Southern Africa Trust
(Registration number IT3101/05)
Annual financial statements
for the year ended 31 March 2007

BDO

BDO Spencer Steward
Chartered Accountants,
Financial and Taxation Advisers
www.bdo.co.za

Southern Africa Trust
(Registration number IT3101/05)
Annual Financial Statements for the year ended 31 March 2007

General Information

Country of incorporation and domicile	South Africa
Trustees	D Kadima J Komakoma P Ligoya R Matchaba-Hove A Mogwe S Moulder P Ratilal
Registered office	2nd Floor BDO Place 457 Rodericks Road Lynnwood, Pretoria 0081
Business address	1st Floor Block A Samrand Development Bldg 1 Samrand Avenue Midrand, South Africa
Auditors	BDO Spencer Steward Chartered Accountants (S.A.) Registered Auditors
Trust registration number	IT3101/05

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

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BDO Spencer Steward
Chartered Accountants

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Lynnwood 0081 Pretoria
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Waterkloof 0145
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Report of the Independent Auditors

To the trustees of Southern Africa Trust

We have audited the accompanying annual financial statements of Southern Africa Trust, which comprise the balance sheet as at 31 March 2007, 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 11.

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 basis of accounting as set out in Note 1 to the financial statements. 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 trustees, 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 accompanying annual financial statements have been prepared, in all material respects, in accordance with the basis of accounting described in note 1.

Supplementary Information

We draw your attention to the fact that with the supplementary information set out on page 12 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.

BDO Spencer Steward

BDO Spencer Steward
Chartered Accountants (South Africa)
Registered Auditors

19 May 2007
Pretoria

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 end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with generallly accepted accounting practice. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with generally accepted accounting practice 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 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 year to 31 March 2008 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 annual financial statements set out on pages 5 to 12, which have been prepared on the going concern basis, were approved by the board on 19 May 2007 and were signed on its behalf by:

Trustee

Trustee

Southern Africa Trust

(Registration number IT3101/05)
Annual Financial Statements for the year ended 31 March 2007

Balance Sheet

Figures in Rand	Notes	2007	2006
Assets			
Non-Current Assets			
Property, plant and equipment	2	260,691	-
Current Assets			
Sundry debtors		412,294	-
Cash and cash equivalents	3	9,633,621	8,140,899
		10,045,915	**8,140,899**
Total Assets		**10,306,606**	**8,140,899**
Equity and Liabilities			
Equity			
Trust capital		100	100
Grants for future disbursement		5,812,165	6,780,644
Accumulated surplus		308,515	654
		6,120,780	**6,781,398**
Liabilities			
Current Liabilities			
Trade and other payables		4,185,826	1,359,501
Total Equity and Liabilities		**10,306,606**	**8,140,899**

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Income Statement

Figures in Rand	Notes	2007	2006
Grant income received	4	26,824,217	8,711,920
Grant income disbursed		(16,777,311)	(535,000)
Revenue		**10,046,906**	**8,176,920**
Operating expenses		(11,015,385)	(1,396,287)
Operating (deficit) surplus		**(968,479)**	**6,780,633**
Investment revenue		307,861	665
(Deficit) surplus for the period		**(660,618)**	**6,781,298**

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Southern Africa Trust

(Registration number IT3101/05)
Annual Financial Statements for the year ended 31 March 2007

Statement of Changes in Equity

Figures in Rand	Trust capital	Grants for future disbursement	Accumulated surplus	Total equity
Balance at 01 December 2005	-	-	-	-
Changes in equity				
Surplus for the year			6,781,298	6,781,298
Increase in trust capital	100			100
Transfer to Grants for future disbursement		6,780,644	(6,780,644)	-
Total changes	100	6,780,644	654	6,781,398
Balance at 01 April 2006	**100**	**6,780,644**	**654**	**6,781,398**
Changes in equity				
Deficit for the year			(660,618)	(660,618)
Transfer from Grants for future disbursement		(968,479)	968,479	
Total changes	-	(968,479)	307,861	(660,618)
Balance at 31 March 2007	**100**	**5,812,165**	**308,515**	**6,120,780**

Note(s)

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Southern Africa Trust

(Registration number IT3101/05)
Annual Financial Statements for the year ended 31 March 2007

Cash Flow Statement

Figures in Rand	Notes	2007	2006
Cash flows from operating activities			
Cash generated from operations	5	1,474,185	8,140,134
Interest income		307,861	665
Net cash from operating activities		**1,782,046**	**8,140,799**
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(289,324)	-
Cash flows from financing activities			
Total cash movement for the period		**1,492,722**	**8,140,899**
Cash at the beginning of the period		8,140,899	-
Total cash at end of the period	3	**9,633,621**	**8,140,899**

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Accounting Policies

1. Presentation of Annual Financial Statements

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 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 trust; 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.

