

**THE SOLIDARIDAD NETWORK SA TRUST**

**TRUST NUMBER 1419/2012  
NPO REGISTRATION NO. 148-926 NPO**

**ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31 DECEMBER 2019**

**THE SOLIDARIDAD NETWORK SA TRUST**  
**TRUST NUMBER 1419/2012**

Annual Financial Statements for the year ended 31 December 2019

**General Information**

<b>Country of incorporation and domicile</b>	South Africa	
<b>Nature of business and principal activities</b>	The Trust is engaged in promoting production with respect for people and planet, and reliable trade relations that give producers a fair deal in developing countries within the Southern African region.	
<b>Trustees</b>	The following trustees held office for the year under review:-	
	<b>Name</b>	
	N J M Roozen	- resigned 30 June 2019
	B C A Goossens	- resigned 4 February 2019
	M Nkomo	
	J. Douglas	- appointed 26 September 2019
	W. Matthews	- appointed 26 September 2019
<b>Legal form</b>	Non Profit Trust	
<b>Registration numbers</b>	Trust registration	1419/2012
	NPO registration no.	148-926 NPO
<b>Registered office and business address</b>	25 Sturdee Avenue Rosebank Johannesburg 2196	
<b>Website address</b>	<a href="http://solidaridadnetwork.org">solidaridadnetwork.org</a>	
<b>Principal Bankers</b>	Standard Bank of South Africa Limited.	
<b>Preparer</b>	The annual financial statements were internally prepared by W Matthews.	
<b>Level of assurance</b>	These annual financial statements have been audited independently in compliance with the Trust Deed and the Trust Property Control Act, 1988.	

**THE SOLIDARIDAD NETWORK SA TRUST  
TRUST NUMBER 1419/2012**

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FOR THE YEAR ENDED 31 DECEMBER 2019**

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**THE SOLIDARIDAD NETWORK SA TRUST  
TRUST NUMBER 1419/2012**

**TRUSTEES' RESPONSIBILITIES AND APPROVAL**

**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

The trustees are required by the Trust Property Control Act, 1988, and the trust deed, 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 trust as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with its accounting policies. The external auditors are engaged to express an independent opinion on the annual financial statements.

The financial statements are prepared in accordance with International Financial Reporting Standards for Small and Medium - sized Entities and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The trustees acknowledge that they are ultimately responsible for the system of internal financial controls established by the trust and place considerable importance on maintaining a strong control environment. To enable the trustees to meet these responsibilities, the board of trustees sets out 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 trust and employees are required to maintain the highest ethical standards in ensuring the trust's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the trust is on identifying, assessing, managing and monitoring all known forms of risk across the trust. While operating risk cannot be fully eliminated, the trust endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The trustees are of the opinion, based on the information and explanations given by management, that the system of internal controls provides reasonable assurance that the financial records may be relied on for the presentation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The trustees have reviewed the trust's cash flow forecast for the year to 31<sup>st</sup> December 2020 and, in the light of this review and the current financial position, they are satisfied that the trust has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the board of trustees is primarily responsible for the financial affairs of the trust, it is supported by the trust's external auditors.

The external auditors are responsible for independently auditing and reporting on the trust's financial statements. The financial statements have been examined by the trust's external auditors and their report is presented on pages 2 to 4.

The annual financial statements set out on pages 5 to 22, were approved by the board of trustees on the 11<sup>th</sup> June 2020 and were signed on its behalf by:



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2017  
SOUTH AFRICA

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## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE TRUSTEES**

#### **THE SOLIDARIDAD NETWORK SA TRUST TRUST NUMBER 1419/2012**

##### **Unqualified Opinion**

We have audited the financial statements of The Solidaridad Network SA Trust, set out on pages 6 to 22, which comprise the statement of financial position as at 31 December 2019, and the statement of comprehensive income, statement of changes in reserves and statement of cash flows for the financial year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements fairly present, in all material respects, the financial position of The Solidaridad Network SA Trust, as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with its accounting policies, International Financial Reporting Standards for Small and Medium - sized Entities and the Trust Deed.

##### **Basis for Unqualified Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Association in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code), together with the ethical requirements that are relevant to our audit of financial statements in South Africa. We have fulfilled our other ethical requirements in accordance with these requirements and the IRBA Code. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Part A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### **Other Information**

The Board of Trustees is responsible for the other information. The other information comprises the Report of the Trustees set out on page 5.

The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of Management and Those Charged With Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with their accounting policies and the requirements of the Trust Deed, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Trust or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Trust's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit 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 Trust's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- obtain sufficient appropriate audit evidence regarding the financial information of the business activities within the trust to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the trust audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We have communicated with those charged with governance on all relationships and other matters, which may reasonably be thought to bear on our independence and, where applicable, related safeguards.

A handwritten signature in dark ink, appearing to read "Douglas & Velcich", followed by a period.

