Human Rights Development Initiative (Association incorporated under Section 21)
(Registration number 2004/026920/08)
Annual financial statements
for the year ended 31 December 2010

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General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	To promote the adoption and effective implementation of international and regional human rights norms and standards in societies in the continent of Africa
Directors	Aubrey Vance McCutcheon Dan Mikael Bengtsson Narandran Jody Kollapen Asha Sharmila Ramgobin Ronald Thandabantu Nhlapo Mothomang Diaho Pierre Waldemar Brouard
Registered office	909 Church Street Arcadia Pretoria 0083
Auditors	PricewaterhouseCoopers Inc. Registered Auditor
Company registration number	2004/026920/08

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

The following supplementary information does not form part of the annual financial statements and is unaudited:

Directors' Responsibilities and Approval

The directors are required in terms of the Companies Act of South Africa 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 company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with South African Statements of Generally Accepted Accounting Practice. The 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 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. To enable the directors to meet these responsibilities, the directors sets 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 company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the 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 directors have reviewed the company's cash flow forecast for the year to 31 December 2011 and, in the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the company's annual financial statements. The annual financial statements have been examined by the company's external auditors and their report is presented on pages 4 to 5.

The annual financial statements set out on pages 6 to 17, which have been prepared on the going concern basis, were approved by the directors on 16.4.2011 and were signed on its behalf by:

Director

Director

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Independent Auditor's Report to the members of

Human Rights Development Initiative (Association incorporated under Section 21)

We have audited the annual financial statements of Human Rights Development Initiative (Association incorporated under Section 21), which comprise the statement of financial position as at 31 December 2010, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 6 to 17.

Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these 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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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Reg. no. 1998/012055/21, T: +27 (12) 429 0000, F: +27 (12) 429 0100, www.pwc.com/za

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Human Rights Development Initiative (Association incorporated under Section 21) as at 31 December 2010, and 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.

Emphasis of matter

Without qualifying our opinion, we draw attention to the fact that the presentation of the financial statements is not in accordance with South African Statements of Generally Accepted Accounting Practice with respect to fixed assets. The Company does not capitalise the fixed assets as required by the statements, but rather expenses fixed assets in the year of purchase. Refer to note 2 to the financial statements for the effect thereof. The Company does however maintain a complete fixed asset register.

Accounting and secretarial duties

With the consent of the Board we have performed certain accounting and taxation duties on behalf of the Company.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc

Director: PI Heslinga

Registered Auditor

Pretoria

20 April 2011

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Directors' Report

The directors submit their report for the year ended 31 December 2010.

1. Review of activities

Main business and operations

The company is engaged in the promotion of the adoption and effective implementation of international and regional human rights norms and standards in societies in the continent of Africa and operates principally in South Africa.

Registered office	909 Church Street Arcadia Pretoria 0083

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Events after the reporting period

The directors are not aware of any matter or circumstance arising since the end of the financial year.

4. Directors

The directors of the company during the year and to the date of this report are as follows:

	Changes
Aubrey Vance McCutcheon	
Dan Mikael Bengtsson	
Dennis Roy Tollborg	Resigned 24 April 2010
Narandran Jody Kollapen	
Ibrahima Amara Kane	Resigned 27 November 2010
Asha Sharmila Ramgobin	
Ronald Thandabantu Nhlapo	
Mothomang Diaho	Appointed 24 April 2010
Pierre Waldemar Brouard	Appointed 27 November 2010

5. Secretary

The company had no secretary during the year.

6. Auditors

PricewaterhouseCoopers Inc. will continue in office in accordance with section 270(2) of the Companies Act.

Statement of Financial Position

	Notes	2010 R	2009 R
Assets			
Non-Current Assets			
Investment property		-	-
Staff loan		-	2,020
		-	**2,020**
Current Assets			
Trade and other receivables	3	72,175	135,088
Cash and cash equivalents	4	4,042,929	6,489,420
		4,115,104	**6,624,508**
Total Assets		**4,115,104**	**6,626,528**
Equity and Liabilities			
Equity			
Retained income		3,021,566	434,538
Liabilities			
Current Liabilities			
Trade and other payables	5	1,093,538	6,191,990
Total Equity and Liabilities		**4,115,104**	**6,626,528**

The notes on pages 14 to 16 are an integral part of these financial statements.

