

**THE WELSH PONY AND COB SOCIETY OF SOUTH AFRICA
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

Draft

LSG Integrated
Registered Auditors
Issued 21 April 2010

The Welsh Pony and Cob Society of South Africa

Annual Financial Statements for the year ended 31 December 2009

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Independent Auditor's report

To the members of The Welsh Pony and Cob Society of South Africa

We were engaged to audit the annual financial statements of The Welsh Pony and Cob Society of South Africa, which comprise the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 5 to 11.

Society's Responsibility for the Annual Financial Statements

The committee is responsible for the preparation and fair presentation of these annual financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, and in the manner required by the Companies Act of South Africa. 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these annual financial statements based on conducting our audit in accordance with International Standards on Auditing. Because of the matter discussed in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

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, incl 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 directors, 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.

Basis for Disclaimer of Opinion

In common with similar organisations, it is not feasible for the society to institute accounting controls over cash collection of income and fund raising prior to initial entry of the collection in the accounting records. Accordingly, it was impractical for us to extent our examination beyond the receipts actually recorded.

We could not express an opinion on the opening balances relating to assets. This originated from the 2006 audited financial year end and we were unable to satisfy ourselves as to the accuracy and existence of these assets due to no information provided to us relating to these.

We were not provided with supporting documentation for sundry expenses amounting to R6,674. Consequently we were unable to satisfy ourselves as to the accuracy and validity of these expenses.

We did not observe the counting of the physical inventories as of 31 December 2009. Owing to the nature of the society's records, we were unable to satisfy ourselves as to inventory quantities by other audit procedures.

There was no system of control over income on which we could rely for the purpose of our audit, and there were no satisfactory auditing procedures that we could perform to obtain reasonable assurance that all income was properly disclosed. Consequently, we were unable to satisfy ourselves as to the validity, accuracy and completeness of the accounting records relating to the income, as well as to the completeness, existence, valuation and classification of the accounting records relating to accounts receivable.

Disclaimer of Opinion

We were engaged to the audit the annual financial statements of The Welsh Pony And Cob Society of South Africa, which comprise the balance sheet, income statement, equity statement and cashflow statements as at 31 December 2009.

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the annual financial statements.

Emphasis of Matter

Without qualifying our opinion we want to highlight the fact that we did not provide for income tax payable as the society is a Public Benefit Organisation. The society has yet to apply for exemption from income tax in terms of section 10(1)(c0) of the Income Tax Act.

Accounting and Secretarial Duties

Without qualifying our opinion, we draw attention to the fact that with the written consent of all shareholders, we have performed certain accounting and secretarial duties.

LSG Integrated
Registered Auditors

Rivonia
21 April 2010

The Welsh Pony and Cob Society of South Africa

Annual Financial Statements for the year ended 31 December 2009

Committee's Responsibilities and Approval

The directors are required by the Companies Act of South Africa, to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their 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 the International Financial Reporting Standard for Small and Medium-sized Entities. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

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

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

The directors have reviewed the company's cash flow forecast for the year to 31 December 2010 and, in the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditor's is 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 auditor's and their report is presented on page 2.

The annual financial statements set out on pages 5 to 11, which have been prepared on the going concern basis, were approved by the directors on 21 April 2010 and were signed on its behalf by:

Dr S Du Toit (President)

D. Nicholson (Treasurer)

The Welsh Pony and Cob Society of South Africa

Annual Financial Statements for the year ended 31 December 2009

Society's Report

The society submit their report for the year ended 31 December 2009.

1. Review of activities

Main business and operations

The society is engaged in equestrian sports and operates principally in South Africa.

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

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Events after the reporting period

The society are not aware of any matter or circumstance arising since the end of the financial year.

4. Non-current assets

Details of major changes in the nature of the non-current assets of the society during the year are as set out in the note thereto.

There has been no major changes in the policy relating to the use of non-current assets.

5. Members

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

Name

Dr S Du Toit (President)
D. Nicholson (Treasurer)
S. Cook (Secretary)

6. Auditor's

LSG Integrated will continue in office in accordance with section 270(2) of the Companies Act.

