

Operation Smile (South Africa) NPC
(Registration number 2006/006513/08)
Annual Financial Statements
for the year ended 30 June 2015

These annual financial statements were prepared by:

Alan Billson
CA(SA)

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

Published 11 August 2016

Operation Smile (South Africa) NPC

(Registration number 2006/006513/08)

Annual Financial Statements for the year ended 30 June 2015

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 C E De Maid A Madaree J Sive RJ van der Burg
Business address	Block B, Belvedere Office Park Pasita Street Bellville 7550
Auditors	Moore Stephens Cape Town Inc. Chartered Accountants (S.A.) Registered Auditor
Company registration number	2006/006513/08

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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 annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with the International Financial Reporting Standard for Small and Medium-sized Entities. The external 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 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 sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the company's cash flow forecast for future periods 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 annual financial statements. The annual financial statements have been examined by the company's external auditors and their report is presented on pages 4 to 5.

The annual financial statements set out on pages 6 to 17, which have been prepared on the going concern basis, were approved by the board on 11 August 2016 and were signed on its behalf by:


L D Auret


J Sive

Cape Town

11 August 2016

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Independent Auditor's Report

To the directors of Operation Smile (South Africa) NPC

We have audited the annual financial statements of Operation Smile (South Africa) NPC, as set out on pages 7 to 16, which comprise the statement of financial position as at 30 June 2015, 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.

Directors' Responsibility for the Annual Financial Statements

The company's directors are 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 directors determine 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 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 company to institute accounting controls over cash collections from donations, donations received 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.

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 Operation Smile (South Africa) NPC as at 30 June 2015, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, and the requirements of the Companies Act of South Africa.

Other matter

Without qualifying our opinion, we draw attention to the fact that supplementary information set out on page 17 does not form part of the annual financial statements and is presented as additional information. We have not audited this information and accordingly do not express an opinion thereon.

Other reports required by the Companies Act

As part of our audit of the annual financial statements for the year ended 30 June 2015, we have read the directors' report for the purpose of identifying whether there are material inconsistencies between that report and the audited annual financial statements. The directors' report is the responsibility of the directors. Based on reading that report we have not identified material inconsistencies between it and the audited annual financial statements. However, we have not audited the directors' report and accordingly do not express an opinion thereon.



Moore Stephens Cape Town Inc.
Chartered Accountants (S.A)
Registered Auditors

Per: Adele Smit

11 August 2016
Cape Town

Operation Smile (South Africa) NPC

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Annual Financial Statements for the year ended 30 June 2015

Directors' Report

1. Nature of business

The company aims to promote, sponsor and provide voluntary repair and specialised medical services 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 annual financial statements.

3. Non-current assets

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

4. Events after the reporting period

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

5. Directors

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

Directors	Nationality	Changes
L D Auret	South African	
C E De Maid	British	
A Madaree	South African	
M Mehta	South African	Resigned 23 February 2015
WP Magee	American	Resigned 21 May 2015
EF Gouws	South African	Resigned 31 July 2014
V Madaree	South African	Resigned 28 July 2014
R Crawford	South African	Resigned 17 October 2014
J Sive	South African	Appointed 09 September 2014
RJ van der Burg	Australian	Appointed 28 January 2015

6. Secretary

The company had no secretary during the year.

7. Auditors

Moore Stephens Cape Town Inc. continued in office as auditors for the company for 2015.

8. Going concern

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

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Annual Financial Statements for the year ended 30 June 2015

Statement of Financial Position as at 30 June 2015

Figures in Rand	Note(s)	2015	2014
Assets			
Non-Current Assets			
Property, plant and equipment	2	49,674	93,843
Other financial assets	3	342,795	323,842
		392,469	417,685
Current Assets			
Trade and other receivables	4	1,239,195	655,083
Cash and cash equivalents	5	2,977,369	2,261,905
		4,216,564	2,916,988
Total Assets		4,609,033	3,334,673
Equity and Liabilities			
Equity			
Retained income		4,536,730	3,040,553
Liabilities			
Current Liabilities			
Trade and other payables	6	72,303	32,740
Bank overdraft	5	-	261,380
		72,303	294,120
Total Equity and Liabilities		4,609,033	3,334,673

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Statement of Comprehensive Income

