

OPERATION SMILE (SOUTH AFRICA) NPC
(Registration number 2006/006513/08)
Financial Statements
for the year ended 30 June 2020

These financial statements were prepared by:
Alan Billson
CA(SA)
Chartered Accountants (SA)
Registered Auditor

These financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.

Operation Smile (South Africa) NPC

(Registration number: 2006/006513/08)

Financial Statements for the year ended 30 June 2020

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	To promote, sponsor and provide voluntary repair and specialised medical services and treatment to indigent children.
Directors	L D Auret A Madaree J Sive JJ Fourie NS Cossie
Business address	The Waverley Business Park Unit 17-103/4 5 Wyecroft Road Observatory 7925
Auditors	Moore Cape Town Incorporated Chartered Accountants (SA) Registered Auditor
Company registration number	2006/006513/08
Tax reference number	9117201161
Level of assurance	These financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.
Preparer	The financial statements were internally compiled by: Alan Billson CA(SA)

Operation Smile (South Africa) NPC

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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 financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with the International Financial Reporting Standard for Small and Medium-sized Entities. The external auditors are engaged to express an independent opinion on the financial statements.

The 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 set 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 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 30 June 2021 and, in the light of this review and the current financial position, They are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the company's financial statements. The financial statements have been examined by the company's external auditors and their report is presented on pages 4 to 5.

The financial statements set out on pages 7 to 15, which have been prepared on the going concern basis, was approved by the board and were signed on its behalf by:



L D Auret



J Sive

Cape Town

Independent Auditor's Report

To the shareholders of Operation Smile (South Africa) NPC

Qualified Opinion

We have audited the financial statements of Operation Smile (South Africa) NPC (the company) set out on pages 7 to 15, which comprise the statement of financial position as at 30 June 2020, and the statement of comprehensive income, and the statement of changes in equity 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 Operation Smile (South Africa) NPC as at 30 June 2020, and its financial performance 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 company to institute accounting controls over cash collections from donations, donations in kind and the relating expenses thereto, and income received from charitable events prior to initial entry in the accounting records. Accordingly, it was impractical for us to extend our examination beyond 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 corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Operation Smile (South Africa) NPC financial statements for the year ended 30 June 2020, which includes the Directors' Report as required by the Companies Act 71 of 2008 and the Detailed Income Statement, which we obtained prior to the date of this report. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with the 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 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 has 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 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 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 financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Moore Cape Town Inc.
Chartered Accountants (SA)
Registered Auditors

Per: Adele Smit
Chartered Accountant (SA)
Registered Auditor

15 December 2020
Cape Town

Operation Smile (South Africa) NPC

(Registration number: 2006/006513/08)

Financial Statements for the year ended 30 June 2020

Directors' Report

The directors have pleasure in submitting their report on the financial statements of Operation Smile (South Africa) NPC for the year ended 30 June 2020.

1. Nature of business

The Company aims to promote, sponsor and provide voluntary repair and specialised medical service and treatment to indigent children.

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

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

3. Share capital

There have been no changes to the authorised or issued share capital during the year under review.

4. Directors

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

Directors

L D Auret
A Madaree
J Sive
JJ Fourie
NS Cossie

There have been no changes to the directorate for the period under review.

5. 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.

6. Going concern

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the 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.

Coronavirus impact on going concern

Management has adequately considered the effects that the COVID-19 pandemic will have on the business and its cash flow by way of a detailed cash projection for the next 12 months past the date of the approval of the financial statements. 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. Management takes into account all available information about the future, which should cover at least twelve months from the date when the financial statements are authorised. In making its assessment, management prepared detailed forecasts which, given the rapidly evolving nature of the coronavirus pandemic, required that these forecasts were updated on a regular basis prior to the release of its financial results.

7. Auditors

Moore Cape Town Inc. continued in office as auditors for the company for 2020.

8. Secretary

The company had no secretary for the period under review.

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Financial Statements for the year ended 30 June 2020

Statement of Financial Position as at 30 June 2020

Figures in Rand	Notes	2020	2019
Assets			
Non-Current Assets			
Property, plant and equipment	2	53 723	53 089
Other financial assets	3	485 710	454 684
		<u>539 433</u>	<u>507 773</u>
Current Assets			
Trade and other receivables	4	519 072	1 153 104
Cash and cash equivalents	5	1 938 499	3 099 476
		<u>2 457 571</u>	<u>4 252 580</u>
Total Assets		<u>2 997 004</u>	<u>4 760 353</u>
Equity and Liabilities			
Equity			
Retained income		2 883 696	4 574 431
Liabilities			
Current Liabilities			
Trade and other payables	6	113 308	100 349
Bank overdraft	5	-	85 573
		<u>113 308</u>	<u>185 922</u>
Total Equity and Liabilities		<u>2 997 004</u>	<u>4 760 353</u>

