MPILONHLE - "GOOD LIFE"
(Registration number 051-766 NPO)
Annual financial statements
for the year ended 31 December 2018

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Non-profit organisation
Directors	Mr ZV Madikizela Ms N Mthembu Mr DM Gumede Mr MP Matse Dr M Bennish
Registered office	Lot 33 Lower Umfolozi Mtubatuba Kwa-Zulu Natal 3935
Postal address	Postnet Suite 88 Private Bag X013 Mtubatuba 3935
Bankers	The Standard Bank of South Africa
Auditors	Nexia SAB&T Chartered Accountants (S.A.) Registered Auditors
Company registration number	051-766 NPO

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The reports and statements set out below comprise the annual financial statements presented to the board of directors:

Directors' Responsibilities and Approval

The Directors are required by the Companies Act 71 of 2008, 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 company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with the International Financial Reporting Standard for Small and Medium-sized Entities. The external auditors are engaged to express an independent opinion on the annual financial statements.

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

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the 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 company’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 company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The directors have reviewed the company’s cash flow forecast for the year to 31 December 2019 and, in the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the company's annual financial statements. The annual financial statements have been examined by the company's external auditors and their report is presented on page 4.

The annual financial statements and other supplementary information set out on pages 7 to 16, which have been prepared on the going concern basis, were approved and signed by:

Dr M Bennish
Executive Director

Mr ZV Madikizela
Chairperson of the Board

Mtubatuba

Date: 5 July 2019

Nexia SAB&T
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INDEPENDENT AUDITOR'S REPORT

To the Members of Mpilonhle – "Good Life"

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Mpilonhle, set out on pages 8 to 16, which comprise the statement of financial position as at 31 December 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Mpilonhle as at 31 December 2018 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standard for Small and medium-sized Entities and the requirements of the Companies Act of South Africa.

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 are independent of the company in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "MPILONHLE Financial Statements for the year ended 31 December 2018 ", which includes the Directors' Report as required by the Companies Act of South Africa. 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 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 on the other information obtained prior to the date of this auditor's report, 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 Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors 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 directors are responsible for assessing the company'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 directors either intend to liquidate the company 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' 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 company'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 company 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 directors 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 Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Nexia SAB&T has been the auditor of Mpilonhle for 6 years.

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Nexia SAB&T
Director: Shameema Ismail
Registered Auditor

Date of auditor's report: 03 July 2019

Auditor's address: 15 Summit Drive, Sherwood, Durban 4091

Directors' Report

The directors submit their report for the year ended 31 December 2018.

1. Review of activities

Main business and operations

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

The annual financial statements have been prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities.

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

Net surplus/(deficit) of the company was R 1,884,669 (2017: Deficit R 719,901).

2. Events after the reporting period

The directors are not aware of any matter or circumstance arising since the end of the financial year that has a material impact on the annual financial statements.

3. Directors

The directors of the company during the year and to the date of this report are as follows:

Name	Position on the Board of Directors
Mr ZV Madikizela	Chairperson
Ms N Mthembu	Member
Mr DM Gumede	Member
Mr MP Matse	Member
Dr M Bennish	Ex-Officio Member

Statement of Financial Position as at 31 December 2018

	2018 R	2017 R
Assets		
Non-Current Assets		
Property, plant and equipment	1,884,484	2,645,948
Current Assets		
Trade and other receivables	121,414	2,752
Cash and cash equivalents	1,231,199	3,133,911
	1,352,613	**3,136,663**
Total Assets	**3,237,097**	**5,782,611**
Funds and Liabilities		
Funds		
Accumulated surplus	3,214,501	5,099,170
Liabilities		
Current Liabilities		
Trade and other payables	22,596	683,441
Total Funds and Liabilities	**3,237,097**	**5,782,611**

Statement of Comprehensive Income

	2018 R	2017 R
Grants received and other income	28,669,919	24,108,879
Operating expenses	(30,626,434)	(24,956,920)
Operating Surplus/(Deficit)	**(1,956,515)**	**(848,041)**
Investment revenue	75,330	138,204
Finance costs	(3,484)	(10,064)
Surplus/(Deficit) for the year	**(1,884,669)**	**(719,901)**
Other comprehensive income	-	-
Total comprehensive surplus for the year	**(1,884,669)**	**(719,901)**

