MeyerOtto
INGELYF | INCORPORATED

Knysnadoc Investment Holdings (Pty) Ltd
(Registration number 2003/020630/07)
Financial statements
for the year ended 28 February 2013

Knysnadoc Investment Holdings (Pty) Ltd
Financial Statements for the year ended 28 February 2013

General Information

Company registration number	2003/020630/07
Directors	Johan Olivier Wilco Eloff Jayaseelan Moodliar Mohan Narran
Registered office	Thesen House No 6 Long Street Knysna 6571
Postal address	PO Box 3459 Knysna 6570
Auditors	MeyerOtto Incorporated Registered Auditors
Level of assurance	These financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.
Preparer	The financial statements were independently compiled by: Z Liebenberg (Chartered Accountant S.A.)
Published	02 August 2013

Index

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

Knysnadoc Investment Holdings (Pty) Ltd
Financial Statements for the year ended 28 February 2013

Directors' Responsibilities and Approval

The directors are required by the Companies Act 71 of 2008, to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the company 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 financial statements.

The 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 judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors 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 financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the company's cash flow forecast for the year to 28 February 2014 and, in the light of this review and the current financial position, they are satisfied that the company 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 company's financial statements. The financial statements have been examined by the company's external auditors and their report is presented on page 3.

The financial statements set out on pages 5 to 22, which have been prepared on the going concern basis, were approved by the directors on ...2 - 8 - 2013..... and were signed on its behalf by:

Director	**Director**

MeyerOtto
INGELYF | INCORPORATED

Independent Auditors' Report

To the shareholders of Knysnadoc Investment Holdings (Pty) Ltd

We have audited the financial statements of Knysnadoc Investment Holdings (Pty) Ltd, as set out on pages 6 to 20, which comprise the statement of financial position as at 28 February 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Knysnadoc Investment Holdings (Pty) Ltd as at 28 February 2013, and 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, and the requirements of the Companies Act 71 of 2008.

Other matter

Without qualifying our opinion, we draw attention to the fact that supplementary information set out on pages 21 to 22 does not form part of the financial statements and is presented as additional information. We have not audited this information and accordingly do not express an opinion thereon.

Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 28 February 2013, we have read the Directors' Report for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. This report is the responsibility of the respective preparer. Based on reading this report we have not identified material inconsistencies between this report and the audited financial statements. However, we have not audited this report and accordingly do not express an opinion on this report.

Meyer Otto Inc

MeyerOtto Incorporated
Registered Auditors

P Otto
Director

Date: 2-8-2013

Directors' Report

The directors submit their report for the year ended 28 February 2013.

1. Review of activities

Main business and operations

The company is engaged in investment in property and property development projects and operates principally in South Africa.

The operating results and state of affairs of the company are fully set out in the attached financial statements and do not in our opinion require any further comment.

2. Events after the reporting period

The directors are not aware of any matter or circumstance arising since the end of the financial year that has a material impact on the financial statements.

3. Authorised and issued share capital

There were no changes in the authorised or issued share capital of the company during the year under review.

4. Dividends

No dividends were declared or paid to shareholders during the year.

5. Directors

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

Name
Johan Olivier
Wilco Eloff
Jayaseelan Moodliar
Mohan Narran

6. Secretary

The company had no secretary during the year.

7. Auditors

MeyerOtto Incorporated will continue in office in accordance with section 90 of the Companies Act 71 of 2008.

