

LOAVES AND FISHES NETWORK

(Registration number 050-574-NPO)
Annual Financial Statements
for the year ended 28 February 2018

ESG Birch
Birch Bruce
Chartered Accountant (S.A.)
Registered Auditors
Issued 19 June 2018

Loaves and Fishes Network

Annual Financial Statements for the year ended 28 February 2018

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	To provide sustainable and holistic childcare training and development in disadvantaged communities.
Directors	N.G.W. Botha B.J. Connellan (Chairperson) L.A. Foster L.N. Gazi C. Herselman CA (S.A.) (Treasurer) M.H. Irvine S.R. Kwatsha (Deputy Chairperson) P. Mtintsilana M.B. Solombela
Registered office	113 Western Avenue Vincent East London 5247
Business address	113 Western Avenue Vincent East London 5247
Postal address	PO Box 19640 Tecoma East London 5214
Bankers	Nedbank Limited
Auditors	ESG Birch Birch Bruce Chartered Accountant (S.A.) Registered Auditors
Secretary	C. Herselman CA (S.A.)
Company registration number	050-574-NPO
Tax reference number	9110/705/16/8

Loaves and Fishes Network

Annual Financial Statements for the year ended 28 February 2018

Index

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

	Page
Independent Auditor's Report	3 - 4
Statement of Financial Position	5
Statement of Comprehensive Income	6
Statement of Changes in Equity	7
Statement of Cash Flows	8
Accounting Policies	9 - 10
Notes to the Annual Financial Statements	11 - 14

The following supplementary information does not form part of the annual financial statements and is unaudited:

Tax Computation	15
-----------------	----

The annual financial statements set out on pages 5 to 13, which have been prepared on the going concern basis, were approved by the board of directors on 19 June 2018 and were signed on its behalf by:

B.J. Connellan
Chairperson

C. Herselman CA (S.A.)
Treasurer

Independent Auditor's Report

To the board members of Loaves and Fishes Network

Qualified opinion

We have audited the annual financial statements of Loaves and Fishes Network set out on pages 5 to 14, which comprise the statement of financial position as at 28 February 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the annual 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 annual financial statements present fairly, in all material respects, the financial position of Loaves and Fishes Network as at 28 February 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 71 of 2008.

Basis for qualified opinion

In common with similar organisations, it is not feasible for the entity to institute accounting controls over cash collections, public donations and fundraising income received prior to the initial entry of the collections in the accounting records. Accordingly, it was impractical for us to extend our examination beyond the receipts actually recorded.

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the annual 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 annual 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 International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). 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 Director's Report as required by the Companies Act 71 of 2008, which we obtained prior to the date of this report. Other information does not include the annual financial statements and our auditor's report thereon.

Our opinion on the annual 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 annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual 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. We have nothing to report in this regard.

Responsibilities of the directors for the Annual Financial Statements

The directors are responsible for the preparation and fair presentation of the annual financial statements in accordance with International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act 71 of 2008, and for such internal control as the directors determine is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual 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.

Independent Auditor's Report

Auditor's responsibilities for the audit of the Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the annual 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 International Standards on Auditing 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 annual financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual 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 annual 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 annual financial statements, including the disclosures, and whether the annual 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.

**ESG Birch
Birch Bruce
Chartered Accountant (S.A.)
Registered Auditors**

**19 June 2018
East London**

Loaves and Fishes Network

Annual Financial Statements for the year ended 28 February 2018

Statement of Financial Position as at 28 February 2018

	Note(s)	2018 R	2017 R
Assets			
Non-Current Assets			
Property, plant and equipment	2	86,917	210,115
Current Assets			
Trade and other receivables	3	18,841	6,710
Cash and cash equivalents	4	156,406	372,795
		175,247	379,505
Total Assets		262,164	589,620
Equity and Liabilities			
Equity			
Accumulated surplus		217,320	574,547
Liabilities			
Current Liabilities			
Trade and other payables	5	30,117	15,073
Provisions	6	14,727	-
		44,844	15,073
Total Equity and Liabilities		262,164	589,620

Loaves and Fishes Network

Annual Financial Statements for the year ended 28 February 2018

Statement of Comprehensive Income

	Note(s)	2018 R	2017 R
Revenue			
Donations and funding received	7	1,506,768	1,881,334
Donations received in kind		118,230	-
		1,624,998	1,881,334
Other income			
Employment tax incentive		2,000	26,560
Gains on disposal of assets		11,532	-
Insurance claims received		27,886	-
Interest received	8	18,132	43,776
		59,550	70,336
Operating expenses			
Accounting fees		7,151	3,205
Advertising		28	1,280
Audit fees		20,389	10,070
Bank charges		15,769	11,853
Board meeting expenses		510	4,352
Cleaning		14,605	21,418
Computer expenses		3,339	21,852
Consulting and professional fees		162,390	72,380
Depreciation and impairments		55,530	79,340
Employee costs		848,587	1,264,010
Food parcels		79,586	208,824
Insurance		23,543	25,909
Lease rentals on operating lease		229,079	221,109
Magazines, books and periodicals		1,478	1,375
Motor vehicle expenses		51,360	70,268
Municipal expenses		17,613	23,429
Printing and stationery		23,229	35,143
Prize giving award expenses		11,106	30,151
Projects funded		178,024	12,449
Repairs and maintenance		33,600	3,946
Security		850	5,934
Subscriptions		17,848	1,500
Telephone and fax		37,175	54,675
Training		185,825	467,977
Transport and freight		4,392	29,609
Travel - local		7,136	22,577
Under-provision of audit fees		10,454	-
		2,040,596	2,704,635
Operating loss			
Finance costs	9	(356,048)	(752,965)
		(357,227)	(755,451)