Statement of Changes in Funds

	Accumulated surplus R	Total funds R
Balance at 01 January 2017	**5,819,071**	**5,819,071**
Surplus/(Deficit) for the year	(719,901)	(719,901)
Other comprehensive income	-	-
Total comprehensive surplus for the year	**(719,901)**	**(719,901)**
Opening balance as previously reported	6,952,863	6,952,863
Adjustments		
Prior period error	1,853,693	1,853,693
Balance at 01 January 2018 as restated	**5,099,170**	**5,099,170**
Surplus/(Deficit) for the year	(1,884,669)	(1,884,669)
Other comprehensive income	-	-
Total comprehensive surplus for the year	**(1,884,669)**	**(1,884,669)**
Balance at 31 December 2018	**3,214,501**	**3,214,501**

Statement of Cash Flows

	2018 R	2017 R
Cash flows from operating activities		
Cash receipts from funders	28,745,249	24,108,879
Cash paid to suppliers and employees	(30,708,782)	(23,396,766)
Cash (used in) generated from operations	(1,963,533)	712,113
Interest income	75,330	138,204
Finance costs	(3,484)	(10,064)
Net cash from operating activities	**(1,891,687)**	**840,253**
Cash flows from investing activities		
Additions to property, plant and equipment	(11,027)	(2,292,508)
Cash flows from financing activities		
Other financial liabilities	-	(707,000)
Total cash movement for the year	**(1,902,711)**	**(2,159,255)**
Cash at the beginning of the year	3,133,910	5,293,166
Total cash at end of the year	**1,231,199**	**3,133,911**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, and the Companies Act 71 of 2008. 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.

These accounting policies are consistent with the previous period.

1.1 Property, plant and equipment

Property, plant and equipment are tangible items that:
- are held for use in the production or supply of goods or services, for rental to others or for administrative purposes; and
- are expected to be used during more than one period.

Costs include costs incurred initially to acquire an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Depreciation is provided using the straight-line method to write down the cost, less estimated residual value over the useful life of the property, plant and equipment, which is as follows:

Item	Average useful life
Plant and machinery	5 years
Furniture and fixtures	6 years
Motor vehicles	5 years
Office equipment	3 years
IT equipment	3 years
Computer software	2 years
Leasehold improvements	5 years

The residual value, depreciation method and useful life of each asset are reviewed at each annual reporting period if there are indicators present that there has been a significant change from the previous estimate.

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

1.2 Financial instruments

Financial instruments at amortised cost

Debt instruments, as defined in the standard, are subsequently measured at amortised cost using the effective interest method. Debt instruments which are classified as current assets or current liabilities are measured at the undiscounted amount of the cash expected to be received or paid, unless the arrangement effectively constitutes a financing transaction.

At the end of each reporting date, the carrying amounts of assets held in this category are reviewed to determine whether there is any objective evidence of impairment. If so, an impairment loss is recognised

Financial instruments at cost

Commitments to receive a loan are measured at cost less impairment.

Financial instruments at fair value

All other financial instruments are measured at fair value through profit and loss.

Accounting Policies

1.3 Leases

Operating leases – lessee

Operating leases, which are for the rental of property and a multifunction printer, are recognised as an expense in accordance with the terms of the lease agreement. The lease rentals expense have been included under office expenses for the year as it is not considered material for separate disclosure.

1.4 Impairment of assets

The company assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset (or group of assets) in prior years. A reversal of impairment is recognised immediately in profit or loss.

1.5 Provisions and contingencies

Provisions are recognised when:
- the company has an obligation at the reporting date as a result of a past event;
- it is probable that the company will be required to transfer economic benefits in settlement; and
- the amount of the obligation can be estimated reliably.

1.6 Grants

Grant income is recognised in income for the year when the grant funds are received and the conditions of the grants met.

1.7 Revenue

Donation and grant income are recognised when it is received.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Grant income is recognised in income for the year when the grant funds are received and the conditions of the grants met.

