

Operation Smile (South Africa) NPC  
(Registration number 2006/006513/08)  
Financial statements  
for the year ended 30 June 2019

These financial statements were prepared by:  
Alan Billson  
CA(SA)

These financial statements have been audited in compliance with the applicable requirements of the South Africa Companies Act 71 of 2008.  
Issued 28 February 2020

A handwritten signature in black ink, consisting of a stylized, cursive letter 'J' or similar character, located in the bottom right corner of the page.

# Operation Smile (South Africa) NPC

(Registration number: 2006/006513/08)

Financial Statements for the year ended 30 June 2019

## General Information

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



# Operation Smile (South Africa) NPC

(Registration number: 2006/006513/08)

Financial Statements for the year ended 30 June 2019

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# Operation Smile (South Africa) NPC

(Registration number: 2006/006513/08)

Financial Statements for the year ended 30 June 2019

## Directors' Responsibilities and Approval

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The directors are required by the South Africa 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 auditor is 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 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 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 2020 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 auditor is responsible for independently auditing and reporting on the company's financial statements. The financial statements have been examined by the company's external auditor and their report is presented on pages 4 to 5.

The financial statements set out on page 7 to 17, which have been prepared on the going concern basis, were approved by the board on 28 February 2020 and were signed on its behalf by:

  
\_\_\_\_\_  
L D Auret

  
\_\_\_\_\_  
J Sive

Cape Town

28 February 2020

## Independent Auditors' Report

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To the shareholders of Operation Smile (South Africa) NPC

Report on the Audit of the Financial Statements

### Qualified Opinion

We have audited the financial statements of Operation Smile (South Africa) NPC set out on pages 7 to 15, which comprise the statement of financial position as at 30 June 2019, and the statement of 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 possible effect of the matter described in the basis for qualified opinion section of our report, the annual financial statements present fairly, in all material respects the financial position of Operation Smile (South Africa) NPC as at 30 June 2019, and its financial performance and cash flows for the year 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, donation 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.

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 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 the directors' report as required by the South Africa Companies Act 71 of 2008, which we obtained prior to the date of this report and supplementary information set out on pages 16 to 17. Other information does not include the financial statements and our auditor's report thereon, and it is presented as additional information.

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.

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## **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 Standard for Small and Medium-sized Entities and the requirements of the South Africa 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 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 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.

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

**Per: Adele Smit**  
**Chartered Accountant (SA)**  
**Registered Auditor**

**28 February 2020**  
**Cape Town**

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# Operation Smile (South Africa) NPC

(Registration number: 2006/006513/08)

Financial Statements for the year ended 30 June 2019

## Directors' Report

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The directors have pleasure in submitting their report on the financial statements of Operation Smile (South Africa) NPC for the year ended 30 June 2019.

### 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. Directors

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

L D Auret  
A Madaree  
J Sive  
JJ Fourie  
NS Cossie

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

### 4. Non-current assets

There was no change in the nature of the non-current assets of the company or in the policy regarding their use.

### 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. 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.

### 7. Auditor

Moore Cape Town continued in office as auditor for the company for 2019.

### 8. Secretary

The company had no secretary during the year under review.

# Operation Smile (South Africa) NPC

(Registration number: 2006/006513/08)

Financial Statements for the year ended 30 June 2019

## Statement of Financial Position as at 30 June 2019

Figures in Rand	Notes	2019	2018
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	2	53 089	4 673
Other financial assets	3	454 684	425 619
		<u>507 773</u>	<u>430 292</u>
<b>Current Assets</b>			
Trade and other receivables	4	1 153 104	395 438
Cash and cash equivalents	5	3 099 476	3 879 488
		<u>4 252 580</u>	<u>4 274 926</u>
<b>Total Assets</b>		<b>4 760 353</b>	<b>4 705 218</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Retained income		4 574 431	4 591 104
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Bank overdraft	5	85 573	8 521
Trade and other payables	6	100 349	105 593
		<u>185 922</u>	<u>114 114</u>
<b>Total Equity and Liabilities</b>		<b>4 760 353</b>	<b>4 705 218</b>





## Operation Smile (South Africa) NPC

(Registration number: 2006/006513/08)

Financial Statements for the year ended 30 June 2019

### Statement of Profit or Loss and Other Comprehensive Income

Figures in Rand	Notes	2019	2018
Revenue	7	14 430 087	5 990 378
Other income	8	-	76 299
Operating expenses		(14 675 279)	(5 104 429)
<b>Operating profit</b>	9	<b>(245 192)</b>	<b>962 248</b>
Investment revenue		229 699	184 368
Finance costs		(1 180)	(6 584)
<b>(Loss) profit for the year</b>		<b>(16 673)</b>	<b>1 140 032</b>
Other comprehensive income		-	-
<b>Total comprehensive (loss) income for the year</b>		<b>(16 673)</b>	<b>1 140 032</b>

## Operation Smile (South Africa) NPC

(Registration number: 2006/006513/08)

