

MOTHERS2MOTHERS SOUTH AFRICA NPC

(Registration number 2002/013453/08)

**Audited Annual financial statements
for the year ended 31 December 2019**

mothers2mothers South Africa NPC

(Registration number: 2002/013453/08)

Annual Financial Statements for the year ended 31 December 2019

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	The provision of education and support to HIV infected pregnant women and women who recently delivered HIV infected babies.
Directors	D Lubner MJ Besser FK Beadle G Mthandi C Ahrends L Cornelissen C Rathner H Milford BS Mokokotlela
Registered office	PO Box 841 Cape Town 8000
Business address	5th Floor 33 Hammerschlag Way Foreshore Cape Town 8001
Postal address	PO Box 841 Cape Town 8000
Bankers	Standard Bank Limited
Auditor	BDO South Africa Inc Chartered Accountant (SA) Registered Auditors
Secretary	C Rathner
Company registration number	2002/013453/08
Level of assurance	These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.
Preparer	The annual financial statements were independently compiled by: KAS Drafting Proprietary Limited H. Abbas Chartered Accountant (SA)
Issued	30 September 2020

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Independent Auditor's Report

To the directors of
Mothers2mothers South Africa NPC

Qualified Opinion

We have audited the financial statements of Mothers2mothers South Africa NPC (the company) set out on pages 9 to 23, which comprise the statement of financial position as at 31 December 2019, 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, except for the possible effect of the matter described in the Basis for Qualified Opinion section of our report, the financial statements present fairly, in all material respects, the financial position of Mothers2mothers South Africa NPC as at 31 December 2019, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa.

Basis for Qualified Opinion

Cash donations are a source of fundraising revenue for Mothers2mothers South Africa NPC. The directors have determined that it is impracticable to establish internal controls over the collection of cash donations prior to the initial entry into its financial records. We were therefore unable to confirm whether all cash donations were recorded.

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Mothers2mothers South Africa NPC Annual Financial Statements for the year ended 31 December 2019", 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, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Qualified Opinion section above, we were unable to obtain sufficient appropriate evidence about whether all cash donations were recorded. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

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 the International Financial Reporting Standard for Small and Medium-sized Entities 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 entity'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 entity 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 entity'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 entity'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 entity 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.

BDO South Africa Incorporated

BDO South Africa Incorporated
Registered Auditors

Karlien Groenewald
Director
Registered Auditor

Date: 30 September 2020

119-123 Hertzog Boulevard
Foreshore
Cape Town, 8001

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Annual Financial Statements for the year ended 31 December 2019

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 auditor is 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 board of directors 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 2020 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 auditor is responsible for independently auditing and reporting on the company's annual financial statements. The annual financial statements have been examined by the company's external auditor and their report is presented on pages 3 to 5.

The annual financial statements set out on pages 7 to 25, which have been prepared on the going concern basis, were approved by the board of directors on 30 September 2020 and were signed on its behalf by:

Approval of annual financial statements

DocuSigned by:



B80E8EDEF77014E9

Director
Cape Town

30 September 2020

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Annual Financial Statements for the year ended 31 December 2019

Directors' Report

The directors have pleasure in submitting their report on the annual financial statements of mothers2mothers South Africa NPC for the year ended 31 December 2019.

1. Nature of business

Mothers2mothers (m2m) is an African-based, global non-profit organisation that unlocks the potential of mothers to break the cycle of paediatric AIDS and create healthy families and communities. m2m trains, employs, and empowers local mothers living with HIV as Mentor Mothers, frontline healthcare workers based in understaffed health clinics and within communities.

While operating principally in South Africa, m2m also has main branches located in the following countries: Kenya, Malawi, Lesotho, Kingdom of Eswatini, Zambia, Ghana, Angola, Uganda, Mozambique and Tanzania.

There have been no material changes to the nature of the company's business from the prior year.

