

**KRONENDAL MUSIC ACADEMY OF HOUT BAY
(Registration number 060-215-NPO)
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010**

Temlett & Co
Chartered Accountants (S.A.)
Issued 14 May 2010

Kronendal Music Academy of Hout Bay

(Registration number 060-215-NPO)

Annual Financial Statements for the year ended 31 March 2010

General Information

| | |
|--|---|
| Country of incorporation and domicile | South Africa |
| Members | N Dube D Griesel J Sanders C Wanliss D Miller D Classen N Yeowart |
| Registered office | 24 Andrews Road Hout Bay 7806 |
| Business address | 24 Andrews Road Hout Bay 7806 |
| Postal address | P O Box 26292 Hout Bay 7872 |
| Auditors | Temlett & Co Chartered Accountants (S.A.) |
| Non-profit Organisation registration number | 060-215-NPO |

Kronendal Music Academy of Hout Bay

(Registration number 060-215-NPO)

Annual Financial Statements for the year ended 31 March 2010

Index

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

| Index | Page |
|--|-------------|
| Report of the Independent Auditors | 3 |
| Members' Responsibilities and Approval | 4 |
| Members' Report | 5 |
| Balance Sheet | 6 |
| Income Statement | 7 |
| Statement of Changes in Equity | 8 |
| Cash Flow Statement | 9 |
| Accounting Policies | 10 |
| Notes to the Annual Financial Statements | 11 - 12 |

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

| | |
|---------------------------|----|
| Detailed Income statement | 13 |
|---------------------------|----|

Report of the Independent Auditors

To the members of Kronendal Music Academy of Hout Bay

We have audited the accompanying annual financial statements of Kronendal Music Academy of Hout Bay, which comprise the members' report, the balance sheet as at 31 March 2010, the income statement and the statement of changes in equity for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on

Members' Responsibility for the Financial Statements

The non-profit organisation's members are responsible for the preparation and fair presentation of these annual financial statements in accordance with the South African Statement of Generally Accepted Accounting Practice for Small and Medium-sized Entities. 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these annual 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 annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the annual 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 annual 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 the members, as well as evaluating the overall presentation of the annual financial statements.

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

In common with similar organisations, Kronendal Music Academy of Hout Bay derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of Kronendal Music Academy of Hout Bay, and we were not able to determine whether any adjustments might be necessary to donation revenues.

Opinion

In our opinion, except for the effect of the matter referred to in the preceding paragraph, the annual financial statements present fairly, in all material respects, the financial position of non-profit organisation as of 31 March 2010, and of its financial performance and its cash flows for the year then ended in accordance with the South African Statement of Generally Accepted Accounting Practice for Small and Medium-sized Entities.

Temlett & Co

14 May 2010

6, 36 Victoria Avenue
Hout Bay
7806

Kronendal Music Academy of Hout Bay

(Registration number 060-215-NPO)

Annual Financial Statements for the year ended 31 March 2010

Members' Responsibilities and Approval

The members 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 fairly present the state of affairs of the non-profit organisation as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with the South African Statement of Generally Accepted Accounting Practice for Small and Medium-sized Entities. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with the South African Statement of Generally Accepted Accounting Practice for Small and Medium-sized Entities and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The members acknowledge that they are ultimately responsible for the system of internal financial control established by the non-profit organisation and place considerable importance on maintaining a strong control environment. The members 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 members have reviewed the non-profit organisation's cash flow forecast for the year to 31 March 2011 and, in the light of this review and the current financial position, they are satisfied that the non-profit organisation has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the non-profit organisation's annual financial statements. The annual financial statements have been examined by the non-profit organisation's external auditors and their report is presented on page 3.

The annual financial statements set out on pages 5 to 13, which have been prepared on the going concern basis, were approved by the board on 14 May 2010 and were signed on its behalf by:

Member

Member

Hout Bay

14 May 2010

Kronendal Music Academy of Hout Bay

(Registration number 060-215-NPO)

Annual Financial Statements for the year ended 31 March 2010

Members' Report

The members submit their report for the year ended 31 March 2010.

