

Annual Financial Statements

For the year ended 28 February 2005

THE NELSON MANDELA FOUNDATION TRUST (Registration number: IT 9259/99)

CHAIRMAN:

CHIEF EXECUTIVE OFFICER:

BUSINESS ADDRESS:

BANKERS:

AUDITORS:

Prof G J Gerwel

J M Samuel

107 Central Avenue
HOUGHTON
2041

Nedbank Limited
JOHANNESBURG

PricewaterhouseCoopers Inc
Chartered Accountants (SA)
Registered Accountants and Auditors
GAUTENG

CONTENTS

Report of the independent auditors

Report of the board of trustees

Balance sheet

Income statement

Statement of changes in funds

Cash flow statement

Notes to the annual financial statements

Annexure A – Donations received schedule

PAGE

35

36

38

39

40

41

42

50

APPROVAL

The annual financial statements set out on pages 36 to 49 were approved by the trustees and signed on their behalf by:

J. M. Samuel.

J M SAMUEL

Chief Executive Officer

28 February 2005

DATE

Prof G J Gerwel

PROF G J GERWEL

Chairman: Board of Trustees

28 February 2005

DATE

Report of the Independent Auditors

For the year ended 28 February 2005

TO THE TRUSTEES OF THE NELSON MANDELA FOUNDATION TRUST

We have audited the annual financial statements of the Nelson Mandela Foundation Trust set out on pages 36 to 49 for the year ended 28 February 2005. These financial statements are the responsibility of the trustees. 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. These 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 included 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 similar organisations, it is not feasible for the trust to institute accounting controls over collections from donations and grants prior to initial entry 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 trust at 28 February 2005 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.

Unaudited supplementary information

The supplementary information set out on pages 50 to 51 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.

PricewaterhouseCoopers Inc

Chartered Accountants (SA)
Registered Accountants and Auditors
GAUTENG

25 May 2005

Trustees

The trustees in office during the year and up to the date of this report are:

Fraser-Moleketi, G J

Gerwel, G J

Ginwala, F N

Haysom, N R L

Kathrada, A M

Machel, G S*

Maharaj, S R

Mandela, M P

Mandela, N R

Masekela, B J M

Mlambo-Ngcuka, P

Motlana, N H

Netshitenzhe, J K

Ramaphosa, C M

Ramphele, M A

Sexwale, T G

Sonn, A F

*Mozambican nationality

Post Balance Sheet Events

No material fact or circumstance has occurred between the accounting date and the date of this report.

Although serving as trustees, the records at the Master of the Supreme Court were updated to reflect the additional trustees as at 31 March 2005:

Asmal, A K

Liebenberg, C F

Mabandla, B

Ntsebeza, D B

Sisulu, L N

Menell, I

Msimang, M

Ndebele, N S

Sangoni, C T

The Nelson Mandela Foundation together with the Nelson Mandela Children's Fund and the Mandela Rhodes Foundation form the three charitable organisations established in the Nelson Mandela name. These three charitable organisations are to be distinguished from the various private and family trusts. The two categories of organisations are not linked or in any way associated.

Balance Sheet

At 28 February 2005

	Notes	2005 R	2004 R
ASSETS			
NON-CURRENT ASSETS			
		17 987 572	19 333 765
Property, plant and equipment	2	3 450 514	4 796 707
Investment in subsidiary	3	14 537 058	14 537 058
CURRENT ASSETS			
		80 465 295	89 540 872
Accounts receivable*	4	3 633 206	15 604 804
Cash and cash equivalents	5	76 832 089	73 936 068
TOTAL ASSETS		98 452 867	108 874 637
EQUITY AND LIABILITIES			
EQUITY			
		65 711 396	71 733 976
Trust capital		1 000	1 000
Trust funds		65 710 396	71 732 976
CURRENT LIABILITIES			
		32 741 471	38 302 116
Accounts payable	6	1 945 231	3 350 605
Provision	7	792 666	313 887
Deferred grants:	8	30 003 574	34 637 624
– Designated grants		20 870 267	27 281 223
– Money held in trust		9 133 307	7 356 401
TOTAL EQUITY AND LIABILITIES		98 452 867	110 036 092
* Comparative figures restated			

