Acorn Foundation NPC

Annual financial statements

for the year ended 29 February 2016

Audited in terms of Section 30 of the Companies Act

These financials have been prepared under the supervision of:
Michelle Meth – Group financial director

Acorn Foundation NPC
(Reg. No. 2011/128055/08)

Annual financial statements
for the year ended 29 February 2016

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Directors' responsibility statement

The directors are responsible for the preparation and fair presentation of the annual financial statements of Acorn Foundation NPC, comprising the statement of financial position at 29 February 2016 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa. In addition, the directors are responsible for preparing the directors' report.

The directors are also responsible 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, and for maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in these financial statements.

The directors have made an assessment of the ability of the company to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead.

The auditor is responsible for reporting on whether the financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of the annual financial statements

The annual financial statements of Acorn Foundation NPC, as identified in the first paragraph, were approved by the board of directors on 3 April 2017 and are signed by:

Authorised Director

Authorised Director

Acorn Foundation NPC

Directors' report

for the year ended 29 February 2016

Principle activities

Acorn's vision is to improve the quality of life for people in South Africa through health production and social change communication. The organisation is incorporated in South Africa as a non-profit company in terms of the Companies Act.

Directors

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

A Mariola
F Mariola
Y Duek
R Joles
S Smit
P Giannini (Resigned 26 September 2016)
K Rice

Company secretary

Registered and business addresses	**Postal address**
No. 12 Riverview Office Park	PO Box 50051
Janadel Avenue	Randjiespark
Halfway Gardens	1683
Midrand	

Auditors

KPMG Inc.

Going concern

At 29 February 2016, the company reflected a deficit of R1 233 249 (2015 – R807 290) and the total liabilities exceed its assets by R2 816 165 (2015 – 1 582 916).

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, based on support from the related entity Glocell Proprietary Limited.

Material events after year end

No material events or circumstances have occurred subsequent to year end and up to date of this report.

Independent auditor's report

To the shareholders of Acorn Foundation NPC

We have audited the financial statements of Acorn Foundation NPC, which comprise the statement of financial position at 29 February 2016, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, as set out on pages 6 to 19.

Directors' responsibility for the financial statements
The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these 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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the 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 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Acorn Foundation NPC at 29 February 2016, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act
As part of our audit of the financial statements for the year ended 29 February 2016, we have read the directors' report for the purpose of identifying whether there are material inconsistencies between this report and the audited financial statements. This report is the responsibility of the respective preparers. Based on reading this report we have not identified material inconsistencies between this report and the audited financial statements. However, we have not audited this report and accordingly do not express an opinion on this report.

KPMG Inc.

Per A Bulbulia
Chartered Accountant (SA)
Registered Auditor
Director
3 April 2017

Acorn Foundation NPC

Statement of financial position
at 29 February 2016

	Note	2016 R	2015 R
Assets			
Non-current assets			
Equipment	2	**13 182**	16 955
Current assets		**1 071 567**	328 750
Inventory		**9 165**	–
Receivables	3	**648 443**	113 443
Related party receivable	4	**27 985**	643
Cash and cash equivalents		**385 974**	214 664
Total assets		**1 084 749**	345 705
Reserves and liabilities			
Reserves			
Accumulated deficit		**(2 816 165)**	(1 582 916)
Non-current liabilities			
Loan from related party	5	**3 385 298**	1 865 274
Current liabilities			
Payables	6	**515 616**	63 347
Total reserves and liabilities		**1 084 749**	345 705

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Statement of comprehensive income

for the year ended 29 February 2016

	Note	**2016** **R**	2015 R
Receipts	*7*	**2 109 732**	1 342 235
Expenditure		**(3 344 621)**	(2 175 749)
Deficit	*8*	**(1 234 889)**	(833 514)
Interest received		**1 640**	759
Deficit before tax		**(1 233 249)**	(832 755)
Tax	*9*	–	25 465
Deficit for the year		**(1 233 249)**	(807 290)

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Statement of changes in equity

for the year ended 29 February 2016

	Accumulated deficit R
Balance at 28 February 2014	(775 626)
Total comprehensive income for the year	
Deficit for the year	(807 290)
Balance at 28 February 2015	(1 582 916)
Total comprehensive income for the year	
Deficit for the year	**(1 233 249)**
Balance at 29 February 2016	**(2 816 165)**

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Statement of cash flows

for the year ended 29 February 2016

	Note	2016 R	2015 R
Cash flows from operating activities			
Cash utilised by operations	*10.1*	**(1 350 354)**	(439 417)
Interest received		**1 640**	759
Net cash outflow from operating activities		**(1 348 714)**	(438 658)
Cash flows from financing activities			
Loans received from related parties		**1 520 024**	590 809
Net cash inflow from financing activities		**1 520 024**	590 809
Net increase in cash and cash equivalents		**171 310**	152 151
Cash and cash equivalents at beginning of the year		**214 664**	62 513
Cash and cash equivalents at end of the year		**385 974**	214 664

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Notes to the financial statements

for the year ended 29 February 2016

1. Basis of preparation

(a) Statement of compliance

Acorn Foundation NPC is a non profit company domiciled in South Africa. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa.

