



CHARIMANS REPORT FOR THE YEAR ENDED 31 MARCH 2011

(NPO Number: 000-771, Company Registration Number: 1935/006440/08, PBO Reference: 9300000281)

CHAIRMAN'S FOREWORD 2011

At the end of my first year as Chairman of REEA Foundation I wonder where the year went. I am delighted to say that this has been another good year for the Foundation. During this year REEA Foundation celebrated 75 years of existence and we can all be proud of what the Foundation has achieved over this period.

The past year has been a busy one focused in developing a robust structure for the Foundations sustainability. There are so many areas that need attention and with the limited resources we have this is an enormous challenge for us all.

It is always a point of deliberation when we assess the much needed refurbishment of the resident's hostel against the operating loss which has occurred over the past years. REEA enjoys one of the most sought after positions in Johannesburg and it is our aim to ensure this is kept for the benefit of the REEA beneficiaries in the years ahead. It can therefore be clearly understood that a minimum of a breakeven is required for REEA to be sustainable and not in a position where valuable assets will need to be sold.

I am pleased to say that the enormous efforts of the board in developing the correct structures and strategies to achieve this sustainability are looking positive and we look forward to an even better year in 2012.

I would like to take this opportunity to thank all the directors for their hard work through the past year. It certainly is good to work with a group of people who willingly give of their time and go the extra mile when needed. REEA Foundation is served well by them.

Finally I would like to thank our members, our dedicated staff and volunteer teams for all the effort and contribution they have made over the past year.

Despite the challenges of an increasingly difficult economic environment, the Foundation is well placed to continue to build its vital role of; care to our residents and increasing our scope of care to provide much needed outreach programmes in the areas of HIV/AIDS, Food Security and Literacy.

Angus K Rowe
Chairman

REEA FOUNDATION

(NPO Number: 000-771, Company Registration Number: 1935/006440/08, PBO Reference: 9300000281)

CHAIRMANS' REPORT FOR THE YEAR ENDED 31 MARCH 2011

OBJECTS

The object of the Foundation is the provision of 24/7 care for more than 40 epileptics and persons with mild neurological disorders. REEA has increased its scope of care and now operates outreach programmes in the areas of; Day Care programme for persons with mild neurological disorders, HIV/AIDS orphans, Food security and Literacy.

VALUES, BELIEFS AND CULTURE:

During the 2011 year the board implemented a guide of Value's Belief's and Culture for the Foundations employees, residents and volunteers. This was implemented at first for the employee base and then the residents. The volunteer implementation will occur once all the necessary structures are in place for the management of volunteers.

THE FOUNDATIONS VALUES, BELIEFS AND CULTURE ARE:

Family First: Always welcome, be at their functions, be in their lives;

Work Ethic: Work hard and efficiently;

Annual Leave: Take ALL leave annually, it's needed;

Sick Leave: Sick is sick, not annual leave;

Respect of All: No groans, no servants; all of us are equal, real people;

Problem Solvers: No problem describers; research the issue, choose a way forward and act.

Integrity: Honour all verbal contracts; be honest and true.

Develop Everyone: Everyone is talented; find the talent and develop.

Efficiency: Get it said, get it done; streamline the systems every day.

Success of the Whole: No superstar award ceremonies, no superstar attitudes.

Daily Journey: Enjoy today; focus on a destination, but don't value it too much.

People Deserve Chances: Give them chances, but make sure their arrow is pointed up.

Deliver your Message Directly: No cliques, no chains; go directly to the person.

Positive Change: Change is inevitable; use positive methods.

Security and Safety: People are safe from sexual, verbal, racial, ethnic abuse.

Stakeholders: Friends for Life.

Love to Build Relationships: People who love to delight the team, beneficiaries, and stakeholders.

Everyone who is involved with the REEA Foundation must **experience beneficiary relationship building and operations.**

REEA FOUNDATION

(NPO Number: 000-771, Company Registration Number: 1935/006440/08, PBO Reference: 9300000281)

CHAIRMANS' REPORT FOR THE YEAR ENDED 31 MARCH 2011

REVIEW OF ACTIVITIES AND ACHIEVEMENTS

This review covers the period 1 April 2010 to 31 March 2011, with a brief overview of the first six months of the current year's operations (01 April 2011 – 30 September 2011).

