

**LIMA RURAL DEVELOPMENT FOUNDATION
(ASSOCIATION INCORPORATED UNDER SECTION 21)
(Registration Number : 1988/007392/08)**

**ANNUAL FINANCIAL STATEMENTS
for the year ended**

28 FEBRUARY 2011

**LIMA RURAL DEVELOPMENT FOUNDATION
(ASSOCIATION INCORPORATED UNDER SECTION 21)**

ANNUAL FINANCIAL STATEMENTS
for the year ended 28 February 2011


APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The directors are responsible for the preparation and integrity of the annual financial statements and related financial information. The company's external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice and incorporate disclosure in line with the accounting policies of the company. The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. The directors are of the opinion, based on any information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The annual financial statements, set out on pages 5 to 25 which have been prepared on the going concern basis, were approved by the directors and signed on their behalf by:


D A STEWART


N V SIBEKO

**LIMA RURAL DEVELOPMENT FOUNDATION
(ASSOCIATION INCORPORATED UNDER SECTION 21)**

ANNUAL FINANCIAL STATEMENTS
for the year ended 28 February 2011

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**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
LIMA RURAL DEVELOPMENT FOUNDATION (ASSOCIATION INCORPORATED
UNDER SECTION 21)****Report on the Annual Financial Statements**

We have audited the accompanying annual financial statements of Lima Rural Development Foundation (Association incorporated under section 21), which comprise the statement of financial position as at 28 February 2011, and the statement of compressive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes and directors report, as set out on pages 5 to 25.

Director's Responsibility for the Annual Financial Statements

The company's directors are responsible for the preparation and the fair presentation of these annual financial statements in accordance with South African Statements of Generally Accepted Accounting Practice and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these annual financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the annual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the annual financial statements.

**REGISTERED AUDITORS
CHARTERED ACCOUNTANTS (SA)**

PRACTICE NUMBER 959782
COMPANY REGISTRATION NUMBER 2001/001683/21

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**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
LIMA RURAL DEVELOPMENT FOUNDATION (ASSOCIATION INCORPORATED
UNDER SECTION 21) (continued)**

Opinion

In our opinion the annual financial statements give a true and fair view of the financial position of Lima Rural Development Foundation (Association incorporated under section 21) as of 28 February 2011, and of its financial performance and its cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice and in the manner required by the Companies Act of South Africa.

Accounting and Secretarial Duties

With the written consent of all members, we have performed certain accounting and secretarial duties.

Supplementary Information

The supplementary schedule set out on pages 26 to 27 does not form part of the annual financial statements and are presented solely for the shareholders' information. Accordingly, we do not express an opinion on those schedules.

Mitchells'

I L Glass
Registered Auditor

12 AUGUST 2011

**LIMA RURAL DEVELOPMENT FOUNDATION
(ASSOCIATION INCORPORATED UNDER SECTION 21)**

**DIRECTORS' REPORT
for the year ended 28 February 2011**

The directors have pleasure in presenting their report for the year ended 28 February 2011.

Nature of operations

The company is a non-profit organisation. The main business of the foundation is to provide agricultural extension services to rural farmers and to provide advisory services to institutions and individuals with regard to rural development activities and to facilitate these activities.

Share capital

The company is incorporated under Section 21 of the Companies Act of South Africa and has no share capital.

Operating results

The company's profit before taxation for the year was R2 122 866 (2010: R2 435 681).

Events After Reporting Date

No material fact or circumstance has occurred between the reporting date and the date of this report.

Directors

The following persons acted as directors during the year:

Duncan Andrew Stewart (Managing), Ntombifuthi Victoria Sibeko (Executive),
John Peter Rutsch (Non-executive) and Nqe Jacob Dlamini (Non-executive)

Secretary

The company has not appointed a secretary.

Country of Incorporation

The company is incorporated in the Republic of South Africa under registration number 1988/007392/08.

