

**THE SOLIDARIDAD NETWORK SA TRUST**

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

**ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31 DECEMBER 2018**

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

Annual Financial Statements for the year ended 31 December 2018

**General Information**

**Country of  
incorporation and  
domicile**

South Africa

**Nature of business  
and principal  
activities**

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.

**Trustees**

The following trustees held office for the year under review:-

**Name**

N J M Roozen  
B C A Goossens  
M Nkomo

**Legal form**

Non Profit Trust

**Registration numbers**

Trust registration  
NPO registration no.

1419/2012  
148-926 NPO

**Registered office and  
business address**

25 Sturdee Avenue  
Rosebank  
Johannesburg  
2196

**Website address**

[solidaridadnetwork.org](http://solidaridadnetwork.org)

**Principal Bankers**

Standard Bank of South Africa Limited.

**Preparer**

The annual financial statements were internally prepared by W Matthews.

**Level of assurance**

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**

**INDEX TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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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 2018**

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.

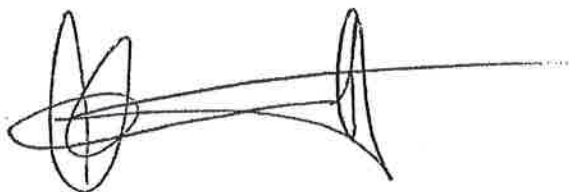
The trustees are of the opinion, based on the information and explanations given by management, that the system of internal controls provides reasonable assurance that the financial records may be relied on for the presentation of the financial statements. However, any system of internal financial control 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 2019 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 18<sup>th</sup> April 2019 and were signed on its behalf by:



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P O BOX 32707  
BRAAMFONTEIN  
2017  
SOUTH AFRICA

TEL (011) 403 3835  
FAX (011) 339 7762

## **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 2018, 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 2018, 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.



**DC Douglas  
Douglas & Velcich  
Chartered Accountants (S.A.)  
Registered Accountants and Auditors**

**Johannesburg  
10 May 2019**

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

**REPORT OF THE TRUSTEES FOR THE  
YEAR ENDED 31 DECEMBER 2018**

The trustees present their report, together with the annual financial statements of the trust for the financial year ended 31 December 2018.

**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

**EQUIPMENT**

During the year under review, the Trust purchased equipment with a total cost of R263,960 (2017:R189,355).

**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

B C A Goossens

M Nkomo

- appointed 3 October 2018

**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 2018

	Note	2018 R	*Restated 2017 R
<b>ASSETS</b>		<b>21 334 574</b>	<b>10 963 544</b>
<b>Non current assets</b>		<b>369 611</b>	<b>339 689</b>
Equipment	3	369 611	339 689
<b>Current assets</b>		<b>20 964 963</b>	<b>10 623 855</b>
Accounts receivable	4	1 041 067	1 827 297
Accrued income	5	81 245	2 066 868
Amounts due from Solidaridad entities	6	1 512 841	-
Cash and cash equivalents	7	18 312 346	6 727 119
Taxation receivable		17 463	2 571
<b>Total assets</b>		<b>21 334 574</b>	<b>10 963 544</b>
<b>RESERVES AND LIABILITIES</b>		<b>21 334 574</b>	<b>10 963 544</b>
<b>Reserves</b>		<b>3 410 559</b>	<b>620 859</b>
Trust capital		100	100
General fund		3 040 847	(263 775)
Programme funds		-	-
Equipment fund		369 611	339 689
Motor vehicle replacement fund		-	544 845
<b>Current liabilities</b>		<b>17 924 016</b>	<b>10 342 685</b>
Accounts payable	8	7 971 670	1 518 709
Amounts due to Solidaridad entities	9	1 604 170	-
Deferred income	10	8 348 176	8 823 976
<b>Total reserves and liabilities</b>		<b>21 334 574</b>	<b>10 963 544</b>

\* Refer to note 20.