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Statement of Comprehensive Income

Figures in Rand	Notes	2020	2019
Revenue	7	9 728 870	14 430 087
Operating expenses		(11 555 277)	(14 675 279)
Operating loss	8	(1 826 407)	(245 192)
Investment revenue	9	137 327	229 699
Finance costs	10	(1 655)	(1 180)
Loss for the year		(1 690 735)	(16 673)
Other comprehensive income		-	-
Total comprehensive loss for the year		(1 690 735)	(16 673)

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Financial Statements for the year ended 30 June 2020

Statement of Changes in Equity

Figures in Rand	Retained income	Total equity
Balance at 01 July 2018	4 591 104	4 591 104
Loss for the year	(16 673)	(16 673)
Other comprehensive income	-	-
Total comprehensive loss for the year	(16 673)	(16 673)
Balance at 01 July 2019	4 574 431	4 574 431
Loss for the year	(1 690 735)	(1 690 735)
Other comprehensive income	-	-
Total comprehensive loss for the year	(1 690 735)	(1 690 735)
Balance at 30 June 2020	2 883 696	2 883 696

Note(s)

Operation Smile (South Africa) NPC

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Financial Statements for the year ended 30 June 2020

Statement of Cash Flows

Figures in Rand	Notes	2020	2019
Cash flows from operating activities			
Cash used in operations		(1 239 901)	(916 034)
Interest income	10	137 327	229 699
Finance costs	10	(1 655)	(1 180)
Net cash from operating activities		(1 104 229)	(687 515)
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(25 711)	(63 435)
Sale of property, plant and equipment	2	(5)	-
Sale of financial assets		(31 032)	(29 062)
Net cash from investing activities		(56 748)	(92 497)
Total cash movement for the year		(1 160 977)	(780 012)
Cash at the beginning of the year		3 099 476	3 879 488
Total cash at end of the year	5	1 938 499	3 099 476

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Financial Statements for the year ended 30 June 2020

Accounting Policies

1. Basis of preparation and summary of significant accounting policies

The 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 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 is initially measured at cost.

Property, plant and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses, except for land which is stated at cost less any accumulated impairment losses.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the company.

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	3 years
Office equipment	Straight line	3 years

When indicators are present that the useful lives and residual values of items of property, plant and equipment have changed since the most recent annual reporting date, they are reassessed. Any changes are accounted for prospectively as a change in accounting estimate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

1.2 Financial instruments

Initial measurement

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 Tax

Current tax assets and liabilities

The company has been approved as a public benefit organisation in terms of section 30 of the Income Tax Act, and the receipts and accruals are exempt from income tax in terms of section 10(1)(nC) of the Act.

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Accounting Policies

1.4 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee. All other leases are operating leases.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term unless:

- another systematic basis is representative of the time pattern of the benefit from the leased asset, even if the payments are not on that basis, or
- the payments are structured to increase in line with expected general inflation (based on published indexes or statistics) to compensate for the lessor's expected inflationary cost increases.

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

1.5 Impairment of assets

The company assesses at each reporting date whether there is any indication that property, plant and equipment 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.

1.6 Revenue

Revenue is recognised to the extent that the company has transferred the significant risks and rewards of ownership of goods to the buyer, or has rendered services under an agreement provided the amount of revenue can be measured reliably and it is probable that economic benefits associated with the transaction will flow to the company. Revenue is measured at the fair value of the consideration received or receivable, excluding sales taxes and discounts.

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

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Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

Figures in Rand 2020 2019

2. Property, plant and equipment

	2020			2019		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Furniture and fixtures	11 543	(2 084)	9 459	11 543	(160)	11 383
IT equipment	77 607	(33 343)	44 264	93 365	(51 659)	41 706
Total	89 150	(35 427)	53 723	104 908	(51 819)	53 089

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Depreciation	Closing balance
Furniture and fixtures	11 383	-	(1 924)	9 459
IT equipment	41 706	25 711	(23 153)	44 264
	53 089	25 711	(25 077)	53 723

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Depreciation	Closing balance
Furniture and fixtures	-	11 543	-	(160)	11 383
IT equipment	4 673	51 892	(4)	(14 855)	41 706
	4 673	63 435	(4)	(15 015)	53 089

3. Other financial assets

At amortised cost

Fixed Deposit	485 710	454 684
The deposit has been ceded to Investec Private Bank as security for banking facilities provided.		

