The Mandela Rhodes Foundation Trust Two
(Registration number IT1639/2008)
Annual Financial Statements
for the year ended 31 December 2018
The Mandela Rhodes Foundation Trust Two  
(Registration number IT1639/2008)  
Annual Financial Statements for the year ended 31 December 2018  

General Information

Trust registration number  
IT1639/2008

Country of establishment and domicile  
South Africa

Type of trust  
To contribute to the development of exceptional leadership capacity in Africa

Founding patron  
Late Nelson Rolihlahla Mandela (Deceased 5 December 2013)

Chairman  
Njabulo Ndebele

Prescribed officers  
Executive Director  
Shaun Johnson  
Deputy Executive Director  
Judy Sikuza  
Operations Director  
Ernst Gerber

Trustees  
Mandela Nominees  
Achmed Dangor  
Phumzile Mlambo-Ngcuka  
Yvonne Mokgoro  
Njabulo Ndebele  

Rhodes Nominees  
John Hood  
John McCall MacBain  
Julian Ogilvie Thompson  
Elizabeth Kiss

Registered office  
The Mandela Rhodes Building  
150 St Georges Mall  
Cape Town  
8001

Business address  
The Mandela Rhodes Building  
150 St Georges Mall  
Cape Town  
8001

Postal address  
PO Box 15897  
Vlaeburg  
8018  
Cape Town  
South Africa

Bankers  
Nedbank Limited  
Nedbank Private Wealth
The Mandela Rhodes Foundation Trust Two
(Registration number IT1639/2008)
Annual Financial Statements for the year ended 31 December 2018

General Information (continued)

Auditors
Level of assurance
Preparer
As agreed by the Board of Trustees

PricewaterhouseCoopers Inc.
These annual financial statements have been audited.
The annual financial statements were independently compiled under the supervision of:
CF Lane CA (SA)
The Mandela Rhodes Foundation Trust Two  
(Registration number IT1639/2008)  
Annual Financial Statements for the year ended 31 December 2018

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Trustees' Responsibilities and Approval

The Trustees are required to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the Trust as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Trustees acknowledge that they are ultimately responsible for the system of internal financial control established by the Trust and place considerable importance on maintaining a strong control environment. To enable the Trustees to meet these responsibilities, the board of trustees sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Trust and all employees are required to maintain the highest ethical standards in ensuring the Trust's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Trust is on identifying, assessing, managing and monitoring all known forms of risk across the Trust. While operating risk cannot be fully eliminated, the trust endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Trustees are of the opinion, based on the information and explanations given by management, that the system of internal 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 Trustees have reviewed the Trust's cash flow forecast for the year to 31 December 2019 and, in light of this review and the current financial position, they are satisfied that the Trust has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the Trust's annual financial statements. The annual financial statements have been examined by the Trust's external auditors and their report is presented on pages 7 to 9.

The annual financial statements set out on pages 5 to 31, which have been prepared on the going concern basis, were approved by the board of trustees on 24 June 2019 and were signed on their behalf by:

[Signatures]

Njabulo Ndebele (Chairman)  
John McCall MacBain

Julian Ogilvie Thompson
The Mandela Rhodes Foundation Trust Two
(Registration number IT1639/2008)
Annual Financial Statements for the year ended 31 December 2018

Trustees’ Report

The Trustees have pleasure in submitting their report on the annual financial statements of The Mandela Rhodes Foundation Trust Two for the year ended 31 December 2018.

1. Nature of business

The Mandela Rhodes Foundation Trust Two was established on 11 April 2008 to enable and allow donors and partners in The Mandela Rhodes Foundation to have the choice that funds or other assets that they contribute to the goals of The Mandela Rhodes Foundation, be utilised exclusively for the benefit of young black South Africans.

The Founders wish to contribute to the development of exceptional leadership capacity in Africa. This objective shall be advanced through the development and implementation of the Mandela Rhodes programmes.

2. Review of financial results and activities

The annual financial statements have been prepared in accordance with International Financial Reporting Standards. The accounting policies have been applied consistently compared to the prior year, except for the adoption of new or revised accounting standards as set out in note 1.

Full details of the financial position, results of operations and cash flows of the Trust are set out in these annual financial statements.

3. Going concern

The Trustees believe that the Trust has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The Trustees have satisfied themselves that the Trust is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The Trustees are not aware of any new material changes that may adversely impact the Trust. The Trustees are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the Trust.

4. Events after the reporting period

The Trustees are not aware of any material event which occurred after the reporting date and up to the date of this report.

5. Investment

The Foundation holds 25.1% of the shares of Oxford University Press Southern Africa Proprietary Limited, of which a dividend of R 2,510,000 (2017: R nil) was received in the current year.

