



Motorsport South Africa NPC

A non-profit company (NPC) under the Companies Act 71 of 2008
(Reg. No. 1995/005605/08)

Audited financial statements for the year ended **31 December 2016**

Motorsport South Africa NPC

A non-profit company under the Companies Act 71 of 2008

Annual Financial Statements

for the year ended 31 December 2016

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The financial statements of Motorsport South Africa NPC have been audited in compliance with S30 of the Companies Act of South Africa.

The financial statements were prepared by the Accountant, Angie du Toit, under the supervision of the Financial Director, Anthony Taylor CA (SA).

These financial statements for the year ended 31 December 2016 were published on 24 July 2017.

Motorsport South Africa NPC

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Directors' responsibility statement

The directors are responsible for the preparation and fair presentation of the annual financial statements of Motorsport South Africa NPC, comprising the statement of financial position at 31 December 2016 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa. In addition the directors are responsible for preparing the director's report.


The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error; and for maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the ability of the company to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead.

The auditor is responsible for reporting on whether the financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of the annual financial statements

The annual financial statements of Motorsport South Africa NPC, as identified in the first paragraph, were approved by the board of directors on 24 July 2017 and are signed by:


Anthony Taylor
Financial Director
Adrian Scholtz
Chief Executive Officer

Motorsport South Africa NPC

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Directors' report

The directors have pleasure in presenting their report for the year ended 31 December 2016.

1. Incorporation

The company was incorporated on 20 June 1995.

2. Business operations

Motorsport South Africa NPC ("Motorsport") is controlled worldwide by two governing bodies: the Federation Internationale de l'Automobile (FIA) and Federation Internationale de Motocyclisme (FIM). The FIA and FIM have granted their sporting power to Motorsport South Africa NPC.

The company's main activity of administering and governing motorsport in the republic as conferred the authority by FIA and FIM have remained unchanged.

The company's financial position and the results of its operations are adequately disclosed in the attached annual financial statements.

3. Going concern

We draw attention to the fact that at 31 December 2016, the company had an accumulated surplus of R7 914 336 (2015: R7 075 904) and that the company's total assets exceed its total liabilities by R8 122 260 (2015: R7 283 828).

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. The 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 (where applicable) will occur in the ordinary course of business.

4. Accounting policies

The company has prepared its annual financial statements in terms of International Financial Reporting Standards. The company did not make any changes to its accounting policies.

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Directors' report *(continued)*

5. Directors

As at the date the financial statements were issued, the following directors held office:

Richard Schilling
Anthony Taylor
Mark du Toit - Term of office ended 21/09/2016
Peter du Toit
Batshobonke Sipuka - Term of office ended 21/09/2016
Adrian Scholtz
George Avvakoumides
Michael Rowe
Johan Fourie
Desmond Easom
Nadia Singh
Glyn Hall
Ashwin Harri - Elected 21/09/2016
Melanie Spurr - Elected 21/09/2016

6. Bankers

Nedbank Limited

7. Auditor

The auditor for the company for the year under audit were KPMG Inc. whose business and postal address is as follows:

Business address:

85 Empire Road
Parktown
2193

Postal address:

Private Bag 9
Parkview
2122

8. Company secretary

The company secretary is Jacqueline E. Monteiro

Meersig 1, Constantia Boulevard, Constantia Kloof, Roodepoort.

9. Subsequent events

The directors are not aware of any matter or circumstance arising between the end of the financial year and the date of this report not otherwise dealt with in this report of the financial statements that would affect the operations of the company or the results of the operations significantly.



KPMG Inc
KPMG Crescent
85 Empire Road, Parktown, 2193
Private Bag 9, Parkview, 2122, South Africa

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Internet kpmg.co.za

Independent auditor's report

To the members of Motorsport South Africa NPC

Opinion

We have audited the financial statements of Motorsport South Africa NPC set out on pages 7 to 30 which comprise the statement of financial position at 31 December 2016, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Motorsport South Africa NPC at 31 December 2016, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the 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 of South Africa and the Directors' responsibility statement. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 financial statements

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

In preparing the 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.

