

Lambano Sanctuary NPC

Annual financial statements

for the year ended 28 February 2014

Audited

Tony Udeman, Bookkeeper, was responsible for the supervision of the preparation of these financial statements.

Lambano Sanctuary NPC

(Reg. No. 2006/000152/08)

Annual financial statements

for the year ended 28 February 2014

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The financial statements of Lambano Sanctuary NPC have been audited in compliance with Section 30 of the Companies Act of 2008.

Lambano Sanctuary NPC

Directors' responsibility statement

The directors are responsible for the preparation and fair presentation of the annual financial statements of Lambano Sanctuary NPC, comprising the statement of financial position at 28 February 2014, and the statements of comprehensive income, changes in reserves 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 information included in these financial statements.

The directors have made an assessment of the ability of the company to continue as going concern and have no reason to believe that the Sanctuary 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 annual financial statements

The annual financial statements of Lambano Sanctuary NPC, as identified in the first paragraph, were approved by the board of directors on 10 October 2014 and signed by:



Lyn Croote
Authorised Director

Lambano Sanctuary NPC

Directors' report

for the year ended 28 February 2014

The directors have pleasure in presenting their report for the year ended 28 February 2014.

Nature of business

Lambano Sanctuary is a non-profit company in terms of Schedule 1 of the Companies Act 71 of 2008, and its main purpose is to provide a home for abandoned or orphaned HIV children, as well as to provide care for the sick and/or dying children.

Review of operations

The company continues to provide a loving home for 30 permanent children. Over time we have assisted 332 children. The Hospice/Step Down Facility continues to admit children aged birth to 16 years. Since opening in July 2009 we have admitted 167 patients, admitting 42 children in the period March 2013 to February 2014.

The School Feeding projects at the Mogobeng and Tamaho Schools continue to run well however our management of them has been completed according to the Grant from Naledi Projects and the Luxembourg Government.

Financial statements

The financial statements set out the financial position of the company and its income and cash flow for the year.

Directors

The directors in office at the date of this report and during the year under review:

Mr L Laughton	(Chairman)
Ms L Croote	(Managing Director)
Mr DC Kelder	(Vice-chairman)
Mr SG Abrahams	(Secretary – resigned 1 March 2013)
Ms M Prinsloo	(Director)
Mr T Blom	(Treasurer – appointed 9 September 2013)

Secretary

Mr SG Abrahams (Resigned 1 March 2013)

Registered office

34 Senator Road
Wychwood

Auditors

KPMG Inc.
85 Empire Road
Parktown

Bankers

Standard Bank of South Africa Limited
Bedford Gardens
Bedfordview



Independent Auditor's Report

To the Members of Lambano Sanctuary NPC

We have audited the financial statements of Lambano Sanctuary NPC, which comprise the statement of financial position at 28 February 2014, and the statements of comprehensive income, changes in reserves 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 16.

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 qualified audit opinion.

Basis for Qualified Opinion

Cash donations are a significant course of fundraising revenue for the Lambano Sanctuary. The directors have determined that it is impracticable to establish internal controls over the collection of cash donations prior to the initial entry into its financial records. We were therefore unable to confirm whether all cash donations were recorded.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of Lambano Sanctuary NPC at 28 February 2014, 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 Matter

Supplementary information set out on pages 17 – 18 does not form part of the financial statements and is presented as additional information. We have not audited this information and accordingly we do not express an opinion thereon.

Other Reports Required by the Companies Act

As part of our audit of the financial statements for the year ended 28 February 2014, we have read the Directors' report for the purpose of identifying whether there are material inconsistencies between this report and the audited financial statements. The Directors' report is the responsibility of the directors. Based on reading the Directors' report we have not identified material inconsistencies between this report and the audited financial statements. However, we have not audited the Directors' report and accordingly do not express an opinion thereon.

KPMG Inc.

A handwritten signature in black ink, appearing to read 'MG Evans', with a long horizontal stroke extending to the right.

Per MG Evans
Chartered Accountant (SA)
Registered Auditor
Director
10 October 2014

Lambano Sanctuary NPC

Statement of comprehensive income

for the year ended 28 February 2014

	<i>Note</i>	2014	2013
		R	R
Income		6 626 473	5 250 534
Donations received		3 503 872	3 308 378
National Lottery Distribution Fund		383 784	–
Grants received – Department of Health and Social Development		519 025	538 006
– Welfare/foster		203 927	197 243
– Naledi Projects		1 913 133	1 062 102
Interest received		46 352	28 968
Rent received		56 380	85 837
Profit on sale of vehicles		–	30 000
Expenditure		5 509 468	4 125 911
Administration expenses		1 179 717	848 940
Staff costs		3 302 745	2 478 831
Children costs		1 027 006	798 140
Net surplus for the year		1 117 005	1 124 623



