Acorn Foundation NPC

Annual financial statements

for the year ended 29 February 2017

Audited in terms of Section 30 of the Companies Act

These financials have been prepared under the supervision of:
Lara Hards – Group Chief Financial Officer

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

Annual financial statements
for the year ended 28 February 2017

Contents

Acorn Foundation NPC

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 28 February 2017 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 15 June 2018 and are signed by:

Authorised Director
R Joles

Authorised Director
S Smit

Acorn Foundation NPC

Directors' report

for the year ended 28 February 2017

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

No. 12 Riverview Office Park
Janadel Avenue
Halfway Gardens
Midrand

Postal address

PO Box 50051
Randjiespark
1683

Auditors

KPMG Inc.

Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business, 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.

KPMG

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Independent auditor's report

To the directors of Acorn Foundation NPC

Opinion
We have audited the financial statements of Acorn Foundation NPC set out on pages 7 to 19, which comprise the statement of financial position as at 28 February 2017, 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, the financial statements present fairly, in all material respects, the financial position of Acorn Foundation NPC as at 28 February 2017, 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.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the 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 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 opinion.

Other information
The directors are responsible for the other information. The other information comprises the directors' report as required by the Companies Act of South Africa and the directors' responsibility statement. The other information does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of the directors for the financial statements
The directors are responsible for the preparation and fair presentation of the financial statements in accordance with 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.

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 ISAs 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 ISAs, 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.

KPMG

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

KPMG Inc.

Per A Bulbulia
Chartered Accountant (SA)
Registered Auditor
Director
15 June 2018

Acorn Foundation NPC

Statement of financial position
at 28 February 2017

	Note	2017 R	2016 R
Assets			
Non-current assets			
Equipment	*2*	**4 489**	13 182
Current assets		**907 450**	981 719
Inventory		**5 800**	9 165
Deposits held		**5 000**	–
Receivables	*3*	**417 240**	558 595
Related party receivable	*4*	**6 506**	27 985
Cash and cash equivalents		**472 904**	385 974
Total assets		**911 939**	994 901
Reserves and liabilities			
Reserves			
Accumulated profit/(deficit)		**585 772**	(2 906 013)
Non-current liabilities			
Loan from related party	*5*	**–**	3 385 298
Current liabilities			
Payables	*6*	**326 167**	515 616
Total reserves and liabilities		**911 939**	994 901

Acorn Foundation NPC

Statement of comprehensive income

for the year ended 28 February 2017

	Note	**2017** **R**	2016 R
Receipts	*7*	**8 171 324**	2 109 732
Expenditure		**(4 686 125)**	(3 434 469)
Profit	*8*	**3 485 199**	(1 324 737)
Interest received		**6 586**	1 640
Profit before tax		**3 491 785**	(1 323 097)
Tax	*9*	**–**	–
Profit for the year		**3 491 785**	(1 323 097)

Acorn Foundation NPC

Statement of changes in equity
for the year ended 28 February 2017

	Accumulated (deficit)/ profit R
Balance at 28 February 2015	(1 582 916)
Total comprehensive income for the year	
Deficit for the year	(1 323 097)
Balance at 29 February 2016	(2 906 013)
Total comprehensive income for the year	
Profit for the year	**3 491 785**
Balance at 28 February 2017	**585 772**

Acorn Foundation NPC

Statement of cash flows

for the year ended 28 February 2017

	Note	2017 R	2016 R
Cash flows from operating activities			
Cash generated/(utilised) by operations	9.1	**80 344**	(1 350 354)
Interest received		**6 586**	1 640
Net cash inflow/(outflow) from operating activities		**86 930**	(1 348 714)
Cash flows from financing activities			
Loans received from related parties		–	1 520 024
Net cash inflow from financing activities		–	1 520 024
Net increase in cash and cash equivalents		**86 930**	171 310
Cash and cash equivalents at beginning of the year		**385 974**	214 664
Cash and cash equivalents at end of the year		**472 904**	385 974

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.

(c) The annual financial statements of Acorn Foundation NPC, as set out in pages 7 to 19s were approved by the board of directors on 15 June 2018.

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

Intercompany/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.