Registered Office

219 Hoosen Haffejee Street, Pietermaritzburg, 3201.

**LIMA RURAL DEVELOPMENT FOUNDATION
(ASSOCIATION INCORPORATED UNDER SECTION 21)**

**STATEMENT OF FINANCIAL POSITION
at 28 February 2011**

	Notes	2011 R	2010 R
ASSETS			
NON-CURRENT ASSETS		5 908 171	4 350 947
Property, plant and equipment	2	5 908 171	4 350 947
CURRENT ASSETS		4 204 830	3 622 799
Trade and other receivables	3	3 827 421	2 838 019
Cash and cash equivalents	4	377 409	784 780
		<u>10 113 001</u>	<u>7 973 746</u>
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES		5 084 172	2 283 562
Retained earnings		5 084 172	2 283 562
NON-CURRENT LIABILITIES		1 570 286	1 459 012
Deferred taxation	5	-	121 824
Interest bearing borrowings	6	1 570 286	1 337 188
CURRENT LIABILITIES		3 458 543	4 231 172
Cash and cash equivalents	4	19 328	106 795
Current portion of long term liabilities	6	1 673 445	1 462 047
Provisions	7	318 228	201 958
Trade and other payables	8	1 199 143	1 724 158
SARS - VAT		248 399	180 292
SARS - Taxation payable		-	555 922
		<u>10 113 001</u>	<u>7 973 746</u>

**LIMA RURAL DEVELOPMENT FOUNDATION
(ASSOCIATION INCORPORATED UNDER SECTION 21)**

**STATEMENT OF COMPREHENSIVE INCOME
for the year ended 28 February 2011**

	Notes	2011 R	2010 R
REVENUE	9	26 303 216	27 698 522
COST OF SALES/DIRECT PROJECT COSTS		(6 778 847)	(19 741 373)
OPERATING EXPENSES		(16 764 097)	(5 054 120)
ADMINISTRATION EXPENSES		(278 148)	(243 953)
PROFIT FROM OPERATIONS	10	<u>2 482 124</u>	<u>2 659 076</u>
FINANCE COSTS	11	(359 258)	(223 395)
PROFIT before taxation		<u>2 122 866</u>	<u>2 435 681</u>
TAXATION EXPENSE	12	677 744	(695 541)
NET PROFIT for the year		<u>2 800 610</u>	<u>1 740 140</u>
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME for the year		<u><u>2 800 610</u></u>	<u><u>1 740 140</u></u>

**LIMA RURAL DEVELOPMENT FOUNDATION
(ASSOCIATION INCORPORATED UNDER SECTION 21)**

**STATEMENT OF CHANGES IN EQUITY
for the year ended 28 February 2011**

	Retained Earnings R	Total R
BALANCE AT 1 MARCH 2009	543 422	543 422
TOTAL COMPREHENSIVE INCOME for the year	1 740 140	1 740 140
BALANCE AT 28 FEBRUARY 2010	<u>2 283 562</u>	<u>2 283 562</u>
TOTAL COMPREHENSIVE INCOME for the year	2 800 610	2 800 610
BALANCE AT 28 FEBRUARY 2011	<u><u>5 084 172</u></u>	<u><u>5 084 172</u></u>

**LIMA RURAL DEVELOPMENT FOUNDATION
(ASSOCIATION INCORPORATED UNDER SECTION 21)**

**STATEMENT OF CASH FLOWS
for the year ended 28 February 2011**

	Notes	2011 R	2010 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	13	1 584 811	1 511 945
Interest received		15 257	18 224
Interest paid		(359 258)	(223 395)
<i>Net cash inflow from operating activities</i>		1 240 810	1 306 774
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(2 155 180)	(2 817 180)
Proceeds on disposal of property, plant and equipment		149 968	86 909
<i>Net cash outflow from investing activities</i>		(2 005 212)	(2 730 271)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase / (decrease) in non - current liabilities		444 499	2 161 351
<i>Net cash inflow / (outflow) from financing activities</i>		444 499	2 161 351
Net increase / (decrease) in cash and cash equivalents		(319 903)	737 854
Cash and cash equivalents at beginning of year		677 985	(59 869)
Cash and cash equivalents at end of year	4	<u>358 081</u>	<u>677 985</u>

**LIMA RURAL DEVELOPMENT FOUNDATION
(ASSOCIATION INCORPORATED UNDER SECTION 21)**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 28 February 2011**

1. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these annual financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

1.1 Basis of Preparation

The annual financial statements of Lima Rural Development Foundation (Association Incorporated Under Section 21) have been prepared in accordance with the South African Statements of Generally Accepted Accounting Practice. The annual financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss.