During the 2011 year, the board approved a research and strategy project. This was titled "Invest in the Future of REEA". An RFP was completed; there were three submissions from which two parties were asked to present their proposal. The successful party spent an enormous amount of time and effort in providing the board of directors with a comprehensive view of the South African charitable industry. Various strategic options were presented for consideration. These options would ensure sustainable growth for REEA Foundation in future. REEA Foundation is very grateful to Ms Fikkert for all her efforts in completing this project and especially for her generous donation of 33% of the projects costs which were discounted to REEA.

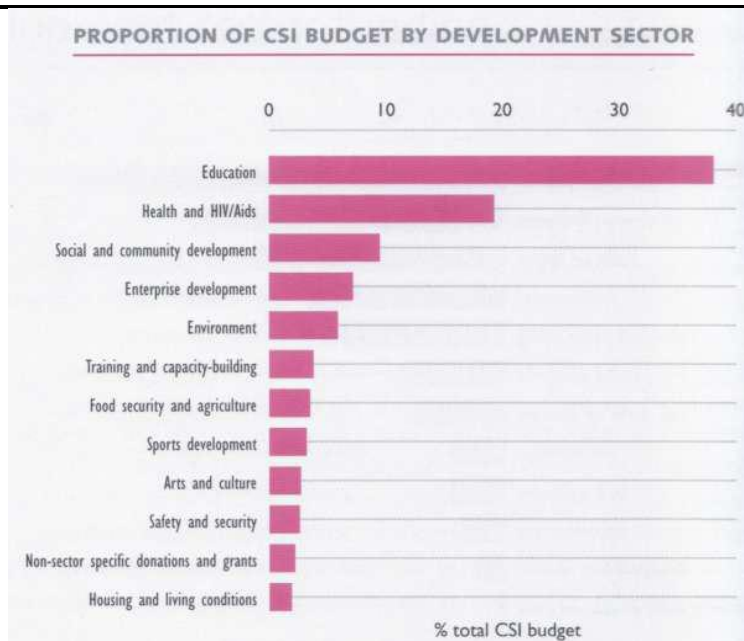
The research highlighted the following areas where REEA was lacking in structure and therefore could not adopt fundraising and marketing initiatives effectively.

- 1) DTI 2007 BEE codes of Good Practice and CSI de facto inclusion as part of Socio-Economic Development (SED) elements,
- 2) In terms of Code 700 of the BEE scorecard, companies are required to spend 1% of NPAT on Socio-Economic Development, 75% of whom must be black SED initiatives,
- 3) Effects of the recession:
 - 21% of companies said that they anticipated cut in CSI budgets,
 - 71% said that they do not anticipate a cut in CSI Budgets,
 - 53% of NPO respondents noted that they receive 0-20% of funding from corporates,
 - 28% of NPO respondents said that they receive between 21-50% of funding from corporates,
 - 19% of NPO respondents said that they receive between 51-100% of funding from corporates,
- 4) There is a 36% percentage of NPO respondents that said that funding has decreased, whereas 44% said it stayed the same and 20% noted that it has increased
- 5) Decreases were expected which expectation was related to the recession, and BEE Codes of Good Practice.

REEA FOUNDATION

(NPO Number: 000-771, Company Registration Number: 1935/006440/08, PBO Reference: 9300000281)

CHAIRMANS' REPORT FOR THE YEAR ENDED 31 MARCH 2011⁶)



- Education sector most widespread corporate support (often paid directly to beneficiaries) 38% (increased from 31%),
- Serious decline on social and community development – declined from 16% in 2008 to < 10% in 2009,
- Enterprise development declined from 13% to 7%.