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Statement of Comprehensive Income

	Notes	2010 R	2009 R
Revenue	6	6,283,019	7,120
Operating expenses		(3,695,982)	(4,462,043)
Operating profit (loss)		**2,587,037**	**(4,454,923)**
Donations adjustment		-	(4,036,930)
Finance costs		(9)	-
Profit (loss) for the year		**2,587,028**	**(8,491,853)**
Other comprehensive income		-	-
Total comprehensive income (loss)		**2,587,028**	**(8,491,853)**
Total comprehensive income (loss)		2,587,028	(8,491,853)

The notes on pages 14 to 16 are an integral part of these financial statements.

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Statement of Changes in Equity

	Retained income R	Total equity R
Balance at 01 January 2009	**8,926,391**	**8,926,391**
Changes in equity		
Total comprehensive loss for the year	(8,491,853)	(8,491,853)
Total changes	(8,491,853)	(8,491,853)
Balance at 01 January 2010	**434,538**	**434,538**
Changes in equity		
Total comprehensive income for the year	2,587,028	2,587,028
Total changes	2,587,028	2,587,028
Balance at 31 December 2010	**3,021,566**	**3,021,566**

The notes on pages 14 to 16 are an integral part of these financial statements.

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Statement of Cash Flows

	Notes	2010 R	2009 R
Cash flows from operating activities			
Cash receipts from donors		4,775,500	-
Cash paid to donors, suppliers and employees		(7,211,595)	(3,555,571)
Cash used in operations	8	(2,436,095)	(3,555,571)
Finance costs		(9)	-
Net cash from operating activities		**(2,436,104)**	**(3,555,571)**
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(4,358)	(21,080)
Loss on market securities		(8,049)	(17,515)
Advancement of loan		-	(2,020)
Repayment of staff loan		2,020	-
Net cash from investing activities		**(10,387)**	**(40,615)**
Total cash, cash equivalents and bank overdrafts movement for the year		**(2,446,491)**	**(3,596,186)**
Cash, cash equivalents and bank overdrafts at the beginning of the year		6,489,420	10,085,606
Total cash, cash equivalents and bank overdrafts at end of the year	4	**4,042,929**	**6,489,420**

The notes on pages 14 to 16 are an integral part of these financial statements.

Accounting Policies

1. Basis of preparation

The annual financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice, and the Companies Act of South Africa. The annual financial statements have been prepared on the historical cost basis, except for the measurement of investment properties and certain financial instruments at fair value, and incorporate the principal accounting policies set out below. They are presented in South African Rands.

These accounting policies are consistent with the previous period.

1.1 Property, plant and equipment

Although property, plant and equipment was accounted for at cost less accumulated depreciation in prior periods, it was decided that, as of 1 January 2006, all capital items purchased are to be written off to the income statement in the year of purchase. Therefore, the full carrying amount of property, plant and equipment at the end of December 2010, has been written off to the income statement.

1.2 Financial instruments

Classification

The company classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

Initial recognition and measurement

Financial instruments are recognised initially when the company becomes a party to the contractual provisions of the instruments.

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Accounting Policies

1.2 Financial instruments (continued)

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

1.3 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

1.4 Revenue

i) **Donations**

Donation income is accounted for on an accrual basis in accordance with the substance of the relevant agreements.

Revenue comprises of the fair value of the consideration received or receivable from donations in the ordinary course of the Company's activities.

The company recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the company.

ii) **Interest income**

Interest income comprises of interest earned on invesment accounts..

1.5 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

Accounting Policies

1.5 Translation of foreign currencies (continued)

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

Notes to the Annual Financial Statements

2. Property, plant and equipment

	2010 Cost / Valuation	2010 Accumulated depreciation	2010 Carrying value	2009 Cost / Valuation	2009 Accumulated depreciation	2009 Carrying value
Furniture and fixtures	86,855	(86,855)	-	86,855	(86,855)	-
Office equipment	29,557	(29,557)	-	29,557	(29,557)	-
Computer equipment	159,263	(159,263)	-	154,906	(154,906)	-
Computer software	5,908	(5,908)	-	5,908	(5,908)	-
Total	**281,583**	**(281,583)**	**-**	**277,226**	**(277,226)**	**-**

Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Depreciation	Total
Computer equipment	-	4,358	(4,358)	-

Reconciliation of property, plant and equipment - 2009

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	-	903	(903)	-
Computer equipment	-	20,177	(20,177)	-
	-	**21,080**	**(21,080)**	**-**

A register containing the information required by paragraph 22(3) of Schedule 4 of the Companies Act is available for inspection at the registered office of the company.