6. Trustees

The Trustees in office during the year and at the date of this report are as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Nominees</th>
<th>Changes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Achmed Dangor</td>
<td>Mandela Nominee</td>
<td></td>
</tr>
<tr>
<td>Phumzile Mlambo-Ngcuka</td>
<td>Mandela Nominee</td>
<td></td>
</tr>
<tr>
<td>Yvonne Mokgoro</td>
<td>Mandela Nominee</td>
<td></td>
</tr>
<tr>
<td>Njabulo Ndebele (Chairman)</td>
<td>Mandela Nominee</td>
<td></td>
</tr>
<tr>
<td>Charles Conn</td>
<td>Rhodes Nominee</td>
<td>Resigned 30 June 2018</td>
</tr>
<tr>
<td>John Hood</td>
<td>Rhodes Nominee</td>
<td></td>
</tr>
<tr>
<td>John McCall MacBain</td>
<td>Rhodes Nominee</td>
<td></td>
</tr>
<tr>
<td>Julian Ogilive Thompson</td>
<td>Rhodes Nominee</td>
<td></td>
</tr>
<tr>
<td>Elizabeth Kiss</td>
<td>Rhodes Nominee</td>
<td>Appointed 13 July 2018</td>
</tr>
</tbody>
</table>
The Mandela Rhodes Foundation Trust Two  
(Registration number IT1639/2008)  
Annual Financial Statements for the year ended 31 December 2018  

Trustees' Report (continued)

7. Donations

No donations were made to The Mandela Rhodes Foundation Trust during the 2018 financial year (2017: R nil).

8. Trustees' interests in contracts

No material contracts in which Trustees have an interest were entered into.

9. Executive Committee

The Executive Committee at 31 December 2018 were:

John Hood  
Shaun Johnson  
Njabulo Ndebele (Chairman)  
Julian Ogilvie Thompson

10. Finance, Audit and Risk Committee

The Finance, Audit and Risk Committee at 31 December 2018 were:

Mustaq Brey (Chairman)  
Tim Cumming  
Julian Ogilvie Thompson  
Nkazimulo Sokhulu

11. Investment Committee

The Investment Committee at 31 December 2018 were:

Jacques Conradie  
Tim Cumming (Chairman)  
Shaun Johnson  
Julian Ogilvie Thompson

12. Auditors

PricewaterhouseCoopers Inc. continued in office as auditors for the Trust for 2018.
Independent auditor's report

To the Trustees of The Mandela Rhodes Foundation Trust Two

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Mandela Rhodes Foundation Trust Two (the Trust) as at 31 December 2018, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Mandela Rhodes Foundation Trust Two’s financial statements set out on pages 10 to 31 comprise:

- the statement of financial position as at 31 December 2018;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the annual financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report.

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

Independence

We are independent of the Trust in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors’ Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors’ Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa.

We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (including International Independence Standards) respectively.
Other information

The trustees are responsible for the other information. The other information comprises the information included in the document titled "The Mandela Rhodes Foundation Trust Two Annual Financial Statements for the year ended 31 December 2018". The other information does not include the financial statements and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the trustees for the financial statements

The trustees are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the Trust’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees’ either intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust’s internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustees.

Conclude on the appropriateness of the trustees’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Trust to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on the audit of the financial statements

We report that PricewaterhouseCoopers Inc. has been the auditor of The Mandela Rhodes Foundation Trust Two for 11 years.

PricewaterhouseCoopers Inc.
Director: Viresh Harri
Registered Auditor
Cape Town
24 June 2019
The Mandela Rhodes Foundation Trust Two  
(Registration number IT1639/2008)  
Annual Financial Statements for the year ended 31 December 2018

Statement of Financial Position as at 31 December 2018

<table>
<thead>
<tr>
<th></th>
<th>Notes</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-Current Assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt instruments at fair value through other comprehensive income</td>
<td>6</td>
<td>2,500,251</td>
<td>-</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>7</td>
<td>-</td>
<td>251</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td></td>
<td>2,500,251</td>
<td>251</td>
</tr>
<tr>
<td>Current Assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>8</td>
<td>7,586</td>
<td>163,385</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>9</td>
<td>9,467,601</td>
<td>5,454,254</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td></td>
<td>9,475,187</td>
<td>5,617,639</td>
</tr>
<tr>
<td><strong>Equity and Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trust capital</td>
<td>10</td>
<td>1,000</td>
<td>1,000</td>
</tr>
<tr>
<td>Reserves</td>
<td></td>
<td>2,500,000</td>
<td>-</td>
</tr>
<tr>
<td>Accumulated surplus</td>
<td></td>
<td>9,430,686</td>
<td>5,572,890</td>
</tr>
<tr>
<td><strong>Total Equity and Liabilities</strong></td>
<td></td>
<td>11,931,686</td>
<td>5,573,890</td>
</tr>
<tr>
<td>Liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>11</td>
<td>43,652</td>
<td>44,000</td>
</tr>
<tr>
<td>Related party payable</td>
<td>12</td>
<td>100</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Equity and Liabilities</strong></td>
<td></td>
<td>43,752</td>
<td>44,000</td>
</tr>
</tbody>
</table>