The preparation of the annual financial statements in conformity with South Africa Statements of Generally Accepted Accounting Practice requires the use of accounting estimates. It also requires management to exercise judgement in the process of applying the companies accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the notes to the annual financial statements

1.2 Property, Plant and Equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate cost to residual values over the estimated useful lives, as follows:

Motor vehicles	7 years
Computer equipment	3 years
Furniture and fittings	10 years
Tools and equipment	5 years

**LIMA RURAL DEVELOPMENT FOUNDATION
(ASSOCIATION INCORPORATED UNDER SECTION 21)**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 28 February 2011

1. ACCOUNTING POLICIES (continued)

1.2 Property, Plant and Equipment (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount (note 1.3).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and such gains and losses are included in the statement of comprehensive income. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

1.3 Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

1.4 Trade Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the statement of comprehensive income.

**LIMA RURAL DEVELOPMENT FOUNDATION
(ASSOCIATION INCORPORATED UNDER SECTION 21)**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 28 February 2011

1. ACCOUNTING POLICIES (continued)

1.5 Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

1.6 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

1.7 Trade payables

Trade payables are classified as financial liabilities held for trading. These short term amounts are carried at cost which is the fair value of the consideration to be paid in the future for the services rendered.

1.8 Taxation

Current taxation comprises taxation payable calculated on the basis of the taxable income for the year, using the taxation rates enacted at the reporting date, and any adjustment of taxation payable for previous years.

Deferred income tax is provided in full, using the comprehensive liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the annual financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

**LIMA RURAL DEVELOPMENT FOUNDATION
(ASSOCIATION INCORPORATED UNDER SECTION 21)**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 28 February 2011

1. ACCOUNTING POLICIES (continued)

1.9 Provisions

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

1.10 Revenue recognition

Revenue comprises the invoiced value of sales in respect of manufacturing and trading operations and investment income but excludes other non-operating income and value added tax.

Revenue arises from the following transactions and events:

- a) The rendering of services.
- b) The use by others of enterprise assets yielding interest.

Revenue is recognised when the following criteria are satisfied:

- a) It is probable that the economic benefit associated with the transaction will flow to the enterprise and;
- b) The amount of the revenue can be measured reliably.

Revenue is recognised as follows:

- a) Sale of services

Sales of services are recognised in the accounting period in which the services are rendered by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

- b) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

**LIMA RURAL DEVELOPMENT FOUNDATION
(ASSOCIATION INCORPORATED UNDER SECTION 21)**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 28 February 2011

2. PROPERTY, PLANT AND EQUIPMENT

	Building improvements R	Motor vehicles R	Computer equipment R	Furniture and fittings R	Tools and equipment R	Total R
Balance at 1 March 2010	-	4 249 164	101 267	516	-	4 350 947
- Cost	-	5 535 814	234 667	35 194	15 530	5 821 205
- Accumulated depreciation	-	(1 286 650)	(133 400)	(34 678)	(15 530)	(1 470 258)
<i>Current year movements:</i>						
Additions	49 946	1 890 461	214 773	-	-	2 155 180
Disposals	-	(204 022)	-	-	-	(204 002)
- Cost	-	(448 276)	(9 950)	-	-	(458 226)
- Accumulated depreciation	-	244 274	9 950	-	-	254 224
Current periods depreciation	8 241	293 850	91 367	496	-	393 954
Balance at 28 February 2011.	41 705	5 641 773	224 673	20	-	5 908 171
- Cost	49 946	6 977 999	439 490	35 194	15 530	7 518 159
- Accumulated depreciation	(8 241)	(1 336 226)	(214 817)	(35 174)	(15 530)	(1 609 988)

Motor vehicles with a carrying value of R4 486 279 (2010: R3 135 773) are secured over instalment sale liabilities . Refer Note 6.

**LIMA RURAL DEVELOPMENT FOUNDATION
(ASSOCIATION INCORPORATED UNDER SECTION 21)**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 28 February 2011

	2011 R	2010 R
3. TRADE AND OTHER RECEIVABLES		
Trade Debtors	3 206 477	2 624 673
Staff loan	3 288	2 548
Deposits	32 055	4 124
Work in progress	585 601	206 674
	<u>3 827 421</u>	<u>2 838 019</u>
4. CASH AND CASH EQUIVALENTS		
<i>Cash and cash equivalents comprise:</i>		
First National Bank		
- Credit card account	(19 310)	(29 583)
- Current account	186 995	(77 212)
- Call account 1	-	1 232
- Call account 2	(18)	2 211
- Lima MM DOA	-	129 019
- Kwakhoza project	-	83 528
- Nongoma revolving credit loan	70 940	79 350
- Teba Wage account	-	1 332
- Petty cash	3 000	2 000
- Caregiver wages	-	17 338
- Lima money market Acc	10 434	10 295
- Surudec Project Acc	106 040	458 475
	<u>358 081</u>	<u>677 985</u>
Net cash and cash equivalents		

