows:

#### *Available-for-sale financial assets*

The investment in Sycom Property Fund units is accounted for as an available-for-sale financial asset and is recognised at fair value which is its market value as listed by the Johannesburg Securities Exchange Limited (JSE). The gain and loss on revaluation of the investment is recognised in other comprehensive income net of tax. On realisation of the investment, any cumulative gain or loss previously recognised in equity is reclassified to profit or loss for the year.

#### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in fair value.

Cash and cash equivalents are stated at fair value.

#### *Accounts receivable*

Trade and other receivables are classified as originated by the Company and are reflected at amortised cost. An estimate is made for impairment losses based on a review of outstanding amounts at year end.

#### *Accounts payable*

Payables are considered to be short-term in nature and are measured at amortised cost.

#### *Financial liabilities*

Interest-bearing borrowings are initially recognised at fair value, less attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method.

## 7/ Notes to the Annual Financial Statements for the Year Ended 31 March 2011 (continued)

### 3. ACCOUNTING POLICIES (continued)

#### 3.3 Financial instruments (continued)

##### *Derecognition of financial instruments*

The entity derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the entity neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the entity recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the entity retains substantially all the risks and rewards of ownership of a transferred financial asset, the entity continues to recognise a collateralised borrowing for the proceeds received.

##### *Offset*

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

#### 3.4 Revenue Recognition

##### *Investment income*

Investment income comprises distributions received from the Sycom Property Fund and is recognised when the shareholder's right to receive payment has been established.

##### *Service and property management fees*

Service and property management fee income from the Sycom Property Fund is brought into account in the period to which it relates.

##### *Interest income*

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts future cash receipts through the expected life of the financial asset to the asset's net carrying amount.

#### 3.5 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

##### *Capital gains taxation*

The charge for current capital gains taxation is the amount of capital gains payable in respect of the realisation of available-for-sale investments.

##### *Deferred taxation*

Deferred taxation is accounted for in respect of temporary differences arising from the carrying amount of assets and liabilities in the financial statements and their corresponding tax bases and calculated at the tax rates that are expected to apply to the period when the asset is realised or liability settled.

Deferred tax liabilities are raised on all taxable temporary differences and deferred tax assets are raised to the extent that these will be utilised. The unrealised taxation on the revaluation of the investment is charged directly to the non-distributable reserve.

#### 3.6 Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that the Company will be required to settle the obligation, and reliable estimates can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

#### 3.7 Minimum capital requirements

In terms of the Collective Investment Schemes Control Act, 2002, the Company is required to maintain a minimum capital which is based on a formula. In terms



of this formula, the minimum capital for the Company is R802 606 (2010: R802 606).

### **3.8 Key judgements and the use of estimation uncertainty**

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under circumstances, the results of which form the basis of making judgements

about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or the period of the revision and future periods if the revision affects both current and future periods.

Estimates are required in the determination of probabilities in assessing net recoverable amounts that are used in valuing financial instruments of the entity.



## 7/ Notes to the Annual Financial Statements for the Year Ended 31 March 2011 (continued)

### 4. FEES FOR SERVICES AS DIRECTORS

*Independent non-executive*

	2011 R'000	2010 R'000
TE Sewell	-	128
FM Berkeley	150	114
GK Everingham	170	-
JPD Flanagan	125	87
GA Nelson	-	70
BM Stocks	150	-
MS Moloko	150	-
<b>Total</b>	<b>745</b>	<b>399</b>

### 5. TAXATION

At the reporting date the Company had an estimated tax loss of R16 049 (2010 – estimated tax loss R16 049) available to be offset against future profits. Income tax is calculated at 28% of the taxable income for the year. No provision for normal company taxation has been made as a result of there being no taxable income.

### 6. INVESTMENT IN SECURITIES

*Available-for-sale investments carried at fair value:*

*Listed: 150 000 (2010: 150 000) units in Sycom Property Fund*

Balance at beginning of the year	3 265	2 565
(Deficit)/ surplus on revaluation	( 223)	700
<b>Balance at end of the year</b>	<b>3 042</b>	<b>3 265</b>

### 7. INVESTMENT IN JOINT VENTURE COMPANIES

The investment of the Company in the equity of the property management companies is shown below:

FC Property Management Company (Pty) Ltd  
50 ordinary shares of R1.00 each – at cost (50% equity holding)

Somerset Mall Property Management Company (Pty) Ltd  
50 ordinary shares of R1.00 each – at cost (50% equity holding)

Woodlands Office Park Property Management Company (Pty) Ltd  
40 ordinary shares of R1.00 each – at cost (40% equity holding)

The directors have valued these investments at cost at the year end. The cost of the share investments are not shown in the statement of financial position as they are less than R1 000.

