

SOUTH AFRICAN MODEL AIRCRAFT ASSOCIATION

P O Box 1961
ALBERTON
1450

31 August 2006

NEXIA HBLT Chartered Accountants (East Rand) Inc.
Registered Accountants and Auditors
P O Box 663
BENONI
1500

Dear Sir

**SOUTH AFRICAN MODEL AIRCRAFT ASSOCIATION : REPRESENTATION
LETTER : 31 MARCH 2006**

We confirm, to the best of our knowledge and belief, the following information and opinions given to you in connection with your examinations of the Association's annual financial statements for the year ended 31 March 2006.

We are not aware of any accounts, transactions or agreements not fairly described and properly recorded in the accounting records, having any material effect on the financial statements.

- 1 Adequate provision has been made for:
 - a All known material liabilities, other than contingent liabilities in respect of which no actual liability is expected to arise, which existed at the balance sheet date.
 - b All material losses expected to arise from events, including the placing of forward contracts, which had occurred by the balance sheet date.
- 2 At the balance sheet date, except as provided for or as noted in the financial statements, there were no:
 - a Material contingent liabilities, including potential liabilities under claims or pending or threatened litigation.
 - b Material commitments under contracts placed for capital expenditure.
 - c Material amounts of capital expenditure authorised by the members which had not been contracted for.
- 3 Except as indicated in the financial statements, the assets reflected in the balance sheet were owned by the Association at that date, free of any charge or favour of third parties and none of the liabilities were secured, otherwise than by operation of law on any of the assets of the Association.

**SOUTH AFRICAN MODEL AIRCRAFT ASSOCIATION : REPRESENTATION
LETTER : 31 MARCH 2004**

- 4 The current assets, shown in the balance sheet, are all expected to produce on realisation in the ordinary course of business, at least the amounts at which they are stated.
- 5 The amounts treated in the balance sheet as provisions for liabilities, losses and diminution in value of assets, are not greater than the sums reasonably required for that purpose.
- 6 Except as disclosed in the financial statements, the results of operations for the year were not materially affected by transactions of an extraordinary or abnormal nature or items relating to a prior year.
- 7 Material commitments for future purchases are for quantities not in excess of anticipated requirements and are at prices which should not result in loss. Material losses are not expected to be sustained in the fulfilment of, or the inability to fulfil, any sales commitments.
- 8 All income which arose up to the date of the balance sheet has been brought into account, and derived from sources in the normal course of business.
- 9 All material share or other options granted by the Association and material bonus or other profit sharing arrangements have been adequately disclosed or provided for.
- 10 Known events, subsequent to the balance sheet date, have been accounted for or appropriately disclosed in so far as they materially affect fair presentation in the financial statements.
- 11 Any material expenditure that have been deferred to future periods, have been appropriately dealt with.

Yours faithfully


CHAIRMAN:


TREASURER:

SOUTH AFRICAN MODEL AIRCRAFT ASSOCIATION
Trading as SAMAA
ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2006

Nexia HBLT Chartered Accountants (East Rand) Inc.

Chartered Accountants (S.A.)

Registered Accountants and Auditors

Issued 31st August 2006

SOUTH AFRICAN MODEL AIRCRAFT ASSOCIATION
Trading as SAMAA
ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2006

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

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The following supplementary schedule does not form part of the financial statements, and is unaudited.

Detailed income statement	11
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Approval and statement of responsibility

The members are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information. The external auditors are responsible for independently auditing and reporting on the fair presentation of financial statements in conformity with South African Auditing Standards. The financial statements have been prepared in accordance with Statements of Generally Accepted Accounting Practice and in the manner required by the Constitution.


The members are also responsible for the association's system of internal financial control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect misstatement and loss. Nothing has come to the attention of the members to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The financial statements have been prepared on the going concern basis, since the members of the management committee have every reason to believe that the association has adequate resources in place to continue in operation for the foreseeable future.

The financial statements which appear on pages 3 to 11 were approved by the members of the management committee on _____ and signed on their behalf by:



Chairman



Treasurer



HBLT Chartered Accountants (East Rand) Incorporated

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
SOUTH AFRICAN MODEL AIRCRAFT ASSOCIATION**

We have audited the annual financial statements of **South African Model Aircraft Association** set out on pages **3 to 10** for the year ended **31 March 2006**. These financial statements are the responsibility of the association's s. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

Qualification

In common with all other organisations of similar size, structure and nature, it is not feasible for the association to institute accounting controls over cash collections from donations, sponsors, fund raising projects and the selling of miscellaneous items prior to initial entry of the collections in the accounting records. Accordingly, it was impracticable for us to extend our examination beyond the receipts actually recorded.