**DC Douglas RA  
Douglas & Velcich  
Chartered Accountants (S.A.)**

**Johannesburg  
22 June 2020**

**THE SOLIDARIDAD NETWORK SA TRUST  
TRUST NUMBER 1419/2012**

**REPORT OF THE TRUSTEES FOR THE  
YEAR ENDED 31 DECEMBER 2019**

The trustees present their report, together with the annual financial statements of the trust for the financial year ended 31 December 2019.

**GENERAL**

The Trust commenced its activities on the 1<sup>st</sup> January 2012, but was formally registered on the 9<sup>th</sup> May 2012.

The Trust is engaged in promoting production with respect for people and planet, and reliable trade relations that give producers a fair deal in developing countries within the Southern African region.

The operating results and state of affairs of the Trust are fully set out in the attached financial statements.

**EQUIPMENT**

During the year under review, the Trust purchased equipment with a total cost of R235,344 (2018:R263,960).

**SUBSEQUENT EVENTS**

There were no material facts or circumstances which have occurred in the Trust's operations between the financial position date and the date of this report.

**TRUSTEES**

The trustees of the trust are :

N J M Roozen	- resigned 30 June 2019
B C A Goossens	- resigned 4 February 2019
M Nkomo	
J. Douglas	- appointed 26 September 2019
W. Matthews	- appointed 26 September 2019

**AUDITORS**

Douglas & Velcich were retained as auditors for the year under review.

THE SOLIDARIDAD NETWORK SA TRUST  
TRUST NUMBER 1419/2012

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2019

	Note	2019 R	2018 R
<b>ASSETS</b>		<b>11 743 528</b>	<b>21 334 574</b>
<b>Non current assets</b>		<b>413 566</b>	<b>369 611</b>
Equipment	3	413 566	369 611
<b>Current assets</b>		<b>11 329 962</b>	<b>20 964 963</b>
Accounts receivable	4	1 312 453	1 041 067
Accrued income	5	502 338	81 245
Amounts due from Solidaridad entities	6	-	1 512 841
Cash and cash equivalents	7	9 497 708	18 312 346
Taxation receivable		17 463	17 463
<b>Total assets</b>		<b>11 743 528</b>	<b>21 334 574</b>
<b>RESERVES AND LIABILITIES</b>		<b>11 743 528</b>	<b>21 334 574</b>
<b>Reserves</b>		<b>1 298 186</b>	<b>3 410 559</b>
Trust capital		100	100
General fund		884 521	3 040 847
Equipment fund		413 566	369 611
Motor vehicle replacement fund		-	-
<b>Current liabilities</b>		<b>10 445 342</b>	<b>17 924 016</b>
Accounts payable	8	4 123 270	7 971 670
Amounts due to Solidaridad entities	9	213 468	1 604 170
Deferred income	10	6 108 604	8 348 176
<b>Total reserves and liabilities</b>		<b>11 743 528</b>	<b>21 334 574</b>

**THE SOLIDARIDAD NETWORK SA TRUST**  
**TRUST NUMBER 1419/2012**

**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 R	2018 R
<b>INCOME</b>		<b>27 013 654</b>	<b>42 036 213</b>
Transfers from related Solidaridad Organisations	11	38 379 316	39 887 375
Net Transfers (to) related Solidaridad Organisations	12	(17 280 477)	(11 967 412)
Grants received	13	4 290 458	12 933 002
Foreign exchange gain		1 434 149	-
Other project income		-	774 017
Other income		32 139	148 952
Interest received	14	158 069	260 279
<b>EXPENDITURE</b>		<b>28 960 647</b>	<b>38 467 632</b>
Advertising and marketing		-	50 895
Assets expensed directly		33 533	29 049
Auditors' remuneration		402 718	165 695
Bank charges		107 703	125 486
Board meeting costs		-	132 746
Communication costs		213 327	195 801
Conference attendance		128 930	86 502
Consulting fees		163 600	-
Foreign exchange loss		-	471 160
Insurance		78 145	27 654
Interest paid	14	-	187
IT support		244 284	338 389
Legal fees		1 339	62 392
Loss on disposal of assets		11 385	-
Office expenses		215 653	143 849
Printing, postage and stationery		54 155	66 415
Programme costs		8 228 796	20 554 372
Rent, water and electricity		906 655	708 789
Repairs and maintenance		41 511	374 830
Salaries and contributions		16 735 210	13 707 803
Staff development and training		145 894	318 584
Strategic planning and capacity building		-	330 307
Travel and accommodation		1 247 810	576 726
<b>(DEFICIT)/SURPLUS FOR THE YEAR</b>		<b>(1 946 993)</b>	<b>3 568 582</b>
<b>TAXATION</b>	15	-	-
<b>(DEFICIT)/SURPLUS AFTER TAXATION</b>		<b>(1 946 993)</b>	<b>3 568 582</b>
<b>OTHER COMPREHENSIVE INCOME</b>		<b>(209 333)</b>	<b>(263 960)</b>
Transfer to the equipment fund - funded assets		(209 333)	(263 960)
<b>COMPREHENSIVE (LOSS)/INCOME</b>		<b>(2 156 327)</b>	<b>3 304 622</b>

