

**TSHIKULULU SOCIAL INVESTMENTS NPC**  
**(Registration Number: 1998/010772/08)**

**ANNUAL FINANCIAL STATEMENTS**  
**31 December 2011**

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These annual financial statements have been audited in terms of the Companies Act No 71 of 2008 of South Africa.

The annual financial statements have been prepared by Kirsten Dennehy CA (SA).

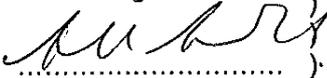
**Statement of directors' responsibility**

The directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the annual financial statements and related information. The auditor is responsible for reporting on the fair presentation of the annual financial statements. The financial statements have been prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

The directors are also responsible for the company's systems 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 the company's assets and to prevent and detect misstatement and loss. Nothing has come of the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the period under review.

The annual financial statements have been prepared on the going concern basis since the directors believe that the company has adequate resources in place to continue in operation and that the assets will be realised and the liabilities settled in the normal course of business.

The annual financial statements that are set out on pages 3 to 25 were approved by the directors on 19 March 2012 and are signed on their behalf by:

  
.....  
  
.....  
DIRECTORS

## **Independent auditor's report To the directors of Tshikululu Social Investments NPC**

We have audited the annual financial statements of Tshikululu Social Investments NPC which comprises the report of the directors, the statement of financial position as at 31 December 2011, the statement of comprehensive income for the year then ended, the statement of changes in reserves and the statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 3 to 25.

### **Directors' responsibility for the financial statements**

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act in South Africa. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditor's responsibility**

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the company's preparation and fair presentation of the 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by the directors, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

**Independent auditor's report  
To the directors of Tshikululu Social Investments NPC (continued)**

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company at 31 December 2011 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act in South Africa.

A handwritten signature in black ink that reads "DELOITTE & TOUCHE". The letter "D" is significantly larger and more stylized than the other letters. A horizontal line is drawn underneath the signature.

**Deloitte & Touche  
Registered Auditors**

**Per: S Tyranes  
Partner  
19 March 2012**

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## TSHIKULULU SOCIAL INVESTMENTS NPC

### DIRECTORS' REPORT

31 December 2011

The Directors are pleased to present their report on the activities of the company for the year ended 31 December 2011.

#### Nature of Business

Tshikululu amended its name from Tshikululu Social Investments (Association Incorporated Under Section 21) to Tshikululu Social Investments NPC.

Tshikululu Social Investments NPC (Tshikululu) was established in 1998 as a Section 21 company, association not for gain. Tshikululu provides comprehensive fund and project management of the corporate social investment programmes of large and medium-sized businesses in South Africa. Tshikululu manages dedicated company CSI funds working in the following sectors: Education, Health, HIV/AIDS, Welfare and Development, Environment, Arts and Culture, Disability, Agriculture, Entrepreneurship, Community Care, Early Childhood Development, and Substance Abuse. Tshikululu operates on a fee for service basis and the mix of services provided is subject to negotiation with individual clients.

#### Financial results

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

	<u>2011</u>	<u>2010</u>
	R	R
Income before taxation	3 911 239	2 032 163
Taxation	(1 925 880)	(591 827)
Comprehensive income for the year	<u>1 985 359</u>	<u>1 440 336</u>

#### Going concern

The annual financial statements have been prepared on the going concern basis since the directors believe that the company has a positive new business pipeline and adequate reserves in place to continue in operation. The assets as reflected in the balance sheet will be realised and the liabilities settled in the normal course of business.

#### Directors

The directors of the company during the year under review and up to the date of this report were as follows:

+ GG Gomwe *	(Chairman)
AH Arnott *	
TW Henry	(Chief executive officer)
P Rungasamy *	
N Gxumisa *	
M Diaho *	
M Ngwenya	(Appointed 8 December 2011) (Chief Financial Officer)

\* Non-executive

+ Zimbabwean citizen

## **TSHIKULULU SOCIAL INVESTMENTS NPC**

### **DIRECTORS' REPORT (continued)**

**31 December 2011**

#### **Interest of directors**

No material contracts in which the directors have an interest were entered into in the current or prior year.

