

**AVALON SPRINGS MOUNTAIN CHALET
BODY CORPORATE**

(Registration number SS 98/2008)

ANNUAL FINANCIAL STATEMENTS
for the year ended 28 FEBRUARY 2010

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Registration number SS 98/2008

ANNUAL FINANCIAL STATEMENTS
28 FEBRUARY 2010

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TRUSTEES :

A ABDULLA
A DESAI
W DICKSON
D ESACK
D GORDON

Avalon Springs Mountain Chalet Body Corporate
(A Body Corporate registered under the Sectional Title Act No 95 of 1986)

TRUSTEES' REPORT FOR THE YEAR ENDED 28 FEBRUARY 2010

TO THE MEMBERS

We have pleasure in submitting our report together with the audited financial statements for the year ended 28 February 2010

1. **GENERAL REVIEW**
The body corporate administers the common property at a resort known as "Avalon Springs Mountain Chalets" situated at Montagu, Western Cape.

As a result of the flooding in November 2008, the resort was closed for the period 13 November 2008 to 6 March 2009. The resort was adequately insured for the losses and the operations have returned to normal.
2. **INCOME AND EXPENDITURE**
The body corporate does not operate for profit and all expenses are recoverable from the members. The current income statement reflects a levy income of R 2,897,650.00 prior to interest received, taxation charge and transfer to refurbishment reserve fund. The resultant net surplus is R 89,405.00.
3. **BUDGET FOR THE 2010 FINANCIAL YEAR**
The budget for the year ended 28 February 2010 is set out on page 9.
4. **INSURANCE**
The insured value of the property amounting to R33,930,500 will be reviewed at the forthcoming annual general meeting.
5. **TRUSTEES**
In terms of the rules of the body corporate, the present Board of Trustees, comprising Mr W Dickson, Mr D Esack, Mr A Abdulla, Mr A Desai and Mrs D Gordon - will retire from office at the Annual General Meeting and are eligible for re-election.
6. **SUBSEQUENT EVENTS**
There have been no facts or circumstances of a material nature that have occurred between the accounting date and the date of this report.

DATED AT CAPE TOWN THIS 30 JUNE 2010

FOR AND ON BEHALF OF THE BOARD OF TRUSTEES



TRUSTEE



TRUSTEE



INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES OF
Avalon Springs Mountain Chalet Body Corporate
(A body corporate registered under the Sectional Title Act No 95 of 1986)

chartered accountants
& business advisers

Report on the Financial Statements

We have audited the accompanying financial statements of Avalon Springs Mountain Chalet Body Corporate, which comprise the trustee's report, the balance sheet as at 28 February 2010, and the income statement and a summary of significant accounting policies and other explanatory notes, as set out on pages 4 to 8.

Trustee's Responsibility for the Financial Statements

Trustees are responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting as set out in note 1 of the annual financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Avalon Springs Mountain Chalet Body Corporate as at 28 February 2010, and its financial performance for the year then ended in accordance with the basis accounting as set out in note 1 of the annual financial statements.

PKF (Cpt) Inc.
(REG NO 2000/016512/21)
(PAAB NO 913596E)
CHARTERED ACCOUNTANTS (S.A)
REGISTERED ACCOUNTANTS AND AUDITORS

Cape Town
30 June 2010

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PKF (Cpt) Inc. Registered Auditors Chartered Accountants (SA) A member firm of PKF International Ltd Reg No. 2000/016512/21.
Directors: JM Nield (Managing) MJ Betts R Campbell SF Cillie DL Cohen H Goussard B Jackson F Mohamed FE Rooknodien
NI Strybis B van der Walt Y Weaver-Sasman
Consultants: MJ Giles AN Ipp

The PKF International Association is an association of legally independent firms. PKF in Southern Africa practise as separate incorporated entities in Bloemfontein, Cape Town, Durban, George, Johannesburg, Port Elizabeth, Pretoria, Welkom, Namibia, and Swaziland

Avalon Springs Mountain Chalet Body Corporate
(A Body Corporate registered under the Sectional Title Act No 95 of 1986)

