

LONEHILL RESIDENTS ASSOCIATION
(Association incorporated under Section 21 of the Companies Act, 1973)
Registration No. 1996/014689/08

ANNUAL FINANCIAL STATEMENTS

31 MARCH 2011

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LONEHILL RESIDENTS ASSOCIATION
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31 MARCH 2011

| | |
|---------------------------|--|
| DIRECTORS | Bradshaw SC Gillespie RJ Johnson VJ McBain JH Pearson SL Stride R |
| REGISTERED ADDRESS | Unit 81 - Studio Office Park 5 Concourse Crescent Lonehill 2062 |
| AUDITOR | CM Dryden CA(SA) |
| BANKERS | STANDARD BANK Fourways Crossing |
| REGISTRATION NO. | 1996/014689/08 |

STATEMENT OF RESPONSIBILITY

The Directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the Financial Statements and related information. The Auditors are responsible to report on the fair presentation of the Financial Statements. The Financial Statements have been prepared in accordance with International Financial Reporting Statements for Small and Medium-sized Entities and in the manner required by the Companies Act.

The Directors are also responsible for the Association's system of internal financial control. These systems are designed to provide reasonable, but not absolute assurance as to the reliability of the Financial Statements and to adequately safeguard, verify and maintain accountability of assets and to prevent and detect misstatement and loss. Nothing has come to the attention of the Directors to indicate that any material break in the functioning of these controls, procedures and systems has occurred during the year under review.

Although the Association's activities are dependent upon the ongoing support of the residents and businesses operating within the Lonehill area, the directors do not have any reason to believe the Association will not be a going concern during the year ahead.

APPROVAL OF FINANCIAL STATEMENTS:

The annual financial statements set out on pages 3 to 20 were approved by the board of directors and are signed on behalf of the board by:

Director
25 May 2011

Director

C.M. DRYDEN

B.COM.B.COMPT(HONS)C.A.(SA)

H.DIP.TAX LAW

CHARTERED ACCOUNTANT

Practitioner No. 955825

PO Box 300

Riverclub

2149

(011) 783 9263 (h)

(011) 483 0911 (w)

(011) 884 6022 (f)

**REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF
LONEHILL RESIDENTS ASSOCIATION**

Registration No. 1996/014689/08

I have audited the financial statements of Lonehill Residents Association which comprise the directors' report, statement of financial position as at 31 March 2011, the statement of comprehensive income, the statement of changes in equity and statement of cash flow for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 3 to 18.

Directors' Responsibility for the Financial Statements:

The Association's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Statements for Small and Medium-sized Entities and in the manner required by the Companies Act of South Africa. 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:

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards of Auditing. Those standards require that I 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 auditors' 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 the 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 the directors, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

In common with similar organisations, it is not feasible for the Association to institute accounting controls over cash collections from donations and receipts of a similar nature, prior to the initial entry of such collections in the accounting records. Accordingly, it was impracticable for me to extend my examination beyond the receipts actually recorded.

C.M. DRYDEN

B.COM.B.COMPT(HONS)C.A.(SA)

H.DIP.TAX LAW

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**REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF
LONEHILL RESIDENTS ASSOCIATION
Registration No. 1996/014689/08**

Opinion

Except for the matters referred to in the preceding paragraph, In my opinion, the financial statements present fairly, in all material respects, the financial position of the Association at 31 March 2011 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards for Small and Medium-sized Entities and in the manner required by the Companies Act of South Africa 1973, as amended.

Supplementary Information

Without qualifying my opinion, I draw your attention to the fact that the supplementary information set out on page 19 to 20 does not form part of the financial statements and are presented as additional information. I have not audited this information and accordingly do not express an opinion on this information.

C M DRYDEN

Registered Accountant and Auditor

Chartered Accountant (SA)

Sandton

25 May 2011

LONEHILL RESIDENTS ASSOCIATION
(Association incorporated under Section 21 of the Companies Act, 1973)
REPORT OF THE DIRECTORS
31 MARCH 2011

NATURE OF BUSINESS

The Association was formed with the main objective of protecting and promoting the interests of the residents of Lonehill, a residential suburb of Sandton.

RESULTS OF OPERATIONS AND FINANCIAL POSITION

Revenue increased from R 21 456 607 in 2010 to R 23 824 650 in 2011 while rental income increased from R 287 164 to R 311 573 and other income increased from R 140 141 to R 155 916.