**LIMA RURAL DEVELOPMENT FOUNDATION
(ASSOCIATION INCORPORATED UNDER SECTION 21)**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 28 February 2011

	2011 R	2010 R
4. CASH AND CASH EQUIVALENTS (continued)		
Disclosed on statement of financial position as follows:		
• Cash and cash equivalents	377 409	784 780
• Bank overdraft	(19 328)	(106 795)
	<u>358 081</u>	<u>677 985</u>

The company has an overdraft facility of up to R250 000.

The above is secured by:

- Unlimited cession of debts dated 22/06/2009
- Unlimited letter of surety signed by DA Stewart dated 25/3/2008

5. DEFERRED TAXATION ASSET

Comprising of:

Property, plant and equipment	-	(281 959)
Income received in advance	-	123 055
Provision for leave pay	-	56 548
Deferred recoupment	-	(19 468)
	<u>-</u>	<u>(121 824)</u>

Reconciliation of deferred tax asset, opening and closing balance:

Balance at beginning of year	(121 824)	17 795
Movement for year - current	121 824	(139 619)
Closing balance at end of year	<u>-</u>	<u>(121 824)</u>

Deferred taxation has been reversed as the entity was approved for exemption in terms of Section 18A on 1 December 2010.

**LIMA RURAL DEVELOPMENT FOUNDATION
(ASSOCIATION INCORPORATED UNDER SECTION 21)**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 28 February 2011

	2011 R	2010 R
6. INTEREST BEARING BORROWINGS		
Instalment Sale Agreements		
<i>Wesbank</i>		
Total liabilities	2 781 732	2 271 981
Less : Deferred finance charges	(247 725)	(283 776)
	<u>2 534 007</u>	<u>1 988 205</u>
Less : Current portion	(1 232 835)	(977 397)
	<u>1 301 172</u>	<u>1 010 808</u>

The above liability bears interest at prime plus 0,5% (2010: 10,5%) and is secured over motor vehicles with a carrying value of R3 307 195 (2010: R2 081 305) and is repaid in monthly instalments of R127 388 (2010: R82 081). Refer Note 2.

ABSA Bank

Total liability	219 781	576 592
Less : Deferred finance charges	(7 875)	(54 865)
	<u>211 906</u>	<u>521 727</u>
Less : Current portion	(211 906)	(354 800)
	<u>-</u>	<u>166 927</u>

The above liabilities bear interest at 10,5% (2010: 12%) and is secured over assets with a carrying value of R567 650 (2010: R767 304) and are repaid in monthly instalments of R29 299 (2010: R29 567). Refer Note 2.

<i>Balance carried forward</i>	<u>1 301 172</u>	<u>1 177 735</u>
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**LIMA RURAL DEVELOPMENT FOUNDATION
(ASSOCIATION INCORPORATED UNDER SECTION 21)**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 28 February 2011

	2011 R	2010 R
6. INTEREST BEARING BORROWINGS (continued)		
<i>Balance brought forward</i>	1 301 172	1 177 735
Instalment Sale Agreements (continued)		
<i>Standard Bank</i>		
Total liability	560 872	346 266
Less: Deferred finance charges	(63 054)	(56 963)
	<u>497 818</u>	<u>289 303</u>
Less: Current portion	(228 704)	(129 850)
	<u>269 114</u>	<u>159 453</u>
The above liabilities bear interest at varying rates (2010: 13,75%) and is secured over motor vehicles with a carrying value of R593 434 (2010: R287 164) and is repaid in monthly instalments of R23 083 (2010: R10 821). Refer note 2.		
	<u>1 570 286</u>	<u>1 337 188</u>

**LIMA RURAL DEVELOPMENT FOUNDATION
(ASSOCIATION INCORPORATED UNDER SECTION 21)**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 28 February 2011

	2011 R	2010 R
7. PROVISIONS		
<i>Provisions comprise of the following:</i>		
Provision for leave pay	<u>318 228</u>	<u>201 958</u>
8. TRADE AND OTHER PAYABLES		
Trade creditors	364 076	584 655
Sundry accruals	563 215	447 582
Advanced payments received	271 852	691 921
	<u>1 199 143</u>	<u>1 724 158</u>
9. REVENUE		
<i>Revenue comprises of the following:</i>		
- Income generated from projects	26 287 959	27 694 163
- Interest	15 257	4 359
	<u>26 303 216</u>	<u>27 698 522</u>
10. PROFIT FROM OPERATIONS		
<i>Profit from operations is stated after the following:</i>		
Expenditure		
Auditors remuneration	92 535	57 834
- audit fees	70 240	54 859
- fees for other services	22 295	2 975