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

**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 R	*Restated 2017 R
<b>INCOME</b>		<b>42 036 213</b>	<b>31 180 497</b>
Transfers from related Solidaridad Organisations	11	39 887 375	14 930 910
Transfers (to) related Solidaridad Organisations	12	(11 967 412)	(6 547 158)
Grants received	13	12 933 002	21 802 434
Other project income		774 017	890 639
Other income		148 952	-
Interest received	14	260 279	103 672
<b>EXPENDITURE</b>		<b>38 467 632</b>	<b>33 859 967</b>
Advertising and marketing		50 895	49 482
Assets expensed directly		29 049	15 008
Auditors' remuneration		165 695	198 655
Bank charges		125 486	123 588
Board meeting costs		132 746	52 433
Communication costs		195 801	112 647
Conference attendance		86 502	27 386
Consulting fees		-	348 120
Foreign exchange loss		471 160	204 408
Insurance		27 654	12 387
Interest paid	14	187	-
IT support		338 389	42 195
Legal fees		62 392	-
Office expenses		143 849	30 860
Printing, postage and stationery		66 415	57 205
Programme costs		20 554 372	23 884 153
Rent, water and electricity		708 789	461 281
Repairs and maintenance		374 830	16 076
Salaries and contributions		13 707 803	7 523 655
Staff development and training		318 584	-
Staff recruitment		-	285 714
Strategic planning and capacity building		330 307	161 481
Travel and accommodation		576 726	253 233
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>3 568 582</b>	<b>(2 679 470)</b>
<b>TAXATION</b>	15	-	<b>(20 487)</b>
<b>SURPLUS/(DEFICIT) AFTER TAXATION</b>		<b>3 568 582</b>	<b>(2 699 957)</b>
<b>OTHER COMPREHENSIVE INCOME</b>		<b>(263 960)</b>	<b>(189 353)</b>
Transfer to the equipment fund - funded assets		<b>(263 960)</b>	<b>(189 353)</b>
<b>COMPREHENSIVE INCOME/(LOSS)</b>		<b>3 304 622</b>	<b>(2 889 310)</b>

\* Refer to note 20.

STATEMENT OF CHANGES IN RESERVES  
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Trust capital R	General fund R	Programme funds R	Equipment fund R	Motor Vehicle Replacement fund R	Total R
<b>Restatement of the Balance at 31 December 2016</b>	<b>20</b>	<b>100</b>	<b>2 575 702</b>	<b>49 834</b>	<b>339 964</b>	<b>550 432</b>	<b>3 516 032</b>
Balance at previously reported		100	2 674 604	49 834	362 253	550 432	3 637 223
Reflecting the retained income in Mozambique office		-	(98 902)	-	-	-	(98 902)
Reflected assets in Mozambique office		-	-	-	(22 289)	-	(22 289)
Comprehensive (loss)		-	(2 354 855)	(534 455)	189 353	-	(2 699 957)
Net (deficit) for the year		-	(2 165 502)	(534 455)	-	-	(2 699 957)
Transfer to equipment fund - funded assets		-	(189 353)	-	189 353	-	-
Depreciation for the year		-	-	-	(189 628)	-	(189 628)
Transfer (from) general fund		-	(484 621)	484 621	-	-	-
Expenditure directly to the fund		-	-	-	-	(5 587)	(5 587)
<b>Restatement of the Balance at 31 December 2017</b>	<b>20</b>	<b>100</b>	<b>(263 774)</b>	<b>-</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		-	(98 902)	-	(22 291)	-	(121 193)
Surplus for the 2017 year		-	(374 302)	-	(19 766)	-	(374 302)
Assets purchased for the 2017 year		-	19 766	-	6 263	-	6 263
Depreciation for the year		-	-	-	-	59 474	59 474
Expenditure directly to Motor vehicle replacement fund		-	-	-	(214 452)	-	(328 422)
Elimination of entries related to Zambia office		-	(113 970)	-	(245 209)	-	(359 179)
Surplus for the 2017 year		-	(359 179)	-	30 757	-	-
Assets purchased for the 2017 year		-	245 209	-	-	-	-
Depreciation for the year		-	-	-	-	-	-
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>-</b>	<b>369 611</b>	<b>-</b>	<b>3 410 559</b>