THE SOLIDARIDAD NETWORK SA TRUST  
TRUST NUMBER 1419/2012

STATEMENT OF CHANGES IN RESERVES  
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Trust capital R	General fund R	Equipment fund R	Motor Vehicle Replacement fund R	Total R
<b>Restatement of the Balance at 31 December 2017</b>		<b>100</b>	<b>(263 774)</b>	<b>339 689</b>	<b>544 845</b>	<b>620 860</b>
Balance at previously reported		100	303 634	589 933	485 371	1 379 038
Elimination of entries related to Mozambique office		-	(453 438)	(35 794)	59 474	(429 758)
Adjustments made to the 2016 opening balance	20	-	(98 902)	(22 291)	-	(121 193)
Surplus for the 2017 year		-	(374 302)	-	-	(374 302)
Assets purchased for the 2017 year		-	19 766	(19 766)	-	-
Depreciation for the year		-	-	6 263	-	6 263
Expenditure directly to Motor vehicle replacement fund		-	-	-	59 474	59 474
Elimination of entries related to Zambia office		-	(113 970)	(214 452)	-	(328 422)
Surplus for the 2017 year	20	-	(359 179)	-	-	(359 179)
Assets purchased for the 2017 year		-	245 209	(245 209)	-	-
Depreciation for the year		-	-	30 757	-	30 757
Transfer of balances to Mozambique at 1 January 2018		-	-	(96 835)	(544 845)	(641 680)
Equipment transferred at Net book value		-	-	(96 835)	-	(96 835)
Motor vehicle replacement fund		-	-	-	(544 845)	(544 845)
Comprehensive income		-	3 304 622	263 960	-	3 568 582
Net surplus for the year		-	3 568 582	-	-	3 568 582
Transfer to equipment fund - funded assets		-	(263 960)	263 960	-	-
Depreciation for the year		-	-	(137 203)	-	(137 203)
<b>Balance at 31 December 2018</b>		<b>100</b>	<b>3 040 847</b>	<b>369 611</b>	<b>-</b>	<b>3 410 559</b>
Comprehensive (loss)/income		-	(2 156 327)	209 333	-	(1 946 993)
Net (deficit) for the year		-	(1 946 993)	-	-	(1 946 993)
Transfer to equipment fund - funded assets		-	(209 333)	209 333	-	-
Depreciation for the year		-	-	(165 379)	-	(165 379)
<b>Balance at 31 December 2019</b>		<b>100</b>	<b>884 521</b>	<b>413 566</b>	<b>-</b>	<b>1 298 186</b>

**THE SOLIDARIDAD NETWORK SA TRUST**  
**TRUST NUMBER 1419/2012**

**STATEMENT OF CASH FLOWS FOR THE**  
**YEAR ENDED 31 DECEMBER 2019**

	Note	2019 R	2018 R
Cash received from related Solidaridad Organisations		34 731 854	39 835 213
Cash paid to Solidaridad - Mozambique office		(5 852 103)	(4 348 416)
Cash paid to Solidaridad - Network office		(187 431)	(7 618 996)
Cash paid to Solidaridad - Zambia office		(11 240 943)	-
Cash received from Grantors		5 277 256	14 494 986
Cash received from Other project income		32 139	922 969
Cash expended on programmes, suppliers and employees		(31 634 900)	(31 228 253)
<b>Cash (utilised in)/generated from operations</b>	<b>17</b>	<b>(8 874 128)</b>	<b>12 057 503</b>
Interest received	14	158 069	260 279
Interest paid	14	-	(187)
Taxation paid		-	(14 892)
<b>Net cash (outflow)/inflow from operating activities</b>		<b>(8 716 059)</b>	<b>12 302 704</b>
<b>Cash flows (utilised in) investing activities</b>		<b>(220 718)</b>	<b>(263 960)</b>
Acquisition of equipment	3	(235 344)	(263 960)
Assets transferred to Zambia		14 626	-
<b>Cash flows (utilised in) financing activities</b>		<b>122 139</b>	<b>(453 516)</b>
Motor vehicle replacement fund moved to the Mozambique office		-	(544 845)
Net amounts advanced from Solidaridad entities		122 139	91 329
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(8 814 638)</b>	<b>11 585 227</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>18 312 346</b>	<b>6 727 119</b>
<b>Cash and cash equivalents at end of year</b>	<b>7</b>	<b>9 497 708</b>	<b>18 312 346</b>

**THE SOLIDARIDAD NETWORK SA TRUST**  
**TRUST NUMBER 1419/2012**

**NOTES TO ANNUAL THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

**1. ACCOUNTING POLICIES**

The financial statements have been prepared on a going concern basis and in compliance with the International Financial Reporting Standard for Small and Medium-sized entities (IFRS for SMEs) issued by the International Accounting Standards Board. They are presented in South African Rands. The measurement basis used is the historical costs basis, except where otherwise stated in the accounting policies below.

