



**CD LINK INC**  
Accountants, Auditors  
& Business Consultants

Chartered Accountants,  
Certified Public  
Accountants (CPA),  
Administration & commercial  
Accountants (IACAC),  
Bookkeepers, Tax Consultants,  
& Business Advisors.

**MPILONHLE**  
**NPO REGISTRATION NO. 051-766**  
**ANNUAL FINANCIAL STATEMENTS**  
**Foy year ended 31<sup>st</sup> December 2008**

---

# MPILONHLE

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

---

### COMPANY 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: CD Link Incorporated (Pty) Ltd  
219 Ontdekkers Road  
Roodepoort  
Johannesburg  
**1724**

Bankers: Standard Bank

### CONTENTS

	<u>Page</u>
Reports of the independent auditors	2
Report of the Chairman of the Board of Directors	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



**CD LINK INC**  
Accountants, Auditors  
& Business Consultants

Chartered Accountants,  
Certified Public  
Accountants (CPA),  
Administration & commercial  
Accountants (IACAC),  
Bookkeepers, Tax Consultants,  
& Business Advisors.

## **REPORT OF THE ACCOUNTANTS TO THE MEMBERS OF MPILONHLE.**

We have audited the annual financial statements of Mpilonhle as set out on pages 6 – 17 for the year ended 31 December 2008. These financial statements are the responsibility of the association's members. Our responsibility is to express an opinion on these financial statements based on our audit.

### **Scope**

We conducted our audit in accordance with statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

- Examining, on test basis, evidence supporting the amounts and disclosures in the financial statements;
- Assessing the accounting principles used and significant estimates made by management; and
- Evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion presented below.

### **Qualification**

It is feasible for the organisation 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.

### **Qualification audit opinion**

In our opinion, except for the effect on the financial statements of the matter referred to in the preceding paragraph, the financial statements fairly present in all material respect, the financial position of the company at 31 December 2008, and of the results of its operations and cash flows for the year then ended in accordance with generally accepted accounting practice, and in the manner required by the companies Act.

### **Accounting and secretarial duties**

With the written consent of the Members, we have performed certain accounting and no secretarial duties.

CD LINK INC  
29<sup>th</sup> July 2009

2

## **MPILONHLE**

### **REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2008**

---

The Directors present their annual report, which forms part of the audited financial statements of Mpilonhle South Africa for the period ended 31 December 2008.

#### **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 R2,870,205.27 surplus

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.

The fixed assets of the organisation are under obligation to be used in terms of the grant agreements. In the event of grants terminating, donors have the option of granting free title and use of the fixed assets to the organisation, or recalling the assets for the donor's purpose. (Refer notes 5 and 6 of the financial statements as well as the combined income statement).

# **MPILONHLE**

## **REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2008**

---

### **3. DIRECTOR'S RESPONSIBILITIES AND APPROVAL**

The director is required by the Companies Act of South Africa, 1973, to maintain adequate accounting records and is and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is his 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 director acknowledges that he is ultimately responsible for the system of internal financial controls established by the company and places considerable importance on maintaining a strong control environment. To enable the director to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company 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 company is on identifying, assessing, managing and monitoring all known forms of risk across the organisation. While operating risk cannot be fully eliminated, the organisation endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The director is 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 director has reviewed the organisation's current financial position for year to 31 December 2008 and, in light of this review, he is satisfied that the organisation has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the board is primarily responsible for the financial affairs of the organisation, they are supported by organisation's external auditors.

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:**

**Mtubatuba**

## **MPILONHLE**

### **REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2008**

---

#### **4. DIRECTORS**

Mphiwa L, Mthombeni	Chairman of the board
Michael L, Bennish	Executive Director
Mxolisi E, Dludla	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 the company's financial statements or the results of its operations.

---

**DIRECTOR (Michael, Bennish)**

---

**DATE:**

**MPILONHLE****BALANCE SHEET  
AS AT 31 DECEMBER 2008**

---

	Notes	2008 R	2007 R
<b>ASSETS</b>			
<b>Non-current assets</b>		1,834,035	665,662
Fixed Assets	7	1,834,035	665,662
<b>Current Assets</b>		1,189,344	894,415
Cash and cash equivalents	8	1,070,826	859,243
Accounts receivable	6	5,848	30,565
South African Revenue Services: VAT		112,670	4,607
<b>Total Assets</b>		<b>3,023,379</b>	<b>1,560,077</b>
<b>EQUITY AND LIABILITES</b>			
<b>Reserves</b>		2,870,205	1,155,893
Retained earnings	10	2,870,205	1,155,893
<b>Current liabilities</b>		153,174	404,184
Trade and other payables	9	153,174	404,184
<b>Total equity and liabilities</b>		<b>3,023,379</b>	<b>1,560,077</b>