Financial Statements for the year ended 30 June 2019

### Statement of Changes in Equity

Figures in Rand	Retained income	Total equity
<b>Balance at 01 July 2017</b>	<b>3 451 072</b>	<b>3 451 072</b>
Profit for the year	1 140 032	1 140 032
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<b>1 140 032</b>	<b>1 140 032</b>
<b>Balance at 01 July 2018</b>	<b>4 591 104</b>	<b>4 591 104</b>
Loss for the year	(16 673)	(16 673)
Other comprehensive income	-	-
<b>Total comprehensive loss for the year</b>	<b>(16 673)</b>	<b>(16 673)</b>
<b>Balance at 30 June 2019</b>	<b>4 574 431</b>	<b>4 574 431</b>

# Operation Smile (South Africa) NPC

(Registration number: 2006/006513/08)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 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 South Africa 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

##### 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,

#### 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.

# Operation Smile (South Africa) NPC

(Registration number: 2006/006513/08)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.4 Leases (continued)

#### 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.

## Operation Smile (South Africa) NPC

(Registration number: 2006/006513/08)

Financial Statements for the year ended 30 June 2019

### Notes to the Financial Statements

Figures in Rand

2019 2018

#### 2. Property, plant and equipment

	2019			2018		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fixtures	11 543	(160)	11 383	-	-	-
IT equipment	93 365	(51 659)	41 706	138 661	(133 988)	4 673
<b>Total</b>	<b>104 908</b>	<b>(51 819)</b>	<b>53 089</b>	<b>138 661</b>	<b>(133 988)</b>	<b>4 673</b>

#### Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Asset write off	Depreciation	Closing balance
Furniture and fixtures	-	11 543	-	(160)	11 383
IT equipment	4 673	51 892	(4)	(14 855)	41 706
	<b>4 673</b>	<b>63 435</b>	<b>(4)</b>	<b>(15 015)</b>	<b>53 089</b>

#### Reconciliation of property, plant and equipment - 2018

	Opening balance	Depreciation	Closing balance
Office equipment	15	(15)	-
IT equipment	4 891	(218)	4 673
Other property, plant and equipment	259	(259)	-
	<b>5 165</b>	<b>(492)</b>	<b>4 673</b>

#### 3. Other financial assets

##### At amortised cost

Fixed Deposit	454 684	425 619
This deposit has been ceded to Investec Private Bank as security for banking facilities provided.		

##### Non-current assets

At amortised cost	454 684	425 619
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#### 4. Trade and other receivables

Trade receivables	126 500	36 901
Prepayments	5 146	60 633
VAT	277 008	95 552
Amounts due from related parties	683 310	168 052
Other receivable	61 140	34 300
	<b>1 153 104</b>	<b>395 438</b>

# Operation Smile (South Africa) NPC

(Registration number: 2006/006513/08)

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand	2019	2018
<b>5. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	7 593	424
Short-term deposits	3 028 241	3 396 688
Other cash and cash equivalents	63 643	482 376
Investec Bank - credit card facility	(85 573)	(8 521)
	<b>3 013 904</b>	<b>3 870 967</b>
Current assets	3 099 477	3 879 488
Current liabilities	(85 573)	(8 521)
	<b>3 013 904</b>	<b>3 870 967</b>
Investec fixed deposit held as surety for credit card facility of R300,000 which bears interest at 10% on the outstanding balance payable by the end of each month.		
<b>6. Trade and other payables</b>		
Trade payables	1 052	6 316
Amounts received in advance	99 277	99 277
Other payables	20	-
	<b>100 349</b>	<b>105 593</b>
<b>7. Revenue</b>		
Donations	6 754 924	3 980 114
Charitable events income	6 766 183	1 180 848
Head office grants	908 980	829 416
	<b>14 430 087</b>	<b>5 990 378</b>
<b>8. Other income</b>		
Profit on exchange differences	-	60 933
Other income	-	15 366
	-	<b>76 299</b>
<b>9. Operating profit</b>		
Operating profit for the year is stated after accounting for the following:		
<b>Operating lease charges</b>		
Rental expense - Office		
• Contractual amounts	338 968	292 415
Property, plant and equipment written off	(4)	-
Depreciation on property, plant and equipment	15 015	493
Employee costs	3 187 159	2 792 859



# Operation Smile (South Africa) NPC

(Registration number: 2006/006513/08)

Financial Statements for the year ended 30 June 2019

## Detailed Income Statement

Figures in Rand	Notes	2019	2018
<b>Revenue</b>			
Charitable events income		6 766 183	1 180 848
Donations		6 754 924	3 980 114
Head office grants		908 980	829 416
	7	<u>14 430 087</u>	<u>5 990 378</u>
<b>Other income</b>			
Interest received		229 699	184 368
Other income		-	15 366
Profit and loss on exchange differences		-	60 933
		<u>229 699</u>	<u>260 667</u>
<b>Expenses (Refer to page 17)</b>		<b>(14 675 279)</b>	<b>(5 104 429)</b>
<b>Operating (loss) profit</b>	9	<b>(15 493)</b>	<b>1 146 616</b>
Finance costs		(1 180)	(6 584)
<b>(Loss) profit for the year</b>		<b>(16 673)</b>	<b>1 140 032</b>