1. The non-profit organisation

The non-profit organisation was established in January 2007 and registered on 13 February 2008.

2. Review of activities

Main business and operations

The non-profit organisation is engaged in projects that support and implement the education, training and preservation of musical culture within the community, with specific emphasis on the under-privileged areas and thereby also ensuring the promotion of social and racial integration.

The operating results and state of affairs of the non-profit organisation are fully set out in the attached annual financial statements.

The Kronendal Music Academy facilitated the training, workshops, monthly assistance and sponsorships and made it possible for 64 (2009:66) pupils to participate in musical events and training. These pupils consist of 37 (2009:19) sponsored and fully funded pupils and 27 (2009: 47) paying pupils who pay the teachers directly.

3. Post balance sheet events

The members are not aware of any matter or circumstance arising since the end of the financial year.

4. Members

The members of the non-profit organisation during the year and to the date of this report are as follows:

| Name | Changes |
|---------------|-----------------------------|
| J Borain | Resigned 19 January 2010 |
| N Dube | |
| D Griesel | |
| J Julius | Resigned 17 September 2009 |
| S Kieivts | Resigned 17 September 2009 |
| G Maree | Resigned 07 December 2009 |
| C Mongwe | Resigned 11 October 2009 |
| M Crisp | Resigned 09 December 2009 |
| K Behari-Leak | Resigned 07 December 2009 |
| J Sanders | Appointed 17 September 2009 |
| C Wanliss | Appointed 17 September 2009 |
| M Leak | Resigned 14 December 2009 |
| D Miller | Appointed 03 March 2010 |
| D Classen | Appointed 03 March 2010 |
| N Yeowart | Appointed 03 March 2010 |

5. Auditors

Temlett & Co will continue in office for the next financial period.

Kronendal Music Academy of Hout Bay

(Registration number 060-215-NPO)

Annual Financial Statements for the year ended 31 March 2010

Balance Sheet

| | Note(s) | 2010 R | 2009 R |
|-------------------------------------|---------|-----------------|------------------|
| Assets | | | |
| Non-Current Assets | | | |
| Musical equipment | 2 | 70 194 | - |
| Current Assets | | | |
| Cash and cash equivalents | 3 | 10 071 | 3 246 |
| Total Assets | | 80 265 | 3 246 |
| Equity and Liabilities | | | |
| Equity | | | |
| Reserves | | 59 470 | - |
| Accumulated deficit | | (128 577) | (159 167) |
| | | (69 107) | (159 167) |
| Liabilities | | | |
| Non-Current Liabilities | | | |
| Other financial liabilities | 4 | 149 372 | 150 000 |
| Current Liabilities | | | |
| Other financial liabilities | 4 | - | 6 000 |
| Trade and other payables | 5 | - | 6 413 |
| | | - | 12 413 |
| Total Liabilities | | 149 372 | 162 413 |
| Total Equity and Liabilities | | 80 265 | 3 246 |

Kronendal Music Academy of Hout Bay

(Registration number 060-215-NPO)

Annual Financial Statements for the year ended 31 March 2010

Income Statement

| | Note(s) | 2010 R | 2009 R |
|---------------------------------------|---------|----------------|-----------------|
| Revenue | 6 | 248 933 | 50 178 |
| Cost of sales | 7 | (85 534) | (78 973) |
| Gross surplus (deficit) | | 163 399 | (28 795) |
| Government Grants | | - | 130 000 |
| Operating expenses | | (132 809) | (164 439) |
| Operating surplus (deficit) | | 30 590 | (63 234) |
| Surplus (deficit) for the year | | 30 590 | (63 234) |

Kronendal Music Academy of Hout Bay

(Registration number 060-215-NPO)

