

**ASSOCIATION FOR WATER AND RURAL DEVELOPMENT (ASSOCIATION
INCORPORATED UNDER S21)
(Registration number 1998/003011/08)
ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2005**

LMD Africa Chartered Accountants Mpumalanga Inc
Chartered Accountants (S.A.)
Registered Accountants and Auditors
Issued

**ASSOCIATION FOR WATER AND RURAL DEVELOPMENT (ASSOCIATION
INCORPORATED UNDER S21)
(Registration number 1998/003011/08)
ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2005**

Country of incorporation	South Africa
Nature of business	The conducting of projects for the alleviation of rural poverty
Registered office	B1 Proforium Building 25 Agates Street Tzaneen
Postal address	Pvt Bag X483 Acornhoek 1360
Bankers	First National Bank Limited Nedbank Limited
Auditors	LMD Africa Chartered Accountants Mpumalanga Inc Chartered Accountants (S.A.) Registered Accountants and Auditors
Company registration	1998/003011/08

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ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2005**

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

Index	Page
Report of the independent auditors	3
Report of the directors	4
Balance sheet	5
Income statement	6
Statement of changes in equity	7
Cash flow statement	8
Notes to the financial statements	9 - 13

The following supplementary schedules do not form part of the financial statements, and are unaudited.

Detailed income statement	14 - 15
Project statement	16

Approval and statement of responsibility

The directors 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 Companies Act, 1973.

The directors are also responsible for the company'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 directors 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 directors have every reason to believe that the company has adequate resources in place to continue in operation for the foreseeable future.

The financial statements which appear on pages 4 to 16 were approved by the board of directors on the date recorded below and signed on their behalf by:

Director

Director

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF ASSOCIATION FOR WATER AND RURAL DEVELOPMENT (ASSOCIATION INCORPORATED UNDER S21)

We have audited the annual financial statements of Association for Water and Rural Development (Association Incorporated under S21) set out on pages 4 to 13 for the year ended 31 December 2005. These financial statements are the responsibility of the company's directors. 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 other small companies and entities which receive grant and donation revenue, there are not sufficient reliable controls to ensure completeness of revenue. Accordingly, it was impracticable for us to extend our examination beyond the revenue 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 company at 31 December 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, appropriate to the business and in the manner required by the Companies Act in South Africa.

Accounting and secretarial duties

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

Supplementary information

The supplementary schedules set out on page 14 to 16 do not form part of the annual financial statements and are presented as additional information. We have not audited these schedules and accordingly we do not express an opinion on them.

**ASSOCIATION FOR WATER AND RURAL DEVELOPMENT (ASSOCIATION
INCORPORATED UNDER S21)
(Registration number 1998/003011/08)
REPORT OF THE DIRECTORS
for the year ended 31 December 2005**

The directors present their report for the year ended 31 December 2005. This report forms part of the audited financial statements.

1. Incorporation

Your company was incorporated on 19 February 1998 and obtained its certificate to commence business on 19 February 1998.

2. Business and operations

The company's business and operations and the results thereof are clearly reflected in the attached financial statements. No material fact or circumstance has occurred between the accounting date and the date of this report.

The principle business of the company is to conduct projects for the elevation of rural communities.

3. Financial results

The results of the company and the state of its affairs are set out in the attached financial statements and do not, in our opinion, require further comments.

4. Dividends

As the association is incorporated under Section 21 of the Companies Act, no dividends may be declared or paid.

5. Property, plant and equipment

There have been no major changes in the property, plant and equipment during the period or any changes in the policy relating to their use.

6. Events subsequent to the year end

There have been no facts or circumstances of a material nature that have occurred between the accounting date and the date of this report.

7. Directors

The directors of the company during the accounting period and up to the date of this report were as follows:

Patrick Maunatlala	Alana Potter
Elleck Nchabeleng	Desia Colgan
Thokozani Nyakane	Shirley Ngwenya
Tessa Cousins	Matthew Prior
Gloria Mbokota	

8. Auditors

LMD Africa Chartered Accountants Mpumalanga Inc will continue in office in accordance with section 270(2) of the Companies Act.