2. Review of financial results and activities

The annual financial statements have been prepared in accordance with International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act 71 of 2008. The accounting policies have been applied consistently compared to the prior year.

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

Total comprehensive income of the organisation was R 21 835 136 (2018: R 1 722 817).

3. Going concern

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future, including specific consideration of the risk associated with COVID-19. Accordingly the annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the company. The directors 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 company.

4. Events after the reporting period

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

The local and global impact of the COVID-19 pandemic subsequent to the reporting period will have an impact on our organisation and that of our clients and suppliers. At the date of releasing this report, the Board considered the current cash position and facilities of the organisation. Management performed scenarios on the ability of the organisation to absorb the impact and it found that the organisation would be able to service its obligations for the near future. Management and the Board will continue to closely monitor the potential impact of COVID-19 on our operations.

5. Non-current assets

There were no major changes in the nature of the non-current assets of the organisation during the year.

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Annual Financial Statements for the year ended 31 December 2019

Directors' Report

6. Secretary

The company secretary is C Rathner.

Postal address

PO Box 841
Cape Town
8000

Business address

5th Floor
33 Hammerschlag Way
Foreshore
Cape Town
8001

7. Directors

The directors in office at the date of this report are as follows:

Directors	Changes
C Ahrends	
MJ Besser	
FK Beadle	
L Cornelissen	
D Lubner	
D Mabasa	Resigned 01 March 2019
H Milford	
G Mthandi	
C Rathner	
BS Mokokotlela	Appointed 05 December 2019
C Sickle	Resigned 05 December 2019

8. Branch entities

Name of entity	Country of incorporation if not the RSA
mothers2mothers Kenya	Kenya
mothers2mothers Lesotho	Lesotho
mothers2mothers Malawi	Malawi
mothers2mothers Eswatini	Eswatini
mothers2mothers Uganda	Uganda
mothers2mothers Angola	Angola
mothers2mothers Ghana	Ghana
mothers2mothers Zambia	Zambia
mothers2mothers Mozambique	Mozambique
mothers2mothers Tanzania	Tanzania

9. Auditors

BDO South Africa Inc continued in office as auditors for the company for 2019.

10. Liquidity and solvency

The directors have performed the required liquidity and solvency tests required by the Companies Act 71 of 2008.

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Annual Financial Statements for the year ended 31 December 2019

Statement of Financial Position as at 31 December 2019

Figures in Rand	Notes	2019	2018
Assets			
Non-Current Assets			
Property, plant and equipment	2	8 585 734	6 427 472
Other financial assets	4	14	14
		8 585 748	6 427 486
Current Assets			
Trade and other receivables	5	36 079 292	27 114 905
Cash and cash equivalents	6	27 067 098	24 508 261
		63 146 390	51 623 166
Total Assets		71 732 138	58 050 652
Equity and Liabilities			
Equity			
Foreign Currency Translation Reserve "FCTR"		1 046 909	(871 567)
Retained income		41 325 666	21 409 006
		42 372 575	20 537 439
Liabilities			
Current Liabilities			
Trade and other payables	7	9 538 066	18 538 269
Operating lease liability		462 352	722 035
Deferred income	8	15 956 485	14 508 196
Provisions	9	3 402 660	3 744 713
		29 359 563	37 513 213
Total Equity and Liabilities		71 732 138	58 050 652

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Annual Financial Statements for the year ended 31 December 2019

Statement of Comprehensive Income

Figures in Rand	Notes	2019	2018
Revenue	10	321 194 883	239 736 289
Other income		622 251	1 332 324
Operating expenses		(302 384 122)	(237 254 318)
Operating profit	11	19 433 012	3 814 295
Investment revenue	12	490 863	435 386
Finance costs		(7 215)	(2 421)
Profit for the year		19 916 660	4 247 260
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Exchange gains (losses) on translating foreign operations		1 918 476	(2 524 443)
Other comprehensive income (loss) for the year net of taxation		1 918 476	(2 524 443)
Total comprehensive income for the year		21 835 136	1 722 817

