



**Western Cape  
Government**  
Economic Development  
and Tourism

**BETTER TOGETHER.**

## **DEDAT INVESTMENT INTO CTICC**

SCOPA question May 2020

# Definition

## DEDAT Accounting Standard

- Modified Cash Standard
- An impairment is a loss in the future economic benefits or service potential of an asset

## CTICC Accounting Standard

- GRAP 26
- An impairment is a loss in the future economic benefits or service potential of an asset over and above depreciation considerations

## Conditions for Recognition

- Recoverable amount is less than the carrying value
- Negative future cashflows
- Current economic conditions are unfavourable

# Definition

## Carrying Value

- Carrying amount is the amount at which an asset is recognised after deducting any accumulated depreciation and accumulated impairment losses.

## Recoverable Amount

- The recoverable amount of an asset is the higher of its fair value (market value) less costs to sell and its value in use.

## Future Cash Flows

- The present value of future cash flows is a method of discounting cash that you expect to receive in the future to the value at the current time.

# Background

## History



CTICC was established as a Municipal Public Entity in 1999 i.t.o. Convenso Act

Original shareholders were City of Cape Town, WCG and SunWest International

CTICC opened in June 2003

# Rationale for investment



# CTICC Achievements



# Background

## CTICC Expansion



Cabinet Approval for expansion in 2011/12 financial year

Rationale:

The expansion would result in significant growth and jobs creation on the region

CTICC is an important investment for WCG to realise PSG 1: Growth and Jobs

# Revised Shareholding



	Original Shareholding	Shares	Revised Shareholding	Revised Shares
City of Cape Town	50.2%		71.4%	
WCG (DEDAT)	25.1%	14 200	23.2%	60 425
SunWest International	24.7%		5.4%	

Based on the cabinet approval, during the period April 2014 to December 2016 the Department purchased 46 225 additional shares.

This increased the Department's shares to 60 425 at a cost of R 304 million



# CTICC Impairment

## *Key Considerations*

During the 2006 Financial Year, the CTICC underwent its first evaluation of the property, plant and equipment. As the establishment was fairly new and the assessment of the future economic cash flows could not be accurately predicted

PWC Inc. conducted the valuation of the impairment and concluded that as there was no active market for the building. Given that CTICC was a new establishment, their 'anticipated future bookings' was low and therefore the projected cash flow was also assessed as low.

The value in use method was applied to determine if the asset should be impaired. This revaluation showed the recoverable amount to be R 78 million for the building which was less than the carrying value resulting in an impairment charge of R 308 million

# CTICC Impairment

## Department's Disclosure



Mr. Reddy  
Western Cape Provincial Treasury  
Private bag X9165  
Cape Town  
8000

Dear Sir,

**RE: DISCLOSURE OF PROVISION FOR IMPAIRMENT LOSS ON INVESTMENT  
IN THE 2006/07 ANNUAL FINANCIAL STATEMENTS**

Your letter dated 25 January 2007 regarding the above has reference.

A review of the impairment calculation and the recognition thereof in the financial statements of the Cape Town International Convention Centre Company (Pty) Ltd was done by the Office of the Accountant-General (OAG).

Guidance is hereby provided below to the Western Cape Provincial Government on the consequential accounting treatment of the impairment on the investment in the entity:

1. The Department of Economic Development & Tourism should calculate the impairment based on its percentage (%) shareholding in the entity. The share of the impairment, according to the OAG calculation annexed hereto, is R77 million (25.09% x R308million).
2. The impairment of R77 million should form part of the provisions disclosure note in accordance with the accounting policy for investments.

I trust the above will be of assistance in finalising the 2006/07 annual financial statements.

Kind regards

Lindy Bodewig  
Director: Development Practices  
National Treasury

During the 2006/07 year end audit, the Auditor General noted the CTICC impairment and requested DEDAT to disclose this in the Annual Financial Statements

As the Modified Cash Standard was silent on the disclosure requirements, we approached the Provincial Treasury who in-turn approached National Treasury for guidance

National Treasury then provided additional guidelines

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# CTICC Impairment

## *CTICC Recognition of Impairment 2018/19*

The carrying value of CTICC 1&2 was R 953.216 million at date of impairment testing

Recoverable amount was calculated on the value in use of both CTICC 1&2 amounting to R 490.617 million.

Significant delays in construction of CTICC 2 contributed to the reduction in expected cash flows

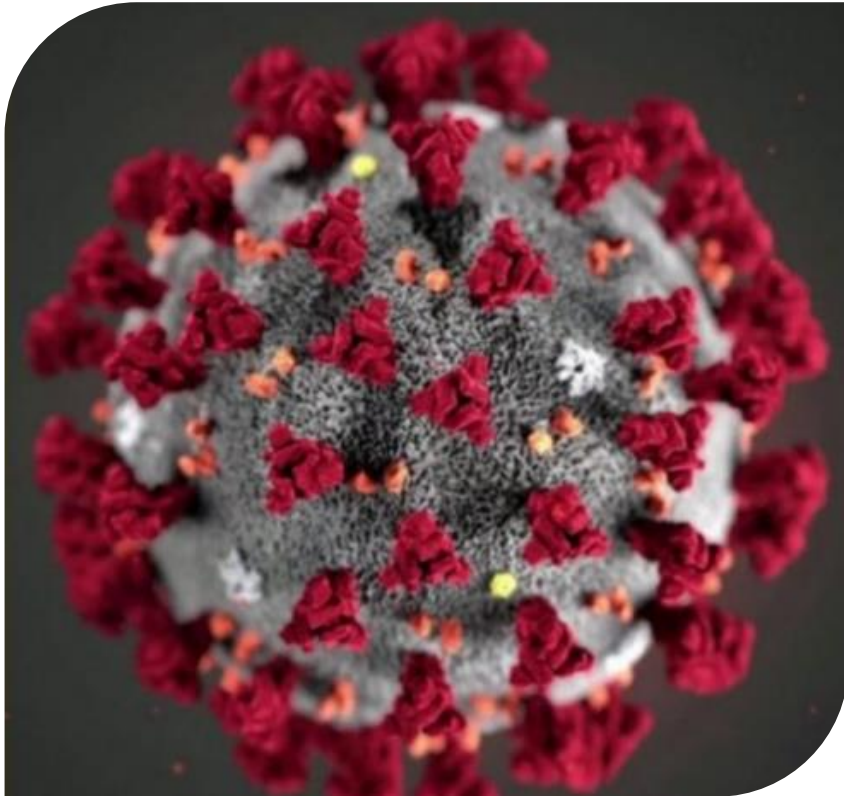
Therefore the company recognised an impairment loss of R462.599 million

# CTICC Impairment

## 3 Year Analysis of DEDATS AFS Disclosure of Impairment

Description	2017	2018	2019
Carrying value	R 122.593 million	R 953.216 million	R 515.415 million
Recoverable amount	R 134.000 million	R 490.617 million	R 512.867 million
Difference	R 11.407 million	(R 462.599 million)	(R 2.548 million)
DEDAT Shareholding	23.24%	23.24%	23.24%
DEDAT Impairment	0	(R 107.508 million)	(R 592 Thousand)
	No Impairment	Impairment	Impairment

**Note:** Where the recoverable amount (value in use) is less than the carrying value, no impairment is required



**Covid-19 Pandemic halted all Tourism**

**Loss of revenue**

**Bookings cancelled**