**1.1 Accounting convention**

The trust is registered with the Master of the High Court under the Trust Property Control Act, 1988, and, as such no part of its income or property shall be transferred to its trustees directly or indirectly. All reserves of the trust are consequently non-distributable.

**1.2 Equipment**

The cost of an item of tangible assets is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the trust; and
- the cost of the item can be measured reliably.

Costs include costs incurred initially to acquire or construct an item of tangible assets 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 tangible assets, the carrying amount of the replaced part is derecognised.

Tangible assets are carried at cost less accumulated depreciation and any impairment losses.

Depreciation is provided on all tangible assets other than freehold land, to write down the cost, less residual value, by equal instalments over their useful lives as follows:

<b>Item</b>	<b>Useful life</b>
Computer equipment	3 years
Computer software	2 years
Motor vehicle	5 years
Office equipment	5 years
Office furniture	6 years

The depreciation charge for each period is recognised through the equipment fund, unless it is included in the carrying amount of another asset. The gain or loss arising from the derecognising of an item of equipment is included in the equipment fund when the item is derecognised. The gain or loss arising from the derecognising of an item of equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

THE SOLIDARIDAD NETWORK SA TRUST  
TRUST NUMBER 1419/2012

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR  
THE YEAR ENDED 31 DECEMBER 2019 (Continued)

**1. ACCOUNTING POLICIES (Continued)**

**1.2 Equipment (Continued)**

It is the policy of the trust to write off all asset purchases against the operating fund in the year that the assets are acquired as most income is from funders who request that the assets be expensed in the year of purchase.

This is a deviation from IAS 16, which requires that all asset purchases are capitalised and depreciated. This deviation has been resolved by raising an equipment fund as discussed below. (refer to note 1.5)

**1.3 Financial instruments**

**Measurement**

Financial instruments are initially measured at cost, which includes transaction costs. Subsequent to initial recognition, these instruments are measured as set out below:

**Accounts receivable**

Accounts receivables and accrued income are stated at cost less provision for impairment losses.

**Cash and cash equivalents**

Cash and cash equivalents are measured at fair value.

**Accounts payable**

Accounts payable which are short - term obligations, are stated at their nominal value.

**1.4 Impairment**

The carrying amount of assets are reviewed at financial position date to determine whether there is any indication of impairment. If there is such indication, the assets are written down to the estimated recoverable amounts. The recoverable amount is the higher of the net selling price and the value in use.

**1.5 Equipment fund**

In order that operating reserves reflect assets available to the operations of the trust, an equipment fund is maintained to separate out the funding of such assets.

**THE SOLIDARIDAD NETWORK SA TRUST  
TRUST NUMBER 1419/2012**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR  
THE YEAR ENDED 31 DECEMBER 2019 (Continued)**

**1. ACCOUNTING POLICIES (Continued)**

**1.5 Equipment fund (Continued)**

The mechanism whereby this fund is maintained at a value equal to the carrying value of such assets in the statement of financial position is that an amount equal to the cost of equipment acquired be charged against operating income each year and credited to the equipment fund.

Depreciation, and profits or losses on disposal are adjusted annually against the fund.

**1.6 Provisions**

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

**1.7 Income recognition**

Income from grants is generally brought to account in the period to which it relates.

All other income is brought to account as and when received.

**1.8 Interest income**

Interest is brought to account as and when received.

**1.9 Expenditure recognition**

Expenditure is accounted for on the accrual basis.

**1.10 Project accounting and expense allocation**

In terms of its contractual obligations to donors, the trust's policy is to allocate project expenses that are clearly identifiable as such, directly against project funds. Indirect and shared costs are apportioned on the basis of management estimates.

Accrued and deferred grant income is based on the balance of each project or donor fund after taking into account the direct, indirect and shared costs as described above. The unexpended surplus of the project fund is deferred to the following year or the deficit is accrued in the year under review.

**THE SOLIDARIDAD NETWORK SA TRUST  
TRUST NUMBER 1419/2012**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR  
THE YEAR ENDED 31 DECEMBER 2019 (Continued)**

**1. ACCOUNTING POLICIES (Continued)**

**1.11 Translation of foreign currencies**

The functional currency of Solidaridad Network SA Trust is South African Rands. Translations in foreign currencies are initially recorded in the functional currency using the spot rate at the date of the transaction. Foreign currency monetary items at the reporting date are translated using the closing rate. All exchange differences arising on settlement are recognised in profit or loss.

Transfers from Regional Network Offices are converted at the spot rate on the date the transfers are received.

**1.12 Employee benefits**

**Short-term employee benefits**

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employee renders service that increases their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

THE SOLIDARIDAD NETWORK SA TRUST  
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR  
THE YEAR ENDED 31 DECEMBER 2019 (Continued)

**2. FINANCIAL RISK MANAGEMENT**

**2.1 Financial risk factors**

The trust's activities could expose it to a variety of financial risks: market risk (including fair value interest rate risk), credit risk, liquidity risk and cash flow interest rate risk. The trust's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the trust's financial performance.