#### **Prescribed officers**

The prescribed officers of the company during the year under review and up to the date of this report were as follows:

M Ngwenya	(Chief Financial Officer) (Appointed to the board 8 December 2011)
S.J Morrison	(Appointed 18 November 2011) (Chief Operating Officer)
F.V Witbooi	(Resigned 18 November 2011) (Chief Operating Officer)
P.G Pereira	(Public Affairs Executive)
S.M Pretorius	(Corporate Services Executive)
W.R Somerville	(Company Secretary)

#### **Share capital**

Previously a Section 21 company, now an NPC, Tshikululu does not have a share capital and as a result the company pays no dividends to shareholders.

#### **Events after balance sheet date**

Tshikululu Social Investments NPC received their Section 30 tax exemption status per correspondence issued by the Tax Exemption Unit dated 24 January 2012.

#### **Company secretary**

WR Somerville of Corporate Statutory Services continues to provide company secretarial and corporate governance advisory services to the company.

The registered physical and postal addresses are as follows:

<b>Physical address</b>	<b>Postal address</b>
Block B, Ground Floor Metropolitan Office Park 8 Hillside Road Parktown 2193	Private Bag X125 Braamfontein 2017

#### **Auditors**

The auditors for the company for the year under review were Deloitte & Touche who were re-appointed at the last Annual General Meeting of the company. The auditors' business and postal address are as follows:

<b>Business Address</b>	<b>Postal address</b>
Deloitte & Touche Place The Woodlands Office Park Woodlands Drive Woodmead Sandton - 2196	Private Bag X6 Gallo Manor 2052

**TSHIKULULU SOCIAL INVESTMENTS NPC**

**STATEMENT OF COMPREHENSIVE INCOME  
for the year ended 31 December 2011**

	<u>Notes</u>	<u>2011</u>	<u>2010</u>
		R	R
Fee income		42 512 513	35 316 111
Other income		502 516	497 435
Interest received	5	<u>983 212</u>	<u>1 491 604</u>
<b>Total income</b>		43 998 241	37 305 150
Interest paid	5	-	(27 389)
Operating expenditure		<u>(40 087 002)</u>	<u>(35 245 598)</u>
<b>Income before taxation</b>	6	3 911 239	2 032 163
Taxation	7	<u>(1 925 880)</u>	<u>(591 827)</u>
<b>Total comprehensive income</b>		<u><u>1 985 359</u></u>	<u><u>1 440 336</u></u>

**TSHIKULULU SOCIAL INVESTMENTS NPC**

**STATEMENT OF FINANCIAL POSITION  
at 31 December 2011**

	<u>Notes</u>	<u>2011</u> R	<u>2010</u> R
<b>ASSETS</b>			
<b>Non-current assets</b>			
Plant and equipment	8	3 578 073	3 289 613
Deferred taxation asset	9	<u>350 228</u>	<u>700 455</u>
Total non-current assets		<u><b>3 928 301</b></u>	<u><b>3 990 068</b></u>
<b>Current assets</b>			
Accounts receivable	10	1 292 627	2 741 244
Cash and cash equivalents	11	<u>20 144 903</u>	<u>17 328 629</u>
Total current assets		<u>21 437 530</u>	<u>20 069 873</u>
<b>Total assets</b>		<u><b>25 365 831</b></u>	<u><b>24 059 941</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Funds and reserves</b>			
Accumulated funds and reserves		<u>20 324 245</u>	<u>18 338 886</u>
Total funds and reserves		<u><b>20 324 245</b></u>	<u><b>18 338 886</b></u>
<b>Current liabilities</b>			
Accounts payable	12	2 706 518	3 266 368
Provisions	13	2 329 150	1 939 214
Non-interest bearing liabilities	14	-	262 000
Taxation payable		<u>5 918</u>	<u>253 473</u>
Total current liabilities		<u>5 041 586</u>	<u>5 721 055</u>
<b>Total equity and liabilities</b>		<u><b>25 365 831</b></u>	<u><b>24 059 941</b></u>

