

INCOME STATEMENT : 01/03/2009 to 28/02/2010

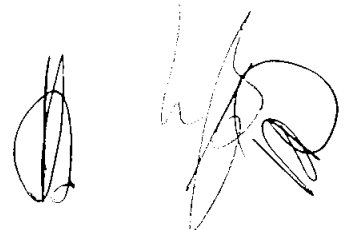
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SALES		
BUSINESS INCOME		
MANAGEMENT FEES RECEIVED	11,636,387.58	
BANKCHARGES RECEIVED	1,238,607.63	
PRINTING AND POSTAGE RECEIVED	1,042,652.93	
DEBITORDERS RECEIVED	136,990.00	
TENANT ELECTRICITY RECEIVED	302,895.00	
HANDLING FEES RECEIVED	33,900.00	
CREDIT CONTROL RECEIVED	2,396,907.00	16,788,340.14
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COST OF SALES		
OTHER INCOME		
OTHER INCOME		
INTEREST RECEIVED BANK	117,725.33	
INTEREST RECEIVED OTHER	94,787.06	
DISCOUNT RECEIVED	681,353.63	
MISCELANIOUS INCOME	1,367,956.40	2,261,822.42
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19,050,162.56		
EXPENSES		
ACCOUNTING FEES	975.44	
AUDIT FEES	172,019.87	
ADVERTISING	293,759.39	
BANKCHARGES	49,812.52	
CONSULTING FEES	97,697.92	
CLEANING	167,904.98	
CASUAL WAGES	35,114.00	
COMPUTER EXPENSES	344,390.57	
COMMISSION PAID	248,556.58	
DEED SEARCHES	29,994.57	
DIRECTORS REMUNERATION R.FERREIRA	319,000.00	
DIRECTORS REMUNERATION T.NAWN	399,500.00	
DIRECTORS REMUNERATION Q.BROWN	832,250.00	
DONATIONS	41,520.79	
DEPRECIATION		
DEPRECIATION MOTOR VEHICLES	300,168.00	
DEPRECIATION FURNITURE AND FITTINGS	68,352.00	
DEPRECIATION OFFICE EQUIPMENT	47,916.00	
DEPRECIATION COMPUTER EQUIPMENT	330,865.00	
DEPRECIATION COMPUTER SOFTWARE	21,696.00	
ENTERTAINMENT	2,809.24	
FUEL AND OIL	466,702.26	
FINES AND PENALTIES	500.00	
FINANCE CHARGES		
FINANCE CHARGES TOUAREQ TIAN	18,652.20	
FINANCE CHARGES TOUAREQ RITA	18,475.92	
FINANCE CHARGES MERCEDES BENZ	9,921.12	
FINANCE CHARGES NISSAN BAKKIE 1	3,539.40	
FINANCE CHARGES NISSAN BAKKIE 2	3,539.40	
FINANCE CHARGES CHEV SPARK 1	6,266.40	
FINANCE CHARGES CHEV SPARK 2	6,266.40	
FINANCE CHARGES CHEV SPARK 3	6,266.40	
FIRST AID EXPENSES	473.68	
GIFTS AND FLOWERS	7,444.80	
INSURANCE	242,289.11	
INTEREST PAID		
INTEREST PAID BANK	157,090.47	
INTEREST PAID OTHER	3,387.81	
LEGAL FEES	704,449.85	
LICENSES	14,370.30	
LOSSES THEFT	3,500.00	
PENSION FUND CONTRIBUTIONS	284,411.44	
PRINTING AND STATIONARY	562,389.03	
POSTAGE AND PACKAGING	192,297.27	
PROTECTIVE CLOTHING	353.64	
RENT PAID		
RENT PAID EQUIPMENT	613,163.24	
RENT PAID BUILDINGS	1,414,726.93	
RENT PAID VEHICLES	1,041.10	
REPAIRS AND MAINTENANCE		
REPAIRS AND MAINTENANCE VEHICLES	62,393.02	

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INCOME STATEMENT : 01/03/2009 to 28/02/2010

REPAIRS AND MAINTENANCE EQUIPMENT	12,805.07	
REPAIRS AND MAINTENANCE BUILDINGS	331,820.48	
SALARIES AND WAGES	8,901,378.86	
SECURITY EXPENSES	213,341.72	
STAFF WELFARE	42,226.00	
SUBSCRIPTIONS	17,339.28	
STAFF REFRESHMENTS	89,921.24	
TRAVEL AND ACCOMODATION LOCAL	8,473.69	
TRAVEL AND ACCOMODATION OVERSEAS	58,175.59	
TELEPHONE AND FAX	921,150.51	
TRAINING	71,994.07	
TRUST EXPENSES	0.00	
UIF / SDL / PAYE	1,336,460.68	
ELECTRICITY CONTRA ACCOUNT	184,039.62	20,797,340.87
		<hr/>
NET PROFIT / (LOSS) BEFORE TAX		(1,747,178.31)
NET PROFIT / (LOSS)		<hr/> (1,747,178.31) <hr/>



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### Report of the Independent Auditors

To the shareholder of Constantia Sectional Title Management (Proprietary) Limited

We have audited the accompanying annual financial statements of Constantia Sectional Title Management (Proprietary) Limited, which comprise the director's report, the balance sheet as at 28 February 2010, the income statement, the statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 5 to 20.

#### Director's Responsibility for the Financial Statements

The company's director is responsible for the preparation and fair presentation of these annual financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa, 1973. 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 director, 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.

#### Opinion

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of the company as of 28 February 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa, 1973.

#### Supplementary Information




We draw your attention to the fact that the supplementary information set out on page 21 does not form part of the annual financial statements and is presented as additional information. We have not audited this information and accordingly do not express an opinion thereon.

**BHB Accountants & Auditors  
Registered Auditor**

Member: M Buckley Practice Number: 837 369

CONSTANTIA SECTIONAL TITLE MANAGEMENT (PROPRIETARY) LIMITED  
(Registration number 1994/010377/07)  
Annual Financial Statements  
FOR THE YEAR ENDED 28 FEBRUARY 2010

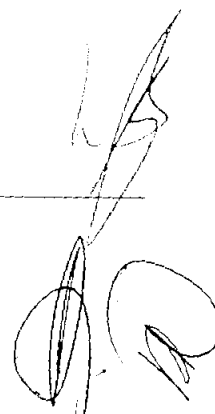
*BHB Accountants & Auditors  
Chartered Accountants (S.A.)  
Registered Auditor  
Issued 05 July 2010*

  
 **BHB** 

General Information

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Country of incorporation and domicile	South Africa
Principal business and principal activities	Managing agent and other related business activities
Director	Q Brown
Registered office	352 Ontdekkers Road Florida Park Roodepoort 1724
Business address	127 Constantia Drive Constantia Kloof Roodepoort 1709
Postal address	P.O. Box 5860 Weltevreden Park 1715
Bankers	Nedbank
Auditors	BHB Accountants & Auditors Chartered Accountants (S.A.) Registered Auditor
Company registration number	1994/010377/07