Lambano Sanctuary NPC

Statement of financial position

at 28 February 2014

	<i>Note</i>	2014 R	2013 R
Assets			
Non-current assets			
Property, vehicles and equipment	3	4 264 581	3 173 664
Current assets			
Sundry receivables		30 087	11 680
Cash and cash equivalents		1 867 485	2 085 489
Total assets		6 162 153	5 270 833
Equity and liabilities			
Retained earnings			
		4 801 381	3 684 376
Current liabilities			
Revenue received in advance	4	108 585	142 727
Deferred income	5	1 252 187	1 443 730
Total equity and liabilities		6 162 153	5 270 833



Lambano Sanctuary NPC

Statement of changes in reserves

for the year ended 28 February 2014

	Retained earnings R	Total R
Balance at 29 February 2012	2 559 753	2 559 753
Net surplus for the year	<u>1 124 623</u>	<u>1 124 623</u>
Balance at 28 February 2013	3 684 376	3 684 376
Net surplus for the year	<u>1 117 005</u>	<u>1 117 005</u>
Balance at 28 February 2014	<u>4 801 381</u>	<u>4 801 381</u>



Lambano Sanctuary NPC

Statement of cash flows

for the year ended 28 February 2014

	<i>Note</i>	2014 R	2013 R
Cash flow from operating activities			
Cash generated by operating activities	6.1	1 031 849	2 764 029
Interest received		46 352	28 968
Net cash inflow from operations		1 078 201	2 792 997
Cash flows from investing activities			
Proceeds from disposal of motor vehicles		–	30 000
Acquisition of property, vehicles and equipment		(1 296 205)	(924 241)
Net cash outflow from investing activities		(1 296 205)	(894 241)
Net (decrease)/increase in cash and cash equivalents		(218 004)	1 898 756
Cash and cash equivalents at beginning of year		2 085 489	186 733
Cash and cash equivalents at end of year	6.2	1 867 485	2 085 489



Lambano Sanctuary NPC

Notes to the financial statements

for the year ended 28 February 2014

1. Accounting policies

The financial statements incorporate the principal accounting policies set out below which are consistent with those adopted in the previous financial year.

1.1 Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

1.2 Basis of preparation

The financial statements are prepared on the historical cost basis except for certain financial instruments carried at fair value

1.3 Property, vehicles and equipment

Property, vehicles and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Subsequent expenditure relating to an item of property, vehicles and equipment is capitalised when it is probable that future economic benefits from the use of the asset will be realised. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Depreciation is provided on the straight-line basis, over the estimated useful lives of the assets. Depreciation is not provided for land. Expected residual values are taken into account in determining the depreciable values of assets.

Gains and losses on the disposal of property, vehicles and equipment are determined by comparing the net disposal proceeds and the carrying amounts of the assets and are included in operating profit.

Residual values, methods of depreciation and useful lives of all assets are reassessed annually.

1.4 Financial instruments

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 are stated at cost less impairment losses.



Lambano Sanctuary NPC

Notes to the financial statements

for the year ended 28 February 2014 (continued)

1. Accounting policies (continued)

1.4 Financial instruments (continued)

Financial liabilities

Financial liabilities are recognised at amortised cost, comprising original debts less principal repayments and amortisation.

Cash and cash equivalents

Cash and cash equivalents are measured at fair value. For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand, deposits held on call with banks, and investments in money market instruments, net of bank overdrafts.

Offset

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

1.5 Revenue

Revenue comprises donor and welfare funding, interest and sundry income. Income from donations is recognised on a cash receipts basis. Interest received is recognised on a time proportion basis, taking into account the principal outstanding and the effective rates over the period to maturity.

1.6 Government grants

Government grants are recognised over the period for which the funding applies.

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

2. Tax exempt status

The Sanctuary has been approved as a public benefit organisation in terms of section 30 of the Income Tax Act (the Act) and the Sanctuary is exempt from income tax in terms of section 10(1)(cN) of the Act.



Lambano Sanctuary NPC

Notes to the financial statements

for the year ended 28 February 2014 (continued)