Policy Board:
Chief Executive: TH Hoole

Executive Directors: M Letsitsi, SL Louw, NKS Malaba,
M Oddy, CAT Smit

Other Directors: ZA Beseti, LP Fourie, N Fubu,
AH Jaffer (Chairman of the Board), ME Magondo,
F Mall, GM Pickering, JN Pierce

KPMG Inc is a company incorporated under the South African Companies Act and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

KPMG Inc is a Registered Auditor, in public practice, in terms of the Auditing Profession Act, 26 of 2005.

Registration number 1999/021543/21

The company's principal place of business is at KPMG Crescent, 85 Empire Road, Parktown, where a list of the directors' names is available for inspection.



To the members of Motorsport South Africa NPC

Independent auditor's report (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 ISAs 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 financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 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 financial statements, including the disclosures, and whether the 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.

KPMG Inc.

Per: I Kula
Chartered Accountant (SA)
Registered Auditor
Associate Director
24 July 2017

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Statement of financial position

At 31 December 2016

	Note	2016 R	2015 R
Assets			
Non-current assets		83 100	126 160
Plant and equipment	5	59 506	78 971
Intangible assets	6	23 594	47 189
Current assets		12 950 441	12 566 219
Accounts receivable	7	709 885	819 143
Cash and cash equivalents	8	12 240 556	11 747 076
Total assets		<u>13 033 541</u>	<u>12 692 379</u>
Equity and liabilities			
Capital and reserves		8 122 260	7 283 828
Capital introduced		207 924	207 924
Accumulated surplus		7 914 336	7 075 904
Current liabilities		4 911 281	5 408 551
Accounts payable	10	1 734 308	1 123 657
Commission funds	11	1 332 601	999 903
Project funds	12	1 844 372	3 284 991
Total equity and liabilities		<u>13 033 541</u>	<u>12 692 379</u>



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Statement of profit or loss and other comprehensive income *for the year ended 31 December 2016*

	<i>Note</i>	2016 R	2015 R
Revenue		9 779 651	9 524 986
Operating and administrative expenses		<u>(9 771 592)</u>	<u>(8 688 394)</u>
Surplus from operating activities		8 059	836 592
Finance income	4	<u>830 373</u>	<u>615 138</u>
Surplus and total comprehensive income for the year		<u>838 432</u>	<u>1 451 730</u>



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Statement of changes in equity

for the year ended 31 December 2016

	Capital introduced R	Accumulated surplus R	Total equity R
Balance at 31 December 2014	207 924	5 624 174	5 832 098
Total comprehensive income for the year			
Surplus for the year	—	1 451 730	1 451 730
Balance at 31 December 2015	207 924	7 075 904	7 283 828
Total comprehensive income for the year			
Surplus for the year	—	838 432	838 432
Balance at 31 December 2016	207 924	7 914 336	8 122 260



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Statement of cash flows

for the year ended 31 December 2016

	<i>Note</i>	2016 R	2015 R
Cash flows from operating activities			
Cash (utilised in)/generated by operations	<i>13.1</i>	(310 238)	1 885 952
Finance income		830 373	615 138
Net cash inflow from operating activities		520 135	2 501 090
Cash flows utilised in investing activities			
Acquisition of plant and equipment		(26 655)	(49 004)
Net cash outflow from investing activities		(26 655)	(49 004)
Net increase in cash and cash equivalents		493 480	2 452 086
Cash and cash equivalents at the beginning of the year		11 747 076	9 294 990
Cash and cash equivalents at the end of the year		12 240 556	11 747 076



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Notes to the financial statements

for the year ended 31 December 2016

1. Basis of preparation

1.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act of South Africa, 2008.

1.2 Nature of business and approval of financial statements

The Company's main activity of administering and governing motorsport in the republic as conferred the authority by FIA and FIM have remained unchanged.

They were authorised for issue by the Board of Directors on 24 July 2017.

1.3 Basis of measurement

The financial statements are prepared on the historical cost basis.

1.4 Functional and presentational currency

The financial statements are presented in South African Rands ("R"), which is the Company's functional currency. All financial information presented in Rands has been rounded to the nearest Rand.