# Instantia Sectional Title Management (Proprietary) Limited

Registration number 1994/010377/07

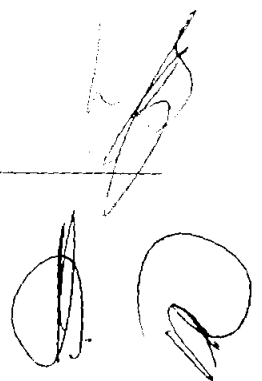
Annual Financial Statements for the year ended 28 February 2010

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

ex	Page
Report of the Independent Auditors	3
Director's Responsibilities and Approval	4
Director's Report	5
Balance Sheet	6
Income Statement	7
Statement of Changes in Equity	8
Cash Flow Statement	9
Accounting Policies	10 - 14
Notes to the Annual Financial Statements	15 - 20
The following supplementary information does not form part of the annual financial statements and is unaudited:	
Detailed Income statement	21



**Constantia Sectional Title Management (Proprietary) Limited**

Registration number 1994/010377/07

Management Financial Statements for the seven months ended ended 30 September 2010

**528****Balance Sheet**

Figures in Rand	Note(s)	ended 2010	ended 2010
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Investment property	2	1,200,000	1,200,000
Property, plant and equipment	3	889,352	684,825
		<b>2,089,352</b>	<b>1,884,825</b>
<b>Current Assets</b>			
Loans to employees	6	184,852	201,901
Other financial assets	5	4,672,682	4,364,270
Trade and other receivables	7	5,917,332	6,881,577
Cash and cash equivalents	8	2,273,651	3,179,563
		<b>13,048,517</b>	<b>14,627,311</b>
<b>Total Assets</b>		<b>15,137,869</b>	<b>16,512,136</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	9	100	100
Retained income		11,406,840	9,866,364
		<b>11,406,940</b>	<b>9,866,464</b>
<b>LIABILITIES</b>			
<b>Non-Current Liabilities</b>			
Loans from shareholders	4	-	356,516
Other financial liabilities	10	910,814	623,691
		<b>910,814</b>	<b>980,207</b>
<b>Current Liabilities</b>			
Other financial liabilities	10	-	460,742
Current tax payable		668,933	2,263,481
Trade and other payables	11	580,462	9,135
Bank overdraft	8	1,570,720	2,932,105
		<b>2,820,115</b>	<b>5,665,463</b>
<b>Total Liabilities</b>		<b>3,730,929</b>	<b>6,645,670</b>
<b>Total Equity and Liabilities</b>		<b>15,137,869</b>	<b>16,512,134</b>

Director's Responsibilities and Approval

The director is required by the Companies Act of South Africa, 1973, to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is his responsibility to ensure that the annual 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 International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The director acknowledges that he is ultimately responsible for the system of internal financial control established by the company and places considerable importance on maintaining a strong control environment. To enable the director to meet these responsibilities, the board 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.

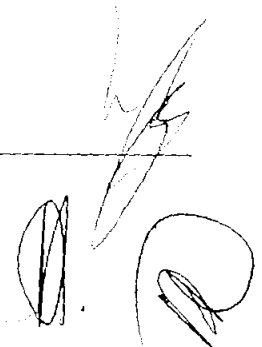
The director is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The director has reviewed the company's cash flow forecast for the year to 28 February 2011 and, in the light of this review and the current financial position, he is 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 annual financial statements. The annual financial statements have been examined by the company's external auditors and their report is presented on page 3.

The annual financial statements set out on pages 5 to 21, which have been prepared on the going concern basis, were approved by the board on 05 July 2010 and were signed on its behalf by:

Q Brown





# Constancia Sectional Title Management (Proprietary) Limited

(Registration number 1994/010377/07)

Annual Financial Statements for the year ended 28 February 2010

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## Director's Report

The director submits his report for the year ended 28 February 2010.

### 1. Review of activities

#### Main business and operations

The company is engaged in managing agent and other related business activities and operates principally in South Africa.

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

### 2. Post balance sheet events

The director is not aware of any matter or circumstance arising since the end of the financial year.

### 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. Non-current assets

There were no major changes in the nature of the non-current assets of the company during the year.

There were no changes in the policy relating to the use of non-current assets.

### 5. Dividends

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

### 6. Director

The director of the company during the year and to the date of this report is as follows:

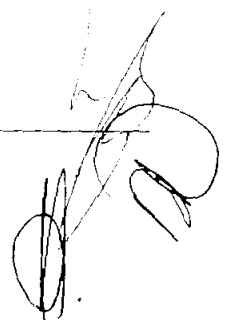
Name	Nationality	Changes
Q Brown	South African	Appointed 22 October 2009

### 7. Secretary

The company had no secretary during the year.

### 8. Auditors

BHB Accountants & Auditors were appointed and will continue in office in accordance with section 270(2) of the Companies Act.



# Constantia Sectional Title Management (Proprietary) Limited

(Registration number 1994/010377/07)

Annual Financial Statements for the year ended 28 February 2010

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## Balance Sheet

Figures in Rand	Note(s)	2010	2009
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Investment property	2	1,200,000	600,000
Property, plant and equipment	3	684,825	1,041,556
		<b>1,884,825</b>	<b>1,641,556</b>
<b>Current Assets</b>			
Loans to employees	6	201,901	-
Other financial assets	5	4,364,270	1,284,325
Trade and other receivables	7	6,881,577	1,700,424
Cash and cash equivalents	8	3,179,563	5,657,599
		<b>14,627,311</b>	<b>8,642,348</b>
<b>Total Assets</b>		<b>16,512,136</b>	<b>10,283,904</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	9	100	100
Retained income		9,866,364	6,902,274
		<b>9,866,464</b>	<b>6,902,374</b>
<b>LIABILITIES</b>			
<b>Non-Current Liabilities</b>			
Loans from shareholders	4	356,516	297,885
Other financial liabilities	10	623,691	1,580,320
		<b>980,207</b>	<b>1,878,205</b>
<b>Current Liabilities</b>			
Other financial liabilities	10	460,742	172,927
Current tax payable		2,263,481	1,234,460
Trade and other payables	11	9,135	95,938
Bank overdraft	8	2,932,105	-
		<b>5,665,463</b>	<b>1,503,325</b>
<b>Total Liabilities</b>		<b>6,645,670</b>	<b>3,381,530</b>
<b>Total Equity and Liabilities</b>		<b>16,512,134</b>	<b>10,283,904</b>

# Constantia Sectional Title Management (Proprietary) Limited

(Registration number 1994/010377/07)

Annual Financial Statements for the year ended 28 February 2010

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## Income Statement

Figures in Rand	Note(s)	2010	2009
Revenue	12	20,584,829	16,747,221
Operating expenses		(17,319,516)	(13,487,233)
<b>Operating profit</b>	13	<b>3,265,313</b>	<b>3,259,988</b>
Investment revenue	14	212,512	-
Fair value adjustments		600,000	-
Finance costs	15	(84,714)	(8,854)
<b>Profit before taxation</b>		<b>3,993,111</b>	<b>3,251,134</b>
Taxation		(1,029,021)	(910,317)
<b>Profit for the year</b>		<b>2,964,090</b>	<b>2,340,817</b>