**ASSOCIATION FOR WATER AND RURAL DEVELOPMENT (ASSOCIATION
INCORPORATED UNDER S21)
(Registration number 1998/003011/08)
BALANCE SHEET
at 31 December 2005**

	Note	2005 R	2004 R
Assets			
Non-current assets			
Property, plant and equipment	2	183,973	87,186
		1,160,820	1,106,319
Current assets			
Trade and other receivables	3	24,663	34,479
Accrued income	10	753,487	164,500
Cash and cash equivalents	12	382,670	907,340
Total assets		<u>1,344,793</u>	<u>1,193,505</u>
Equity and liabilities			
Capital and reserves			
Distributable reserve		754,963	478,201
		589,830	715,304
Current liabilities			
Trade and other payables	6	127,863	103,400
Deferred income	11	461,967	611,904
Total equity and liabilities		<u>1,344,793</u>	<u>1,193,505</u>

**ASSOCIATION FOR WATER AND RURAL DEVELOPMENT (ASSOCIATION
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(Registration number 1998/003011/08)
INCOME STATEMENT
for the year ended 31 December 2005**

	Note	2005 R	2004 R
Gross revenue		2,100,040	1,603,003
Other income		164,636	106,887
Operating costs		<u>1,911,121</u>	<u>1,825,314</u>
Operating profit/(loss)	7	353,555	(115,424)
Interest received	9	15,674	44,206
Finance costs		<u>(66,334)</u>	<u>(12,301)</u>
Profit/(Loss)		<u><u>302,895</u></u>	<u><u>(83,519)</u></u>

**ASSOCIATION FOR WATER AND RURAL DEVELOPMENT (ASSOCIATION
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(Registration number 1998/003011/08)
STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2005**

	Distributable reserve R
Balance at 01 January 2004	561,720
Net loss for the year	<u>(83,519)</u>
Balance at 01 January 2005	478,201
Net profit for the year	302,895
Transfers from distributable reserve	<u>(26,133)</u>
Balance at 31 December 2005	<u><u>754,963</u></u>

**ASSOCIATION FOR WATER AND RURAL DEVELOPMENT (ASSOCIATION
INCORPORATED UNDER S21)
(Registration number 1998/003011/08)
CASH FLOW STATEMENT
for the year ended 31 December 2005**

	Notes	2005 R	2004 R
Cash flows from operating activities		(373,332)	279,539
Cash receipts from customers		2,109,856	1,709,129
Cash paid to suppliers and employees		(2,498,862)	(1,473,796)
Cash (utilised in)/generated by operating activities	14.1	(389,006)	235,333
Interest received		15,674	44,206
Cash flows from investing activities		(125,205)	(6,684)
<i>Expenditure to maintain operating capacity</i>			
Property, plant and equipment acquired		(160,205)	(32,684)
Proceeds of disposals of property, plant and equipment		35,000	26,000
Cash flows from financing activities			
Transfers from distributable reserve		(26,133)	-
(Decrease)/increase in cash and cash equivalents		(524,670)	272,855
Cash and cash equivalents at beginning of the year	14.2	907,340	634,485
Cash and cash equivalents at end of the year	14.2	382,670	907,340

**ASSOCIATION FOR WATER AND RURAL DEVELOPMENT (ASSOCIATION
INCORPORATED UNDER S21)
(Registration number 1998/003011/08)
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2005**

1 Basis of preparation

The financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice. The financial statements are prepared under the historical cost convention as modified by the revaluation of certain property, plant and equipment, marketable securities and investment properties where appropriate.

1.1 Revenue recognition

Income from grants and donations is brought into account in the period to which it relates. All other income is recorded in the financial statements at the date the services are performed.

Long-term contract revenue is recognised as revenue by reference to the stage of completion of the contract activity at the balance sheet date. The stage of completion is determined based on the work performed and expenditure incurred on the contract at the balance sheet date.

Deferred income comprises grants received in advance of the period to which they relate and in advance of actual expenditure being incurred. This income is excluded from revenue, and is accounted for as a current liability. Annual contract deficits are provided for as accrued income in terms of each relevant contract so far as these amounts will be recovered from funders.

Foreign currency invoices are recorded at the exchange rate at the date of invoice.

1.2 Property, plant and equipment

Depreciation is calculated on the straight-line method to write off the cost of each asset, or the revalued amounts, to their residual values over their estimated useful lives. The depreciation rates applicable to each category of property, plant and equipment are as follows:

- Motor vehicles	20.00 %
- Furniture and fittings	20.00 %
- Computer equipment	33.33 %
- Computer software	50.00 %

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. On disposal of revalued assets, amounts in revaluation and other reserves relating to that asset are transferred to retained earnings.

1.3 Taxation

This organisation is registered as a Public Benefit Organisation and is therefore exempt from paying income tax.

1.4 Project accounting and expense allocation

In terms of its contractual obligations to donors, the organisation allocates project expenses that are clearly identifiable as such, directly against project funds. Indirect and shared costs are either apportioned on the basis of management estimates, or recovered through the levy of an administration fee. For disclosure purposes, all similar costs are accumulated across all projects. Project specific costs are non standard expense items that relate directly to a specific project.