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
2017			
Equipment	**10 429**	**(5 940)**	**4 489**
2016			
Equipment	102 441	(89 259)	13 182

2. Equipment *(continued)*

Reconciliation of equipment

	Opening balance R	Impairment R	Depreciation R	Closing balance R
2017				
Equipment	**13 182**	**(2 753)**	**(5 940)**	**4 489**
2016				
Equipment	16 955	–	(3 773)	13 182

	2017 R	2016 R
3. Receivables		
Donations receivable	**210 027**	343 464
Provision for doubtful debts	**(12 166)**	(41 876)
Staff loans	**157 789**	187 789
VAT receivable	**61 590**	69 218
	417 240	558 595
4. Related party receivable		
Glocell Proprietary Limited	**3 047**	19 211
Glocell Service Provider Proprietary Limited	**3 459**	8 774
	6 506	27 985

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.

5. Loans from related party

	2017 R	2016 R
Glocell Proprietary Limited	–	3 385 298

The loan bears no interest and has no fixed repayment terms.
The loan was settled in full by way of a donation by Glocell (Pty) Ltd.

Acorn Foundation NPC

Notes to the financial statements

for the year ended 28 February 2017 (continued)

		2017 R	2016 R
6.	**Payables**		
	Payables	**264 693**	476 543
	Provision for leave pay	**61 474**	39 073
		326 167	515 616
7.	**Income**		
	Notional income	**665 402**	102 857
	Sale of goods	**431 867**	191 162
	Grant income	**1 888 757**	1 420 994
	Donation of debt	**3 385 298**	–
	Funding received	**1 800 000**	394 719
		8 171 324	2 109 732

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

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

8. Surplus

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

	2017 R	2016 R
Salaries and wages	**256 580**	230 483
Directors remuneration	**1 132 933**	829 744

9. Notes to the statement of cash flows

9.1 Cash utilised by operating activities

	2017 R	2016 R
Profit before interest	**3 485 199**	(1 324 737)
Add back		
– depreciation and impairment	**8 693**	3 773
– donation of debt	**(3 385 298)**	–
Working capital movements:		
– (increase)/decrease in deposits held	**(5 000)**	–
– decrease/(increase) in receivables	**141 355**	(445 152)
– decrease/(increase) in related party receivable	**21 479**	(27 342)
– decrease/(increase) in inventory	**3 365**	(9 165)
– (decrease)/increase in payables	**(189 449)**	452 269
	80 344	(1 350 354)

10. Financial instruments

10.1 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.

10.2 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.

10.3 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.

10.4 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:

	2017	2016
	R	R
Receivables	**417 240**	558 595
Related party receivable	**6 506**	27 985
Cash and cash equivalents	**472 904**	385 974
	896 650	972 554

10. Financial instruments *(continued)*

10.4 Exposure to credit risk

The ageing of receivables at reporting date was:

	2017		2016	
	Gross R	**Impairment R**	Gross R	Impairment R
Not past due	**102 788**	–	189 663	–
Past due 30 days	**24 820**	–	–	–
Past due 60 days	**42 682**	–	92 240	–
Past due 90 Days	**28 910**	–	17 687	(4 306)
Past due 120 days	**17 332**	**(29 710)**	43 874	(37 570)
	216 532	**(29 710)**	343 464	(41 876)

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

	2017 R	2016 R
Balance at beginning of the year	**(41 876)**	(229 754)
Impairment allowance utilised	**29 710**	187 878
Balance at end of the year	**(12 166)**	(41 876)

10.5 Liquidity risk

The following are the contractual maturities of financial liabilities.

2017	**Carrying amount R**	**Contractual cash flows R**	**Within 1 year R**	**More than 5 years R**
Non derivative liabilities				
– Payables	**326 167**	**326 167**	**326 167**	–
2016				
Non derivative liabilities				
– Payables	515 616	515 616	515 616	–
– Loans from related parties	3 385 298	–	–	3 385 298*

* The loan has no fixed terms of repayment.

10.6 Interest rate risk

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

10.7 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.

11. Related party transactions

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

	2017	2016
	R	R
Glocell Proprietary Limited		
Expenses paid on behalf of Acorn	**260 079**	102 857
Related party receivable	**3 047**	19 211
Donation from related party	**3 385 298**	–
Glocell Service Provider		
Related party receivable	**3 459**	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**	48 660

Wendy Joles is the wife of director Rudy Joles.

For director's remuneration refer to note 8.

12. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business, based on support from the related entity Glocell Proprietary Limited.

13. 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.