# Constantia Sectional Title Management (Proprietary) Limited

(Registration number 1994/010377/07)

Annual Financial Statements for the year ended 28 February 2010

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## Statement of Changes in Equity

Figures in Rand	Share capital	Retained income	Total equity
<b>Balance at 01 March 2008</b>	<b>100</b>	<b>4,561,457</b>	<b>4,561,557</b>
Changes in equity			
Profit for the year	-	2,340,817	2,340,817
<b>Total changes</b>	<b>-</b>	<b>2,340,817</b>	<b>2,340,817</b>
<b>Balance at 01 March 2009</b>	<b>100</b>	<b>6,902,274</b>	<b>6,902,374</b>
Changes in equity			
Profit for the year	-	2,964,090	2,964,090
<b>Total changes</b>	<b>-</b>	<b>2,964,090</b>	<b>2,964,090</b>
<b>Balance at 28 February 2010</b>	<b>100</b>	<b>9,866,364</b>	<b>9,866,464</b>
Note(s)	9		

# Constantia Sectional Title Management (Proprietary) Limited

(Registration number 1994/010377/07)

Annual Financial Statements for the year ended 28 February 2010

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## Cash Flow Statement

Figures in Rand	Note(s)	2010	2009
<b>Cash flows from operating activities</b>			
Cash receipts from customers		19,882,557	15,046,797
Cash paid to suppliers and employees		(21,116,203)	(9,871,294)
Cash (used in) generated from operations	17	(1,233,646)	5,175,503
Interest income		212,512	-
Finance costs		(84,714)	(8,854)
Tax received		-	324,143
<b>Net cash from operating activities</b>		<b>(1,105,848)</b>	<b>5,490,792</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	3	(412,066)	-
Purchase of financial assets		(3,079,945)	(1,284,325)
<b>Net cash from investing activities</b>		<b>(3,492,011)</b>	<b>(1,284,325)</b>
<b>Cash flows from financing activities</b>			
Proceeds from other financial liabilities		474,770	1,366,963
Repayment of other financial liabilities		(1,143,584)	-
Movement in loans to employees		(201,901)	-
Repayment of shareholders loan		58,631	84,169
<b>Net cash from financing activities</b>		<b>(812,084)</b>	<b>1,451,132</b>
<b>Total cash movement for the year</b>		<b>(5,409,943)</b>	<b>5,657,599</b>
Cash at the beginning of the year		5,657,599	-
<b>Total cash at end of the year</b>	8	<b>247,656</b>	<b>5,657,599</b>

# Constantia Sectional Title Management (Proprietary) Limited

(Registration number 1994/010377/07)

Annual Financial Statements for the year ended 28 February 2010

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## Accounting Policies

### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with International Financial Reporting Standards, and the Companies Act of South Africa, 1973. The annual financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below.

These accounting policies are consistent with the previous period.

#### 1.1 Investment property

Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the investment property will flow to the enterprise, and the cost of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

#### Fair value

Subsequent to initial measurement investment property is measured at fair value.

A gain or loss arising from a change in fair value is included in net profit or loss for the period in which it arises.

#### 1.2 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the company; and
- the cost of the item can be measured reliably.

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.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment.

Item	Average useful life
Furniture and fixtures	6.67 years
Motor vehicles	5 years
Office equipment	3.33 years
IT equipment	3.33 years
Computer software	3.33 years

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

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

# Constantia Sectional Title Management (Proprietary) Limited

(Registration number 1994/010377/07)

Annual Financial Statements for the year ended 28 February 2010

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## Accounting Policies

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### 1.3 Financial instruments

#### Initial recognition and measurement

Financial instruments are recognised initially when the company becomes a party to the contractual provisions of the instruments.

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available for sale financial assets.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Regular way purchases of financial assets are accounted for at .

#### Loans to shareholders

These financial assets are classified as loans and receivables.

#### Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in the income statement.

Trade and other receivables are classified as loans and receivables.

#### Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

### 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 balance sheet date.

**Accounting Policies**

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**1.4 Tax (continued)**

**Deferred tax assets and liabilities**

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits can be utilised.

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 balance sheet date.

**Tax expenses**

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, directly in equity, or
- a business combination.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

**1.5 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.

**1.6 Provisions and contingencies**

Provisions are recognised when:

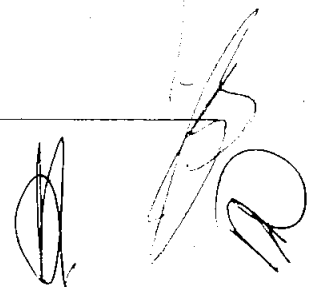
- the company has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.





# Constantia Sectional Title Management (Proprietary) Limited

(Registration number 1994/010377/07)

Annual Financial Statements for the year ended 28 February 2010

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## Accounting Policies

### 1.6 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note .

### 1.7 Revenue

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the balance sheet date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company;
- the stage of completion of the transaction at the balance sheet date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at balance sheet date. Stage of completion is determined by the proportion of costs incurred to date bear to the total estimated costs of the transaction.

Contract revenue comprises:

- the initial amount of revenue agreed in the contract; and
- variations in contract work, claims and incentive payments:
  - to the extent that it is probable that they will result in revenue; and
  - they are capable of being reliably measured.

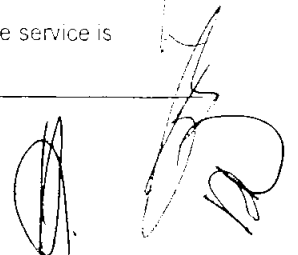
Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

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

Royalties are recognised on the accrual basis in accordance with the substance of the relevant agreements.

Dividends are recognised, in profit or loss, when the company's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.



# Constantia Sectional Title Management (Proprietary) Limited

(Registration number 1994/010377/07)

Annual Financial Statements for the year ended 28 February 2010

## Accounting Policies

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### 1.8 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

### 1.9 Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

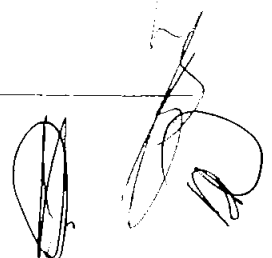
The related cost of providing services recognised as revenue in the current period is included in cost of sales.

Contract costs comprise:

- costs that relate directly to the specific contract;
- costs that are attributable to contract activity in general and can be allocated to the contract; and
- such other costs as are specifically chargeable to the customer under the terms of the contract.

### 1.10 Borrowing costs

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



# Constantia Sectional Title Management (Proprietary) Limited

(Registration number 1994/010377/07)

Annual Financial Statements for the year ended 28 February 2010

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## Notes to the Annual Financial Statements

Figures in Rand

2010

2009

### 2. Investment property

	2010			2009		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	1,200,000	-	1,200,000	600,000	-	600,000

#### Reconciliation of investment property - 2010

	Opening Balance	Fair value adjustments	Total
Investment property	600,000	600,000	1,200,000

#### Reconciliation of investment property - 2009

	Opening Balance	Total
Investment property	600,000	600,000

A register containing the information required by paragraph 22(3) of Schedule 4 of the Companies Act is available for inspection at the registered office of the company.