**LIMA RURAL DEVELOPMENT FOUNDATION
(ASSOCIATION INCORPORATED UNDER SECTION 21)**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 28 February 2011

	2011 R	2010 R
10. PROFIT FROM OPERATIONS (continued)		
Expenditure (continued)		
Depreciation	393 954	540 662
Directors remuneration	1 366 134	1 106 999
<i>Non-executive directors</i>		
Fees for services as a director	6 391	-
<i>Executive directors</i>		
Directors salaries	1 359 743	1 106 999
Loss on disposal of fixed assets	54 033	9 530
Total staff costs	10 734 599	2 099 477
Provision for leave pay adjustment	116 270	70 804
11. FINANCE COSTS		
Installment sale agreements	343 689	179 579
Interest paid	15 569	43 816
- interest on overdraft	7 613	19 003
- interest paid to SARS	-	11 325
- other interest	7 956	13 488
	<u>359 258</u>	<u>223 395</u>

**LIMA RURAL DEVELOPMENT FOUNDATION
(ASSOCIATION INCORPORATED UNDER SECTION 21)**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 28 February 2011

	2011 R	2010 R
12. TAXATION EXPENSE		
<i>South African Normal Taxation</i>		
Current taxation - current	-	555 922
- prior year over provision	(555 920)	-
Deferred taxation - current	-	139 619
- rate change	(121 824)	-
	<u>(677 744)</u>	<u>695 541</u>
Tax rate reconciliation		
Standard tax rate	<u>0%</u>	<u>28,00%</u>
Profit / (loss) before taxation multiplied by the standard tax rate	-	681 991
<i>Adjustment for the following:</i>		
Donations	-	414
SARS interest and penalties	-	3 254
Capital loss	-	9 882
Prior year over provision	(555 920)	-
Rate change	(121 824)	-
	<u>(677 744)</u>	<u>695 541</u>
Effective tax rate	<u>(31,93%)</u>	<u>28,55%</u>

As of the current year the entity is exempt from paying tax as per Section 10(1) cN. All prior year's deferred and current tax balances have been reversed accordingly.

**LIMA RURAL DEVELOPMENT FOUNDATION
(ASSOCIATION INCORPORATED UNDER SECTION 21)**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 28 February 2011

	2011	2010
	R	R
13. NOTES TO THE STATEMENT OF CASH FLOWS		
13.1 Reconciliation of profit / (loss) before taxation to cash generated from operations		
Net profit before taxation	2 122 866	2 435 681
<i>Adjusted for the following:</i>		
Depreciation	393 954	540 662
Interest paid	359 258	223 395
Interest received	(15 257)	(18 224)
Loss on disposal of property, plant and equipment	54 033	9 530
Increase in provision for leave pay	116 270	70 804
Operating profit before working capital changes	<u>3 031 124</u>	<u>3 261 848</u>
<i>Adjusted for changes in working capital:</i>	(1 446 313)	(1 749 903)
Increase in trade and other receivables	(989 402)	(1 725 000)
(Decrease) / increase in trade and other payables	(456 911)	(24 903)
Cash generated from operations	<u><u>1 584 811</u></u>	<u><u>1 511 945</u></u>

**LIMA RURAL DEVELOPMENT FOUNDATION
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 28 February 2011

14. COMMITMENTS UNDER OPERATING LEASES

The company entered into a new lease with Mag Scope Hire CC commencing onto 14 May 2010 to terminate on 31 May 2013. The basic rental escalates at a rate of 8% per annum.

Future minimum lease payment commitments (excluding VAT) under the non-cancellable operating leases based, are summarised as follows:

	1 year R	2 - 3 years R
Minimum future lease payments	<u>324 843</u>	<u>440 194</u>

15. RELATED PARTIES

A related party transaction is considered to be a transfer of resources or obligations between related parties, regardless of whether or not a price is charged.

Related parties are identified as those parties over which the company and / or its directors are able to control significant influence in making financial and operating decisions.

