

**ONVERWACHT RESORT DEVELOPMENT HOME OWNERS
ASSOCIATION**
Annual Financial Statements
for the year ended 28 February 2018

Audited Financial Statements

Van Riet Professional Accountants

in association with:

Current-C Registered Auditors

ONVERWACHT RESORT DEVELOPMENT HOME OWNERS ASSOCIATION

Annual Financial Statements for the year ended 28 February 2018

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The reports and statements set out below comprise the annual financial statements presented by the Management committee to the members:

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ONVERWACHT RESORT DEVELOPMENT HOME OWNERS ASSOCIATION

Annual Financial Statements for the year ended 28 February 2018

General Information

Country of Incorporation and Domicile	South Africa
Nature of Business and Principal Activities	Administration of the communal property of a development known as Onverwacht Resort Development situated in Wellington
Management Committee	Frik Bosman John Gallowitz (Resigned June 2017) Ollie van Schalkwyk Uwe Pey Cor Uys Annemarie van Zyl (Co-opted June 2017) Hentie Havenga
Registered Office	19 Bain Street Wellington 7654
Business Address	19 Bain Street Wellington 7654
Bankers	First National Bank
Preparer of financial statements	Van Riet Professional Accountants
Independent Auditors	Current-C Registered Auditors
Managing Agents	Dymaserve (Pty) Ltd t/a Pinnacle Property Management

Independent Auditor's Report

To the Owners of Onverwacht Resort Development Home Owners Association

Opinion

We have audited the financial statements of Onverwacht Resort Development Home Owners Association set out on pages 7 to 14, which comprise the statement of financial position as at 28 February 2018, and the statement of comprehensive income, the statement of changes in funds and reserves and the statement of 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 the association as at 28 February 2018, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities.

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 association 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.

Responsibilities of the Management committee for the Financial Statements

The Management committee are responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and for such internal control as the management committee 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 management committee are responsible for assessing the association'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 management committee either intend to liquidate the association or to cease operations, or have no realistic alternative but to do so.

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 judgement 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 association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management committee.
- Conclude on the appropriateness of the management committees' 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 association'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 association 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 management committee 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.

Current-C Registered Auditors

16 May 2018

Bellville

Per: C Mackenzie

ONVERWACHT RESORT DEVELOPMENT HOME OWNERS ASSOCIATION

Annual Financial Statements for the year ended 28 February 2018

Management committees' Responsibilities and Approval

The management committee are required 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 satisfy the financial reporting standards as to form and content and present fairly the statement of financial position, results of operations of the association, and explain the transactions and financial position of the business of the association at the end of the financial year. The annual financial statements are based upon appropriate accounting policies consistently applied throughout the association and supported by reasonable and prudent judgements and estimates.

The management committee acknowledge that they are ultimately responsible for the system of internal financial control established by the association and place considerable importance on maintaining a strong control environment. To enable the management committee to meet these responsibilities, the board 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 association and all employees are required to maintain the highest ethical standards in ensuring the association business is conducted in a manner that in all reasonable circumstances is above reproach.

The focus of risk management in the association is on identifying, assessing, managing and monitoring all known forms of risk across the association. While operating risk cannot be fully eliminated, the association endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The management committee 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 going-concern basis has been adopted in preparing the financial statements. Based on forecasts and available cash resources the management committee have no reason to believe that the association will not be a going concern in the foreseeable future. The financial statements support the viability of the association.

The financial statements have been audited by the independent auditing firm, Current-C Registered Auditors, who have been given unrestricted access to all financial records and related data. The management committee believe that all representations made to the independent auditor during the audit were valid and appropriate. The external auditors' unqualified audit report is presented on page 3 to 4.

The annual financial statements as set out on pages 7 to 14 were approved at the annual general meeting on 16 May 2018 and were signed by:

Member

Member

ONVERWACHT RESORT DEVELOPMENT HOME OWNERS ASSOCIATION

Annual Financial Statements for the year ended 28 February 2018

Management committee

The Management committee present their report for the year ended 28 February 2018.

1. Review of activities

Main business and operations

The principal activity of the association is administration of the communal property of a development known as Onverwacht Resort Development situated in Wellington and there were no major changes herein during the year.

The operating results and statement of financial position of the association are fully set out in the attached financial statements and do not in our opinion require any further comment.

2. Going concern

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

3. Events after reporting date

All events subsequent to the date of the annual financial statements and for which the applicable financial reporting framework require adjustment or disclosure have been adjusted or disclosed.

The management committee are not aware of any matter or circumstance arising since the end of the financial year to the date of this report that could have a material effect on the financial position of the association.

4. Management committee

The Management committee of the association during the year and to the date of this report are as follows:

Frik Bosman

John Gallowitz (Resigned June 2017)

Ollie van Schalkwyk

Uwe Pey

Cor Uys

Annemarie van Zyl (Co-opted June 2017)

Hentie Havenga

5. Managing Agents

The association's designated managing agent is Dymaserve (Pty) Ltd t/a Pinnacle Property Management.