The Welsh Pony and Cob Society of South Africa

Annual Financial Statements for the year ended 31 December 2009

Statement of Financial Position

	Note(s)	2009 R	2008 R
Assets			
Non-Current Assets			
Property, plant and equipment	2	21,923	9,905
Current Assets			
Inventories		32,364	33,170
Trade and other receivables		28,351	60,698
Cash and cash equivalents		177,050	180,397
		237,765	274,265
Total Assets		259,688	284,170
Equity and Liabilities			
Equity			
Reserves		66,000	66,000
Retained income		122,226	137,186
		188,226	203,186
Liabilities			
Current Liabilities			
Trade and other payables		71,462	80,984
Total Equity and Liabilities		259,688	284,170

The Welsh Pony and Cob Society of South Africa

Annual Financial Statements for the year ended 31 December 2009

Statement of Comprehensive Income

	Note(s)	2009 R	2008 R
Revenue			
Admin and management fees received		22,205	25,730
DNA Testing fees		965	(2,040)
Levies		28,844	26,833
Subscription and entrance fees		93,173	99,528
		145,187	150,051
Cost of sales			
Opening stock		(33,170)	-
Purchases		(2,128)	(41,793)
Closing stock		32,364	33,170
		(2,934)	(8,623)
		142,253	141,428
Gross profit			
Other income			
Interest received		9,974	14,757
Reversal of employee costs provision		11,881	-
		21,855	14,757
Operating expenses			
Accounting fees		12,000	12,000
Administration and management fees		25,344	21,827
Advertising		23,574	17,877
Auditors remuneration	4	7,395	7,680
Bad debts		33,989	23,017
Bank charges		2,238	1,707
Computer expenses		477	13,471
Council meetings		14,471	13,869
Depreciation, amortisation and impairments		7,497	4,307
Gifts		153	-
Legal expenses		-	1,843
National championship		13,699	5,851
Postage		15,655	9,934
Secretarial fees		12,000	12,000
Sundry expenses		6,674	-
Telephone and fax		2,676	-
Travel - Local		1,226	916
		179,068	146,299
(Loss) profit for the year		(14,960)	9,886

The Welsh Pony and Cob Society of South Africa

Annual Financial Statements for the year ended 31 December 2009

Statement of changes in equity

	Non-distributable reserve	Retained income	Total equity
	R	R	R
Balance at 01 January 2008	66,000	127,300	193,300
Changes in equity			
Total comprehensive income for the year	-	9,886	9,886
Total changes	-	9,886	9,886
Balance at 01 January 2009	66,000	137,186	203,186
Changes in equity			
Total comprehensive loss for the year	-	(14,960)	(14,960)
Total changes	-	(14,960)	(14,960)
Balance at 31 December 2009	66,000	122,226	188,226

Note(s)

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The Welsh Pony and Cob Society of South Africa

Annual Financial Statements for the year ended 31 December 2009

Statement of Cash Flows

	Note(s)	2009 R	2008 R
Cash flows from operating activities			
Cash generated from (used in) operations	5	16,168	(11,164)
Interest received		9,974	14,757
Net cash from operating activities		26,142	3,593
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(19,514)	-
Net cash from investing activities		(29,488)	(14,757)
Total cash movement for the year		(3,346)	3,593
Cash at the beginning of the year		180,397	176,804
Total cash at end of the year		177,050	180,397

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The Welsh Pony and Cob Society of South Africa

Annual Financial Statements for the year ended 31 December 2009

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, and the Companies Act of South Africa. The annual financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in South African Rands.

These accounting policies are consistent with the previous period.

1.1 Significant judgements

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

1.2 Property, plant and equipment

Property, plant and equipment are tangible items that:

- are held for use in the production or supply of goods or services, for rental to others or for administrative purposes; and
- are expected to be used during more than one period.

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.

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

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

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 and have significantly different patterns of consumption of economical benefits is depreciated separately over its useful life.

1.3 Inventories

Inventories are measured at the lower of cost and selling price less costs to complete and sell, on the weighted average cost basis.

1.4 Revenue

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

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

The Welsh Pony and Cob Society of South Africa

Annual Financial Statements for the year ended 31 December 2009

Notes to the Annual Financial Statements

	2009			2008		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fittings	594	(564)	30	594	(446)	148
Office equipment	14,140	(9,683)	4,457	14,140	(6,855)	7,285
Computer equipment	18,027	(10,366)	7,661	8,288	(5,816)	2,472
Computer software	9,775	-	9,775	-	-	-
Total	42,536	(20,613)	21,923	23,022	(13,117)	9,905

Reconciliation of property, plant and equipment - 2009

	Opening Balance	Additions	Depreciation	Total
Furniture and fittings	148	-	(118)	30
Office equipment	7,285	-	(2,828)	4,457
Computer equipment	2,472	9,739	(4,550)	7,661
Computer software	-	9,775	-	9,775
	9,905	19,514	(7,496)	21,923

3. Taxation

No provision has been made for 2009 tax as the society is a non profit organisation.

4. Auditor's' remuneration

Fees	7,395	7,680
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5. Cash generated from (used in) operations

(Loss) profit before taxation	(14,960)	9,886
Adjustments for:		
Depreciation and amortisation	7,497	4,307
Interest received	-	(14,757)
Changes in working capital:		
Inventories	806	1,488
Trade and other receivables	32,347	(10,719)
Trade and other payables	(9,522)	(1,369)
	16,168	(11,164)