- Education CSI Expenditure **38.1%**
 - General education 29%
 - Further education and training 26%
 - Tertiary education 26%

- Health and HIV/AIDS CSI Expenditure **19.3%**
 - HIV/Aids related initiatives 58%
 - Infrastructure, facilities and equipment 11%
 - Healthcare education, training, capacity building 9%

- Social and Community Development **9.5%**
 - HIV/AIDS related initiatives 17%
 - People with disabilities 11%

- Environment **5.9%**
 - Awareness programmes 21%
 - Wildlife conservation 18%
 - Water conservation, wetlands management 16%

REEA FOUNDATION

(NPO Number: 000-771, Company Registration Number: 1935/006440/08, PBO Reference: 9300000281)

CHAIRMANS' REPORT FOR THE YEAR ENDED 31 MARCH 2011

- Training and capacity building **3.8%**
 - Technical and vocational training 34%
 - Capacity building of NPO/CBO/Communities 19%
 - IT skills development 17%

- Food security and agriculture **3.5%**
 - Food relief, feeding schemes 35%
 - Survivalist farming 31%
 - Small scale farming, commercial agriculture 16%

As a result of the extensive research, a number of possible strategic options were assessed by the board, which are listed below.

- 1) Centre of Excellence (CEO) for the Aged to help implement the Older Person's Act,
- 2) Enterprise Development to alleviate poverty in Disadvantaged Communities,
- 3) Strategic partnerships to enable community based epileptic care and awareness,
- 4) Develop a Mid-care facility for the Aged,
- 5) Walk-in Care Centre for the Aged and Disadvantaged,
- 6) Activate SAGE in Johannesburg to enable youth Social Entrepreneurship (SAGE = Students for the Advancement of Global Entrepreneurship,
- 7) Centre of Excellence for Social Innovation (CESI).

This extensive assessment by the board of the current charitable market together with various innovative options available to REEA Foundation was invaluable in allowing the board to begin the process of building REEA Foundations sustainability. The overall objective was then divided into 5 main parts:

- 1) Arrest the continuous drain on REEA reserves through better use of existing assets, stronger relationships with past and present donors, higher government funding and control of expenditure. The result of this stage is evidenced in the auditor's report as well as the section on REEA Foundation assets below. There has been an increase in government funding which was a result of Mr Alex Sheffield's dedication in securing additional funding for a Social Worker position.
- 2) Complete assessment of governance of the Foundation and implementation of proper governance procedures. This has involved a complete revamp of all accounting procedures, development of the new Memorandum of Incorporation (new companies act), assessment of zoning of REEA properties to ensure compliance, HR audit, legal audits of contracts and leases with a standard lease being implemented and restructuring of the full time management structure of REEA.

REEA wishes to thank:

- Ms Leigh Sedice of ENS Attorney's for her time in drafting the new MOI,
- Schindlers Attorney's for all their time in finalising the MOI, Tenant leases and other legal matters which required attention which time was donated to REEA.

REEA FOUNDATION

(NPO Number: 000-771, Company Registration Number: 1935/006440/08, PBO Reference: 9300000281)

CHAIRMANS' REPORT FOR THE YEAR ENDED 31 MARCH 2011

- 3) Develop outreach programmes for Previously Disadvantaged Individuals ("PDI's") to ensure REEA reaches the required 75% PDI beneficiary status allowing the development of proper fundraising initiatives. There were four areas that were identified as the most viable outreach programmes due to available resources and assets, the commitment of REEA Foundations largest tenants and the commitment of the REEA Reader Bookshop volunteers. REEA Foundation wishes to thank:
- Colorful Splendor (Di Goodwin) for the development of the Food Security programme as well as the funding that has now been approved from Agriseta,
 - Sandton River Rangers (Peta-Anne Malcolm) for the development of the HIV/Aids orphans equine therapy programme and for the donation of the costs associated with this programme to REEA,
 - REEA Reader Bookshop volunteers for their donation of effort and time in developing the bookshop and the literacy programmes.
 - Deona Brough for the development and operation of the Day Care programme operated at the REEA hostel, which has the added benefit of providing activities for the residents as well.
- 4) Development of REEA Foundation programmes and services.
- The REEA Reader Bookshop which has shown an increase in revenue of almost 400%. REEA is very grateful for all the effort by those volunteers in developing the bookshop and generating this increase in revenue for the Foundation.
 - REEA Veterinary Consulting Room. This service was made possible by the generous partnership which Dr Terry Glen established with REEA. The service includes pet food delivery and consultations by appointment. REEA has generated revenue from month one of the launch of this service and envisages this becoming a sizeable revenue generator for the Foundation. REEA wishes to also thank Ms Lynda Smith for her on-going efforts in growing this REEA service.
 - Current programmes and services under assessment and negotiation are:
 - Coffee Shop
 - Vegetable Gardens
 - Friends of REEA programme
 - Music School
- 5) The implementation of the REEA full time management structures:
- Manager: Beneficiary Programmes and Operations
 - Manager: Marketing, Fundraising and Communications
 - REEA Veterinary Consulting Room and Friends of REEA administration assistant and assistant to the managers.