**ASSOCIATION FOR WATER AND RURAL DEVELOPMENT (ASSOCIATION
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(Registration number 1998/003011/08)
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2005**

2. Property, plant and equipment

	2005			2004		
	Cost / valuation	Accumulated depreciation	Carrying value	Cost / valuation	Accumulated depreciation	Carrying value
<i>Owned assets</i>						
Motor vehicles	201,900	57,417	144,483	114,229	66,095	48,134
Furniture and fittings	54,366	45,614	8,752	46,673	41,283	5,390
Computer equipment	236,623	207,654	28,969	226,844	193,181	33,663
Computer software	13,600	11,831	1,769	10,768	10,769	(1)
	<u>506,489</u>	<u>322,516</u>	<u>183,973</u>	<u>398,514</u>	<u>311,328</u>	<u>87,186</u>

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

2005	Carrying value at beginning of year	Additions	Disposals	Depreciation	Carrying value at end of year
<i>Owned assets</i>					
Motor vehicles	48,134	139,900	(7,834)	(35,717)	144,483
Furniture and fittings	5,390	7,693	-	(4,331)	8,752
Computer equipment	33,663	9,780	-	(14,474)	28,969
Computer software	(1)	2,832	-	(1,062)	1,769
	<u>87,186</u>	<u>160,205</u>	<u>(7,834)</u>	<u>(55,584)</u>	<u>183,973</u>

**2005
R**

**2004
R**

3. Trade and other receivables

Trade receivables	14,948	20,770
Prepayments	9,715	13,708
	<u>24,663</u>	<u>34,478</u>

4. Accrued income

XXX includes R - (2004 - R -).

5. Members guarantee

In terms of the Memorandum of Association, members guarantee to each contribute R10 in the event of the company being wound up. At the balance sheet date the guarantee value amounts to R90 (2004 - R90)

6. Trade and other payables

Trade payables	-	13,349
Accruals	77,578	87,879
Other payables - VAT	50,286	2,172
	<u>127,864</u>	<u>103,399</u>

**ASSOCIATION FOR WATER AND RURAL DEVELOPMENT (ASSOCIATION
INCORPORATED UNDER S21)
(Registration number 1998/003011/08)
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2005**

	<u>127,864</u>	<u>103,400</u>
	2005	2004
	R	R
7. Operating profit/(loss)		
Operating profit/(loss) is stated after:		
<i>Income</i>		
Profit on disposals of property, plant and equipment	27,166	26,000
Profit on foreign exchange	67	-
<i>Expenditure</i>		
Auditors' remuneration	11,899	16,200
- Audit fee	15,300	16,200
- Prior year over-provision	(3,401)	-
Depreciation		
- Property, plant and equipment	55,584	44,025
Lease rentals		
- Premises	45,090	29,730
Loss on foreign exchange	-	280
	<u> </u>	<u> </u>
8. Directors' emoluments		
<i>Emoluments received</i>		
Director - executive		
- For services as director	68,814	174,363
	<u> </u>	<u> </u>
9. Investment income		
Interest income		
- Interest received	15,674	44,206
	<u> </u>	<u> </u>
10. Accrued income		
Athol Rain Water Harvesting	-	83,927
Catchment Management Forum	71,448	-
Catchment Management Strategies	212,431	-
WRC - Community based natural resource management	194,000	-
FSP Wetlands	12,728	-
WRC - HR Consultancy	178,500	-
Rhodes University	-	26,943
WRC - Socio Ecological Systems	15,018	-
WRC - Rain Water Harvesting	1,825	-
WRC - Water as a human right	47,207	-
Wetlands	-	53,630
World Wildlife Fund	20,331	-
	<u>753,488</u>	<u>164,500</u>

**ASSOCIATION FOR WATER AND RURAL DEVELOPMENT (ASSOCIATION
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(Registration number 1998/003011/08)
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2005**

	2005 R	2004 R
11. Deferred income		
WRC - Community based natural resource management	142,005	-
Department of Water Affairs	-	41,741
WRC - HR Consultancy	164,851	-
Multiple use service project	12,438	32,332
Save the Sand Project	83,621	50,042
Scape/Care project	-	319,656
WRC - Socio Ecological Systems	57,867	-
Water health and local livelihood	1,185	-
Wetlands	-	106,195
Wetlands First Rand	-	61,938
	<u>461,967</u>	<u>611,904</u>
12. Bank balances		
FNB Cheque account	12,927	139,899
FNB Current account - Care Austria	71,547	-
FNB Money Market account	15,740	411,839
Foreign exchange on hand	628	561
Petty cash	2,360	590
Retrenchment account	279,468	312,419
FNB Cheque account - Scape	-	42,032
	<u>382,670</u>	<u>907,340</u>
13. Comparative figures		
Certain comparative figures have been reclassified.		
14. Notes to the cash flow statement		
<i>14.1 Cash (utilised in)/generated by operating activities</i>		
Net profit/(loss)	302,895	(83,519)
Adjustments for:		
Depreciation	55,584	44,025
Interest received	(15,674)	(44,206)
Profit on disposals of property, plant and equipment	(27,166)	(26,000)
	315,639	(109,700)
Movements in working capital		
(Increase)/decrease in accounts receivable	(579,171)	390,053
Decrease in accounts payable	(125,474)	(45,020)
	<u>(389,006)</u>	<u>235,333</u>