3. Property, vehicles and equipment

		Depreciation %	Cost R	Accumulated depreciation R	Net book value R
2014					
Buildings		2	4 349 239	351 118	3 998 121
Motor vehicles		33,33	192 000	106 444	85 556
Computer equipment		33,33	124 440	74 590	49 850
Furniture and fittings		33,33	222 786	127 663	95 123
Medical equipment		20	104 282	68 351	35 931
			4 992 747	728 166	4 264 581
2013					
Buildings		2	3 157 705	270 970	2 886 735
Motor vehicles		33,33	192 000	59 778	132 222
Computer equipment		33,33	110 546	45 997	64 549
Furniture and fittings		33,33	132 009	98 638	33 371
Medical equipment		20	104 282	47 495	56 787
			3 696 542	522 878	3 173 664
	Carrying amount at beginning of year R	Additions R	Disposals R	Depreciation R	Carrying amount at end of year R
2014					
Buildings	2 886 735	1 191 534	–	80 148	3 998 121
Motor vehicles	132 222	–	–	46 666	85 556
Computer equipment	64 549	13 894	–	28 593	49 850
Furniture and fittings	33 371	90 777	–	29 025	95 123
Medical equipment	56 787	–	–	20 856	35 931
	3 173 664	1 296 205	–	205 288	4 264 581
2013					
Buildings	2 241 149	703 572	–	57 986	2 886 735
Motor vehicles	3 250	140 000	–	11 028	132 222
Computer equipment	25 451	57 242	–	18 144	64 549
Furniture and fittings	29 842	23 427	–	19 898	33 371
Medical equipment	77 643	–	–	20 856	56 787
	2 377 335	924 241	–	127 912	3 173 664

The land and buildings consist of Stand 125, Wychwood, Germiston, and Stands 320 and 321, Malvern East Extension 2, Johannesburg, together with improvements thereon.



Lambano Sanctuary NPC

Notes to the financial statements

for the year ended 28 February 2014 (continued)

4. Revenue received in advance

A grant of R484 883 (2013: R680 783) was received from the Gauteng Department of Health and Social Development to help fund the operating costs of the Hospice over the period April 2013 to March 2014. This was the third time that such a grant was received by Lambano Sanctuary from the Department of Health and Social Development. A service level agreement between the Department of Health and Social Development and Lambano Sanctuary was entered at the outset of the funding relationship. One of the conditions of the grant was compliance with a budget prepared by the Department of Health and Social Development. This budget specified the categories of allowable expenditure with any “unspent funds” re-payable to the Department of Health and Social Development at the end of the funding term.

	2014	2013
	R	R
Balance unspent at beginning of year	142 727	–
Grants received	484 883	680 733
Amount utilised during the year	(519 025)	(538 006)
Unspent balance at end of year	108 585	142 727

5. Deferred income

A grant of R1 721 590 (2013: R2 505 832) was received from Naledi, a non-governmental organisation registered in Luxembourg. The funds were granted to finance Naledi Projects (extension of the existing hospice from 12 to 18 beds) and to strengthen the Lambano Sanctuary according to the objectives agreed. All amounts received are based on quotations and may be used only for the specified purpose.

	2014	2013
	R	R
Balance unspent at beginning of year	1 443 730	–
Grants received	1 721 590	2 505 832
Amount utilised during the year	(1 913 133)	(1 062 102)
Unspent balance at end of year	1 252 187	1 443 730



Lambano Sanctuary NPC

Notes to the financial statements

for the year ended 28 February 2014 (continued)

	2014 R	2013 R
6. Notes to the statement of cash flows		
6.1 Cash generated by operating activities		
Net surplus for the year	1 117 005	1 124 623
Interest received	(46 352)	(28 968)
Depreciation	205 288	127 912
Profit on sale of vehicles	–	(30 000)
	<u>1 275 941</u>	<u>1 193 567</u>
Changes in working capital		
(Decrease)/increase in deferred income	(191 543)	1 586 457
Increase in sundry receivables	(18 407)	(368)
Decrease in revenue received in advance	(34 142)	–
Decrease in sundry payables	–	(15 627)
	<u>1 031 849</u>	<u>2 764 029</u>
6.2 Cash and cash equivalents		
Market linked account	510 724	178 265
Current account	172 328	328 974
Hospice Bank account	1 156 252	1 401 415
Department of Health bank account	24 734	172 113
Cash on hand	3 447	4 722
	<u>1 867 485</u>	<u>2 085 489</u>

7. Related parties

The directors in office at the date of this report and during the year under review:

Mr L Laughton	(Chairman)
Ms L Croote	(Managing Director)
Mr DC Kelder	(Vice-chairman)
Mr SG Abrahams	(Secretary)
Ms M Prinsloo	(Director)

Directors' emoluments, included in staff costs, amounted to R320 100 (2013 – R298 756).

One of the dwellings housing the Sanctuary is owned by one of the directors who provided this accommodation at a nominal rent of R3 500 per month (2013 – R3 500 per month).



Lambano Sanctuary NPC

Notes to the financial statements

for the year ended 28 February 2014 (continued)

8. Financial instruments

Overview

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

- credit risk
- liquidity risk
- market risk

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

The Board of Directors has overall responsibility for the establishment and oversight of the Sanctuary's risk management framework.

The Board of Directors is also responsible for analysing the risks faced by the Sanctuary, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

Credit risk

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

Trade and other receivables

The sanctuary's exposure to credit risk is influenced mainly by employees' ability to pay back the employees' loans.

