Unit 37 Bushmill Complex Van Bergen Road,
Amorosa, 1724
Tel +27(0)11 039 0888
Mobile +27(0)82 622 0115
Mobile +27(0)78 750 4581
E-mail cashmore@cmgaccountants.co.za
Web www.cmgaccountants.co.za

MPILONHLE ORGANISATION

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

MPILONHLE

ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

GENERAL INFORMATION

Registration Number:	051-766 NPO
Registration Address	Mpilonhle House 58, Jan Smuts Avenue Mtubatuba 3935 KwaZulu Natal **3935**
Postal Address:	Post net Suite 33 Private Bag X013 Mtubatuba **3935**
Auditors:	CMG Chartered Accountants 3021 William Nicol Bryanston Johannesburg 2152
Bankers:	Standard Bank

CONTENTS	**Page**
Reports of the independent auditors	2
Report of the Board Chairperson	3
Report of the Directors	4 - 5
Balance Sheet	6
Income Statement	7
Statement of changes in equity	8
Cash flow statement	9
Notes of the Financial Statements	10 - 16
Detailed Income Statement	17

CMG
AUDIT RISK ADVISORY

Unit 37 Bushmill Complex Van Bergen Road,
Amorosa, 1724
Tel +27(0)11 039 0888
Mobile +27(0)82 622 0115
Mobile +27(0)78 750 4581
E-mail cashmore@cmgaccountants.co.za
Web www.cmgaccountants.co.za

REPORT OF THE INDEPENDENT AUDITOR'S TO THE DIRECTORS OF MPILONHLE

Report on the Financial Statements

We have audited the financial statements of Mpilonhle, which comprise the directors' report, the Statement of Financial Position as at 31 December 2012, and the Statement of Comprehensive Income, the statement of changes in equity and cash flow statement for the period then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 6 to 17.

Directors' Responsibility for the Financial Statements

The organization's directors are responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Accepted Accounting Practices, and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Qualification

It is not feasible for the organization to institute accounting controls over grants received from funders prior to the initial entry of such collections in the accounting records. Accordingly it was impracticable for us to extend our examination beyond the schedules provided.

Opinion

In our opinion, except for the effect on the financial statements of the matter referred to in the preceding paragraph, the financial statements present fairly, in all material respects, the financial position of the company as at 31 December 2012, and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

CMG Chartered Accountants
14 March 2012

REPORT OF THE CHAIRPERSON OF THE BOARD OF DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2012

The Directors present their annual report, which forms part of the financial statements of Mpilonhle South Africa for the period ended 31 December 2012

1. NATURE OF BUSINESS

Mpilonhle's mission is to improve health and social development of persons in the Umkhanyakude District and to engage with government, schools, parents, community, the traditional authority, and sectors that deal with health and social development among the youth.

2. REVIEW OF OPERATIONS AND FINANCIAL POSITION

The result of the operations of Mpilonhle South Africa for the accounting period is fully set out in the attached annual financial statements and reflect net reserves of R224, 284 deficit

The funds of the organisation are acquired under grant agreements with donors. Such grants received are to be spent according to the terms of the agreement and any funds not spent are refundable to the donors.

3. Directors RESPONSIBILITIES AND APPROVAL

The Directors 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 financial statements fairly present the state of affairs of the organisation as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with South African Statements of Generally Accepted Accounting Practice. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice and are used upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Directors acknowledge that they are ultimately responsible for the system of internal controls established by the organisation and place considerable importance on maintaining a strong control environment. To enable the Directors to meet their 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 the organisation and all employees are required to maintain the highest ethical standards in ensuring the organisation's business is conducted in a manner that in all reasonable circumstances is above reproach.

The focus of risk management in the organisation is on identifying, assessing, managing and monitoring all known forms of risk across the organisation. While operating risk cannot be fully eliminated, the organisation endevours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behavior are applied and managed within predetermined procedures and constraints.

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

The Board of Mpilonhle have reviewed the financial status of the organization and the current funding stream. The funding environment for non-governmental organizations in South Africa has been a challenging one in the last few years, as many bilateral and multilateral donors have reduced funding levels given South Africa's status as a middle-income country. Mpilonhle is aggressively pursuing funding from a range of donors for its health, education, and environmental initiatives.

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

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

Michael L Bennish — Date: 8 APRIL 2013

Mtubatuba

MPILONHLE

REPORT OF THE Directors
FOR THE YEAR ENDED 31 DECEMBER 2012

---

4. Directors

Mrs. Dudu Maoela

Michael L, Bennish

Mxolisi E, Dludla

Ms. Dolly Tembe

Mandlenkosi Collins Dhlomo

Chair of the Board

Executive Director

Board Member

Board Member

Board Member

5. EVENTS SUBSEQUENT TO YEAR END

The Directors are not aware of any material fact or circumstances which took place prior to the accounting date or between the accounting date and publication of this report, which would adversely influence the assessment of the company's financial statements or the results of its operations.

