

**KRONENDAL MUSIC ACADEMY OF HOUT BAY
(Registration number 060-215-NPO)
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012**

Temlett & Co
Chartered Accountant (S.A.)
Issued 15 June 2012

Kronendal Music Academy of Hout Bay

(Registration number 060-215-NPO)

Annual Financial Statements for the year ended 31 March 2012

General Information

Country of incorporation and domicile	South Africa
Members	L Human Y Dzotsi D Giesel L Chili O Leonard L Smith D Gascoigne J Mannikam
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
Auditor	Temlett & Co Chartered Accountant (S.A.)
Trust registration number	060-215-NPO

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Independent Auditor report

To the members of Kronendal Music Academy of Hout Bay

I have audited the accompanying annual financial statements of Kronendal Music Academy of Hout Bay, which comprise the members' report, the statement of financial position as at 31 March 2012, the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 5 to 12.

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 International Financial Reporting Standard 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.

Auditor's Responsibility

My responsibility is to express an opinion on these annual financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I 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 auditor's 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.

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, 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 my 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 2012, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities.



Temlett & Co

15 June 2012

6, 36 Victoria Avenue
Hout Bay
7806

Kronendal Music Academy of Hout Bay

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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 International Financial Reporting Standard 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 International Financial Reporting Standard 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 2013 and, in the light of this review and the current financial position, they are satisfied that the non-profit organization has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditor is 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 organization's external auditor 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 15 June 2012 and were signed on its behalf by:


Member **CHAIRMAN**


Member **DIRECTOR**

Hout Bay

15 June 2012

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Members Report

The members submit their report for the year ended 31 March 2012.

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 153 (2011:61) pupils to participate in musical events and training. These pupils consist of 104 (2011:18) sponsored and fully funded pupils and 49 (2011: 43) paying pupils who pay the teachers directly.

3. Events after the reporting period

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
L Human	
Y Dzotsi	
D Griesel	
L Chili	Appointed 24 November 2011
O Leonard	Appointed 24 November 2011
L Smith	Appointed 24 November 2011
C Wanliss	Resigned 24 November 2011
D Banda	Resigned 24 November 2011
S Hoffmeyer	Resigned 24 November 2011
D Gascoigne	
J Sibindi	Resigned 24 November 2011
J Mannikam	

5. Auditor

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

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Annual Financial Statements for the year ended 31 March 2012

Statement of Financial Position

	Note(s)	2012	2011
Assets			
Non-Current Assets			
Musical equipment	2	136 839	145 420
Current Assets			
Trade and other receivables		879	1 320
Cash and cash equivalents	3	18 174	44 309
		19 053	45 629
Total Assets		155 892	191 049
Equity and Liabilities			
Equity			
Reserves		139 792	139 792
Accumulated deficit		(81 504)	(65 350)
		58 288	74 442
Liabilities			
Non-Current Liabilities			
Other financial liabilities	4	97 604	116 607
Total Equity and Liabilities		155 892	191 049

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Statement of Comprehensive Income

		2012	2011
	Note(s)		
Revenue	5	226 243	203 217
Cost of sales	6	(154 204)	(87 982)
Gross surplus		72 039	115 235
Government Grants		181 850	150 000
Operating expenses		(270 180)	(202 006)
Operating (deficit) surplus		(16 291)	63 229
Investment revenue		137	-
Finance costs		-	(2)
(Deficit) surplus for the year		(16 154)	63 227
Other comprehensive income		-	-
Total comprehensive (loss) income for the year		(16 154)	63 227

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Statement of changes in equity

	Trust capital	Non distributable reserve	Accumulated deficit	Total equity
Balance at 01 April 2010	-	59 470	(128 577)	(69 107)
Changes in equity				
Total comprehensive income for the year	-	-	63 227	63 227
Musical instruments donated	-	80 322	-	80 322
Total changes	-	80 322	63 227	143 549
Balance at 01 April 2011	-	139 792	(65 350)	74 442
Changes in equity				
Total comprehensive deficit for the year	-	-	(16 154)	(16 154)
Total changes	-	-	(16 154)	(16 154)
Balance at 31 March 2012	-	139 792	(81 504)	58 288

Note(s)

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Statement of Cash Flows

	Note(s)	2012	2011
Cash flows from operating activities			
Cash generated from operations	7	2 079	78 630
Interest income		137	-
Finance costs		-	(2)
Net cash from operating activities		2 216	78 628
Cash flows from investing activities			
Purchase of musical equipment	2	(9 348)	(11 625)
Cash flows from financing activities			
Repayment of other financial liabilities		(19 003)	(32 765)
Net cash from financing activities		(19 003)	(32 765)
Total cash movement for the year		(26 135)	34 238
Cash at the beginning of the year		44 309	10 071
Total cash at end of the year	3	18 174	44 309

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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 Musical equipment

- are held for use in the production or supply of goods or services, for rental to others or for administrative purposes; and
- are expected to be used during more than one period.

