MOTHERS 2 MOTHERS SOUTH AFRICA NPC
(Registration number 2002/013453/08)
Audited annual financial statements
for the year ended 31 December 2016

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 SA Gwarinda G Mthandi S Kotze C Ahrends C Sickle L Cornelissen (appointed 8 December 2016)
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
Auditors	Deloitte & Touche Chartered Accountants (S.A.) Registered Auditors
Secretary	C Rathner
Organisation 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
Preparation of annual financial statements	These annual financial statement have been prepared under the supervision of S Kotze (Finance Director).

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DIRECTORS' RESPONSIBILITIES AND APPROVAL

The directors are required in terms of 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 organisation as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with 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 judgments and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the organisation and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the directors set standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include 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 Organisation and all employees are required to maintain the highest ethical standards in ensuring the organisation's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the organisation is on identifying, assessing, managing and monitoring all known forms of risk across the Organisation. While operating risk cannot be fully eliminated, the Organisation endeavours to minimize it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed with 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 organisation's cash flow forecast for the year ended 31 December 2017 and, in the light of this review and the current financial position, they are satisfied that the organisation 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 organisation's annual financial statements. The annual financial statements have been examined by the Organisation's external auditors and their report is presented on pages 5 and 6.

The annual financial statements set out on pages 7 to 23 as well as the detailed statement of comprehensive income on page 24, were approved and signed by:

Director

Cape Town
30 June 2017

Deloitte.

PO Box 578
Cape Town 8000
South Africa

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INDEPENDENT AUDITOR'S REPORT
To the members of Mothers2Mothers South Africa NPC

Qualified Opinion

We have audited the financial statements of Mothers2Mothers South Africa NPC set out on pages 9 to 23, which comprise the statement of financial position as at 31 December 2016, 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 effects 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 2016, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa.

Basis for Qualified Opinion

In common with similar organisations, it is not feasible for Mothers2Mothers South Africa NPC to institute accounting controls over cash collections from minor or ad-hoc donations and certain fund raising projects prior to the initial entry of these collections in the accounting records. Accordingly, it was impracticable for us to extend our examination beyond the receipts actually 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 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 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 Directors' Responsibility and Approval, the Directors' Report as required by the Companies Act of South Africa and the Detailed Statement of Comprehensive Income. 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. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT
To the members of Mothers2Mothers South Africa NPC (Continued)

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 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 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.

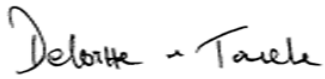
Auditor's Responsibilities for the Audit of the Financial Statements

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 audit committee 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.



Deloitte & Touche
Registered Auditor

Per: R L Dogon
Partner
30 June 2017

DIRECTORS' REPORT

The directors submit their report for the year ended 31 December 2016.

1. Review of Activities

   Main business and operations

   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, Swaziland, Zambia and Uganda.

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

   Total comprehensive income of the organisation was R 4 653 882 (2015: R1 040 931).

2. Going Concern

   The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realization of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Events after the reporting period

   The directors are not aware of any other matter or circumstance arising since the end of the financial year.

4. Non-current assets

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

DIRECTORS' REPORT

5. Directors

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

Name
D Lubner
MJ Besser
FK Beadle
SA Gwarinda
G Mthandi
S Kotze
C Ahrends
C Sickle
L Cornelissen (appointed 8 December 2016)

6. Secretary

The secretary of the organisation is C Rathner of:

Business address	5th Floor 33 Hammerschlag Way Foreshore Cape Town 8001
Postal address	PO Box 841 Cape Town 8000

7. Branch entities

Name of entity	Country of incorporation if not the RSA
mothers2mothers Kenya	Kenya
mothers2mothers Lesotho	Lesotho
mothers2mothers Malawi	Malawi
mothers2mothers Swaziland	Swaziland
mothers2mothers Uganda	Uganda
mothers2mothers Zambia	Zambia

8. Auditors

Deloitte & Touche was appointed into office in accordance with section 90 of the Companies Act 71 of 2008.

9. Liquidity and solvency

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

STATEMENT OF FINANCIAL POSITION

	Notes	2016 R	2015 R
Assets			
Non-Current Assets			
Property, plant and equipment	2	5,594,516	2,920,552
Intangible assets	3	-	-
Other financial assets	4	14	14
		5,594,530	2,920,566
Current Assets			
Trade and other receivables	5	23,608,221	10,624,069
Cash and cash equivalents	6	15,687,858	24,213,780
		39,296,079	34,837,849
Total Assets		44,890,609	37,758,415
Equity and Liabilities			
Equity			
Foreign currency translation reserve		493,751	445,721
Retained income		20,079,380	15,473,528
		20,573,131	15,919,249
Current Liabilities			
Operating lease liability		1,062,235	915,952
Trade and other payables	7	7,398,702	8,020,085
Deferred income	8	11,961,003	9,875,575
Provisions	9	3,895,538	3,027,554
		24,317,478	21,839,166
Total Equity and Liabilities		44,890,609	37,758,415