This will allow REEA to be active in Marketing and Fundraising initiatives as part of REEA's core operations, something which has not been a primary focus over the past years.

I am pleased to announce that these five stages are at the end of their development and the board expects operation under the new structure to begin at end March 2012.

REEA FOUNDATION

(NPO Number: 000-771, Company Registration Number: 1935/006440/08, PBO Reference: 9300000281)

CHAIRMANS' REPORT FOR THE YEAR ENDED 31 MARCH 2011

REEA FOUNDATION ASSETS

The primary asset of REEA, being that of the REEA Foundation river property, situated at corner Richmond and Marlborough Avenue's, Craighall Park, Johannesburg was assessed by the board of directors as to whether the correct return was being generated from this asset. It was agreed that the future sustainability of REEA would be dependent on the maximisation of revenue from this asset and that sound governance should be implemented to ensure this area of the board's responsibility was managed correctly.

The Foundation obtained two independent valuations of the River Property, the greater of these two valuations showed the river property being valued at R 14 250 000. The board agreed that an 8% return on this figure would be a fair return on the use of this asset. This resulted in the board developing a strategy to increase revenue's on the river property to approximately R 1 140 000 per annum or R95 000 per month. This strategy would be implemented over a period of approximately three years as this was the period over which all existing leases would expire. As at September 2011 the increase in revenue from this asset is expected as follows:

- 2011 – R469 831;
- 2012 is confirmed with signed lease agreements at R 655 356.

Therefore, increases from the adoption of this strategy in 2011 show a 39% increase for 2012. The maximisation of the REEA river property continues to be a top priority for the board of directors and a number of opportunities are being assessed which should ensure the correct return on this asset is realised over the next two years. It should be noted that this excludes the additional income from outreach programmes linked to the new signed leases which amount can only be recorded once this funding is received from government.

RESIDENTS

During this financial year the REEA residents were entertained with a series of outings and internal activities

- 1) All staff and residents visited the JHB Zoo for the day and were entertained by the Zoo staff,
- 2) Fifteen of the residents participated in the 702 walk the talk,
- 3) Monthly Cresta shopping centre visits,
- 4) Twenty five residents attended live recordings of Noot for Noot and a talk show where they participated as a live audience,
- 5) Residents visited the Sci Bono centre with Daniella Alexander and were entertained by active participation with the exhibits,
- 6) Daniella Alexander accompanied a group of residents to The Market Square to view the bottle top mosaic on display which the residents helped create. REEA wishes to thank Daniella Alexander for her contribution to these activities for the residents.

REEA FOUNDATION

(NPO Number: 000-771, Company Registration Number: 1935/006440/08, PBO Reference: 9300000281)

CHAIRMANS' REPORT FOR THE YEAR ENDED 31 MARCH 2011

Internal Residents events hosted at REEA:

- 1) Valentine's day dance was held at the hostel in York street where refreshments were served and small gifts were handed out, followed by a dance in the evening,
- 2) The 2010 world cup soccer kick off was celebrated with a party which was supported by Craighall Primary school who entertained everyone with singing and dancing,
- 3) A spring day braai was hosted at the hostel,
- 4) Residents were entertained at the REEA open day.

STAFFING

2011 was a relative year of stability in staffing for the Foundation.

THANKS

There has been an enormous amount achieved over this year and the first half of the current year. This achievement is due to the tireless commitment of so many volunteers and employees. REEA Foundation is enormously grateful for the input of these individuals in building towards a sustainable future. Special mention should be made of two individuals who were board members of REEA for many years. Mrs Lynne Hannant and Mrs Paulette Malcolm who both have retired from the board – REEA wishes to extend the warmest and most heartfelt thanks for all the time effort and dedication they gave to REEA. What is very uplifting is their continued commitment in a volunteer role and we are very pleased to have their continued input at REEA.