Statement of Financial Position as at 28 February 2013

	Note(s)	2013 R	2012 R
Assets			
Non-Current Assets			
Investment property	2	17,476,890	15,561,405
Property, plant and equipment	3	6,244	2,139
Other financial assets	4	22,035	20,035
Deferred tax	5	44,380	39,200
Investment in artwork	6	450,000	450,000
		17,999,549	**16,072,779**
Current Assets			
Other financial assets	4	2,937,776	2,974,965
Trade and other receivables	7	180,201	550,401
Cash and cash equivalents	8	509,896	181,143
		3,627,873	**3,706,509**
Total Assets		**21,627,422**	**19,779,288**
Equity and Liabilities			
Equity			
Share capital	9	10,158,923	10,158,923
Retained income		5,438,717	4,877,386
		15,597,640	**15,036,309**
Liabilities			
Non-Current Liabilities			
Other financial liabilities	10	4,289,591	3,129,568
Deferred tax	5	951,700	952,299
		5,241,291	**4,081,867**
Current Liabilities			
Other financial liabilities	10	599,455	567,848
Current tax payable		53,780	10,956
Trade and other payables	11	135,256	82,308
		788,491	**661,112**
Total Liabilities		**6,029,782**	**4,742,979**
Total Equity and Liabilities		**21,627,422**	**19,779,288**

Statement of Comprehensive Income

	Note(s)	2013 R	2012 R
Revenue	12	1,565,717	1,418,593
Operating expenses		(584,181)	(607,866)
Operating profit	13	**981,536**	**810,727**
Investment revenue	14	1,857	9,495
Fair value adjustments	15	2,000	(1,035,088)
Finance costs	16	(212,732)	(284,147)
Profit (loss) before taxation		**772,661**	**(499,013)**
Taxation	17	(211,330)	88,960
Profit (loss) for the year		**561,331**	**(410,053)**
Other comprehensive income		-	-
Total comprehensive income (loss) for the year		**561,331**	**(410,053)**

Statement of Changes in Equity

	Share capital R	Share premium R	Total share capital R	Revaluation Reserve R	Retained income R	Total equity R
Opening balance as previously reported	436,308	9,574,339	10,010,647	1,330,000	5,311,939	16,652,586
Adjustments						
Change in accounting policy	-	-	-	(1,330,000)	(24,500)	(1,354,500)
Balance at 01 March 2011 as restated	**436,308**	**9,574,339**	**10,010,647**	**-**	**5,287,439**	**15,298,086**
Loss for the year	-	-	-	-	(410,053)	(410,053)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss for the year	**-**	**-**	**-**	**-**	**(410,053)**	**(410,053)**
Write off of share reservation reserve accounts	-	148,276	148,276	-	-	148,276
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**148,276**	**148,276**	**-**	**-**	**148,276**
Balance at 01 March 2012	**436,308**	**9,722,615**	**10,158,923**	**-**	**4,877,386**	**15,036,309**
Profit for the year	-	-	-	-	561,331	561,331
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**561,331**	**561,331**
Balance at 28 February 2013	**436,308**	**9,722,615**	**10,158,923**	**-**	**5,438,717**	**15,597,640**
Note(s)	9	9	9			

Statement of Cash Flows

	Note(s)	2013 R	2012 R
Cash flows from operating activities			
Cash receipts from customers		1,973,106	1,384,231
Cash paid to suppliers and employees		(565,719)	(1,122,336)
Cash generated from operations	19	1,407,387	261,895
Interest income		1,857	9,495
Tax paid		(174,285)	(278,975)
Net cash from operating activities		**1,234,959**	**(7,585)**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(6,807)	-
Purchase of investment property	2	(1,915,485)	-
Purchase of financial assets		-	(9,000)
Sale of financial assets		37,189	-
Net cash from investing activities		**(1,885,103)**	**(9,000)**
Cash flows from financing activities			
Proceeds on share issue	9	-	148,276
Repayment of other financial liabilities		1,191,629	(12,733)
Finance costs		(212,732)	(284,147)
Net cash from financing activities		**978,897**	**(148,604)**
Total cash movement for the year		**328,753**	**(165,189)**
Cash at the beginning of the year		181,143	346,332
Total cash at end of the year	8	**509,896**	**181,143**

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, and the Companies Act 71 of 2008. The financial statements have been prepared on the historical cost basis, except for the measurement of investment properties and certain financial instruments at fair value, 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 Investment property

Investment property is land and buildings held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. In addition, only investment property whose fair value can be measured reliably without undue cost or effort on an ongoing basis is included in investment property. All other investment property is included in property, plant and equipment.

