

LOAVES AND FISHES NETWORK

(Registration number 050-574-NPO)
Annual Financial Statements
for the year ended 29 February 2016

ESG Birch
Birch Bruce
Chartered Accountants (SA)
Registered Auditors
Published 20 May 2016

Loaves and Fishes Network

Annual Financial Statements for the year ended 29 February 2016

General Information

| | |
|--|--|
| Country of incorporation and domicile | South Africa |
| Nature of business and principal activities | Caring for children affected by poverty, violence and HIV/AIDS |
| Board members | N. Botha B. Connellan (Chairperson) C. Herselman (Treasurer) M. Irvine S. Kwatsha P. Mtintsilana L. Ntshingwa D Seeber - Appointed 13/08/2015 P. Solombela |
| Business address | 9A Dyer Street Arcadia East London 5201 |
| Postal address | P.O. Box 19640 Tecoma 5214 |
| Bankers | Nedbank Limited |
| Auditors | ESG Birch Birch Bruce Chartered Accountants (SA) Registered Auditors |

Loaves and Fishes Network

Annual Financial Statements for the year ended 29 February 2016

Index

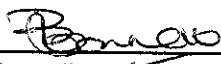
The reports and statements set out below comprise the annual financial statements presented to the Board members:

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

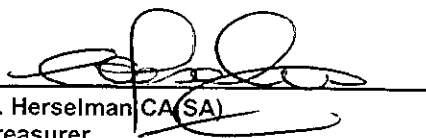
The following supplementary information does not form part of the annual financial statements and is unaudited:

| | |
|-----------------|----|
| Tax Computation | 12 |
|-----------------|----|

The annual financial statements set out on pages 4 to 12, which have been prepared on the going concern basis, were approved by the Board on 20 May 2016 and were signed on its behalf by:



B. Connellan
Chairperson



C. Herselman CA(SA)
Treasurer

Birch Bruce

CHARTERED ACCOUNTANTS (S.A.)

Practice Number: 903170

Corner Frere & Lancaster Roads, PO Box 13602, Vincent, 5217, East London
Telephone: 043-721-0441 - Facsimile: 043-721-0442 - Email: eugene@birchbruce.co.za

Independent Auditors' Report

To the Board members of Loaves and Fishes Network

We have audited the annual financial statements of Loaves and Fishes Network, as set out on pages 4 to 11, which comprise the statement of financial position as at 29 February 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

The Board's Responsibility for the Annual Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the annual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the annual financial statements.

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

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.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the annual financial statements present fairly, in all material respects, the financial position of Loaves and Fishes Network as at 29 February 2016, 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 71 of 2008.



ESG Birch
Birch Bruce
Chartered Accountants (SA)
Registered Auditors

20 May 2016
East London



Eugene Birch BCompt (Hons) (CTA) CA (SA) RA
Business Advisors, Chartered Accountants, Registered Auditors, Tax Practitioners and Training Officers

Loaves and Fishes Network

Annual Financial Statements for the year ended 29 February 2016

Statement of Financial Position as at 29 February 2016

| | Note(s) | 2016 R | 2015 R |
|-------------------------------------|---------|------------------|------------------|
| Assets | | | |
| Non-Current Assets | | | |
| Property, plant and equipment | 2 | 258 165 | 12 381 |
| Current Assets | | | |
| Trade and other receivables | 3 | 43 200 | 3 000 |
| Cash and cash equivalents | 4 | 1 140 062 | 1 033 659 |
| | | 1 183 262 | 1 036 659 |
| Total Assets | | 1 441 427 | 1 049 040 |
| Equity and Liabilities | | | |
| Equity | | | |
| Retained income | | 1 329 998 | 969 179 |
| Liabilities | | | |
| Current Liabilities | | | |
| Trade and other payables | 5 | 111 429 | 79 861 |
| Total Equity and Liabilities | | 1 441 427 | 1 049 040 |

