

DOUGLASDALE RETIREMENT VILLAGE HOME OWNERS ASSOCIATION NPC
(Registration number 2012/155534/08)
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2018

These annual financial statements were prepared by:
Kruger Stoltz Inc.
Chartered Accountants (S.A.)
Registered Auditors

Douglasdale Retirement Village Home Owners Association NPC

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 to the members:

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Level of assurance

The annual financial statements have been independently audited in compliance with the applicable requirements of the Companies Act of South Africa, 71 of 2008. The preparation of these annual financial statements was supervised by P Kruger CA (S.A.).

1. Managing Agent

The managing agent of the entity is CSI Property Management of:

Business address: Hertford Office Park
3rd floor, Building F
90 Bekker Street
Midrand
1685

Postal address: PO Box 12135
Hatfield
Pretoria
0028

2. Directors

The directors of the entity during the year and to the date of this report are as follows:

C de Villiers
A McDonald

R Fraser
G Snyman

B McCallum

3. Directors' responsibilities and approval

The directors are responsible for the preparation and fair presentation of these annual financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and in the manner required by the Companies Act 71 of 2008. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual 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.

The directors have reasonable expectation, after making all necessary enquiries that the entity has adequate resources to continue in operational existence for the foreseeable future and for this reason the accounts have been prepared on the basis of a going concern.

Against this background, the directors accept responsibility for the annual financial statements set out on pages 4 to 12, which were approved and signed on their behalf on 14 June 2018.

Director

Director



KRUGER • STOLTZ
— INCORPORATED —
Registered Chartered Accountants & Auditors

Independent Auditor's Report

To the members of Douglasdale Retirement Village Home Owners Association NPC

Opinion

We have audited the Annual Financial Statements of Douglasdale Retirement Village Home Owners Association NPC set out on pages 4 to 12, which comprise the Statement of Financial Position as at 28 February 2018, and the Statement of Income and Accumulated Surplus and Statement of Cash Flows for the year then ended, and notes to the Annual Financial Statements, including a summary of significant accounting policies.

In our opinion, the Annual Financial Statements present fairly, in all material respects, the financial position of Douglasdale Retirement Village Home Owners Association NPC 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 and the requirements of the Companies Act 71 of 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Annual 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 matters

Without qualifying our opinion, we draw attention to the fact that the association's statutory records were not inspected or verified.

Responsibilities of the directors for the Annual Financial Statements

The directors are responsible for the preparation and fair presentation of the Annual Financial Statements in accordance with International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act 71 of 2008, and for such internal control as the directors determine is necessary to enable the preparation of Annual Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Annual Financial Statements, the directors are responsible for assessing the entity'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 entity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the Annual 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 International Standards on Auditing 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 Annual Financial Statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

Independent Auditor's Report

- Identify and assess the risks of material misstatement of the Annual 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 entity'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 entity'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 Annual 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 Annual Financial Statements, including the disclosures, and whether the Annual 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.



14 June 2018

SJ Kruger CA (S.A.) RA
Associate
Kruger Stoltz Inc.
Chartered Accountants (S.A.)
Registered Auditors
Practice No. 900738

37 Harley Street
Randburg
2194
Tel: 0861 232 643

Douglasdale Retirement Village Home Owners Association NPC

Annual Financial Statements for the year ended 28 February 2018

Statement of Financial Position as at 28 February 2018

Figures in Rand	Note(s)	2018	2017
Assets			
Current Assets			
Income tax receivable		264	3 779
Accounts receivable	2	424 554	252 602
Cash and cash equivalents	3	4 622 372	3 937 918
		5 047 190	4 194 299
Total Assets		5 047 190	4 194 299
Equity and Liabilities			
Equity			
Reserves	4	4 774 770	4 559 808
Accumulated deficit		(968 332)	(1 268 908)
		3 806 438	3 290 900
Liabilities			
Current Liabilities			
Accounts payable	5	1 240 752	903 399
Total Equity and Liabilities		5 047 190	4 194 299