Investment property is initially recognised at cost.

The cost of investment property comprises its purchase price and any directly attributable costs incurred to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. If payment is deferred beyond normal credit terms, the cost is the present value of all future payments.

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

After initial recognition, investment property is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

1.2 Property, plant and equipment

Property, plant and equipment are tangible items that:
- 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.

Property, plant and equipment is carried at cost less accumulated depreciation and accumulated impairment losses.

Cost includes all costs incurred to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

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

Item	**Average useful life**
Office equipment	3 - 5 years
Computer equipment	3 years

The residual value, depreciation method and useful life of each asset are reviewed at each annual reporting period if there are indicators present that there has been a significant change from the previous estimate.

1.2 Property, plant and equipment (continued)

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss in the period.

1.3 Financial instruments

Financial instruments at amortised cost

Debt instruments, as defined in the standard, are subsequently measured at amortised cost using the effective interest method. Debt instruments which are classified as current assets or current liabilities are measured at the undiscounted amount of the cash expected to be received or paid, unless the arrangement effectively constitutes a financing transaction.

At the end of each reporting date, the carrying amounts of assets held in this category are reviewed to determine whether there is any objective evidence of impairment. If so, an impairment loss is recognised

Financial instruments at cost

Commitments to receive a loan are measured at cost less impairment.

Equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably are measured at cost less impairment. This includes equity instruments held in unlisted investments.

All financial assets whose fair value cannot otherwise be measured reliably, and which do not meet the criteria to be designated as an instruments measured at amortised cost, are measured at cost less impairment.

Financial instruments at fair value

All other financial instruments are measured at fair value through profit and loss.

1.4 Tax

Current tax assets and liabilities

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.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

The tax liability reflects the affect of the possible outcomes of a review by the tax authorities.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences.

A deferred tax asset is recognised for all deductible temporary differences and for the carry forward of unused tax losses and unused tax credits.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

The deferred tax balance reflects the affect of the possible outcomes of a review by the tax authorities.

1.4 Tax (continued)

Tax expenses

Tax expense is recognised in the same component of total comprehensive income (i.e. continuing operations, discontinued operations, or other comprehensive income) or equity as the transaction or other event that resulted in the tax expense.

1.5 Impairment of assets

The company assesses at each reporting date whether there is any indication that an asset may be impaired.

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.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset (or group of assets) in prior years. A reversal of impairment is recognised immediately in profit or loss.

1.6 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

1.7 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, net of trade discounts and volume rebates, and value added tax.

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

	2013 R	2012 R

2. Investment property

	2013 Fair value	2012 Fair value
Investment property	17,476,890	15,561,405
Total	**17,476,890**	**15,561,405**

Reconciliation of investment property - 2013

	Opening balance	Additions	Total
Investment property	15,561,405	1,915,485	17,476,890

Reconciliation of investment property - 2012

	Opening balance	Total
Investment property	15,561,405	15,561,405

Pledged as security

Investment property used for mortgage bonds in favour of Standard Bank ABSA Bank and Nedbank. Refer to note 10:

Knysna Quays	14,815,790	14,815,790
Pinnacle Point	745,615	745,615

Details of property

	Cost	Revaluation	2013 Total	2012 Total
Knysna Quays Protea Hotel - 27 units (2011: 27 units)	9,319,953	5,495,837	14,815,790	14,815,790
Erf 19760 Pinnacle Point	1,963,191	(1,217,576)	745,615	745,615
81 Cawood Street, Port Elizabeth	1,915,485	-	1,915,485	-
	13,198,629	**4,278,261**	**17,476,890**	**15,561,405**

A register containing the information required by Regulation 25(3) of the Companies Regulations, 2011 is available for inspection at the registered office of the company.