**TSHIKULULU SOCIAL INVESTMENTS NPC**

**STATEMENT OF CHANGES IN RESERVES**  
for the year ended 31 December 2011

	<b>Accumulated funds</b>	<b>Total</b>
	<b>R</b>	<b>R</b>
<b>Balance at 1 January 2010</b>	16 898 550	16 898 550
Total comprehensive income	<u>1 440 336</u>	<u>1 440 336</u>
<b>Balance at 31 December 2010</b>	<b>18 338 886</b>	<b>18 338 886</b>
Total comprehensive income	<u>1 985 359</u>	<u>1 985 359</u>
<b>Balance at 31 December 2011</b>	<b><u>20 324 245</u></b>	<b><u>20 324 245</u></b>

**TSHIKULULU SOCIAL INVESTMENTS NPC**

**STATEMENT OF CASH FLOWS**  
for the year ended 31 December 2011

	<u>Notes</u>	<u>2011</u> R	<u>2010</u> R
<b>Operating activities:</b>			
Cash generated from operations	15	5 356 412	2 521 567
Interest and finance charges paid		-	(27 389)
Interest received		983 212	1 491 604
Taxation paid	16	<u>(1 823 208)</u>	<u>(483 861)</u>
<i>Net cash inflow from operating activities</i>		<u>4 516 416</u>	<u>3 501 921</u>
<b>Investment activities:</b>			
Acquisition of plant and equipment	8	(1 440 082)	(2 721 034)
Proceeds on disposal of assets		1 940	11 103
<i>Net cash outflow from investment activities</i>		<u>(1 438 142)</u>	<u>(2 709 931)</u>
<b>Financing activities:</b>			
Net decrease in non-interest bearing liabilities		<u>(262 000)</u>	<u>(549 500)</u>
<i>Net cash outflow from financing activities</i>		<u>(262 000)</u>	<u>(549 500)</u>
<b>Net increase in cash and cash equivalents</b>		2 816 274	242 490
Cash and cash equivalents at beginning of the year		<u>17 328 629</u>	<u>17 086 139</u>
<b>Cash and cash equivalents at the end of the year</b>	11	<u><u>20 144 903</u></u>	<u><u>17 328 629</u></u>

## **TSHIKULULU SOCIAL INVESTMENTS NPC**

### **NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

**31 December 2011**

#### **1. Presentation of financial statements**

These financial statements are presented in South African Rand.

#### **2. Adoption of new and revised standards**

##### **Standards and Interpretations effective in the current year**

The company has adopted all the new and revised standards issued by the International Accounting Standards Board (IASB) that are relevant and effective for accounting periods beginning on or after 1 January 2011.

At the date of authorisation of the financial statements, the following revised, amended and new Standards and Interpretations applicable to the entity were in issue but not yet effective:

IFRS 1	First-time Adoption of International Financial Reporting Standards
IFRS 7	Financial Instruments: Disclosures
IFRS 9	Financial Instruments
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IAS 1	Presentation of Financial Statements
IAS 12	Income Taxes
IAS 19	Employee Benefits
IAS 32	Financial Instruments: Presentation

The directors anticipate that all of the amendments of the above Standards of Interpretation will be adopted in the company's financial statements for the period in which they become effective and that the adoption of those Interpretations will have no material impact on the financial statements of the company in the period of initial application.

#### **3. General information**

Tshikululu Social Investments NPC "Tshikululu" was established in 1998 as a Section 21 Company, associated not for gain. It provides management services to a number of major South African corporates for their corporate social investment (CSI) activities.

#### **4. Significant accounting policies**

The company adopted the following accounting policies in preparing its financial statements. These policies have been consistently applied in all material respects with those applied during the previous year.

