

Operation Smile (South Africa) NPC
(Registration number 2006/006513/08)
Annual Financial Statements
for the year ended 30 June 2016

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 29 March 2017

Operation Smile (South Africa) NPC

(Registration number 2006/006513/08)

Annual Financial Statements for the year ended 30 June 2016

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	The Waverley Business Park Unit 17-103/4 5 Wyecroft Road Observatory 7925
Auditors	Moore Stephens Cape Town Inc. Chartered Accountants (S.A.) Registered Auditor
Company registration number	2006/006513/08

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

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

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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 29 March 2017 and were signed on its behalf by:

L D Auret

J Sive

Cape Town

29 March 2017

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 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

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 2016, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, and the requirements of the Companies Act 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 2016, 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

29 March 2017
Cape Town

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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
L D Auret	South African
C E De Maid	British
A Madaree	South African
J Sive	South African
RJ van der Burg	Australian

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 2016.

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 2016

Statement of Financial Position as at 30 June 2016

Figures in Rand	Note(s)	2016	2015
Assets			
Non-Current Assets			
Property, plant and equipment	2	40,963	49,674
Other financial assets	3	368,045	342,795
		409,008	392,469
Current Assets			
Trade and other receivables	4	524,858	1,239,199
Cash and cash equivalents	5	1,327,253	2,977,369
		1,852,111	4,216,568
Total Assets		2,261,119	4,609,037
Equity and Liabilities			
Equity			
Retained income		1,983,684	4,536,730
Liabilities			
Current Liabilities			
Trade and other payables	6	277,435	72,307
Total Equity and Liabilities		2,261,119	4,609,037

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Statement of Comprehensive Income

Figures in Rand	Note(s)	2016	2015
Revenue	7	11,234,232	21,782,408
Other income	8	277,525	46,758
Operating expenses		(14,162,238)	(20,461,000)
Operating (loss) profit	9	(2,650,481)	1,368,166
Investment revenue		100,114	128,120
Finance costs		(2,679)	(109)
(Loss) profit for the year		(2,553,046)	1,496,177
Other comprehensive income		-	-
Total comprehensive (loss) income for the year		(2,553,046)	1,496,177

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Statement of Changes in Equity

Figures in Rand	Retained income	Total equity
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 01 July 2015	4,536,730	4,536,730
Loss for the year	(2,553,046)	(2,553,046)
Other comprehensive income	-	-
Total comprehensive loss for the year	(2,553,046)	(2,553,046)
Balance at 30 June 2016	1,983,684	1,983,684

Note

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Annual Financial Statements for the year ended 30 June 2016

Statement of Cash Flows

Figures in Rand	Note(s)	2016	2015
Cash flows from operating activities			
Cash (used in) generated from operations	10	(1,678,161)	911,199
Interest income		100,114	128,120
Finance costs		(2,679)	(109)
Net cash from operating activities		(1,580,726)	1,039,210
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(48,798)	(53,919)
Sale of property, plant and equipment	2	4,658	10,503
Sale of financial assets		(25,250)	(18,953)
Net cash from investing activities		(69,390)	(62,369)
Total cash movement for the year		(1,650,116)	976,841
Cash at the beginning of the year		2,977,369	2,000,528
Total cash at end of the year	5	1,327,253	2,977,369

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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 2016

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 2016 2015

2. Property, plant and equipment

	2016			2015		
	Cost / Valuation	Accumulated depreciation and impairments	Carrying value	Cost / Valuation	Accumulated depreciation and impairments	Carrying value
Office equipment	191,311	(191,296)	15	282,926	(252,582)	30,344
IT equipment	138,661	(105,559)	33,102	-	-	-
Medical equipment	84,560	(76,714)	7,846	84,560	(65,230)	19,330
Total	414,532	(373,569)	40,963	367,486	(317,812)	49,674

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Other changes, movements	Depreciation	Total
Office equipment	30,344	-	-	(29,569)	(760)	15
IT equipment	-	48,798	(18,359)	29,569	(26,906)	33,102
Medical equipment	19,330	-	-	-	(11,484)	7,846
	49,674	48,798	(18,359)	-	(39,150)	40,963

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

3. Other financial assets

Fixed deposit

Investec Private Bank	368,045	342,795
This deposit has been ceded to Investec Private Bank as security for banking facilities provided.		

