

**CORRUPTION WATCH (RF) NPC
REGISTRATION NO.K2011/118829/08**

(NPO REGISTRATION NO. 042-050-NPO)

**FINANCIAL STATEMENTS
FOR THE PERIOD
21 SEPTEMBER 2011 (DATE OF INCOPRORATION)
TO 31 MARCH 2012**

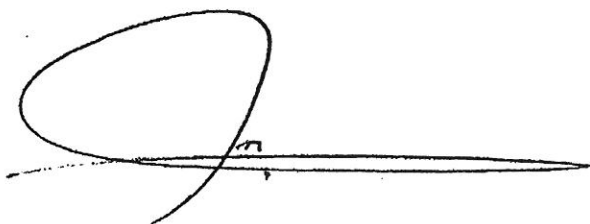
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FOR THE PERIOD ENDED 31 MARCH 2012**

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**The financial statements have
been compiled by :**

L. Ntambw

A handwritten signature in black ink, consisting of a large, stylized loop followed by a horizontal line that tapers to a point.

CORRUPTION WATCH (RF) NPC
REGISTRATION NO.K2011/118829/08

(NPO REGISTRATION NO. 042-050-NPO)

DIRECTORS' RESPONSIBILITIES AND APPROVAL

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012

The directors are required by the Companies Act of South Africa, to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the company as at the end of the financial period and the results of its operations and cash flows for the period then ended, in conformity with its accounting policies. The external auditors are engaged to express an independent opinion on the 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 directors acknowledge that they are ultimately responsible for the system of internal financial controls established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors 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 company and 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 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 directors have reviewed the company's cash flow forecast for the year to 31st March 2013 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.

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

The external auditors are responsible for independently reviewing and reporting on the company's financial statements. The financial statements have been examined by the company's external auditors and their report is presented on pages 2 and 3.

The financial statements set out on pages 4 to 17, which have been prepared on the going concern basis, were approved by the board of directors on the 4th July 2012 and were signed on its behalf by:


Vuyiseka Dubuka


H. Dubuka

REPORT OF THE INDEPENDENT AUDITORS**TO THE MEMBERS****CORRUPTION WATCH (RF) NPC**
REGISTRATION NO.K2011/118829/08**(NPO REGISTRATION NO. 042-050-NPO)****Report on the financial statements**

We have audited the accompanying financial statements of Corruption Watch (RF) NPC, which comprise the directors' report, statement of financial position as at 31 March 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period then ended, and a summary of significant accounting policies and other explanatory notes set out on pages 4 to 17.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and the fair presentation of these financial statements in accordance with International Financial Reporting Standards for Small and Medium - sized Entities, and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of 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 financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. These 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 risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls 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.

Basis for Qualified Opinion

In common with similar organisations, it is not practicable for the company to institute accounting controls over collections of income other than interest prior to the initial entry of the collections in the accounting records. Accordingly, it was not feasible for us to extend our examination beyond the receipts actually recorded.

Qualified Opinion

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, these financial statements fairly present, in all material respects, the financial position of Corruption Watch (RF) NPC as at 31 March 2012, and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards for Small and Medium - sized Entities, and in the manner required by the Companies Act of South Africa.

Emphasis of Matter

Without qualifying our opinion we draw attention to the following matter :

1. As is explained in note 16 to the financial statements, the company needs ongoing donor support if it is to continue operations. These financial statements have been prepared on the basis of accounting practices applicable to a going concern which assumes that the company will generate sufficient funds by way of grants from donors to continue funding its activities in the ensuing year. Accordingly they do not include any adjustments, relating to the recoverability and classification of assets or to the amounts and classification of liabilities, that would be necessary if the company were unable to continue as a going concern.



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

Johannesburg
4 July 2012

**CORRUPTION WATCH (RF) NPC
REGISTRATION NO.K2011/118829/08**

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**REPORT OF THE DIRECTORS FOR THE
PERIOD ENDED 31 MARCH 2012**

Your board of directors presents its first report, together with the audited financial statements of the company for the financial period ended 31 March 2012.