Risk management is carried out by the trustees, who evaluate financial risks.

*(a) Market risk*

The trust is exposed to currency risk to the extent that all transfers are received by the trust in foreign currency and the Trust also maintains two foreign currency bank accounts, one designated in Euros and the other in US Dollars.

*(b) Credit risk*

The trust's credit risk is attributable to accounts receivable and liquid funds. The credit risk on liquid funds is limited because the counter party is a bank with credit rating assigned by international credit-rating agencies. The trust has no significant concentration of credit risk.

*(c) Liquidity risk*

Using cash flow forecasting, management maintains adequate levels of cash to fund ongoing obligations.

*(d) Cash flow and fair value interest rate risk*

The trust has minimal exposure to interest rate risk as surplus funds are invested in local interest-bearing accounts.

THE SOLIDARIDAD NETWORK SA TRUST  
TRUST NUMBER 1419/2012

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR  
THE YEAR ENDED 31 DECEMBER 2019 (Continued)

3. EQUIPMENT

31 December 2019

	Computer equipment R	Computer software R	Motor vehicle R	Office equipment R	Office furniture R	Total R
<b>Net book value at 1/1/2019</b>	<b>175 678</b>	<b>9</b>	<b>-</b>	<b>103 673</b>	<b>90 251</b>	<b>369 611</b>
Cost	437 209	37 514	-	159 105	148 345	782 173
Accumulated depreciation	(261 531)	(37 505)	-	(55 432)	(58 094)	(412 562)
Additions for the year	163 821	-	-	34 477	37 046	235 344
Transfer to Zambia Office	(11 938)	-	-	(2 688)	-	(14 626)
Cost	(26 172)	-	-	(3 750)	-	(29 922)
Accumulated depreciation	14 234	-	-	1 063	-	15 296
Disposals for the year	(11 385)	-	-	-	-	(11 385)
Cost	(23 409)	-	-	-	-	(23 409)
Accumulated depreciation	12 024	-	-	-	-	12 024
Depreciation for the year	(105 468)	-	-	(33 035)	(26 876)	(165 379)
<b>Net book value at 31/12/2019</b>	<b>210 707</b>	<b>9</b>	<b>-</b>	<b>102 428</b>	<b>100 421</b>	<b>413 566</b>
Cost	551 449	37 514	-	189 832	185 391	964 187
Accumulated depreciation	(340 741)	(37 505)	-	(87 404)	(84 971)	(550 621)

31 December 2018

<b>Net book value at 1/1/2018</b>	<b>185 193</b>	<b>9</b>	<b>58 181</b>	<b>17 542</b>	<b>78 764</b>	<b>339 688</b>
Cost	377 869	37 514	387 871	47 290	116 774	967 319
Accumulated depreciation	(192 677)	(37 505)	(329 690)	(29 748)	(38 010)	(627 631)
Additions for the year	120 574	-	-	111 815	31 571	263 960
Transfer to Mozambique Office	(38 653)	-	(58 181)	-	-	(96 834)
Cost	(61 234)	-	(387 871)	-	-	(449 105)
Accumulated depreciation	22 581	-	329 690	-	-	352 272
Depreciation for the year	(91 436)	-	-	(25 683)	(20 084)	(137 203)
<b>Net book value at 31/12/2018</b>	<b>175 678</b>	<b>9</b>	<b>-</b>	<b>103 673</b>	<b>90 251</b>	<b>369 611</b>
Cost	437 209	37 514	-	159 105	148 345	782 173
Accumulated depreciation	(261 531)	(37 505)	-	(55 432)	(58 094)	(412 562)

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	2019 R	2018 R
<b>4. ACCOUNTS RECEIVABLE</b>		
Rental deposit	88 326	35 360
Travel advances	3 649	137 631
Staff loan - M. Nkomo	1 088 865	-
Sundry receivables	69 239	123 247
VAT receivable	62 374	744 829
	<b>1 312 453</b>	<b>1 041 067</b>
<b>5. ACCRUED INCOME</b>		
Solidaridad - Eastern and Central Africa - DSO Continental	81 245	81 245
Solidaridad - Netherlands	421 093	-
PfC Projects	202 598	-
RTRS Certification	218 494	-
	<b>502 338</b>	<b>81 245</b>
<b>6. AMOUNTS DUE FROM SOLIDARIDAD ENTITIES</b>		
Solidaridad - Mozambique office (transfer related to 2019)	-	395 385
Solidaridad - Network	-	158 012
Solidaridad - South America	-	250 407
Solidaridad - West Africa	-	25 033
Solidaridad - Zambia office (transfer related to 2019)	-	684 004
	-	<b>1 512 841</b>
<b>7. CASH AND CASH EQUIVALENTS</b>		
Standard Bank - Foreign Currency (Euros)	4 805 939	12 736 750
Standard Bank - Foreign Currency (US Dollars)	33 234	29 227
Standard Bank - Call account	4 300 225	4 833 663
Standard Bank - Call deposit account	216 238	203 601
Standard Bank - Current account	38 848	431 938
Standard Bank - Credit card accounts	31 235	11 193
Standard Bank - Project bank account	29 654	24 218
Standard Bank - Project bank account	40 283	39 196
Petty cash - Local	1 021	1 528
Petty cash - Foreign	1 031	1 031
	<b>9 497 708</b>	<b>18 312 346</b>
<b>8. ACCOUNTS PAYABLE</b>		
Accruals	3 697 506	7 458 334
Payroll liabilities	412 859	374 291
Travel advances	12 904	139 045
	<b>4 123 270</b>	<b>7 971 670</b>
<b>9. AMOUNTS DUE TO SOLIDARIDAD ENTITIES</b>		
Solidaridad - Eastern and Central Africa	-	1 586 278
Solidaridad - Mozambique office	213 468	-
Other payables	-	17 892
	<b>213 468</b>	<b>1 604 170</b>

