

Association For Water and Rural Development (Incorporated under Section S21)
(Registration number 1998/003011/08)
Trading as AWARD
Annual financial statements
for the year ended 31 December 2006

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

Association For Water and Rural Development (Incorporated under Section S21)

(Registration number 1998/003011/08)

Trading as AWARD

Annual Financial Statements for the year ended 31 December 2006

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	The conducting of projects for the alleviation of rural poverty
Registered office	Wits Rural Facility Orpen Road Hoedspruit 1380
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 Auditors
Company registration number	1998/003011/08

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

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

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LMD AFRICA CHARTERED ACCOUNTANTS MPUMALANGA INC

Co. Reg. no.1998/024123/21

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Directors

O.A. Latiff, J. Maharaj, R. Dhaulall, A. Sewchurrau, A. Bikram, N. Pershad, C. Brouwer, K. Naidoo, H. Thrush, M. Noorgat,
P.K. Stegen, G.Gani

Report of the Independent Auditors

To the members of Association For Water and Rural Development (Incorporated under Section S21)

We have audited the annual financial statements of Association For Water and Rural Development (Incorporated under Section S21) set out on pages 5 to 14 for the year ended 31 December 2006. These annual financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these annual financial statements based on our audit.

Scope

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the annual financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as 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.

Opinion

In our opinion, except for the effect on the financial statements of the matter referred to in the preceding paragraph, the annual financial statements present fairly, in all material respects, the financial position of the company at 31 December 2006 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, and in the manner required by the Companies Act in South Africa.

Supplementary information

We draw your attention to the fact that with the supplementary information set out on page 17 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.

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

Nelspruit

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Directors' Responsibilities and Approval

The directors are required by the Companies Act, 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 South African Statements of Generally 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 South African Statements of Generally Accepted Accounting Practice 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 board of 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 2007 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.

Although the board of directors are primarily responsible for the financial affairs of the company, they are supported by the company's external auditors.

The external auditors are 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 auditors and their report is presented on page 3.

The annual financial statements set out on pages 5 to 17, which have been prepared on the going concern basis, were approved by the board of directors on the date recorded below and were signed on its behalf by:

Director

Director

Nelspruit

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Directors' Report

The directors submit their report for the year ended 31 December 2006.

1. Incorporation

The company was incorporated on 19 February 1998 and obtained its certificate to commence business on the same day.

2. Review of activities

Main business and operations

The company is engaged in the conducting of projects for the alleviation of rural poverty and operates in South Africa.

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

Retained funding of the company was R 134,519 (2005: profit R 302,895), after taxation of R - (2005: R -).

3. Post balance sheet events

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

4. Non-current assets

There have been no major changes in non-current assets during the year or any changes in the policy relating to their use.

5. Directors

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

Gloria Mbokota	Appointed 1 June 2000
Lephai Maunatlala	Appointed 22 September 2000
Matthew Prior	Appointed 22 September 2000
Tessa Cousins	Appointed 26 October 1998
Thokozani Nyakane	Appointed 7 June 1999

The following directors resigned during the year:

Alana Potter	Resigned 10 August 2006
Shirley Ngwenya	Resigned 10 August 2006
Desia Colgan	Resigned 10 August 2006
Elleck Nchabaleng	Resigned 10 August 2006

6. Auditors

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

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Balance Sheet

Figures in Rand	Note(s)	2006	2005
Assets			
Non-Current Assets			
Property, plant and equipment	2	225,037	183,973
Current Assets			
Trade and other receivables	5	51,674	24,663
Accrued income	3	1,268,993	753,487
Cash and cash equivalents	4&6	613,819	382,670
		1,934,486	1,160,820
Total Assets		2,159,523	1,344,793
Equity and Liabilities			
Equity			
Funds for future use		889,482	754,963
Liabilities			
Current Liabilities			
Trade and other payables	8	173,336	127,863
Deferred income	7	1,096,705	461,967
		1,270,041	589,830
Total Equity and Liabilities		2,159,523	1,344,793

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Income Statement

Figures in Rand	Note(s)	2006	2005
Revenue		2,166,313	2,100,040
Other income		19,626	132,236
Operating expenses		(2,077,648)	(1,945,055)
Operating profit	9	108,291	287,221
Investment revenue	10	26,228	15,674
Profit for the period		134,519	302,895

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Statement of Changes in Equity