### 3. Property, plant and equipment

	2010			2009		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Furniture and fixtures	455,687	(413,290)	42,397	431,642	(345,138)	86,504
Motor vehicles	2,714,940	(2,190,586)	524,354	2,714,940	(1,890,418)	824,522
Office equipment	159,721	(151,460)	8,261	111,571	(103,544)	8,027
IT equipment	1,231,448	(1,125,574)	105,874	894,690	(794,709)	99,981
Computer software	72,300	(68,361)	3,939	69,187	(46,665)	22,522
<b>Total</b>	<b>4,634,096</b>	<b>(3,949,271)</b>	<b>684,825</b>	<b>4,222,030</b>	<b>(3,180,474)</b>	<b>1,041,556</b>

#### Reconciliation of property, plant and equipment - 2010

	Opening Balance	Additions	Depreciation	Total
Furniture and fixtures	86,504	24,045	(68,152)	42,397
Motor vehicles	824,522	-	(300,168)	524,354
Office equipment	8,027	48,150	(47,916)	8,261
IT equipment	99,981	336,758	(330,865)	105,874
Computer software	22,522	3,113	(21,696)	3,939
	<b>1,041,556</b>	<b>412,066</b>	<b>(768,797)</b>	<b>684,825</b>

# Constantia Sectional Title Management (Proprietary) Limited

(Registration number 1994/010377/07)

Annual Financial Statements for the year ended 28 February 2010

## Notes to the Annual Financial Statements

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Figures in Rand

2010

2009

### 3. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2009

	Opening Balance	Depreciation	Total
Furniture and fixtures	154,656	(68,152)	86,504
Motor vehicles	1,129,623	(305,101)	824,522
Office equipment	55,943	(47,916)	8,027
IT equipment	430,846	(330,865)	99,981
Computer software	44,218	(21,696)	22,522
	<b>1,815,286</b>	<b>(773,730)</b>	<b>1,041,556</b>

A register containing the information required by paragraph 22(3) of Schedule 4 of the Companies Act is available for inspection at the registered office of the company.

### 4. Loans from shareholders

<i>Q Brown</i>	356,516	297,885
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The loan is unsecured, interest free and has no fixed terms of repayment.

### 5. Other financial assets

#### Loans and receivables

<i>Heuwelsig Body Corporate</i>	-	1,284,325
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The loan is unsecured, interest bearing at 15% per annum and repayable by 30 November 2011.

<i>Various - Buildings managed by Constantia Sectional Title Management</i>	4,364,270	
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The loan are unsecured, interest bearing at 15% per annum and repayable by 28 February 2011.

**4,364,270**      **1,284,325**

#### Current assets

Loans and receivables	4,364,270	1,284,325
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### 6. Loans to employees

#### Loans to directors, managers and employees

Advances	201,901	-
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The loans to directors, managers and employees bear interest at 10% p.a, unsecured and are repayable over 1 year or by 28 February 2011.

### 7. Trade and other receivables

Trade receivables	6,881,577	1,700,424
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# Constantia Sectional Title Management (Proprietary) Limited

(Registration number 1994/010377/07)

Annual Financial Statements for the year ended 28 February 2010

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## Notes to the Annual Financial Statements

Figures in Rand 2010 2009

### 8. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	-	538,777
Short-term deposits	3,179,563	5,118,822
Bank overdraft	(2,932,105)	-
	<b>247,458</b>	<b>5,657,599</b>

Current assets	3,179,563	5,657,599
Current liabilities	(2,932,105)	-
	<b>247,458</b>	<b>5,657,599</b>

### 9. Share capital

#### Authorised

1,000 Ordinary shares of R1 each	1,000	1,000
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- unissued ordinary shares are under the control of the director in terms of a resolution of members passed at the last annual general meeting. This authority remains in force until the next annual general meeting.

#### Issued

Ordinary	100	100
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# Constantia Sectional Title Management (Proprietary) Limited

(Registration number 1994/010377/07)

Annual Financial Statements for the year ended 28 February 2010

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## Notes to the Annual Financial Statements

Figures in Rand	2010	2009
<b>10. Other financial liabilities</b>		
<b>Held at amortised cost</b>		
<i>Wesbank a Division of First Rand Bank</i>	330,686	1,366,963
The instalment sale agreements are secured by the motor vehicles per note 3, bearing interest at 13.25% per annum and repayable over 19 months at R16,878 (2009 - R17,945).		
<i>Wesbank a Division of First Rand Bank</i>	82,388	-
The lease agreement is secured by plant and machinery as per Note 3, bearing interest at 13.25% per annum and repayable in monthly instalments of R7,287 (2009 - R8,173) over a period of 31 months.		
<i>Nedbank Limited</i>	251,714	-
The instalment sale agreement is secured by plant and machinery as per Note 3, bearing interest at 13.25% per annum and repayable in monthly instalments of R3,458 (2009 - R3,556) over a period of 29 months.		
<i>Nedbank Limited</i>	140,668	-
The instalment sale agreement is secured by plant and machinery as per Note 3, bearing interest at 13.25% per annum and repayable in monthly instalments of R9,376 (2009 - RNil) over a period of 29 months.		
<i>Nedbank Limited</i>	278,977	386,284
The mortgage bond is secured by investment property as per Note 2, bearing interest at 10.5% per annum and repayable in monthly instalments of R11,900 (2009 - R12,110) over a period of 26 months.		
	<b>1,084,433</b>	<b>1,753,247</b>
<b>Non-current liabilities</b>		
At amortised cost	623,691	1,580,320
<b>Current liabilities</b>		
At amortised cost	460,742	172,927
	<b>1,084,433</b>	<b>1,753,247</b>
<b>11. Trade and other payables</b>		
VAT	9,135	95,938
<b>12. Revenue</b>		
Rendering of services	20,584,829	16,747,221

# Constantia Sectional Title Management (Proprietary) Limited

(Registration number 1994/010377/07)

Annua: Financial Statements for the year ended 28 February 2010

## Notes to the Annual Financial Statements

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Figures in Rand

2010

2009

### 13. Operating profit

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

#### Operating lease charges

##### Premises

• Contractual amounts 1,414,727 212,069

##### Motor vehicles

• Contractual amounts 1,041 -

##### Equipment

• Contractual amounts 613,163 410,108

**2,028,931 622,177**

Depreciation on property, plant and equipment 768,997 773,730

Employee costs 9,522,251 8,441,215

### 14. Investment revenue

#### Interest revenue

Bank 117,725 -

Other interest 94,787 -

**212,512 -**

### 15. Finance costs

Non-current borrowings (75,764) -

Bank 157,090 8,854

Other interest paid 3,388 -

**84,714 8,854**

### 16. Auditors' remuneration

Fees - Prior year 54,020 41,200

### 17. Cash (used in) generated from operations

Profit before taxation 3,993,111 3,251,134

#### Adjustments for:

Depreciation and amortisation 768,997 773,730

Interest received (212,512) -

Finance costs 84,714 8,854

Fair value adjustments (600,000) -

#### Changes in working capital:

Trade and other receivables (5,181,153) 1,045,847

Trade and other payables (86,803) 95,938

**(1,233,646) 5,175,503**

# Constantia Sectional Title Management (Proprietary) Limited

(Registration number 1994/010377/07)