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

**STATEMENT OF CASH FLOWS FOR THE**  
**YEAR ENDED 31 DECEMBER 2018**

		<b>2018</b>	<b>*Restated</b>
	<b>Note</b>	<b>R</b>	<b>2017</b>
		<b>R</b>	<b>R</b>
Cash received from related Solidaridad Organisations		39 835 213	18 095 678
Cash paid to Solidaridad - Mozambique office		(4 348 416)	(3 411 247)
Cash paid to Solidaridad - Zambia office		(7 618 996)	(3 106 353)
Cash received from Grantors		14 494 986	9 748 987
Cash received from Other project income		922 969	1 625 442
Cash expended on programmes, suppliers and employees		(31 228 253)	(33 841 759)
<b>Cash generated from/(utilised in) operations</b>	<b>17</b>	<b>12 057 503</b>	<b>(10 889 252)</b>
Interest received	<b>14</b>	260 279	103 672
Interest paid	<b>14</b>	(187)	-
Taxation paid		(14 892)	(13 568)
<b>Net cash inflow/(outflow) from operating activities</b>		<b>12 302 704</b>	<b>(10 799 148)</b>
<b>Cash flows (utilised in) investing activities</b>		<b>(263 960)</b>	<b>(189 355)</b>
Acquisition of equipment	<b>3</b>	(263 960)	(189 355)
<b>Cash flows (utilised in)/generated from financing activities</b>		<b>(453 516)</b>	<b>(296 961)</b>
Motor vehicle replacement fund moved to the Mozambique office		(544 845)	-
Net amounts advanced from Solidaridad entities		91 329	-
Surplus funds advanced on managed funds - ICCO		-	(296 961)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>11 585 227</b>	<b>(11 285 464)</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>6 727 119</b>	<b>18 012 583</b>
<b>Cash and cash equivalents at end of year</b>	<b>7</b>	<b>18 312 346</b>	<b>6 727 119</b>

\* Refer to note 20.

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

**NOTES TO ANNUAL THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**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 2018 (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 2018 (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 2018 (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  
TRUST NUMBER 1419/2012

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR  
THE YEAR ENDED 31 DECEMBER 2018 (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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR  
THE YEAR ENDED 31 DECEMBER 2018 (Continued)

3. EQUIPMENT

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)

31 December 2017

<b>Net book value at 1/1/2017</b>	<b>84 213</b>	<b>3 799</b>	<b>135 755</b>	<b>23 425</b>	<b>92 769</b>	<b>339 962</b>
Cost	191 527	37 514	387 871	45 238	115 814	777 964
Accumulated depreciation	(107 314)	(33 715)	(252 116)	(21 813)	(23 045)	(438 003)
Additions for the year	186 342	-	-	2 052	960	189 355
Depreciation for the year	(85 363)	(3 790)	(77 574)	(7 935)	(14 965)	(189 628)
<b>Net book value at 31/12/2017</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)

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR  
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	2018 R	2017 R
<b>4. ACCOUNTS RECEIVABLE</b>		
Rental deposit	35 360	34 426
Travel advances	137 631	84 630
Zambian Country Office advance	-	54 510
Sundry receivables	123 247	924 362
VAT receivable	744 829	729 369
	<b>1 041 067</b>	<b>1 827 297</b>
<b>5. ACCRUED INCOME</b>		
Netherlands Embassy - SIZA project	-	144 762
Netherlands Enterprise Agency - FDOV (NL) - SAPSCAF project	-	786 902
Solidaridad - Eastern and Central Africa - DSO Continental	81 245	72 979
Solidaridad - Latin America/Netherlands	-	1 062 225
DSO - Global Livestock	-	733 872
RTRS Certification	-	328 353
	<b>81 245</b>	<b>2 066 868</b>
<b>6. AMOUNTS DUE FROM SOLIDARIDAD ENTITIES</b>		
Solidaridad - Mozambique office (transfer related to 2019)	684 004	-
Solidaridad - Network	158 012	-
Solidaridad - South America	250 407	-
Solidaridad - West Africa	25 033	-
Solidaridad - Zambia office (transfer related to 2019)	395 385	-
	<b>1 512 841</b>	-
<b>7. CASH AND CASH EQUIVALENTS</b>		
Standard Bank - Foreign Currency (Euros)	12 736 750	4 499 483
Standard Bank - Foreign Currency (US Dollars)	29 227	29 227
Standard Bank - Call account	4 833 663	1 846 562
Standard Bank - Call deposit account	203 601	176 732
Standard Bank - Current account	431 938	73 872
Standard Bank - Credit card accounts	11 193	20 571
Standard Bank - Project bank account	24 218	26 199
Standard Bank - Project bank account	39 196	53 179
Petty cash - Local	1 528	263
Petty cash - Foreign	1 031	1 031
	<b>18 312 346</b>	<b>6 727 119</b>
<b>8. ACCOUNTS PAYABLE</b>		
Accruals	7 458 334	1 518 709
Payroll liabilities	374 291	-
Travel advances	139 045	-
	<b>7 971 670</b>	<b>1 518 709</b>
<b>9. AMOUNTS DUE TO SOLIDARIDAD ENTITIES</b>		
Solidaridad - Eastern and Central Africa	1 586 278	-
Other payables	17 892	-
	<b>1 604 170</b>	-