Figures in Rand	Share capital	Funds for future use	Total equity
Balance at 01 January 2005	-	478,201	478,201
Changes in equity			
Excess funding for the year		302,895	302,895
Transfers from retained earnings		(26,133)	(26,133)
Total changes	-	276,762	276,762
Balance at 01 January 2006	-	754,963	754,963
Changes in equity			
Excess funding for the year		134,519	134,519
Total changes	-	134,519	134,519
Balance at 31 December 2006	-	889,482	889,482

Note(s)

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Cash Flow Statement

Figures in Rand	Note(s)	2006	2005
Cash flows from operating activities			
Cash receipts from customers and donors		2,139,302	2,109,856
Cash paid to suppliers and employees		(1,829,695)	(2,498,862)
Cash generated from (used in) operations	12	309,607	(389,006)
Interest income		26,228	15,674
Net cash from operating activities		335,835	(373,332)
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(104,686)	(160,205)
Sale of property, plant and equipment	2	-	35,000
Net cash from investing activities		(104,686)	(125,205)
Cash flows from financing activities			
Transfers from distributable reserve		-	(26,133)
Total cash movement for the period		231,149	(524,670)
Cash at the beginning of the period		382,670	907,340
Total cash at end of the period	6	613,819	382,670

Association For Water and Rural Development (Incorporated under Section S21)

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Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice, and the Companies Act. 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 company; 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
Computer software	2 years
IT equipment	3 years
Furniture and fittings	5 years
Motor vehicles	5 years

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

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 shall be depreciated separately.

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 Revenue

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.

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Accounting Policies

1.2 Revenue (continued)

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

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.

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Notes to the Annual Financial Statements

Figures in Rand 2006 2005

2. Property, plant and equipment

	2006			2005		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Furniture and fittings	56,032	(48,687)	7,345	54,366	(45,614)	8,752
Motor vehicles	291,896	(100,797)	191,099	201,900	(57,417)	144,483
IT equipment	249,648	(223,408)	26,240	236,623	(207,654)	28,969
Computer software	13,600	(13,247)	353	13,600	(11,831)	1,769
Total	611,176	(386,139)	225,037	506,489	(322,516)	183,973

Reconciliation of property, plant and equipment - 2006

	Opening Balance	Additions	Depreciation	Total
Furniture and fittings	8,752	1,666	(3,073)	7,345
Motor vehicles	144,483	89,996	(43,380)	191,099
IT equipment	28,969	13,024	(15,753)	26,240
Computer software	1,769	-	(1,416)	353
	183,973	104,686	(63,622)	225,037

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 company.

3. Accrued income

Catchment Management Forum	155,422	71,448
Catchment Management Strategies	310,938	212,431
WRC - Community based natural resource management	162,100	194,000
FSP Wetlands	90,402	12,728
WRC - HR Consultancy	22,500	178,500
WRC - Socio Ecological Systems	19,419	15,018
WRC - Rain Water Harvesting	25,969	1,825
WRC - Water as a human right	-	47,207
World Wildlife Fund	-	20,331
Multiple Use Service project	9,027	-
Public Participation Evaluation	6,906	-
FSP - Multiple Use Service project	46,310	-
Water Health and Local Livelihood 3	420,000	-
	1,268,993	753,487

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Figures in Rand	2006	2005
4. Bank balances		
FNB Cheque account	83,600	12,927
FNB Current account - Care Austria	1,446	71,547
FNB Money Market account	229,343	15,740
Foreign exchange on hand	698	628
Petty cash	6,934	2,360
Retrenchment account	291,798	279,468
	613,819	382,670
5. Trade and other receivables		
Prepayments	14,669	9,715
Deposits	5,000	5,000
Trade receivables	32,005	9,948
	51,674	24,663
6. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	7,632	2,988
Bank balances	606,187	379,682
	613,819	382,670
7. Deferred income		
WRC - HR Consultancy	14,942	164,851
WRC - Community based natural resource management	84,481	142,005
Multiple use service project	-	12,438
Save the Sand Project	48,071	83,621
WRC - Socio Ecological Systems	-	57,867
Water Health and Local Livelihood	-	1,185
World Wildlife Fund	74,374	-
FSP - Multiple Use Service project	49,420	-
International Development Research Centre	316,473	-
FRF - Wetlands	165,852	-
Water Health and Local Livelihood 3	305,407	-
FSP - Wetlands	37,685	-
	1,096,705	461,967