Annual Financial Statements for the year ended 28 February 2010

## Notes to the Annual Financial Statements

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Figures in Rand

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### 18. Related parties

#### Relationships

Shareholder with significant influence

Q Brown

#### Related party balances

#### Loan accounts - Owing to related parties

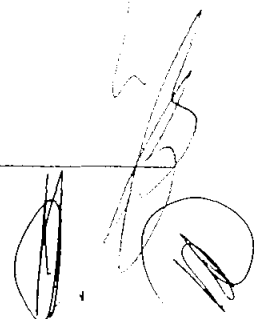
Q Brown

356,516

297,885

### 19. Comparative figures

Certain comparative figures have been reclassified to provide a fair reflection of the entity.





# Constantia Sectional Title Management (Proprietary) Limited

(Registration number 1994/010377/07)

Annual Financial Statements for the year ended 28 February 2010

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## Detailed Income statement

Figures in Rand	Note(s)	2010	2009
<b>Revenue</b>			
Rendering of services		20,584,829	16,747,221
<b>Other income</b>			
Interest received	14	212,512	-
Fair value adjustments		600,000	-
		<b>812,512</b>	-
<b>Operating expenses</b>			
Accounting fees		18,975	14,963
Advertising		293,759	22,525
Auditors remuneration	16	54,020	41,200
Bank charges		49,813	181,211
Cleaning		300,052	62,566
Computer expenses		344,391	299,851
Consulting fees		127,692	261,477
Depreciation, amortisation and impairments		768,997	773,730
Donations		42,021	14,220
Employee costs		9,522,251	8,441,215
Entertainment		92,809	93,459
General expenses		4,327	99,519
Gifts		107,445	141,855
Insurance		242,289	426,528
Lease rentals on operating lease		2,028,931	622,177
Legal expenses		204,450	53,253
Motor vehicle expenses		543,466	188,873
Postage		192,297	21,529
Printing and stationery		562,389	377,910
Repairs and maintenance		344,626	-
Security		213,342	9,119
Subscriptions		17,339	9,862
Telephone and fax		921,151	983,331
Training		71,994	46,548
Travel - local		8,474	5,484
Travel - overseas		58,176	148,950
Utilities		184,040	145,878
		<b>17,319,516</b>	<b>13,487,233</b>
<b>Operating profit</b>	13	<b>4,077,825</b>	<b>3,259,988</b>
Finance costs	15	(84,714)	(8,854)
<b>Profit before taxation</b>		<b>3,993,111</b>	<b>3,251,134</b>
Taxation		1,029,021	910,317
<b>Profit for the year</b>		<b>2,964,090</b>	<b>2,340,817</b>

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IN THE SOUTH GAUTENG HIGH COURT, JOHANNESBURG  
(REPUBLIC OF SOUTH AFRICA)

CASE NO: 15402/2011

In the matter between:

**THE ESTATE AGENCY AFFAIRS BOARD**

Applicant

and

**CONSTANTIA SECTIONAL TITLE  
MANAGEMENT (PTY) LTD**

First Respondent

and

**QUINTIN BROWN**

Second Respondent

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**SUPPLEMENTARY AFFIDAVIT OF MATTHEW LEE NICHOLLS**

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I, the undersigned,

**MATTHEW LEE NICHOLLS**

(ID number 670306 5839 089)

do hereby make oath and state that:

1. I am an adult male and a director of Pasco Risk Management (Proprietary) Limited (Pasco), a company duly incorporated in the South African Republic whose principal place of business is situate at Building 2, Silver Point Office Park, 22 Ealing Crescent, Bryanston. I am also known as George Nicholls.

  1 

2. The facts contained herein are true and correct and within my personal knowledge. To the extent that the facts are not within my personal knowledge, those facts have been relayed to me by various individuals who are identified herein. Where advice is referred to herein, such advice has been provided by attorneys and counsel and is accepted as correct.
3. I am duly authorised to depose to this affidavit as the Chief Executive Officer of Pasco.
4. This affidavit is intended to supplement my earlier affidavit deposed to on 14 April 2011 in this matter and to provide further substance to the findings contained therein, as well as to provide facts in reply to the First Respondent's answering affidavit which was filed in this matter.
5. I repeat that this affidavit constitutes a preliminary report of the Inspectors findings and contains certain of the pertinent issues that have been found following upon my earlier affidavit, in as far as the Respondents have allowed the Inspectors access to the information required to conduct the inspection. This will be amplified and dealt with below.
6. What is set out herein should not be seen as a complete report on and to be all of the evidence and findings that might be made. Most areas of this report can be amplified further if all the information required by the Inspectors, is made available to us. As will be seen below the Respondents are not cooperating fully in providing information specifically requested by the inspectors.
7. There is additional information and documentation that still needs to be obtained and reviewed. The findings, as for now, all appear and flow from the documentation Pasco has obtained and from the investigation thus far.

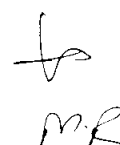


Summary of key issues identified during the inspection

8. Following the settlement reached between the parties to this matter on 19<sup>th</sup> April 2011, the inspection continued and the inspectors have been able to determine, in addition to the preliminary findings contained in my earlier affidavit, *prima facie*, the following:-
- 8.1 That despite averments to the contrary contained in the affidavit of the Second Respondent, the inspectors have received neither confirmation nor evidence to substantiate that Rita Ferreira and Tiaan Nawn have been appointed as directors of CSTM;
- 8.2 That the inspectors have received neither confirmation nor evidence to substantiate that Quintin Brown has resigned as a director of the First Respondent;
- 8.3 The actual position as to who the directors are, or who the director is, remains unclear;
- 8.4 That the inspectors have seen no evidence of the appointment of KMPG to conduct an audit of the trust account;
- 8.5 That as at 9 May 2011, the apparent shortfall in the trust account was not less than R19, 978, 308.60;
- 8.6 That the shortfall of funds in the trust account was taken by the Second Respondent to pay persons who were not trust account creditors and to fund his personal expenses;
- 8.7 The raising and existence of a fictitious trust account creditor, namely Building 27, which was used as the mechanism to channel money from the trust account to the First Respondent, the Second Respondent and others;