NATURE OF ACTIVITIES

The company is a new civil society initiative which contributes to reducing corruption in South Africa. Corruption Watch focuses on the abuse of public resources (and we also deal with abuse of union resources and charitable resources which are donated by the public).

Corruption Watch contributes to reducing corruption in two ways:

- Firstly, by encouraging people to **resist** corruption
- Secondly, by helping to make the policy, social and political environment in South Africa less conducive to corruption.

The core business of Corruption Watch (CW) was described in the pre-launch period as 'gathering, analysis and dissemination of information that will enable citizens and their organised representatives, as well as public sector agencies and institutions, to combat corruption'.

RESULTS

The results for the period are fully disclosed in the attached financial statements.

POST FINANCIAL POSITION EVENTS

No material fact or circumstance has occurred between the financial position date and the date of the audit report.

EQUIPMENT

During the period under review, the company acquired equipment costing R810,341 and office furniture of R71,794 was a donation in kind.

DIRECTORS

The following directors were appointed at the date of incorporation :-

ZW Vavi	DH Lewis
M Msimang	WN Ndungane
CME O'Regan	A Hassim
RM Godsell	ME Metcalfe

The following director was appointed after incorporation : -

V Dubula - Majola appointed 6 December 2011

OFFICER

DH Lewis

AUDITORS

Douglas and Velcich were appointed as auditors.

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STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2012

	Note	2012 R
ASSETS		4 290 612
Non current assets		807 832
Equipment	3	807 832
Current assets		3 482 780
Accounts receivable	4	256 285
Cash and cash equivalents	5	3 226 495
Total assets		4 290 612
RESERVES AND LIABILITIES		4 290 612
Reserves		859 990
Accumulated surplus		52 158
Equipment fund		807 832
Current liabilities		3 430 622
Accounts payable	6	341 828
Deferred income	7	3 019 492
Provision for leave pay	8	69 302
Total reserves and liabilities		4 290 612

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**STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2012**

	Note	6 Months to 31/3/2012 R
INCOME		4 031 279
Grants and donations	9	3 795 952
Donations in kind		216 700
Interest received	11	18 627
EXPENDITURE		3 168 780
Advertising and promotions		276 748
Assets expensed directly		-
Bank charges		6 059
Communication costs		331 465
Conference and seminars		3 400
Consulting fees		278 812
Equipment lease and maintenance		2 438
Insurance		2 847
Legal fees		584
Office supplies		8 202
Printing and stationery		163 380
Rent, parking, water and electricity		203 058
Repairs and maintenance		114 593
Salaries, wages and contributions	12	1 736 790
Travel and transport		40 404
SURPLUS FOR THE PERIOD		862 499

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STATEMENT OF CHANGES IN RESERVES
FOR THE PERIOD ENDED 31 MARCH 2012

	Accumulated Surplus R	Equipment Fund R	Total R
Donation in kind - J & J Group (office furniture)	-	71 794	71 794
Surplus for the period	862 499	-	862 499
Transfer to equipment fund	(810 341)	810 341	-
Depreciation during the period	-	(74 303)	(74 303)
Balance at 31 March 2012	52 158	807 832	859 990

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**STATEMENT OF CASH FLOWS FOR THE
PERIOD ENDED 31 MARCH 2012**

	Note	6 Months to 31/3/2012 R
Cash flows from operating activities		
Cash receipts from funders		6 775 859
Cash paid to programmes, suppliers and employees		(2 757 650)
Cash generated from operations	14	4 018 209
Interest received	10	18 627
Net cash inflow from operating activities		4 036 836
Cash flows (utilised in) investing activities		(810 341)
Acquisition of equipment, at cost	3	(810 341)
Net increase in cash and cash equivalents		3 226 495
Cash and cash equivalents at beginning of period		-
Cash and cash equivalents at end of period	5	3 226 495

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2012

ACCOUNTING POLICIES

1. The financial statements have been prepared in accordance with International Financial Reporting Standards for Small, Medium - sized Entities and the Companies Act of South Africa. The financial statements have been prepared on the historical cost basis, except for financial instruments, and incorporate the following principal accounting policies set out below.