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Annual Financial Statements for the year ended 31 December 2019

Statement of Changes in Equity

	Foreign Currency Translation Reserve "FCTR"	Retained income	Total equity
Figures in Rand			
Balance at 01 January 2018	1 652 876	17 161 746	18 814 622
Profit for the year	-	4 247 260	4 247 260
Other comprehensive losses	(2 524 443)	-	(2 524 443)
Total comprehensive income for the year	(2 524 443)	4 247 260	1 722 817
Balance at 01 January 2019	(871 567)	21 409 006	20 537 439
Profit for the year	-	19 916 660	19 916 660
Other comprehensive income	1 918 476	-	1 918 476
Total comprehensive income for the year	1 918 476	19 916 660	21 835 136
Balance at 31 December 2019	1 046 909	41 325 666	42 372 575

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Annual Financial Statements for the year ended 31 December 2019

Statement of Cash Flows

Figures in Rand	Notes	2019	2018
Cash flows from operating activities			
Cash receipts from donors		321 077 551	246 014 372
Cash paid to suppliers and employees		(313 718 869)	(233 125 379)
Cash generated from operations	14	7 358 682	12 888 993
Interest income		490 863	435 386
Finance costs		(7 215)	(2 421)
Net cash from operating activities		7 842 330	13 321 958
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(5 386 749)	(4 199 850)
Sale of property, plant and equipment	2	103 256	-
Net cash from investing activities		(5 283 493)	(4 199 850)
Total cash movement for the year		2 558 837	9 122 108
Cash at the beginning of the year		24 508 261	15 386 153
Total cash at end of the year	6	27 067 098	24 508 261

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Annual Financial Statements for the year ended 31 December 2019

Accounting Policies

1. Basis of preparation and summary of significant accounting policies

The annual financial statements have been prepared on a going concern basis 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 and rounded off to the closest Rand (R1).

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts presented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgments include:

Provisions

Provisions were raised based on management estimates. The provision for leave is based on the leave policy for the organisation and its branches.

Trade receivables

The organisation assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the organisation makes judgements as to whether there is observable data including a measureable decrease in the estimated future cash flows from a financial asset.

Residual values and useful lives of property, plant and equipment

The residual values and useful lives of property, plant and equipment are based on management estimates.

1.2 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when

- it is probable that future economic benefits associated with the item will flow to the company, and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost, and subsequently at cost less accumulated depreciation and accumulated impairment.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	6 years
Motor vehicles	Straight line	5 years
Office equipment	Straight line	3 to 6 years
IT equipment	Straight line	2 to 3 years
Containers	Straight line	6 to 10 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Property, plant and equipment with a cost price of \$5 000 and more will be capitalised as from 1 January 2012.

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

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Annual Financial Statements for the year ended 31 December 2019

Accounting Policies

1.2 Property, plant and equipment (continued)

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.3 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, masterheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software	Straight line	3 years

1.4 Financial instruments

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less.

Trade receivables

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables.

Trade payables

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial assets

Investment in unlisted entity

The investment in unlisted entity does not have a quoted market price and the fair value cannot be measured. The investment has been measured at the cost less impairment.

1.5 Tax

The organisation is exempt from income tax in terms of Section 10(1)(cN) of the Income Tax Act, 1962.

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Annual Financial Statements for the year ended 31 December 2019

Accounting Policies

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease liability. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

1.7 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as leave pay and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

Premiums paid to the defined contribution pension fund are recognised as an expense during the period.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

1.8 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
- reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

1.9 Revenue

Donations

Contributions are recorded at the fair value on the earlier of the receipt of cash or an unconditional promise to give, as increases in net assets in the period they are received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted for future periods or are restricted by the donor for specific purposes are recognised as deferred revenue. Contributions with no restrictions are recognised in profit and loss as "revenue".

