

2003

11/18/03

ALEKKOR DEVELOPMENT FOUNDATION

2004

ANNUAL FINANCIAL STATEMENTS



REGISTERED ACCOUNTANTS AND AUDITORS

ALEXKOR DEVELOPMENT FOUNDATION
FINANCIAL STATEMENTS
for the year ended 30 June 2004

Board of Trustees	E Ntlai J Cardinal J Losper G Maarman B Vries LE Cloete R Joseph RD Cloete
Postal & registered address	PO Box 1018 Springbok 8240
Bankers	Absa Bank
Auditors	HGM & Associates Chartered Accountants (S.A.) Registered Accountants and Auditors
Tax reference number	0002/058/02/2

ALEKOR DEVELOPMENT FOUNDATION
FINANCIAL STATEMENTS
for the year ended 30 June 2004

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

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Approval

The financial statements which appear on pages 4 to 14 were approved by the Board of Trustees on 25 October 2005 and signed on their behalf.

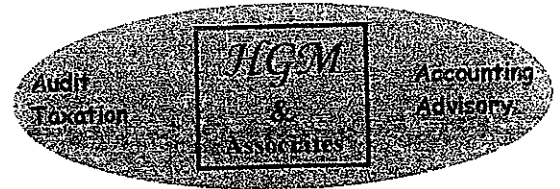
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Trustee

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Trustee

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Proprietor: Hubert Moolman CA (SA)

REPORT OF THE INDEPENDENT AUDITORS TO THE TRUSTEES OF THE ALEXKOR DEVELOPMENT FOUNDATION

We have audited the annual financial statements of Alexkor Development Foundation set out on pages 4 to 14 for the period ended 30 June 2004. These financial statements are the responsibility of the Trust's executive members. 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 International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether 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, and
- 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.

Audit Opinion

In our opinion, the financial statements fairly present, in all material aspects, the financial position of Alexkor Development Foundation at 30 June 2004 and the results of its operations and cash flows for the period then ended in accordance with generally accepted accounting practice.

HGM & ASSOCIATES
REGISTERED ACCOUNTANTS AND AUDITORS
CHARTERED ACCOUNTANTS (SA)

Cape Town

27 October 2005

ALEXKOR DEVELOPMENT FOUNDATION
REPORT OF THE DIRECTORS
for the year ended 30 June 2004

The trustees present their report for the year ended 30 June 2004. This report forms part of the audited financial statements.

1. Nature of business

The foundation is primarily concerned with the optimal development of the people and the region of Namaqualand, with emphasis on underprivileged sectors.

2. Activities

Regular meetings were held in accordance with paragraph 13.3 of the Trust Deed.

3. Financial results

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

4. Administration

The Trust was administered by Alexkor Development Foundation.

5. Board of Trustees

Pursuant to paragraph 14.1 of the Trust Deed, an amount of R 202 983 (2003-R 434 543) has been paid as remuneration during the accounting period.

6. Property, plant and equipment

Details relating to the movements on property, plant and equipment during the period under review are reflected in the property, plant and equipment note to the financial statements.

7. Valuation of assets

The Board of Trustees is of the opinion that the assets of the Foundation at balance sheet date do not have a realisation value which in the normal course of business, is less than reflected in the balance sheet.

8. Subsequent events

The Board of Trustees are not aware of any matter or circumstance arising since the end of the financial year, not otherwise dealt with in the the financial statements, which significantly affect the financial position of the Trust or the results of its operations at the date of this report.

ALEXKOR DEVELOPMENT FOUNDATION
REPORT OF THE DIRECTORS
for the year ended 30 June 2004

9. Going concern

There is no reason to believe that the Trust will not be a going concern in the year ahead.