1.1 SIGNIFICANT JUDGEMENTS

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements.

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 company; 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 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:

Item	Useful life
Computer equipment	3 years
Office equipment	5 years
Office furniture	6 years

The depreciation charge for each period is recognised in equipment fund, unless it is included in the carrying amount of another asset.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE
 PERIOD ENDED 31 MARCH 2012 (Continued)**

ACCOUNTING POLICIES (Continued)

1.2 EQUIPMENT (Continued)

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.

1.3 FINANCIAL INSTRUMENTS

Measurement

Financial instruments carried on the statement of financial position include bank balances, accounts receivable and accounts payable. Financial instruments are initially measured at cost as at trade date, which includes transaction costs. Subsequent to initial recognition, the following instruments are measured as set out below :-

Accounts receivable

Accounts receivable is stated at cost less provision for impairment losses.

Cash and cash equivalents

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant risk in change in value.

Cash and cash equivalents are measured at fair value.

Accounts payable

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

1.4 IMPAIRMENT

The carrying amounts 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 organisation, an equipment fund is maintained to separate out the funding of such assets.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 31 MARCH 2012 (Continued)**

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 assets acquired be charged against operating income each year and credited to the fund.

Depreciation, and profits and 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 LEASES AS LESSEE

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value on the the minimum lease payments.

The discount rate used in calculating the present value of the minimum lease payment is the effective interest rate.

Any initial direct costs are added to the amount recognised as an asset.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expenses in the period they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

1.8 REVENUE RECOGNITION

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

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

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 31 MARCH 2012 (Continued)**

ACCOUNTING POLICIES (Continued)

1.9 INTEREST INCOME

Interest is brought to account as and when received.

1.10 EXPENDITURE

Expenditure is accounted for on the accrual basis of accounting.

1.11 PROJECT ACCOUNTING AND EXPENSE ALLOCATION

In terms of its contractual obligations to donors, the company'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 the project 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.

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.

2. MEMBERS' GUARANTEE

In terms of the Memorandum of Association, members guarantee to each contribute R2,00 in the event of the company being wound up. At the statement of financial position date, the guarantee value amounted to R14.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 31 MARCH 2012 (Continued)

3. EQUIPMENT

31 March 2012

	Computer equipment R	Office equipment R	Office furniture R	Total R
Additions during the period	779 457	3 191	27 693	810 341
Donation in kind - J & J Group	-	-	71 794	71 794
Depreciation for the period	(61 939)	(115)	(12 249)	(74 303)
Net book value - 31 March 2012	717 518	3 076	87 238	807 832
At cost	779 457	3 191	99 487	882 135
Accumulated depreciation	(61 939)	(115)	(12 249)	(74 303)

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 31 MARCH 2012 (Continued)**

	2012 R
4. ACCOUNTS RECEIVABLE	
Lease and telephone deposits	33 700
VAT receivable	222 585
	<u>256 285</u>
5. CASH AND CASH EQUIVALENTS	
Favourable balances	3 226 495
Current account	380 149
Marketlink account	2 843 627
Funds held in trust	676
Petty cash	2 043
	<u>3 226 495</u>
6. ACCOUNTS PAYABLE	
Accruals	155 648
Payroll liabilities	180 741
Sundry creditors	5 439
	<u>341 828</u>
7. DEFERRED INCOME	
Andrew Roberts Memorial	49 609
Aveng	333 000
Business Leadership South Africa	30 854
Claude Leon Foundation	87 321
Millennium Trust - 1	59 547
Millennium Trust - 2	750 000
Oppenheimer Memorial Trust	42 597
Open Society Foundation	437 500
Raith Foundation	23 454
Sigrid Rausing	1 180 438
Stephen Malherbe, Newtown King and Siobhan Cleary	25 172
	<u>3 019 492</u>
8. PROVISION FOR LEAVE PAY	
Additions during the period	69 302
(Utilised) during the period	-
	<u>69 302</u>