Loaves and Fishes Network

Annual Financial Statements for the year ended 29 February 2016

Statement of Comprehensive Income

| | Note(s) | 2016 R | 2015 R |
|--|---------|------------------|------------------|
| Other income | | | |
| Donations, grants and funding received | 6 | 3 207 131 | 2 270 299 |
| Employment tax incentive | | 25 786 | - |
| Insurance claim received | | - | 42 950 |
| Interest received | 7 | 78 757 | 31 652 |
| | | 3 311 674 | 2 344 901 |
| Operating expenses | | | |
| Accounting package license fee | | 1 159 | - |
| Advertising | | 6 255 | 5 290 |
| Auditors' remuneration | 8 | 12 537 | 10 380 |
| Bank charges | | 19 116 | 12 360 |
| Cleaning | | 12 644 | 12 840 |
| Computer expenses | | 10 822 | 15 698 |
| Depreciation | | 43 462 | 1 270 |
| Employee costs | | 1 286 866 | 690 054 |
| Entertainment | | 70 | 160 |
| Food parcels | | 157 869 | 196 909 |
| Insurance | | 18 560 | 20 607 |
| Lease rentals on operating lease | | 200 715 | 175 589 |
| Loss on sale of property, plant and equipment | | 5 | 1 |
| Motor vehicle expenses | | 28 109 | 49 427 |
| Other expenses | | 9 669 | 6 277 |
| Postage and courier | | 3 310 | 773 |
| Printing and stationery | | 34 225 | 62 632 |
| Projects funded | | 435 470 | - |
| Repairs and maintenance | | 86 549 | 109 033 |
| SARS fines and penalties | | 475 | - |
| Security | | 12 773 | 2 335 |
| Telephone and fax | | 48 138 | 41 589 |
| Training and workshops | | 443 929 | 419 260 |
| Transport and freight | | 45 183 | 69 829 |
| Travel - local | | 10 618 | 12 801 |
| Utilities | | 22 327 | 26 634 |
| | | 2 950 855 | 1 941 748 |
| Surplus for the year | 9 | 360 819 | 403 153 |
| Total comprehensive income for the year | | 360 819 | 403 153 |

Loaves and Fishes Network

Annual Financial Statements for the year ended 29 February 2016

Statement of Changes in Equity

| | Retained income R | Total equity R |
|-----------------------------|-------------------------|-------------------|
| Balance at 01 March 2014 | 566 026 | 566 026 |
| Surplus for the year | 403 153 | 403 153 |
| Balance at 01 March 2015 | 969 179 | 969 179 |
| Surplus for the year | 360 819 | 360 819 |
| Balance at 29 February 2016 | 1 329 998 | 1 329 998 |

Note(s)

Loaves and Fishes Network

Annual Financial Statements for the year ended 29 February 2016

Statement of Cash Flows

| | Note(s) | 2016 R | 2015 R |
|--|---------|------------------|------------------|
| Cash flows from operating activities | | | |
| Cash received from donors | | 2 942 607 | 2 276 299 |
| Cash paid to suppliers and employees | | (2 625 710) | (1 836 386) |
| Cash generated from operations | 10 | 316 897 | 439 913 |
| Interest income | | 78 757 | 31 652 |
| Net cash from operating activities | | 395 654 | 471 565 |
| Cash flows from investing activities | | | |
| Purchase of and donations in the form of property, plant and equipment | 2 | (289 251) | (12 366) |
| Total cash movement for the year | | 106 403 | 459 199 |
| Cash at the beginning of the year | | 1 033 659 | 574 460 |
| Total cash at end of the year | 4 | 1 140 062 | 1 033 659 |

Loaves and Fishes Network

Annual Financial Statements for the year ended 29 February 2016

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.

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

Cost includes all costs incurred to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Costs include 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 life of the property, plant and equipment, which is as follows:

| Item | Average useful life |
|-------------------------------------|----------------------------|
| Furniture and fixtures | 5 Years |
| IT equipment | 3 Years |
| Motor vehicles | 5 Years |
| Office equipment | 5 Years |
| Other property, plant and equipment | 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.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss in the period.

Loaves and Fishes Network

Annual Financial Statements for the year ended 29 February 2016

Notes to the Annual Financial Statements

2016
R

2015
R

2. Property, plant and equipment

| | 2016 | | | 2015 | | |
|-------------------------------------|----------------|--------------------------|----------------|----------------|--------------------------|----------------|
| | Cost | Accumulated depreciation | Carrying value | Cost | Accumulated depreciation | Carrying value |
| Furniture and fixtures | 25 159 | (991) | 24 168 | 159 | (158) | 1 |
| IT equipment | 32 183 | (18 716) | 13 467 | 42 931 | (30 902) | 12 029 |
| Motor vehicles | 404 343 | (184 861) | 219 482 | 155 678 | (155 675) | 3 |
| Office equipment | 799 | (798) | 1 | 799 | (798) | 1 |
| Other property, plant and equipment | 2 500 | (1 453) | 1 047 | 1 300 | (953) | 347 |
| Total | 464 984 | (206 819) | 258 165 | 200 867 | (188 486) | 12 381 |

Reconciliation of property, plant and equipment - 2016

| | Opening balance | Additions | Disposals | Depreciation | Total |
|-------------------------------------|-----------------|----------------|------------|-----------------|----------------|
| Furniture and fixtures | 1 | 25 000 | - | (833) | 24 168 |
| IT equipment | 12 029 | 7 451 | (4) | (6 009) | 13 467 |
| Motor vehicles | 3 | 255 600 | (1) | (36 120) | 219 482 |
| Office equipment | 1 | - | - | - | 1 |
| Other property, plant and equipment | 347 | 1 200 | - | (500) | 1 047 |
| | 12 381 | 289 251 | (5) | (43 462) | 258 165 |