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised.

A donor restriction expires when a stipulated time restriction ends or when a purpose restriction is accomplished. Upon expiration, temporarily restricted assets are reclassified to unrestricted net assets and are reported in the statement of financial position as net assets released from restrictions. Restricted contributions received in the same year in which restrictions are met are recorded as an increased to restricted support at the time of receipt and as net assets released from restrictions.

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Annual Financial Statements for the year ended 31 December 2019

Accounting Policies

1.9 Revenue (continued)

Unconditional promises to give are recognised as contributions receivable only if there is a legally enforceable written agreement or promissory notes and collection is reasonably assured.

Contributions in kind

Contributions in kind received, that meets the criteria for recognition are recorded at estimated fair value when received.

Contributed services

Contributed services are only recognised if contributed services create or enhance financial assets and if they require specialized skills which would have to be bought in if they were not contributed. Donated services are recognised as an expense and revenue to the extent of the expenses at fair value of contributed services.

Contributed goods/materials

Contributed goods/materials are recognised as assets or expenses and revenue to the extent that a liability is not also recognised.

Bequests

Contributions obtained via bequests are recorded as contribution revenue when the amounts are determinable and collection is reasonably assured.

Other revenue

Interest and dividends are recognised, in profit or loss, using the effective interest rate method.

1.10 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

The results and financial position of all the branches that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;
- (ii) Income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the exchange rates at the dates of the transactions, in which case income and expense items are translated at the exchange rates at the dates of the transactions); and
- (iii) All resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate at each reporting date.

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Notes to the Annual Financial Statements

2. Property, plant and equipment

	2019			2018		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Furniture and fixtures	8 901	(8 901)	-	52 362	(51 422)	940
Motor vehicles	10 061 289	(4 529 191)	5 532 098	9 208 347	(4 871 201)	4 337 146
Office equipment	759 204	(402 229)	356 975	659 176	(273 151)	386 025
IT equipment	6 505 623	(3 808 962)	2 696 661	5 097 304	(3 393 943)	1 703 361
Containers	118 496	(118 496)	-	336 707	(336 707)	-
Total	17 453 513	(8 867 779)	8 585 734	15 353 896	(8 926 424)	6 427 472

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Depreciation	Closing balance
Furniture and fixtures	940	-	-	(940)	-
Motor vehicles	4 337 146	3 084 648	(371 866)	(1 517 830)	5 532 098
Office equipment	386 025	156 711	-	(185 761)	356 975
IT equipment	1 703 361	2 145 390	(91 227)	(1 060 863)	2 696 661
	6 427 472	5 386 749	(463 093)	(2 765 394)	8 585 734

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Depreciation	Closing balance
Furniture and fixtures	2 423	-	-	(1 483)	940
Motor vehicles	2 978 391	2 604 155	-	(1 245 400)	4 337 146
Office equipment	62 024	408 752	-	(84 751)	386 025
IT equipment	1 443 061	1 186 943	(54 124)	(872 519)	1 703 361
	4 485 899	4 199 850	(54 124)	(2 204 153)	6 427 472

Pledged as security

Property, plant and equipment are not pledged as security.

Included in the additions above, are assets with a cost of R 3 799 728 (2018: R 4 081 715) which were purchased with donor specific funding. Upon completion of the donor project the assets belong to the donor and may be retained by the entity at the discretion of the donor.