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	10 years

The residual value, depreciation method and the useful life of each asset are reviewed at each annual reporting period.

1.2 Impairment of assets

The trust assesses at each reporting period date whether there is any indication that an asset may be impaired. If any such indication exists, the trust 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.

1.3 Provisions and contingencies

Provisions are recognised when:

- the non-profit organisation has an obligation at the reporting period date as a result of a past event;
- it is probable that the non-profit organisation will be required to settle the obligation; and
- the amount of the obligation can be estimated reliably.

Contingent assets and contingent liabilities are not recognised.

1.4 Revenue

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

Interest is recognised, in surplus or deficit, using the effective interest rate method.

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

1.5 Borrowing costs

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

1.6 Government grants

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

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Notes to the Annual Financial Statements

	2012			2011		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Furniture and fixtures	3 255	(325)	2 930	-	-	-
Musical equipment	168 956	(41 417)	127 539	167 211	(24 521)	142 690
Recording Instruments	7 078	(708)	6 370	2 730	-	2 730
Total	179 289	(42 450)	136 839	169 941	(24 521)	145 420

Reconciliation of musical equipment - 2012

	Opening Balance	Additions	Depreciation	Total
Furniture and fixtures	-	3 255	(325)	2 930
Musical equipment	142 690	1 745	(16 896)	127 539
Recording instruments	2 730	4 348	(708)	6 370
	145 420	9 348	(17 929)	136 839

Reconciliation of musical equipment - 2011

	Opening Balance	Additions	Assets donated	Depreciation	Total
Musical equipment	70 194	8 895	80 322	(16 721)	142 690
Other property, plant and equipment	-	2 730	-	-	2 730
	70 194	11 625	80 322	(16 721)	145 420

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1 305	1 403
Bank balances	16 869	42 906
	18 174	44 309

4. Other financial liabilities

At amortised cost

Loan from D Griesel 97 604 116 607

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.

Non-current liabilities

At amortised cost 97 604 116 607

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Notes to the Annual Financial Statements

	2012	2011
5. Revenue		
Event sponsorship	545	5 100
Transport sponsorship	39 163	29 667
Pupil sponsorship	51 974	36 897
General donations	134 561	131 553
	226 243	203 217
6. Cost of sales		
Rendering of services		
Community singers administration expenses	26 021	26 484
Fees for individually sponsored pupils	26 134	7 560
Fund raising	-	1 500
Group administration fees	18 700	5 540
Group tuition fees	74 692	23 643
KMA sponsored tuition	3 257	17 105
Kronendal assembly pianist	5 400	3 750
Teachers paid direct	-	2 400
	154 204	87 982
7. Cash generated from operations		
(Deficit) surplus before taxation	(16 154)	63 227
Adjustments for:		
Depreciation and amortisation	17 929	16 721
Interest received	(137)	-
Finance costs	-	2
Changes in working capital:		
Trade and other receivables	441	(500)
Trade and other payables	-	(820)
	2 079	78 630

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Statement of Financial Performance

	Note(s)	2012	2011
Revenue	5	226 243	203 217
Cost of sales	6	(154 204)	(87 982)
Gross surplus		72 039	115 235
Other income			
Discount received		1 500	-
Individual tuition paid by pupils		189 038	141 065
Tuition paid directly to tutors		(189 038)	(141 065)
Friends of KMA		350	-
Interest received		137	-
Government grants		180 000	150 000
		181 987	150 000
Operating expenses			
Accounting fees		5 896	6 498
Advertising		6 110	-
Bank charges		(208)	1 141
Cleaning		1 204	-
Computer expenses		5 684	7 024
Purchase of equipment		225	1 089
Courier and postage		669	701
Depreciation, amortisation and impairments		17 929	16 721
Donations		1 372	-
Employee costs		46 500	55 000
Entertainment of funders		7 813	2 335
Costume and decor		15 384	4 421
Audio video and photographic		-	479
Workshops and performances		6 085	1 730
Community singing fees		2 750	1 200
Food for pupils		5 293	3 602
Text books		600	400
Transport for pupils		5 125	7 049
Van hire and vehicle costs		5 918	723
Fee/Income Collection expenses		-	55
Gifts		7 696	1 604
Lease rentals on operating lease		21 420	19 317
Motor vehicle expenses		91	9
General expenses - other		34 169	19 545
Petrol and oil		1 469	-
Printing and stationery		12 327	5 640
Equipment upgrade, repairs and maintenance		18 883	11 223
Royalties and license fees		900	-
Telephone and fax		19 728	19 703
Travel - local		14 810	10 422
Utilities		4 338	4 375
		270 180	202 006
Operating (deficit) surplus		(16 154)	63 229
Finance costs		-	(2)
(Deficit) surplus for the year		(16 154)	63 227