1.5 Use of estimates and judgements

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Note 7 — provision of doubtful debts



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Notes to the financial statements

for the year ended 31 December 2016 (continued)

2. Significant accounting policies

2.1 Plant and equipment

(i) *Recognition and measurement*

Items of plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses. Costs include expenditure that is directly attributable to the acquisition of the asset. Equipment with a cost of less than R3 000 is written off to profit or loss when they occur.

Where parts of an item of plant and equipment have different useful lives, they are accounted for as separate items of plant and equipment.

(ii) *Subsequent costs*

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the entity.

(iii) *Depreciation*

Depreciation is based on the cost of the asset, less its residual value. Significant components are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in profit or loss and begins when that item is available for use. Depreciation ceases at the earlier of the date it is classified as held-for-sale or the date that it is derecognised.

Items of plant and equipment are depreciated on a straight-line basis over the expected useful lives to an estimated residual value.

The estimated useful lives for the current and comparative years are as follows:

- | | |
|----------------------------------|---------------|
| • Office furniture and equipment | 0.5 – 6 years |
| • Computer equipment | 2– 3 years |
| • Motor vehicles | 5 years |

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Gains or losses on derecognition of an item of plant and equipment are determined by the comparison of the proceeds from disposal, if applicable, with the carrying amount of the item and are recognised directly in profit or loss.



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Notes to the financial statements

for the year ended 31 December 2016 (continued)

2. Accounting policies (continued)

2.2 Leased assets

(i) Operating leases

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognised in profit or loss over the lease term on a straight-line basis unless another basis is more representative of the pattern of use.

2.3 Intangible assets

Intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses.

(i) Software

Purchased software and the direct costs associated with the customisation and installation thereof are capitalised. Expenditure on internally-developed software is capitalised if it meets the criteria for capitalising development expenditure. Other software development expenditure is recognised in profit or loss when incurred.

(ii) Amortisation

Amortisation is based on the cost of the asset, less its residual value.

Intangible assets with indefinite useful lives are not amortised but are tested at each reporting date for impairment.

Intangible assets with finite useful lives are amortised on a straight-line basis over their estimated useful lives, from the date they are available for use. The estimated useful lives for the current and comparative years are as follows –

- Software 3 years

The amortisation methods, useful lives and residual values are reviewed at each reporting date.



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Notes to the financial statements

for the year ended 31 December 2016 (continued)

2. Accounting policies (continued)

2.4 Revenue

- (i) *Licences, inspection, permit and affiliation fees and levies*
Revenue derived from licences, inspection, permit, award income, commercial rights, publications and affiliation fees and levies are recognised as income in the period in which these fees and levies are applicable. Advance payments made for these are included in trade payables in the statement of financial position.
- (ii) *Sponsorship and advertising revenue*
Revenue arising from sponsorship and advertising revenue is recognised as income in the relevant period that the event is run or the advertising is published and it is probable that there would be a future flow of economic benefits to the company.
- (iii) *Subsidies and grants*
Subsidies and grants are recognised as income when the specific expenditure related thereto is incurred and it is probable that there would be a future flow of economic benefits to the company.
- (iv) *Promotional items*
The sale of promotional goods are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, and to the extent that it is probable that there would be a future flow of economic benefits to the company.

2.5 Foreign currency

Items included in the financial results of the entity are measured using the functional currency of the entity.

Transactions in foreign currencies are translated into the functional currency of the entity at the rate of exchange ruling at the transaction date.

Monetary assets and liabilities are translated into the functional currency of the entity at the exchange rate ruling at the reporting date. Foreign exchange gains and losses resulting from the translation and settlement of monetary assets and liabilities are recognised in profit or loss, except when they relate to cash flow hedging activities in which case these gains and losses are recognised in other comprehensive income and are presented within equity in the hedge accounting reserve.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.



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Notes to the financial statements

for the year ended 31 December 2016 (continued)

2. Accounting policies (continued)

2.6 Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are those that are due to be settled within twelve months after the end of the period in which the services have been rendered. The accruals for employee entitlements to salaries, performance bonuses and annual leave represent the amounts which the entity has a present obligation to pay as a result of employees' services provided to the reporting date.