Loaves and Fishes Network

Annual Financial Statements for the year ended 28 February 2018

Statement of Changes in Equity

	Accumulated surplus R	Total equity R
Balance at 01 March 2016	1,329,998	1,329,998
Surplus for the year	(755,451)	(755,451)
Balance at 01 March 2017	574,547	574,547
Surplus for the year	(357,227)	(357,227)
Balance at 28 February 2018	217,320	217,320

Loaves and Fishes Network

Annual Financial Statements for the year ended 28 February 2018

Statement of Cash Flows

	Note(s)	2018 R	2017 R
Cash flows from operating activities			
Cash receipts from donors		1,506,768	1,881,334
Cash paid to suppliers and employees		(1,819,310)	(2,658,601)
Cash used in operations	11	(312,542)	(777,267)
Interest received		18,132	43,776
Finance costs		(1,179)	(2,486)
Net cash from operating activities		(295,589)	(735,977)
Cash flows from investing activities			
Purchase of property, plant and equipment	2	-	(31,290)
Disposal of property, plant and equipment	2	79,200	-
Net cash from investing activities		79,200	(31,290)
Total cash movement for the year		(216,389)	(767,267)
Cash at the beginning of the year		372,795	1,140,062
Total cash at end of the year	4	156,406	372,795

Loaves and Fishes Network

Annual Financial Statements for the year ended 28 February 2018

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.

These accounting policies are consistent with the previous period.

1.1 Property, plant and equipment

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

Property, plant and equipment is carried at cost less accumulated depreciation and accumulated impairment losses.

Cost includes costs incurred initially to acquire or construct 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 lives of the property, plant and equipment as follows:

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	5 years
IT equipment	Straight line	3 years
Motor vehicles	Straight line	5 years
Office equipment	Straight line	5 years

The residual value, depreciation method and useful life of each asset are reviewed only where there is an indication that there has been a significant change from the previous estimate.

Gains and losses on disposals are recognised in profit or loss.

1.2 Financial instruments

Financial instruments at amortised cost

These include loans, trade receivables and trade payables. Those debt instruments which meet the criteria in section 11.8(b) of 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 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 there is objective evidence, the recoverable amount is estimated and compared with the carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

1.3 Impairment of assets

The company assesses at each reporting date whether there is any indication that property, plant and equipment or intangible assets or goodwill may be impaired.

If there is any such indication, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

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.

Loaves and Fishes Network

Annual Financial Statements for the year ended 28 February 2018

Accounting Policies

1.4 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.

1.5 Trade and other receivables

Trade and other receivables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

1.6 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

1.7 Trade and other payables

Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

1.8 Revenue

Donations whether cash or assets, shall be recognised as income in the period they are received or receivable, when, and only when, all of the following conditions have been satisfied:

- The entity obtains control of the donation or the right to receive the donation;
- It is probable that the economic benefits comprising the donation will flow to the entity and;
- The amount of the donation can be reliably measured. Donations are measured at the fair value of the consideration received or receivable.

Interest is recognised, in profit or loss, using the effective interest rate method.

1.9 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Loaves and Fishes Network

Annual Financial Statements for the year ended 28 February 2018

Notes to the Annual Financial Statements

	2018 R	2017 R
--	-----------	-----------

2. Property, plant and equipment

	2018			2017		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Furniture and fixtures	25,159	(10,991)	14,168	25,159	(5,991)	19,168
IT equipment	57,075	(44,028)	13,047	57,075	(29,470)	27,605
Motor vehicles	314,343	(259,601)	54,742	404,343	(247,481)	156,862
Office equipment	9,697	(4,737)	4,960	9,697	(3,217)	6,480
Total	406,274	(319,357)	86,917	496,274	(286,159)	210,115

Reconciliation of property, plant and equipment - 2018

	Opening balance	Disposals	Depreciation	Closing balance
Furniture and fixtures	19,168	-	(5,000)	14,168
IT equipment	27,605	-	(14,558)	13,047
Motor vehicles	156,862	(67,668)	(34,452)	54,742
Office equipment	6,480	-	(1,520)	4,960
	210,115	(67,668)	(55,530)	86,917

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Depreciation	Impairment loss	Closing balance
Furniture and fixtures	24,168	-	(5,000)	-	19,168
IT equipment	13,467	24,892	(10,754)	-	27,605
Motor vehicles	219,482	-	(51,120)	(11,500)	156,862
Office equipment	1,048	6,398	(966)	-	6,480
	258,165	31,290	(67,840)	(11,500)	210,115