STATEMENT OF COMPREHENSIVE INCOME

	Notes	2016 R	2015 R
Revenue	10	253,894,684	188,059,320
Other income		168,851	-
Operating expenses		(250,178,124)	(187,947,811)
Operating profit	11	3,885,411	111,509
Interest income	12	729,989	497,378
Interest expense		(9,548)	(281)
Profit for the year		4,605,852	608,606
Other comprehensive income:			
Exchange differences on translating foreign operations		48,030	432,325
Total comprehensive income for the year		4,653,882	1,040,931

STATEMENT OF CHANGES IN EQUITY

	Foreign Currency Translation Reserve	Retained Income	Total Equity
	R	R	R
Balance at 31 December 2014	13,396	14,864,922	14,878,318
Profit for the year	-	608,606	608,606
Exchange differences on translating foreign operations	432,325	-	432,325
Total comprehensive income for the year	432,325	608,606	1,040,931
Balance at 31 December 2015	445,721	15,473,528	15,919,249
Profit for the year	-	4,605,852	4,605,852
Exchange differences on translating foreign operations	48,030	-	48,030
Total comprehensive income for the year	48,030	4,605,852	4,653,882
Balance at 31 December 2016	493,751	20,079,380	20,573,131

STATEMENT OF CASH FLOWS

	Notes	2016 R	2015 R
Cash flows from operating activities			
Cash receipts from donors		265,855,687	197,934,896
Cash paid to suppliers and employees		(270,786,322)	(200,997,690)
Cash used in operations	14	(4,930,635)	(3,062,794)
Interest income		729,989	497,378
Dividend income		-	-
Interest expense		(9,548)	(281)
Net cash from operating activities		(4,210,194)	(2,565,697)
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(4,315,728)	(854,218)
Net cash from investing activities		(4,315,728)	(854,218)
Net cash movement for the year		(8,525,922)	(3,419,915)
Cash at the beginning of the year		24,213,780	27,633,695
Total cash at end of the year	6	15,687,858	24,213,780

ACCOUNTING POLICIES

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 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

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:

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 judgments as to whether there is observable data including a measureable decrease in the estimated future cash flows from a financial asset.

Provisions

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

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 recognized as an asset when:
· it is probable that future economic benefits associated with the item will flow to the Organisation; 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	Average useful life
Furniture and fixtures	6 years
Motor vehicles	5 years
Office equipment	3 to 6 years
IT equipment	2 to 3 years
Containers	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.

ACCOUNTING POLICIES

1.2 Property, plant and equipment (continued)

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 recognized in profit or loss unless it is included in the carrying amount of another asset.

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 derecognized. 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 recognized 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 amortization 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 amortized over its useful life.

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

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

Item	Useful life
Computer software	3 years

1.4 Tax

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

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

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

ACCOUNTING POLICIES

1.6 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 paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognized 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 recognized as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

1.7 Provisions and contingencies

Provisions are recognized when:
· the organisation has a present obligation as a result of a past event;
· it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
· a 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 recognized 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 recognized for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognized for future operating losses.

1.8 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 that those that are met prior to fiscal year end and 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 recognized and measured as a provision.

Contingent assets and contingent liabilities are not recognized.

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.

ACCOUNTING POLICIES

1.8 Revenue (continued)

Unconditional promises to give are recognized 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 recognized 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 recognized 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 recognized.

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 recognized, in profit or loss, using the effective interest rate method.

1.9 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.

ACCOUNTING POLICIES

1.10 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.

NOTES TO THE FINANCIAL STATEMENTS

2. Property, plant and equipment

	2016			2015		
	Cost/ Valuation	Accumulated depreciation	Carrying value	Cost/ Valuation	Accumulated depreciation	Carrying value
Furniture and fixtures	52,362	(48,455)	3,907	52,362	(46,537)	5,825
Motor vehicles	6,733,210	(2,680,015)	4,053,195	3,591,585	(1,936,750)	1,654,835
Office equipment	250,425	(160,801)	89,624	250,425	(126,182)	124,243
IT equipment	3,860,021	(2,412,231)	1,447,790	2,696,496	(1,560,847)	1,135,649
Containers	336,707	(336,707)	-	336,707	(336,707)	-
Total	11,232,725	(5,638,209)	5,594,516	6,927,575	(4,007,023)	2,920,552