Short-term employee benefits are measured on an undiscounted basis and are recognised as employee benefit expenses in profit or loss in the period in which the employee renders the related service.

(ii) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

2.7 Provisions

A provision is recognised when the company has a present legal or constructive obligation and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-taxation rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as a finance expense in profit or loss.

2.8 Income tax

No income or deferred tax is provided as the non-profit company is exempt from taxation in terms of Section 10(1)(cN) of the South African Income Tax Act.



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Notes to the financial statements

for the year ended 31 December 2016 (continued)

2. Accounting policies (continued)

2.9 Financial instruments

(i) *Non-derivative financial assets*

Non-derivative financial assets comprise accounts receivable and cash and cash equivalents.

The company initially recognises loans and receivables on the date that they are originated. All other financial assets are recognised initially on the trade date at which the company becomes a party to the contractual provisions of the instrument.

The company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the company is recognised as a separate asset or liability.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits, as well as restricted cash comprising commission funds and project funds held on behalf of affiliated members. The carrying value of cash and cash equivalents approximates their fair value due to their short-term nature.

Accounts receivable

Trade and other receivables originated by the company are measured at amortised cost less any impairment losses on receivables.

(ii) *Non-derivative financial liabilities*

The company initially recognises financial liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date at which the company becomes a party to the contractual provisions of the instrument.

The company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The company has the following non-derivative financial liabilities: accounts payable, commission funds and project funds.

Accounts payable, commission funds and project funds are subsequent to initial recognition, measured as amortised cost using the effective interest rate method.

Offset

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

2.10 Finance income and financial expenses

Finance income is recognised using the effective interest rate method.

Interest expense is recognised as it accrues, using the effective interest rate method.

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Notes to the financial statements

for the year ended 31 December 2016 (continued)

2. Accounting policies (continued)

2.11 Impairment of assets

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

The entity considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of its estimated future cash flows discounted at the original effective interest rate. Impairment losses are recognised in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

All impairment losses are recognised in profit or loss. The allowance account in respect of trade receivables is used to record impairment losses unless the company is satisfied that no recovery of the amount owing is impossible and at that point the amount is considered irrecoverable and is written off against the financial asset directly.

Reversal of impairment

A previously recognised impairment loss is reversed if there is an indication that the impairment loss no longer exists and the recoverable amount increases as a result of a change in the estimates used to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior years.



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Notes to the financial statements

for the year ended 31 December 2016 (continued)

2. Accounting policies (continued)

2.12 New Standards and Interpretations in issue not yet effective

At the date of authorisation of the financial statements of Motorsport South Africa NPC for the year ended 31 December 2016, the following Standards and Interpretations were in issue but not yet effective:

Disclosure Initiative (Amendments to IAS 7)

The amendments provide for disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. This includes providing a reconciliation between the opening and closing balances for liabilities arising from financing activities.

The amendments apply for annual periods beginning on or after 1 January 2017 and early application is permitted

IFRS 15 Revenue from contracts with customers

This standard replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, and IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers* and SIC-31 *Revenue – Barter of Transactions Involving Advertising Services*.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

This new standard may have a significant impact on the Company, which may include a possible change in the timing of when revenue is recognised and the amount of revenue recognised. The Company is currently in the process of performing a more detailed assessment of the impact of this standard on the Company and will provide more information in the year ended 31 December 2017 financial statements.

The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.



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Notes to the financial statements

for the year ended 31 December 2016 (continued)

2. Accounting policies (continued)

2.12 New Standards and Interpretations in issue not yet effective (continued)

IFRS 9 *Financial Instruments*

On 24 July 2014, the IASB issued the final IFRS 9 *Financial Instruments* Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*.

This standard may have a significant impact on the Company, which may include changes in the measurement bases of the Company's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model, which may result in a provision for bad debts recognised in the Company.

The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application, early adoption is permitted.

IFRS 16 - *Leases*

IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases Standard, IAS 17 *Leases*, and related Interpretations. IFRS 16 has one model for lessees which will result in almost all leases being included on the Statement of Financial position. No significant changes have been included for lessors.