Douglasdale Retirement Village Home Owners Association NPC

Annual Financial Statements for the year ended 28 February 2018

Statement of Comprehensive Income and Accumulated Surplus

Figures in Rand	Note(s)	2018	2017
Revenue			
Levy income	6	16 065 142	13 366 776
Other income			
Interest income	7	359 822	301 045
Sundry income	8	31 113	35 996
		390 935	337 041
Operating expenses			
Administration fees		840 000	840 000
Audit fees	9	20 955	16 784
Bank charges		112 326	99 715
Cleaning contract		624 607	571 965
Cleaning material		20 577	29 014
Computer expenses		25 729	19 811
Consulting fees		82 083	127 456
DSTV subscription		13 605	12 111
Electricity	10	(86 618)	(451 655)
Entertainment / staff welfare		73 973	70 639
Facility management	11	1 944 456	1 770 438
Garden	12	1 391 547	1 312 536
General		2 280	283
Health and safety fees		42 293	48 933
Insurance		312 505	337 817
Kitchen operator contract		2 640 000	2 560 000
Legal fees		4 116	18 029
Motor vehicle expenses	13	45 504	15 551
Pest control		28 896	18 964
Printing and stationery		59 837	59 046
Refuse	14	(17 829)	(16 108)
Repairs and maintenance	15	1 080 737	1 035 840
Sanitation	16	1 254 646	1 033 218
Security	17	1 999 180	1 867 950
Special projects	18	2 922 879	2 945 514
Telephone		34 893	28 656
Water	19	377 546	398 002
		15 850 723	14 770 509
Surplus / (deficit) before taxation		605 354	(1 066 692)
Taxation	20	(89 816)	(84 392)
Surplus / (deficit) for the year		515 538	(1 151 084)
Accumulated (deficit) / surplus at the beginning of the year		(1 268 908)	53 904
Transfer (to) reserves		(214 962)	(171 728)
Accumulated (deficit) at the end of the year		(968 332)	(1 268 908)

Douglasdale Retirement Village Home Owners Association NPC

Annual Financial Statements for the year ended 28 February 2018

Statement of Cash Flows

Figures in Rand	Note(s)	2018	2017
Cash flows from operating activities			
Cash receipts from owners		15 924 303	13 908 364
Cash paid to suppliers and employees		(15 513 370)	(14 592 051)
Cash (used in) / generated from operations	21	410 933	(683 687)
Interest income		359 822	301 045
Tax paid	22	(86 301)	(64 398)
Net cash from operating activities		684 454	(447 040)
Total cash movement for the year		684 454	(447 040)
Cash at the beginning of the year		3 937 918	4 384 958
Total cash at end of the year	3	4 622 372	3 937 918

Douglasdale Retirement Village Home Owners Association NPC

Annual Financial Statements for the year ended 28 February 2018

Accounting Policies

1. Presentation of annual financial statements

The annual financial statements have been prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities. The annual financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in South African Rands.

These accounting policies are consistent with the previous period.

1.1 Common property

Consistent with preferable accounting for home owners associations, common areas are not capitalised. This property is commonly owned, cannot be detached from the development, cannot be sold and / or is not used by the association to generate income. Therefore, common property is not recognised in the annual financial statements.

1.2 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. Accordingly property, plant and equipment that has little or no commercial resale value is not recognised as an asset and is written off in the year that it is purchased. The cost of any other asset is written down to its residual value over the period of its useful life.

1.3 Accounts receivable

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

1.4 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.

1.5 Reserves

Reserves are recognised initially as equity. They represent earmarked funds for future projects.

1.6 Tax

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

The entity is taxed on all income other than levies, in excess of R50,000 per annum, in terms of Section 10(1)(e) of the Income Tax Act.

1.7 Accounts payable

Accounts payable are recognised initially at the transaction value and subsequently measured at amortised cost using the effective interest method.

1.8 Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event; it is probable that the entity will be required to transfer economic benefits in settlement; and the amount of the obligation can be estimated reliably.

1.9 Revenue and other income

Revenue and other income are measured at the fair value of the consideration received or receivable and represents the amounts receivable for levies and other income charged to the owners of the entity. Revenue and other income are recorded in the annual financial statements when it becomes due and payable to the entity.

Interest is recognised, in profit or loss, using the effective interest rate method.