3. Trade and other receivables

Deposits	18,240	3,000
Interest accrued	601	3,710
	18,841	6,710

4. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	2,284	6,714
Bank balances	154,122	366,081
	156,406	372,795

5. Trade and other payables

Audit fee accrual	23,269	10,069
SARS	6,848	5,004
	30,117	15,073

Loaves and Fishes Network

Annual Financial Statements for the year ended 28 February 2018

Notes to the Annual Financial Statements

	2018 R	2017 R
6. Provisions		
Reconciliation of provisions - 2018		
	Opening balance	Additions
		Total
Provision for leave pay	-	14,727
		14,727
7. Donations received		
A.D. Godwin	10,000	-
Aids & Kind	20,259	-
Anax Trading	-	3,000
Anonymous	-	810
B. Wild	-	28,635
B.J. Connellan	184,000	160,000
Caltex Eastern Cape	-	25,000
DG Murray Trust	-	100,000
Dewing Construction	20,000	-
Donations under R200	1,290	8,068
E. Smart	1,100	400
ECD Training Fees	-	13,000
ECD Training Fund	52,510	30,000
Freshmark Systems	6,750	-
G. Harris	1,000	1,500
Gately Rotary Club	20,318	56,255
Gladys Jacobsson Trust	9,000	8,000
Grand Select 150 (Pty) Ltd - Noel Nyemba	120,000	-
Growthpoint Properties	-	36,000
H. Peters	1,100	400
HOD	9,000	-
Health and Welfare SETA	80,000	220,000
Health and Welfare SETA - WSP Income	11,658	12,480
Jim Joel Fund - The Childwick Trust Incorporating	300,000	314,737
Little Beacons Pre-Primary	811	482
Miriam Dean Trust	178,302	233,050
NVFH Group	36,000	19,500
National Lotteries Distribution Trust Fund	-	44,924
Other Funds	20	5,750
St Michaels Anglican Church Nahoon	6,000	8,000
Starfish Greathearts Foundation	60,650	124,060
T. Ntiwane	4,000	-
T.H. McClure	-	1,000
Takalani Sesame	-	29,677
The Crewe Trust	5,000	3,730
The Daily Dispatch	(3,710)	-
The Oppenheimer Memorial Trust	300,000	331,479
Three Peaks	71,710	61,397
	1,506,768	1,881,334

Loaves and Fishes Network

Annual Financial Statements for the year ended 28 February 2018

Notes to the Annual Financial Statements

	2018 R	2017 R
7. Donations received (continued)		
The below donations were received in kind from the following individuals / organisations:		
P. Crumbes		
C. Davies		
Errol Tyre & Exhaust Centre CC		
R. Gallant		
Hudson Park Primary School		
J.M.J Sales (Pty) Ltd		
Justice & Peace Group		
C. Lawlour		
NFB Private Wealth Management		
D. Nkephu		
Rotary Club of East London		
G.H. Van Coller		
Vector Logistics Limited		
J. West		
8. Investment revenue		
Interest revenue		
Nedbank	18,132	43,776
9. Finance costs		
SARS interest and penalties	1,179	2,486
10. Taxation		
No provision has been made for 2018 tax as the organisation has been approved as a public benefit organisation in terms of section 30 of the Income Tax Act. The receipts and accruals are therefore exempt from income tax in terms of section 10(1)(cN).		
11. Cash used in operations		
Loss before taxation	(357,227)	(755,451)
Adjustments for:		
Depreciation	55,530	67,840
Profit on disposal of assets	(11,532)	-
Interest received	(18,132)	(43,776)
Finance costs	1,179	2,486
Impairment loss	-	11,500
Movements in provisions	14,727	-
Changes in working capital:		
Trade and other receivables	(12,131)	36,490
Trade and other payables	15,044	(96,356)
	(312,542)	(777,267)

Loaves and Fishes Network

Annual Financial Statements for the year ended 28 February 2018

Notes to the Annual Financial Statements

	2018	2017
	R	R

12. Related parties

Relationships

Members of key management

N.G.W. Botha
B.J. Connellan (Chairperson)
L.A. Foster
L.N. Gazi
C. Herselman CA (S.A.) (Treasurer)
M.H. Irvine
S.R. Kwatsha (Deputy Chairman)
P. Mtintsilana
M.B. Solombela

Related party balances and transactions with key management personnel of the company or its parent

Related party transactions

Donations received from related parties

B.J. Connellan	184,000	160,000
----------------	---------	---------

Loaves and Fishes Network

(Taxpayer reference number 9110/705/16/8)

Annual Financial Statements for the year ended 28 February 2018

Tax Computation

	2018 R
Net loss per income statement	(357,227)
Permanent differences (Non-deductible/Non taxable items)	
Interest, penalties paid in respect of taxes (s23(d))	1,179
Exempt in terms of s10(1)(cN)	356,048
Accounting profit on disposal of fixed assets and / or other assets	(11,532)
	345,695
Temporary differences	
Wear and tear recouped (s8(4))	11,532
Capital gains (Local)	
Proceeds	67,668
Base cost	(67,668)
Taxable capital gain included @ 80.0%	-
Tax thereon @ 28% in the Rand	-