11,975,438 5,617,890
The Mandela Rhodes Foundation Trust Two  
(Registration number IT1639/2008)  
Annual Financial Statements for the year ended 31 December 2018

Statement of Other Comprehensive Income

<table>
<thead>
<tr>
<th>Notes</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>R</td>
<td>R</td>
</tr>
<tr>
<td>Revenue</td>
<td>3,510,000</td>
<td></td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>(44,841)</td>
<td>(41,625)</td>
</tr>
<tr>
<td>Operating surplus (deficit)</td>
<td>3,465,159</td>
<td>(41,625)</td>
</tr>
<tr>
<td>Finance income</td>
<td>392,638</td>
<td>386,521</td>
</tr>
<tr>
<td>Surplus for the year</td>
<td>3,857,797</td>
<td>344,896</td>
</tr>
</tbody>
</table>

Other comprehensive income:
Items that will not be reclassified to surplus or deficit:
Fair value movement on available-for-sale financial asset | 2,500,000 | (7,190,765) |
Total comprehensive income (deficit) for the year | 6,357,797 | (6,845,869) |
The Mandela Rhodes Foundation Trust Two  
(Registration number IT1639/2008)  
Annual Financial Statements for the year ended 31 December 2018

**Statement of Changes in Equity**

<table>
<thead>
<tr>
<th>Description</th>
<th>Trust capital R</th>
<th>Revaluation reserve R</th>
<th>Accumulated surplus R</th>
<th>Total equity R</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at 01 January 2017</td>
<td>1,000</td>
<td>7,190,765</td>
<td>5,227,994</td>
<td>12,419,759</td>
</tr>
<tr>
<td>Surplus for the year</td>
<td>-</td>
<td>-</td>
<td>344,896</td>
<td>344,896</td>
</tr>
<tr>
<td>Other comprehensive deficit</td>
<td>-</td>
<td>(7,190,765)</td>
<td>-</td>
<td>(7,190,765)</td>
</tr>
<tr>
<td>Total comprehensive deficit for the year</td>
<td>-</td>
<td>(7,190,765)</td>
<td>344,896</td>
<td>(6,845,869)</td>
</tr>
<tr>
<td>Balance at 01 January 2018</td>
<td>1,000</td>
<td>-</td>
<td>5,591,394</td>
<td>5,592,394</td>
</tr>
<tr>
<td>Surplus for the year</td>
<td>-</td>
<td>-</td>
<td>3,857,797</td>
<td>3,857,797</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>-</td>
<td>2,500,000</td>
<td>-</td>
<td>2,500,000</td>
</tr>
<tr>
<td><strong>Total comprehensive income for the year</strong></td>
<td>-</td>
<td>2,500,000</td>
<td>3,857,797</td>
<td>6,357,797</td>
</tr>
<tr>
<td>Allocation to beneficiary</td>
<td>-</td>
<td>-</td>
<td>(18,505)</td>
<td>(18,505)</td>
</tr>
<tr>
<td><strong>Total changes</strong></td>
<td>-</td>
<td>-</td>
<td>(18,505)</td>
<td>(18,505)</td>
</tr>
<tr>
<td>Balance at 31 December 2018</td>
<td>1,000</td>
<td>2,500,000</td>
<td>9,430,686</td>
<td>11,931,686</td>
</tr>
</tbody>
</table>

Note 10
The Mandela Rhodes Foundation Trust Two  
(Registration number IT1639/2008)  
Annual Financial Statements for the year ended 31 December 2018

**Statement of Cash Flows**

<table>
<thead>
<tr>
<th>Notes</th>
<th>2018 R</th>
<th>2017 R</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash generated from (used in) operations</td>
<td>17</td>
<td>3,620,709</td>
</tr>
<tr>
<td>Finance income</td>
<td></td>
<td>392,638</td>
</tr>
<tr>
<td><strong>Net cash from operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total cash movement for the year</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash at the beginning of the year</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total cash at end of the year</strong></td>
<td>9</td>
<td>9,467,601</td>
</tr>
</tbody>
</table>
The Mandela Rhodes Foundation Trust Two
(Registration number IT1639/2008)
Annual Financial Statements for the year ended 31 December 2018

Accounting Policies

1. Significant accounting policies

The Mandela Rhodes Foundation Trust Two is a trust established and domiciled in South Africa. The address of its registered office and principal place of business is The Mandela Rhodes Building, 150 St Georges Mall, Cape Town, 8001. Their principal activity is to contribute to the development of exceptional leadership capacity in Africa.

The annual financial statements have been prepared in accordance with International Financial Reporting Standards. The annual financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in South African Rands.

The principal accounting policies applied in the preparation of these annual financial statements are set out below.

These accounting policies are consistent with the previous period, except for the changes set out in note 2 - Changes in accounting policy.