Figures in Rand	Note(s)	2015	2014
Revenue	7	21,782,408	28,038,025
Other income	8	46,758	133,013
Operating expenses		(20,461,000)	(28,772,973)
Operating profit (loss)	9	1,368,166	(601,935)
Investment revenue		128,120	129,309
Finance costs		(109)	(1,412)
Profit (loss) for the year		1,496,177	(474,038)
Other comprehensive income		-	-
Total comprehensive income (loss) for the year		1,496,177	(474,038)

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Annual Financial Statements for the year ended 30 June 2015

Statement of Changes in Equity

Figures in Rand	Retained income	Total equity
Balance at 01 July 2013	3,514,591	3,514,591
Loss for the year	(474,038)	(474,038)
Other comprehensive income	-	-
Total comprehensive loss for the year	(474,038)	(474,038)
Balance at 01 July 2014	3,040,553	3,040,553
Profit for the year	1,496,177	1,496,177
Other comprehensive income	-	-
Total comprehensive income for the year	1,496,177	1,496,177
Balance at 30 June 2015	4,536,730	4,536,730

Note

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Annual Financial Statements for the year ended 30 June 2015

Statement of Cash Flows

Figures in Rand	Note(s)	2015	2014
Cash flows from operating activities			
Cash generated from (used in) operations	10	911,199	(2,041,223)
Interest income		128,120	129,309
Finance costs		(109)	(1,412)
Net cash from operating activities		1,039,210	(1,913,326)
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(53,919)	(79,860)
Sale of property, plant and equipment	2	10,503	19,080
Sale of financial assets		(18,953)	(18,126)
Utilisation of restricted funds - DRC		-	1,312,082
Net cash from investing activities		(62,369)	1,233,176
Total cash movement for the year		976,841	(680,150)
Cash at the beginning of the year		2,000,525	2,680,678
Total cash at end of the year	5	2,977,366	2,000,528

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Annual Financial Statements for the year ended 30 June 2015

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 is carried at cost less accumulated depreciation and accumulated impairment losses.

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	3 years
Office equipment	3 years
Medical equipment	3 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.

1.2 Financial instruments

Financial instruments at amortised cost

Debt instruments, as defined in 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 the end of 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 so, an impairment loss is recognised.

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) (Cn) of the Act.

1.4 Impairment of assets

The company assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

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.

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Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.5 Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts received from donations and fundraising, grants received from related parties, and in-kind donations that can be adequately quantified.

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

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Notes to the Annual Financial Statements

Figures in Rand 2015 2014

2. Property, plant and equipment

	2015			2014		
	Cost / Valuation	Accumulated depreciation and impairments	Carrying value	Cost / Valuation	Accumulated depreciation and impairments	Carrying value
Furniture and fixtures	-	-	-	1,523	(667)	856
Office equipment	282,926	(252,582)	30,344	241,639	(180,096)	61,543
Medical equipment	84,560	(65,230)	19,330	46,511	(15,067)	31,444
Total	367,486	(317,812)	49,674	289,673	(195,830)	93,843

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	856	-	(856)	-	-
Office equipment	61,543	41,236	(9,647)	(62,788)	30,344
Medical equipment	31,444	12,683	-	(24,797)	19,330
	93,843	53,919	(10,503)	(87,585)	49,674

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	1,523	-	-	(667)	856
Office equipment	91,717	49,508	(19,080)	(60,602)	61,543
Medical equipment	6,491	30,352	-	(5,399)	31,444
	99,731	79,860	(19,080)	(66,668)	93,843

3. Other financial assets

Fixed deposit

Investec Private Bank	342,795	323,842
This deposit has been ceded to Investec Private Bank as security for banking facilities provided.		

Non-current assets

At amortised cost	342,795	323,842
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4. Trade and other receivables

Amounts owing by Operation Smile Inc.	837,900	618,415
VAT	138,881	29,907
Other receivables	262,414	6,761
	1,239,195	655,083

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Notes to the Annual Financial Statements

