

North Star Alliance
Formerly North Star Foundation
Combined annual financial statements
for the year ended 31 December 2010



North Star Alliance

Formerly North Star Foundation

Combined annual financial statements for the year ended 31 December 2010

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Nwanda Incorporated

Independent auditors' report

To the members of North Star Alliance

We have audited the combined annual financial statements of North Star Alliance, which comprise the statement of financial position as at 31 December 2010, and the statement of comprehensive 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 the directors' report, as set out on pages 4 to 12.

Directors' responsibility for the combined annual financial statements

The directors are responsible for the preparation and fair presentation of these combined annual financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of combined 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.

Auditors' responsibility

Our responsibility is to express an opinion on these combined 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 combined annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined annual financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the combined annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the combined 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 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 combined annual financial statements.

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

Opinion

In our opinion, the combined annual financial statements present fairly, in all material respects, the financial position of North Star Alliance as at 31 December 2010, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities.

Other matter

Without qualifying our opinion, we draw attention to the fact that the supplementary information set out on page 13 does not form part of the combined annual financial statements and is presented as additional information. We have not audited this information and accordingly do not express an opinion thereon.

Nwanda Incorporated

Nwanda Incorporated
Chartered Accountants (S.A.)
Registered Auditors
Practice number : 952451
15 April 2011

The Chambers
Cambridge Place Office Park
Kirkby Road, Bedford Gardens
Bedfordview
2047

Chartered Accountants and Registered Auditors (PR No. 952451)

Nwanda Incorporated • Registration Number 2004/003741/21 • The Chambers, Cambridge Place Office Park, Kirkby Road, Bedford Gardens
P.O. Box 751767, Gardenview, 2047 • E-mail: nwanda@nwanda.co.za • www.nwanda.co.za
Tel 011 622 0926 / 011 615 8420 / 011 615 8428 / 011 616 7962 / 011 616 9092 • Fax 011 622 7956

Directors: • Roy Macpherson • Robert Borrill • Mauritz Jankowitz • Paul Bloch



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Directors' responsibilities and approval

The directors are required to maintain adequate accounting records and are responsible for the content and integrity of the combined annual financial statements and related financial information included in this report. It is their responsibility to ensure that the combined annual financial statements fairly present the state of affairs of North Star Alliance 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 the International Financial Reporting Standard for Small and Medium-sized Entities. The external auditors are engaged to express an independent opinion on the combined annual financial statements.

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

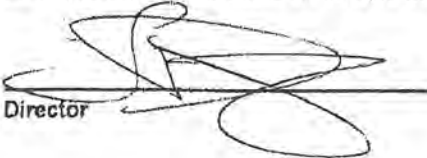
The directors acknowledge that they are ultimately responsible for the system of internal financial control established by North Star Alliance and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards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

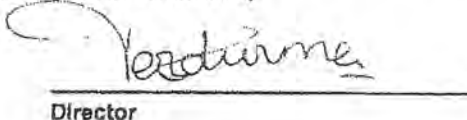
The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the combined annual financial statements. However, any system of internal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

The directors have reviewed the 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 North Star Alliance 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 combined annual financial statements. The combined annual financial statements have been examined by the external auditors and their report is presented on page 2.

The combined annual financial statements set out on pages 4 to 13, which have been prepared on the going concern basis, were approved by the board on 15 April 2011 and were signed on its behalf by:


Director


Director

Utrecht
The Netherlands

15 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

North Star Alliance's business and operations and the results thereof are clearly reflected in the attached financial statements.

The organisation operates within three entities:

- 1 Stichting North Star Foundation (an association not for gain in The Netherlands)
- 2 North Star Alliance (South Africa) (an incorporated association not for gain in South Africa)
- 3 North Star Alliance - East Africa (an association not for gain in Kenya)

The combined annual financial statements include the combined results of the above three entities.

The main objective of the organisation is to develop wellness centres for people within the transport industry, with particular attention on the prevention and education of HIV and AIDS.

The operating results and state of affairs of the organisation are fully set out in the attached combined annual financial statements and do not in our opinion require any further comment.

2. Events after the reporting period

The directors are not aware of any matter or circumstance arising since the end of the financial year up to the date of the audit report.

3. Property, plant and equipment

Property, plant and equipment costing € 84,619 (2009: € 41,650) was acquired during the period under review.

4. Directors

The directors of North Star Alliance during the year and to the date of this report are as follows:

Name	Nationality
Luke Disney	Irish
Paul Matthew	South African

5. Auditors

Nwanda Incorporated are the auditors of North Star Alliance (South Africa) and North Star Alliance - East Africa. Pricewaterhouse Coopers are the auditors of the Stichting North Star Foundation.