BALANCE SHEET AT 28 FEBRUARY 2010

| | NOTE | 2010 R | 2009 R |
|--|------|----------------|----------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Trade and other receivables | 2 | 86,190 | 493,477 |
| Loan to Montagu Springs (Pty) Ltd | | 851,653 | 44,699 |
| South African Revenue Service | | - | - |
| TOTAL ASSETS | | <u>937,843</u> | <u>538,176</u> |
| RESERVES AND LIABILITIES | | | |
| RESERVES | | | |
| Accumulated surplus | | 68,981 | (20,424) |
| Refurbishment reserve fund | 3 | 379,462 | 45,123 |
| CURRENT LIABILITIES | | 489,400 | 513,477 |
| Trade and other payables | 4 | 412,548 | 513,477 |
| Loan from Hidden Riches Trading 45 (Pty) Ltd | | 75,900 | - |
| South African Revenue Services | | 952 | - |
| TOTAL RESERVES AND LIABILITIES | | <u>937,843</u> | <u>538,176</u> |

Avalon Springs Mountain Chalet Body Corporate
(A Body Corporate registered under the Sectional Title Act No 95 of 1986)

INCOME STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2010

| | NOTE | 2010 R | 2009 R |
|--|------|------------------|------------------|
| INCOME | | 2,897,650 | 1,696,025 |
| Levies | | 2,897,650 | 1,202,548 |
| Insurance claim | | - | 493,477 |
| EXPENDITURE | | 2,480,691 | 1,648,449 |
| Audit fees | 5 | 15,000 | 20,000 |
| Bank charges | | 3,814 | 3,813 |
| Cleaning materials | | 78,000 | 41,239 |
| Consumables and toiletries | | 145,000 | 65,408 |
| Electricity | | 184,055 | 92,576 |
| Hire of equipment | | 9,592 | 10,178 |
| Insurance | | 199,658 | 89,470 |
| Interest paid | | 2,752 | - |
| Laundry expenses | | 144,500 | 80,700 |
| Licences | | 15,537 | 9,572 |
| Lift maintenance | | 14,101 | 12,639 |
| Maintenance levies | 6 | 116,880 | 38,447 |
| Managing agent's fee | | 250,800 | 119,700 |
| Printing, stationery and postages | | 5,356 | 1,325 |
| Professional fees | | 26,084 | 27,543 |
| Protective clothing | | 6,064 | 3,837 |
| Repairs and maintenance | | 169,057 | 78,481 |
| Resident/Guest access bands | | 3,322 | 2,739 |
| Security | | 62,880 | 67,031 |
| Staff costs | | 997,149 | 862,186 |
| Telephone | | 14,520 | 12,000 |
| Water | | 16,570 | 9,565 |
| LEVY SURPLUS | | 416,959 | 47,576 |
| Interest Received | | 53,398 | - |
| - Loan account | | 53,398 | - |
| NET SURPLUS BEFORE TAXATION | | 470,357 | 47,576 |
| TAXATION | 7 | (952) | - |
| | | 469,405 | 47,576 |
| Less: Transfer to refurbishment reserve fund | | (380,000) | (68,000) |
| NET SURPLUS FOR THE YEAR | | 89,405 | (20,424) |

Avalon Springs Mountain Chalet Body Corporate
(A Body Corporate registered under the Sectional Title Act No 95 of 1986)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2010

1. The policies applied are specific to the body corporate and are set out below.
The financial statements are prepared on the historical cost basis which is consistent with previous years.

1.1 LEVIES RECEIVABLE

Levies received are recognised to the extent that the economic benefits will flow to the Body Corporate and the levies can be reliably measured.

1.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables are stated net of any provisions at their recoverable amounts.

1.3 TRADE AND OTHER PAYABLES

Trade and other payables are stated at their nominal values.