Expenditure increased from R 21 800 704 to R 25 205 059.

The Association's tax charge of R 99 024 arises from the Association being taxed on rental and investment income.

Net income after tax for 2011 amounted to R 109 970 against a net income of R 118 597 in the prior year.

At the 31st March 2011, the Association's net cash resources increased by approximately R 758 000 mainly due to a reduction trade receivables as well as an increase in trade payables.

ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

The following expenditure was incurred on Property Plant and Equipment:

| | R |
|-----------------------|---------|
| Building Improvements | 28 230 |
| Computer Equipment | 14 265 |
| Furniture & Fittings | 5 627 |
| Office Equipment | 2 100 |
| Security Equipment | 239 382 |
| Garden Equipment | 7 322 |

DIRECTORATE

The directors of the Association at the date of this report are set out on page 1. Changes during the period under review are set out below:

| | |
|------------|---------------------------|
| Berdou JTH | Resigned - November 2010 |
| Goodwin MJ | Resigned - September 2010 |
| Johnson VJ | Appointed - November 2010 |

LONEHILL RESIDENTS ASSOCIATION
(Association incorporated under Section 21 of the Companies Act, 1973)
REPORT OF THE DIRECTORS
31 MARCH 2011

CAPITAL EXPENDITURE

At the date of this report capital expenditure authorised but not contracted for, amounted to approximately R 80 000.

EVENTS SUBSEQUENT TO YEAR END

A code of ethics has been implemented which will be applicable to all employees and directors.

No other material fact or circumstances have occurred between the accounting date and the date of this report.

**LONEHILL RESIDENTS ASSOCIATION
STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2011**

| | Note | 2011 R | 2010 R |
|-------------------------------------|-------|-----------|-----------|
| NON CURRENT ASSETS | | | |
| Property, Plant & Equipment | 2 | 2 777 682 | 2 841 809 |
| CURRENT ASSETS | | 3 462 966 | 2 955 084 |
| Trade & Other Receivables | 3 | 242 131 | 492 420 |
| Cash & Cash Equivalents | 4 | 3 220 835 | 2 462 664 |
| TOTAL ASSETS | | 6 240 648 | 5 796 893 |
| EQUITY AND LIABILITIES | | | |
| CAPITAL AND RESERVES | | 3 257 147 | 3 147 177 |
| Retained Income | | 2 866 968 | 2 932 606 |
| EnviroFund | | 390 179 | 214 571 |
| NON-CURRENT LIABILITIES | | | |
| Interest Bearing Borrowings | 5 | 251 361 | 250 564 |
| CURRENT LIABILITIES | | 2 732 140 | 2 399 152 |
| Trade & Other Payables | 6 | 2 370 304 | 1 979 517 |
| Levies Received in Advance | | 258 816 | 318 222 |
| Interest Bearing Borrowings | 5 & 7 | 2 952 | 2 195 |
| Provisions | 8 | 99 128 | 84 944 |
| Taxation | | 940 | 14 274 |
| TOTAL LIABILITIES | | 2 983 501 | 2 649 716 |
| TOTAL EQUITY AND LIABILITIES | | 6 240 648 | 5 796 893 |

**LONEHILL RESIDENTS ASSOCIATION
STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 MARCH 2011**

| | Note | 2011 | 2010 |
|--|-----------|---------------------|---------------------|
| | | R | R |
| REVENUE | 9 | 23 824 650 | 21 456 607 |
| RENTAL INCOME | 10 | 311 573 | 287 164 |
| OTHER INCOME | 11 | 155 916 | 140 141 |
| EXPENDITURE | 14 | (24 205 059) | (21 800 704) |
| Administrative Expense | | 226 913 | 195 647 |
| Other Expenses | | 23 978 146 | 21 605 057 |
| PROFIT BEFORE NET INTEREST EARNED | | 87 080 | 83 208 |
| NET INTEREST EARNED | | 121 914 | 133 203 |
| Interest Earned | 12 | 146 424 | 162 800 |
| Interest Paid | 13 | (24 510) | (29 597) |
| PROFIT BEFORE INCOME TAX EXPENSE | | 208 994 | 216 411 |
| Income Tax Expense | 17 | (99 024) | (97 814) |
| Other Comprehensive Income | | - | - |
| TOTAL COMPREHENSIVE INCOME | | 109 970 | 118 597 |