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- 8.8 The falsification of payments to municipal creditors on the PowerProps system to conceal and hide the reality that the accounts were overdue by not less than R9,000,000.00;
- 8.9 Regular payments to the Second Respondent's family members, who were not trust creditors, from the trust account and not accounted for in the system nor lawful or justified;
- 8.10 The loan of trust fund monies to various bodies corporate for varying rates of interest above the prime rate, as determined by the Second Respondent;
- 8.11 The practice of continually rolling of monies of the bodies corporate call accounts and the main trust account between accounts to cover shortfalls in the respective accounts, if and when queried by clients;
- 8.12 No deduction of income tax from salaries of certain employees that were paid from the trust account;
- 8.13 The pledging of trust fund money by the Second Respondent to secure an overdraft facility to pay a deposit on the purchase of a home for himself;
- 8.14 The payments of money from the trust account as deposit payments on a Ferrari for the Second Respondent and a Mercedes SLK for an employee of the First Respondent;
- 8.15 The ongoing practice of falsifying accounting records to obscure and conceal the true nature of the transactions taking place on the trust account;
- 8.16 The deletion of electronic information to obstruct the inspectors from completing their tasks so as to conceal and hide the information requested by the inspectors;



- 8.17 The supply of falsified account records to the auditor of the First Respondent for the purposes of obtaining a clean audit report; and
- 8.18 The persistent and deliberate obstruction of the inspection, the refusal to allow the inspectors to interview employees of the First Respondent and the alteration and defacement of written orders for information issued by the inspectors.
9. The First Respondent's Chief Financial Officer, Gerrit van Schalkwyk, who has confirmed to me, where he can, the information contained in this affidavit, has assisted the inspectors greatly in their enquiries and information contained in his affidavit has been used to guide the investigation.

Resignation and replacement of directors of the First Respondent

10. The Second Respondent stated in his affidavit that he was in the process of resigning as a director of the First Respondent and appointing Rita Ferreira and Tiaan Nawn as directors of the First Respondent so that the First Respondent's directors would be properly qualified estate agents and hold valid fidelity fund certificates.
11. I expressly asked Rita Ferreira whether she had been appointed as a director of the First Respondent in the presence of the Respondents' attorney on 6 May 2011. Ferreira told me that she was previously a director of the First Respondent but had ceased to be a director some time ago. She was unable to confirm to me that she had been reappointed as a director as contained within The Second Respondent's affidavit. A letter from A Scarrot Attorneys to the Respondents' attorney, Lisa Roeland, was sent seeking clarity on which exactly the directors of the First Respondent are, attached as CA2 and CA3 of Clive Ashpol's supplementary affidavit. No response has been received by the time of preparing this affidavit.



12. Tiaan Nawn had not met with the inspectors by the time this affidavit was prepared. Nawn, however, has delivered to the offices of the EAAB a written statement that, effective 21 April 2011, Nawn is no longer a principal of the First Respondent and he is attempting to distance himself from the affairs of the First Respondent, as attached GN16. In the manuscript notes, which are in Nawn's hand, he clearly states that he is not a director of the First Respondent and has not been since 22 October 2009. Patently, Nawn has no interest in becoming a director of the First Respondent.
13. I asked the Second Respondent whether he resigned as a director of the First Respondent. He was unable to confirm that he had resigned as a director as contained within his affidavit. The records of the EAAB show that the Second Respondent does not have a valid Fidelity Fund Certificate (FFC) for 2011.
14. As no response to these enquiries has been received to date, I am left with the distinct impression that the Second Respondent remains a director and is the controlling mind of the First Respondent.
15. Therefore, *prima facie*, the Second Respondent is operating as an estate agent, without qualification and without a valid FFC and in contravention of the EAA Act.

Appointment of KPMG to conduct a forensic audit of the trust account

16. The inspectors have seen no evidence of the appointment of KPMG.
17. On Monday 9 May 2011 Cindy Nicholls, one of the inspectors appointed by the Applicant, was advised by the Second Respondent at the Applicant's premises that an accountant with the first name of Dimitri (full name unknown), had been engaged to review the activities of the inspectors and the information requested by the inspectors. Both the Second Respondent and Dimitri advised Cindy Nicholls and Mornay Crouse that only once Dimitri had



finished with whatever activities he had been engaged to perform, an approach to KPMG would then be made.

18. I reasonably conclude, based on the information furnished above by the Second Respondent, that KPMG has not yet been appointed by the First Respondent.

Wholesale transfer of funds out of the trust account without authorisation


19. The figures that we relied upon to derive calculations were confirmed by Van Schalkwyk to be correct. The inspectors identified efforts by the Respondents to transfer funds from the First Respondent's trust accounts at Nedbank into newly opened accounts in First National Bank (the new accounts) sometime around 19 April 2011, numbering some 80 or more individual bank accounts.
20. These new accounts are controlled by the First Respondent and being accounts intended to hold funds belonging to the various sectional title schemes constituting the clients of the Respondents and clearly constituting trust monies.
21. I attach an email from Advocate Dryer as annexure GN18. Dryer is a trustee of a body corporate, which is a client of First Respondent. Dryer makes it clear that any suggestion that their funds are being dealt with, without at least potential Fidelity Fund Cover, is unacceptable. This annexure makes it clear that the communications being put out by the Respondents are to the effect that:

- 21.1 the Nedbank trust account is to be closed;
- 21.2 new accounts have been opened by the First Respondent in the name of the various bodies corporate (quite how they have achieved this without the authority of the sectional title schemes is not known but is being



investigated); and

- 21.3 the new accounts are being opened without the consent of the trustees.
22. I annex hereto a printout from the website "hellopeter.com" (as GN19) detailing an anonymous complaint published on line confirming that without the authority of the trustees, the Second Respondent had opened a bank account purportedly in the name of the body corporate under the name and style "Status-trading as the First Respondent-trading as Hillstone 9048". The complaint makes it patently clear that the Respondents had opened this account without the authority of their client and that they disapproved of this action.
23. The inspectors spoke to Ms van Graan (a business broker of FNB who opened the new accounts), Mr. N Brown (her branch manager), and Ms J Williams (the portfolio manager) to determine the circumstances under which these accounts were opened. In so far as the employees of First National Bank, mentioned above, have been able to provide information to the inspectors, the inspectors established that;
- 23.1 the new accounts have been opened by the Second Respondent on behalf of the First Respondent and not by the Trustees;
- 23.2 the new accounts have been opened in the name of both the First Respondent and a company called Strata Property Consultants merely trading as various bodies corporate, making them accounts of the First Respondent regardless of how they may be styled;
- 23.3 at the very least and until such time as sole control over the new accounts is signed over to the bodies corporate, the Second Respondent remains the only party authorised to transact on those accounts;



- 23.4 the new accounts opened are clearly intended to hold funds for the various bodies corporate and as they are being held, at least in the interim, by the First Respondent, they constitute trust funds;
- 23.5 the new accounts were not opened as Section 32 trust accounts (i.e. Section 32 of the Estate Agency Affairs Act); and
- 23.6 The inspectors issued order #5 to the Respondents to provide the inspectors with all particulars related to the new accounts, attached as GN31(5). The Respondents provided a list containing the account numbers of the new accounts, attached as GN20, but no information on the balances of the respective accounts has been provided.
- 23.7 It came to my attention on 17 May 2011 that Christene van Graan, the Business Broker from FNB, has confirmed in an email (attached hereto as GN21), the opening of these accounts and is now only seeking to perform a check in terms of the Financial Intelligence Centre Act in as far as the identity and verification thereof is concerned. It is noteworthy that Van Graan only now requires a resolution from the Bodies Corporate authorising the operating of the account by the First Respondent on its behalf and the transfer of funds therein from the funds held in the Nedbank Trust account. My understanding is that compliance with the Financial Intelligence Centre Act requirements must take place before the accounts are utilised or opened. However, Van Graan, it seems, only now seeks authorisation for the transfer of funds, which has already occurred. Reference is made to the contents of the discussion of Craig Kent's email dated 17 May 2011 where his body corporate, Omaruru, has in excess of R120, 000.00 in its FNB account, which was "frozen." As a result, the body corporate is unable to pay its creditors. The FNB accounts have for the time being been voluntarily frozen by FNB.