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Combined annual financial statements for the year ended 31 December 2010

Statement of financial position

	Note(s)	2010 €	2009 €
Assets			
Non-current assets			
Property, plant and equipment	2	91,116	33,316
Current assets			
Trade and other receivables	3	265,610	326,262
Cash and cash equivalents	4	235,030	257,632
		500,640	583,894
Total assets		591,756	617,210
Equity and liabilities			
Equity			
Foreign currency translation reserve	5	7,558	8,162
Restricted fund	6	213,992	266,902
Unrestricted fund	7	13,391	140,621
		234,941	415,685
Liabilities			
Non-current liabilities			
Instalment sale	8	21,125	-
Current liabilities			
Instalment sale	8	8,516	-
Trade and other payables	9	327,174	201,525
		335,690	201,525
Total liabilities		356,815	201,525
Total equity and liabilities		591,756	617,210



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Statement of comprehensive income

	Note(s)	2010 €	2009 €
Revenue		2,237,327	1,010,244
Operating expenses		(2,430,415)	(754,157)
Operating (deficit) surplus	10	(193,088)	256,087
Investment revenue	11	5,268	151
(Deficit) surplus for the year		(187,820)	256,238
Other comprehensive income:			
Exchange differences on translating foreign operations		(604)	8,162
Total comprehensive (deficit) surplus for the year		(188,424)	264,400



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Statement of changes in equity

	Foreign currency translation reserve €	Restricted fund €	Total reserves €	Unrestricted fund €	Total equity €
Balance at 01 January 2009	-	-	-	34,384	34,384
Changes in equity					
Total comprehensive surplus for the year	8,162	150,000	158,162	106,237	264,399
Additions to restricted funds	-	116,901	116,901	-	116,901
Total changes	8,162	266,901	275,063	140,621	415,684
Balance at 01 January 2010	8,162	266,901	275,063	140,621	415,684
Changes in equity					
Total comprehensive deficit for the year	(604)	(60,588)	(61,192)	(127,230)	(188,422)
Additions to restricted funds	-	7,679	7,679	-	7,679
Total changes	(604)	(52,909)	(53,513)	(127,230)	(180,743)
Balance at 31 December 2010	7,558	213,992	221,550	13,391	234,941



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Statement of cash flows

	Note(s)	2010 €	2009 €
Cash flows from operating activities			
Funds received from donors		2,297,979	657,055
Cash payments in the course of operations		(2,270,871)	(357,924)
Cash generated from operations	12	27,108	299,131
Interest income		5,268	151
Net cash from operating activities		32,376	299,282
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(84,619)	(41,650)
Cash flows from financing activities			
Increase in instalment sale obligation		29,641	-
Total cash movement for the year		(22,602)	257,632
Cash at the beginning of the year		257,632	-
Total cash at end of the year	4	235,030	257,632



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Accounting policies

1. Presentation of combined annual financial statements

(a) **Basis of Preparation**

The financial statements are prepared on an accrual basis.

(b) **Revenue Recognition**

Grants from donors are accounted for on an accrual basis. All grants received in foreign currencies are translated into the currency of the specific organisation at the exchange rates on the date of receipt.

(c) **Translation of foreign currencies**

A foreign currency transaction is recorded by the three entities, on initial recognition in the specific currency for that entity, 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.

At the end of each 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 are recognised in profit or loss in the period in which they arise.

(d) **Taxation**

No provision for tax or deferred tax is recognised as the three entities are exempt from taxation.

(e) **Property, Plant and Equipment**

Containers and container refurbishment are expensed.
Computer equipment, furniture and fittings, motor vehicles and office equipment are capitalised.

(f) **Currency**

The financial statements are presented in Euros.

(g) **Rates of Depreciation**

	Rate%
Computer equipment	33.33
Furniture and fittings	25.00 - 33.00
Office equipment	25.00
Motor vehicles	20.00

(h) **Fund Balances**

Fund balances are classified as either unrestricted or restricted.

a) **Unrestricted funds**

These are not subject to any legal or third party restriction and can be applied as the organisation sees fit.
Unrestricted fund balances may be designated for specific purposes to meet future obligations or risks.

b) **Restricted funds**

Restricted fund balances comprise of advance payments by donors or unspent funds that have been restricted to specific purposes by donors.

(i) **First time adoption to International Financial Reporting Standards for Small and Medium-sized Entities**

Refer to note 14.