Details of valuation

The effective date of the revaluations was 29 February 2012. The Knysna Quays Protea Hotel units were valued by National Realtors Group and the Pinnacle Point property was valued by Fine & Country. Revaluations were performed by independent estate agents and they are not connected to the company and have recent experience in location and category of the investment property being valued.

The valuation was based on open market value for existing use.

The directors reviewed these valuations at 28 February 2013 and decided that there was not a change in market conditions and therefore valuations remained the same as on 29 February 2012.

	2013 R	2012 R

3. Property, plant and equipment

	2013			2012		
	Cost / Valuation	**Accumulated depreciation and impairments**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and impairments**	**Carrying value**
Office equipment	18,252	(18,250)	2	18,252	(17,039)	1,213
Computer equipment	27,296	(21,054)	6,242	20,489	(19,563)	926
Total	**45,548**	**(39,304)**	**6,244**	**38,741**	**(36,602)**	**2,139**

Reconciliation of property, plant and equipment - 2013

	Opening balance	**Additions**	**Depreciation**	**Total**
Office equipment	1,213	-	(1,211)	2
Computer equipment	926	6,807	(1,491)	6,242
	2,139	**6,807**	**(2,702)**	**6,244**

Reconciliation of property, plant and equipment - 2012

	Opening balance	**Depreciation**	**Total**
Office equipment	4,256	(3,043)	1,213
Computer equipment	4,620	(3,694)	926
	8,876	**(6,737)**	**2,139**

4. Other financial assets

	2013 R	2012 R
At fair value		
Lazaron Biotechnologeis (SA) Ltd 1,000,000 shares	-	20,000
John Daniel Holdings Ltd 200,000 shares	22,000	-
	22,000	**20,000**
At amortised cost		
Beneficial interest in Knysna Quays Hotel Trust	35	35
Knysna Quays Hotel Trust	2,937,776	2,974,965
This loan is unsecured, interest free and is only repayable when the trustees decide it is repayable in accordance with the Trust deed.		
	2,937,811	**2,975,000**
Total other financial assets	**2,959,811**	**2,995,000**

The trustee valuation of the beneficial interest and loans to Knysna Quays Hotel Trust is currently R150,000 per share. The total valuation is R5,250,000 (2012: R4,620,000).

	2013 R	2012 R

4. Other financial assets (continued)

	2013 R	2012 R
Non-current assets		
At fair value	22,000	20,000
At amortised cost	35	35
	22,035	**20,035**
Current assets		
At amortised cost	2,937,776	2,974,965
	2,959,811	**2,995,000**

5. Deferred tax

Deferred tax liability (asset)

	2013 R	2012 R
Property, plant and equipment	-	599
Revaluation of investment property	951,700	951,700
Revaluation of investments	(44,380)	(39,200)
	907,320	**913,099**

Reconciliation of deferred tax liability (asset)

	2013 R	2012 R
At beginning of the year	913,099	1,165,387
Originating temporary difference on tangible fixed assets	(599)	(852)
Originating temporary differences on investment property and investments	(5,180)	(251,436)
	907,320	**913,099**

Use and sales rate

The deferred tax rate applied to the fair value adjustments of financial assets is determined by the expected manner of recovery. Where the expected recovery of the financial assets is through sale the capital gains tax rate of 14% (2012: 14%) is used. If the expected manner of recovery is through indefinite use the normal tax rate of 28% (2012: 28%) is applied.

If the manner of recovery is partly through use and partly through sale, a combination of capital gains rate and normal tax rate is used.