Non-current assets

At amortised cost	368,045	342,795
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4. Trade and other receivables

Amounts owing by Operation Smile Inc.	301,583	837,900
Prepayments (if immaterial)	98,069	-
VAT	57,673	138,885
Other receivables	67,533	262,414
	524,858	1,239,199

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Notes to the Annual Financial Statements

Figures in Rand	2016	2015
5. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	5,154	4,052
Investec bank - Credit account	-	1,298,270
Nedbank Corporate Saver - Call deposit account	1,108,204	1,382,861
Other bank balances	213,895	292,186
	1,327,253	2,977,369
6. Trade and other payables		
Trade payables	135,251	40,198
Accrued expenses	142,184	32,109
	277,435	72,307
7. Revenue		
Cash donations	6,233,885	8,039,216
In-kind donations	3,741,570	12,135,452
Head office grants	676,236	1,120,484
Charitable events income	333,663	399,650
Sale of goods	93,964	78,722
Miscellaneous other revenue	154,914	8,884
	11,234,232	21,782,408
8. Other income		
Profit and loss on exchange differences	-	27,965
Other income	223,483	18,793
	223,483	46,758
9. Operating (loss) profit		
Operating (loss) profit for the year is stated after accounting for the following:		
Operating lease charges		
Rental expense - Office		
• Contractual amounts	269,361	98,450
Rental expense - Warehouse		
• Contractual amounts	77,987	217,455
	347,348	315,905
Property, plant and equipment	(13,701)	-
Amortisation and depreciation	39,150	87,585

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Notes to the Annual Financial Statements

Figures in Rand	2016	2015
10. Cash (used in) generated from operations		
(Loss) profit before taxation	(2,553,046)	1,496,177
Adjustments for:		
Depreciation and amortisation	39,150	87,585
Loss on sale of assets	13,701	-
Interest received - investment	(100,114)	(128,120)
Finance costs	2,679	109
Changes in working capital:		
Trade and other receivables	714,341	(584,115)
Trade and other payables	205,128	39,563
	(1,678,161)	911,199

11. In-kind donations

Accounting fees and financial advice	16,005	-
Accommodation and meals	295,969	663,612
Airfares	54,861	-
Cargo costs	661,748	3,261,401
Communication	-	156,042
Marketing and branding	31,558	-
Medical supplies	2,260,755	8,015,662
Non-medical supplies	394,203	20,748
Other	15,056	17,987
Storage	11,415	-
	3,741,570	12,135,452

12. Medical consumables on hand

Medical consumables on hand at year end, and available to be used on missions, have an estimated value of R123,214 (2015: R2,166,460).

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)	219,551	803,252
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Related party transactions

Head office grant received

Operation Smile Inc. (Registered in the United States of America)	676,236	1,120,484
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Head office salary expense

Operation Smile Inc. (Registered in the United States of America)	(509,408)	-
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14. Directors' remuneration

No emoluments were paid to the directors during the year. (2015 - nil).

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Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

2016

2015

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)	2016	2015
Revenue			
Cash donations		6,233,885	8,039,216
In-kind donations		3,741,570	12,135,452
Head office grants		676,236	1,120,484
Charitable events income		333,663	399,650
Sale of goods		93,964	78,722
Other revenue		154,914	8,884
	7	11,234,232	21,782,408
Other income			
Other income		223,483	18,793
Interest received		100,114	128,120
Profit and loss on exchange differences		-	27,965
		323,597	174,878
Operating expenses			
Advertising, marketing and branding		1,183,955	64,122
Auditors remuneration		53,760	45,128
Bad debts		282,321	-
Bank charges		43,039	48,265
Board member and conference expenses		-	1,800
Charitable events and merchandise expenses		442,677	177,200
Commission paid		24,216	-
Depreciation, amortisation and impairments		39,150	87,585
Employee costs		2,389,453	2,118,018
Entertainment		29,050	-
Gifts and rewards		37,763	31,608
Insurance		54,214	51,347
Lease rentals on operating lease		347,348	315,905
Medical expenses		2,279,933	5,368,547
Municipal expenses		11,264	25,034
Office expenses		85,955	98,833
Other consulting and professional fees		415,905	257,874
Printing and stationery		112,447	115,631
Profit and loss on sale of assets and liabilities		13,701	-
Repairs and maintenance		41,645	136,538
Staff welfare		11,406	5,603
Storage costs		42,223	9,521
Subscriptions		37,519	61,922
Telephone, fax and internet costs		88,082	78,759
Transport and freight		613,450	4,530,813
Travelling and accommodation		5,018,300	4,036,827
Mission & training - Communications		12,272	170,926
Mission & training - Medical consumables on hand		123,214	2,166,460
Mission & training - Non-medical supplies		37,525	212,267
Mission & training - Training		9,465	140,192
Mission & training - World Care expenses		280,986	104,275
		14,162,238	20,461,000
Operating (loss) profit	9	(2,604,409)	1,496,286
Finance costs		(2,679)	(109)
(Loss) profit for the year		(2,607,088)	1,496,177