The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted only if the entity also adopts IFRS 15. The transitional requirements are different for lessees and lessors. The Company is currently in the process of performing a more detailed assessment of the impact of this standard on the Company and will provide more information in the year ended 31 December 2017 financial statements.



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Notes to the financial statements

for the year ended 31 December 2016 (continued)

	2016 R	2015 R
3. Surplus from operating activities		
Surplus from operating activities for the year is arrived at after taking the following into account –		
<i>Expenses</i>		
Auditors' remuneration		
– audit fee	171 735	160 500
Depreciation of plant and equipment	46 120	43 361
– computer equipment	30 331	19 035
– office furniture and equipment	15 789	22 713
– motor vehicles	–	1 613
Amortisation of intangible asset		
– computer software	23 595	23 595
Directors' emoluments (for services as directors)	1 035 602	934 956
Rental of equipment and property	577 481	453 229
Salary expense	5 331 213	4 999 357
4. Finance income		
Call accounts	830 373	615 138



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Notes to the financial statements

for the year ended 31 December 2016 (continued)

5. Plant and equipment

<i>Owned</i>	Motor vehicles R	Office furniture and equipment R	Computer equipment R	Total R
Cost				
Opening balance at 1 January 2015	91 957	471 792	1 049 250	1 612 999
Additions for the year	–	18 262	30 742	49 004
Closing balance at 31 December 2015	91 957	490 054	1 079 992	1 662 003
Opening balance at 1 January 2016	91 957	490 054	1 079 992	1 662 003
Additions for the year	–	–	26 655	26 655
Closing balance at 31 December 2016	91 957	490 054	1 106 647	1 688 658
Accumulated depreciation				
Opening balance at 1 January 2015	90 344	438 114	1 011 213	1 539 671
Depreciation for the year	1 613	22 713	19 035	43 361
Closing balance at 31 December 2015	91 957	460 827	1 030 248	1 583 032
Opening balance at 1 January 2016	91 957	460 827	1 030 248	1 583 032
Depreciation for the year	–	15 789	30 331	46 120
Closing balance at 31 December 2016	91 957	476 616	1 060 579	1 629 152
Net book value				
Opening balance at 1 January 2015	1 613	33 678	38 037	73 328
Closing balance at 31 December 2015	–	29 227	49 744	78 971
Opening balance at 1 January 2016	–	29 227	49 744	78 971
Closing balance at 31 December 2016	–	13 438	46 068	59 506

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for the year ended 31 December 2016 (continued)

	2016 R	2015 R
6. Intangible assets		
Software		
Cost		
Opening balance at 1 January	704 886	704 886
Additions for the year	—	—
	<u>704 886</u>	<u>704 886</u>
Accumulated amortisation		
Opening balance at 1 January	(657 697)	(634 102)
Amortisation	(23 595)	(23 595)
	<u>(681 292)</u>	<u>(657 697)</u>
Net book value	<u>23 594</u>	<u>47 189</u>
7. Accounts receivable		
<i>Financial assets</i>		
Trade receivables	314 940	367 720
Other receivables	155 247	383 806
Less : provision for doubtful debt	(17 562)	(17 562)
	<u>452 625</u>	<u>733 964</u>
<i>Non-financial assets</i>		
VAT receivable	<u>257 260</u>	<u>85 179</u>
	<u>709 885</u>	<u>819 143</u>
8. Cash and cash equivalents		
Bank accounts	398 304	504 877
Call accounts	<u>11 842 252</u>	<u>11 242 199</u>
	<u>12 240 556</u>	<u>11 747 076</u>

Restricted cash amounts to R1 673 834 (2014: R3 416 272).

Restricted cash comprises of amounts that are kept by the company on behalf of affiliated members to be used for those member's expenditure in future.



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Notes to the financial statements

for the year ended 31 December 2016 (continued)

9. Operating leases

The company leases certain of its property and office equipment in terms of operating leases. The company does not have an option to acquire the assets at the termination of the lease.