Annual Financial Statements for the year ended 31 March 2010

Statement of Changes in Equity

| | Trust capital | Non distributable reserve | Accumulated deficit | Total equity |
|---------------------------------|---------------|---------------------------------|------------------------|------------------|
| | R | R | R | R |
| Balance at 01 April 2008 | - | - | (95 933) | (95 933) |
| Changes in equity | | | | |
| Deficit for the year | - | - | (63 234) | (63 234) |
| Total changes | - | - | (63 234) | (63 234) |
| Balance at 01 April 2009 | - | - | (159 167) | (159 167) |
| Changes in equity | | | | |
| Surplus for the year | - | - | 30 590 | 30 590 |
| Musical instruments donated | - | 59 470 | - | 59 470 |
| Total changes | - | 59 470 | 30 590 | 90 060 |
| Balance at 31 March 2010 | - | 59 470 | (128 577) | (69 107) |

Note(s)

Kronendal Music Academy of Hout Bay

(Registration number 060-215-NPO)

Annual Financial Statements for the year ended 31 March 2010

Cash Flow Statement

| | Note(s) | 2010 R | 2009 R |
|---|---------|----------------|----------------|
| Cash flows from operating activities | | | |
| Cash generated from (used in) operations | 8 | 31 977 | (65 586) |
| Cash flows from investing activities | | | |
| Purchase of musical equipment | 2 | (18 524) | - |
| Cash flows from financing activities | | | |
| Proceeds from other financial liabilities | | - | 60 102 |
| Repayment of other financial liabilities | | (6 628) | - |
| Net cash from financing activities | | (6 628) | 60 102 |
| Total cash movement for the year | | 6 825 | (5 484) |
| Cash at the beginning of the year | | 3 246 | 8 730 |
| Total cash at end of the year | 3 | 10 071 | 3 246 |

Kronendal Music Academy of Hout Bay

(Registration number 060-215-NPO)

Annual Financial Statements for the year ended 31 March 2010

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the South African Statement of Generally Accepted Accounting Practice 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 Musical equipment

Costs include costs incurred initially to acquire or construct an item of musical 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 musical equipment, the carrying amount of the replaced part is derecognised.

Musical equipment is carried at cost less accumulated depreciation and any impairment losses.

Depreciation is provided using the straight-line method to write down the cost, less estimated residual value over the useful life of the musical equipment, which is as follows:

| Item | Average useful life |
|-------------------|---------------------|
| Musical equipment | 5 years |

The residual value, depreciation method and the useful life of each asset are reviewed at each financial period-end.

1.2 Financial instruments

1.3 Impairment of assets

The non-profit organisation assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the non-profit organisation estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

1.4 Provisions and contingencies

Provisions are recognised when:

- the non-profit organisation has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Contingent assets and contingent liabilities are not recognised.

1.5 Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for services provided in the normal course of business.

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

Fees received or receivable for lessons, and donations received for pupil assistance are included in revenue.

1.6 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.7 Government grants

Government grants are reflected as other income in the income statement.

Kronendal Music Academy of Hout Bay

(Registration number 060-215-NPO)

Annual Financial Statements for the year ended 31 March 2010

Notes to the Annual Financial Statements

| | 2010 | | | 2009 | | |
|-------------------|------------------|--------------------------|----------------|------------------|--------------------------|----------------|
| | Cost / Valuation | Accumulated depreciation | Carrying value | Cost / Valuation | Accumulated depreciation | Carrying value |
| Musical equipment | 77 994 | (7 800) | 70 194 | - | - | - |

Reconciliation of musical equipment - 2010

| | Opening Balance | Additions | Assets donated | Depreciation | Total |
|-------------------|-----------------|-----------|----------------|--------------|--------|
| Musical equipment | - | 18 524 | 59 470 | (7 800) | 70 194 |

3. Cash and cash equivalents

Cash and cash equivalents consist of:

| | | |
|---------------|--------|-------|
| Bank balances | 10 071 | 3 246 |
|---------------|--------|-------|

4. Other financial liabilities

At amortised cost

M Moose - 6 000

The loan is interest free and repayable when sufficient funds are available.

Loan from D Griesel 149 372 150 000

The loan is interest free, and the member has agreed to subordinate the loan in favour of other creditors, until the organisation's assets, fairly valued, exceed its liabilities.