## TSHIKULULU SOCIAL INVESTMENTS NPC

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

31 December 2011

#### 4. Significant accounting policies (continued)

##### **Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards.

##### **Basis of preparation**

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

##### **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised when the outcome of the transaction involving the service can be estimated reliably.

##### ***Fee income***

Fee income comprises the invoiced value net of Value Added Taxation (VAT) where applicable in respect of management fees and consulting services for the administration of corporate social investment funds which are recorded at the date services are rendered.

##### ***Interest income***

Interest income is accrued on a time apportionment basis, by reference to the principal amount and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to that asset's net carrying value.

##### **Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

##### ***The company as lessee***

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

##### **Retirement benefit costs**

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

## TSHIKULULU SOCIAL INVESTMENTS NPC

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

31 December 2011

#### 4. Significant accounting policies (continued)

##### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

##### *Current tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

##### *Deferred tax*

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

##### *Current and deferred tax for the period*

Current and deferred taxes are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss.

## TSHIKULULU SOCIAL INVESTMENTS NPC

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) 31 December 2011

#### 4. Significant accounting policies (continued)

##### Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over the lease term or their expected useful lives on the same basis as owned assets. Where there is certainty of ownership at the end of the lease, the useful economic life of the asset is used as the depreciation period.

The depreciation rates used are:

Computer equipment	20% - 33.33%	per annum
Computer software	33.33% - 50%	per annum
Furniture and fittings	16.67% - 20%	per annum
Office equipment	16.67% - 20%	per annum

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

##### Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows required to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

##### Financial Instruments

##### Financial assets

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

**4. Significant accounting policies (continued)**

**Financial Instruments (continued)**

**Financial assets (continued)**

*Loans and receivables*

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

*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.

*Impairment of financial assets*

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

## TSHIKULULU SOCIAL INVESTMENTS NPC

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) 31 December 2011

#### 4. Significant accounting policies (continued)

##### Financial Instruments (continued)

##### Financial assets (continued)

###### *Derecognition*

Financial assets are derecognised when:

- the contractual rights to the asset expires;
- where there is a transfer of the contractual rights that comprise the assets; and
- the company retains the contractual rights of the assets but assumes a corresponding liability to transfer these contractual rights to another party and consequently transfers substantially all the risks and benefits associated with the asset.

Where the company retains substantially all the risks and rewards of ownership of the financial assets, the company continues to recognise the financial asset. The company derecognises a financial liability when it is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expires.

###### *Fair values*

The fair values of all financial instruments are substantially identical to the carrying amounts reflected on the statement of financial position.

##### Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' "FVTPL" or 'other financial liabilities'.

Financial liabilities at "FVTPL" are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the statement of comprehensive income.

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

##### Critical judgements if applying accounting policies

In the application of the company's accounting policies, which are described in this note, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

**4. Significant accounting policies (continued)**

**Financial Instruments (continued)**

**Critical judgements if applying accounting policies (continued)**

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

**Critical judgements in applying accounting policies**

The following are the critical judgements that management has made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in financial statements:

*Residual value and useful life*

The company depreciates its assets over their estimated useful lives taking into account residual values, which, following the adoption of IAS16 Property, plant and equipment (revised), are re-assessed on an annual basis. The actual lives and residual values of these assets can vary depending on a variety of factors.

Technological innovation, product life cycles and maintenance programmes all impact the useful lives and residual values of the assets. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

*Income taxes*

The company recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the company to realise the net deferred tax assets recorded at the balance sheet date could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the company operates could limit the ability of the company to obtain tax deductions in future periods.

*Contingent liabilities*

Management applies its judgement to the fact patterns and advice it receives from its attorney, advocates and other advisors in assessing if an obligation is probable, more likely than not, or remote. This judgement application is used to determine if the obligation is recognised as a liability or disclosed as a contingent liability.