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

Item	**Average useful life**
Furniture and fittings	10 years
Motor vehicles	5 years

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

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.2 Financial instruments

Initial recognition

The trust 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 assets and financial liabilities are recognised on the trust's balance sheet when the trust becomes party to the contractual provisions of the instrument.

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.

1.3 Impairment of assets

The trust assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the trust estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable

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Accounting Policies

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

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The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable

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Accounting Policies

1.3 Impairment of assets (continued)
amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.4 Grants

Grants are recognised when there is reasonable assurance that:
- the trust will comply with the conditions attaching to them; and
- the grants will be received.

Grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate. Unutilized grants are transferred to a separate reserve.

A grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.

Grants related to income are presented as a credit in the income statement (separately).

Repayment of a grant related to income is applied first against any un-amortised deferred credit set up in respect of the grant. To the extent that the repayment exceeds any such deferred credit, or where no deferred credit exists, the repayment is recognised immediately as an expense.

1.5 Revenue

Donor grants are recognised as income over the periods necessary to match them to the related cost on a systematic basis. Grants received as compensation for expenses or losses already incurred or for the purpose of immediate financial support with no future related costs are recognised as income in the period which they become receivable.

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Notes to the Annual Financial Statements

Figures in Rand	2007	2006

2. Property, plant and equipment

	2007			2006		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Furniture and fittings	17,968	(1,497)	16,471	-	-	-
Motor vehicles	271,356	(27,136)	244,220	-	-	-
Total	**289,324**	**(28,633)**	**260,691**	-	-	-

Reconciliation of property, plant and equipment - 2007

	Opening Balance	Additions	Depreciation	Total
Furniture and fittings	-	17,968	(1,497)	16,471
Motor vehicles	-	271,356	(27,136)	244,220
	-	**289,324**	**(28,633)**	**260,691**

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 trust.

3. Cash and cash equivalents

Cash and cash equivalents consist of:

	2007	2006
Cash on hand	4,942	1,794
Bank balances	9,628,679	8,139,105
	9,633,621	**8,140,899**

4. Grant income received

	2007	2006
Department for International Development (DFID)	26,624,217	8,711,920
Swiss Agency for Development and Cooperation (SDC)	200,000	-
	26,824,217	**8,711,920**

5. Cash generated from operations

	2007	2006
(Deficit) surplus before taxation	(660,618)	6,781,298
Adjustments for:		
Depreciation and amortisation	28,633	-
Interest received	(307,861)	(665)
Changes in working capital:		
Sundry debtors	(412,294)	-
Trade and other payables	2,826,325	1,359,501
	1,474,185	**8,140,134**

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Detailed Income statement

Figures in Rand	2007	2006
Grant income received	26,824,217	8,711,920
Grant income disbursed	(16,777,311)	(535,000)
Revenue	**10,046,906**	**8,176,920**
Other income		
Interest received	307,861	665
Operating expenses		
Bank charges	(26,446)	(2,212)
Communications and marketing	(437,373)	(167,905)
DBSA service fees	(1,454,688)	(104,124)
Depreciation, amortisation and impairments	(28,633)	-
Employee costs	(3,892,660)	(329,053)
Governance	(368,343)	(94,244)
Meetings, workshops and conferences	(957,149)	(6,874)
Office running costs	(1,203,213)	(78,534)
Publications	(250,000)	-
Research and development costs	(335,106)	-
Special events	(208,653)	-
Technical support	(1,264,324)	(599,796)
Travel	(588,797)	(13,545)
	(11,015,385)	**(1,396,287)**
(Deficit) surplus for the period	**(660,618)**	**6,781,298**