**LONEHILL RESIDENTS ASSOCIATION
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 MARCH 2011**

| | Retained Income | Capital Expenditure Fund | EnviroFund | Total Capital Funds |
|--|----------------------------|---|-------------------|--------------------------------|
| | R | R | R | R |
| Balance 31 March 2009 | 1 727 954 | 1 142 230 | 158 396 | 3 028 580 |
| Total Comprehensive Income | 118 597 | - | - | 118 597 |
| Transfer to Capital Expenditure | (4 198) | 4 198 | - | - |
| Transfer from Capital Expenditure | 1 146 428 | (1 146 428) | - | - |
| Transfer to EnviroFund | (56 175) | - | 56 175 | - |
| Balance 31 March 2010 | 2 932 606 | - | 214 571 | 3 147 177 |
| Total Comprehensive Income | 109 970 | - | - | 109 970 |
| Transfer to EnviroFund | (175 608) | - | 175 608 | - |
| Balance 31 March 2011 | 2 866 968 | - | 390 179 | 3 257 147 |

**LONEHILL RESIDENTS ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2011**

1. ACCOUNTING POLICIES

The financial statements have been prepared, incorporating the following principle accounting policies which have been applied in accordance with International Financial Reporting Standards for Small and Medium-sized Entities and in terms of the Companies Act of South Africa.

These accounting policies are consistent with previous periods and incorporate the accounting policies set out below:-

1.1 Property, Plant and Equipment

Property, plant and equipment are stated at cost and are depreciated over their expected useful lives using the straight line method.

The rates of depreciation are as follows:

| | |
|----------------------|--------|
| Buildings | 10% |
| Computer Equipment | 33.33% |
| Furniture & Fittings | 16.67% |
| Office Equipment | 25% |
| Security Equipment | 33.33% |
| Garden Equipment | 33.33% |
| Motor Vehicle | 20% |
| Signage | 33.33% |

A gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in income.

1.2 Impairment of Assets

The carrying amounts of the company's assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If there is any indication that an asset may be impaired, its recoverable amount is estimated.

The recoverable amount is the higher of its net selling price and its value in use. An impairment loss is recognized whenever the carrying amount of the asset exceeds the recoverable amount.

1.3 Retained Income

Any surplus of income over expenditure is not available for distribution and is transferred to capital funds.

1.4 Revenue and Income

Revenue and Income comprise levies in respect of security services, donations, special contributions, sponsorships, surplus on fund raising activities, other related income, interest and rental income.

1.5 Revenue and Income Recognition

1.5.1 Voluntary contributions made by residents to the Association, donations and income of a similar nature, are recognised on receipt.

1.5.2 Interest income is brought to account as it is earned.

1.5.3 Levies in respect of security services are brought to account when due.

1.5.4 Rental Income

Rental income is recognised on a monthly basis as it accrues.

**LONEHILL RESIDENTS ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2011**

1. ACCOUNTING POLICIES (continued)

1.6 Provisions

Provisions are recognised when the company has a present obligation as a result of a past event and it is probable that this will result in an outflow of economic benefits which can be reliably estimated.

1.7 Financial Instruments

Recognition

Financial assets and financial liabilities are recognised on the Association's statement of financial position when the Association has become a party to the contractual provisions of the instrument.

Measurement

Financial instruments are initially measured at cost, including directly attributable acquisition costs. Subsequently they are measured as detailed below:

Accounts Receivable

Accounts receivable are stated at their nominal value less any impairment for identified losses.

Accounts Payable

Accounts payable are stated at their nominal value.

Cash and Cash Equivalents

Cash and cash equivalents are recorded at nominal value.

Derivative Financial Instruments

The Association does not have any exposure to derivative financial instruments and has not entered into any such transactions.

1.8 Retirement Fund Benefits

The Association operates a defined contribution provident fund.

A defined contribution plan is a post employment benefit under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligations to pay further amounts.

Contributions to defined contribution funds are recognised as an employee benefit expense when they fall due.

1.9 Critical Accounting Judgements & Key Sources of Estimation Uncertainty

In the process of applying the Company's accounting policies, management has made the following judgements that may have a significant effect on the amounts recognised in the financial statements:

Allowance for Bad Debts

The impairment allowance was measured at the Company's best estimate of possible future unrecoverable receivables, taking into account circumstances prevailing at year end.