Reconciliation of property, plant and equipment – 2016

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	5,825	-	-	(1,918)	3,907
Motor vehicles	1,654,835	3,141,625	-	(743,265)	4,053,195
Office equipment	124,243	-	-	(34,619)	89,624
IT equipment	1,135,649	1,174,103	(7,336)	(854,626)	1,447,790
Containers	-		-	-	-
	2,920,552	4,315,728	(7,336)	(1,634,428)	5,594,516

Reconciliation of property, plant and equipment – 2015

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	15,547	-	-	(9,722)	5,825
Motor vehicles	2,056,653	244,524	(45,860)	(600,482)	1,654,835
Office equipment	42,343	138,000	-	(56,100)	124,243
IT equipment	1,435,418	471,694	(57,978)	(713,485)	1,135,649
Containers	12,397	-	-	(12,397)	-
	3,562,358	854,218	(103,838)	(1,392,186)	2,920,552

Pledged as security

Property, plant and equipment are not pledged as security.

Included in the additions above, are assets with a cost of R 4,000,562 (2015: R637,359) 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.

NOTES TO THE FINANCIAL STATEMENTS

3. Intangible assets

	2016			2015		
	Cost / Valuation	Accumulated amortization	Carrying value	Cost / Valuation	Accumulated amortization	Carrying value
Computer software	641,813	(641,813)	-	641,813	(641,813)	-

Reconciliation of intangible assets – 2016

	Opening balance	Additions	Amortization	Total
Computer software	-	-	-	-

Reconciliation of intangible assets – 2015

	Opening balance	Additions	Amortization	Total
Computer software	-	-	-	-

4. Other financial assets

	2016 R	2015 R
Equity instruments		
Unlisted shares – Sakhikamvva 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	17,574,782	7,156,873
Allowance for doubtful grants	(1,265,768)	(1,265,768)
Net grants receivable	16,309,014	5,891,105
Advances	721,119	280,985
Other receivables	504,297	183,557
Prepayments	3,512,536	2,095,290
Deposits	538,438	472,476
VAT	2,022,817	1,700,656
	23,608,221	10,624,069

NOTES TO THE FINANCIAL STATEMENTS

6. Cash and cash equivalents

	2016 R	2015 R
Cash and cash equivalents consist of:		
Cash on hand	12,581	25,132
Bank balances	15,648,116	24,168,353
Short-term deposits	27,161	20,295
	15,687,858	24,213,780

7. Trade and other payables

Trade payables	2,907,454	4,040,192
Accrued employee costs	2,501,319	2,400,147
Accrued expenses	1,989,929	1,579,746
	7,398,702	8,020,085

8. Deferred income

Unearned revenue	11,961,003	9,875,575
	11,961,003	9,875,575

At 31 December 2016, the deferred income of R 11,961,003 (2015: 9,875,575) related to various grants and donations/contributions, of which R5,454,933 (2015: R5,254,401) 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 incurral of expenditure over the life of the relevant award.

9. Provisions

Reconciliation of provisions – 2016

	Opening balance	Additions	Utilized during the year	Closing Balance
Leave pay provision	3,027,554	6,190,488	(5,322,504)	3,895,538
	3,027,554	6,190,488	(5,322,504)	3,895,538

Reconciliation of provisions – 2015

	Opening balance	Additions	Utilized during the year	Closing Balance
Leave pay provision	2,609,379	4,814,900	(4,396,725)	3,027,554
Provision for outcome of Tanzania lawsuit	1,310,357	-	(1,310,357)	-
	3,919,736	4,814,900	(5,707,082)	3,027,554

10. Revenue

Grants and donations from affiliated organizations	59,384,228	32,228,661
Grants and donations received	194,338,956	155,629,822
Individual, small businesses and gifts in kind	171,500	200,837
	253,894,684	188,059,320

NOTES TO THE FINANCIAL STATEMENTS

	2016 R	2015 R
11. Operating profit		
Operating profit for the year is stated after accounting for the following:		
Operating lease charges		
Premises		
Contractual amounts	5,100,426	4,057,784
Loss on disposal of property, plant and equipment	7,336	26,587
Loss on exchange differences	2,500,989	3,463,147
Depreciation and amortization	1,634,429	1,334,831
Employee costs	125,980,160	97,178,545
12. Interest Income		
Interest income		
Bank	729,989	497,378
13. Auditors' remuneration		
Fees	1,526,872	1,532,013
14. Cash generated from (utilised in) operations		
Profit before taxation	4,605,852	608,606
Adjustments for:		
Depreciation and amortization	1,634,429	1,334,831
Dividend income	-	-
Loss on disposal of assets	7,336	26,587
Interest income	(729,989)	(497,378)
Interest paid	9,548	281
Movements in operating lease liability	146,283	306,289
Movements in provisions	867,984	(892,182)
Other non-cash items	48,029	566,931
Changes in working capital:		
Trade and other receivables	(12,984,152)	(1,697,248)
Trade and other payables	(621,383)	1,956,299
Deferred income	2,085,428	(4,775,810)
	(4,930,635)	(3,062,794)