AGM

The foundation is constituted as a section 21 company. In accordance with its Memorandum and Articles of Association the Directors are elected at the AGM. Existing Board Members retire by rotation and may stand for re-election. The Directors are elected by members at the AGM. The Current Directors are listed at the end of the Report.

The existing Board members: Angus Rowe, John Cavanagh, Christopher Stevens, Leslie Anderson, Andrew Taylor, Teresa Richards and Peter Boxall have agreed to stand again as Directors.

DIRECTORS

Lesley Anderson – Director

Has a BSc from University of Aberdeen, Scotland. Lesley spent her life in IT as a programmer, analyst and consultant specialising in Relational Databases using the PICK operating system. Lesley has been a resident of Craighall for more than 30 years and as a retiree is now volunteering at the REEA Bookshop.

REEA FOUNDATION

(NPO Number: 000-771, Company Registration Number: 1935/006440/08, PBO Reference: 9300000281)

CHAIRMANS' REPORT FOR THE YEAR ENDED 31 MARCH 2011

Peter Boxall – Director

Peter has spent most of his life in the IT industry, involved with sales, sales training, marketing & product management and business unit administration and coordination. In 1999, Peter started an independent cross-discipline consulting practice. He then became the SA Distributor for an international software developer and supplier, with a network of resellers countrywide until he retired in 2009. Since his retirement he has been involved, and continues to be involved, with the REEA Foundation.

John Cavanagh – Director

John is a qualified Chartered Accountant with a wealth of experience in a number of industries. After qualifying, John practiced as a public accountant and auditor for a number of years prior to joining a multinational industrial company as executive director – finance. John was subsequently appointed the managing director of this company until it was merged with Siemens Ltd. Since 2008 John has offered his services as a consultant to a number of varied companies, giving advice in the accounting, taxation and related fields.

Teresa Richards – Director

Teresa Richards graduated with BSc Geology from Natal University, Durban. She has worked in the exploration and mining fields as a Mine and Engineering Geologist for Iscor Mining (now Kumba Mining and Exxaro) and Palabora Mining Company. She then moved into the fields of Knowledge Management and headed up this section for Kumba Resources for a number of years before joining Gemcom Africa, a subsidiary of Gemcom Software International based in Vancouver, Canada as the Customer Services Manager. Teresa Richards currently owns her own Geological Consulting Company that specialises in geological consulting services to the mining industry. She is a member of the Geological Society of South Africa and assists with various charity organisations in fund raising.

Angus Rowe – Director

A Graduate of Harvard Business School, Angus has vast experience in the corporate and financial world nationally and internationally. He has worked as a financial trader in international commodities and futures markets and has been involved in human capital risk management and corporate health policy development for over 20 years. He manages over 100 FTEs. Since 1992 he has been the Chairman and CEO of the LifeSense Group of companies.

Christopher Stevens – Director

Over the past 16 years Chris has worked both internationally and locally (South Africa) within the Health Risk Management industry, which includes holding a management position with the 2nd largest health insurer internationally during 2001 – 2002 and commencing healthcare operations for a JSE listed Healthcare Consulting firm, in Africa during 2004-2005. In 2008 Chris took up a position as MD of LifeAssist, an Employee Wellness company. He and his management team have contributed towards LifeAssist becoming the fastest growing company within its industry. He brings a strong focus on operations to REEA which is ideally suited towards assisting to drive the foundation into the future.

REEA FOUNDATION

(NPO Number: 000-771, Company Registration Number: 1935/006440/08, PBO Reference: 9300000281)

CHAIRMANS' REPORT FOR THE YEAR ENDED 31 MARCH 2011

Andrew Taylor – Director

Andrew is an admitted attorney practicing as such at Schindlers Attorneys, Notaries and Conveyancers. Andrew has developed a keen interest in corporate and commercial law and has provided professional services to a number of Multi-National and National entities. Andrew has gained experience in a wide array of legal specialties and will provide much needed assistance to REEA in the future. As the youngest member of the team, Andrew is committed to providing a modern edge and refreshing view on the challenges facing REEA in the future.