Non-current assets

At amortised cost	485 710	454 684
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4. Trade and other receivables

Trade receivables	-	126 500
Prepayments	-	5 146
VAT	45 123	277 008
Amounts due from related parties	245 874	683 310
Round table funds	213 556	-
Amounts due from employees	14 519	60 889
Total	519 072	1 152 853
Non- financial instruments - VAT	45 123	277 008
Financial instruments	473 949	875 845

5. Cash and cash equivalents

Cash and cash equivalents consist of:

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Notes to the Financial Statements

Figures in Rand	2020	2019
5. Cash and cash equivalents (continued)		
Cash on hand	3 657	7 592
Short-term deposits	1 693 754	3 028 241
Other cash and cash equivalents	241 088	63 643
	<u>1 938 499</u>	<u>3 099 476</u>
6. Trade and other payables		
Trade payables	10	1 046
Amounts received in advance	99 277	99 277
Amounts due to employees	1 368	(231)
Investec credit card	12 653	85 573
	<u>113 308</u>	<u>185 665</u>
7. Revenue		
Rendering of services	4 965 671	6 754 924
Charitable events income	2 830 450	6 766 183
Head office grants	1 113 081	908 980
In kind donations	819 668	-
	<u>9 728 870</u>	<u>14 430 087</u>
The in kind donations relate to donations received such as N95 masks, gloves and sanitisers in relation to the COVID-19 relief.		
8. Operating loss		
Operating loss for the year is stated after accounting for the following:		
Operating lease charges		
Rental expense- Office		
• Contractual amounts	<u>377 512</u>	<u>338 968</u>
Property, plant and equipment	(5)	(4)
Depreciation on property, plant and equipment	25 077	15 015
Employee costs	<u>3 886 097</u>	<u>3 187 159</u>
9. Investment revenue		
Interest revenue		
Interest received	<u>137 327</u>	<u>229 699</u>
10. Finance costs		
Interest Paid	<u>1 655</u>	<u>1 180</u>
11. Employee cost		
Employee costs		
Salaries	<u>3 886 097</u>	<u>3 187 159</u>
12. Depreciation, amortisation and impairments		

The following items are included within depreciation, amortisation and impairments:

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Notes to the Financial Statements

Figures in Rand	2020	2019
12. Depreciation, amortisation and impairments (continued)		
Depreciation		
Property, plant and equipment	25 077	15 015
13. Auditor's remuneration		
Fees	73 500	73 656
14. Related parties		
Relationships		
Holding company	Operation Smile Incorporated	
Related party balances and transactions with entities with control, joint control or significant influence over the company		
Related party balances		
Amounts included in Trade receivable (Trade Payable) regarding related parties		
Due from Operation Smile Incorporated	245 874	683 209
Related party transactions		
Amount received from related parties		
Amount received from Operation Smile Incorporated	(1 113 081)	(908 980)

15. Going concern

The 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 realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the 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. Management has adequately considered the effects that the COVID-19 pandemic will have on the business and its cash flow by way of a detailed cash projection for the next 12 months past the date of the approval of the financial statements. 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.

16. 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.

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(Registration number: 2006/006513/08)

Financial Statements for the year ended 30 June 2020

Detailed Income Statement

Figures in Rand	Notes	2020	2019
Revenue			
Rendering of services		4 965 671	6 754 924
Charitable events income		2 830 450	6 766 183
Head office grants		1 113 081	908 980
In kind donations		819 668	-
	7	9 728 870	14 430 087
Expenses (Refer to page 17)		(11 555 277)	(14 675 279)
Operating loss	8	(1 826 407)	(245 192)
Investment income	10	137 327	229 699
Finance costs	10	(1 655)	(1 180)
		135 672	228 519
Loss for the year		(1 690 735)	(16 673)

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Financial Statements for the year ended 30 June 2020

Detailed Income Statement

Figures in Rand	Notes	2020	2019
Operating expenses			
Advertising		1 606 799	775 107
Auditors remuneration	13	73 500	73 656
Bad debts		2 964	-
Bank charges		47 302	53 988
Cleaning		690	-
Communications		56 908	12 693
Conference Expense		39 117	25 897
Courier and postage		7 146	53 342
Donations		367 229	-
Delivery expenses		46 428	59 250
Depreciation, amortisation and impairments		25 077	15 015
Donations		1 316	-
Education consumables		4 348	-
Education materials		-	85 501
Employee costs		3 886 097	3 187 159
Fund raising		15 050	760 267
General and sundry expenses		76 192	135 116
Gifts		58 613	29 933
Insurance		47 998	42 401
Lease rentals on operating lease		377 512	338 968
Magazines, books and periodicals		-	339
Medical expenses		1 082 501	14 687
Municipal expenses		52 703	55 998
Non-medical supplies		50 904	38 924
Other consulting and professional fees		46 641	155 794
Petrol and oil		113 843	94 269
Printing and stationery		83 690	85 942
Profit and loss on sale of assets and liabilities		5	4
Public relations		220 395	4 355 077
Repairs and maintenance		24 546	40 679
Security		3 696	8 593
Staff welfare		62 814	33 510
Subscriptions		46 382	39 365
Telephone and fax		75 697	77 432
Transport and freight		554 776	419 241
Travel - local		2 396 398	3 607 132
		11 555 277	14 675 279