6. Investment in artwork

	Cost price	Revaluation	2013 Total	2012 Total
Nelson Mandela Lithographs	769,000	(319,000)	450,000	450,000

Notes to the Financial Statements

	2013 R	2012 R
7. Trade and other receivables		
Trade receivables	33,501	-
Prepayments	12,268	255
Deposits	-	439,600
Rental Pool receivable	133,097	110,546
Other receivable	1,335	-
	180,201	**550,401**
8. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Bank balances	509,896	181,143
9. Share capital		
Authorised		
1 500 000 Ordinary shares of R1 each	1,500,000	1,500,000
Reconciliation of number of shares issued:		
Reported as at 01 March 2011	436,308	436,308
Issued		
Ordinary	436,308	436,308
Share premium	9,722,615	9,722,615
	10,158,923	**10,158,923**

Notes to the Financial Statements

	2013 R	2012 R

10. Other financial liabilities

	2013	2012
At amortised cost		
Bank loans	4,889,046	3,697,416

The repayment conditions for these loans are:

	Outstanding balance	Monthly installments	Interest rate	Surety
ABSA Bank (8062635322)	1,383,192	19,126	6.5 %	Erf 17960 Mossel Bay
Nedbank (8001648659001)	805,436	18,315	7.0 %	Knysna Quays Section 16,17,57,70,75
Nedbank (800164659101)	1,702,282	29,516	7.0 %	10 Units at Knysna Quays
Standard Bank (212797824)	998,136	5,033	6.6 %	Knysna Quays Section 47,49,73,103
	4,889,046	**71,990**	**6.8 %**	

	2013	2012
Non-current liabilities		
At amortised cost	4,289,591	3,129,568
Current liabilities		
At amortised cost	599,455	567,848
	4,889,046	**3,697,416**
Directors' estimate of fair value of the financial liabilities carried at amortised cost		
Bank loans	4,889,046	3,697,416

11. Trade and other payables

	2013	2012
Trade payables	6,341	8,606
SA Revenue Services - VAT	29,015	31,702
Share reservation deposits	75,400	-
Accrued audit fees	24,500	42,000
	135,256	**82,308**

12. Revenue

	2013	2012
Rental Income - Knysna Quays Rental Pool	967,669	867,343
Rental Income - Knysna Quays Hotel Trust	568,661	551,250
Rental Income - 81 Cawood Street, PE	29,387	-
	1,565,717	**1,418,593**

Notes to the Financial Statements

	2013 R	2012 R

13. Operating profit

Operating profit for the year is stated after accounting for the following:

	2013 R	2012 R
Operating lease charges		
Premises		
• Contractual amounts	23,280	23,280
Impairment on other financial assets	-	39,000
Depreciation on property, plant and equipment	2,703	6,737
Employee costs	378,512	390,517

14. Investment revenue

	2013 R	2012 R
Interest revenue		
Bank	1,857	2,468
South African Revenue Services	-	7
Other interest	-	7,020
	1,857	**9,495**

15. Fair value adjustments

	2013 R	2012 R
Investment property	-	(1,035,088)
Other financial assets	2,000	-
	2,000	**(1,035,088)**

16. Finance costs

	2013 R	2012 R
Non-current borrowings	212,486	283,941
Bank	13	6
Late payment of tax	233	-
South African Revenue Services	-	200
	212,732	**284,147**

	2013 R	2012 R

17. Taxation

Major components of the tax expense (income)

	2013 R	2012 R
Current		
Local income tax - current period	217,109	163,329
Deferred		
Originating and reversing temporary differences	(5,779)	(252,289)
	211,330	**(88,960)**

Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

	2013 R	2012 R
Accounting profit (loss)	772,661	(499,013)
Tax at the applicable tax rate of 28% (2012: 28%)	216,345	(139,724)
Tax effect of adjustments on taxable income		
Income not taxable	(560)	-
Expenses not deductible	725	1,456
Part of deferred tax provided	(5,180)	49,308
	211,330	**(88,960)**