15. Related parties

Relationships

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

Related party transactions and balances

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	(39,111,180)	(27,968,778)
m2m UK	(18,700,103)	(4,259,884)

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	5,542,999	1,866,971

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

NOTES TO THE FINANCIAL STATEMENTS

15. Related parties (continued)

	2016 R	2015 R
Purchases from related parties		
The organisation acquired the services of seconded employees of related parties which amounted to:		
m2m I	12,033,515	10,784,541
m2m UK	1,494,216	2,198,721
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 UK	(94,270)	(1,460,752)

16. Directors' emoluments

Executive	5,946,740	6,307,185
FK Beadle	2,073,870	1,606,538
G Mthandi	1,327,471	1,148,926
K Schmitz (resigned 14 December 2015)	-	1,235,719
S Kotze	1,486,641	1,351,013
SA Gwarinda	1,058,758	964,989
Non-Executive	-	-
	5,946,740	6,307,185

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

17. Classification of financial instruments

	Financial assets at amortized cost	Financial liabilities at amortized cost	Equity instruments measured at cost	Total
2016 – Assets				
Other financial assets	-	-	14	14
Trade and other receivables	21,585,404	-	-	21,585,404
Cash and cash equivalents	15,687,858	-	-	15,687,858
	37,273,262	**-**	**14**	**37,273,276**
2016 – Liabilities				
Trade and other payables	-	7,398,702	-	7,398,702
Operating lease liability	-	1,062,235	-	1,062,235
	-	**8,460,937**	**-**	**8,460,937**
2015 – Assets				
Other financial assets	-	-	14	14
Trade and other receivables	8,923,413	-	-	8,923,413
Cash and cash equivalents	24,213,780	-	-	24,213,780
	33,137,193	**-**	**14**	**33,137,207**
2015 – Liabilities				
Trade and other payables	-	8,020,085	-	8,020,085
Operating lease liability	-	915,952	-	915,952
	-	**8,936,037**	**-**	**8,936,037**

NOTES TO THE FINANCIAL STATEMENTS

18. Commitments	**2016 R**	**2015 R**
Minimum lease payment for the year		
Contractual amounts	5,100,426	4,057,784
At year end the outstanding commitments under operating lease falls due as follows:		
Within one year	2,906,917	2,376,049
Later than one year but within five years	7,522,022	9,049,958
Later than five years	-	-

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 2016 - 30 September 2020, with the same terms and conditions as the initial agreement.

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.

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.

DETAILED STATEMENT OF COMPREHENSIVE INCOME

	Notes	2016 R	2015 R
Revenue			
Grants and donations from affiliated organizations		59,384,228	32,228,661
Grants and donations received		194,338,956	155,629,822
Individual, small businesses and gifts in kind		171,500	200,837
	10	**253,894,684**	**188,059,320**
Other income			
Interest received	12	729,989	497,378
Profit on exchange differences		-	-
Profit on sale of assets		-	-
Other income		168,851	-
Dividends received from unlisted entity		-	-
		898,840	**497,378**
Operating expenses			
Allowance for doubtful grants		-	-
Auditors remuneration	13	1,526,872	1,532,013
Bank charges		465,013	456,124
Cleaning		112,836	116,266
Computer expenses		2,157,254	1,613,784
Conferences, conventions and meetings (training)		10,775,358	6,513,242
Consulting fees		9,494,260	7,073,593
Delivery expenses		592,510	347,022
Depreciation, amortization and impairments		1,634,429	1,334,831
Employee costs		125,980,160	97,178,545
Equipment rental		498,470	196,199
Gifts and flowers		166,116	48,485
Grants to affiliated organizations		1,047,477	898,330
Insurance		354,939	422,541
Interest paid		9,548	281
Lease rentals on operating lease	11	5,100,426	4,057,784
Legal expenses		772,801	271,025
Loss on disposal of assets	11	7,336	26,587
Loss on exchange differences	11	2,500,989	3,463,147
Motor vehicle expenses		2,501,599	2,249,676
Office supplies and equipment		2,721,022	1,543,767
Other expenses		240,423	95,892
Printing and stationery		7,539,309	3,778,189
Repairs and maintenance		434,788	635,934
Security		152,153	159,929
Site supplies		7,919,785	4,283,889
Staff development and training		1,285,586	624,323
Staff welfare		41,412	24,161
Subscriptions		419,178	409,440
Technical and Professional services		13,527,731	12,983,262
Telephone and fax		4,118,004	3,072,482
Travel expenses		45,295,350	31,813,196
Utilities		794,538	724,153
		250,187,672	187,948,092
Profit for the year		**4,605,852**	**608,606**