



◆ ESTATE D'AFRIQUE ◆  
REFINED COUNTRY LIFE

**Estate d' Afrique Financial Policy**

The purpose of this financial policy is to ensure that the Estate remains financially sustainable through the enforcement of strict financial control and management of risks.

This financial policy should at all times be read in conjunction with the Service Level Agreement between the Estate d' Afrique Master Owners Association NPC and the Home Owners Associations of Port Provence, Ville d' Afrique and Beau Rivage (as well as Le Chateau Property Development (Pty) Ltd and Manpark (Pty) Ltd once developed) .

The Financial Authority Protocol forms part of the financial policy and should be read as such.

**1 DEFINITIONS AND INTRODUCTION**

- 1.1 **Master Owners Association (MOA)** refers to The Estate d' Afrique Master Owners Association NPC (registration number 2002/21395/08), a Non-Profit Company incorporated and registered according to the Companies Act of 1973 as substituted by the Companies Act, Act 71 of 2008 ("the Act"), which represents the developed residential villages of which each also forms a Non-Profit Company incorporated and registered in terms of the Act namely Ville d' Afrique Home Owners Association NPC (registration number 2000/014893/08), Port d' Afrique Home Owners Association NPC (registration number 2002/026229/08) and Beau Rivage Home Owners Association NPC (registration number 2004/026126/08) (collectively hereinafter "the Villages") and which MOA also have two other non-developed members namely Manpark (Pty) Ltd (registration number 1980/007025/07), a profit company incorporated and registered according to the Act and Le Chateau Property Development (Pty) Ltd (registration number 2005/042877/07), a profit company incorporated and registered according to the Act.

## 2 **PRINCIPLES**

- 2.1 Strict and transparent financial control with emphasis on sustainability.
- 2.2 Normal levies and any other levies are to be allocated to Operational and Capital reserve funds.
- 2.3 Capital reserves may not be utilized for operating expenses.

## 3 **GOVERNANCE**

- 3.1 All authority levels for any kind of expenditure will be guided by the Financial Authority Protocol.

## 4 **ACCOUNTING POLICIES**

- 4.1 The Estate's principal accounting policies are set out in the Audited Annual Financial Statements and are in accordance with SARS, GAAP, and the new Companies Act of South Africa.

## 5 **BUDGETS/FINANCIAL PLANNING**

- 5.1 Annual Operating and Capex budgets are to be aligned with the Estate's financial year-end (End of February).
- 5.2 Three (3) year Capex budgets are to be prepared, reflecting the key strategic priorities.
- 5.3 The Budget approved by the Board of Directors shall be presented to members at an Information Meeting prior to the financial year end.
- 5.4 A "Zero-based" budgeting approach will be followed.
- 5.5 As far as practically possible, an annual operating surplus, which will be determined from time to time by the Board of Directors, will be included in the Budget to cover unexpected operational expenses.

## 6 **AUDITED FINANCIAL STATEMENTS**

- 6.1 Audited Annual Financial Statements will be presented and considered by the members at an Annual General Meeting which will be held not later than six (6) months after financial year-end.
- 6.2 The appointment of External Auditors and the fixing and approval their remuneration will be approved by the members at an Annual General Meeting.
- 6.3 The External Auditors are to rotate every 5 year according to good corporate governance.

## **7 CAPITAL AND MAINTENANCE RESERVE FUND**

- 7.1 A cash reserve fund equivalent to at least two (2) month's levy income as managed by the Master Owners Association will be maintained to provide for any unforeseen expenditures.

## **8 LEVY STABILIZATION FUND**

- 8.1 As per the Memoranda of Incorporation of the Villages and upon the transfer of any freehold residential erf, or additional freehold erf on the property, the proposed transferee will be obliged to pay R10, 000.00 (Ten Thousand Rand), or such amount and in such instalments as the directors may resolve upon in their discretion, to the Estate d'Afrique Master Owners Association NPC for the purposes of establishing and maintaining a levy stabilization fund.
- 8.2 Payment of this levy stabilization fund contribution will not be enforceable in the event that an existing member of the Association sells his erf and acquires a different erf on the Estate or acquires an additional erf on the property. Payment of this contribution will also not be enforceable where the property falls into a deceased Estate or in the event of a divorce settlement.
- 8.3 Levy stabilization fund contributions will be invested as per the investment policy in paragraph 9 below.
- 8.4 The levy stabilization fund may only be utilised for capital expenditure and may not be used for operational expenditure or to improve/rectify cash flow.

## **9 INVESTMENT (Liquidity)**

- 9.1 Available cash are to be placed into short term financial instruments that are risk free, tax beneficial, has favourable interest that accrue and accessible at short notice.
- 9.2 No engagement in any form of speculative trading will be allowed.
- 9.3 Funds held on the Investment Account may only be transferred to the Estate operational Banking Accounts.
- 9.4 Any withdrawal from the Investment Account requires approval from 3 Directors.