	Total future minimum lease payments under non-cancellable operating leases	
	2016 R	2015 R
Not later than 1 year	275 177	366 091
Between 1 and 5 years	—	214 676
	<u>275 177</u>	<u>580 767</u>

10. Accounts payable

Financial liabilities

Accounts payable

Provision for audit fees

1 051 724	758 508
<u>176 061</u>	<u>170 826</u>
1 227 785	929 334

Non-financial liabilities

Operating lease accrual

Payroll liabilities

Income received in advance

45 956	45 956
154 228	148 367
<u>306 339</u>	<u>—</u>
1 734 308	1 123 657



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Notes to the financial statements

for the year ended 31 December 2016 (continued)

11. Commission funds	2016 R	2015 R
Commission Fund - Drag Racing	43 025	34 033
Commission Fund - Historic & Marque	30 427	25 208
Commission Fund - Karting	284 840	227 103
Commission Fund - Motocross	52 807	16 735
Commission Fund - Motorcycle Circuit Racing	9 644	(332)
Commission Fund - Off Road Motorcycles	293 460	53 389
Commission Fund - Oval Racing	27 104	24 210
Commission Fund - Rally	375 592	331 308
Commission Fund - Saloon Car	33 379	27 371
Commission Fund - Single Seater	61 705	53 871
Commission Fund - Total Regional Rallies	—	26 190
Commission Fund - Trials	—	29 995
KZN Marshall Development Fund	9 902	22 293
Northern Regions Off Road Car Fund	110 716	103 980
Production Car Tyres	—	24 549
	<u>1 332 601</u>	<u>999 903</u>

The funds are held by Motorsport South Africa NPC for and on behalf of the various commissions. The commission funds attract interest at the applicable call account interest rate and are payable on demand.

12. Project funds

FIA African Selection Event	—	147 044
FIA Motorsport Training Africa	53 055	138 041
FIA Young Driver Safety Programme	136 753	1 372 076
FIM Grant Environment	7 801	7 441
Grant - FIM Women In Motorcycling	—	80 445
Grant Accounts - MSA/FIM Africa	40 445	23 136
MSA Women in Motorsport	62 607	18 424
Sport and Recreation	1 043 279	868 622
FIA Motorsport Development Academy	22 410	251 688
FIM International Women	—	77 021
Liquorland Sponsorship	—	301 053
FIA Institute Clearing Account	18 162	—
FIA Track Resurface Project	459 860	—
	<u>1 844 372</u>	<u>3 284 991</u>

The funds are granted to Motorsport South Africa NPC for the specific use of the respective projects according to the terms and conditions stipulated in the various agreements.



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Notes to the financial statements

for the year ended 31 December 2016 (continued)

13. Notes to the statement of cash flows	2016 R	2015 R
Cash generated by operations		
Operating surplus	838 432	1 451 730
Adjusted for:		
– finance income	(830 373)	(615 138)
– depreciation	46 120	43 361
– amortisation	23 595	23 595
Operating surplus before working capital changes	77 774	903 548
Decrease in accounts receivable	109 258	564 089
Increase/(decrease) in accounts payable	610 651	(533 099)
(Decrease)/increase in project funds	(1 440 619)	1 468 074
Increase/(decrease) in commission funds	332 698	(516 660)
	<u>(310 238)</u>	<u>1 885 952</u>

14. Financial instruments

The company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- interest rate risk

14.1 Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's receivables from customers.

Trade and other receivables

The company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Approximately 54% of the company's revenue is attributable to sales transactions with competitors requiring annual licences and licences for competitions. These licences are operated on a cash basis. Approximately 34% of revenue relates to club registrations, competitor levies and permit fees from clubs. The balance of the revenue earned relates to sponsorship received from various large corporations and commercial and naming rights.

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Notes to the financial statements

for the year ended 31 December 2016 (continued)

14. Financial instruments (continued)

14.1 Credit risk (continued)

The company has established a credit policy under which each new club is evaluated individually and a deposit is held until the club has been approved by the board. Exposure limits are established for each club, in accordance with the approval framework. Permits are issued to clubs for each individual event as per the calendar. If their account is in arrears, Motorsport South Africa NPC will not issue the permit until paid. The club will therefore not be able to hold an event without a permit. Furthermore, if a competitor's cheque is referred to drawer their licence is immediately revoked, and as they have to be a club member to get a licence, Motorsport South Africa NPC advises the club that they cannot race until their licence is active.

