The Nelson Mandela Institute for Education and Rural Development
(Registration number IT 598/2007)
Annual financial statements
for the 14 months ended 28 February 2009

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

Report of the Independent Auditors

To the Trustees of The Nelson Mandela Institute for Education and Rural Development

We have audited the annual financial statements of The Nelson Mandela Institute for Education and Rural Development, which comprise the trustees' report, the balance sheet as at 28 February 2009, and the income statement, statement of changes in equity and cash flow statement for the 14 months then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 4 to 12.

Trustees' Responsibility for the Financial Statements

The trust's trustees are responsible for the preparation and fair presentation of these annual financial statements in accordance with the South African Statement of Generally Accepted Accounting Practice for Small and Medium-sized Entities. 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 management, 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 The Nelson Mandela Institute for Education and Rural Development as of 28 February 2009, and its financial performance and its cash flows for the 14 months then ended in accordance with the South African Statement of Generally Accepted Accounting Practice for Small and Medium-sized Entities.

PricewaterhouseCoopers Inc.
Director: Jacqui Mauer
Registered Auditor
East London
04 September 2009

Trustees' Responsibilities and Approval

The trustees are required 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 trust as at the 28 February 2009 and the results of its operations and cash flows for the period then ended, in conformity with the South African Statement of Generally Accepted Accounting Practice 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 South African Statement of Generally Accepted Accounting Practice 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 trustees acknowledge that they are ultimately responsible for the system of internal financial control established by the trust and place considerable importance on maintaining a strong control environment. To enable the trustees to meet these responsibilities, the board of trustees 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 trust and all employees are required to maintain the highest ethical standards in ensuring the trust’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the trust is on identifying, assessing, managing and monitoring all known forms of risk across the trust. While operating risk cannot be fully eliminated, the trust endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The trustees 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 trustees have reviewed the trust’s cash flow forecast for the 12 months to 28 February 2010 and, in the light of this review and the current financial position, they are satisfied that the trust 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 trust's annual financial statements. The annual financial statements have been examined by the trust's external auditors and their report is presented on page 2.

The annual financial statements set out on pages 4 to 12, which have been prepared on the going concern basis, were approved by the board of trustees on 04 September 2009 and were signed on its behalf by:

Trustee **Trustee**

Trustees' Report

The trustees submit their report for the 14 months ended 28 February 2009.

1. The trust

The trust was formed in terms of a trust deed dated the 12 September 2007.

The trust was incorporated in South Africa.

2. Objectives

To contribute toward creating excellence in rural schooling and community development through research, public dialogue and demonstration, as well as leadership, educator and community development.

3. Trustees

The trustees of the trust during the 14 months and to the date of this report are as follows:

Name	Date of Appointment
Achmed Ebrahim Dangor	05 April 2007
Mvuyo Ernest Tom	25 May 2007
Denise Margot Zinn	17 April 2007
Veronica Mahanjana	07 May 2007
Nhlanganiso Dladla Dladla	17 April 2007
Mohammud Enver Swaleh Motala	05 April 2007
Makano Mahlape Morojele	05 Apilr 2007
Andrew John Gilbert (deceased July 2009)	03 April 2007
Kimberley Ann Porteus	25 May 2007

4. Beneficiaries

The beneficiary of the trust during the accounting period and up to the date of this report is the University of Fort Hare.

5. Auditors

PricewaterhouseCoopers Inc. will continue in office for the next financial period.

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Balance Sheet

	Note(s)	2009 R
Assets		
Non-Current Assets		
Property, plant and equipment	2	288,371
Current Assets		
Trade and other receivables	3	171,632
Cash and cash equivalents	4	11,170,285
		11,341,917
Total Assets		**11,630,288**
Equity and Liabilities		
Equity		
Sustainability reserve		10,287,717
Accumulated surplus		1,204,971
		11,492,688
Liabilities		
Current Liabilities		
Trade and other payables	5	137,600
Total Equity and Liabilities		**11,630,288**

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Income Statement

	Note(s)	14 months 2009 R
Revenue	6	12,795,678
Operating expenses		(8,633,546)
Operating surplus	7	**4,162,132**
Investment revenue	8	1,019,647
Surplus for the 14 months		**5,181,779**

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Statement of Changes in Equity

	Trust capital	Sustainability reserve	Accumulated surplus	Total equity
	R	R	R	R
Balance at 01 January 2008	**-**	**-**	**-**	**-**
Changes in equity				
Trust Capital	-	5,940,536	370,373	6,310,909
	-	5,940,536	370,373	6,310,909
Surplus for the 14 months	-	-	5,181,779	5,181,779
Total surplus for the 14 months	-	5,940,536	5,552,152	11,492,688
Transfer to sustainability reserve	-	4,347,181	(4,347,181)	-
Total changes	-	10,287,717	1,204,971	11,492,688
Balance at 28 February 2009	**-**	**10,287,717**	**1,204,971**	**11,492,688**

Cash Flow Statement

	Note(s)	14 months 2009 R
Cash flows from operating activities		
Cash generated from operations	9	4,182,117
Interest income		1,019,647
Net cash from operating activities		**5,201,764**
Cash flows from investing activities		
Purchase of property, plant and equipment	2	(236,238)
Transfer of trust equity		6,310,909
Transfer of trust property, plant and equipment		(106,150)
Net cash from investing activities		**5,968,521**
Total cash movement for the 14 months		**11,170,285**
Cash at the beginning of the 14 months		-
Total cash at end of the 14 months	4	**11,170,285**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the South African Statement of Generally Accepted Accounting Practice for Small and Medium-sized Entities. 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.