3. Intangible assets

	2019			2018		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	382 490	(382 490)	-	641 813	(641 813)	-

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Figures in Rand	2019	2018
4. Other financial assets		
Equity Instruments at cost		
Unlisted shares – Sakhikamva Investments Proprietary Limited	14	14
Non-current assets		
Equity instruments measured at cost less impairment	14	14
Equity investments measured at cost		
Fair value information has not been provided for equity instruments that do not have a quoted market price and for which a fair value cannot be measured reliably. The investment is disclosed at cost.		
5. Trade and other receivables		
Grants receivable	31 138 772	19 383 031
Advances	1 063 963	738 163
Other receivables	403 625	1 423 861
Prepayments	1 468 025	4 427 463
Deposits	778 534	497 932
VAT	1 226 373	644 455
	36 079 292	27 114 905
6. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	59 163	50 218
Bank balances	25 833 992	23 058 202
Short-term deposits	1 173 943	1 399 841
	27 067 098	24 508 261
7. Trade and other payables		
Trade payables	5 987 815	12 379 437
Accrued expenses	1 898 978	1 491 622
Accrued employee costs	1 651 273	4 667 210
	9 538 066	18 538 269
8. Deferred income		
Unearned revenue	15 956 485	14 508 196

At 31 December 2019, the deferred income of R15 956 485 (2018: R14 508 196) related to various grants and donations/contributions, of which R7 369 756 (2018: R7 672 903) related to income received from various governments. The recognition of the income is deferred as the organisation has yet to comply with all the conditions attached to the income, which relates primarily to the incurrance of expenditure over the life of the relevant award.

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Figures in Rand	2019	2018		
9. Provisions				
Reconciliation of provisions - 2019				
	Opening balance	Additions	Utilised during the year	Closing balance
Leave pay provision	3 744 713	7 688 100	(8 030 153)	3 402 660
Reconciliation of provisions - 2018				
	Opening balance	Additions	Utilised during the year	Closing balance
Leave pay provision	3 779 222	7 385 096	(7 419 605)	3 744 713
10. Income from Grants and Donations				
Grants and donations from affiliated organisations		74 403 750		48 141 649
Grants and donations received		246 781 042		190 584 406
Other cash donations		10 091		1 010 234
		321 194 883		239 736 289
Income from Grants and Donations were recognised as follows:				
- South Africa		129 622 175		103 638 742
- Other operating countries		191 572 708		136 097 547
		321 194 883		239 736 289
11. Operating profit				
Operating profit for the year is stated after accounting for the following:				
Operating lease charges				
Premises				
• Contractual amounts		7 029 141		5 792 477
Net (profit) on disposal of property, plant and equipment		(359 837)		(54 124)
Loss on exchange differences		1 768 945		1 314 800
Depreciation on property, plant and equipment		2 765 394		2 204 153
Employee costs		175 221 730		134 176 716
12. Investment revenue				
Interest revenue				
Bank		490 863		435 386
13. Auditor's remuneration				
Fees		2 259 061		1 438 600

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Figures in Rand	2019	2018
14. Cash generated from operations		
Profit before taxation	19 916 660	4 247 260
Adjustments for:		
Depreciation and amortisation	2 765 394	2 204 153
Loss on sale of assets	359 837	54 124
Interest received	(490 863)	(435 386)
Finance costs	7 215	2 421
Movements in operating lease liability	(259 683)	(291 993)
Movements in provisions	(342 053)	(34 510)
Other non-cash items	1 918 476	(2 524 443)
Changes in working capital:		
Trade and other receivables	(8 964 387)	(2 455 620)
Trade and other payables	(9 000 203)	5 844 904
Deferred income	1 448 289	6 278 083
	7 358 682	12 888 993
15. Commitments		
Minimum lease payment for the year		
Contractual amounts	7 029 141	5 792 427
At year end the outstanding commitments under operating lease falls due as follows:		
Within one year	1 980 535	2 719 073
Later than one year but within five years	1 050 831	1 652 248
	3 031 366	4 371 321

The company entered into an operating lease agreement with Ingenuity Property Investments Limited for the period from 1 October 2013 - 30 September 2020 (for 7 years). The rent escalates annually by 8%. The office is located on the 5th floor, 33 Martin Hammerschlag Way, Foreshore, Cape Town. There is an option to renew the lease for an additional 3 years. During the current year, the company extended its floor space to include approximately half of the 3rd floor of the same building, effective 1 May 2017 - 30 September 2020, with the same terms and conditions as the initial agreement. Subsequent to year end the organisation extended the operating lease agreement for another 5 years to 30 September 2025.