## **10 PETTY CASH, DEBIT CARD and CREDIT CARD**

- 10.1 Petty cash must be controlled and reconciled by both the Estate Administrator and the Accountants on a monthly basis.
- 10.2 The Estate debit card is issued to the Estate Operations Manager, who has signing powers for purchases. These cards are only to be used for Estate-related purchases and purchases must be in line with the Financial Authorisation Protocol.

- 10.3 Application for credit facilities and credit purchases (accounts) requires the signatures of two MOA directors. Purchases on an open account will be governed by the Financial Authorisation Protocol and must be accompanied by an official purchase order.

## 11 BORROWING

- 11.1 Clause 21 of the Memorandum of Incorporation of MOA will prevail which states that subject to any restriction imposed or direction given at a general meeting held by the members of the company, the directors may borrow from the members or other persons or entities any sums of money for the purpose of meeting the objects and business of the company not included in the company's financial policy and as set out in the Memorandum of Incorporation of the Company. Any amounts borrowed in excess of 10% of the annual budget of the MOA or its members shall require a Special Resolution from its members obtained in a meeting called for that purpose.
- 11.2 The directors may secure the payment or repayment of any sums of money borrowed in terms or the payment of any debt, liability or obligation whatsoever of the company in such manner and upon such terms and conditions as they resolve upon in their discretion in consultation with the auditors and Director responsible for Finance.
- 11.3 Prior to engaging in any form of borrowing, the Directors must:
- 11.3.1 Identify the Estate's debt capacity;
  - 11.3.2 Verify debt affordability and the Estate's ability to service debt;
  - 11.3.3 Review and report on all potential funding sources;
  - 11.3.4 Obtain Board and Members' approval as applicable in the Financial Authority Protocol.

## 12 DEBT COLLECTION

Debt Collection will be in accordance with the "arrear or non-payment of levies or Electricity" policy

## 13 IMPAIRMENT OF DEBTORS

- 13.1 In keeping with the accounting policies of GAAP, MOA adopts the allowance method as opposed to the direct write-off method in terms of bad debt.
- 13.2 Bad debts expense is recognized early because bad debts are probable, and they can be estimated to a fairly accurate extent therefore they fulfil the criteria required for recognition of contingent losses and it is necessary to recognize bad debts expense.
- 13.3 Doubtful debts must be identified and estimated at an early stage during the debt collection process.

- 13.4 Bad debts must be recognised and identified having regard to each case by case specific circumstances when there is a likelihood that these amounts become uncollectable.
- 13.5 Bad debt will only be written off and impaired in consultation with the auditors and if there are no other options to collect the debt.
- 13.6 Writing off bad debts requires Masters Board approval by resolution.
- 13.7 Writing off bad debt to be communicated to members at an AGM.

#### **14 INCOME OTHER THAN LEVY INCOME**

- 14.1 The estate receives additional income from the following sources:
  - 14.1.1 Clubhouse facilities rental;
  - 14.1.2 Fitness club membership fees;
  - 14.1.3 Building plan scrutiny fees;
  - 14.1.4 Late building levies;
  - 14.1.5 Penalties.
- 14.2 Any income other than levy income is taxable under South African Law.
- 14.3 Additional income is not repayable or to be distributed to members.
- 14.4 Additional income derived from clubhouse facility rental or fitness club membership fees may only be applied for clubhouse-related expenses.

#### **15 BUILDING DEPOSITS**

- 15.1 All building deposits are paid into an investment account, and the state of this account is to be reported on at all properly constituted Board Meetings.
- 15.2 Interest received on the account is for the benefit of the MOA except in cases where otherwise agreed to writing with the owner or builder.
- 15.3 Building deposits will only be refunded after all of the following processes have been completed:
  - 15.3.1 A final inspection has been completed and passed by the Aesthetic Committee , a Director and the Estate Manager;
  - 15.3.2 A final inspection report by the Aesthetic Committee has been filed with the estate office;

- 15.3.3 An Aesthetic Clearance Certificate has been issued by the estate;
- 15.3.4 A copy of the Madibeng Occupation Certificate has been submitted to the estate office by the owner;
- 15.3.5 The chairman of the relevant Home Owners Association authorises the refund, save for non-refundable inspection charges and any penalties.
- 15.4 Building and Health and Safety inspection costs, maintenance levy cost and any other penalties will be deducted from the building deposit prior to refund.
- 15.5 Prior to refund of any Building Deposits, an Occupation Certificate must be obtained from Madibeng, and a Clearance Certificate must be obtained from the Estate.