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR**  
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**10. DEFERRED INCOME**

	2019 R	2018 R
European Union - DCI-ENV/2017/391377	3 978 555	2 620 205
Netherlands Enterprise Agency - RVO (NL) - FDW 14SA19	-	371 553
Solidaridad - Latin America/Netherlands	2 130 049	5 356 419
Advocacy for Change	752 967	1 024 980
Budget support	-	1 351 075
Farmer Support Programme (FSP)	321 110	334 671
Practice for Change	-	2 610 400
Soilcares/KVUNO	504 257	-
Solidarity After Idai	391 381	-
Climate Dashboard	126 471	-
Sustainable cattle production - Namibia	33 863	35 293
	<b>6 108 604</b>	<b>8 348 176</b>

The deferred funds for the Farmer's Support Programme (FSP) from Solidaridad - Latin America are committed to be paid out to the project partners once the final audits on the programme are concluded.

**11. TRANSFERS FROM RELATED SOLIDARIDAD ORGANISATIONS**

**Advocacy for Change programme**

**12 409 520**

**18 908 444**

Received	12 410 241	16 544 801
Foreign exchange gain/(loss)	(272 734)	-
Less : Accrued in 2017	-	(806 851)
Add: Deferred from 2018	-	4 195 474
Add: Deferred from 2019	1 024 980	(1 024 980)
Less: Deferred to 2020	(752 967)	-

**Farmer Support Programme**

Foreign exchange gain/(loss)	(13 561)	34 053
Add: Deferred from 2018	-	300 618
Add: Deferred from 2019	334 671	(334 671)
Less: Deferred to 2020	(321 110)	-

**Practice for Change programme**

**21 735 139**

**19 659 631**

Received	19 196 197	20 335 286
Foreign exchange gain/(loss)	(274 057)	-
Add: Deferred from 2018	-	1 934 745
Add: Deferred from 2019	2 610 400	(2 610 400)
Add: Accrued in 2019	202 598	-

**Balance carried forward**

**34 144 659**

**38 568 075**

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR  
THE YEAR ENDED 31 DECEMBER 2019 (Continued)

	2019 R	2018 R
<b>11. TRANSFERS FROM RELATED SOLIDARIDAD ORGANISATIONS (Continued)</b>		
Balance brought forward	34 144 659	38 568 075
<b>RTRS Certification</b>	<b>438 887</b>	<b>495 473</b>
Received	221 432	823 826
Foreign exchange gain/(loss)	(1 039)	-
Less: Accrued in 2017	-	(328 353)
Add: Accrued in 2019	218 494	-
<b>Solidaridad Europe - Project Income and cost recoveries</b>	<b>918 546</b>	<b>-</b>
Received	1 311 439	-
Soilcares	784 639	-
Solidarity after Idai	400 329	-
Climate Dashboard	126 471	-
Cost recoveries	632 357	-
Less: Deferred to 2020	(1 025 250)	-
Soilcares	(498 450)	-
Solidarity after Idai	(400 329)	-
Climate Dashboard	(126 471)	-
<b>Solidaridad Network - budget support</b>	<b>2 877 225</b>	<b>823 826</b>
Received	1 582 064	2 174 902
Foreign exchange gain/(loss)	(55 915)	-
Add: Deferred from 2019	1 351 075	(1 351 075)
<b>Sustainable cattle production - Namibia</b>	<b>-</b>	<b>-</b>
Foreign exchange gain/(loss)	(1 430)	3 591
Add: Deferred from 2018	-	31 702
Add: Deferred from 2019	35 293	(35 293)
Less: Deferred to 2020	(33 863)	-
	<b>38 379 316</b>	<b>39 887 375</b>

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR  
THE YEAR ENDED 31 DECEMBER 2019 (Continued)

