

ONVERWACHT RESORT DEVELOPMENT HOME OWNERS ASSOCIATION

**Annual Financial Statements
for the year ended 29 February 2020**

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 29 February 2020

Index

The reports and statements set out below comprise the annual financial statements presented by the Trustees to the section owners:

General Information	1
Independent Auditor's Report	2 - 3
Trustees' Responsibilities and Approval	4
Report of the Trustees	5
Statement of Financial Position	6
Statement of Comprehensive Income	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
Accounting Policies	10 - 11
Notes to the Financial Statements	12 - 13
The supplementary information presented does not form part of the annual financial statements and is unaudited:	
Detailed Income Statement	14 - 15

ONVERWACHT RESORT DEVELOPMENT HOME OWNERS ASSOCIATION

Annual Financial Statements for the year ended 29 February 2020

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 Ollie van Schalkwyk Cor Uys Etienne Boeke Stefan Hartman Harry Allen Johan Burger
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	A Letting Property Management (Pty) Ltd

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 6 to 13, which comprise the statement of financial position as at 29 February 2020, and the statement of comprehensive income, the statement of changes in equity 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 Onverwacht Resort Development Home Owners Association as at 29 February 2020, 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 and the requirements of the Sectional Titles Schemes Management 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 association in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Trustees for the Financial Statements

The trustees 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 the requirements of the Sectional Titles Schemes Management Act of South Africa, and for such internal control as the trustees 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 trustees 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 trustees 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 trustees.
- Conclude on the appropriateness of the trustees' 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 trustees 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

21 May 2020

**Per: C Mackenzie
Chartered Accountant (SA)**

Bellville

ONVERWACHT RESORT DEVELOPMENT HOME OWNERS ASSOCIATION

Annual Financial Statements for the year ended 29 February 2020

Trustees' Responsibilities and Approval

The trustees 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 trustees 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 trustees 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 associations 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 trustees 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 trustees 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 trustees 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 2 to 3.

The annual financial statements as set out on pages 6 to 13 were approved at the annual general meeting on 21 May 2020 and were signed on its behalf by:

Trustee

Trustee

ONVERWACHT RESORT DEVELOPMENT HOME OWNERS ASSOCIATION

Annual Financial Statements for the year ended 29 February 2020

Trustees' Report

The Trustees present their report for the year ended 29 February 2020.

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 trustees 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. Trustees

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

Frik Bosman
Ollie van Schalkwyk
Cor Uys
Etienne Boeke
Stefan Hartman
Harry Allen
Johan Burger

5. Managing Agents

The association's designated managing agent is A Letting Property Management (Pty) Ltd.

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 section owners at the forthcoming annual general meeting.

ONVERWACHT RESORT DEVELOPMENT HOME OWNERS ASSOCIATION

Financial Statements for the year ended 29 February 2020

Statement of Financial Position

Figures in R	Notes	2020	2019
Assets			
Non-Current Assets			
Loans receivable	4	-	23,939
Current Assets			
Trade and other receivables	5	170,094	92,391
Cash and cash equivalents	6	833,790	916,113
		1,003,884	1,008,504
Total Assets		1,003,884	1,032,443
Reserves and Liabilities			
Reserves and Funds			
Contingency fund		728,299	796,025
Current Liabilities			
Trade and other payables	7	184,207	184,207
Current tax liability		91,378	52,211
		275,585	236,418
Total Funds and Liabilities		1,003,884	1,032,443

ONVERWACHT RESORT DEVELOPMENT HOME OWNERS ASSOCIATION

Financial Statements for the year ended 29 February 2020

Statement of Comprehensive Income

Figures in R	Note	2020	2019
Levy income		1,276,775	1,312,499
Other income		140,768	114,811
Operating costs		(1,497,098)	(996,931)
Operating (deficit)/surplus		(79,555)	430,379
Finance income		50,992	28,095
(Deficit)/surplus before tax		(28,563)	458,474
Tax expense	8	(39,166)	(25,595)
(Deficit)/surplus for the year		(67,729)	432,879

ONVERWACHT RESORT DEVELOPMENT HOME OWNERS ASSOCIATION

Financial Statements for the year ended 29 February 2020

Statement of Changes in Funds and Reserves

Figures in R	Contingency fund	Total
Balance at 1 March 2018	363,146	363,146
Total comprehensive income for the year		
Surplus for the year	432,879	432,879
Total comprehensive income for the year	432,879	432,879
Balance at 28 February 2019	796,025	796,025
Balance at 1 March 2019	796,028	796,028
Total comprehensive income for the year		
Deficit for the year	(67,729)	(67,729)
Total comprehensive income for the year	(67,729)	(67,729)
Balance at 29 February 2020	728,299	728,299