The company entered into an operating lease agreement with GrowthPoint Properties Limited for the period from 1 July 2014 - 30 June 2019 (for 5 years). The rent escalates annually by 9%. The office is located on a portion of the first floor in the South Block of Brookfield Office Park, 261 Middle Street, Nieuw Muckleneuk. There is an option to renew the lease for an additional 3 years. The company opted not to renew the contract and moved into a new operating lease agreement. The company entered into an operating lease agreement with Elhama Properties Limited for the period from 1 July 2019 - 30 June 2022 (for 3 years). The rent escalates annually by 6.5%. The office is located on a portion of the ground floor in the Building A of Lord Charles Office Park, 33 Brooklyn road, Brooklyn, Pretoria.

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Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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16. Related parties

Relationships

Affiliated organisations

mothers2mothers International ("m2m I")
mothers2mothers UK ("m2m UK")

Related party balances and transactions

Grants and donations received from related parties

The organisation implemented program activities under sub-award agreements with related parties and consequently received the following income:

m2m I	34 739 424	35 497 718
m2m UK	27 379 283	16 495 235
	<u>62 118 707</u>	<u>51 992 953</u>

The revenue recognised from related parties are free from restrictions since the revenue is recognised when costs of related program activities are incurred.

Amount owed to the organisation (included in grants receivable - refer note 5)

m2m I	6 223 497	1 423 215
m2m UK	4 185 358	1 748 332
	<u>10 408 855</u>	<u>3 171 547</u>

No provision has been made for the amount receivable as it is considered fully recoverable.

Purchases from related parties

The organisation acquired the services of seconded employees of related parties which amounted to:

m2m I	17 900 831	16 821 330
m2m UK	-	513 525
	<u>17 900 831</u>	<u>17 334 855</u>

These purchases are executed in terms of the general terms and conditions of the affiliate entity and comprises purely of the reimbursement of relevant employee costs.

Amount owed by the organisation to related parties (included in trade and other payables - refer note 7)

m2m I	2 016 060	6 964 482
m2m UK	618 638	1 891 760
	<u>2 634 698</u>	<u>8 856 242</u>

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17. Categories of financial instruments

	Notes	Debt instruments at amortised cost	Equity instruments at cost less impairment	Financial liabilities at amortised cost	Leases	Total
Categories of financial instruments - 2019						
Assets						
Non-Current Assets						
Other financial assets	4	-	14	-	-	14
Current Assets						
Trade and other receivables	5	31 675 622	-	-	-	31 675 622
Cash and cash equivalents	6	27 067 098	-	-	-	27 067 098
		58 742 720	-	-	-	58 742 720
Total Assets		58 742 720	14	-	-	58 742 734
Liabilities						
Current Liabilities						
Operating lease liability		-	-	-	462 352	462 352
Trade and other payables	7	-	-	9 488 107	-	9 488 107
		-	-	9 488 107	462 352	9 950 459
Total Liabilities		-	-	9 488 107	462 352	9 950 459
Categories of financial instruments - 2018						
Assets						
Non-Current Assets						
Other financial assets	4	-	14	-	-	14
Current Assets						
Trade and other receivables	5	26 470 450	-	-	-	26 470 450
Cash and cash equivalents	6	24 508 261	-	-	-	24 508 261
		50 978 711	-	-	-	50 978 711
Total Assets		50 978 711	14	-	-	50 978 725
Liabilities						
Current Liabilities						
Operating lease liability		-	-	-	722 035	722 035
Trade and other payables	7	-	-	18 538 269	-	18 538 269
		-	-	18 538 269	722 035	19 260 304
Total Liabilities		-	-	18 538 269	722 035	19 260 304