Douglasdale Retirement Village Home Owners Association NPC

Annual Financial Statements for the year ended 28 February 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
2. Accounts receivable		
Levy debtors - late payments	35 593	252 602
Levy debtors - pending transfers / deceased estates	38 244	-
Levy debtors - legal owner 1	332 830	-
Levy debtors - legal owner 2	17 642	-
Sundry debtors	245	-
	<u>424 554</u>	<u>252 602</u>

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Current account	1 445 551	855 973
Investment account	822 060	904 664
Investment account - 6 months fixed deposit	1 251 741	1 163 322
Investment account - 12 months fixed deposit	1 094 850	1 009 119
Petty cash	8 170	4 840
	<u>4 622 372</u>	<u>3 937 918</u>

4. Reserves

2018	Opening balance	Transfer to	Transfer (from)	Closing balance
Reserve - resale levies	2 838 213	1 740 375	(1 268 908)	3 309 680
Reserve 1	642 370	402 741	(572 769)	472 342
Reserve 2	438 289	-	(402 741)	35 548
Reserve 3	392 522	316 264	-	708 786
Reserve 4	248 414	-	-	248 414
	<u>4 559 808</u>	<u>2 459 380</u>	<u>(2 244 418)</u>	<u>4 774 770</u>

Reserve 1 created from developers' contribution towards maintenance projects.

Reserve 2 created after credit on electricity account by Eskom.

Reserve 3 interest earned on bank accounts transferred to reserve.

Reserve 4 created after reversal of sanitation provision.

The transfer from reserve 1 of R572 769 represents payments made towards the picket fence.

The transfer between reserves of R402 741 is a transfer to recognise a contingent liability on picket fence costs.

The transfer from the resale reserve of R1 268 908 represents a reserve fund contribution made towards the prior year's accumulated deficit.

Equity (reserves less accumulated deficit) exceeds the 25% of the standard levy income required in terms of the Sectional Titles Scheme Management Act, 2011 (Act No.8 of 2011).

Douglasdale Retirement Village Home Owners Association NPC

Annual Financial Statements for the year ended 28 February 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
5. Accounts payable		
Audit fees	17 951	16 784
CSOS levies control account	145 865	19 876
Electricity - accrual for late invoice	598	-
Friday Social Club fund	26 550	-
Garden fund	190 768	69 348
Knitting fund	9 717	15 496
Legal fees	1 357	-
Levies received in advance	793 421	514 015
Lift maintenance	11 507	-
Picket fence project	18 600	7 700
Religion fund	5 889	9 208
Sanitation	-	193 373
Social club fund	18 529	7 429
Water	-	50 170
	1 240 752	903 399

The CSOS levies control accounts represents amounts collected from owners for CSOS levies in terms of the Community Schemes Ombud Service Act 9 of 2011. The CSOS levies will be paid over to the Community Schemes Ombud Services once the association has received an invoice from them.

6. Levy income

Levies - standard	10 382 965	8 581 715
Levies - developer's contribution	-	319 659
Levies - meals	2 640 000	2 360 000
Levies - parking	4 650	4 800
Levies - re-sale	1 740 375	1 040 203
Levies - sanitation	1 254 619	1 019 899
Levies - storeroom	42 533	40 500
	16 065 142	13 366 776

7. Interest income

Bank	325 355	275 398
Debtors	34 467	25 647
	359 822	301 045

8. Sundry income

Advertising	1 965	7 580
Functions	5 900	-
Miscellaneous	11 748	19 416
Resident fines	11 500	9 000
	31 113	35 996

Miscellaneous income includes hall hire, Nampak recycling and coffee/tee recoveries.