ONVERWACHT RESORT DEVELOPMENT HOME OWNERS ASSOCIATION

Financial Statements for the year ended 29 February 2020

Statement of Cash Flows

Figures in R	2020	2019
Cash flows (used in) / from operating activities		
(Deficit) / surplus for the year	(67,729)	432,879
<i>Adjustments for:</i>		
Income tax	39,166	25,595
Investment income	(50,992)	(28,095)
Operating cash flow before working capital changes	<u>(79,555)</u>	<u>430,379</u>
<i>Working capital changes</i>		
Increase in trade and other receivables	(77,700)	(23,220)
Decrease in trade and other payables	-	(42,415)
Net cash flows (used in) / from operations	<u>(157,255)</u>	<u>364,744</u>
Investment income	50,992	28,095
Tax refunded	1	-
Net cash flows (used in) / from operating activities	<u>(106,262)</u>	<u>392,839</u>
Loans raised / (repaid)	23,939	(10,350)
Net cash flows from / (used in) financing activities	<u>23,939</u>	<u>(10,350)</u>
Net (decrease) / increase in cash and cash equivalents	(82,323)	382,489
Cash and cash equivalents at beginning of the year	916,113	533,624
Cash and cash equivalents at end of the year	<u>6</u>	<u>833,790</u>
		<u>916,113</u>

ONVERWACHT RESORT DEVELOPMENT HOME OWNERS ASSOCIATION

Financial Statements for the year ended 29 February 2020

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

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.

ONVERWACHT RESORT DEVELOPMENT HOME OWNERS ASSOCIATION

Financial Statements for the year ended 29 February 2020

Accounting Policies

Summary of significant accounting policies continued...

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.

ONVERWACHT RESORT DEVELOPMENT HOME OWNERS ASSOCIATION

Financial Statements for the year ended 29 February 2020

Notes to the Annual Financial Statements

Figures in R

2020 2019

3. Property, plant and equipment

	Cost	Accumulated depreciation	2020 Carrying value	Cost	Accumulated depreciation	2019 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)	-
	124,801	(124,801)	-	124,801	(124,801)	-

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	-	23,939
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This loan is deemed irrecoverable and written off in the current year.

5. Trade and other receivables

Trade debtors	46,818	58,796
Sundry debtors	13,514	4,961
Prepaid expenses	93,661	14,602
Deposits	16,101	14,032
	170,094	92,391

6. Cash and cash equivalents

Favourable cash balances		
FNB Current account	137,611	220,926
FNB 7 day Notice account	696,179	695,187
	833,790	916,113

7. Trade and other payables

Levies received in advanced	67,184	43,967
Trade creditors	56,327	28,769
Building deposits	60,000	110,175
Short term loan - Dymaserve	-	600
CSOS levies	696	696
	184,207	184,207

ONVERWACHT RESORT DEVELOPMENT HOME OWNERS ASSOCIATION

Financial Statements for the year ended 29 February 2020

Notes to the Annual Financial Statements

Figures in R	2020	2019
8. Income tax expense		
Current tax	39,166	25,595
Income tax for the year	<u>39,166</u>	<u>25,595</u>

ONVERWACHT RESORT DEVELOPMENT HOME OWNERS ASSOCIATION

Financial Statements for the year ended 29 February 2020

Detailed Income Statement

Figures in R	2020	2019
Levy Income		
Special levies	-	207,531
Building levies	98,538	22,385
CSOS Levies	9,337	7,521
Ordinary levies	1,168,900	1,075,062
	1,276,775	1,312,499
Other Income		
Interest received	50,992	28,095
Penalties and fines for non-compliance	2,500	4,000
Rent received	138,268	110,811
	191,760	142,906
	1,468,535	1,455,405
Municipal charges		
Electricity	32,621	26,736
Water	336,436	192,329
Less: Water recovered from owners	(352,681)	(237,648)
Net water charge / (recovery)	(16,245)	(45,319)
Sewerage	6,781	6,026
Refuse removal	3,483	3,145
Other municipal	2,069	-
Total Net municipal charges	28,709	(9,412)
Expenditure		
Auditors' remuneration	8,600	8,000
Bank charges	5,798	7,152
Borehole expenses	183,223	1,500
Cleaning	1,469	150
Communication	13,661	8,886
CSOS levies	9,337	7,521
Entertainment	1,171	900
Garden maintenance	225,415	198,609
Insurance	20,522	19,983
Legal and professional fees	2,602	794
Loans written off	23,939	-
Management fees	180,044	117,037
Office equipment	8,849	-
Printing and stationery	6,901	939
Property rates	8,529	7,056
Repairs and maintenance	103,265	103,448
Security	665,064	517,202
Workmans compensation commissioner	-	7,166
	1,497,098	996,931

ONVERWACHT RESORT DEVELOPMENT HOME OWNERS ASSOCIATION

Financial Statements for the year ended 29 February 2020

Detailed Income Statement

Figures in R	2020	2019
Operating (Deficit)/Surplus	(28,563)	458,474
Taxation	(39,166)	(25,595)
(Deficit)/Surplus After Taxation	(67,729)	432,879