Director (Michael Bennish)

8 APRIL 2013

DATE:

MPILONHLE

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	Notes	2012 R	2011 R
ASSETS			
Non-current assets		1 196 410	785 273
Fixed Assets	7	1 196 410	785 273
Current Assets		1 201 339	413 178
Cash and cash equivalents	8	1 117 532	50 792
Accounts receivable	6	83 808	362 386
Total Assets		**2 397 749**	**1 198 452**
EQUITY AND LIABILITES			
Reserves		2 294 406	1 195 338
Retained earnings		2 294 406	1 195 338
Current liabilities		103 344	3 114
Trade and other payables	9	103 344	3 114
Total equity and liabilities		**2 397 749**	**1 198 452**

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 R	2011 R
GENERAL			
Grants Received	2	5 519 851	19 360 734
Other Income		5 585	121 834
Operational expenses	3,4	(5 749 720)	(19 340 921)
Net surplus for the year	3,4	**(224 284)**	**141 646**

MPILONHLE

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 R	2011 R
ACCUMULATED FUNDS - GENERAL			
Retained earnings at the beginning of the year		1 195 338	(185 466)
Net Surplus/deficit) for the year		(224 284)	141 646
		971 053	(43 820)
Prior year adjustment		1 323 352	1 239 158
Restricted Funds		-	-
Gains/(Loss) on Foreign exchange		-	-
Retained earnings at the end of the year		**2 294 406**	**1 195 338**

MPILONHLE

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 R	2011 R
Cash Flow from operating activities			
Cash received from grants and expenses recovered		5 798 429	19 240 737
Cash paid to suppliers and employees		(3 642 427)	(19 537 292)
Cash flow from operating activities	10	2 156 002	(296 555)
Interest received	5	5 585	36 089
Interest paid	5	(5 969)	(12 196)
Net cash from operating activities		2 155 619	(272 662)
Cash flow from investments activities			
Additions to fixed assets		(1 088 879)	(278 274)
Net cash used in investing activities		(1 088 879)	(278 274)
Net increase/(decrease) in cash and cash equivalents		**1 066 740**	**(550 935)**
Cash and cash equivalents at the beginning of the year		50 791	601 727
Cash and cash equivalents at end of the year	8	**1 117 532**	**50 791**

1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with Statements of Generally Accepted Accounting Practices in South Africa.

The annual financial statements are prepared on the historical cost basis. The following are the principal accounting policies used by the company and are consistent with those of the previous year.

1.1 Property, Plant and Equipment

All fixed assets are stated at cost less accumulated depreciation and any impairment in value. The carrying value of all fixed assets are received for impairment either annually, or when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets are written down to the recoverable amount. The recoverable amount is the greater of net selling price and value in use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the item is derecognised.

Depreciation on assets not under obligation is provided on a straight-line basis over the estimated useful life of the asset as follows:-

- Furniture and fittings	6 years
- Office equipment	3 years
- Computer equipment	3 years
- Motor vehicles	5 years

Repairs and maintenance are generally charged to expenses during the financial period in which they occur.

Assets with a purchase price lower that R5 000 are written off immediately.

The assets residual values. Useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end.

1.2 Cash and cash equivalents

Cash and cash equivalent comprises cash at bank and on hand. For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

1.3 Cash Flow

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand.

1.4 Provisions

Provisions are recognised when the entry has a present legal or constructive obligation as a result of past events when it is probable that an outflow of resources embodying economics benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

A provision is made for the estimated liability for Audit fees and annual returns as a result of services rendered by the Auditors up to the balance sheet date.

1.5 Foreign currencies

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Such balances are translated at year-end exchange rates unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used.

1.6 Revenue recognition

Revenue is recognized to the extent that it is probable that economic benefits will flow to the entity and the revenue can reliable measured. The following specific recognition criteria must also be met before revenue is recognised:

Donation and grant income are recognised when its received.

Interest revenue is recognised as it accrues on a time-proportionate bases taking account of the effective yield on the assets over the period in which they are held. Interest income earned by the entity is recognised as it accrues.

1.7 Financial Instruments

Financial risk factors

Interest rates risk

The entity's income and operating cash flows are substantially independent of changes in market interest rates. The entity is exposed to interest rates as it places funds at floating interest rates. The Chief Financial Officer actively monitors all interest rates on bank accounts, and funds are transferred to the account which entails the most benefits.

Credit risk

Potential concentrations of credit risk consists mainly of short-term cash, cash equivalent investments. The entity limits its counterparty exposure from its short-term investments by dealing only with well-established financial institutions.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities.

The entity aims at maintaining flexibility by keeping sufficient cash available.

Fair value estimation

The carrying amount of the following financial instruments approximate their fair value: Cash and cash equivalents and trade and other payables.