Income Statement

For the year ended 28 February 2005

	Notes	2005 R	2004 R
INCOME			
Grants received:*		50 089 802	56 721 428
– Designated grant		49 531 044	56 430 149
– General grants		48 113 326	36 644 732
		1 417 718	19 785 417
Donations		558 758	291 279
		(59 288 532)	(91 668 909)
EXPENDITURE			
Operating expenses	9	4 942 335	16 672 317
Transfer payments on projects	10	41 856 051	63 861 073
Personnel remuneration		10 684 926	8 595 662
Auditors' remuneration	11	106 771	860 336
Depreciation		1 698 449	1 679 521
Net loss before finance income			
Interest received		(9 198 730)	(34 947 481)
		3 176 150	6 741 411
Total interest received		5 969 670	9 858 658
Less interest allocated to designated funds		(2 793 520)	(3 117 247)
Finance costs		–	(28 589)
Net deficit for the year			
		(6 022 580)	(28 234 659)
* Comparative figures restated			

Statement of Changes in Funds

For the year ended 28 February 2005

	Note	Trust capital R	Trust funds R	Total R
Balance at 1 March 2003				
Net deficit for the year		1 000	99 967 635 (43 546 628)	99 968 635 (43 546 628)
Balance at 1 March 2004				
Prior year adjustment: Grant received	12	1 000	56 421 007 15 311 969	56 422 007 15 311 969
Restated balance at 1 March 2004				
Net deficit for the year		1 000	71 732 976 (6 022 580)	71 733 976 (6 022 580)
Balance at 28 February 2005		1 000	65 710 396	65 711 396

For the year ended 28 February 2005

Note

Notes to the Annual Financial Statements

For the year ended 28 February 2005

1. ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention. The accounting policies are consistent with those applied in the previous year.

1.1 Basis of presentation

The financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice.

1.2 Property, plant and equipment

All property, plant and equipment is initially recorded at cost. Depreciation on assets is calculated on a straight-line basis to reduce the assets to their residual values over their estimated useful lives as follows:

Computer equipment	3 years
Office equipment, furniture and fittings	6 years
Vehicles	5 years

1.3 Investments

Investment in subsidiaries are recognised at cost less accumulated impairment losses.

1.4 Recognition of income

Grants received are recorded as income once the conditions of the grants have been met. Interest received is accounted for on an accrual basis and excludes that portion which relates to designated funds. Donations are recorded as income when cash is received.

1.5 Financial instruments

Financial instruments carried on the balance sheet include cash and bank balances, investments, receivables and payables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and investments in money market instruments, net of bank overdrafts. Cash and cash equivalents are initially recognised at cost. Subsequently the cash and cash equivalents are measured at amortised cost.

Financial liabilities

Payables are carried at the cash value of the obligation.

1.6 Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Notes to the Annual Financial Statements

For the year ended 28 February 2005

	Motor Vehicle	Computer equipment R	Office equipment, furniture and fittings R	Total R
2. PROPERTY, PLANT AND EQUIPMENT				
Cost – 2005				
Opening balance at 1 March 2004	–	4 493 749	2 562 040	7 055 789
Additions	151 200	60 963	298 316	510 479
Disposals	–	(447 688)	(61 254)	(508 942)
Accumulated depreciation	151 200 (88 200)	4 107 024 (2 342 790)	2 799 102 (1 175 822)	7 057 326 (3 606 812)
Opening balance at 1 March 2004	–	(1 641 450)	(617 632)	(2 259 082)
Depreciation:				
Current year	(88 200)	(1 181 000)	(429 250)	(1 698 449)
Prior year correction	–	479 660	(128 940)	350 720
	63 000	1 764 234	1 623 280	3 450 514
Cost – 2004				
Opening balance at 1 March 2003	–	3 426 566	1 614 804	5 041 370
Additions	–	1 067 183	947 236	2 014 419
Disposals	–	–	–	–
Accumulated depreciation	–	4 493 749 (1 641 450)	2 562 040 (617 632)	7 055 789 (2 259 082)
Opening balance at 1 March 2003	–	(290 085)	(289 475)	(579 560)
Depreciation	–	(1 351 365)	(328 157)	(1 679 522)
	–	2 852 299	1 944 408	4 796 707