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

	2018 R	2017 R
European Union - DCI-ENV/2017/391377	2 620 205	-
Netherlands Enterprise Agency - RVO (NL) - FDW 14SA19	371 553	2 361 437
Solidaridad - Latin America/Netherlands	5 356 419	6 462 539
Advocacy for Change	1 024 980	4 195 474
Budget support	1 351 075	-
Farmer Support Programme (FSP)	334 671	300 618
Practice for Change	2 610 400	1 934 745
Sustainable cattle production - Namibia	35 293	31 702
	<b>8 348 176</b>	<b>8 823 976</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**

<b>Advocacy for Change programme</b>	<b>18 908 444</b>	<b>7 209 922</b>
Received	16 544 801	8 626 144
Foreign exchange gain/(loss)	-	15 817
Less : Accrued in 2016	-	(422 092)
Less : Accrued in 2017	(806 851)	806 851
Add : Deferred from 2016	-	2 378 676
Less : Deferred to 2018	4 195 474	(4 195 474)
Less : Deferred to 2019	(1 024 980)	-
<b>BCI Cotton</b>	<b>-</b>	<b>94 623</b>
Received	-	103 457
Foreign exchange (loss)	-	(8 834)
<b>Farmer Support Programme</b>	<b>-</b>	<b>-</b>
Foreign exchange gain/(loss)	34 053	8 564
Less : Deferred to 2017	-	292 054
Less : Deferred to 2018	300 618	(300 618)
Less : Deferred to 2019	(334 671)	-
<b>Practice for Change programme</b>	<b>19 659 631</b>	<b>5 981 166</b>
Received	20 335 286	8 142 546
Foreign exchange gain/(loss)	-	(226 635)
Less : Deferred to 2018	1 934 745	(1 934 745)
Less : Deferred to 2019	(2 610 400)	-
<b>Balance carried forward</b>	<b>38 568 075</b>	<b>13 285 711</b>

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR  
THE YEAR ENDED 31 DECEMBER 2018 (Continued)

	2018 R	2017 R
<b>11. TRANSFERS FROM RELATED SOLIDARIDAD ORGANISATIONS (Continued)</b>		
Balance brought forward	38 568 075	13 285 711
<b>RTRS Certification</b>	<b>495 473</b>	<b>865 529</b>
Received	823 826	569 341
Foreign exchange gain/(loss)	-	84 705
Add : Accrued in 2016	-	(116 870)
Add : Accrued in 2017	(328 353)	328 353
<b>Solidaridad Network - budget support</b>	<b>823 826</b>	<b>779 670</b>
Received	2 174 902	779 670
Less : Deferred to 2019	(1 351 075)	-
<b>Sustainable cattle production - Namibia</b>	<b>-</b>	<b>-</b>
Foreign exchange gain/(loss)	3 591	903
Less : Deferred to 2017	-	30 799
Less : Deferred to 2018	31 702	(31 702)
Less : Deferred to 2019	(35 293)	-
	<b>39 887 375</b>	<b>14 930 910</b>
<b>12. TRANSFERS (TO) RELATED SOLIDARIDAD ORGANISATIONS</b>		
<b>Mozambique office</b>	<b>(4 348 416)</b>	<b>(3 440 805)</b>
Transfers of funds	(4 428 457)	(1 936 681)
Less : Transfer related to 2019	395 385	-
Expenses paid on behalf of the office	-	(1 504 124)
Motor vehicle replacement fund reallocated	544 845	-
Reallocation of deferred income	(825 724)	-
Assets purchased for the office and transferred	(34 465)	-
<b>Zambia office</b>	<b>(7 618 996)</b>	<b>(3 106 353)</b>
Transfers of funds	(7 680 798)	(2 098 949)
Less : Transfer related to 2019	684 004	-
Expenses paid on behalf of the office	-	(979 640)
Assets purchased for the office and transferred	(622 202)	(27 764)
<b>Total transfers</b>	<b>(11 967 412)</b>	<b>(6 547 158)</b>