	2019 R	2018 R
<b>12. NET TRANSFERS (TO) RELATED SOLIDARIDAD ORGANISATIONS</b>		
<b>Mozambique office</b>	<b>(5 852 103)</b>	<b>(4 348 416)</b>
Net Transfer of funds	(5 401 715)	(4 428 457)
Less: Transfer related to 2019	(395 385)	395 385
Expenses paid on behalf of the office	(20 336)	-
Motor vehicle replacement fund reallocated	-	544 845
Reallocation of deferred income	-	(825 724)
Assets purchased for the office and transferred	(34 667)	(34 465)
<b>Zambia office</b>	<b>(11 240 943)</b>	<b>(7 618 996)</b>
Net Transfer of funds	(10 468 030)	(7 680 798)
Less: Transfer related to 2019	(684 004)	684 004
Expenses paid on behalf of the office	(74 283)	-
Assets purchased for the office and transferred	(14 626)	(622 202)
<b>Network</b>	<b>(187 431)</b>	<b>-</b>
Transfers of funds - 2% Contribution	(187 431)	-
<b>Total transfers</b>	<b>(17 280 477)</b>	<b>(11 967 412)</b>
<b>13. GRANTS RECEIVED</b>		
<b>European Union --DCI-ENV/2017/391377</b>	<b>3 918 906</b>	<b>3 629 972</b>
Received	5 277 256	6 549 962
Foreign exchange loss	-	(299 786)
Add: Deferred from 2019	2 620 205	(2 620 205)
Less: Deferred to 2020	(3 978 555)	-
<b>Netherlands Embassy - SIZA Project</b>	<b>-</b>	<b>(390)</b>
Received	-	144 372
Less: Accrued in 2017	-	(144 762)
<b>Netherlands Enterprise Agency - FDOV (NL) SAPSCAF project</b>	<b>-</b>	<b>3 278 573</b>
Funds received	-	4 065 475
Less: Accrued in 2017	-	(786 902)
<b>Balance carried forward</b>	<b>3 918 906</b>	<b>6 908 154</b>

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR  
THE YEAR ENDED 31 DECEMBER 2019 (Continued)

	2019 R	2018 R
<b>13. GRANTS RECEIVED (Continued)</b>		
Balance brought forward	3 918 906	6 908 154
Netherlands Enterprise Agency - RVO (NL) - FDW project	371 553	6 024 848
Funds received	-	4 034 964
Add: Deferred from 2018	-	2 361 437
Add: Deferred from 2019	371 553	(371 553)
	<b>4 290 458</b>	<b>12 933 002</b>
<b>14. NET INTEREST RECEIVED</b>		
Interest received - current account	158 069	260 279
Interest paid - credit card	-	(187)
	<b>158 069</b>	<b>260 092</b>
<b>15. TAXATION</b>		
<b>South African Normal Taxation</b>		
S A normal tax @ 45%	-	-
	-	-
No provision has been made for taxation as the Trust has an estimated taxable (loss) of R213,145 (2018 : R248,756). The Trust is still in the process of applying for tax exemption from South African Normal tax in terms of section 10(1)(cN) as read with Section 30 of the Income Tax Act, but to date has been unsuccessful.		
<b>Taxation computation</b>		
Net (deficit)/surplus per statement of comprehensive income	(1 946 993)	3 568 582
<b>Net taxable (loss)/income</b>	<b>(1 946 993)</b>	<b>3 568 582</b>
Less: depreciation	(165 379)	(137 203)
Less: adjustment for apportionment of expenditure against income of a capital nature	2 147 992	(3 421 880)
Less: deferral of unrealised foreign exchange (gain)/loss	-	-
<b>Estimated taxable income</b>	<b>35 620</b>	<b>9 498</b>
<b>Taxable (loss) brought forward</b>	<b>(248 765)</b>	<b>(258 263)</b>
<b>Total taxable (loss)</b>	<b>(213 145)</b>	<b>(248 765)</b>

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	2019 R	2018 R
<b>16. COMMITMENTS</b>		
The trust has the following commitment in respect of rental agreement covering office premises as follows :		
Operating lease - premises		
Payable within one year	741 253	827 878
Payable thereafter	840 458	1 103 838
	<b>1 581 711</b>	<b>1 931 716</b>
<b>17. CASH (UTILISED IN)/GENERATED FROM OPERATIONS</b>		
(Deficit)/surplus for the year	(1 946 993)	3 568 582
Adjusted for :		
Interest received	(158 069)	(260 279)
Interest paid	-	187
Loss on disposal of assets	11 385	-
(Increase)/decrease in accrued income	(421 093)	1 985 623
(Decrease) in deferred income	(2 239 572)	(475 800)
<b>Operating (deficit)/surplus before working capital changes</b>	<b>(4 754 342)</b>	<b>4 818 312</b>
<b>Working capital changes</b>	<b>(4 119 786)</b>	<b>7 239 191</b>
(Increase)/decrease in accounts receivable	(271 386)	786 230
(Decrease)/increase in accounts payable	(3 848 400)	6 452 961
	<b>(8 874 128)</b>	<b>12 057 503</b>
<b>18. RELATED PARTIES</b>		
<b>Transfers from network and other regional offices</b>		
Transfers from Solidaridad Network - Netherlands (refer note 11)	1 582 064	2 174 902
Transfers from Solidaridad - Latin America/Netherlands (refer Note 11)	33 771 666	37 703 913
	<b>35 353 730</b>	<b>39 878 815</b>
<b>Accrued income</b>		
Transfers from Solidaridad - Eastern and Central Africa (refer note 5)	81 245	81 245
Transfers from Solidaridad - Latin America/Netherlands (refer note 5)	421 093	-
	<b>502 338</b>	<b>81 245</b>
<b>Deferred income</b>		
Transfers from Solidaridad - Latin America/Netherlands (refer Note 10)	<b>2 130 049</b>	<b>5 356 419</b>