1.1 Significant judgements and sources of estimation uncertainty

The preparation of annual financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Critical judgements in applying accounting policies

The critical judgements made by management in applying accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognised in the financial statements, are outlined as follows:

Key sources of estimation uncertainty

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Trust is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined by using valuation techniques. The Trust uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Trust for similar financial instruments.
1.2 Financial instruments: IFRS 9

Financial instruments held by the Trust are classified in accordance with the provisions of IFRS 9 Financial Instruments.

Broadly, the classification possibilities, which are adopted by the Trust, as applicable, are as follows:

Financial assets which are equity instruments:
- Designated at fair value through other comprehensive income.

Financial assets which are debt instruments:
- Amortised cost. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows).

Financial liabilities:
- Amortised cost.

The financial instruments held by the Trust based on their specific classifications are shown in note 4 below:

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the Trust are presented below:

Debt instruments at fair value through other comprehensive income

Classification

The Trust holds certain investments in unlisted securities which are classified as subsequently measured at fair value through other comprehensive income (note 6).

They have been classified in this manner because the contractual terms of these debt instruments give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the objectives of the Trust's business model is achieved by both collecting the contractual cash flows on these instruments and by selling them.

Recognition and measurement

These debt instruments are recognised when the Trust becomes a party to the contractual provisions. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at fair value.

Even though they are measured at fair value, the Trust determines the amortised cost of each instrument as if they were measured at amortised cost. The difference, at reporting date, between the amortised cost and the fair value of the debt instruments, is recognised in other comprehensive income and accumulated in equity in the reserve for valuation of investments.

The amortised cost is the amount recognised on the loan initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest rate method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.
Accounting Policies

1.2 Financial instruments: IFRS 9 (continued)

Application of the effective interest method

Interest income is calculated using the effective interest rate method, and is included in surplus or deficit in finance income (note 15).

The application of the effective interest method to calculate interest income on debt instruments at fair value through other comprehensive income is dependent on the credit risk of the instrument as follows:

- The effective interest rate is applied to the gross carrying amount of the instrument, provided the instrument is not credit impaired. The gross carrying amount is the amortised cost before adjusting for a loss allowance.
- If a debt instrument is a purchased or originated as credit-impaired, then a credit-adjusted effective interest rate is applied to the amortised cost in the determination of interest. This treatment does not change over the life of the instrument, even if it is no longer credit-impaired.
- If a debt instrument was not purchased or originally credit-impaired, but it has subsequently become credit-impaired, then the effective interest rate is applied to the amortised cost of the instrument in the determination of interest. If, in subsequent periods, the instrument is no longer credit impaired, then the interest calculation reverts to applying the effective interest rate to the gross carrying amount.

Trade and other receivables

Classification

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost (note 8).

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the Trust's business model is to collect the contractual cash flows on trade and other receivables.

Recognition and measurement

Trade and other receivables are recognised when the trust becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest rate method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Related party payable

Classification

Related party payable (note 12), is classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

Related party payable is recognised when the Trust becomes a party to the contractual provisions of the loan. The loan is measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest rate method.

Borrowings expose the Trust to liquidity risk and interest rate risk. Refer to note 4 for details of risk exposure and management thereof.
The Mandela Rhodes Foundation Trust Two  
(Registration number IT1639/2008)  
Annual Financial Statements for the year ended 31 December 2018

Accounting Policies

1.2 Financial instruments: IFRS 9 (continued)

Trade and other payables

Classification

Trade and other payables (note 11), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

They are recognised when the Trust becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest rate method.

The effective interest rate method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Trade and other payables expose the Trust to liquidity risk and possibly to interest rate risk. Refer to note 4 for details of risk exposure and management thereof.

Cash and cash equivalents

Cash and cash equivalents are stated at carrying amount which is deemed to be fair value.

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments with original maturities of 3 months or less 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 Financial instruments: IAS 39 comparatives

Classification

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

- Loans and receivables
- Available-for-sale financial assets
- 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 surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.
The Mandela Rhodes Foundation Trust Two  
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Annual Financial Statements for the year ended 31 December 2018

Accounting Policies

1.3 Financial instruments: IAS 39 comparatives (continued)

Initial recognition and measurement

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

The Trust 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 surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Trust has transferred substantially all risks and rewards of ownership.

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Trust establishes fair value by using valuation techniques. These include the use of recent arm’s length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment of financial assets

At each reporting date the Trust assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the Trust, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit - is removed from equity as a reclassification adjustment to other comprehensive income and recognised in surplus or deficit.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset’s recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit, except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.
Accounting Policies

1.3 Financial instruments: IAS 39 comparatives (continued)

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

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 surplus or deficit 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.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

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.

1.4 Trust capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Trust capital is classified as equity.

1.5 Revenue from donors

The Trust recognises revenue from the following major sources:

- Donations and programme funding

Interest income is recognised on a time-proportion basis using the effective interest rate method. When a receivable is impaired, the Foundation reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.