Notes to the Annual Financial Statements

For the year ended 28 February 2005

	2005 R	2004 R
3. INVESTMENT IN SUBSIDIARY		
Unlisted investment		
Avance Investment and Holding (Pty) Ltd	100	100
Shares at cost		
Loan		
	14 536 958	14 536 958
	14 537 058	14 537 058
<p>The only asset of the wholly-owned entity is an office building with a cost value of R14 722 802 (book value: R14 194 424) constructed on land held under a 25-year lease. The land is leased from the City of Johannesburg Metropolitan Council by the company for 25 years, commencing on 1 February 2002. The lease will end on 31 January 2027. The City of Johannesburg Metropolitan Council has given the lessee an option to acquire the property from the 23rd year for an amount of R1 000. The option, if not exercised, will lapse on 30 November 2026. The property comprises Erf 1889 Houghton Estate, IR measuring approximately 6 821 square metres in extent and a portion of the remaining extent of Erf 1890 Houghton Estate, IR approximately 6 559 square metres in extent.</p> <p>The loan has no fixed repayment terms and is interest free.</p>		
4. ACCOUNTS RECEIVABLE		
Prepaid expenses	6 741	78 574
Staff loans	—	9 649
Recoverable advances and other receivables	674 089	8 975
Sundry loan	—	195 637
Value added tax	2 952 376	—
Prior year adjustment: Grant received	—	15 311 969
	3 633 206	15 604 804
5. CASH AND CASH EQUIVALENTS		
Bank balances	878 155	848 162
Cash on hand	5 000	5 000
Short-term bank deposits:		
– Designated funds	19 702 573	24 995 408
– Trust funds	10 301 002	9 642 216
– General funds	45 945 359	38 445 282
	76 832 089	73 936 068

Notes to the Annual Financial Statements

For the year ended 28 February 2005

	2005 R	2004 R
6. ACCOUNTS PAYABLE		
Accruals	1 897 515	2 141 434
Unknown deposits	47 716	47 716
	1 945 231	2 189 150
7. PROVISION		
Opening balance	313 887	195 692
Additional provisions	792 666	313 887
Utilisation during the year	(313 887)	(195 692)
Closing balance	792 666	313 887
This comprises leave to which employees are entitled. This provision is calculated based on the leave available to the employees at year-end as well as their basic salary.		
8. DEFERRED GRANTS		
Opening balance	34 637 624	47 647 416
Transfer to Walter Sisulu Trust Fund – Veterans Fund	(4 218 748)	–
Grants allocated to designated funds	44 904 504	18 132 326
Interest allocated to designated funds	2 793 520	3 117 247
Deferred grants recognised	(48 113 326)	(34 259 365)
Closing balance	30 003 574	34 637 624
9. OPERATING EXPENSES		
Administrative expenditure	4 942 335	9 696 906
Project-related costs	–	6 975 411
	4 942 335	16 672 317