Qualified audit opinion

In our opinion, except for the effect on the financial statements of the matter referred to in the preceding paragraph, the financial statements fairly present, in all material respects, the financial position of the association at **31 March 2006** and the results of its operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, appropriate to the business .

Accounting and secretarial duties

With the written consent of all members, we have performed certain accounting and secretarial duties.

Supplementary information

The supplementary schedule set out on page **11** does not form part of the annual financial statements and is presented as additional information. We have not audited this schedule and accordingly we do not express an opinion on it.

Nexia HBLT Chartered Accountants Inc.
Nexia HBLT Chartered Accountants (East Rand) Inc.
 Chartered Accountants (S.A.)
 Registered Accountants and Auditors

C J Hillcoat
Per: C J Hillcoat
Benoni
31 August 2006

Telephone: +27 (0)11 421 8374 • VAT Reg No: 4750228712 • Practice No: 902317E
 Nexia House, No 9 Lakeside Place, Klentfontein Lake, Benoni
 PO Box 663 Benoni 1500 South Africa
 Tel +27 - 11 421 8374 Fax +27 - 11 421 5777
 E mail: nexia@nexia-ent.biz Website: www.nexia.co.za

SOUTH AFRICAN MODEL AIRCRAFT ASSOCIATION

Trading as SAMAA

BALANCE SHEET

at 31 March 2006

	Notes	2006 R	2005 R
Assets			
Non-current assets			
Property, plant and equipment	2	3,861	6,852
Current assets			
Inventories	3	26,020	27,105
Trade and other receivables		900	4,125
Prepaid expenses		21,175	19,250
Cash and cash equivalents		229,919	231,250
Total assets		<u>281,875</u>	<u>288,582</u>
Funds and liabilities			
Funds and reserves			
Accumulated funds		277,300	282,257
Current liabilities			
Trade and other payables	4	4,575	6,325
Total equity and liabilities		<u>281,875</u>	<u>288,582</u>

SOUTH AFRICAN MODEL AIRCRAFT ASSOCIATION
Trading as SAMAA
INCOME STATEMENT
for the year ended 31 March 2006

	Notes	2006 R	2005 R
Gross revenue		592,040	463,131
Other income		132,289	55,730
Operating costs		<u>739,804</u>	<u>582,165</u>
Operating deficit	5	(15,475)	(63,304)
Interest received	6	10,697	11,509
Finance costs	7	<u>(179)</u>	<u>(195)</u>
Deficit		(4,957)	(51,990)
Retained surplus at beginning of year		<u>282,257</u>	<u>334,247</u>
Retained surplus at end of year		<u><u>277,300</u></u>	<u><u>282,257</u></u>

SOUTH AFRICAN MODEL AIRCRAFT ASSOCIATION
Trading as SAMAA
STATEMENT OF CHANGES IN EQUITY
for the year ended 31 March 2006

	Accumulated funds R
Balance at 01 April 2004	334,247
Net loss for the year	<u>(51,990)</u>
Balance at 01 April 2005	282,257
Net loss for the year	<u>(4,957)</u>
Balance at 31 March 2006	<u><u>277,300</u></u>

SOUTH AFRICAN MODEL AIRCRAFT ASSOCIATION

Trading as SAMAA

CASH FLOW STATEMENT

for the year ended 31 March 2006

	Notes	2006 R	2005 R
Cash flows from operating activities		(1,331)	(55,168)
Cash utilised in operating activities	9.1	(11,849)	(66,482)
Interest received		10,697	11,509
Interest paid		(179)	(195)
Cash flows from investing activities			
<i>Expenditure to maintain operating capacity</i>			
Property, plant and equipment acquired		-	(999)
Decrease in cash and cash equivalents		(1,331)	(56,167)
Cash and cash equivalents at beginning of the year	9.2	231,250	287,417
Cash and cash equivalents at end of the year	9.2	229,919	231,250