Dividends are recognised, in surplus or deficit, when the Trust’s right to receive payment has been established.

Donations and programme funding

Donations, and programme funding are recorded as income once income has been received. Income that has been pledged but not yet received, has not been included in income.
The Mandela Rhodes Foundation Trust Two
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Annual Financial Statements for the year ended 31 December 2018

Notes to the Annual Financial Statements

2. Changes in accounting policy

The annual financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year, except for the adoption of the following new or revised standards.

Application of IFRS 9 Financial Instruments

In the current year, the trust has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRSs. IFRS 9 replaces IAS 39 Financial Instruments and introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) impairment for financial assets and 3) general hedge accounting. Details of these new requirements as well as their impact on the trust’s financial statements are described below.

The trust has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

Classification and measurement of financial assets

The date of initial application (i.e. the date on which the trust has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 01 January 2018. Accordingly, the trust has applied the requirements of IFRS 9 to instruments that have not been derecognised as at 01 January 2018 and has not applied the requirements to instruments that have already been derecognised as at 01 January 2018. Comparatives in relation to instruments that have not been derecognised as at 01 January 2018 have not been restated. Instead, no adjustments to retained earnings have been recognised in retained earnings as at 01 January 2018.

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The measurement requirements are summarised below:

Debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at amortised cost.

Debt investments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at fair value through other comprehensive income.

All other debt investments and equity investments are subsequently measured at fair value through surplus or deficit, unless specifically designated otherwise.

The trust may, on initial recognition, irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies in other comprehensive income.

The trust may irrevocably designate a debt investment that meets the amortised cost or fair value through other comprehensive income criteria as measured at fair value through surplus or deficit if doing so eliminates or significantly reduces an accounting mismatch.

When a debt investment measured at fair value through other comprehensive income is derecognised, the cumulative gain or deficit previously recognised in other comprehensive income is reclassified from equity to surplus or deficit as a reclassification adjustment. In contrast, for an equity investment designated as measured at fair value through other comprehensive income, the cumulative gain or deficit previously recognised in other comprehensive income is not subsequently reclassified to surplus or deficit.
2. Changes in accounting policy (continued)

Debt instruments that are subsequently measured at amortised cost or at fair value through other comprehensive income are subject to new impairment provisions using an expected loss model. This contrasts the incurred loss model of IAS 39.

The trustees reviewed and assessed the trust’s existing financial assets as at 01 January 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had no impact on the trust’s financial assets as regards to their classification and measurement.

Debt instruments designated as at fair value through surplus or deficit

In the current year, the trust has designated 0% any debt investments that met the amortised cost or fair value through other comprehensive income criteria as measured at fair value through surplus or deficit. In addition, there were no such instruments which were measured at fair value through surplus or deficit under IAS 39 which have been de-designated either voluntarily or because they no longer meet the designation criteria.

Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the trust to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires the trust to recognise a loss allowance for expected credit losses on debt investments subsequently measured at amortised cost or at fair value through other comprehensive income, lease receivables, contract assets and loan commitments and financial guarantee contracts to which the impairment requirements of IFRS 9 apply. In particular, IFRS 9 requires the trust to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. On the other hand, if the credit risk on the financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the trust is required to measure the loss allowance for that financial instrument at an amount equal to 12 months expected credit losses.

IFRS 9 also provides a simplified approach for measuring the loss allowance at an amount equal to lifetime expected credit losses for trade receivables, contract assets and lease receivables in certain circumstances.

As at 01 January 2018, the trustees reviewed and assessed the trust’s existing financial assets, amounts due from customers and financial guarantee contracts for impairment using reasonable and supportable information that was available without undue cost or effort in accordance with the requirements of IFRS 9 to determine the credit risk of the respective items at the date they were initially recognised, and compared that to the credit risk as at 01 January 2017 and 01 January 2018. The result of the assessment indicated no material change in the loss allowance.

Application of IFRS 15 Revenue from contracts with customers

In the current year, the trust has applied IFRS 15 Revenue from Contracts with Customers (as revised in April 2016) and the related consequential amendments to other IFRSs. IFRS 15 replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue - Barter Transactions Involving Advertising Services.

IFRS 15 introduces a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Details of these new requirements as well as their impact on the trust financial statements are described below. Refer to the revenue accounting policy for additional details.
The Mandela Rhodes Foundation Trust Two  
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Annual Financial Statements for the year ended 31 December 2018  

Notes to the Annual Financial Statements  

2. Changes in accounting policy (continued)  

The trust has applied IFRS 15 with an initial date of application of 01 January 2018 in accordance with the fully retrospective transitional approach, by recognising the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity at 01 January 2018. The comparative information has therefore not been restated.  