Figures in Rand	2015	2014
5. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	4,052	21,305
Investec bank - Credit account	1,298,270	-
Nedbank Corporate Saver - Call deposit account	1,382,861	1,582,230
Other bank balances	292,186	658,370
Bank overdraft	-	(261,380)
	2,977,369	2,000,525
Current assets	2,977,369	2,261,905
Current liabilities	-	(261,380)
	2,977,369	2,000,525
6. Trade and other payables		
Trade payables	40,194	-
Accrued expenses	32,109	-
Other payables	-	32,740
	72,303	32,740
7. Revenue		
Cash donations	8,039,216	6,868,446
In-kind donations	12,135,452	19,953,897
Head office grants	1,120,484	1,103,163
Charitable events income	399,650	48,222
Sale of goods	78,722	6,946
Miscellaneous other revenue	8,884	57,351
	21,782,408	28,038,025
8. Other income		
Profit and loss on exchange differences	27,965	120,655
Other income	18,793	12,358
	46,758	133,013
9. Operating profit (loss)		
Operating profit (loss) for the year is stated after accounting for the following:		
Operating lease charges		
Rental expense - Office		
• Contractual amounts	98,450	114,565
Rental expense - Warehouse		
• Contractual amounts	217,455	130,077
	315,905	244,642
Amortisation and depreciation	87,585	66,671

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Notes to the Annual Financial Statements

Figures in Rand	2015	2014
10. Cash generated from (used in) operations		
Profit (loss) before taxation	1,496,177	(474,038)
Adjustments for:		
Depreciation and amortisation	87,585	66,671
Interest received - investment	(128,120)	(129,309)
Finance costs	109	1,412
Changes in working capital:		
Trade and other receivables	(584,115)	(622,589)
Trade and other payables	39,563	(883,370)
	911,199	(2,041,223)

11. In-kind donations

Accommodation and meals	663,612	3,046,793
Airfares	-	63,644
Cargo costs	3,261,401	262,601
Communication	156,042	39,552
Ground transport	-	27,320
Medical supplies	8,015,662	12,846,208
Non-medical supplies	20,748	23,067
Office supplies	-	759
Other	17,987	548,384
Undeposited funds	-	3,095,568
	12,135,452	19,953,896

12. Medical consumables on hand

Medical consumables on hand at year end, and available to be used on missions, have an estimated value of R2,166,460 (2014: R8,239,651).

13. Related parties

Relationships
Related entity

Operation Smile Inc. (Registered in the United States of America)

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

Operation Smile Inc. (Registered in the United States of America)	803,252	618,415
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Related party transactions

Head office grant received

Operation Smile Inc. (Registered in the United States of America)	1,120,484	1,103,163
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14. Directors' remuneration

No emoluments were paid to the directors during the year. (2014 - nil).

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Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand

2015

2014

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

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Detailed Income Statement

Figures in Rand	Note(s)	2015	2014
Revenue			
Cash donations		8,039,216	6,868,446
In-kind donations		12,135,452	19,953,897
Head office grants		1,120,484	1,103,163
Charitable events income		399,650	48,222
Sale of goods		78,722	6,946
Other revenue		8,884	57,351
	7	21,782,408	28,038,025
Other income			
Other income		18,793	12,358
Interest received		128,120	129,309
Profit and loss on exchange differences		27,965	120,655
		174,878	262,322
Operating expenses			
Advertising, marketing and branding		64,122	108,446
Auditors remuneration		45,128	65,427
Bank charges		48,265	44,183
Board member and conference expenses		1,800	5,000
Charitable events and merchandise expenses		177,200	71,292
Depreciation, amortisation and impairments		87,585	66,671
Employee costs		2,118,018	2,065,177
Gifts and rewards		31,608	36,252
Insurance		51,347	44,710
Lease rentals on operating lease		315,905	244,642
Medical expenses		5,368,547	8,023,287
Municipal expenses		25,034	21,355
Office expenses		98,833	-
Other consulting and professional fees		257,874	237,635
Printing and stationery		115,631	84,116
Repairs and maintenance		136,538	74,105
Staff welfare		5,603	23,595
Storage costs		9,521	16,660
Subscriptions		61,922	63,644
Telephone, fax and internet costs		78,759	72,406
Transport and freight		4,530,813	1,339,181
Travelling and accommodation		4,036,827	7,066,517
Mission & training - Communications		170,926	57,621
Mission & training - Fact-finding costs		-	135,903
Mission & training - Medical consumables on hand		2,166,460	8,239,651
Mission & training - Non-medical supplies		212,267	68,079
Mission & training - Training		140,192	408,517
Mission & training - World Care expenses		104,275	88,901
		20,461,000	28,772,973
Operating profit (loss)	9	1,496,286	(472,626)
Finance costs		(109)	(1,412)
Profit (loss) for the year		1,496,177	(474,038)