**LONEHILL RESIDENTS ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2011**

| | 2011 | 2010 |
|---|-------------------------|-------------------------|
| | R | R |
| 2. PROPERTY, PLANT & EQUIPMENT | | |
| LAND - at cost | 540 000 | 540 000 |
| BUILDINGS | | |
| At beginning of year | | |
| Renovation Costs Capitalised | 2 053 215 | 2 035 965 |
| Accumulated depreciation | (197 612) | (145 338) |
| Book value at beginning of year | <u>1 855 603</u> | <u>1 890 627</u> |
| During the year | | |
| Additions at cost | 28 230 | 17 250 |
| Depreciation | (72 598) | (52 274) |
| Book value at end of year | <u>1 811 235</u> | <u>1 855 603</u> |
| Total Land & Buildings - Book value at end of year | <u><u>2 351 235</u></u> | <u><u>2 395 603</u></u> |
| COMPUTER EQUIPMENT | | |
| At beginning of year | | |
| Total Cost | 88 317 | 65 367 |
| Accumulated depreciation | (64 650) | (41 736) |
| Book value at beginning of year | <u>23 667</u> | <u>23 631</u> |
| During the year | | |
| Additions at cost | 14 265 | 22 950 |
| Depreciation | (19 499) | (22 914) |
| Book value at end of year | <u><u>18 433</u></u> | <u><u>23 667</u></u> |
| FURNITURE & FITTINGS | | |
| At beginning of year | | |
| Total Cost | 126 592 | 125 928 |
| Accumulated depreciation | (65 295) | (44 226) |
| Book value at beginning of year | <u>61 297</u> | <u>81 702</u> |
| During the year | | |
| Additions at cost | 5 627 | 664 |
| Depreciation | (22 081) | (21 069) |
| Book value at end of year | <u><u>44 842</u></u> | <u><u>61 297</u></u> |

**LONEHILL RESIDENTS ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2011**

| | 2011 | 2010 |
|---|-----------|-----------|
| 2. PROPERTY, PLANT & EQUIPMENT (continued) | R | R |
| OFFICE EQUIPMENT | | |
| At beginning of year | | |
| Total Cost | 70 106 | 59 385 |
| Accumulated depreciation | (46 684) | (29 469) |
| Book value at beginning of year | 23 422 | 29 916 |
| During the year | | |
| Additions at cost | 2 100 | 10 721 |
| Depreciation | (10 015) | (17 215) |
| Book value at end of year | 15 507 | 23 422 |
| SECURITY EQUIPMENT | | |
| At beginning of year | | |
| Total Cost | 192 430 | 108 087 |
| Accumulated depreciation | (61 725) | (12 440) |
| Book value at beginning of year | 130 705 | 95 647 |
| During the year | | |
| Additions at cost | 239 381 | 84 343 |
| Depreciation | (115 625) | (49 285) |
| Book value at end of year | 254 461 | 130 705 |
| GARDEN EQUIPMENT | | |
| At beginning of year | | |
| Total Cost | 319 353 | 218 405 |
| Accumulated depreciation | (202 609) | (122 015) |
| Book value at beginning of year | 116 744 | 96 390 |
| During the year | | |
| Additions at cost | 7 322 | 105 628 |
| Disposal - Cost | - | (4 680) |
| Disposal - Accumulated Depreciation | - | 4 671 |
| Depreciation | (70 372) | (85 265) |
| Book value at end of year | 53 694 | 116 744 |
| MOTOR VEHICLE | | |
| At beginning of year | | |
| Total Cost | 237 464 | 237 464 |
| Accumulated depreciation | (170 816) | (160 847) |
| Book value at beginning of year | 66 648 | 76 617 |
| During the year | | |
| Depreciation | (36 694) | (9 969) |
| Book value at end of year | 29 954 | 66 648 |