6. Independent Auditors

Van Riet Professional Accountants in association with Current-C Registered Auditors were the independent auditors for the year under review and their re-appointment depends on a resolution taken to that effect by the members at the forthcoming annual general meeting.

ONVERWACHT RESORT DEVELOPMENT HOME OWNERS ASSOCIATION

Annual Financial Statements as at 28 February 2018

Statement of Financial Position

Figures in R	Notes	2018	2017
Assets			
Non-Current Assets			
Loans receivable	4	13,589	13,589
Current Assets			
Trading investments		-	156,096
Trade and other receivables	5	69,172	91,412
Cash and cash equivalents	6	533,624	94,794
		602,796	342,302
Total Assets		616,385	355,891
Reserves and Liabilities			
Reserves and Funds			
Contingency fund		363,146	219,694
Current Liabilities			
Trade and other payables	7	226,623	122,574
Current tax liability		26,616	13,623
		253,239	136,197
Total Funds and Liabilities		616,385	355,891

ONVERWACHT RESORT DEVELOPMENT HOME OWNERS ASSOCIATION

Annual Financial Statements for the year ended 28 February 2018

Statement of Comprehensive Income

Figures in R	Note	2018	2017
Levy income		981,899	904,800
Other income		138,083	90,248
Operating costs		(959,495)	(875,496)
Operating profit		160,487	119,552
Finance income		9,580	9,375
Finance costs		-	(3,940)
Profit before tax		170,067	124,987
Tax expense	8	(26,616)	(13,623)
Surplus for the year		143,451	111,364

ONVERWACHT RESORT DEVELOPMENT HOME OWNERS ASSOCIATION

Annual Financial Statements for the year ended 28 February 2018

Statement of Changes in Funds and Reserves

Figures in R	Contingency fund	Total
Balance at 1 March 2016	108,330	108,330
Total comprehensive income for the year		
Surplus for the year	111,364	111,364
Total comprehensive income for the year	<u>111,364</u>	<u>111,364</u>
Balance at 28 February 2017	<u>219,694</u>	<u>219,694</u>
Balance at 1 March 2017	219,695	219,695
Total comprehensive income for the year		
Surplus for the year	143,451	143,451
Total comprehensive income for the year	<u>143,451</u>	<u>143,451</u>
Balance at 28 February 2018	<u>363,146</u>	<u>363,146</u>

ONVERWACHT RESORT DEVELOPMENT HOME OWNERS ASSOCIATION

Annual Financial Statements for the year ended 28 February 2018

Statement of Cash Flows

Figures in R	2018	2017
Cash flows from / (used in) operating activities		
Surplus for the year	143,451	111,364
<i>Adjustments for:</i>		
Finance costs	-	3,940
Income tax	26,616	13,623
Investment income	(9,580)	(9,375)
Retrenchment costs written off against accumulated surplus	-	(72,828)
Operating cash flow before working capital changes	160,487	46,724
<i>Working capital changes</i>		
Decrease in financial assets	156,096	-
Decrease / (increase) in trade and other receivables	22,240	(2,336)
Increase / (decrease) in trade and other payables	104,050	(119,582)
Net cash flows from / (used in) operations	442,873	(75,194)
Investment income	9,580	9,375
Finance costs	-	(3,940)
Tax paid	(13,623)	(13,623)
Net cash flows from / (used in) operating activities	438,830	(83,382)
Cash flows used in investing activities		
Repayment of long term loan	-	1,953
Transfer to Nedbank Corporate Saver	-	(156,096)
Net cash flows used in investing activities	-	(154,143)
Net cash flows from financing activities	-	-
Net increase / (decrease) in cash and cash equivalents	438,830	(237,525)
Cash and cash equivalents at beginning of the year	94,794	332,320
Cash and cash equivalents at end of the year	533,624	94,794

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ONVERWACHT RESORT DEVELOPMENT HOME OWNERS ASSOCIATION

Annual Financial Statements for the year ended 28 February 2018

Accounting Policies

1. General information

Onverwacht Resort Development is a home owners association in South Africa. The principal activities are administers the communal property of a development known as Onverwacht Resort Development situated in Wellington.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

These financial statements have been prepared under the historical cost convention and are presented in South African Rands.

2.1 Revenue recognition

The ordinary levies receivable are accounted for on a straight-line basis over the financial year and decided amongst the members on a participation quota basis. The annual ordinary levies are agreed and approved by the members at the association's annual general meeting. Interest is recognised, in surplus or deficit, using the effective interest rate method. Interest on arrear levy contributions is recognised in terms of prescribed management rule 31(6).

2.2 Income taxes

Provisions for tax are made at the corporation rate on net investment income earned by the association, less allowable expenses applicable to home owners associations. The association is taxed in terms of Section 10(1)(e) of the Income Tax Act and Interpretation Note 64.