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Notes to the combined annual financial statements

	2010 €			2009 €		
2. Property, plant and equipment						
	2010			2009		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fittings	35,199	(9,315)	25,884	15,147	(1,893)	13,254
Motor vehicles	27,649	(5,069)	22,580	-	-	-
Office equipment	28,962	(6,490)	22,472	8,634	(1,079)	7,555
Computer equipment	34,459	(14,279)	20,180	17,869	(5,362)	12,507
Total	126,269	(35,153)	91,116	41,650	(8,334)	33,316

Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Foreign exchange movements	Depreciation	Total
Furniture and fittings	13,254	20,052	86	(7,508)	25,884
Motor vehicles	-	27,649	-	(5,069)	22,580
Office equipment	7,555	20,328	50	(5,461)	22,472
Computer equipment	12,507	16,590	(61)	(8,856)	20,180
	33,316	84,619	75	(26,894)	91,116

3. Trade and other receivables

Trade receivables	257,080	326,262
Prepayments	8,530	-
	265,610	326,262

4. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash accounts	235,030	257,632
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5. Foreign currency translation reserve

Translation reserve comprises exchange differences on conversion to Euros.

Opening balance	8,162	-
(Deficit) surplus for the year	(604)	8,162
	7,558	8,162

6. Restricted fund

Swaziland (Chevron)	-	1,949
Namibia (SIDA)	22,145	55,335
Zambia and Kenya (World Food Programme)	92,229	59,618
Kenya (Japanese Embassy)	10,206	-
India and Brazil (feasibility studies)	50,000	100,000
Solidarity fund	-	50,000
West Africa	39,412	-
	213,992	266,902



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	2010 €	2009 €
6. Restricted fund (continued)		
Restricted funds comprise of advance payments by donors and donor receipts which have been received for specific purposes and which remain unspent at the end of the financial year.		
7. Unrestricted fund		
Balance at the start of the year	140,621	34,384
(Deficit) surplus for the year	(127,230)	106,237
	<u>13,391</u>	<u>140,621</u>
8. Instalment sale		
Non-current liabilities	21,125	-
Current liabilities	8,516	-
	<u>29,641</u>	<u>-</u>
The average term is 3.5 years and the average effective borrowing rate is 11%.		
The instalment sale is secured by property, plant and equipment with a carrying value of € 33,353.		
9. Trade and other payables		
Trade payables	204,810	147,433
Accruals	122,364	54,092
	<u>327,174</u>	<u>201,525</u>
10. Operating (deficit) surplus		
Operating (deficit) surplus for the year is stated after accounting for the following:		
Operating lease charges		
Premises		
▪ Contractual amounts	46,969	7,165
Depreciation on property, plant and equipment	26,894	7,974
Employee costs	975,011	231,114
Auditors' remuneration - current year	17,445	20,501
Auditors' remuneration - prior year under provision	2,264	-
	<u>1,078,583</u>	<u>266,754</u>
11. Investment revenue		
Interest revenue		
Bank	5,268	151



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	2010 €	2009 €
12. Cash generated from operations		
(Loss) profit before taxation	(187,820)	256,238
Adjustments for:		
Interest received	(5,268)	(151)
Depreciation	26,894	7,974
Unrestricted fund and foreign currency translation reserve	7,002	125,063
Changes in working capital:		
Trade and other receivables	60,651	(353,189)
Trade and other payables	125,649	263,196
	<u>27,108</u>	<u>299,131</u>
13. Commitments		
Operating leases – as lessee (expense)		
Minimum lease payments due		
- within one year	38,408	16,281
- in second to fifth year inclusive	1,190	21,111
	<u>39,598</u>	<u>37,392</u>

14. First-time adoption of the International Financial Reporting Standard for Small and Medium-sized Entities.

The organisation has applied the International Financial Reporting Standard for Small and Medium-sized Entities, for the first time for the 2010 year end. On principle this standard has been applied retrospectively but has not resulted in any adjustments being required.



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Detailed statement of financial performance

	Note(s)	2010 €	2009 €
Revenue			
Donations		2,237,327	1,010,244
Other income			
Interest received	11	5,268	151
Operating expenses			
Establishment cost		158,342	163,508
Finance, legal and administration		186,278	104,515
Integrated computer technology		431,333	18,856
Marketing, communications and fundraising		141,782	14,481
Prevention		140,195	9,289
Project management		-	48,707
Running Cost		224,195	79,486
Salaries		975,011	231,114
Travel cost		173,279	84,201
		2,430,415	754,157
(Deficit) surplus for the year		(187,820)	256,238