## **16 CREDITOR PAYMENTS**

- 16.1 Authority to approve payment to any creditor is guided by the Financial Authority Protocol.
- 16.2 Payment must be made according to creditor's terms and conditions.
- 16.3 Only electronic banking methods are used to pay creditors.
- 16.4 Payments are authorised by the Estate Operations Manager or directors as per the Financial Authorisation Protocol, processed by the Accountants and released on the Banking Electronic platform by at least two directors..

## **17 SALARIES/WAGES**

- 17.1 Salaries are payable on the 25<sup>th</sup> of each month – if the 25<sup>th</sup> falls over a weekend, the salaries will be paid on the foregoing Friday.
- 17.2 Salaries are paid via electronic banking (same procedure as with creditors).
- 17.3 Short-term casual wages shall be paid from using the ABSA Cash Send platform.
- 17.4 Salary increases are calculated annually on the 1<sup>st</sup> March or as per the relevant letter of appointment.
- 17.5 Discretionary performance bonuses are payable annually at the end of November.
- 17.6 Increase, bonus or individual salary adjustment is entirely at the discretion of management and the directors.

## **18 ASSETS**

- 18.1 The writing off and disposal of assets should follow the Financial Authorisation Protocol.
- 18.2 An asset register must be kept (and updated every 12 months) for all immovable and movable assets with an initial contract value of Ten Thousand Rand (R 10 000, 00).
- 18.3 Insurance schedules should be updated every 12 months when the Estate's asset register is updated.

## **19 PROCUREMENT OF GOODS & SERVICES**

### **19.1 General**

- 19.1.1 The procurement of goods and services of both operational and capital nature will be governed by the Financial Authorisation Protocol.
- 19.1.2 Unless impractical, 3 (three) written quotes must be obtained for capital and operational projects above R10 000 and/or services procured with a contract value greater than R 10 000 to ensure competitive prices and value for money.
- 19.1.3 The following additional criteria must also be considered when goods or services are procured on behalf of the Estate: quality, any conflict of interest, after sales maintenance/support, preference for local suppliers and BBEEE compliance.

### **19.2 CAPEX Procurement**

- 19.2.1 Capital procurement is governed by the Financial Authorisation Protocol stated below.

### **19.3 Entering into/renewal of contracts with service providers**

- 19.3.1 Contracts are to be entered into with regular service providers for essential services, such as sewerage maintenance, water testing, security services and the like.
- 19.3.2 Contracts must be reviewed and changed as required by the directors at financial year – end.
- 19.3.3 Any increase in contract fees require a MOA board resolution.
- 19.3.4 MOA board approval is required before any contracts entered into or renewed.

### **19.4 Conflict of Interest/Related parties**

- 19.4.1 No goods and/or services may be procured from any Board member, staff member or their direct family without written

approval by the Board of Directors of MOA and a clear declaration of interest as a related party must be stated in the Audited Annual Financial Statements. If not material, interest must still be declared at Board level and recorded as such.

## **20 CLEARANCE**

- 20.1 Levy clearance figures are only to be provided by the Estate Manager/Financial Director and will reflect calculations up to and inclusive of a future date after the anticipated transfer. Clearance figures to set out the association's bank account details.
- 20.2 The levy clearance figures to be provided will state that if not paid on a specified date, the figures expire out of time and fresh clearance figures are to be requested.
- 20.3 Levy clearance figures are to be paid in full and secured in the association's bank account before a clearance certificate is to be issued.
- 20.4 A levy clearance certificate is only legitimate if signed jointly by the estate manager and financial director.
- 20.5 An irrevocable, unconditional and written undertaking given by a conveyancer that payment will be made upon transfer is to be only considered and accepted by the estate manager/financial director. Such undertaking can act as alternative to payment of the full amount as reflected in clearance figures. Upon acceptance by the estate manager/financial director of the undertaking, a clearance certificate will be issued.
- 20.6 Clearance Certificates will only be issued under the following conditions:
  - 20.6.1 If clearance figures is paid in full; or
  - 20.6.2 An irrevocable unconditional written undertaking is received from the transferring attorney to pay on date of transfer the clearance figures (if applicable); and
  - 20.6.3 An acknowledgement letter is signed and completed by proposed purchaser that he/she/it will bind himself/herself/itself to the following:
    - 20.6.3.1 The Memorandum of Incorporation of the association; as well as
    - 20.6.3.2 The rules of the association; as well as
    - 20.6.3.3 The architectural design, building rules and building contractor rules; and
    - 20.6.3.4 Estate Agents name and purchase price are provided; and
    - 20.6.3.5 Consent received from the association office that the dwelling erected conforms to plans on file and the rules of the association (if applicable).

## **21 ELECTRICAL AND WATER USAGE**

- 21.1 All new building sites from acceptance of this financial policy by the MOA Board will be required to place on deposit an amount of R2500,00 in respect of monthly Water and Electricity consumption.