Notes to the Annual Financial Statements

	2018 R	2017 R

2. Property, plant and equipment

	2018			2017		
	Cost / Valuation	**Accumulated depreciation and impairments**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and impairments**	**Carrying value**
Leasehold improvements	1,831,565	(732,626)	1,098,939	1,831,565	(366,313)	1,465,252
Furniture and fixtures	126,712	(42,237)	84,475	126,712	(21,118)	105,594
Motor vehicles	771,309	(308,524)	462,785	771,309	(154,262)	617,047
IT equipment	698,105	(459,820)	238,285	687,078	(229,023)	458,055
Total	**3,427,691**	**(1,543,207)**	**1,884,484**	**3,416,664**	**(770,716)**	**2,645,948**

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Depreciation	Total
Leasehold improvements	1,465,252	-	(366,313)	1,098,939
Furniture and fixtures	105,594	-	(21,119)	84,475
Motor vehicles	617,047	-	(154,262)	462,785
IT equipment	458,055	11,027	(230,797)	238,285
	2,645,948	**11,027**	**(772,491)**	**1,884,484**

Included in IT equipment are costs incurred to acquire mobile computer laboratories stationed at various schools situated within the Umkhanyakude District in KwaZulu - Natal.

3. Trade and other receivables

	2018	2017
Trade receivables	-	2,752
VAT receivable	121,414	-
	121,414	**2,752**

4. Cash and cash equivalents

Cash and cash equivalents consist of:

	2018	2017
Bank balances	1,231,199	3,133,911

5. Trade and other payables

	2018	2017
VAT	-	249,893
Payroll accrual	-	368,750
Fleet card accrual	22,596	37,065
Credit card accrual	-	27,733
	22,596	**683,441**

Notes to the Annual Financial Statements

	2018 R	2017 R

6. Cash (used in) generated from operations

	2018	2017
Surplus for the year	(1,884,669)	(719,901)
Adjustments for:		
Depreciation	772,490	770,716
Interest received	(75,330)	(138,204)
Finance costs	3,484	10,064
Movements in provisions	-	(35,000)
Changes in working capital:		
Trade and other receivables	(118,664)	265,457
Prepayments	-	20,266
Trade and other payables	(660,844)	538,715
	(1,963,533)	**712,113**

7. Grant and other Income

	2018	2017
ApexHi Charitable Trust	-	200,000
Discovery	350,000	395,963
Department of Health	1,125,399	962,500
Department of Science and Technology	-	291,820
European Union	-	1,486,697
Independent Development Trust	1,431,251	1,271,411
TOMS shoes	-	86,969
Global Fund	22,563,308	15,781,919
NLC	-	1,570,270
University Research Co(URC)	2,878,060	1,062,827
Friends of Mpilonhle	321,901	998,503
	28,669,919	**24,108,879**

8. Prior period errors

Mpilonhle receives funds from various donors. Some of these funds are used to purchase assets. These assets may be depreciated immediately (purchases less than or equal to R5,000) or depreciated according to the schedule shown above in this statement. Some donors reserve the right to reassign assets at the end of the grant period. Though this condition is rarely if ever invoked, assets (physical items or software greater than R5,000) should be treated as expenses until the final disposition of the asset is determined. For such donor agencies, all monies spent to procure assets should be expensed directly to the statement of comprehensive income and not capitalised to property, plant and equipment. In the 2017 financial year statements some assets were incorrectly capitalised and accounted for depreciation in its books. This has been corrected in the current financial year, and adjusted for as follows by treating them as expenses .

The correction of the error results in adjustments as follows:

	2018	2017
Statement of Financial Position		
Decrease in Property, plant and equipment	-	(2,292,508)
Increase in Accumulated funds	-	1,853,693
Profit or Loss		
Decrease in Depreciation expense	-	(438,815)
Decrease in Accumulated depreciation	-	438,815

Detailed Income Statement

	2018 R	2017 R
Other income		
Grants received	28,669,919	24,108,879
Interest received	75,330	138,204
	28,745,249	**24,247,083**
Operating expenses		
Auditors' remuneration	-	80,000
Bank charges	105,520	70,842
Community project expenses	66,645	65,834
Consulting and professional fees	174,226	84,915
Depreciation and impairments	772,490	770,716
Employee costs	19,381,049	15,681,171
Office expenses	5,718,677	5,574,520
Other direct costs	3,436,278	1,480,741
Travel	971,549	1,148,181
	30,626,434	**24,956,920**
Operating surplus	**(1,881,185)**	**(709,837)**
Finance costs	(3,484)	(10,064)
Surplus/(Deficit) for the year	**(1,884,669)**	**(719,901)**
Other comprehensive income	-	-
Total comprehensive surplus/(deficit) for the year	**(1,884,669)**	**(719,901)**