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Figures in Rand	2006	2005
8. Trade and other payables		
Trade payables	40,118	1
VAT	53,871	50,286
Accruals	79,347	77,576
	173,336	127,863
9. Operating profit		
Operating profit for the year is stated after accounting for the following:		
Operating lease charges		
Premises		
• Contractual amounts	53,280	53,280
Profit (loss) on sale of property, plant and equipment	-	27,166
Profit (loss) on exchange differences	(70)	(67)
Depreciation on property, plant and equipment	63,623	55,584
Employee costs	(471,103)	(340,476)
10. Investment revenue		
Interest revenue		
Other interest	26,228	15,674
11. Auditors' remuneration		
Fees	20,000	15,300
Adjustment for previous year	1,786	(3,401)
	21,786	11,899
12. Cash generated from (used in) operations		
Profit before taxation	134,519	302,895
Adjustments for:		
Depreciation and amortisation	63,623	55,584
Profit on sale of assets	-	(27,166)
Interest received	(26,228)	(15,674)
Changes in working capital:		
Trade and other receivables	(27,011)	(579,171)
Accrued income	(515,506)	-
Trade and other payables	45,472	(125,474)
Deferred income	634,738	-
	309,607	(389,006)
13. Comparative figures		
Certain comparative figures have been reclassified.		

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Detailed Income Statement

Figures in Rand	Note(s)	2006	2005
Net Project Revenue			
Funding received and brought forward from prior periods		1,994,025	1,808,520
Funding accrued		1,268,993	753,487
Funding deferred		(1,096,705)	(461,967)
Total Funding Received		2,166,313	2,100,040
Other income			
Other income		19,556	105,003
Interest received	10	26,228	15,674
Gains on disposal of assets		-	27,166
Profit on exchange differences		70	67
		45,854	147,910
Expenses (Refer to page 16)		(2,077,648)	(1,945,056)
Profit for the period		134,519	302,894

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Detailed Income Statement

Figures in Rand	Note(s)	2006	2005
Operating expenses			
Accommodation		(38,721)	(23,525)
Accounting fees		(8,375)	(8,489)
Administration and management fees		(43,498)	(55,900)
Auditors remuneration	11	(21,786)	(11,899)
Bank charges		(10,863)	(10,705)
Board costs		(19,002)	(523)
Computer expenses		(19,780)	(9,742)
Consulting fees		(116,406)	(243,985)
Consumables		(11,914)	(23,259)
Depreciation, amortisation and impairments		(63,623)	(55,584)
Employee costs		(1,134,746)	(871,393)
Fines and penalties		(3,372)	-
Insurance		(16,569)	(26,077)
Lease rentals on operating lease		(53,280)	(53,280)
Postage		(3,512)	(2,348)
Printing and stationery		(24,482)	(52,519)
Project specific audits		-	(1,200)
Project specific costs		(49,140)	(95,627)
Repairs and maintenance		(44,986)	(43,536)
Research and development		(30,000)	(49,542)
Staff development costs		(33,206)	(5,830)
Telephone and fax		(84,695)	(59,330)
Travel - local		(182,541)	(183,618)
Utilities		(520)	-
Workshops		(62,631)	(57,145)
		(2,077,648)	(1,945,056)

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Project Statement

Figures in Rand	Note(s)	2006	2005
Revenue			
Funding received and brought forward from prior periods		1,994,025	1,808,520
Funding accrued		1,268,993	753,487
Funding deferred		(1,096,705)	(461,967)
		2,166,313	2,100,040
Gross profit			
		2,166,313	2,100,040
Operating expenses			
Accommodation		(38,721)	(23,525)
Administration fees		(43,498)	(60,848)
Aerial photos		-	(2,766)
Audit fees		-	(1,200)
Bank charges		(230)	(1,368)
Consulting fees		(116,406)	(250,712)
Consumable materials		(5,791)	(12,946)
Courier and postage		(952)	(932)
Development costs		(30,000)	(49,542)
Equipment purchased		(2,866)	(6,577)
Motor vehicle expenses		(46,286)	(81,030)
Office rental		(3,000)	(8,190)
Printing and stationery		(4,784)	(34,593)
Repaid to funder		-	(8,126)
Repairs and maintenance - deductible		-	(6,413)
Specific project costs		(46,274)	(78,157)
Staff costs		(1,605,849)	(1,211,869)
Telephone costs		(22,993)	(40,638)
Travel		(123,314)	(105,532)
Workshops		(62,631)	(57,145)
		(2,153,595)	(2,042,109)
Operating profit			
		12,718	57,931
Profit/(Loss) on Projects			
		12,718	57,931