Cape Town
25 October 2005

ALEXKOR DEVELOPMENT FOUNDATION
BALANCE SHEET
as at 30 June 2004

	Notes	2004 R	2003 R
Assets			
Non-current assets		4,793,157	9,035,697
Property, plant and equipment	3	903,694	897,013
Investments	2	3,268,210	7,422,106
Loans	5	621,253	716,578
Current assets		2,149	274,556
Trade and other receivables		-	23,821
Cash and cash equivalents		2,149	250,735
Total assets		4,795,306	9,310,253
Equity and liabilities			
Reserves		4,655,491	9,170,061
Investment reserve		1,683,116	5,932,525
Loan reserve		2,045,962	2,045,842
Accumulated funds		926,413	1,191,694
Current liabilities		139,815	140,192
Trade and other payables		55,527	117,192
Provisions	4	43,000	23,000
Bank overdraft		41,288	-
Total equity and liabilities		4,795,306	9,310,253

ALEXKOR DEVELOPMENT FOUNDATION
INCOME STATEMENT
for the year ended 30 June 2004

	Notes	2004 R	2003 R
Contributions received		-	940,000
Income from investments		387,178	580,154
<i>Other investment income</i>		-	1,841
<i>Interest received on investment deposits</i>		41,074	39,042
<i>Other interest received</i>			
Income from managed investment portfolios			
<i>Interest received</i>		417,652	881,090
<i>Profit on early maturity of investments</i>		-	59,670
<i>Less: Management fees and other costs</i>		(71,548)	(401,489)
Bad debts recovered		24,804	-
Profit on sale of fixed assets		-	63,035
Other income		89,963	14,000
Total income		501,945	1,597,189
Less: Applications	7	(3,136,343)	(2,985,429)
Net loss before other expenditure		(2,634,398)	(1,388,240)
Less: Other expenditure	8	(1,880,172)	(1,653,494)
Net loss before taxation		(4,514,570)	(3,041,734)
Less : Provision for taxation	6	-	-
Net loss after taxation		(4,514,570)	(3,041,734)

ALEXKOR DEVELOPMENT FOUNDATION
STATEMENT OF CHANGES IN FUNDS
for the year ended 30 June 2004

	Accumulated funds	Investment reserve	Loan reserve	Total
2003	R	R		R
Balance at the beginning of the year	968,397	8,785,713	1,957,685	11,711,795
Profit/(loss) for the year	(3,041,734)	-	-	(3,041,734)
Transfer from managed portfolio	3,768,842	(3,768,842)	-	-
Transfer of Alexkor Ltd contribution	(360,000)	360,000	-	-
Transfer of income from managed portfolio	(555,654)	555,654	-	-
Transfer of loan repayments received	(88,157)	-	88,157	-
Correction of fundamental error	500,000	-	-	500,000

Balance at the end of the year	1,191,694	5,932,525	2,045,842	9,170,061
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2004

Balance at the beginning of the year	1,191,694	5,932,525	2,045,842	9,170,061
Profit/(loss) for the year	(4,514,570)	-	-	(4,514,570)
Transfer from managed portfolio	4,500,000	(4,500,000)	-	-
Transfer of income from managed portfolio	(250,591)	250,591	-	-
Transfer of loan repayments received	(120)	-	120	-

Balance at the end of the year	926,413	1,683,116	2,045,962	4,655,491
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NOTES TO THE STATEMENT OF CHANGES IN FUNDS

1. Investment reserve

The trust deed provides that 25% of the annual contribution of Alexkor Ltd be retained in a reserve fund. The purpose of the reserve fund is for it to be utilised to achieve the objectives of the Foundation in the event that Alexkor Ltd is not in a position to make a contribution to the Foundation in any year.

2. Loan reserve

An amount equal to the annual repayment of loans is transferred to a loan reserve. The purpose of the loan reserve fund is to finance future loans.