*The summarised financial information of the investee companies is aggregated as follows:*

Total assets	( 589)	( 403)
Total liabilities	( 589)	( 403)
Net assets	-	-
Share of net assets	-	-
Total revenue	9 825	8 443
Total profit	-	-
Share of profit	-	-



	2011 R'000	2010 R'000
<b>8. TRADE AND OTHER RECEIVABLES</b>		
Trade and other receivables	2 468	2 288
<p>The directors consider that the carrying amount of trade and other receivables approximates their fair value. The average credit period is 30 days. No interest is charged on the trade receivables for the first 30 days from the date of the invoice. No provision for impairment losses was raised as debtors relate mainly to the management fee payable from Sycom Property Fund which is recovered monthly.</p> <p>All debtors disclosed are aged 30 days. No debtors are past due. The entity does not accept any new customers as its purpose is to manage the affairs of Sycom Property Fund.</p>		
<b>9. SHARE CAPITAL</b>		
<i>Authorised</i>		
2 000 000 (2010: 2 000 000) Ordinary shares of R1 each	2 000	2 000
<i>Issued</i>		
880 000 (2010: 880 000) Ordinary shares of R1 each	880	880
<b>10. DEFERRED TAXATION</b>		
<p>Deferred tax charge relating to the revaluation of the fixed investment in property fund units amounts to -R31 290 (2010: R98 070) and has been transferred directly to/from the non-distributable revaluation reserve.</p> <p>The movement for the year in the deferred taxation position was as follows:</p>		
Balance at beginning of the year	293	195
Transfer from/(to) equity for the year	( 30)	98
Balance at end of the year	263	293
<b>11. TRADE AND OTHER PAYABLES</b>		
Trade and other payables	2 456	2 257
<p>Trade payables and accruals mainly comprise amounts outstanding in terms of service fees. The directors consider the carrying amount of trade payables to approximate their fair value.</p>		
<b>12. CASH UTILISED IN OPERATIONS</b>		
Income before taxation	-	-
<i>Adjusted for:</i>		
Investment and interest income	( 239)	( 235)
	( 239)	( 235)
<b>13. CHANGES IN WORKING CAPITAL</b>		
Increase in receivables	( 1 80)	( 127)
Increase in payables	199	131
	19	4

## 7/ Notes to the Annual Financial Statements for the Year Ended 31 March 2011 (continued)

### 14. RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

#### *Shareholders*

The issued share capital of Sycom Property Fund Managers Limited is held by Acucap Properties (Proprietary) Limited at 31 March 2011. The issued share capital of Sycom Property Fund Managers Limited was held equally by Acucap Properties (Proprietary) Limited and Parkdev Fund Managers (Proprietary) Limited, a wholly-owned subsidiary of Parkdev (Proprietary) Limited until August 2010.

#### *Identity of the related parties with whom material transactions have occurred*

Sycom Property Fund Managers Limited is the management company of Sycom Property Fund.

#### *Types of related party transactions*

A service charge of R25.998 million (2010: R21.163 million), initial charges of R4.251 million (2010: Rnil) and property management fees of R1.999 million (2010: R1.829 million) have been received from Sycom Property Fund.

Administration fees of R4.59 million (2010: R10.6 million) and R27.78 million (2010: R13.0 million) have been paid to Parkdev (Proprietary) Limited and Acucap Properties (Proprietary) Limited respectively.

### 15. FINANCIAL RISK MANAGEMENT

The Company's financial instruments consist of fixed investment in property fund units, deposits with banks, accounts receivable and accounts payable. The fixed investment in the Sycom Property Fund's units are carried at market value, accounts receivable and accounts payable are carried at amortised cost which approximates fair value. An estimate is made for impairment losses with respect to receivables (refer accounting policy 3.3).

#### *Liquidity risk management*

Cash flows are regularly monitored to ensure that cash resources are adequate to meet funding requirements.

#### *Capital risk management*

The capital structure of the entity is governed by the Collective Investment Schemes Control Act, 2002 and is disclosed in note 3.7.