3. New Standards and Interpretations  

3.1 Standards and interpretations effective and adopted in the current year  

In the current year, the trust has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:  

Standard/ Interpretation: 

- IFRS 9 Financial Instruments  

- IFRS 15 Revenue from Contracts with Customers  


date: 

<table>
<thead>
<tr>
<th>Standard/ Interpretation</th>
<th>Effective date: Years beginning on or after</th>
<th>Expected impact:</th>
</tr>
</thead>
<tbody>
<tr>
<td>IFRS 15 Revenue from Contracts with Customers</td>
<td>01 January 2018</td>
<td></td>
</tr>
</tbody>
</table>

4. Financial instruments and risk management  

Categories of financial instruments  

Categories of financial assets  

2018  

<table>
<thead>
<tr>
<th>Notes</th>
<th>Fair value through other comprehensive income - debt instruments</th>
<th>Amortised cost</th>
<th>Total</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt instruments at fair value through other comprehensive income</td>
<td>2,500,251</td>
<td>-</td>
<td>2,500,251</td>
<td>2,500,251</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>-</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>-</td>
<td>9,467,601</td>
<td>9,467,601</td>
<td>9,467,601</td>
</tr>
<tr>
<td>Total</td>
<td>2,500,251</td>
<td>9,468,601</td>
<td>11,968,852</td>
<td>11,968,852</td>
</tr>
</tbody>
</table>
The Mandela Rhodes Foundation Trust Two  
(Registration number IT1639/2008)  
Annual Financial Statements for the year ended 31 December 2018

Notes to the Annual Financial Statements

4. Financial instruments and risk management (continued)

2017

<table>
<thead>
<tr>
<th>Notes</th>
<th>Fair value through other comprehensive income - equity instruments</th>
<th>Amortised cost</th>
<th>Total</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Available-for-sale investments</td>
<td>251</td>
<td>-</td>
<td>251</td>
<td>251</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>8</td>
<td>163,351</td>
<td>163,351</td>
<td>163,351</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>9</td>
<td>5,454,254</td>
<td>5,454,254</td>
<td>5,454,254</td>
</tr>
</tbody>
</table>

|       | 251 | 5,617,605 | 5,617,856 | 5,617,856 |

Categories of financial liabilities

2018

<table>
<thead>
<tr>
<th>Notes</th>
<th>Amortised cost</th>
<th>Total</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade and other payables</td>
<td>11</td>
<td>43,652</td>
<td>43,652</td>
</tr>
<tr>
<td>Related party payable</td>
<td>12</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

|       | 43,752 | 43,752 | 43,752 |

2017

<table>
<thead>
<tr>
<th>Note</th>
<th>Amortised cost</th>
<th>Total</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade and other payables</td>
<td>11</td>
<td>44,000</td>
<td>44,000</td>
</tr>
</tbody>
</table>

Gains and losses on financial assets

2018

<table>
<thead>
<tr>
<th>Note</th>
<th>Amortised cost</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recognised in surplus or deficit: Finance income</td>
<td>15</td>
<td>392,638</td>
</tr>
</tbody>
</table>

2017

<table>
<thead>
<tr>
<th>Note</th>
<th>Amortised cost</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recognised in surplus or deficit: Finance income</td>
<td>15</td>
<td>386,521</td>
</tr>
</tbody>
</table>
The Mandela Rhodes Foundation Trust Two  
(Registration number IT1639/2008)  
Annual Financial Statements for the year ended 31 December 2018

Notes to the Annual Financial Statements

4. Financial instruments and risk management (continued)

Capital risk management

The capital structure of the Trust consists of equity as disclosed in the statement of financial position.

Consistent with others in the sector, the Trust monitors its current ratio. This ratio is calculated as current assets divided by current liabilities.

The current ratio at 2018 and 2017 respectively were as follows:

Current ratio  
216.57  
127.67

Financial risk management

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The Trust only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

The maximum exposure to credit risk is presented in the table below:

<table>
<thead>
<tr>
<th>Notes</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Gross carrying amount</td>
<td>Credit loss allowance</td>
</tr>
<tr>
<td>Debt instruments at fair value through other comprehensive income</td>
<td>6</td>
<td>2,500,251</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>8</td>
<td>1,000</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>9</td>
<td>9,467,601</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>11,968,852</strong></td>
<td><strong>-</strong></td>
</tr>
</tbody>
</table>
4. Financial instruments and risk management (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close off market positions.

The Trust does not have any long-term obligations, and has no utilised facilities with financial institutions.

The maturity profile of contractual cash flows of non-derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.

<table>
<thead>
<tr>
<th>Year</th>
<th>Notes</th>
<th>Less than 1 year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td></td>
<td>43,652</td>
</tr>
<tr>
<td>Related party payable</td>
<td>12</td>
<td>100</td>
</tr>
</tbody>
</table>

2017

<table>
<thead>
<tr>
<th>Year</th>
<th>Notes</th>
<th>Less than 1 year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td></td>
<td>44,000</td>
</tr>
</tbody>
</table>

Interest rate risk

The Trust has significant interest bearing assets and its income operating cash flows can be affected by changes in market interest rates. The Trust has no interest bearing payables or borrowings.