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Shortfall on the trust account

24. The inspectors have had and continue to have an arduous task in determining the extent of the shortfall in the trust account. As a result of the actions of the Second Respondent and the First Respondent's employees, the accounting records of the First Respondent are simply a total shambles, as will be amplified below. This was confirmed to me by van Schalkwyk.
25. As will appear below, and due to the shortfalls in the trust accounts resulting from the misappropriation of trust fund monies by the Respondents, calculating whom is owed what, where their funds are and whether they can be paid, is an ongoing task of the inspectors.

Trust account balances

26. The inspectors have obtained copies of the trust account bank balances for the main trust account and the call accounts. The inspectors do not have the balances of the new accounts, for the reasons stated above, and as the balances on the new accounts are unavailable they have not been included in the calculations that follow.
27. A bank statement of the trust account dated 12 May 2011, records the balance of the trust account as at 9 May 2011 as being R3, 356, 388.84, attached as GN22;
28. A statement of the balance of the call accounts, dated 12 May 2011, attached as GN23 records the closing balance of the call accounts as being R12, 051, 672.61;
29. The total balance of the trust and call accounts as at 9 May 2011, was at least R15, 408, 061.41;
30. A print out of the building balances on the Power Props system as at 9 May

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2011, attached as GN24, shows the bodies corporate trust account creditors to be R35, 386, 370.06.

31. I conclude, therefore, as at 9 May 2011 and from the information made available to the inspectors, the shortfall in the trust account was not less than R19, 978, 308.60.
32. The report of the monitor, Mr Moepi, attached as GN25, indicates a shortfall in the trust account was R18, 342, 158.56. The difference between Mr. Moepi's indicated shortfall and the shortfall above, is a result of the fact that Mr Moepi included pending movements in his calculation of R1, 636 150.04 and such information was not available to the inspectors at the time of preparing this affidavit and was not taken into account in the Inspectors' calculations.

Fictitious entries into Power Props system

33. The inspectors were informed by several employees of the First Respondent, including van Schalkwyk, that the First Respondent utilises a software program (Power Props) specifically designed for the management of sectional title levies, payments, and disbursements. My understanding is that one Johan Bodenstein developed the system for the First Respondent prior to the Second Respondent purchasing the business as a running concern in 2008.
34. Power Props records, subject to user input, the bank transactions and therewith, the levy credits received from each unit owner/occupant, and the disbursements such as the municipality accounts, gardening services, and payment of service providers used for maintenance work. Power Props has the ability to provide the balance held in trust of any Sectional Title Development captured thereon.
35. The inspectors issued an order on 9 May 2011, due at 10h00 on the same date to provide them with the balances of all buildings managed by the First



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Respondent as at 23 March 2011, 20 April 2011, and 9 May 2011. Save for fictitious buildings accounts created and deleted by the First Respondent (for example, building 0027), the inspectors received the balances on 9 May 2011 only after 16h00, and it excluded the buildings in Pretoria which the Pretoria branch of the First Respondent administered. According to the list supplied by the First Respondent, the building balances of trust creditors, as at 9 May 2011 were R35, 386,370.06.

The sale and/or transfer of the Pretoria buildings from the First Respondent Pretoria Branch

36. It had come to my attention that the accounts from the Pretoria branch had been deleted from the Power Prop system during the course of the investigation. On enquiry in this regard, Cindy Nicholls and other inspectors present during a discussion with Rita Ferreira and Helena van Wyk on 6 May 2011, were informed that the Pretoria branch was removed from the system because a new entity (as yet unknown) would take over the Pretoria buildings.
37. Interestingly, R Ferreira, has continuously, during our investigation alleged that Pasco's presence at the premises of the First Respondent for the purpose of this investigation had caused over a 170 bodies corporate to close their accounts with CTSM. To illustrate the devious and dishonest manner in which the First Respondent has dealt with the inspectors, we have subsequently ascertained that more than 100 of the bodies corporate that they refer to as having moved their accounts from the First Respondent, are building accounts that the First Respondent had removed themselves from the Power Prop system for the reason of the apparent sale or transfer of the Pretoria branch of the First Respondent.
38. During discussions with Rita Ferreira and after the inspectors had ascertained the apparent or purported sale of the Pretoria branch, she told me that her



son, Riaan, had taken over the running and management of the Pretoria branch.

39. Cindy Nicholls, an inspector, asked Riaan Ferreira for further particulars of the Pretoria branch and his involvement therein. Riaan Ferreira told Cindy Nicholls that he had taken control over the Pretoria branch until a final decision on the sale had been made by the Second Respondent. Further, Riaan Ferreira told Cindy Nicholls that the Pretoria branch would be renamed as Strata Property Consultants.
40. The inspectors received an e-mail from Benny van Wyk, attached as GN26, a Pretoria based property management consultant and Chairperson of Heuwelsig body corporate. In his e-mail, he complains that the Second Respondent had unilaterally opened a bank account with FNB in the name of Strata Property Consultants trading as Bardon Place Body Corporate.
41. At the time of preparing this affidavit, no evidence has been provided to unequivocally demonstrate that the Pretoria branch of the First Respondent containing 100 bodies corporate has either been sold or have terminated their mandates with the First Respondent and consequently, it appears apparent that the branch remains part of the First Respondents business.

Building 0027: Hills Green Hills

42. Gerrit van Schalkwyk told the inspectors that Building 27 is an account opened on the PowerProps accounting system. This building account is shown as a body corporate just as any other legitimate accounts are shown, although it is not a building or section title complex, which the First Respondent administers.
43. Receipts for legitimate complexes include levies paid by the owners and payments for legitimate complexes would include rates and taxes, electricity,



guarding, gardening services, etc.

44. Building 27 is not a legitimate complex. It is an account used to record the First Respondent's loan balance in the trust account, money taken by Brown for personal expenses and some business expenses that the First Respondent claims from the trust account.
45. Instead of the First Respondent transferring funds they are entitled to as fees and other income to their business account, the amounts were recorded as income to building 27. The expenses and the amounts Second Respondent took from trust were posted as expenses of Building 27.
46. Second Respondent, Gavin Feyerabend, Esther Schoeman, Melani Coetzee, Mary Ann Botha, Jeannette van Wyk, and Van Schalkwyk posted transactions to Building 27 account. I confirmed these facts with the benefit of van Schalkwyk's affidavit.
47. Sometime during January 2010, Brown instructed Van Schalkwyk to change the descriptions of the expenses and the income as it was posted to building 27 so that anyone looking at the account would not be able to determine the true nature of the payments. Van Schalkwyk made those entries and changed the transaction descriptions to conceal the true nature of those transactions, as instructed by Brown. This was to hide the true source and use of the money.
48. The true position is that Building 27 is fictitious; it has no income or expenses of its own, and was intended to be used by Brown only as an internal mechanism for recording the First Respondent and Brown's use of trust monies.
49. During the course of the Estate Agency Affairs Board inspection, sometime during April 2011, Van Schalkwyk became aware that Building 27, as an

account and all of the entries it contained, had been deleted. This deletion occurred prior to Van Schalkwyk's resignation from the First Respondent.