9. Audit fees

Current year	17 951	16 784
Previous year under provision	3 004	-
	20 955	16 784

Douglasdale Retirement Village Home Owners Association NPC

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Notes to the Annual Financial Statements

Figures in Rand	2018	2017
10. Electricity		
Electricity expense - Eskom	2 114 020	2 093 790
Electricity expense - Nedvondor charges	196 080	-
Electricity expense - smart meter	6 584	-
Electricity provision written back	-	(379 078)
Electricity recovered - operators	(249 561)	-
Electricity recovered - owners	(2 153 741)	(2 166 367)
	(86 618)	(451 655)
11. Facility management		
Salaries and wages	1 645 094	1 462 823
Recruitment fees	-	27 600
Village nurse	299 362	280 015
	1 944 456	1 770 438
12. Garden		
Garden expense	82 980	128 897
Garden service	1 308 567	1 183 639
	1 391 547	1 312 536
13. Motor vehicle expenses		
Vehicle running costs	59 820	31 451
Hire of bus	(14 316)	(15 900)
	45 504	15 551
14. Refuse		
Refuse expense	1 500	2 103
Refuse recovered from operators	(19 329)	(18 211)
	(17 829)	(16 108)
15. Repairs and maintenance		
Air conditioners	8 140	10 363
Building	725 529	500 963
Electrical	61 385	132 814
Fire equipment	66 733	21 611
Generator	19 925	10 900
Generator fuel	-	20 146
Infrastructure	10 368	148 979
Insurance claims	208 869	252 202
Insurance claim recovered	(181 760)	(286 424)
Lifts	146 095	126 423
Maintenance recovered from owners	(48 295)	(48 761)
Plumbing	2 954	73 618
Pool	1 010	2 524
Security maintenance and infrastructure	58 254	70 482
Tools	2 530	-
	1 081 737	1 035 840

Douglasdale Retirement Village Home Owners Association NPC

Annual Financial Statements for the year ended 28 February 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
16. Sanitation		
Sanitation expense	1 448 019	1 041 250
Movement in accrual and provision	(193 373)	(8 032)
	1 254 646	1 033 218
17. Security		
Security access control	42 151	38 766
Security guarding service	1 976 954	1 845 234
Sale of access tags	(19 925)	(16 050)
	1 999 180	1 867 950
18. Special projects		
Capital expenditure previous year - electrical	-	1 796
Entrance gates painting	45 885	-
Garden upgrades	97 942	-
Infrastructure upgrades	130 386	-
Install borehole pumps, tanks, reticulation	-	213 714
Kitchen / frail care	148 293	178 525
Pedestrian bridge replacement	401 970	-
Picket fences	573 459	1 567 668
Projector / Screen auditorium	44 431	-
Repairs - simplex roofs	200 489	210 206
SW pathway	-	70 138
Watercourse rehabilitation	1 280 024	703 467
	2 922 879	2 945 514
19. Water		
Water expense	449 230	455 579
Water recovered	(71 684)	(57 577)
	377 546	398 002

Douglasdale Retirement Village Home Owners Association NPC

Annual Financial Statements for the year ended 28 February 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
20. Taxation		
Current		
Income tax - current period	89 816	74 762
Income tax - for prior periods recognised in the income statement	-	9 630
	89 816	84 392
<p>All levy income from the members and the first R50 000 of all other income is tax exempt. A proportionate share of accounting, audit and bank charge expenses are allowed as a deduction against the taxable income above R50 000.</p> <p>Provisional tax amounting to R90 080 was paid in February 2018.</p>		
Tax calculation		
<p>The tax expense is calculated as follows:</p>		
Income subject to income tax		
Interest income	359 822	301 045
Other income	31 113	35 996
Less: Basic exemption	(50 000)	(50 000)
	340 935	287 041
Less: attributable apportioned expenditure		
Administration fees	(17 403)	(17 594)
Audit fees	(434)	(352)
Bank charges	(2 327)	(2 089)
	320 771	267 006
Tax at the applicable tax rate of 28%	89 816	74 762
21. Cash generated from / (used in) operations		
Surplus / (deficit) before taxation	605 354	(1 066 692)
Adjustments for:		
Interest received	(359 822)	(301 045)
Increase / (decrease) in provisions	-	(379 077)
Changes in working capital:		
Accounts receivable	(171 952)	505 592
Accounts payable	337 353	557 535
	410 933	(683 687)
22. Tax paid		
Balance at beginning of the year	3 779	23 773
Current tax for the year recognised in profit (loss) or loss	(89 816)	(84 392)
Balance at end of the year	(264)	(3 779)
	(86 301)	(64 398)