---

**MPILONHLE**

**INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2008**

---

	<b>Notes</b>	<b>2008 R</b>	<b>2007 R</b>
<b>GENERAL</b>			
Grants Received	2	12,250,126	5,133,220
Net Finance Cost	5	41,266	4,148
Administrative expenses		<u>-10,864,159</u>	<u>-3,981,475</u>
<b>Net surplus for the year</b>	<b>2, 11</b>	<b><u>1,427,233</u></b>	<b><u>1,155,893</u></b>



**MPILONHLE**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2008**

---

	<b>Notes</b>	<b>2008 R</b>	<b>2007 R</b>
<b>ACCUMULATED FUNDS - GENERAL</b>			
Retained earnings at the beginning of the year		1,155,893	-
Net Surplus/deficit) for the year		<u>1,427,233</u>	<u>993,643</u>
		2,583,126	993,643
Gains/(Loss) on Foreign exchange		<u>287,079</u>	<u>162,250</u>
<b>Retained earnings at the end of the year</b>	<b>10</b>	<b><u>2,870,205</u></b>	<b><u>1,155,893</u></b>

**MPILONHLE****CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2008**

---

	<b>Notes</b>	<b>2008 R</b>	<b>2007 R</b>
<b>Cash Flow from operating activities</b>			
Cash received from grants and expenses recovered		12,250,126	5,133,220
Cash paid to suppliers and employees	11	<u>-10,493,362</u>	<u>-3,474,391</u>
Cash flow from operating activities	10	1,756,764	1,658,829
Interest received	5	41,266	4,148
Interest paid		<u>-</u>	<u>-</u>
Net cash from operating activities		<u>1,614,410</u>	<u>1,662,977</u>
<b>Cash flow from investments activities</b>			
Additions to fixed assets	7	<u>-1,498,666</u>	<u>-707,896</u>
Net cash used in investing activities		<u>-1,498,666</u>	<u>-707,896</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>115,745</b>	<b>955,081</b>
Cash and cash equivalents at the beginning of the year		<u>955,081</u>	<u>-</u>
<b>Cash and cash equivalents at end of the year</b>	8	<u><b>1,070,826</b></u>	<u><b>955,081</b></u>

---

**NOTES OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2008**

---

**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 reviewed 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 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 than 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.

**NOTES OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2008**

---

**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 economic 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 reliably 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.

**NOTES OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2008**

---

**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.

---

**MPILONHLE****NOTES OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2008**

---

	<b>2008 R</b>	<b>2007 R</b>
<b>2. GRANTS RECEIVED</b>		
AMD	-	44,263
Architecture for Humanity	134,131	200,000
OAN/EIF	1,373,069	2,676,018
PEPFAR	10,665,037	2,212,939
	<u><b>12,172,237</b></u>	<u><b>5,133,220</b></u>
<b>3. OPERATING SURPLUS DEFICIT</b>		
The following items among other costs have been charged in arriving at operating surplus/ (deficit):		
Accounting/audit services	185,925	27,900
		-
<b>4. STAFF COSTS</b>		
Salaries and wages	5,840,294	1,828,770
Other staff expenses	221,770	39,323
	-	-
	<u><b>6,062,064</b></u>	<u><b>1,868,093</b></u>
<b>5. NET FINANCE COSTS</b>		
Interest received	41,266	4,148
Interest paid	-	-
	<u><b>41,266</b></u>	<u><b>4,148</b></u>
<b>6. RECEIVABLES AND PREPAYMENTS</b>		
Security deposit	5,848	5,848
Other receivables	-	24,717
	<u><b>5,848</b></u>	<u><b>30,565</b></u>

---

MPILONHLE

NOTES OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2008

7. FIXED ASSETS	<u>Motor Vehicles</u>	<u>Security</u>	<u>Furniture &amp; fittings</u>	<u>Office Equipment</u>	<u>Computer Equipment</u>	<u>Computer Software</u>	<u>Total</u>
<b>FOR THE YEAR ENDED 31 DECEMBER 2007</b>							
<b>Book value at the beginning of the year</b>	-	-	-	-	-	-	-
Additions	410,342	-	-	297,554	-	-	707,896
Depreciation	-27,356	-	-	-14,878	-	-	-42,234
<b>Book value at the end of the year</b>	<b>382,986</b>	-	-	<b>282,676</b>	-	-	<b>665,662</b>
<b>Cost price</b>	<b>410,342</b>	-	-	<b>297,554</b>	-	-	<b>707,896</b>
Accumulated depreciation	-27,356	-	-	-14,878	-	-	-42,234
<b>Book value at the end of the year</b>	<b>382,986</b>	-	-	<b>282,676</b>	-	-	<b>665,662</b>