Interest rate sensitivity analysis

The following sensitivity analysis has been prepared using a sensitivity rate which is used when reporting interest rate risk internally to key management personnel and represents management’s assessment of the reasonably possible change in interest rates. All other variables remain constant. The sensitivity analysis includes only financial instruments exposed to interest rate risk which were recognised at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

At 31 December 2018, if interest rates on floating rate bank accounts had been 2% per annum (2017: 2% per annum) higher or lower during the period, with all other variables held constant, surplus for the year would have been R 115,631 (2017: R 109,085) higher or lower.
The Mandela Rhodes Foundation Trust Two  
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Annual Financial Statements for the year ended 31 December 2018

Notes to the Annual Financial Statements

5. Fair value information

Fair value hierarchy

The table below for level 2 equity instrument analyses assets and liabilities carried at fair value. There are no level 1 or 3 instruments. The different levels are defined as follows:

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the Trust can access at measurement date.

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

Levels of fair value measurements

Level 2

Recurring fair value measurements

Assets

Available for sale financial assets

Unlisted securities

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>-</td>
<td>251</td>
</tr>
</tbody>
</table>

Equity investments at fair value through other comprehensive income

Unlisted securities

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2,500,251</td>
<td>-</td>
</tr>
</tbody>
</table>

Total

|          | 2,500,251 | -    |

Valuation techniques used to derive level 2 fair values

Available-for-sale financial assets

At 31 December 2018, the fair value of the investment which is not traded in an active market was determined using a valuation technique. This is considered an estimate and will by definition rarely equal the related actual results.

6. Equity Instruments at fair value through other comprehensive income

Unlisted securities

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2,500,251</td>
<td>-</td>
</tr>
</tbody>
</table>
6. Equity instruments at fair value through other comprehensive income (continued)

Fair value information

Refer to note 5 Fair value information for details of valuation policies and processes.

The equity instruments at fair value through other comprehensive income included an unlisted security (Oxford University Press Southern Africa Proprietary Limited in South Africa) denominated in Rands.

The Foundation acquired 251 shares out of 1,000 shares of Oxford University Press Southern Africa Proprietary Limited from Oxford Nominees.

The Foundation may only sell the unlisted shares in terms of the call and put options noted below.

The Foundation has granted Oxford Nominees an option to acquire all the unlisted shares as above from the Foundation. Oxford Nominees may acquire these shares upon providing at least 2 years written notice. The purchase price shall be the aggregate dividends of the 2 years preceding the transfer of shares.

Oxford Nominees has granted the Foundation an option to sell all the shares as above to Oxford Nominees. The option is exercisable by a 2 year written notice for R251 and no deemed cost.

7. Other financial assets - Comparative information as per IAS 39

Available-for-sale
Unlisted securities

<table>
<thead>
<tr>
<th></th>
<th>251</th>
</tr>
</thead>
</table>

The available for sale assets included an unlisted security (Oxford University Press Southern Africa Proprietary Limited in South Africa) denominated in Rands.

The Foundation acquired 251 shares out of 1,000 shares of Oxford University Press Southern Africa Proprietary Limited from Oxford Nominees.

The Foundation may only sell the unlisted shares in terms of the call and put options noted below.

The Foundation has granted Oxford Nominees an option to acquire all the unlisted shares as above from the Foundation. Oxford Nominees may acquire these shares upon providing at least 2 years written notice. The purchase price shall be the aggregate dividends of the 2 years preceding the transfer of shares.

Oxford Nominees has granted the Foundation an option to sell all the shares as above to Oxford Nominees. The option is exercisable by a 2 year written notice for R251 and no deemed cost.

Reconciliation of financial assets available-for-sale

<table>
<thead>
<tr>
<th></th>
<th>251</th>
<th>7,191,015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance</td>
<td></td>
<td>(7,190,764)</td>
</tr>
<tr>
<td>Net deficit transferred to other comprehensive income</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>IFRS 9 adjustment</td>
<td>(251)</td>
<td>-</td>
</tr>
</tbody>
</table>

Non-current assets

<table>
<thead>
<tr>
<th></th>
<th>251</th>
</tr>
</thead>
</table>

Available-for-sale

<table>
<thead>
<tr>
<th></th>
<th>251</th>
</tr>
</thead>
</table>
The Mandela Rhodes Foundation Trust Two  
(Registration number IT1639/2008)  
Annual Financial Statements for the year ended 31 December 2018

Notes to the Annual Financial Statements

8. Trade and other receivables

Financial instruments:
Accrued interest                       -          162,351
Sundry debtors                         1,000      1,000

Non-financial instruments:
VAT                                    6,586      34

Total trade and other receivables       7,586      163,385

Categorisation of trade and other receivables
Trade and other receivables are categorised as follows in accordance with IFRS 9: Financial Instruments:

At amortised cost
Non-financial instruments

Fair value of trade and other receivables
The fair value of trade and other receivables approximates their carrying amounts.