**TSHIKULULU SOCIAL INVESTMENTS NPC**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**

31 December 2011

	<u>2011</u>	<u>2010</u>
	R	R
<b>5. Net interest received</b>		
Interest received-financial institutions	983 212	1 491 604
Interest paid	-	(27 389)
	<u>983 212</u>	<u>1 464 215</u>
<b>6. Income before taxation</b>		
Income before taxation after the following operating expenditure items:		
Audit fees: - current year	518 920	647 000
- prior year adjustment	128 782	282 513
	<u>647 702</u>	<u>929 513</u>
Depreciation: - owned	1 116 171	1 134 935
- leased	-	4 924
	<u>1 116 171</u>	<u>1 139 859</u>
Loss on sale of plant and equipment	<u>33 511</u>	<u>110 232</u>
Directors' remuneration - for managerial services	<u>1 357 707</u>	<u>1 192 736</u>
- for services as directors	<u>77 035</u>	<u>70 026</u>
Prescribed officers' remuneration - for managerial services	<u>3 284 591</u>	<u>3 060 631</u>
Rent expense	<u>2 201 174</u>	<u>1 612 215</u>
Consulting and management fees	<u>2 289 816</u>	<u>2 661 073</u>
Staff costs	<u>25 699 413</u>	<u>21 753 083</u>

**TSHIKULULU SOCIAL INVESTMENTS NPC**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**

**31 December 2011**

	<u>2011</u>	<u>2010</u>
	R	R
<b>7. Taxation</b>		
SA normal taxation		
- current	1 562 138	929 498
- prior year under provision	13 515	-
Deferred taxation		
- current	350 227	(337 671)
	<b><u>1 925 880</u></b>	<b><u>591 827</u></b>
Reconciliation of tax rate:		
Statutory tax rate	28.00%	28.00%
Adjusted for:		
Permanent differences	0.10%	1.12%
Prior year under provision	0.35%	-
Reversal of prior year deferred tax asset	20.78%	-
Effective tax rate	<b><u>49.23%</u></b>	<b><u>29.12%</u></b>

Tshikululu Social Investments NPC received their Section 30 tax exemption status from the SARS Tax Exemption Unit dated 24 January 2012. A portion of the prior year deferred tax asset was written off during the current year as the tax credits associated with the asset will not be deductible against future taxable profits.

**TSHIKULULU SOCIAL INVESTMENTS NPC**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**

31 December 2011

**8. Plant and equipment**

	<b>Computer equipment</b>	<b>Computer software</b>	<b>Owned Furniture and fittings</b>	<b>Leasehold improvements</b>	<b>Office equipment</b>	<b>Leased</b>		<b>Total</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>Computer equipment</b>	<b>Office equipment</b>	<b>R</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>2011</b>								
<b>Cost</b>								
At beginning of the year	1 254 908	828 910	1 674 764	1 718 343	616 011	106 274	18 081	6 217 291
Additions	354 385	409 270	92 692	438 013	145 722	-	-	1 440 082
Disposals	(80 984)	-	(35 846)	-	-	-	-	(116 830)
At end of the year	<u>1 528 309</u>	<u>1 238 180</u>	<u>1 731 610</u>	<u>2 156 356</u>	<u>761 733</u>	<u>106 274</u>	<u>18 081</u>	<u>7 540 543</u>
<b>Accumulated depreciation</b>								
At beginning of the year	973 448	751 106	604 539	28 640	445 590	106 274	18 081	2 927 678
Depreciation	181 741	118 192	318 571	384 598	113 069	-	-	1 116 171
Disposals	(55 697)	-	(25 682)	-	-	-	-	(81 379)
At end of the year	<u>1 099 492</u>	<u>869 298</u>	<u>897 428</u>	<u>413 238</u>	<u>558 659</u>	<u>106 274</u>	<u>18 081</u>	<u>3 962 470</u>
<b>Carrying value</b>								
At beginning of the year	<u>281 460</u>	<u>77 804</u>	<u>1 070 225</u>	<u>1 689 704</u>	<u>170 420</u>	<u>-</u>	<u>-</u>	<u>3 289 612</u>
At end of the year	<u>428 817</u>	<u>368 882</u>	<u>834 182</u>	<u>1 743 118</u>	<u>203 074</u>	<u>-</u>	<u>-</u>	<u>3 578 073</u>