1.8 Trade and other receivables

Trade and other receivables are recognised and carried at original invoice amount less an allowance for any uncollected amounts. Provision is made when there is objective evidence that the entity will not be able to collect the debts. Bad debts are written off when identified.

1.9 Financial liabilities

Liabilities for trade and other amounts payable, which are normally settled on 30 to 90 days terms, are carried at cost, which is the fair value of the consideration to be paid in the future, for goods and services received.

1.10 Operating lease

Operating leases and the relevant rentals are charged to income on a straight-line basis over the

lease term.

	2012 R	
2. GRANTS RECEIVED		
PACT	1 861 696.79	
National Lotteries	1 595 425.00	
Old Mutual	681 520.89	
Indepedent Development Trust	592 389.00	
TOMS Shoes	286 091.28	
Discovery Health	207 013.60	
APHEXI	100 000.00	
IQRAA	49 998.00	
EIF	47 815.09	
South Africa Sugar Association	30 000.00	
IPAS SA	25 000.00	
OneSight	23 200.00	
Grass Roots Soccer	18 501.15	
Private Donations	1 200.00	
	5 519 850.80	
3.Operating Profit		
The net surplus is arrived at after deducting the following major expenses:		
Staff Costs	2 815 268	
Office expenses	1 656 878	
Depreciation	682 372	
Community Projects	322 353	
4. STAFF COSTS		
Salaries and wages	2 721 822	7 649 798
Other staff expenses	93 445	395 467
	2 815 268	**8 045 265**
5. NET FINANCE COSTS		
Interest received	5 585	36 089
Interest paid	(5 969)	(8 728)
	(383)	**27 361**
6. RECEIVABLES AND PREPAYMENTS		
Deposits and Prepayments	5 848	5 848
Other receivables	77 960	356 538
	83 808	**362 386**

MPILONHLE

NOTES OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

7. FIXED ASSETS FOR YEAR ENDED 2012

	Motor Vehicles	Other Assets	Furniture & fittings	Office Equipment	Computer Equipment	Total
Opening book value	478 912	64 392	241 769	200	4630	785 273
Additions	-	-		-	1 088 879	1 088 879
Depreciation	(478 912)	(64 392)	(48 128)	(200)	(90 740)	(682 372)
Adjustments						-
Book value at the end of the year	-	-	193 641	-	1 002 769	1 196 410
						-

8. CASH AND CASH EQUIVALENTS

	2012 R	2011 R
Standard bank - OAN current account	608 963	3 826
Standard bank - PEPFAR current account	526 896	118 051
Standard bank - PACT current account	8 002	2 711
	1 143 861	124 587
Credit Card Account	(26 329)	(73 795)
	1 117 532	**50 792**

9. TRADE AND OTHER PAYABLES

Trade payables	70 715	-
Payroll withholdings: PAYE, UIF & SDL	32 629	3 114
Operating lease payments	-	-
	103 344	**3 114**

10. CASH FLOWS FROM OPERATING ACTIVITIES

Net surplus/(deficit) for the year	(224 284)	141 646
Adjust for:-		
Depreciation	682 372	278 274
Movements in current assets and liabilities		
Equity Adjustments	1 319 105	453 884
Decrease/(increase) in receivables and payments	278 579	(205 741)
Decrease/(increase) in restricted funds	-	-
Increase/(decrease) in trade and other payables	100 230	(940 725)
Cash flows from operating activities	**2 156 002**	**(272 662)**

11. FUNDING OF THE ORGANISATION

The funds of the organisation are acquired under grant agreements with donors. Such grants received are to be spent according to the terms of the agreements and any funds not spend are refundable to the donors.

The fixed assets of the company are under obligation to be used in terms of the grant agreements. In the event of grants termination, donors have the option of granting free title and use of the fixed assets to the company, or recalling the assets for the donor's purpose. (Refer notes 7 and 8 of the financial statements as well as the combined income statement)

12. OPERATING LEASE

Lease payment under an operating lease shall be recognised as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

DETAILED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 R	2011 R
GENERAL INCOME STATEMENT			
Grants received	2	5 519 851	19 360 734
Expenses recovered and Other Income		5 585	121 834
		5 525 436	**19 482 567**
Operational Expenses		**5 749 720**	**19 340 921**
Bank charges		21 616	51 872
Finance costs		5 969	12 196
Depreciation expense		682 372	278 274
Community projects expenses		322 353	7 328 036
Computers, IT Related expenses		17 881	51 598
Consulting		213 929	451 140
Office expenses		1 444 301	2 917 881
Travel and accommodation		13 455	95 977
Other Expenses		212 578	108 683
Staff Costs			
Salaries and wages		2 721 822	7 649 798
Health and Medical		63 747	315 009
SDL		-	30 406
UIF		15 059	49 474
Staff welfare		14 640	578
Net surplus/deficit for the year		**(224 284)**	**141 646**