1.1 Property, plant and equipment

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.

Depreciation is provided using the straight-line method to write down the cost, less estimated residual value over the useful life of the property, plant and equipment, which is as follows:

Item	Average useful life
Furniture and fixtures	5 years
Motor vehicles	5 years
Office equipment	6 years
Computer equipment	3 years
Software	2 years

1.2 Financial instruments

Financial instruments at amortised cost

Financial instruments may be designated to be measured at amortised cost less any impairment using the effective interest method. These include trade and other receivables, loans and trade and other payables. At the end of each reporting period, the carrying amounts of assets held in this category are reviewed to determine whether there is any objective evidence of impairment. If so, an impairment loss is recognised.

1.3 Taxation

The Trust has been approved as a public benefit organisation in terms of section 30 of the Income tax Act and is exempt from normal taxes and duties.

1.4 Sustainability reserves

The Sustainability Reserve has been established by the Board of Trustees and represents the portion of the total surplus that is invested in accordance with the guidelines set forth in the trust deed to guard the long term sustainability of the Nelson Mandela Institute for Education and Rural Development. Any use of funds from the Sustainability Reserve must be approved by the Executive Committee, and ratified by the Board of Trustees.

1.5 Accumulated surplus

Accumulated Surplus represents the portion of the total surplus that is committed to project disbursement and operational expenditure.

1.6 Transfer to sustainability reserve

Transfers from the Accumulated Surplus to the Sustainability Reserve comprise the sum of total donations received in respect of the sustainability of the Nelson Mandela Institute for Education and Rural Development; and total donations received that are not contracted to project disbursement; and five percent of total donations received in respect of contracted project disbursements; and total investment income accrued.

Accounting Policies

1.7 Revenue

Revenue consists of donations received from donors during the year.

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

1.8 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.

1.9 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.

1.10 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.

Notes to the Annual Financial Statements

	2009 R

2. Property, plant and equipment

	2009		
	Cost / Valuation	Accumulated depreciation	Carrying value
Furniture and fixtures	60,331	(9,651)	50,680
Motor vehicles	130,000	(5,556)	124,444
Office equipment	57,820	(8,613)	49,207
Computer equipment	92,237	(29,512)	62,725
Software	2,000	(685)	1,315
Total	**342,388**	**(54,017)**	**288,371**

Reconciliation of property, plant and equipment - 2009

	Opening Balance	Additions	Transfers	Depreciation	Total
Furniture and fixtures	-	15,831	44,500	(9,651)	50,680
Motor vehicles	-	130,000	-	(5,556)	124,444
Office equipment	-	43,170	14,650	(8,613)	49,207
Computer equipment	-	45,237	47,000	(29,512)	62,725
Software	-	2,000	-	(685)	1,315
	-	**236,238**	**106,150**	**(54,017)**	**288,371**

3. Trade and other receivables

Trade receivables	96,583
Other receivables	75,049
	171,632

4. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1,797
Bank balances	11,168,488
	11,170,285

5. Trade and other payables

Trade payables	4,184
Accrued expense	133,416
	137,600

6. Revenue

Funding income received	12,795,678

	2009 R

7. Operating surplus

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

Depreciation	54,017
Employee costs	2,107,877
Rentals	72,261
Auditors remuneration	26,600

8. Investment revenue

Interest revenue	
Bank	1,019,647

9. Cash generated from operations

Surplus before taxation	5,181,779
Adjustments for:	
Depreciation and amortisation	54,017
Interest received	(1,019,647)
Changes in working capital:	
Trade and other receivables	(171,632)
Trade and other payables	137,600
	4,182,117

10. Commitments

Operating leases – as lessee (expense)

Minimum lease payments due	
- within one year	49,448
- in second to fifth year inclusive	168,362
	217,810

Operating lease payments represent rentals payable by the trust for certain of its office equipment. Leases are negotiated for an average term of five years. No contingent rent is payable.

11. Comparative figures

No comparative figures have been presented as these are the first annual financial statements of the trust.

Detailed Income statement

	Note(s)	14 months 2009 R
Revenue		
Funding income received		12,795,678
Other income		
Interest received	8	1,019,647
Expenses (Refer to page 14)		**(8,633,546)**
Surplus for the 14 months		**5,181,779**

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Detailed Income statement

	Note(s)	14 months 2009 R
Operating expenses		
Communication		(76,882)
Events and Promotions		(471,744)
External Capital Expenditure		(4,055,191)
Operations		(574,896)
Personnel		(2,116,281)
Professional Services		(269,835)
Rental and Leases		(72,261)
Staff Development		(131,091)
Subsistence and Travel		(865,365)
		(8,633,546)

The supplementary information presented does not form part of the annual financial statements and is unaudited