**TSHIKULULU SOCIAL INVESTMENTS NPC**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**

31 December 2011

**8. Plant and equipment (continued)**

	<b>Computer equipment</b>	<b>Computer software</b>	<b>Owned Furniture and fittings</b>	<b>Leasehold improvements</b>	<b>Office equipment</b>	<b>Leased Computer equipment</b>	<b>Leased Office equipment</b>	<b>Total</b>
	R	R	R	R	R	R	R	R
<b>2010</b>								
<b>Cost</b>								
At beginning of the year	1 400 003	770 047	917 409	1 708 862	592 462	196 609	34 465	5 619 857
Additions	105 000	58 863	765 165	1 718 343	73 663	-	-	2 721 034
Disposals	<u>(250 095)</u>	-	<u>(7 810)</u>	<u>(1 708 862)</u>	<u>(50 114)</u>	<u>(90 335)</u>	<u>(16 384)</u>	<u>(2 123 600)</u>
At end of the year	<u>1 254 908</u>	<u>828 910</u>	<u>1 674 764</u>	<u>1 718 343</u>	<u>616 011</u>	<u>106 274</u>	<u>18 081</u>	<u>6 217 291</u>
<b>Accumulated depreciation</b>								
At beginning of the year	1 081 132	554 513	440 906	1 088 318	399 065	196 609	29 541	3 790 084
Depreciation	141 269	196 593	167 754	532 680	96 639	-	4 924	1 139 859
Disposals	<u>(248 953)</u>	-	<u>(4 121)</u>	<u>(1 592 358)</u>	<u>(50 114)</u>	<u>(90 335)</u>	<u>(16 384)</u>	<u>(2 002 265)</u>
At end of the year	<u>973 448</u>	<u>751 106</u>	<u>604 539</u>	<u>28 640</u>	<u>445 590</u>	<u>106 274</u>	<u>18 081</u>	<u>2 927 678</u>
<b>Carrying value</b>								
At beginning of the year	<u>318 871</u>	<u>215 534</u>	<u>476 503</u>	<u>620 544</u>	<u>193 397</u>	<u>-</u>	<u>4 924</u>	<u>1 829 773</u>
At end of the year	<u>281 460</u>	<u>77 804</u>	<u>1 070 225</u>	<u>1 689 703</u>	<u>170 421</u>	<u>-</u>	<u>-</u>	<u>3 289 613</u>

**TSHIKULULU SOCIAL INVESTMENTS NPC**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**

**31 December 2011**

	<u>2011</u>	<u>2010</u>
	R	R
<b>9. Deferred taxation asset</b>		
Deferred taxation asset comprises:		
Plant and equipment allowances - leasehold improvements	10 654	21 307
Provisions and income received in advance	339 574	679 148
	<u><b>350 228</b></u>	<u><b>700 455</b></u>
Reconciliation of opening and closing balances:		
Deferred taxation asset at the beginning of the year	700 455	362 784
Differences on plant and equipment - leasehold improvements	(10 653)	21 307
Differences in provisions and income received in advance	(339 574)	316 364
<b>Deferred taxation asset at end of the year</b>	<u><b>350 228</b></u>	<u><b>700 455</b></u>
<b>10. Accounts receivable</b>		
Trade debtors	713 178	2 054 976
Pre-payments	304 007	308 941
Deposits	-	75 000
Vat refund	192 861	229 162
Other	4 553	20 861
Recoverable travel costs	78 028	52 304
	<u><b>1 292 627</b></u>	<u><b>2 741 244</b></u>

The directors consider that the carrying amount of trade and other receivables approximate their fair values.