Reconciliation of property, plant and equipment - 2015

| | Opening balance | Additions | Disposals | Depreciation | Total |
|-------------------------------------|-----------------|---------------|------------|----------------|---------------|
| Furniture and fixtures | 1 | - | - | - | 1 |
| IT equipment | 673 | 12 366 | - | (1 010) | 12 029 |
| Motor vehicles | 4 | - | (1) | - | 3 |
| Office equipment | 1 | - | - | - | 1 |
| Other property, plant and equipment | 607 | - | - | (260) | 347 |
| | 1 286 | 12 366 | (1) | (1 270) | 12 381 |

3. Trade and other receivables

| | | |
|------------------|---------------|--------------|
| Deposits | 3 000 | 3 000 |
| Accrued donation | 35 000 | - |
| Staff loan | 250 | - |
| Salary control | 4 950 | - |
| | 43 200 | 3 000 |

4. Cash and cash equivalents

Cash and cash equivalents consist of:

| | | |
|---------------|------------------|------------------|
| Cash on hand | 2 211 | 3 251 |
| Bank balances | 1 137 851 | 1 030 408 |
| | 1 140 062 | 1 033 659 |

Loaves and Fishes Network

Annual Financial Statements for the year ended 29 February 2016

Notes to the Annual Financial Statements

| | 2016 R | 2015 R |
|---|------------------|------------------|
| 5. Trade and other payables | | |
| Accrued expenses | 100 828 | 65 562 |
| Audit fee accrual | 8 401 | 7 649 |
| Staff savings held | 2 200 | 6 650 |
| | 111 429 | 79 861 |
| 6. Donations received | | |
| Breadline Africa | - | 175 000 |
| Brendan Connellan | 60 000 | - |
| Jim Joel Fund | 300 000 | - |
| Crewe Trust | 4 000 | 4 200 |
| DG Murray Trust | - | 283 000 |
| Daily Dispatch | 35 000 | - |
| Drake Flemmer & Orsmond Attorneys | 45 600 | - |
| First National Battery | 5 000 | 5 000 |
| Fort Hare University - Incoko Collaboration | - | 45 000 |
| Gately Rotary Club | - | 24 000 |
| Gladys Jacobson Trust | 8 000 | - |
| Growthpoint Properties | 38 427 | - |
| Health and Welfare SETA | 400 545 | - |
| Miriam Dean Trust | 183 686 | 306 565 |
| NFB | 30 000 | - |
| National Lotteries Distribution Trust Fund | 949 594 | - |
| Neo Dimension Architects | - | 2 500 |
| Oppenheimer Memorial Trust | 500 000 | 500 000 |
| Other public donations | 191 391 | 319 929 |
| Oxfam Australia | 65 742 | 188 242 |
| Oxfam Italia | 139 718 | 402 863 |
| SPAR Family | - | 20 000 |
| Starfish Greathearts Foundation | 147 704 | - |
| VW Germany | 120 000 | - |
| | 3 224 407 | 2 276 299 |
| 7. Investment revenue | | |
| Interest revenue | | |
| Bank | 78 757 | 31 652 |
| 8. Auditors' remuneration | | |
| Fees | 12 537 | 10 380 |
| 9. Taxation | | |

No provision has been made for 2016 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).

Loaves and Fishes Network

Annual Financial Statements for the year ended 29 February 2016

Notes to the Annual Financial Statements

| | 2016 R | 2015 R |
|---|----------------|----------------|
| 10. Cash generated from operations | | |
| Profit before taxation | 360 819 | 403 153 |
| Adjustments for: | | |
| Depreciation | 43 462 | 1 270 |
| Loss on sale of property, plant and equipment | 5 | 1 |
| Interest received - bank | (78 757) | (31 652) |
| Changes in working capital: | | |
| Trade and other receivables | (40 200) | - |
| Trade and other payables | 31 568 | 67 141 |
| | 316 897 | 439 913 |

11. Related parties

Relationships

Board chairperson

Brendan Connellan

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

Related party transactions

Donations received from related parties

Brendan Connellan

60 000

-

Loaves and Fishes Network

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

Annual Financial Statements for the year ended 29 February 2016

Tax Computation

| | 2016 R |
|---|------------------|
| Net profit per income statement | 360 819 |
| Permanent differences (Non-deductible/Non taxable items) | |
| Interest, penalties paid in respect of taxes (s23(d)) | 475 |
| Accounting loss on disposal of fixed and / or other assets | 5 |
| Exempt in terms of S10(1)(cN) | (361 299) |
| | <u>(360 819)</u> |
| Taxable income for 2016 | <u>-</u> |
| Tax thereon @ 28% in the Rand | <u>Nil</u> |