2.3 Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Costs 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 charged so as to allocate the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The following rates are used for the depreciation of property, plant and equipment:

Plant and equipment	4 years
Furniture and fittings	5 years
Office equipment	4 years
IT equipment	3 years

ONVERWACHT RESORT DEVELOPMENT HOME OWNERS ASSOCIATION

Annual Financial Statements for the year ended 28 February 2018

Accounting Policies

2.4 Trade and other receivables

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the association will not be able to collect all amounts due according to the original terms of the receivables.

2.5 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown in current liabilities on the statement of financial position.

2.6 Trade payables

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest rate method.

2.7 Capital improvements

All capital improvements in respect of communal property are written off as an expense in the income statement in the year in which it is incurred.

2.8 Insurance payouts

All amounts received in respect of claims are set off against the expenses incurred.

ONVERWACHT RESORT DEVELOPMENT HOME OWNERS ASSOCIATION

Annual Financial Statements for the year ended 28 February 2018

Notes to the Annual Financial Statements

Figures in R 2018 2017

3. Property, plant and equipment

	Cost	Accumulated depreciation	2018 Carrying value	Cost	Accumulated depreciation	2017 Carrying value
<i>Owned assets</i>						
Plant and equipment	105,635	(105,635)	-	105,635	(105,635)	-
Furniture and fittings	10,359	(10,359)	-	10,359	(10,359)	-
Office equipment	8,807	(8,807)	-	8,807	(8,807)	-
	<u>124,801</u>	<u>(124,801)</u>	<u>-</u>	<u>124,801</u>	<u>(124,801)</u>	<u>-</u>

The following erven was transferred to the association on 15/12/2015: 9684, 9728, 9729 and 13855.

The following erven was previously registered: 9714, 9814, 12914 and 13489.

4. Loans receivable

Sparrowshelf (Pty) Ltd	<u>13,589</u>	<u>13,589</u>
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This loan is unsecured, bears no interest and is payable as funds become available.

5. Trade and other receivables

Trade debtors	53,458	74,354
Water recoveries after year end	-	14,356
Prepaid expenses	1,682	-
Deposits	14,032	2,702
	<u>69,172</u>	<u>91,412</u>

6. Cash and cash equivalents

Favourable cash balances

FNB Current account	366,393	94,794
FNB 7 day Notice account	167,231	-
	<u>533,624</u>	<u>94,794</u>

7. Trade and other payables

Levies received in advanced	149,774	78,009
Trade creditors	21,674	19,390
Building deposits	55,175	25,175
	<u>226,623</u>	<u>122,574</u>

ONVERWACHT RESORT DEVELOPMENT HOME OWNERS ASSOCIATION

Annual Financial Statements for the year ended 28 February 2018

Notes to the Annual Financial Statements

Figures in R	2018	2017
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8. Income tax expense

Current tax	26,616	13,623
Income tax for the year	<u>26,616</u>	<u>13,623</u>

ONVERWACHT RESORT DEVELOPMENT HOME OWNERS ASSOCIATION

Annual Financial Statements for the year ended 28 February 2018

Detailed Income Statement

Figures in R	2018	2017
Levy Income		
Building penalty levies	7,500	-
Ordinary levies	974,399	904,800
	<u>981,899</u>	<u>904,800</u>
Other Income		
Administration income	-	383
Interest received	9,580	9,375
Penalties and fines for non-compliance	31,000	(3,000)
Rent received	107,083	92,865
	<u>147,663</u>	<u>99,623</u>
	<u>1,129,562</u>	<u>1,004,423</u>
Municipal charges		
Electricity	20,843	22,829
Water	87,062	234,649
Less: Water recovered from owners	(143,370)	(235,333)
Net water charge / (recovery)	<u>(56,308)</u>	<u>(684)</u>
Sewerage	5,208	-
Refuse removal	2,849	2,438
Total Net municipal charges	<u>(27,408)</u>	<u>24,583</u>
Expenditure		
Auditors' remuneration	10,260	10,990
Bank charges	7,203	8,609
Borehole expenses	42,347	-
Communication	5,672	3,108
Entertainment	3,587	5,734
Garden maintenance	189,425	187,150
Insurance	18,237	13,836
Interest paid	-	3,940
Management fees	119,016	127,169
Printing and stationery	2,465	1,958
Professional fees	1,710	1,482
Property rates	6,590	5,340
Repairs and maintenance	152,925	195,467
Salaries and wages	-	30,407
Security	427,466	259,663
	<u>959,495</u>	<u>879,436</u>
Operating Surplus	<u>170,067</u>	<u>124,987</u>
Taxation	<u>(26,616)</u>	<u>(13,623)</u>
Surplus After Taxation	<u>143,451</u>	<u>111,364</u>

The supplementary information presented does not form part of the annual financial statements and is unaudited