SOUTH AFRICAN MODEL AIRCRAFT ASSOCIATION

Trading as SAMAA

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2006

2. Property, plant and equipment

	2006			2005		
	Cost / valuation R	Accumulated depreciation R	Carrying value R	Cost / valuation R	Accumulated depreciation R	Carrying value R
<i>Owned assets</i>						
Office and computer equipment	12,322	8,461	3,861	12,322	5,470	6,852

The carrying amounts of property, plant and equipment can be reconciled as follows:

2006	Carrying value at beginning of year R	Additions R	Depreciation R	Carrying value at end of year R
<i>Owned assets</i>				
Office and computer equipment	6,852	-	(2,991)	3,861

	2006 R	2005 R
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3. Inventories

The amounts attributable to the different categories are as follows:

Merchandise - Promotional items (being sticker sheets, pin sets, badges and pins)	26,020	27,105
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The estimated net reliable value of the inventory on hand amounts to R 87,290.

4. Trade and other payables

Trade payables	75	450
Accruals	4,500	5,876
	4,575	6,326

SOUTH AFRICAN MODEL AIRCRAFT ASSOCIATION
Trading as SAMAA
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2006

	2006 R	2005 R
5. Operating deficit		
Operating deficit is stated after:		
<i>Expenditure</i>		
Auditors' remuneration	6,951	4,860
- Audit fee	4,500	4,013
- Prior year under-provision	-	448
- Other services	2,451	399
Depreciation		
- Property, plant and equipment	2,991	3,165
	-	-
6. Interest received		
Interest income		
- Interest received	10,697	11,509
7. Finance costs		
Penalties and interest - SARS	179	195
8. Taxation		
No provision has been made for 2006 taxation as the association is exempt from taxation in terms of Section 10(1)(cN) of the Income Tax Act which states that the receipts and accruals of any Public Benefit Organisation (PBO) is exempt from Income Tax.		
9. Notes to the cash flow statement		
<i>9.1 Cash utilised in operating activities</i>		
Net loss	(4,957)	(51,990)
Adjustments for:		
Depreciation	2,991	3,165
Interest received	(10,697)	(11,509)
Finance costs	179	195
	(12,484)	(60,139)
Movements in working capital		
Decrease in inventories	1,085	1,548
Decrease/(increase) in accounts receivable	1,300	(3,908)
Decrease in accounts payable	(1,750)	(3,983)
	(11,849)	(66,482)

SOUTH AFRICAN MODEL AIRCRAFT ASSOCIATION
Trading as SAMAA
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2006

	2006	2005
	R	R
<i>9.2 Cash and cash equivalents</i>		
Cash and cash equivalents consist of cash on hand and balances with banks. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:		
Cash and cash equivalents	<u>229,919</u>	<u>231,250</u>

SOUTH AFRICAN MODEL AIRCRAFT ASSOCIATION

Trading as SAMAA

DETAILED INCOME STATEMENT

for the year ended 31 March 2006

	2006 R	2005 R
Gross revenue		
Subscription income	592,040	463,131
Other income	142,986	67,239
Interest received	10,697	11,509
Advertising income	132,447	53,185
Sundry income	(158)	2,545
Total income	735,026	530,370
Expenditure	739,983	582,360
Accounting fees	3,000	3,000
Affiliation fees - Aero Club	81,200	23,540
Auditors' remuneration	6,951	4,860
Bank charges	508	512
Club and regional grants	-	9,900
Consumables	216	-
Depreciation	2,991	3,165
FAI licence costs - Net	(568)	202
Finance costs	179	195
General expenses	251	1,610
Insurance	34,375	39,470
Magazines, books, periodicals and newsletter costs	175,227	109,867
Masters, nationals and other tournament expenses	(544)	4,650
Printing and stationery	29,400	18,273
Promotional items - Net	(3,943)	(2,163)
Refreshments and meeting expenses	2,359	765
Repairs and maintenance	598	1,176
Salaries and related staff costs	134,756	122,756
Special interest groups	45,000	45,000
Telephone, fax and postage expenses	100,359	80,727
Transformation expenses	69,866	3,428
Travel - local	8,102	7,641
Travel - overseas	12,000	20,493
Travel expenses - team grants	32,500	81,818
Year-end function - Net	5,200	1,475
Deficit	<u>(4,957)</u>	<u>(51,990)</u>