**LONEHILL RESIDENTS ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2011**

| | 2010 | 2010 |
|--|------------------|------------------|
| 2. PROPERTY, PLANT & EQUIPMENT (continued) | R | R |
| SIGNAGE | | |
| At beginning of year | | |
| Total Cost | 50 370 | 33 540 |
| Accumulated depreciation | (26 646) | (13 858) |
| Book value at beginning of year | 23 724 | 19 682 |
| During the year | | |
| Additions at cost | - | 16 830 |
| Depreciation | (14 167) | (12 788) |
| Book value at end of year | 9 557 | 23 724 |
| RECONCILIATION | | |
| Total cost | 3 974 768 | 3 677 845 |
| Accumulated depreciation | (1 197 086) | (836 036) |
| Book value at end of year | 2 777 682 | 2 841 809 |
| LAND & BUILDINGS | | |
| <p>Land and Buildings situated in Lonehill Studio Park, comprising Portion 81 of Erf 1 Lonehill, measuring 818 sq. metres, were purchased on 23 August 2006.</p> <p>Land and buildings have been valued by D Pienaar of Absa Bank (professional associated valuer) at R 4 700 000 being the estimated open market value. The said valuation was performed in January 2011.</p> | | |
| 3. TRADE & OTHER RECEIVABLES | | |
| Gross Trade Receivables | 278 536 | 496 244 |
| Less: Provision for Impairment | 40 000 | 30 000 |
| Net Trade Receivables | 238 536 | 466 244 |
| Deposits Paid | 2 950 | 2 950 |
| Sundry Receivables | 645 | 23 226 |
| | 242 131 | 492 420 |
| Trade Receivables - Impairment : | | |
| Balance at beginning of year | 30 000 | 30 000 |
| Provision current year | 10 000 | - |
| Balance at end of year | 40 000 | 30 000 |
| Receivables Days | 3.3 days | 7.1 days |

The directors consider that the carrying amount of trade and other receivables and payables approximates their fair value.

**LONEHILL RESIDENTS ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2011**

| | 2011 | 2010 |
|---------------------------------------|-------------|-------------|
| | R | R |
| 4. CASH & CASH EQUIVALENTS | | |
| Current Accounts | 641 857 | 471 731 |
| Investments | 2 574 545 | 1 988 263 |
| Cash on Hand | 4 433 | 2 670 |
| | 3 220 835 | 2 462 664 |
| | 3 220 835 | 2 462 664 |

Funds to the amount of R140 000 have been pledged as security for debit run facilities.

5. INTEREST BEARING BORROWINGS - NON CURRENT

| | | |
|-----------------------|---------|---------|
| Mortgage Bond - Total | 254 313 | 252 759 |
| Less: Current Portion | 2 952 | 2 195 |
| | 251 361 | 250 564 |
| | 251 361 | 250 564 |

The mortgage bond in favour of ABSA Bank, currently bears interest at 9.0% (2010 -10.0%) and is being paid in monthly instalments of R 1 946 (2010 - R 2 200) over 10 years. The liability is secured by a bond over Land and Buildings as reflected in Note 2.

6. TRADE & OTHER PAYABLES

| | | |
|--------------------------------|-----------|-----------|
| Trade Payables | 2 137 785 | 1 707 342 |
| Sundry Payables | 119 799 | 141 587 |
| South African Revenue Services | 76 814 | 86 828 |
| Unredeemed EnviroFund Vouchers | 35 905 | 43 760 |
| | 2 370 303 | 1 979 517 |
| | 2 370 303 | 1 979 517 |

7. INTEREST BEARING BORROWINGS - CURRENT

| | | |
|---------------|-------|-------|
| Mortgage Bond | 2 952 | 2 195 |
| | 2 952 | 2 195 |

**LONEHILL RESIDENTS ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2011**

| | 2011 | 2010 |
|--|-------------------|-------------------|
| | R | R |
| 8. PROVISIONS | | |
| Audit Fees : | | |
| Balance at beginning of year | 25 000 | 21 000 |
| Provision current year | 27 500 | 25 000 |
| Paid during the year | (25 000) | (21 000) |
| | 27 500 | 25 000 |
| Leave Pay : | | |
| Balance at beginning of year | 59 944 | 50 743 |
| Provision current year | 11 684 | 9 201 |
| Paid during the year | - | - |
| | 71 628 | 59 944 |
| Total Provisions | 99 128 | 84 944 |
| 9. REVENUE | | |
| The source of revenue comprises: | | |
| Levies - Security Services & Panic Response | 22 587 027 | 20 478 853 |
| Technical Call Out & Services Rendered | 807 126 | 506 419 |
| Contributions - EnviroFund & Other | 430 497 | 391 335 |
| Technical Services Rebate | - | 80 000 |
| | 23 824 650 | 21 456 607 |
| | 23 824 650 | 21 456 607 |
| 10. RENTAL INCOME | | |
| Property Rental - Portion 81 of Erf 1 Lonehill | 311 573 | 287 164 |
| | 311 573 | 287 164 |
| 11. OTHER INCOME | | |
| The source of income comprises: | | |
| Contributions - Capital Expenditure Fund | 964 | 4 198 |
| Contributions Net - Christmas Hamper | - | 9 714 |
| Newsletter Advertising - Net | 104 874 | 79 629 |
| Other | 50 078 | 46 600 |
| | 155 916 | 140 141 |
| | 155 916 | 140 141 |