More than 95% of the company's clubs and competitors have been transacting with the Company for over four years, and losses have occurred infrequently. There are no customers graded as "high risk".

The company does not require collateral in respect of trade and other receivables, as it mainly renders services to Motorsport clubs and race tracks in the industries in which they operate and the exposure to credit risk is monitored on an ongoing basis.

The company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

14.2 Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due under normal conditions.

The company manages its working capital requirements stringently and ensures that it has sufficient cash on demand to meet expected operational expenses for a minimum period of 30 days, including the servicing of its financial obligations.

14.3 Interest rate risk

Financial assets that are sensitive to interest rate risk are cash and cash equivalents. The interest rates applicable to these financial instruments compared favourably with those currently available in the market and as a result, no re-pricing analysis was considered necessary.

14.4 Capital management

The Board's policy is to maintain a strong capital base to sustain future development of the business and maintain creditor confidence. Capital is defined as initial capital introduced and the accumulated surplus.

There were no changes in the company's approach to capital management during the year.



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Notes to the financial statements

for the year ended 31 December 2016 (continued)

14. Financial instruments (continued)

14.5 Credit risk

Exposure to and management of credit risk

2016

2015

R

R

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

Other receivables

155 247

383 806

Net trade receivables

297 378

350 158

Cash and cash equivalent

12 240 556

11 747 076

12 293 181

12 481 040

Gross accounts receivables by type of

Trust receivables

72 680

173 597

Trade receivables

242 260

194 122

Gross accounts receivable:

314 940

367 719

	2016	Gross 2015	Impairment allowance 2016	2015
Not past due	126 121	86 559		—
Past due 0 – 30 days	99 232	117 338		—
Past due 31 – 120 days	89 587	74 864	17 652	—
Past due 121 – 365 days	—	88 959	—	17 652
	314 940	867 720	17 652	17 652

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

Analysis of impairment allowances

	2016 R	2015 R
Balance at the beginning of the year	17 562	489 773
Impairment loss recognised	—	(472 211)
Balance at end of the year	17 562	17 562

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Notes to the financial statements

for the year ended 31 December 2016 (continued)

14. Financial instruments (continued)

14.6 Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments.

Non-derivative liabilities	Carrying amount	Contractual cash flows	Within 1 year	Over 1 year
2016				
Commission funds	1 832 601	1 332 601	1 332 601	—
Project funds	1 844 372	1 844 372	1 844 372	—
Accounts payable	1 227 785	1 227 785	1 227 785	—
	<u>4 404 758</u>	<u>4 404 758</u>	<u>4 404 758</u>	<u>—</u>
2015				
Commission funds	999 903	999 903	999 903	—
Project funds	3 284 991	3 284 991	3 284 991	—
Accounts payable	929 334	929 334	929 334	—
	<u>5 214 228</u>	<u>5 214 228</u>	<u>5 214 228</u>	<u>—</u>

14.7 Interest rate risk

At the reporting date the interest rate profile of the company's interest-bearing financial instruments was:

	2016 R	2015 R
Variable rate instruments		
Financial assets	<u>12 240 556</u>	<u>11 747 076</u>
	<u>12 240 556</u>	<u>11 747 076</u>

Sensitivity analysis – Interest rate movement

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and surplus or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2015.

Variable rate instruments	Surplus or loss	
30 December 2016		
- Variable rate instruments	<u>122 406</u>	<u>122 406</u>
30 December 2015		
- Variable rate instruments	<u>117 471</u>	<u>117 471</u>

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Notes to the financial statements

for the year ended 31 December 2016 (continued)

14. Financial instruments (continued)

14.8 Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	Note	Loans and receivables R	Liabilities at amortised cost R	Total carrying amount R	Total Fair value R
2016					
Financial assets					
Accounts receivable	7	452 625	–	452 625	452 625
Cash and cash equivalents	8	12 240 556	–	12 240 556	12 240 556
		12 693 181	–	12 693 181	12 693 181
Financial liabilities					
Accounts payable	10	–	1 227 785	1 227 785	1 227 785
Commission funds	11	–	1 332 601	1 332 601	1 332 601
Project funds	12	–	1 844 372	1 844 372	1 844 372
		–	4 404 758	4 404 758	4 404 758
2015					
Financial assets					
Accounts receivable	7	733 964	–	733 964	733 964
Cash and cash equivalents	8	11 747 076	–	11 747 076	11 747 076
		12 481 040	–	12 481 040	12 481 040
Financial liabilities					
Accounts payable	10	–	929 334	929 334	929 334
Commission funds	11	–	999 903	999 903	999 903
Project funds	12	–	3 284 991	3 284 991	3 284 991
		–	5 214 228	5 214 228	5 214 228