Included in the company's trade debtors balance are debtors with a carrying amount of R447 913 (2010: R985 347) exceed standard terms of 30 days at the reporting date. The company has not provided for bad or doubtful debts as the amounts are still considered recoverable. The company does not hold any collateral over these balances. No interest is charged on outstanding debtors.

**TSHIKULULU SOCIAL INVESTMENTS NPC**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**

31 December 2011

	<u>2011</u>	<u>2010</u>
	R	R
<b>10. Accounts receivable (continued)</b>		
Trade debtors ageing at year end:		
- Current	265 265	1 069 629
- 30 days	356 713	187 347
- 60 days	45 600	-
- 90 days and over	45 600	798 000
	<u>713 178</u>	<u>2 054 976</u>
<b>11. Cash and cash equivalents</b>		
FNB current account	1 008 003	2 451 989
FNB Corporate loan account	-	262 000
NFB call account (lease guarantee)	672 260	-
RMB money market account – cash reserves	10 904 400	10 904 400
RMB money market account – operating cash	7 560 240	3 710 240
	<u>20 144 903</u>	<u>17 328 629</u>

A guarantee has been entered into with the “lessor” of the premises at 8 Hillside Road, Parktown for Tshikululu’s “tenant” obligations under the lease. The total amount encumbered for this purpose is R655 370. This guarantee has been placed on a restricted call account during the current year and the funds have been frozen as this guarantee acts as security for the current lease obligations of the company. Thus these funds are considered to be an encumbered asset.

The directors consider that the carrying amount of cash and cash equivalents approximate their fair values.

**12. Accounts payable**

Trade creditors and accruals	1 008 905	2 780 055
Income received in advance	1 164 319	486 313
Lease smoothing adjustment	533 294	-
	<u>2 706 518</u>	<u>3 266 368</u>

The directors consider that the carrying amount of trade and other payables approximate their fair values.

**TSHIKULULU SOCIAL INVESTMENTS NPC**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
**31 December 2011**

	<u>2011</u>	<u>2010</u>
	R	R
<b>13. Provisions</b>		
<b>Provision for leave pay &amp; bonuses</b>		
Opening balance	1 939 214	1 295 657
Charged to income statement	389 936	643 557
Additional provisions created	374 937	654 388
Unused amounts reversed	14 999	(10 831)
<b>Closing balance</b>	<b>2 329 150</b>	<b>1 939 214</b>
<b>14. Non-interest bearing liabilities</b>		
<i>Corporate loans</i>		
De Beers Limited	-	262 000
<b>Total</b>	<b>-</b>	<b>262 000</b>
These loans are unsecured, interest free and are to be utilised for capital procurement.		
<b>15. Cash generated from operations</b>		
Income before taxation	3 911 239	2 032 163
Adjusted for:		
Depreciation	1 116 171	1 139 859
Interest received	(983 212)	(1 491 604)
Interest and finance charges paid	-	27 389
Loss on disposal of assets	33 511	110 232
Operating profit before changes in working capital	4 077 709	1 818 039
Decrease (increase) in accounts receivables	1 448 617	(1 475 889)
(Decrease) increase in accounts payable and provisions	(169 914)	2 179 417
	<b>5 356 412</b>	<b>2 521 567</b>
<b>16. Taxation paid</b>		
Payable / (refundable) beginning of year	253 473	(192 164)
Normal taxation reflected in income statement (excluding deferred tax)	1 562 138	929 498
Prior year under provision	13 515	-
Payable end of year	(5 918)	(253 473)
	<b>1 823 208</b>	<b>483 861</b>

## TSHIKULULU SOCIAL INVESTMENTS NPC

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

31 December 2011

	<u>2011</u>	<u>2010</u>
	R	R
<b>17. Commitments - operating leases</b>		
The company is party to an operating lease agreement (see below)		
Repayable in one year	1 980 904	1 615 700
Repayable in two to three years	4 525 451	4 144 087
Repayable in four to five years	3 015 788	5 378 055
	<u><b>9 522 142</b></u>	<u><b>11 137 842</b></u>

The existing lease agreement was entered into with Metropolitan Life Limited for a period of 5 years from 1 November 2010 until 29 February 2016, including an initial 3 month rent free period. The lease has an annual escalation of 10%.