**LONEHILL RESIDENTS ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2011**

| | 2012 | 2010 |
|--|------------|------------|
| | R | R |
| 12. INTEREST EARNED | | |
| Financial Institution Investments | 146 424 | 162 800 |
| | 146 424 | 162 800 |
| 13. INTEREST PAID | | |
| Mortgage Interest | 24 510 | 28 557 |
| Other | - | 1 040 |
| | 24 510 | 29 597 |
| 14. EXPENDITURE | | |
| Expenditure is arrived at after taking the following items into account: | | |
| Auditors' Remuneration | 27 500 | 25 000 |
| Audit Fee Provision | 20 000 | 17 900 |
| Other Services Provision | 7 500 | 7 100 |
| Depreciation | 361 050 | 270 776 |
| Buildings | 72 598 | 52 274 |
| Computer Equipment | 19 499 | 22 914 |
| Furniture & Fittings | 22 081 | 21 069 |
| Office Equipment | 10 015 | 17 213 |
| Security Equipment | 115 625 | 49 285 |
| Motor Vehicle | 36 693 | 9 968 |
| Garden Equipment | 70 372 | 85 265 |
| Signage | 14 167 | 12 788 |
| Directors Emoluments & Disbursements / Allowances | 479 582 | 428 007 |
| Emoluments | 422 100 | 406 151 |
| Disbursements / Allowances | 57 482 | 21 856 |
| Staff and Related Costs | 1 887 248 | 1 652 526 |
| Utilities | 26 614 | 14 912 |
| Electricity & Water - Net | 25 102 | 12 612 |
| Rates | 1 512 | 2 300 |
| Other | 21 423 065 | 19 409 483 |
| | 24 205 059 | 21 800 704 |

**LONEHILL RESIDENTS ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2011**

| | 2011 | 2010 |
|--|---------|---------|
| | R | R |
| 15. BAD DEBTS | | |
| Bad Debts Written Off | 11 775 | 11 321 |
| Bad Debt Provision Increase | 10 000 | - |
| | 21 775 | 11 321 |
| | 21 775 | 11 321 |
| 16. REPAIRS & MAINTENANCE | | |
| Bike | 28 296 | 8 933 |
| Buildings & Office | 25 481 | 14 376 |
| CCTV | 13 232 | - |
| Dam | (8 541) | 46 075 |
| Environment | 26 154 | 31 554 |
| Garden Equipment | 21 260 | 26 631 |
| Roads | 5 684 | 5 134 |
| | 111 566 | 132 703 |
| | 111 566 | 132 703 |
| 17. INCOME TAX | | |
| SA Normal Tax - | | |
| Current Year | 99 020 | 97 814 |
| Prior Year Under Provision | 4 | - |
| | 99 024 | 97 814 |
| | 99 024 | 97 814 |
| Tax Rate Reconciliation: | | |
| SA Normal Tax | 28.00 | 28.00 |
| Tax Exempt Income & Disallowable Expenditure | 19.38 | 17.20 |
| | 47.38 | 45.20 |
| | 47.38 | 45.20 |

Taxation has been provided on the basis that the Association is a non profit organisation. It is subject to taxation on its investment and rental income, after offsetting direct expenditure and indirect expenditure, the latter on a pro rata basis to total revenue and income.

18. RELATED PARTY TRANSACTIONS

Related party transactions have occurred between the Association and:

| | | |
|---|-----------|---------|
| Key Management - Salaries & Related Costs | 1 026 862 | 854 407 |
| | 1 026 862 | 854 407 |
| Directors Emoluments & Disbursements / Allowances | 479 582 | 428 007 |
| | 479 582 | 428 007 |

**LONEHILL RESIDENTS ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2011**

19. RETIREMENT FUNDING

The Association made contributions to a provident fund on behalf of staff in the amount of R88 646 (R 67 910-2010) which has been recognised as an expense during the period under review.