**19. GOING CONCERN**

The existence of the trust is dependent on the continued support of its donors, by way of grants. Should the grants be withdrawn it is highly unlikely that the trust will be able to continue as a going concern. Donors have agreed to continue supporting the trust in 2020.

THE SOLIDARIDAD NETWORK SA TRUST  
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR  
THE YEAR ENDED 31 DECEMBER 2019 (Continued)

20. PRIOR YEAR ADJUSTMENT - 2017

Relates to a decision by the Solidaridad Network to reflect the operations of the Regional Offices for the Mozambique and Zambia offices as stand only entities from the 1<sup>st</sup> January 2018. It was decided to adjust the South Africa comparatives to reflect the financial performances of the various offices in the Southern African region for the 2017 year.

The inter offices loan balances have also been eliminated as the transfers in the 2017 year will not be recovered from the Mozambique and Zambia offices as these funds were utilised to fund the activities of each office.

Impact on the 2017 Annual Financial Statements :-

	As previously stated 31/12/2017	Mozambique Office	Zambia Office	Restated 31/12/2017
<b>Statement of comprehensive income</b>				
<b>Income</b>	<b>38 498 156</b>	<b>4 211 306</b>	<b>3 121 769</b>	<b>31 165 081</b>
Transfer from Solidaridad Organisations	14 930 910	-	-	14 930 910
Transfers to Regional Offices	-	3 440 805	3 106 353	(6 547 158)
Grants received	22 572 935	770 501	-	21 802 434
Other income	994 311	-	15 416	978 895
<b>Expenditure</b>	<b>(40 444 145)</b>	<b>(3 837 004)</b>	<b>(2 762 590)</b>	<b>(33 844 551)</b>
Operating costs	14 677 584	2 708 952	2 008 234	9 960 398
Programme costs	25 766 561	1 128 052	754 356	23 884 153
<b>(Deficit)/surplus for the year</b>	<b>(1 945 989)</b>	<b>374 302</b>	<b>359 179</b>	<b>(2 679 470)</b>
<b>Taxation</b>	<b>(20 487)</b>	<b>-</b>	<b>-</b>	<b>(20 487)</b>
<b>(Deficit)/surplus for the year after taxation</b>	<b>(1 966 476)</b>	<b>374 302</b>	<b>359 179</b>	<b>(2 699 957)</b>

Statement of changes in reserves

<b>Balance of reserves @ 1 January 2017</b>	<b>3 637 223</b>	<b>121 194</b>	<b>-</b>	<b>3 516 029</b>
(Deficit)/surplus for the year after taxation	(1 966 476)	374 302	359 179	(2 699 957)
Depreciation for the year	(226 648)	(6 263)	(30 757)	(189 628)
Expenditure directly to M/V replacement	(65 061)	(59 474)	-	(5 587)
<b>Balance of reserves @ 31 December 2017</b>	<b>1 379 038</b>	<b>429 759</b>	<b>328 422</b>	<b>620 857</b>

Statement of financial position

<b>Total assets</b>	<b>11 825 106</b>	<b>450 647</b>	<b>410 917</b>	<b>10 963 542</b>
Equipment	589 933	35 794	214 452	339 687
Accounts receivable	1 887 738	3 108	57 333	1 827 297
Accrued income	2 066 868	-	-	2 066 868
Cash and cash equivalents	7 277 996	411 745	139 132	6 727 119
Taxation receivable	2 571	-	-	2 571
<b>Total assets</b>	<b>11 825 106</b>	<b>450 647</b>	<b>410 917</b>	<b>10 963 542</b>
<b>Reserves and liabilities</b>				
<b>Reserves</b>	<b>1 379 038</b>	<b>429 759</b>	<b>328 422</b>	<b>620 857</b>
<b>Total liabilities</b>	<b>10 446 068</b>	<b>20 888</b>	<b>82 495</b>	<b>10 342 685</b>
Accounts payable	1 612 383	11 179	82 495	1 518 709
Deferred income	8 833 685	9 709	-	8 823 976
<b>Total reserves and liabilities</b>	<b>11 825 106</b>	<b>450 647</b>	<b>410 917</b>	<b>10 963 542</b>