(b) Basis of preparation

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The financial statements are presented in Rand, which is the company's functional currency. They are prepared on the historical cost basis except for financial instruments as mentioned below.

1.1 Income

Income is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be measured reliably. The following specific recognition criteria must be met before income is recognised.

Income includes the sale of goods, grant income, funding received and notional income.

Income from the sale of goods is recognised upon delivery to the customer. Income comprises sales which exclude value added tax and represents the invoiced value of goods and services supplied.

Donor grants are recognised when there is reasonable assurance that:

- the company will comply with the conditions attached to them; and
- the grants will be received.

Donor grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate on a systematic basis.

A donor grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the company with no future related costs, is recognised as income in the period in which it become receivable.

1.2 Equipment

Items of equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset

Depreciation is provided on the straight-line basis at the rates considered appropriate to fully amortise the assets over the estimated useful lives. The estimated useful lives of property, plant and equipment are as follows:

Equipment	3 years

Subsequent expenditure relating to an item of property, plant and equipment is capitalised when it is probable that future economic benefits from the use of the asset will be increased. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

1. Basis of preparation *(continued)*

1.3 Income tax

Income tax expense comprises of, current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have expected to be applied to temporary differences when they revers, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

1.4 Financial instruments

Measurement

Financial instruments are initially measured at cost, which includes transaction costs. Subsequent to initial recognition these instruments are measured as set out below.

Receivables

Receivables originated by the company are stated at cost less impairment losses.

Cash and cash equivalents

Cash and cash equivalents are measured at fair value, based on the relevant exchange rates at reporting date.

1. **Basis of preparation** *(continued)*

1.4 Financial instruments *(continued)*

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisations, using the effective interest rate method.

Offsetting of financial assets and liabilities

Inter company/group financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when the company has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the assets and settle the liability simultaneously.

1.5 Provisions

A provision is recognised if, as a result of a past event, the company has a present legal or constructive obligation than can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

1.6 Finance income and expenses

Finance income comprises interest income on funds invested, and changes in the fair value of financial assets at fair value through profit and or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance expense comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognised on financial assets. All borrowing costs are recognised in profit and loss using the effective interest method.

1.7 Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss.

1. Basis of preparation *(continued)*

1.7 Impairment *(continued)*

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

1.8 Related parties

Related parties are considered to be related if one party has the ability to control or jointly control the other party or exercise significant influence over the other party in making financial and operational decisions. Key management personnel are also regarded as related parties. Key management personnel are those persons having authority and responsibility for planning.

1.9 Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the standard selling price in the ordinary course of business, less any selling expenses. The cost of inventories is based on actual cost and includes expenditure incurred in bringing them to the existing location and conditions.

Obsolete, redundant and slow moving inventories are identified on a regular basis and are written down to their estimated net realisable value.

2. Equipment

	Cost R	Accumulated depreciation and impairment R	Book value R
2016			
Equipment	**102 441**	**(89 259)**	**13 182**
2015			
Equipment	102 441	(85 486)	16 955

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Notes to the financial statements
for the year ended 29 February 2016 (continued)

2. Equipment *(continued)*

Reconciliation of equipment

	Opening balance R	Impairment R	Depreciation R	Closing balance R
2016				
Equipment	**16 955**	**–**	**(3 773)**	**13 182**
2015				
Equipment	87 229	(53 200)	(17 074)	16 955

	2016 R	2015 R
3. Receivables		
Donations receivable	**343 464**	332 420
Provision for doubtful debts	**(41 876)**	(229 754)
Staff loans	**187 789**	–
VAT receivable	**159 066**	10 777
	648 443	113 443
4. Related party receivable		
Glocell Proprietary Limited	**19 211**	643
Glocell Service Provider Proprietary Limited	**8 774**	–
	27 985	643

As the Acorn Foundation does not have established relationships with the cellular networks. Glocell charges the networks on the Acorn Foundation's behalf and this is then paid over once the networks have paid Glocell.

	2016 R	2015 R
5. Loans from related party		
Glocell Proprietary Limited	**3 385 298**	1 865 274

The loan bears no interest and has no fixed repayment terms.