Management has established a process where loans to employees are monitored and recorded on monthly basis. No collateral is required for the loans as payments are deducted from the employees' salaries on monthly basis.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2014 R	2013 R
Sundry receivables	30 087	11 680
Cash and cash equivalents	<u>1 867 485</u>	<u>2 085 489</u>
	<u>1 897 572</u>	<u>2 097 169</u>

Lambano Sanctuary NPC

Notes to the financial statements

for the year ended 28 February 2014 (continued)

8. Financial instruments (continued)

Liquidity risk

Liquidity risk is the risk that the Sanctuary will not be able to meet its financial obligations as they fall due. The Sanctuary'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 normal conditions.

The following are the contractual maturities of financial liabilities:

	2014 R	2013 R
Sundry payables	—	—

9. Relevant standards and interpretations effective for years ending after 28 February 2014

At the date of authorisation of these financial statements for the year ended 28 February 2014, there were no relevant new standards and interpretations that had to be complied with.

10. Going concern

The directors are confident that the Sanctuary will remain profitable and at least break even in the short term. Accordingly, the financial statements are prepared on the basis of accounting policies applicable to a going concern.

11. Events after reporting date

There are no material events that have taken place after the reporting date.



Lambano Sanctuary NPC

Supplementary information to the financial statements

for the year ended 28 February 2014 (continued)

Hospice specific expenditure

The operating costs of the Hospice are accounted for separately. These are included with other costs for disclosure purposes in the statement of comprehensive income.

The operating costs of the Hospice were as follows:

	2014 R	2013 R
Administration costs	139 540	89 476
Bank charges	2 141	2 737
Computer expenses	2 292	1 216
Depreciation of fixed assets	95 335	62 969
Fees	7 096	10 973
Office groceries & board meetings	550	231
Printing and stationery	17 319	3 615
Sponsorship Payments	2 700	–
Telephones	12 107	7 735
House costs	83 067	50 051
Fixed assets written off	27 283	1 225
Insurance – house	5 963	5 534
Repairs and maintenance	1 013	7 455
Water, electricity, rates and gas	48 808	35 837
Staff costs	1 830 816	1 098 428
Food - staff	350	–
Medication - staff	1 747	–
Salaries – Admin	415 825	217 030
Salaries – Doctors and nurses	755 921	331 976
Staff vehicle costs	1 789	3 624
Training (staff)	14 650	30 469
Uniforms	9 462	–
Wages – Caregivers	631 072	515 329
Medical costs	288 698	218 427
Disposables	44 059	47 206
Infection control	31 551	46 913
Lab tests, x – rays and accessories	28 663	16 882
Medication – children	147 702	92 551
Medical fixed assets written-off	36 723	14 875
Children’s costs	61 757	25 938
Baby disposables	–	349
Clothing and linen	2 993	300
Food – children	22 726	14 981
Food - community	2 733	–
Funeral costs	12 777	5 884
Nappies	18 118	1 792
Toys, books, outings and parties	1 485	925
Transport (family visits)	925	1 707
	2 403 878	1 482 320

The detailed expenditure schedule presented above, is presented as supplementary information, and has not been audited.

Lambano Sanctuary NPC

Notes to the financial statements

Supplementary information to the financial statements

for the year ended 28 February 2014 (continued)

	2014 R	2013 R
Net surplus for the year		
The net surplus is arrived at after taking the following into account.		
Administration expenses		
Bank charges	30 915	23 707
Computer expenses	27 571	34 173
Depreciation	205 288	127 912
Fees	13 355	12 511
Fixed assets written off	61 615	8 240
Garden/pool maintenance	20 257	5 029
Gifts and functions	5 299	9 489
Insurance	90 375	69 395
Management meetings	1 649	1 242
Penalties	–	1 125
Printing and stationery	26 075	28 992
Publicity and advertising	26 038	6 388
Rent paid	49 000	42 000
Repairs and maintenance	110 518	57 024
Security	21 680	19 146
Sponsorship Payments	2 700	–
Telephone and postage	59 390	42 897
Vehicle running costs	141 362	137 240
Water and electricity	230 358	204 852
Other	56 272	17 575
	1 179 717	848 940
Staff costs		
Food	10 088	5 991
Salaries and wages	3 254 206	2 397 980
Training	22 443	49 969
Transport expenses	3 784	1 599
Uniforms	10 057	5 900
Workman's compensation	2 167	17 392
	3 302 745	2 478 831
Children costs		
Clothing	28 791	36 377
Educational toys, books and outings	36 620	32 448
Food	279 298	254 638
Funeral costs	12 777	5 885
Medical costs and equipment	424 570	268 830
Nappies and toiletries	62 177	49 348
School costs	182 773	150 613
	1 027 006	798 140