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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2005**

	2005	2004
	R	R
<i>14.2 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>382,670</u>	<u>907,340</u>

**ASSOCIATION FOR WATER AND RURAL DEVELOPMENT (ASSOCIATION
INCORPORATED UNDER S21)
(Registration number 1998/003011/08)
DETAILED INCOME STATEMENT
for the year ended 31 December 2005**

	2005 R	2004 R
Net Project Revenue	2,100,040	1,603,003
Funding received and brought forward from prior periods	1,808,520	2,061,817
Funding accrued	753,487	153,090
Funding deferred	(461,967)	(611,904)
Total Funding Received	<u>2,100,040</u>	<u>1,603,003</u>
Other income	180,310	151,093
Interest received	15,674	44,206
Profit on disposal of property, plant and equipment	27,166	26,000
Profit on foreign exchange	67	-
Sundry income	137,403	80,887
Total income	<u>2,280,350</u>	<u>1,754,096</u>
Expenditure (Refer to page 15)	<u>1,977,455</u>	<u>1,837,615</u>
Profit/(loss)	302,895	(83,519)
Transfer to non-distributable reserve	26,133	-
Retained profit/(accumulated loss) for year	276,762	(83,519)
Retained profit at beginning of year	<u>478,200</u>	<u>561,719</u>
Retained profit at end of year	<u><u>754,962</u></u>	<u><u>478,200</u></u>

This statement does not form part of the financial statements and is unaudited

**ASSOCIATION FOR WATER AND RURAL DEVELOPMENT (ASSOCIATION
INCORPORATED UNDER S21)
(Registration number 1998/003011/08)
DETAILED INCOME STATEMENT
for the year ended 31 December 2005**

	2005	2004
	R	R
Expenditure	1,977,455	1,837,615
Accommodation	23,525	18,562
Accounting fees	8,489	28,182
Admin / management fees paid	55,900	48,751
Auditors' remuneration	11,899	16,200
Bank charges	10,705	10,257
Board costs	523	12,581
Computer expenses	9,742	-
Consulting fees	243,985	472,919
Consumables	23,259	16,022
Depreciation	55,584	44,025
Directors' emoluments	68,814	174,363
Insurance	26,077	33,064
Lease rentals	53,280	54,300
Loss on foreign exchange	-	280
Postage	2,348	2,195
Printing and stationery	52,519	7,442
Project specific audits	1,200	800
Project specific costs	95,626	2,301
Repairs and maintenance	43,536	80,402
Research and development	49,542	28,589
Salaries	834,979	552,493
Staff development costs	5,830	3,860
Telephone and fax	59,330	62,384
Travel - local	183,618	135,727
Workshops	57,145	31,916

This statement does not form part of the financial statements and is unaudited

**ASSOCIATION FOR WATER AND RURAL DEVELOPMENT (ASSOCIATION
INCORPORATED UNDER S21)
(Registration number 1998/003011/08)
PROJECT STATEMENT
for the year ended 31 December 2005**

	2005 R	2004 R
Net Project Revenue	2,100,040	1,615,116
Funding received and brought forward from prior periods	1,808,520	2,061,817
Funding accrued	753,487	153,090
Funding deferred	(461,967)	(611,904)
Interest received on funds	-	12,113
Project Expenses	1,992,110	1,524,277
Accommodation	23,525	18,562
Administration fees	60,848	63,595
Aerial photos	2,766	-
Audit fees	1,200	800
Bank charges	1,368	2,531
Consulting fees	250,712	377,833
Consumable materials	12,946	10,662
Courier and postage	932	240
Depreciation	-	2,617
Development costs	49,542	28,589
Equipment purchased	6,577	2,301
Insurance	-	10,000
Motor vehicle expenses	81,030	85,287
Office rental	8,190	24,570
Printing and stationery	34,593	40,110
Repaid to funder	8,126	-
Repairs and maintenance	6,413	19,373
Specific project costs	28,158	-
Staff costs	1,211,869	685,304
Telephone costs	40,638	48,588
Travel	105,532	71,399
Workshops	57,145	31,916
Profit/(Loss) on Projects	<u>107,930</u>	<u>90,839</u>

This statement does not form part of the financial statements and is unaudited