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Notes to the financial statements

for the year ended 29 February 2016 (continued)

		2016	2015
		R	R
6.	**Payables**		
	Payables	**476 543**	16 502
	Provision for leave pay	**39 073**	46 845
		515 616	63 347
7.	**Income**		
	Notional income	**102 857**	107 026
	Sale of goods	**191 162**	39 235
	Grant income	**1 420 994**	891 638
	Funding received	**394 719**	304 336
		2 109 732	1 342 235

Notional income includes free services received by the Acorn Foundation for the following:

- Audit services (KPMG)
- Payroll costs (Glocell)

8. Deficit

Deficit is arrived at after taking the following items into account:

	2016	2015
Salaries and wages	**230 483**	935 737
Directors remuneration	**829 744**	940 512

9. Tax

	2016	2015
South African normal tax		
Current		
– current tax	**–**	25 465

2015

The tax credit relates to the prior year tax liability recognised prior to obtaining a tax exemption certificate. The tax liability has been reversed in the current year.

		2016	2015
10.	**Notes to the statement of cash flows**	**R**	R
10.1	Cash utilised by operating activities		
	Deficit before interest	**(1 234 889)**	(833 514)
	Add back		
	– depreciation and impairment	**3 773**	70 274
	Working capital movements:		
	– (increase)/decrease in receivables	**(535 000)**	9 891
	– (increase)/decrease in related party receivable	**(27 342)**	223 716
	– (increase)/decrease in inventory	**(9 165)**	104 710
	– increase/(decrease) in payables	**452 269**	(14 494)
		(1 350 354)	(439 417)
10.2	Tax paid		
	Balance at the beginning of the year	–	25 465
	Income statement charge	–	(25 465)
	Balance at the end of year	–	–
		–	–

11. Financial instruments

11.1 Overview

The company has exposure to the following risks from its use of financial instruments:

– credit risk
– liquidity risk

This note presents information about the company's exposure to each of the above risks, the company's objectives, policies and processes for measuring and managing risk, and the company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The CEO oversees how management monitors compliance with the company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the company.

11.2 Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's receivables from customers.

Receivables

The company's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

Provision for doubtful debts

The company establishes an allowance for impairment that represents its estimate of incurred losses in respect of receivables.

11. Financial instruments *(continued)*

11.3 Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

11.4 Exposure to credit risk

The carrying amount of financial assets represents the maximum exposure to credit risk. All receivables relate to local customers. The maximum exposure to credit risk at reporting date was:

	2016	2015
	R	R
Receivables	**648 443**	113 443
Related party receivable	**27 985**	643
Cash and cash equivalents	**385 974**	214 664
	1 062 402	328 750

The ageing of receivables at reporting date was:

	2016		2015	
	Gross	**Impairment**	Gross	Impairment
	R	**R**	R	R
Not past due	**189 663**	–	107 720	(5 054)
Past due 30 days	**92 240**	–	–	–
Past due 90 Days	**17 687**	**(4 306)**	4 736	(4 736)
Past due 120 days	**43 874**	**(37 570)**	219 964	(219 964)
	343 464	**(41 876)**	332 420	(229 754)

The movement on the allowance for impairment of receivables during the year was as follows:

	2016	2015
	R	R
Balance at beginning of the year	**(229 754)**	(244 802)
Impairment allowance utilised	**187 878**	15 048
Balance at end of the year	**(41 876)**	(229 754)

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Notes to the financial statements

for the year ended 29 February 2016 (continued)

11. Financial instruments *(continued)*

11.5 Liquidity risk

The following are the contractual maturities of financial liabilities.

	Carrying amount R	Contractual cash flows R	Within 1 year R	More than 5 years R
2016				
Non derivative liabilities				
– Payables	**515 616**	**515 616**	**515 616**	–
– Loan from related party	**3 385 298**	–	–	**3 385 298***
2015				
Non derivative liabilities				
– Payables	63 347	63 347	63 347	–
– Loans from related parties	1 865 274	–	–	1 865 274*

* The loan has no fixed terms of repayment.

11.6 Interest rate risk

The company is not exposed to interest rate risk as borrowings are interest-free.

11.7 Estimation of fair values

The fair values of financial assets and liabilities are equal to the carrying amount shown in the statement of financial position.

12. Related party transactions

During the year the Acorn Foundation entered into the following transactions with related parties:

	2016 R	2015 R
Glocell Proprietary Limited		
Expenses paid on behalf of Acorn	**102 857**	107 026
Related party receivable	**19 211**	643
Loan from related party	**3 385 298**	1 865 274
Glocell Service Provider		
Related party receivable	**8 774**	–

Glocell Proprietary Limited and Glocell Service Provider Proprietary Limited are related parties as the entities are under common control of the same group of persons.

Consultancy fees paid to Wendy Joles	**48 660**	48 110

Wendy Joles is the wife of director Rudy Joles.

For director's remuneration refer to note 8.

13. Going concern

At 29 February 2016, the company reflected a deficit of R1 233 249 (2015 – R807 290) and the total liabilities exceed its assets by R2 816 165 (2015 – 1 582 916).

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, based on support from the related entity Glocell Proprietary Limited.

14. Standards and interpretations not yet effective

There are standards and interpretations in issue that are not yet effective. The directors have considered all of these standards and interpretations and found none to be applicable to the entity and therefore expect none to have an impact on these financial statements in future.