### 18. Risk management

#### Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 4 to the financial statements.

#### Financial risk management objectives

The directors monitor and manage the financial risks relating to the operations of the company through continuous monitoring of risks and analysis of the company's exposures to the risk factors. The directors consider the degree and magnitude of these risks.

These risks include liquidity risk and cash flow interest rate risk.

The company seeks to minimise the effects of these risks by implementing policies such as cash flow management and cost saving drives that if implemented will decrease the impact of changes in the risk environment.

The company does not make use of any derivative financial instruments to hedge any risk exposures.

**TSHIKULULU SOCIAL INVESTMENTS NPC**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**

31 December 2011

**18. Risk management (continued)**

**Financial Instruments**

**Categories of financial instruments**

	<u>2011</u>	<u>2010</u>
	R	R
<b>Financial Assets</b>		
Receivables (including cash and cash equivalents)	<u>21 437 530</u>	<u>20 069 873</u>
<b>Financial Liabilities</b>		
Other financial liabilities	<u>2 706 518</u>	<u>3 528 368</u>

**Capital risk management**

The company's objective when managing capital is to safeguard its ability to continue as a going concern while maximising the return on free funds on a risk adjusted basis.

The capital structure of the company consists of accumulated reserves.

**Liquidity risk**

The company's risk to liquidity relates to funds available to cover future commitments. The company manages liquidity risk through an ongoing review of future commitments and credit facilities. Regular cash flow forecasts are prepared to monitor the adequacy of the company's cash facilities.

**Interest rate risk**

Deposits and borrowings attract interest at rates that vary with the prime rate. The company's policy is to manage interest rate risk so that fluctuations in variable rates do not have a material impact on the company.

	<u>2011</u>	<u>2010</u>
	R	R
<b>19. Retirement benefits</b>		
The company contribution charged to the statement of comprehensive income	<u>3 408 816</u>	<u>2 882 791</u>

The company contributes to the Tshikululu Personal Pension Fund retirement benefit scheme. The retirement fund is governed by the Pension Funds Act 1956 (Act no 24 of 1956). The fund is in the nature of a defined contribution plan where the retirement benefits are determined with reference to the employer's and employee's contribution. The company has no other post-retirement benefits.

**TSHIKULULU SOCIAL INVESTMENTS NPC**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**

31 December 2011

**20. Related parties**

The directors and prescribed officers are considered related parties of the company. In addition, the following related party relationships existed at year end:

<b><u>Related parties</u></b>	<b><u>Reason</u></b>
Anglo American Corporation of South Africa Limited	Directorship held by GG Gomwe (also a director of the company)
FirstRand Foundation	AH Arnott is a trustee (also a director of the company)
Tshikululu Trust	Trustees are also non - executive directors of the company

During the year, the company entered into the following trading transactions with related parties:

	<b>2011</b>	<b>2010</b>
	<b>R</b>	<b>R</b>
<b>Management fees received</b>		
Anglo American Corporation of South Africa Limited	10 959 300	10 147 500
FirstRand Foundation	9 879 735	9 500 000
Tshikululu Trust	200 000	200 000
	<u>21 039 035</u>	<u>19 847 500</u>
<b>Recoupment of travel costs</b>		
Anglo American Corporation of South Africa Limited	<u>257 484</u>	<u>469 645</u>
<b>Directors &amp; prescribed officers' remuneration</b>		
Directors' remuneration - for managerial services	<u>1 357 707</u>	<u>1 192 736</u>
Directors' remuneration - for services as directors	<u>77 035</u>	<u>70 026</u>
Prescribed officers' remuneration - for managerial services	<u>3 395 891</u>	<u>3 138 781</u>