1.4 REFURBISHMENT RESERVE FUND

A specified amount is allocated from net surplus after taxation to the refurbishment reserve fund which can then be utilised for major repairs.

| | 2010 R | 2009 R |
|--------------------------------|---------------|----------------|
| 2. TRADE AND OTHER RECEIVABLES | | |
| Levy Debtors | 86,190 | - |
| Insurance refund receivable | - | 493,477 |
| | <u>86,190</u> | <u>493,477</u> |

Avalon Springs Mountain Chalet Body Corporate
 (A Body Corporate registered under the Sectional Title Act No 95 of 1986)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2010

| | 2010 R | 2009 R |
|--|-----------------------|-----------------------|
| 3. REFURBISHMENT RESERVE FUND | | |
| Balance at the beginning of the year | 45,123 | - |
| Provision for the year | <u>380,000</u> | <u>68,000</u> |
| | 425,123 | 68,000 |
| Less: Expenditure | <u>(45,661)</u> | <u>(22,877)</u> |
| Balance at the end of the year | <u><u>379,462</u></u> | <u><u>45,123</u></u> |
| 4. TRADE AND OTHER PAYABLES | | |
| Audit fee accrual | 35,000 | 20,000 |
| Levies refund payable | - | 493,477 |
| Levies received in advance | <u>377,548</u> | <u>-</u> |
| | <u><u>412,548</u></u> | <u><u>513,477</u></u> |
| 5. AUDIT FEES | | |
| Fees for audit | 15,000 | 20,000 |
| For other services | <u>-</u> | <u>-</u> |
| | <u><u>15,000</u></u> | <u><u>20,000</u></u> |
| 6. MAINTENANCE LEVIES | | |
| This represents reimbursed levies for 1 week when the units are unavailable due to maintenance work. | <u><u>116,880</u></u> | <u><u>38,447</u></u> |

Avalon Springs Mountain Chalet Body Corporate
(A Body Corporate registered under the Sectional Title Act No 95 of 1986)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2010

| | 2010 R | 2009 R |
|---|------------|-----------|
| 7. TAXATION | | |
| In terms of Section 10(1)(e) of the Income Tax Act the income earned by the body corporate is exempt from taxation as far as transaction with the members are concerned. | | |
| Current provision | <u>952</u> | <u>-</u> |

Avalon Springs Mountain Chalet Body Corporate
(A Body Corporate registered under the Sectional Title Act No 95 of 1986)

BUDGET OF INCOME AND EXPENDITURE FOR THE YEAR ENDED 28 FEBRUARY 2010

| | NOTE | BUDGET 2010 R | ACTUAL 2010 R |
|--|------|---------------------|---------------------|
| INCOME | | 2,785,640 | 2,897,650 |
| Levies | | 2,785,640 | 2,897,650 |
| EXPENDITURE | | 2,413,320 | 2,480,691 |
| Audit fees | | 12,000 | 15,000 |
| Bank charges | | 7,350 | 3,814 |
| Cleaning materials | | 78,000 | 78,000 |
| Consumables and toiletries | | 145,000 | 145,000 |
| Electricity | | 160,000 | 184,055 |
| Hire of equipment | | 43,500 | 9,592 |
| Insurance | | 210,000 | 199,658 |
| Interest paid | | - | 2,752 |
| Laundry expenses | | 144,500 | 144,500 |
| Licences | | 17,500 | 15,537 |
| Lift maintenance | | 16,500 | 14,101 |
| Maintenance levies | | 107,140 | 116,880 |
| Managing agent's fee | | 220,000 | 250,800 |
| Meeting Expenses | | 6,300 | - |
| Printing, stationery and postages | | 6,000 | 5,356 |
| Professional fees | | 27,160 | 26,084 |
| Protective clothing | | 9,500 | 6,064 |
| Repairs and maintenance | | 105,050 | 169,057 |
| Resident/Guest access bands | | 8,000 | 3,322 |
| Security | | 14,520 | 62,880 |
| Staff costs | | 990,000 | 997,149 |
| Telephone | | 70,800 | 14,520 |
| Water | | 14,500 | 16,570 |
| LEVY SURPLUS | | 372,320 | 416,959 |
| Interest Received | | 25,000 | 53,398 |
| - Loan account | | 25,000 | 53,398 |
| NET SURPLUS BEFORE TAXATION | | 397,320 | 470,357 |
| TAXATION | 8 | (7,000) | (952) |
| | | 390,320 | 469,405 |
| Less: Transfer to refurbishment reserve fund | | (380,000) | (380,000) |
| NET SURPLUS FOR THE YEAR | | 10,320 | 89,405 |