50. The account for Building 27 was no longer available on the system. I was informed by Van Schalkwyk that he printed a list of building balances, as it is part of his function, and he immediately became aware that the balances on this report differed markedly and were materially lower from that which he expected. He stated that the reason for this was that the account for Building 27 had been deleted.
51. According to Van Schalkwyk's recollection, the only people who have access rights to the Power Prop System to delete an account are Brown, Johan Bodenstein - the external IT consultant and Van Schalkwyk himself. The importance of Building 27 is that it contains the most accurate record of money taken from the trust account by Brown.
52. Proof that an account 0027 existed on the Power Prop system, with the related accounting entries, are attached hereto as GN27. This is a statement of building 27 balances before it was deleted from the system.

The Second Respondent's knowledge of the trust account irregularities

53. I attach hereto an email (GN28) where the Second Respondent has given permission and/or instructed an employee of the First Respondent to transfer money from the trust account to the First Respondent's business account to pay the South African Revenue Service, Momentum Insurance and salaries due to insufficient funds in the business account.
54. It is clear from the foregoing that the Second Respondent was aware, and even instructed, trust fund monies to be utilised for business expenses. Van Schalkwyk has confirmed to me that this was a common occurrence and occurred without any check ever taking place as to the sufficiency or





availability of funds being available to cover such payments.

Falsification of payments to municipalities

55. The inspectors requested copies of records from the First Respondent related to the municipal accounts paid by the First Respondent, under order #2 (See GN31(2)). Van Schalkwyk told me that these accounts were not being paid because there were insufficient funds available to honour and make all the payments due to the various municipalities because of the aforementioned shortfalls on the trust account, as set out in Van Schalkwyk's affidavit. I amplify and deal with these particulars, relying upon Van Schalkwyk's affidavit, where necessary.
56. The Second Respondent, in his affidavit, suggested that the reason that there was an overdrawn trust account and numerous returned cheques was a result of human error. The inspectors have been able to determine, with the assistance of van Schalkwyk, that this situation was not as a result of human error, as claimed. One of the tactics employed by Brown to delay payment of the municipal accounts was to intentionally alter the correctly made out numerical value written on cheques made out to municipalities such that after his alteration, the amount in words and figures would differ with the result that the cheque would be returned and not paid by the bank.
57. The reason for the returned cheque would accordingly appear to be due to the alteration or human error concealing the true position that there was a lack of funds in the trust account to honour the cheque.
58. An example of this practice is attached as GVS4 in van Schalkwyk's affidavit, being the e-mail from Ms Scheepers to the Second Respondent in which she complained about the alteration of cheques and included examples. The Second Respondent knew of and was responsible for these alterations.

59. Van Schalkwyk told me that the alterations were intentional and unnecessary as the cheques had been correctly made out prior to presentation to Brown for signature. It was Brown who made the alterations prior to signing the cheques.
60. Oftentimes, Brown would tell van Schalkwyk that as there is not enough money in the trust account to pay these accounts and by the Second Respondent altering cheques it will "get people off their back", or words to that effect.
61. To hide and conceal the fact that the First Respondent was unable to pay the municipal accounts due, the people in the municipal department were instructed by Brown to record the various accounts as being paid by the First Respondent and debit the various body corporate accounts with those amounts due.
62. The bodies corporate received statements of account from the First Respondent showing that these payments had been made, despite the fact that these accounts were not paid.
63. Cindy Nicholls, an inspector, selected a sample of municipal accounts and vouchers from the First Respondent corresponding to these accounts, attached as GN29. The vouchers obtained from the First Respondent clearly reflect that the First Respondent had paid the respective accounts.
64. Cindy Nicholls contacted the respective municipalities to ascertain if the account reflected as paid by the First Respondent had been paid by the First Respondent. Cindy Nicholls confirmed with the municipalities that the accounts for the respective complexes were not paid and the accounts remain outstanding.
65. The effect of these actions was that many bodies corporate had their

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municipal services suspended. When the bodies corporate contacted the First Respondent to determine either why their services had been suspended or their respective accounts not paid, people were given various and differing excuses such as "the problem exists with city billing systems." These explanations were not true.

66. Examples of notices of suspension are attached as GVS 5 in the affidavit of van Schalkwyk, which were as a result of these actions.
67. The inspectors were told by Gavin Feyerabend that the total amount due and payable and not paid by the First Respondent to the various debtors, as at 11 May 2011, was approximately R9,000,000.00. Van Schalkwyk has told me that the reason for the non-payment is that there was insufficient funds in the trust account to make the payments.

Payments from the trust account to family members of the Second Respondent and himself

68. The inspectors have identified numerous instances where amounts of money was either cashed against cheques from the trust account or paid to the Second Respondent or various family members from the entries contained upon the trust bank statement.

Loan of trust fund monies to bodies corporate

69. I have been informed by Van Schalkwyk that the First Respondent has regularly granted loans to bodies corporate. These loans are made using trust fund money and are recorded as loans from the First Respondent to the respective bodies corporate. This was confirmed by van Schalkwyk. I can confirm, with the accounting records of Power Prop at the Inspectors' disposal, that the outstanding loans from bodies corporate as on 9 May 2011 are as follows:-



- 69.1 Club 7 body corporate, R7,908.30;
- 69.2 Pennington body corporate, R61,561.22;
- 69.3 Dylan Place body corporate, R 28,976.89.
70. These appear from GN 24 as indicated by the asterisks next to the relevant body corporate
71. The above excludes loans that had been made to bodies corporate that have already been repaid.

Rolling trust fund monies between call and trust accounts to plug shortfall

72. The various bodies corporate may hold monies in trust with the First Respondent in both the trust account and in an interest bearing account in their name. Both accounts may be either still of the type "pay on demand" or an investment for a fixed period. The balance in these trust accounts should match the amount due to the body corporate and as shown on their monthly statement issued by the First Respondent.
73. The trust account holds various funds from various bodies corporate. It is this account from which payments are made. Payments cannot be made from the call accounts directly.
74. As there are insufficient funds in trust, it happens regularly that where payments need to be made from the trust account (legitimate or otherwise), that funds are first transferred from one of the call accounts into the trust account to boost the balance. When it is necessary to transfer funds from the call accounts to the trust account the usual practice is to transfer funds to trust from those call accounts opened in the name of complexes who least seldom request bank statements. There is generally no correlation between the complex whose call account funds are transferred to trust and the complex