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18. Directors' remuneration

Executive

2019

	Emoluments	Total
FK Beadle	3 184 719	3 184 719
G Mthandi	1 794 647	1 794 647
C Rathner	1 926 019	1 926 019
D White (resigned 05 December 2019)	2 860 386	2 860 386
	9 765 771	9 765 771

2018

	Emoluments	Total
FK Beadle	2 053 626	2 053 626
G Mthandi	1 558 911	1 558 911
C Rathner	1 487 501	1 487 501
SA Gwarinda (resigned 12 June 2018)	581 836	581 836
S Kotze (resigned 30 June 2018)	1 154 092	1 154 092
	6 835 966	6 835 966

The directors at mothers2mothers South Africa NPC also form the key management personnel.

19. Subsequent event

The directors are not aware of any significant financial events after year-end that affects the fair presentation of the financial statements expect for the below.

The local and global impact of the COVID-19 pandemic subsequent to the reporting period will have an impact on our organisation and that of our clients and suppliers. At the date of releasing this report, the Board considered the current cash position and facilities of the organisation. Management performed scenarios on the ability of the organisation to absorb the impact and it found that the organisation would be able to service its obligations for the near future. Management and the Board will continue to closely monitor the potential impact of COVID-19 on our operations.

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Detailed Income Statement

Figures in Rand	2019	2018
Income from Grants and Donations		
Grants and donations from affiliated organisations	74 403 750	48 141 649
Grants and donations received	246 781 042	190 584 406
Individual, small businesses and gifts in kind	10 091	1 010 234
	321 194 883	239 736 289
Other income		
Other income	622 251	1 332 324
Expenses (Refer to page 25)	(302 384 122)	(237 254 318)
Operating profit	19 433 012	3 814 295
Investment income	490 863	435 386
Finance costs	(7 215)	(2 421)
	483 648	432 965
Profit for the year	19 916 660	4 247 260

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Detailed Income Statement

Figures in Rand	2019	2018
Operating expenses		
Auditors remuneration	(2 259 061)	(1 438 600)
Bad debts	(332 198)	(845 375)
Bank charges	(735 050)	(617 707)
Cleaning	(317 988)	(207 847)
Computer expenses	(4 336 459)	(4 743 310)
Conferences, conventions and meetings (training)	(18 237 826)	(13 709 980)
Consulting fees	(7 638 089)	(6 290 490)
Delivery expenses	(466 695)	(457 708)
Depreciation, amortisation and impairments	(2 765 394)	(2 204 153)
Employee costs	(175 221 730)	(134 176 716)
Gifts and flowers	(28 297)	(13 352)
Insurance	(1 108 962)	(994 819)
Lease rentals on operating lease	(7 029 141)	(5 792 477)
Legal expenses	(1 611 669)	(720 553)
Loss on disposal of assets	(359 837)	(54 124)
Loss on exchange differences	(1 768 945)	(1 314 800)
Motor vehicle expenses	(3 541 238)	(2 989 541)
Office supplies and equipment	(2 339 624)	(2 841 108)
Other expenses	(3 336 246)	(3 830 779)
Printing and stationery	(2 717 968)	(3 370 670)
Repairs and maintenance	(1 233 737)	(1 432 839)
Security	(1 122 137)	(924 215)
Site supplies	(6 462 136)	(4 263 587)
Staff development and training	(1 263 532)	(152 146)
Staff welfare	(3 453)	(23 137)
Sub-awards and contracts	(8 239 594)	(374 973)
Subscriptions	(1 103 384)	(729 234)
Technical and Professional services	(17 900 831)	(17 500 580)
Telephone and fax	(5 651 892)	(6 093 827)
Travel - local	(13 096 188)	(12 496 198)
Travel - overseas	(9 040 504)	(5 239 090)
Utilities	(1 114 317)	(1 410 383)
	(302 384 122)	(237 254 318)