ALEXKOR DEVELOPMENT FOUNDATION
CASH FLOW STATEMENT
for the year ended 30 June 2004

	Notes	2004 R	2003 R
Cash flows from operating activities		(4,456,107)	(3,367,729)
Cash utilised by operating activities	9.1	(4,843,285)	(3,947,883)
Interest received		387,178	580,154
Cash flows from investing activities		4,166,232	3,726,658
Equipment acquired		(243,989)	(268,713)
Proceeds from sale of motor vehicle		161,000	101,697
Investments		4,153,896	3,662,123
Loans made		95,325	231,551
Capital flows from financing activities		41,288	(127,660)
Short term borrowings		41,288	(127,660)
Increase/(decrease) in cash and cash equivalents		(248,586)	231,269
Cash and cash equivalents at the beginning of the year		250,735	19,466
Cash and cash equivalents at end of the year	9.2	2,149	250,735

ALEKOR DEVELOPMENT FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2004

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.

1.2 Property, plant and equipment

All property plant and equipment are initially recorded at cost.

Depreciation is calculated on the straight-line method to write off the cost of each asset to its residual values over its estimated useful live. The depreciation rates applicable to each category of plant and equipment are as follows:

Furniture and Fittings	16.67%
Vehicles	20%
Computer equipment	33.33%
Equipment	15%

1.3 Provisions

Provisions are recognised for a present legal or constructive obligation when, 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 obligation can be made.

1.4 Financial instruments

Financial assets and liabilities are recognised on the Trust's balance sheet when the Trust becomes a party to the contractual provisions of the instruments.

Trade receivables and loans due to the Trust

Trade receivables and loans do not carry any interest and are stated at their nominal value and reduced by appropriate allowances for estimated irrecoverable amounts.

Investments

Investments are classified as held for trading and measured at fair value.

Cash and cash equivalents

Cash and cash equivalents are measured at fair value.

Trade payables

Trade payables are not interest bearing and are stated at their nominal value.

ALEKOR DEVELOPMENT FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2004

2. Investments

Investments consist of funds invested in money market instruments.

3. Property, plant and equipment

2004	Cost R	Accumulated depreciation R	Carrying amount R
Land & buildings	532,334	-	532,334
Motor vehicles	433,899	118,958	314,941
Furniture	72,466	57,038	15,428
Computer equipment	97,622	77,316	20,306
Equipment	146,552	125,867	20,685
	<u>1,282,873</u>	<u>379,179</u>	<u>903,694</u>

2003	Cost R	Accumulated depreciation R	Carrying amount R
Land & buildings	532,334	-	532,334
Motor vehicles	471,224	168,141	303,083
Furniture	72,466	51,156	21,310
Computer equipment	80,623	68,534	12,089
Equipment	144,552	116,355	28,197
	<u>1,301,199</u>	<u>404,186</u>	<u>897,013</u>

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

2004	Opening bal. R	Additions R	Disposals R	Depreciation R	Closing bal. R
Land & buildings	532,334	-	-	-	532,334
Motor vehicles	303,083	224,990	(192,845)	(20,287)	314,941
Furniture	21,310	-	-	(5,882)	15,428
Computer equipment	12,089	16,999	-	(8,782)	20,306
Equipment	28,197	2,000	-	(9,512)	20,685
	<u>897,013</u>	<u>243,989</u>	<u>(192,845)</u>	<u>(44,463)</u>	<u>903,694</u>

2003	Opening bal. R	Additions R	Disposals R	Depreciation R	Closing bal. R
Land & buildings	532,334	-	-	-	532,334
Motor vehicles	103,288	255,115	(38,662)	(16,658)	303,083
Furniture	28,026	-	-	(6,716)	21,310
Computer equipment	752	13,598	-	(2,261)	12,089
Equipment	41,612	-	-	(13,415)	28,197
	<u>706,012</u>	<u>268,713</u>	<u>(38,662)</u>	<u>(39,050)</u>	<u>897,013</u>

Land and buildings consists of erf 286, situated in Springbok.