3. Trade and other receivables

Deposits	22,000	22,000
VAT	27,979	68,296
Prepayments	782	4,144
Interest receivable	21,414	40,648
	72,175	**135,088**

4. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	11,193	1,711
Bank balances	4,031,736	6,487,709
	4,042,929	**6,489,420**

5. Trade and other payables

Other accruals	16,108	144,062
Donations received in advance	-	5,238,260
Operating leases straight lining	20,387	-
Provisions for leave	106,051	81,413
DANIDA's interest	783,221	728,255
SIDA's interest	167,771	-
	1,093,538	**6,191,990**

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Notes to the Annual Financial Statements

	2010 R	2009 R

5. Trade and other payables (continued)

Donations received in advance comprises:

	2010 R	2009 R
Donations received in Advance SIDA	-	4,036,930
Total interest earned on SIDA funds	-	1,201,330
	-	5,238,260

The donations received in advance in 2009 represented donations under the previous contract with SIDA which remained unspent as at 31 December 2009. Interest earned represented interest that had been earned on such funds as at 31 December 2009.

Such funds had been transferred to income received in advanced, as the previous SIDA contract was to be renewed in February 2010. As at December 2009, management estimated that the final value of funds remaining on the current SIDA contract at 3 February 2010 would be R 5,068,141.94.

During 2010 the SIDA contract was renewed. The capital portion of the donations relating to the previous contract with SIDA was repaid to SIDA. The interest earned on such funds was unconditionally donated to HRDI by SIDA for use in the furtherance of its objectives. The amount repaid to SIDA was R 3,834,723.79, after accounting for expenses incurred in the current year up to 3 February 2010.

The donations received in the current year under the new SIDA contract has been recognised as revenue in the current year, and interest earned thereon has been raised as a payable to SIDA.

6. Revenue

	2010 R	2009 R
SIDA Donation Income Phase 1	202,206	7,120
SIDA Interest donation as at cut-off 03 February 2011	1,261,603	-
SIDA additional interest after cut-off	42,451	-
SIDA Donation Income Phase 2	4,775,499	-
Sundry Interest	1,260	-
	6,283,019	**7,120**

7. Income tax expense

No provision has been made for tax as the company is registered, under section 21 of the Companies Act of South Africa, as a non-profit organisation and is therefore exempt from taxation.

8. Cash used in operations

	2010 R	2009 R
Profit before taxation	2,587,028	(8,491,853)
Adjustments for:		
Loss on market securities	8,049	17,515
Finance costs	9	-
Capital expenditure	-	21,080
Depreciation	4,358	-
Changes in working capital:		
Trade and other receivables	62,913	(27,494)
Trade and other payables	(5,098,452)	4,925,181
	(2,436,095)	**(3,555,571)**

Notes to the Annual Financial Statements

9. Related party transactions

Fees paid to directors for services rendered

	2010 R	2009 R
Dan Bengtsson (Fees for professional services)	81,190	-
Mothomang Diaho (Fees for other services - Training)	15,050	-
	96,240	**-**

Detailed Income Statement

	Notes	2010 R	2009 R
Revenue			
Donations Income		4,977,705	7,120
SIDA Interest donation		1,304,054	-
Sundry Interest		1,260	-
		6,283,019	**7,120**
Operating expenses			
Building partnerships and community outreach		200,836	125,781
Training- Building cadre of social justice lawyers		108,585	77,445
Student costs- Building a cadre of social justice lawyers		216,782	201,347
Legal services- Developing human rights jurisprudence		260,276	146,496
Direct contributions - ULC		302,000	978,933
Developing centres of excellence		56,550	-
Development of structured network		146,752	53,650
ACHPR, REC and other Meetings		125,089	-
Manual work with PLHIV- grassroots		7,089	-
Regional governance		-	87,953
Office running costs		142,245	153,017
Overheads		244,063	229,619
Governance		58,722	85,574
Furniture fittings and equipment		4,358	21,080
Loss on market value adjustment		8,049	17,515
Foreign exchange losses		6,121	8,089
Stakeholder workshop		-	279,035
Salaries and related costs		1,473,308	1,495,153
Professional fees		335,157	501,356
		3,695,982	**4,462,043**
Operating profit (loss)		**2,587,037**	**(4,454,923)**
Finance costs		(9)	-
Donations adjustment		-	(4,036,930)
		(9)	**(4,036,930)**
Profit (loss) for the year		**2,587,028**	**(8,491,853)**

Profit / (Loss) vs. Surplus/ (Deficit)

It should be noted that although HRDI is registered under section 21 of the South African Companies Act, which in its terminology refers to profit or loss, the company is a non-profit organisation. This therefore means that with regard to the substance of the operations of HRDI, the company neither makes a profit nor a loss. A more appropriate description would be that the entity either makes a surplus or deficit, were by a surplus represents funding to be carried over for expenditure in future years and a deficit represents expenditure to set off against prior year surpluses that has been earned.