21.2 All stands will from acceptance of this financial policy by the MOA Board be required to within a period of 6 (six) months to increase the deposit to R2500,00 in respect of monthly Water and Electricity consumption or an amount equal to the 3 months average consumption, whichever is the highest.

## **22 GENERAL**

22.2 Expenditure which requires Board approval can be approved via round robin.

22.3 The Estate Operations Manager is authorized to incur emergency expenditure exceeding limits as set out in the Financial Authority protocol subject to such expenditure being communicated to and - approved by at least three MOA directors.

### Financial Authorisation Protocol

	<b>AUTHORITY</b>	<b>WHO</b>
1	Appointment of External Auditors	Members
2	Approval of Auditors Fees	Members
3	Amendments to Financial Authorisation Protocol, including “arrear or non payment of levies or electricity policy”	Masters Board
4	Approval of Annual Financial Statements	Board & Members
5	Approval of Annual CAPEX budgets	Members
6	Approval of Annual Operating budgets	Directors of HOA's and MOA
7	Approval of Policies (Procurement / Finance / Investments / Borrowings / Accounting / Penalties)	Masters Board
8	Institution of Legal action/proceedings by or against EDA (other than debtors)	Masters Board
9	Institution of Legal action against Debtors	Director responsible for Finance, guided by “arrear or non payment of levies or electricity policy”
10	Signing of Financial Legal Agreements (of any form)	Masters Board
11	Signing of any financial other documentation: (a) Material financial/strategic implications (b) Immaterial financial/ implications	Masters Board Resolution Estate Operations Manager
12	Legal costs (a) Incurring legal costs (b) Write off of legal costs : Debtors Write off of legal costs : All	Masters Board Masters Board Masters Board
13	Operating expenses (budgeted for & within budget) (a) ≤ R20 000 per budget item  (b) >R20 000 per budget item	Estate Operations Manager  Two MOA directors & Director responsible for Finance

	<b>AUTHORITY</b>	<b>WHO</b>
14	Operating expenses (not budgeted for and/or exceeding budget) (a) ≤ <b>R100 000</b> per expense / budget item – after 3 quotes (b) > <b>R100 000</b> per expense/budget item	Ratified by Masters Board of Directors Members @ SGM
15	CAPEX (budgeted for & within budget) (a) ≤ <b>R100 000</b> per budget item (b) > <b>R100 000</b> per budget item	Masters Board of Directors Masters Board and Members
16	CAPEX (budgeted for but exceeding budget) ) (c) ≤ <b>R75 000</b> per expense / budget item (d) > <b>R75 000</b> per expense/ budget item	Masters Board Members
17	CAPEX (not budgeted for) (f) ≤ <b>R50 000</b> per expense / budget item (g) > <b>R50 000</b> per expense/ budget item	Masters Board Members @ AGM
18	Approval for application of funds in levy stabilization fund	Masters Board
19	Approval for application of additional income	Masters Board
20	Approval for emergency expenditure if > R100 000 Over R100 000	Masters Board Members at Emergency meeting
21	Re-prioritization of Capex priorities (as long as total Capex budget has not been exceeded)	Masters Board
22	Release payment of Creditors (monthly)	Payments signed off by Estate Operations Manager and /or Director responsible for Finance and payment released 2 Master Directors.
23	Pay Salaries	Accountants and 2 Master Directors,
24	Appointment of Accountants	Masters Board
25	Opening/Closing of Bank accounts	Masters Board & Accountants
26	Issuing of Guarantees	Masters Board & Accountants
27	Impairment of Debtors	Masters Board

	<b>AUTHORITY</b>	<b>WHO</b>
28	Purchase of assets (refer CAPEX delegation)	Estate Operations Manager to submit 3 comparable quotes, Master Board to approve
29	Sale of immovable assets	Immovable assets such as clubhouse and common property may not be sold - MOI
30	Sale of movable assets (a) Value ≤ R15 000,00 (b) Value > R15 000,00 per Asset	Masters Board Members @ AGM
31	Write off of assets	As per insurance & depreciation policy in AFS, Masters Board to approve
32	Approval of Insurance policies	Master Board
33	Vendor selection: Procurement (3 acceptable written quotes)	Estate Operations Manager
34	Engaging in any form of borrowing	Masters Board – subject to restrictions as per MOI
35	Salary increases/bonuses	Budgeted for, management presents scale & final figures, Masters Board to approve
36	Any claims for “out of pocket” expenses by staff <R1000.00: ≥R1000.00 and ≤ R10 000	Petty cash Estate Operations Manager Director responsible for Finance
37	Change in headcount number – operational	Masters Board
38	Change in headcount number – management	Masters Board