

CARIBBEAN BEACH CLUB HOA

Financial Policy

PURPOSE

To ensure CBC Estate remains financially sustainable through the enforcement of financial discipline and management of its risks in order to protect our assets and income.

PRINCIPLES

- Cross-subsidization be allowed to the extent that financial sustainability and investment growth are not compromised
- Annuity income be entrenched as a principle source of income for the Estate
- Capital gains not be applied towards “running”/operating expenses

GOVERNANCE

- A CBC Board Finance Sub-Committee (with at least two independent, non Board, CBC members) be established to serve as financial “watchdog”
- All authority levels be guided by the Delegation of Authority Matrix (attached)

ACCOUNTING POLICIES

- CBC’s principle accounting policies are set out in the financial statements and are in accordance with SARS, GAAP, International Financial Reporting Standards and the Companies Act of South Africa

BUDGETS/FINANCIAL PLANNING

- Annual Operating and Capex budgets be aligned with CBC’s financial year-end
- Three (3) year (rolling) Capex budgets be prepared, reflecting the key strategic priorities of CBC
- Budgets be approved at a CBC Special General Meeting within 30 days after financial year-end
- “Zero-based” budgeting approach be followed, especially for variable costs and new capex items
- An annual operating surplus of at least 5% of annual levy income be budgeted for to cover unexpected operating expenses

AUDITED FINANCIAL STATEMENTS

- CBC's Audited Financial Statements be approved at an Annual General Meeting not later than six (6) months after financial year-end
- The appointment of External Auditors and audit fees be approved at the Annual General Meeting
- External Auditors to rotate according good corporate governance and in terms of Article 21 of the Company Act

CAPITAL RESERVE

- A cash "reserve" contingency of at least 2 month's levy income be maintained to provide for any unexpected capital expenditure

INVESTMENT (Liquidity) POLICY

- Surplus cash balances to be split into:
 - ✓ A three month's operating buffer at call; and
 - ✓ The balance into any short term financial instrument that is risk free, tax beneficial and accessible at short notice
- CBC not to engage in any form of speculative trading
- Petty cash are controlled and reconciled by both the General Manager and the Accountants on a weekly basis

BORROWING POLICY

- Prior to engaging in any form of borrowing, CBC must have:
 - ✓ Identified debt capacity;
 - ✓ Monitored debt affordability and the Estate's ability to service debt;
 - ✓ Reviewed all potential funding sources; and
 - ✓ Obtained Member's approval (refer delegation matrix)

DEBTORS COLLECTION POLICY

- Debtor's accounts are processed on the 25th of each month. If the 25th falls over a weekend, the accounts will be processed the following Monday.
- Payments that are made by debtors until the 25th of each month will reflect on their statements.
- Interest get charged at prime + 2 on debtors accounts that are in arrears 30 days + and prime + 5 on accounts that are in arrears 60 days +
- Direct deposits should be made with account number as reference.
- Final notices are issued to debtors that are 60 days + in arrears, which is payable by the 31st of the following month.

- Legal action will immediately be instituted against debtors that do not respond positively to the above notice
- Penalty interest is continued to be raised against debtor accounts while legal action is ongoing
- All legal costs incurred will be for the Members' account
- Any request for deferment/restructuring are to be in writing and must be approved by the Finance Sub Comm
- CBC's target is to have no bad debts
- All debtor write offs will be made as per the authority matrix

CREDITORS/SALARIES

- Authority to approve payment to any creditor are guided by the Delegation of Authority Matrix
- Payment must be made according to creditor's conditions
- Only electronic banking are used to pay creditors – payments are loaded by the Accountants, authorised by the General Manager and released by the Finance Director or his/her authorised delegate
- If debit order facility is required to pay creditors, the Finance Director should approve it
- Salaries are payable on the 25th of each month – if the 25th falls over a week-end, the salaries will be paid on the foregoing Friday – salaries are paid via electronic banking (same procedure as with creditors)

ASSETS

- Write off and disposal of assets should follow the attached delegation of authority matrix
- An asset register be kept (and updated every 18 months) for all immovable and movable assets with an initial contract value of R5 000

PROCUREMENT OF GOODS & SERVICES

- Authority to procure goods and services to occur according the Delegation of Authority Matrix
- Service Level Agreements be signed with all Service Providers when contract value exceeds R25 000 per contract
- Three written quotes be obtained for all goods and/or services procured with a contract value (\geq R10 000) to ensure competitive prices and value for money is obtained – the following additional criteria must also be considered: quality, any conflict of interest, after sales maintenance/support, preference for local entrepreneurs and BBBEE
- No procurement of goods and services be allowed from any Board member, Board Sub Comm member, staff member or their direct family

CLEARANCE CERTIFICATES

- The accountants are appointed by virtue of a HOA Board resolution to sign clearance certificates on behalf of Homeowners Association.
- Before any clearance certificate is signed the following must be in place:
 - All levies must be paid in full for the period which the clearance is valid for.
 - The Transferring Attorney must pay this amount or an undertaking must be provided to pay on date of transfer.
 - The Estate office must provide the accountant office with consent to issue clearance certificate.

GENERAL

- No staff loans be allowed
- Round robin of financial decisions are allowed if:
 - ✓ All members have approved the submission;
 - ✓ The approval value does not exceed R25 000 per item; and
 - ✓ The request is within budget

BANKING DETAILS & VAT

The banking details of Caribbean Beach Club HOA are:

Bank: Standard Bank

Branch: Hartbeespoort

Account Number: 410033332

Company Registration number: 1996/009972/08

VAT Number: 4590242113

1 March 2010