The following have been identified as related parties:

- DA Stewart - Director and member
- NV Sibeko - Director
- JP Rutsch - Non-executive director
- NJ Dlamini - Non-executive director
- NJ Stewart - Member and wife of DA Stewart
- B Soutar - Member
- AM Stewart - Member
- S Beghin - Member
- K Melis - Member

Mag Scope Hire CC - DA Stewart is a member of this close corporation

LIMA RURAL DEVELOPMENT FOUNDATION
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 28 February 2011

	2011 R	2010 R
15. RELATED PARTIES (continued)		
<i>The following transactions included in the statement of comprehensive income have taken place with related parties:</i>		
Expenditure		
Rental paid - Mag Scope Hire CC	290 120	178 476
Salary - NJ Stewart	253 150	243 147
Motor vehicles expenses	195 692	168 444
<i>The following transactions included in the statement of financial position have taken place with related parties:</i>		
Leasehold improvements - May Scope Hire CC	<u>49 946</u>	<u>-</u>
16. CAPITAL COMMITMENTS		
Instalment sale transactions for the purchase of additional motor vehicles which have been entered into after year end	<u>2 183 427</u>	<u>1 410 340</u>

**LIMA RURAL DEVELOPMENT FOUNDATION
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 28 February 2011

17. RISK MANAGEMENT

Exposure to credit risk, interest risk and liquidity risk arises in the normal course of the company's business. The company uses internal techniques to manage financial risks wherever practicable.

Credit risk management policy

Credit risk is the risk that a counter party to a financial instrument will fail to discharge an obligation and cause the company to incur a financial loss. The company only deposits cash surplus with major banks of high credit standing. Trade and other receivables comprise of customers who have undergone credit evaluation and have met specific minimum credit standards. An ongoing evaluation of all customers requiring credit is performed. Based on these factors, the directors' considered the risk of counter party default to be minimal.

Interest rate risk management policy

Interest rate risk is the risk that the value of financial instrument will fluctuate owing to change in market interest rates. Interest on long-term borrowings are dependant on the prevailing prime rate. Exposure to interest rate risk is managed by only borrowing from leading South African financial institutions and monitoring fluctuations in the prime interest rate.

Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in raising funds to meet its commitments. The company manages liquidity risk by proper management of working capital and cash flows.

**LIMA RURAL DEVELOPMENT FOUNDATION
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DETAILED STATEMENT OF PROFIT / (LOSS)
for the year ended 28 February 2011

	Note	2011 R	2010 R
PROJECT INCOME		26 287 959	27 694 163
DIRECT PROJECT COSTS		(6 778 847)	(19 741 373)
GROSS PROFIT		<u>19 509 112</u>	<u>7 752 790</u>
OTHER INCOME		15 257	4 359
Interest received		15 257	4 359
EXPENDITURE		(17 401 503)	(5 521 468)
Accommodation and travel		35 532	22 906
Advertising		62 430	9 160
Auditors remuneration			
- audit fee		70 240	54 859
- other services		22 295	2 975
Bad debts		-	69 780
Bank charges		123 186	108 570
Computer expenses		138 791	41 991
Consulting fees paid		64 245	35 558
Depreciation expenses	2	393 954	540 662
Directors emoluments		1 366 134	1 106 999
Electricity and water		25 658	12 694
Entertainment		2 520	872
Finance charges		343 689	179 579
Gifts		130	1 471
Insurance		481 280	329 334
Interest paid		15 569	43 816
Legal fees - Debt collection		1 383	3 199
Loss on sale of fixed assets		54 033	9 530
Motor vehicle and equipment expenses		2 444 148	290 674
<i>Balance carried forward</i>		<u>5 645 217</u>	<u>2 864 629</u>

**LIMA RURAL DEVELOPMENT FOUNDATION
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DETAILED STATEMENT OF PROFIT / (LOSS) (continued)
for the year ended 28 February 2011

	2011 R	2010 R
EXPENDITURE (continued)		
<i>Balance brought forward</i>	5 645 217	2 864 629
Office cleaning and maintenance	9 757	16 040
Penalties	-	297
Printing, postage and stationery	109 182	66 194
Rent expense	464 293	195 624
Repairs and maintenance	15 821	7 655
Refreshments	13 760	12 307
Salaries and staff costs	10 734 599	2 099 476
Security	25 464	12 794
Subscriptions	4 456	-
Telephone and fax	331 421	196 111
Workmens compensation	47 533	50 341
NET PROFIT before taxation	<u><u>2 122 866</u></u>	<u><u>2 435 681</u></u>