20. RISK MANAGEMENT

In common with all other businesses, the Association is exposed to financial risks. These risks are managed as part of the normal operations of the Association and the board of directors oversees the effectiveness of the risk management processes carried out by senior staff members.

The more important financial risk to which the Association is exposed are described below:

Credit Risk

Credit risk represents the financial risk to the Association that customers and other transacting parties fail to meet their obligations. The vast majority of amounts due by the Association's customers are settled by means of signed debit orders and these accounts are settled on presentation of the debit orders, by the Association, against the customers bank accounts. Other obligations are generally settled within 30 to 60 days.

The Associations credit risk policies are implemented by management and are subject to regular monthly reviews by the board of directors. Should accounts not be settled timeously, the Association has the ability to cease providing services to such customers.

Provision for impairment is raised where objective evidence exists that a loss event has occurred after the initial recognition of the financial asset, but before year end.

Liquidity Risk

Liquidity risk is the risk that the Association may have insufficient cash to meet its financial obligations, specifically in the short term.

Cash flows are monitored regularly by management and the board of directors to ensure that cash resources are adequate to meet the Associations requirements.

Interest Rate Risk

Due to the nature of the Associations operations and general short term nature of its financial assets and liabilities, it is not exposed to any significant interest rate risk other than that relating to mortgage bond finance.

Rate change increases can be partly offset by increasing rental revenues.

Operational Risk

Operational risk is the risk of direct or indirect losses arising from inadequate or failed internal process, personnel, technology and other external causes.

Prime responsibility for managing this risk is delegated by the board of directors to the general manager and the accounting staff. The board of directors of the Association are responsible for monitoring the performance of management in this regard.

The Association does not have an internal audit process due to the size and nature of its activities. The board of directors place a certain degree of reliance on the advice and recommendations of the independent external auditor in relation to such risks.

21. PRIOR YEAR FIGURES

Certain comparative figures have been adjusted and regrouped.

**LONEHILL RESIDENTS ASSOCIATION
STATEMENT OF CASH FLOW
YEAR ENDED 31 MARCH 2011**

| | Note | 2011 R | 2010 R |
|---|----------|------------------|------------------|
| CASH GENERATED FROM OPERATIONS | A | 462 314 | 362 996 |
| Net Investment Income | | 121 914 | 133 203 |
| Cash generated from change in working capital | B | 581 673 | 317 995 |
| Income Tax | C | (112 358) | (152 519) |
| | | <hr/> | <hr/> |
| CASH FLOW FROM OPERATIONS | | 1 053 543 | 661 675 |
| CASH FLOW USED FOR INVESTING ACTIVITIES | | | |
| Additions to Property, Plant & Equipment | D | (296 926) | (258 386) |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Voluntary Contributions to Capital Expenditure Fund | | - | 4 198 |
| Interest Bearing Borrowings - Non Current | | 797 | 12 008 |
| Interest Bearing Borrowings - Current | | 757 | (13 762) |
| | | <hr/> | <hr/> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | 758 171 | 405 733 |
| CASH AND CASH EQUIVALENTS - at beginning of year | | 2 462 664 | 2 056 931 |
| | | <hr/> | <hr/> |
| CASH AND CASH EQUIVALENTS - at end of year | | 3 220 835 | 2 462 664 |
| | | <hr/> | <hr/> |

**LONEHILL RESIDENTS ASSOCIATION
NOTES TO STATEMENT OF CASH FLOW
YEAR ENDED 31 MARCH 2011**

| | 201 | 2010 |
|--|----------------|----------------|
| | R | R |
| A. CASH GENERATED FROM OPERATIONS: | | |
| Net Profit before Tax | 208 994 | 216 411 |
| Net Investment Income | (121 914) | (133 203) |
| <i>Non Cash Flow Items:</i> | | |
| Depreciation | 361 050 | 270 776 |
| Scrapping of Fixed Assets | - | 9 |
| Provisions | 14 184 | 13 201 |
| Transfer to Capital Expenditure Fund | - | (4 198) |
| | 462 314 | 362 996 |
| B. MOVEMENT IN WORKING CAPITAL | | |
| Accounts Receivable | 250 289 | (146 337) |
| Trade & Other Payables | 390 790 | 323 056 |
| Levies Received in Advance | (59 406) | 141 276 |
| | 581 673 | 317 995 |
| C. INCOME TAX PAID | | |
| Amount unpaid at beginning of year | 14 274 | 68 979 |
| Amount charged to statement of financial performance | 99 024 | 97 814 |
| Amount owing at end of year | (940) | (14 274) |
| | 112 358 | 152 519 |
| D. ADDITIONS TO PROPERTY, PLANT & EQUIPMENT | | |
| Building Improvements | 28 230 | 17 250 |
| Computer Equipment | 14 265 | 22 950 |
| Furniture & Fittings | 5 627 | 664 |
| Office Equipment | 2 100 | 10 721 |
| Security Equipment | 239 382 | 84 343 |
| Garden Equipment | 7 322 | 105 628 |
| Signage | - | 16 830 |
| | 296 926 | 258 386 |