**FOR THE YEAR ENDED 31 DECEMBER 2008**

<b>Book value at the beginning of the year</b>	<b>382,986</b>	-	-	<b>282,676</b>	-	-	<b>665,662</b>
Additions	547,071	-	-	951,594	-	-	1,498,666
Depreciation	-191,483	-	-	-138,810	-	-	-330,293
<b>Book value at the end of the year</b>	<b>355,589</b>	-	-	<b>812,784</b>	-	-	<b>1,168,373</b>
<b>Cost price</b>	<b>957,413</b>	-	-	<b>1,249,148</b>	-	-	<b>2,206,562</b>
Accumulated depreciation	-218,839	-	-	-153,688	-	-	-372,527
<b>Book value at the end of the year</b>	<b>738,575</b>	-	-	<b>1,095,460</b>	-	-	<b>1,834,035</b>

MPILONHLE

NOTES OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2008

8. CASH AND CASH EQUIVALENTS

	2008 R	2007 R
Standard bank - OAN current account	381,647	31,209
Standard bank - PEPFAR current account	721,054	858,545
Petty cash	642	2,782
	<u>1,103,343</u>	<u>892,536</u>
Credit Card Account	-32,516	-33,293
	<u><b>1,070,826</b></u>	<u><b>859,243</b></u>

9. TRADE AND OTHER PAYABLES

Trade payables	23,122	37,506
Payroll withholdings: PAYE, UIF & SDL	130,052	366,678
Operating lease payments	10, 14	-
	<u><b>153,174</b></u>	<u><b>404,184</b></u>

10. CASH FLOWS FROM OPERATING ACTIVITIES

Net surplus/(deficit) for the year	1,427,233	1,155,893
Adjust for:-		
Net finance income	-41,266	-4,148
Depreciation	330,293	42,234
Movements in current assets and liabilities		
Decrease/(increase) in receivables and payments	-24,717	30,565
Increase/(decrease) in trade and other payables	65,221	-404,184
<b>Cash flows from operating activities</b>	<u><b>1,756,764</b></u>	<u><b>820,360</b></u>

11. CASH PAID TO SUPPLIERS AND EMPLOYEES

Administrative expenses per income statement	10,864,159	3,981,475
Less: Interest paid disclosed separately in cash flow statement	-	-
Less: Depreciation not a cash flow expense	-330,293	-42,234
Less: Trade and other payables - cash not yet paid for these expenses	-153,174	-469,457
Add: Other receivables - SARS VAT	112,670	4,607
Cash not yet recovered for these expenses	-	-
<b>Cash paid to suppliers and employees</b>	<u><b>10,493,362</b></u>	<u><b>3,474,391</b></u>



## **MPILONHLE**

### **NOTES OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008**

---

#### **12. 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)

#### **13. MISSTATEMENT**

During the period there is no reporting to be done.

#### **14. 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.

**MPILONHLE**

**DETAILED INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2008**

	Notes	2008 R	2007 R
<b>GENERAL INCOME STATEMENT</b>			
Grants received	2	12,172,237	5,133,220
Expenses recovered		<u>77,889</u>	<u>-</u>
		<b>12,250,126</b>	<b>5,133,220</b>
Administrative expenses		<b>10,864,159</b>	<b>3,981,475</b>
Accounting/Audit fees		185,925	27,900
Bank charges		63,967	11,550
Community meetings		58,480	44,473
Computers, IT Related expenses		325,744	308,421
Consulting		642,162	12,762
Depreciation		330,293	42,234
Equipment - Hire lease		43,091	24,808
Equipment and small assets below US\$5 000		25,205	723,592
Fees and Licenses		19,699	975
General supplies		27,424	1,650
Insurance		148,113	24,388
Motor vehicle expenses		262,924	26,696
Occupancy costs		297,902	161,802
Postage and courier costs		5,486	2,139
Printing and stationery		227,926	48,620
Promotion and Marketing		253,085	172,411
Repairs and maintenance		28,015	89,688
Security expenses		676,923	140,674
Staff Recruitment		7,824	11,275
Staff training and development		54,498	17,163
Stipends and Per-diems		24,824	7,450
Telephone, Celphone, email and fax		183,607	79,566
Temporary Labour		7,927	1,676
Travel and accommodation		143,099	52,824
Program - Direct costs		757,953	-
<b>Staff Costs</b>			
Salaries and wages		5,840,294	1,828,770
Health and Medical		122,960	95,836
SDL		57,887	10,531
UIF		40,410	11,601
Staff welfare		513	-
<b>Net surplus/deficit for the year</b>	10	<b><u>1,385,967</u></b>	<b><u>1,151,745</u></b>