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Nedbank call account                  9,331,241  5,266,252
Call account                          136,390   188,002

9,467,631                             5,454,254

Call accounts are valued at market value. The investments have been classified as cash and cash equivalents, as the funds are available within 24 hours of a request being made at no significant cost to the Trust.

10. Trust capital

Balance at beginning and end of year  1,000      1,000

Appropriation of Funds
The entire capital and income of the Trust shall be applied solely towards the promotion of its stated objects, and no portion thereof shall be paid or transferred, directly or indirectly, (whether by way of salary, dividend, bonus or otherwise howsoever) to any of the Trustees or any other person (save in the course of undertaking its public benefit activity), by way of profit, distribution, or otherwise howsoever, provided that nothing herein contained shall prevent the payment in good faith to any person (including a Trustee) of:

- reimbursement of actual costs, expenses and commitments incurred on behalf of the Trust, and with its authority;
- and provide further that no Donor, Trustee or relative of a Donor or Trustee, shall receive any benefits from the Trust Fund, except to the extent and in the circumstances envisaged by the clauses above, nor shall any of the Trustees have any rights in the property or other assets of the Trust by virtue of them being office bearers of the Trust.
The Mandela Rhodes Foundation Trust Two  
(Registration number IT1639/2008)  
Annual Financial Statements for the year ended 31 December 2018

Notes to the Annual Financial Statements

<table>
<thead>
<tr>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>R</td>
<td>R</td>
</tr>
</tbody>
</table>

10. Trust capital (continued)

Dissolution
In the event of the dissolution of the Trust, any assets remaining after all its liabilities have been satisfied shall not be paid or distributed to the Trustees but shall be transferred to a non-profit public benefit organisation/organisations having similar objects and which has/have been approved by the Commissioner in terms of the Income Tax Act No. 58 of 1962.

11. Trade and other payables

Financial instruments:
Accruals
43,652
44,000

Fair value of trade and other payables
The fair value of trade and other payables approximates their carrying amounts.

12. Related party payable

The Mandela Rhodes Foundation Trust
100
-

The loan is unsecured, interest free and has no fixed terms of repayment.

13. Revenue

Revenue from donors
Donation income - Nedbank
1,000,000
-

Revenue other than from donors
Dividends received
2,510,000
-

3,510,000
-

14. Operating surplus (deficit)

Operating surplus (deficit) for the year is stated after charging (crediting) the following, amongst others:

Auditors’ remuneration - external
Audit fees
44,000
40,838

Other
Bank charges
841
787
The Mandela Rhodes Foundation Trust Two  
(Registration number IT1639/2008)  
Annual Financial Statements for the year ended 31 December 2018

Notes to the Annual Financial Statements

15. Finance income

Interest received
Investments in financial assets:
Bank and other cash

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>R</td>
<td>R</td>
</tr>
<tr>
<td></td>
<td>392,638</td>
<td>386,521</td>
</tr>
</tbody>
</table>

Investment income on financial instruments which are available for sale or held to maturity are only presented for comparative purposes for financial instruments held in the prior reporting period but which were disposed of prior to the beginning current reporting period, which is the date of adoption of IFRS 9 Financial Instruments. Investment income on all other financial assets has been reclassified in compliance with IFRS 9.

16. Income tax expense

The Mandela Rhodes Foundation Trust Two is, in terms of S10 (1) (cN) of the Income Tax Act of 1962, exempt from South African normal tax.

17. Cash generated from (used in) operations

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surplus before taxation</td>
<td>3,857,797</td>
<td>344,896</td>
</tr>
<tr>
<td>Adjustments for:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance income</td>
<td>(392,638)</td>
<td>(386,521)</td>
</tr>
<tr>
<td>Changes in working capital:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>155,799</td>
<td>(117,610)</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>(349)</td>
<td>(22,660)</td>
</tr>
<tr>
<td>Related party payable - The Mandela Rhodes Foundation Trust</td>
<td>100</td>
<td>(44,460)</td>
</tr>
<tr>
<td></td>
<td><strong>3,620,709</strong></td>
<td><strong>(226,355)</strong></td>
</tr>
</tbody>
</table>

18. Related parties

Relationships
Common Trustees
Board of Trustees
The Mandela Rhodes Foundation Trust
Mandela Nominees

Achmed Dangor
Phumzile Mlambo-Ngcuka
Yvonne Mckgoro
Njabulo Ndebele

Rhodes Nominees

John Hood
John McCall MacBain
Julian Ogilvie Thompson
Elizabeth Kiss
The Mandela Rhodes Foundation Trust Two
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Notes to the Annual Financial Statements

19. Going concern

The Trustees believe that the Trust has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The Trustees have satisfied themselves that the Trust is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The Trustees are not aware of any new material changes that may adversely impact the Trust. The Trustees are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the Trust.

20. Events after the reporting period

The Trustees are not aware of any material event which occurred after the reporting date and up to the date of this report.