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Notes to the financial statements

for the year ended 31 December 2016 (continued)

15. Related party transactions

Transactions with key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly, including any director (whether executive or otherwise) of that company.

The directors of the company have been identified as the key management personnel of the company.

Please refer to note 3 for remuneration paid to key management personnel.

16. Going concern

The directors have made an assessment of the ability of the business to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead.

17. Events subsequent to reporting date

The directors are not aware of any matter or circumstance arising between the end of the financial year and the date of the report not otherwise dealt with in this report or the financial statements that would affect the operations of the company or the results of the operations significantly.



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Detailed statement of comprehensive income

for the year ended 31 December 2016

	<i>Note</i>	2016 R	2015 R
Income			
Awards income		182 716	230 593
Commercial rights		614 203	838 170
Competitor Levies		1 274 489	1 106 789
Event Registration Fees		130 214	140 876
Homologation Fee		78 396	2 778
Interest Received	4	830 373	615 138
Licence Income		5 295 166	5 017 034
MSA Accreditation Cards		30 570	20 811
Permit Fees		1 663 232	1 570 930
Registration Fees		310 174	362 833
Marketing Regalia and Publications		30 255	31 170
Sundry Income		70 238	87 045
Sports and Recreation South Africa (SRSA Administration)		100 000	100 000
Bad debts recovered		—	15 960
Total income		10 610 024	10 140 124

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Detailed statement of comprehensive income

for the year ended 31 December 2016 (continued)

	Note	2016 R	2015 R
– brought forward –		10 610 024	10 140 124
Expenditure			
Accounting fees		1 700	–
Amortisation		23 595	23 595
Assets under R3 000		10 191	11 403
Audit Fee Expense		171 735	160 500
Awards Expenditure		428 674	379 810
Bad Debt Expense		6 315	9 797
Bank Charges		226 281	258 379
Board of Directors Expenses		72 802	62 257
Regional Committee Expenses		54 648	42 832
Commission Expenses		157 947	217 764
Corporate Compliance		–	729
Depreciation		46 120	43 362
Donations		128 486	–
Entertainment		5 469	8 562
General Expenses		1 883	825
Insurance Expense		941 556	1 005 728
Inventory Purchases		83 105	21 735
IT Expenses		366 888	259 025
Licence Expense		18 499	37 106
Maintenance Expenses		9 216	22 205
Marketing Expenses		37 577	67 690
Postage Costs		(169)	(10 751)
Stationery and printing		126 268	115 522
Railage and Airfreight		3 610	3 064
Refreshments		7 887	4 905
Regional Prize Fund Expense		17 842	13 375
Rental Expense		577 481	536 731
Salaries		5 331 213	4 999 356
Security Expenses		2 892	2 910
Staff Travel - Local		54 983	59 091
Staff Travel - Overseas		46 891	36 250
– carried forward –		8 961 585	8 393 757

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Detailed statement of comprehensive income for the year ended 31 December 2016 (continued)

	<i>Note</i>	2016 R	2015 R
Expenditure (continued)			
– brought forward –		8 961 585	8 393 757
Staff Uniform		15 531	10 340
Storage Expenses		9 877	11 310
Strategic Development Expense		512 024	34 918
Subscription and Membership Fees		130 232	104 640
Telephone Expenses		106 533	93 447
Vehicle Expenses		18 971	22 777
Medical Seminar		8 922	16 792
Discount allowed		7 917	413
Total expenditure		9 771 592	8 688 394
Net surplus for the year		838 432	1 451 730
Accumulated surplus			
At beginning of year		7 075 904	5 624 174
At end of year		7 914 336	7 075 904