ALEXKOR DEVELOPMENT FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2004

4. Provisions	Carrying amount at beginning of year R	Additional provisions R	Carrying amount at end of year R
Accounting fees	-	20,000	20,000
Audit fees	23,000	-	23,000
	<u>23,000</u>	<u>20,000</u>	<u>43,000</u>
		2004	2003
		R	R
Non-current		-	-
Current		<u>43,000</u>	<u>23,000</u>
		<u>43,000</u>	<u>23,000</u>
5. Loans			
General loans		184,018	168,845
<i>Provision for estimated irrecoverable general loans</i>		(165,752)	(42,211)
Student loans		743,139	786,592
<i>Provision for estimated irrecoverable student loans</i>		(340,152)	(196,648)
Loan to MDDC (Pty) Ltd		200,000	-
		<u>621,253</u>	<u>716,578</u>
6. Taxation			
No provision for taxation has been made as the trust has a calculated tax loss.			
7. Applications			
Sundry awards		796,966	818,528
Student bursaries		648,570	950,637
Contribution to educational aid		83,225	222,075
Service centres, homes for the aged and hospitals		38,263	117,735
Infrastructure development		1,561,700	863,227
Nursery school assistance		7,619	13,227
		<u>3,136,343</u>	<u>2,985,429</u>

ALEKOR DEVELOPMENT FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2004

	2004 R	2003 R
8. Other expenditure		
Loss on disposal of fixed assets	31,844	-
Audit fees	23,000	23,000
Accounting services	37,663	40,625
Advertising	-	100
Bank charges	19,472	18,094
Computer expenses	6,804	23,048
Depreciation	44,463	39,051
Entertainment and office expenses	136,804	23,315
Insurance and licenses	44,442	29,914
Interest paid	331	181
Legal fees	32,944	75,861
Professional fees	-	26,072
Rates and taxes	39,344	12,806
Regional service council levies	1,101	3,335
Rental paid and repairs & maintenance	84,877	60,065
Salaries & wages and related costs	568,525	336,489
Stationery, printing and annual report	47,849	25,623
Telephone and postage	61,977	54,487
Travelling expenses	173,638	115,560
Trustee remuneration	202,983	434,543
Workshop expenses	55,066	72,468
Adjustment - Provision for estimated irrecoverable student loans	143,504	196,647
- Provision for estimated irrecoverable general loans	123,541	42,210
	<u>1,880,172</u>	<u>1,653,494</u>

9. Notes to the cash flow statement

9.1 Cash generated by operating activities

Net loss before taxation	(4,514,570)	(3,041,734)
Adjustments for:		
Depreciation	44,463	39,051
Investment income	(387,178)	(580,154)
Loss on disposal of fixed assets	31,844	(63,035)
Movement in advance receipts	-	(11,799)
Movement in provisions	20,000	(7,000)
	<u>(4,805,441)</u>	<u>(3,664,671)</u>
Movements in working capital		
Decrease in trade and other receivables	23,821	148,290
Decrease in trade and other payables	(61,665)	(431,502)
	<u>(4,843,285)</u>	<u>(3,947,883)</u>

**ALEXKOR DEVELOPMENT FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2004**

	2004	2003
	R	R

9.2 Cash and cash equivalents

Cash and cash equivalents consist of balances with banks. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

Cash and cash equivalents	2,149	250,735
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10. Financial instruments

Financial instruments consist of loans, bank balances and accounts payable resulting from normal business transactions.

Credit risk

Potential concentrations of credit risk consist principally of short term cash, loans and investments.

The Trust's credit risk is primarily attributable to its loan receivables. The amounts presented in the balance sheet are net of allowances for estimated irrecoverable loans.

The credit risk on liquid funds is limited because the counterparties are reputable financial institutions.

Interest rate risk

The Trust generally adopts a policy of ensuring that its exposure to changes in interest rate is on the floating rate basis.

Fair values

The carrying values of financial instruments reported in the financial statements approximate their fair values.

11. Contingent asset

In terms of an agreement with Alexkor Ltd, and in terms of the trust deed, the Trust is entitled to 30% of the after tax profits of Alexkor Ltd. The Trust is involved in a dispute with Alexkor Ltd over this 30% of after tax profits. The Trust has filed an application with the courts for the 30% of after tax profits due.