Notes to the Annual Financial Statements

For the year ended 28 February 2005

	2005 R	2004 R
10. TRANSFER PAYMENTS ON PROJECTS		
Love Life Project	10 000 000	10 000 000
HSRC Research	8 444 542	8 494 726
Video Vision	1 000 000	4 000 000
Mindset Logistics	1 262 363	16 204 734
ITEC – Library books	–	722 286
READ Education Trust – Library books	7 447 561	2 021 856
Tygerscapes – Memorial garden	–	851 694
Caversham Centre for Artist – Hour Glass	–	1 564 145
Nelson Mandela Children's Fund	–	12 000 000
Samora Machel Children's Fund	–	1 000 000
University of the North	2 057 816	752 620
Guide Star	165 590	–
Tshepang Trust	–	5 000 000
LaPostina – African Seminar Series	279 636	–
South African Council of Churches	933 161	–
Centre of Education Policy Development	279 690	–
Haberer CC	592 000	–
Orchre Media	644 124	–
Various small projects agents	926 180	–
Medecins Sans Frontieres	5 751 000	1 249 012
Centre of Memory	738 486	–
Founder's Office	1 333 901	–
	41 856 051	63 861 073
Funds raised by the founder in conjunction with other organisations are received and held on behalf of all beneficiaries by the Foundation. These funds are released to other beneficiaries by agreement between the affected organisations.		
11. AUDITORS' REMUNERATION		
Audit fees:		
– Prior year	106 771	442 538
– Interim	–	191 521
Fees for special services:		
– Prior year	–	134 286
– Interim	–	91 991
	106 771	860 336

Notes to the Annual Financial Statements

For the year ended 28 February 2005

	2005 R	2004 R
12. PRIOR YEAR ADJUSTMENT		
During the prior year grants to the value of R15 311 969 that should have been recognised as income and accounts receivable were not recognised as such. The unaccounted grants resulted in the restatement of the opening balance of the accumulated surplus as follows:		
Gross amount	15 311 969	—
Tax effect	—	—
Net effect	15 311 969	—
13. INCOME TAX		
The trust is, in terms of section 10(1)(cB) of the Income Tax Act (Act no 58 of 1962), exempt from normal South African Income Tax.		
14. NOTES TO THE CASH FLOW STATEMENT		
Cash generated by/(utilised in) operating activities		
Net (loss)	(6 022 580)	(28 234 659)
Adjustments for:		
– Depreciation	1 698 449	1 679 521
– Interest paid	—	28 589
– Interest received	(3 176 150)	(6 741 411)
– Leave provision	478 779	118 195
– Loss on sale of fixed assets	143 893	—
Movements in working capital:	(6 877 609)	(33 149 765)
– Decrease/(Increase) in accounts receivable	11 971 598	(200 617)
– (Decrease) in payables and deferred grants	(6 039 424)	(13 961 988)
	(945 436)	(47 312 370)

Notes to the Annual Financial Statements

For the year ended 28 February 2005

	Payable not later than 1 year	Payable later than 1 year	Total Payable
	R	R	R
17. COMMITMENTS			
17.1 South African Council of Churches (SACC)	373 264	—	373 264
17.2 Medecins Sans Frontieres (SA)	3 250 988	—	3 250 988
17.3 Human Science Research Council	4 798 000	—	4 798 000
17.4 Guide Star	74 000	—	74 000
17.5 Centre for Education Policy Development	703 698	—	703 698
17.6 Self Empowerment International	565 070	—	565 070
17.7 University of Fort Hare	8 200 448	133 000	8 333 448
17.8 CIVICUS	883 418	—	883 418
17.9 Primedia Limited/Sangoni Primary School	2 600 000	—	2 600 000
Total commitments	21 448 886	133 000	21 581 886

Annexure A

Donations Received Schedule

As at 28 February 2005

	Amount received R	Transfer from deferred grants R	Unexpended grants – transferred to deferred grants R	Net grants recognised R
Designated to other projects	6 210 779	285 000	6 210 779	285 000
MOTT Foundation – Leadership Bursary Program	293 279	–	293 279	–
BP South Africa – Mitchells Plain	5 917 500	285 000	5 917 500	285 000
Other (undesignated)	1 417 718	–	–	1 417 718
British Red Cross	119 199	–	–	119 199
Liberty Group	50 000	–	–	50 000
Kyung Hee University – Manhae Award	328 715	–	–	328 715
Coca-Cola Company	350 000	–	–	350 000
World Organisation of the Scout Movement	269 687	–	–	269 687
Comparex Africa	25 000	–	–	25 000
American AFL-CIO	250 000	–	–	250 000
Various other small donations	25 117	–	–	25 117
	61 634 192	48 126 207	60 229 354	49 531 044