18. Auditors' remuneration

	2013 R	2012 R
Fees	30,000	42,000
Tax and secretarial services	955	-
Other services	12,000	-
	42,955	**42,000**

19. Cash generated from operations

	2013 R	2012 R
Profit (loss) before taxation	772,661	(499,013)
Adjustments for:		
Depreciation and amortisation	2,703	6,737
Interest received	(1,857)	(9,495)
Finance costs	212,732	284,147
Fair value adjustments	(2,000)	1,035,088
Impairment loss	-	39,000
Changes in working capital:		
Trade and other receivables	370,200	(471,818)
Trade and other payables	52,948	(122,751)
	1,407,387	**261,895**

	2013 R	2012 R

20. Related parties

Relationships

Members of key management	J Olivier M Narran J Moodliar WJ Eloff
Investment in Knysna Quays Hotel Trust	29% share in beneficial interest of Trust
Other entity jointly controlled by a member of key management	J Olivier is a trustee of the Knysna Quays Hotel Trust and of the Knysna Quays Body Corporate

Compensation to directors

	2013 R	2012 R
Short-term employee benefits	192,000	212,000

Detailed Income Statement

	Note(s)	2013 R	2012 R
Revenue			
Rental Income - Knysna Quays Rental Pool		967,669	867,343
Rental Income - Knysna Quays Hotel Trust		568,661	551,250
Rental Income - 81 Cawood Street, PE		29,387	-
	12	**1,565,717**	**1,418,593**
Other income			
Interest received	14	1,857	9,495
Fair value adjustments	15	2,000	-
		3,857	**9,495**
Operating expenses			
Accounting fees		8,496	6,483
Administration and management fees		-	1,711
Advertising		456	1,500
Assessment rates & municipal charges		8,472	7,570
Auditors' remuneration	18	42,955	42,000
Bank charges		11,878	8,058
Computer expenses		4,795	737
Depreciation, amortisation and impairments		2,703	45,737
Electricity		2,578	2,041
Employee costs		378,512	390,517
Entertainment		8,131	4,930
Flowers & gifts		3,190	-
Insurance		10,457	10,064
Lease rentals on operating lease		23,280	23,280
Legal expenses		2,591	5,000
Levies		19,528	19,528
Marketing		-	350
Postage		428	3,169
Printing and stationery		2,453	6,248
Secretarial fees		1,754	8,396
Security		3,809	2,226
Telephone and fax		15,249	15,248
Travel - local		29,456	3,073
Web hosting		3,010	-
		584,181	**607,866**
Operating profit	13	**985,393**	**820,222**
Finance costs	16	(212,732)	(284,147)
Fair value adjustments	15	-	(1,035,088)
		(212,732)	**(1,319,235)**
Profit (loss) before taxation		**772,661**	**(499,013)**
Taxation	17	(211,330)	88,960
Profit (loss) for the year		**561,331**	**(410,053)**
Other comprehensive income		-	-
Total comprehensive income (loss) for the year		**561,331**	**(410,053)**

The supplementary information presented does not form part of the financial statements and is unaudited

Tax Computation

	R
Net income per income statement	772,661
Non-deductable/Non taxable items	
Less: Fair value adjustment	(2,000)
Add: Legal expenses	2,591
Add: Depreciation	2,703
Less: Wear & Tear on assets	(567)
	2,727
Taxable income	**775,388**
Tax thereon @ 28%	**217,109**

Tax liability

	R
Amount owing/(prepaid) at the beginning of year	10,956
Amount refunded/(paid) in respect of prior year	(10,956)
Amount owing/(prepaid) in respect of prior year	**-**
Tax owing/(prepaid) for the current year	
Normal tax	
Per calculation	217,109
1st provisional payment	(83,806)
2nd provisional payment	(79,523)
	53,780
Amount owing/(prepaid) at the end of year	**53,780**

Capital losses carried forward

Proceeds with John Daniel Holdings share convertion	20,000
Less: Purchase price of Lazaron shares	(59,000)
	(39,000)