**LONEHILL RESIDENTS ASSOCIATION
STATEMENT OF FINANCIAL PERFORMANCE
YEAR ENDED 31 MARCH 2011**

| | 2011 R | 2010 R |
|--|-------------------|-------------------|
| REVENUE | 23 824 650 | 21 456 607 |
| Levies - Security Services | 22 587 027 | 20 478 853 |
| Technical Call Out & Services Rendered | 807 126 | 506 419 |
| Contributions - EnviroFund | 303 499 | 241 279 |
| Donations - Dam & Environment | 126 998 | 150 056 |
| Technical Services Rebate | - | 80 000 |
| RENTAL INCOME | 311 573 | 287 164 |
| OTHER INCOME | 155 916 | 140 141 |
| Contributions - Capital Expenditure Fund | 964 | 4 198 |
| Contributions Net - Christmas Hamper | - | 9 714 |
| Fun Day & Fun Run - Net | 14 798 | 27 648 |
| Newsletter Advertising - Net | 104 874 | 79 629 |
| Sundry Income | 35 280 | 18 952 |
| TOTAL REVENUE & INCOME (to page 20) | 24 292 139 | 21 883 912 |

**LONEHILL RESIDENTS ASSOCIATION
STATEMENT OF FINANCIAL PERFORMANCE
YEAR ENDED 31 MARCH 2011**

| | Note | 2011 R | 2010 R |
|---|------|---------------|---------------|
| TOTAL REVENUE & INCOME (from page 19) | | 24 292 139 | 21 883 912 |
| EXPENDITURE | | 24 205 059 | 21 800 704 |
| Administrative Expense | | 226 913 | 195 647 |
| Audit Fees | | 27 500 | 25 000 |
| Bank Charges | | 63 514 | 58 394 |
| Management & Administration Fees | | 89 689 | 72 323 |
| Printing & Stationery | | 46 210 | 39 929 |
| Other Expenses | | 23 978 146 | 21 605 057 |
| Advertising & Marketing | | 26 218 | 50 460 |
| Bad Debt | 15 | 21 775 | 11 321 |
| Carols by Candlelight | | 2 007 | 32 387 |
| Commission Paid | | 16 085 | 43 565 |
| Contributions Net - Christmas Hamper | | 10 128 | - |
| Depreciation | | 361 050 | 270 776 |
| Directors Emoluments & Disbursements / Allowances | | 479 582 | 428 007 |
| Donations | | 18 966 | 73 085 |
| EnviroFund Expenses | | 70 850 | 102 106 |
| Environmental Upgrade Expenses | | 93 804 | - |
| General Expenses | | 37 860 | 37 150 |
| Insurance | | 50 617 | 40 530 |
| Legal Fees | | 9 874 | 450 |
| Minor Assets Written Off | | - | 1 175 |
| Motor Vehicle Expenses | | 3 995 | 18 116 |
| Property Levies | | 28 660 | 24 332 |
| Repairs & Maintenance | 16 | 111 566 | 132 703 |
| Salaries, Wages & Related Costs | | 1 858 227 | 1 621 532 |
| Scrapping of Fixed Assets | | - | 9 |
| Security Costs | | 19 757 548 | 18 054 751 |
| Staff Welfare | | 29 021 | 30 995 |
| Technical Call Out & Service Costs | | 771 494 | 456 584 |
| Telephone, Fax & Internet | | 99 418 | 86 469 |
| Travel Expenses | | 92 788 | 73 644 |
| Utilities | | 26 614 | 14 912 |
| PROFIT BEFORE NET INTEREST EARNED | | 87 080 | 83 208 |