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR**  
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	2018 R	2017 R
<b>13. GRANTS RECEIVED</b>		
<b>Cotton SA</b>	-	355 524
Received	-	178 603
Less : Deferred to 2017	-	176 921
<b>Deciduous Fruit Producers Trust - SIZA Project</b>	-	286 229
Less : Deferred to 2017	-	286 229
<b>European Union - DCI-ENV/2017/391377</b>	3 629 972	-
Received	6 549 962	-
Foreign exchange loss	(299 786)	-
Less : Deferred to 2019	(2 620 205)	-
<b>ICCO Southern Africa</b>	-	907 486
Received	-	1 968 081
Foreign exchange (loss)	-	81 397
Add : Accrued in 2016	-	(1 141 992)
<b>Netherlands Embassy - SIZA Project</b>	(390)	1 482 817
Received	144 372	937 838
Add : Accrued in 2017	(144 762)	144 762
Less : Deferred to 2017	-	400 217
<b>Netherlands Enterprise Agency - FDOV (NL) SAPSCAF project</b>	3 278 573	6 648 875
Funds received	4 065 475	6 265 292
Foreign exchange (loss)/gain	-	(235 135)
Add : Accrued in 2016	-	(972 512)
Add : Accrued in 2017	(786 902)	786 902
Less : Deferred to 2017	-	804 328
<b>Netherlands Enterprise Agency - RVO (NL) - FDW project</b>	6 024 848	12 121 503
Funds received	4 034 964	-
Foreign exchange gain/(loss)	-	582 470
Less : Deferred to 2017	-	13 900 470
Less : Deferred to 2018	2 361 437	(2 361 437)
Less : Deferred to 2019	(371 553)	-
	<b>12 933 002</b>	<b>21 802 434</b>

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	2018 R	2017 R
<b>14. NET INTEREST RECEIVED</b>		
Interest received - current account	260 279	103 672
Interest paid - credit card	(187)	-
	<u>260 092</u>	<u>103 672</u>

**15. TAXATION**

**South African Normal Taxation**

S A normal tax @ 45%/41%	-	-
Underprovision in the 2016 year	-	8 951
Underprovision in the prior years	-	11 536
	<u>-</u>	<u>20 487</u>

No provision has been made for taxation as the Trust has an estimated taxable (loss) of R248,765. 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.

**Taxation computation**

Net surplus/(deficit) per statement of comprehensive income	3 568 582	(1 945 989)
<b>Net taxable income/(loss)</b>	<u>3 568 582</u>	<u>(1 945 989)</u>
Less: depreciation	(137 203)	(226 648)
Less: adjustment for apportionment of expenditure against income of a capital nature	(3 421 880)	1 914 374
Less: deferral of unrealised foreign exchange (gain)/loss	-	-
<b>Estimated taxable income/(loss)</b>	<u>9 498</u>	<u>(258 263)</u>
<b>Taxable (loss) brought forward</b>	<u>(258 263)</u>	-
<b>Total taxable (loss)</b>	<u>(248 765)</u>	<u>(258 263)</u>

**16. COMMITMENTS**

The trust has the following commitment in respect of rental agreement covering office premises as follows :

**Operating lease - premises**

Payable within one year	827 878	486 750
Payable thereafter	1 103 838	129 150
	<u>1 931 716</u>	<u>615 900</u>

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	2018 R	2017 R
<b>17. CASH GENERATED FROM/(UTILISED IN) OPERATIONS</b>		
Surplus/(deficit) for the year	3 568 582	(2 679 469)
Adjusted for :		
Interest received	(260 279)	(103 672)
Interest paid	187	-
Decrease in accrued income	1 985 623	1 336 817
(Decrease) in deferred income	(475 800)	(9 445 718)
Expenditure directly incurred in motor vehicle replacement fund	-	(5 587)
<b>Operating surplus/(deficit) before working capital changes</b>	<b>4 818 312</b>	<b>(10 897 629)</b>
<b>Working capital changes</b>	<b>7 239 191</b>	<b>8 377</b>
Decrease/(increase) in accounts receivable	786 230	(928 233)
Increase in accounts payable	6 452 961	936 610
	<b>12 057 503</b>	<b>(10 889 252)</b>
<b>18. RELATED PARTIES</b>		
<b>Transfers from network and other regional offices</b>		
Transfers from Solidaridad Network - Netherlands (refer note 11)	2 174 902	779 670
Transfers from Solidaridad - Eastern and Central Africa (refer Note 11)	-	985 448
Transfers from Solidaridad - Latin America/Netherlands (refer Note 11)	37 703 913	16 456 040
	<b>39 878 815</b>	<b>18 221 158</b>
<b>Accrued income</b>		
Transfers from Solidaridad - Eastern and Central Africa (refer note 5)	81 245	72 979
Transfers from Solidaridad - Latin America/Netherlands (refer note 5)	-	1 062 225
	<b>81 245</b>	<b>1 135 204</b>
<b>Deferred income</b>		
Transfers from Solidaridad - Latin America/Netherlands (refer Note 10)	<b>5 356 419</b>	<b>6 462 539</b>
<b>19. GOING CONCERN</b>		
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 2019.		

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR  
THE YEAR ENDED 31 DECEMBER 2018 (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>
<b>Statement of changes in reserves</b>				
<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>
<b>Statement of financial position</b>				
<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>