149 372 156 000

Non-current liabilities

At amortised cost 149 372 150 000

Current liabilities

At amortised cost - 6 000

149 372 156 000

5. Trade and other payables

Trade payables - 6 413

6. Revenue

| | | |
|-----------------------|----------------|---------------|
| Event sponsorship | 1 905 | 2 578 |
| Transport sponsorship | 19 500 | 2 000 |
| Pupil sponsorship | 11 750 | 24 100 |
| General donations | 215 778 | 21 500 |
| | 248 933 | 50 178 |

Kronendal Music Academy of Hout Bay

(Registration number 060-215-NPO)

Annual Financial Statements for the year ended 31 March 2010

Notes to the Annual Financial Statements

| | 2010 R | 2009 R |
|--|---------------|-----------------|
| 7. Cost of sales | | |
| Rendering of services | | |
| Community singers administration expenses | 23 812 | 3 375 |
| Fees for individually sponsored pupils | - | 8 580 |
| Fund raising | - | 230 |
| Group administration fees | 26 400 | 4 612 |
| Group tuition fees | 20 940 | 32 060 |
| KMA sponsored tuition | 382 | 1 716 |
| Kronendal assembly pianist | 14 000 | 6 300 |
| Teachers paid direct | - | 22 100 |
| | 85 534 | 78 973 |
| 8. Cash generated from (used in) operations | | |
| Surplus (deficit) before taxation | 30 590 | (63 234) |
| Adjustments for: | | |
| Depreciation and amortisation | 7 800 | - |
| Changes in working capital: | | |
| Trade and other payables | (6 413) | (2 352) |
| | 31 977 | (65 586) |

Kronendal Music Academy of Hout Bay

(Registration number 060-215-NPO)

Annual Financial Statements for the year ended 31 March 2010

Detailed Income statement

| | Note(s) | 2010 R | 2009 R |
|--|---------|----------------|-----------------|
| Revenue | 6 | 248 933 | 50 178 |
| Cost of sales | 7 | 85 534 | 78 973 |
| Gross surplus (deficit) | | 163 399 | (28 795) |
| Other income | | | |
| Individual tuition paid by pupils | | 124 900 | 221 000 |
| Tuition paid directly to tutors | | (124 900) | (221 000) |
| Government grants | | - | 130 000 |
| | | - | 130 000 |
| Operating expenses | | | |
| Accounting fees | | 1 140 | 7 866 |
| Administration fees | | - | 10 536 |
| Advertising | | - | 16 |
| Audio video and photographic | | - | 1 120 |
| Bank charges | | 30 | 1 487 |
| Community singing fees | | 6 200 | 10 080 |
| Computer expenses | | 367 | - |
| Costume and decor | | - | 1 348 |
| Courier and postage | | - | 451 |
| Depreciation, amortisation and impairments | | 7 800 | - |
| Donations | | 600 | - |
| Entertainment of funders | | 2 006 | 1 072 |
| Equipment upgrade, repairs and maintenance | | 1 200 | 4 055 |
| Food for pupils | | 5 289 | 2 040 |
| Gifts | | 1 330 | - |
| Hire of computers, copiers and printers | | - | 800 |
| Honouraria | | 45 000 | 44 700 |
| Lease rentals on operating lease | | 18 000 | 18 000 |
| Printing and stationery | | 2 072 | 1 338 |
| Purchase of equipment | | - | 2 399 |
| Teacher skills development | | - | 625 |
| Telephone and fax | | 18 407 | 9 898 |
| Text books | | - | 501 |
| Transport for pupils | | 7 400 | 8 956 |
| Travel - local | | 5 282 | 29 000 |
| Utilities | | 3 563 | 1 445 |
| Van hire and vehicle costs | | - | 1 200 |
| Workshops and performances | | 7 123 | 5 506 |
| | | 132 809 | 164 439 |
| Surplus (deficit) for the year | | 30 590 | (63 234) |