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 31 MARCH 2012 (Continued)**

**6 Months
to
31/3/2012
R**

9. GRANTS AND DONATIONS

Andrew Roberts Memorial	250 391
Received	300 000
Deferred to 2013	(49 609)
Aveng	-
Received	333 000
Deferred to 2013	(333 000)
Business Leadership South Africa	219 146
Received	250 000
Deferred to 2013	(30 854)
Claude Leon Foundation	362 679
Received	450 000
Deferred to 2013	(87 321)
COSATU	500 000
Received	500 000
Hivos - MAGI	145 000
Received	145 000
J&J Group	100 000
Received	100 000
Millennium Trust - 1	940 453
Received	1 000 000
Deferred to 2013	(59 547)
Millennium Trust - 2	-
Received	750 000
Deferred to 2013	(750 000)
Oppenheimer Memorial Trust	377 403
Received	420 000
Deferred to 2013	(42 597)
Open Society Foundation	-
Received	437 500
Deferred to 2013	(437 500)
Raith Foundation	451 546
Received	475 000
Deferred to 2013	(23 454)
Section 27	40 000
Received	40 000
Sigrid Rausing	642
Received	1 181 080
Deferred to 2013	(1 180 438)
South African Breweries	350 000
Received	350 000
Stephen Malherbe, Newtown King and Siobhan Cleary	58 692
Received	83 864
Deferred to 2013	(25 172)
	3 795 952

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NOTES TO THE FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 31 MARCH 2012 (Continued)

10. COMMITMENTS

The company has the following commitments in respect of agreements over office premises and photocopier as follows:

Payable within one year	431 321
Payable thereafter	583 864
	<u>1 015 185</u>

**6 Months
to
31/3/2012
R**

11. NET INTEREST RECEIVED

Interest earned - marketlink account	<u>18 627</u>
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12. DIRECTOR'S EMOLUMENTS

As employee	<u>448 333</u>
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13. TAXATION

No provision has been made for taxation as the company has qualified for exemption from income tax as a public benefit organisation under section 10(1)(cN) as read with section 30 of the Income Tax Act.

14. CASH GENERATED FROM OPERATIONS

Surplus for the year	862 499
Adjustment:	
Interest received	(18 627)
Increase in deferred income	3 019 492
Increase in provision for leavepay	69 302
Operating (deficit) before working capital changes	<u>3 932 666</u>
Changes in working capital	85 543
(Increase) in accounts receivable	(256 285)
Increase in accounts payable	341 828
Cash generated from operations	<u><u>4 018 209</u></u>

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 31 MARCH 2012 (Continued)**

15. RELATED PARTIES

Director's emoluments **refer note 12**

16. GOING CONCERN

The existence of the company is dependent on the continued support of its donors, by way of grants. Should the grants be withdrawn it is highly unlikely that the company will be able to continue as a going concern. Donors have agreed to continue supporting the company in 2013.

17. FINANCIAL RISK

17.1 Currency risk

The company is exposed to currency risk to the extent that some grants are received by the company in foreign currency.

17.2 Interest rate risk

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

17.3 Credit risk

The company's credit risk is attributable to accounts receivable, accrued income 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 company has no significant credit risk arising from its receivables or accrued income in the current year.

17.4 Liquidity risk

The company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash reserves are maintained to cover anticipated expenditure.

18. COMPARATIVE FIGURES

The are no comparative figures as this is the first period of operation of the company.