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FoodBank South Africa
(Company incorporated under
Schedule 1 of the Companies Act)
Non Profit Company no: 025-709

Annual financial statements
for the year ended 28 February 2013

Audited

The financial statements have been prepared under the supervision of Ashleen Bredeveldt (financial manager).

FoodBank South Africa
(Registration number: 2000/014314/08)

Annual financial statements
for the year ended 28 February 2013

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FoodBank South Africa

Directors' responsibility statement

The directors are responsible for the preparation and fair presentation of the annual financial statements of FoodBank South Africa comprising the statement of financial position at 28 February 2013 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.

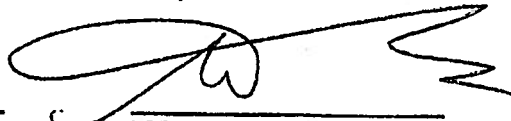
The directors have made an assessment of the ability of the company to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead.

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

Approval of annual financial statements

The annual financial statements of FoodBank South Africa, as identified in the first paragraph, were approved by the board of directors and signed on their behalf by


W Mzimba
Chairman


M Kajee
Director

14. Nov. 2013
Date

14 NOVEMBER 2013
Date

FoodBank South Africa

Directors' report

for the year ended 28 February 2013

The Directors are pleased to present this report for the year ended February 2013.

Business objectives

FoodBank South Africa ("FoodBank" or the "Company") is a non-profit organisation working to achieve its vision of a *South Africa without hunger or malnutrition*. The Company's primary approach to doing so is to develop and operate a national network of food banks. In addition, FoodBank seeks to create coordination and cooperation among the numerous entities, from both the public and private sectors, working to create a food secure South Africa.

FoodBank was launched in 2009 by transforming an existing hunger relief company and merging its operations with those of other like-minded and well established NGOs.

Review of operations

During the year under review, the Company operated food banks in six cities. These were Cape Town, Durban, Johannesburg, Polokwane, Port Elizabeth and Rustenburg. In addition the Company ran a satellite food bank in Pietermaritzburg. This network of seven food banks provides the Company with representation in six South African provinces. FoodBank aspires to expand these food banks and to establish operations in the remaining provinces, but only if and when funds permit.

In addition, the Company supported an eighth food bank, in Tshwane. This food bank is funded by the Tshwane Municipality and operated by an independent NGO. FoodBank's role is to provide procured and donated food.

This was the first full year of operation for two of these food banks, namely The Limpopo Food Park in Polokwane (the "Food Park") and FoodBank Rustenburg.

Limpopo Food Park. The Food Park opened in September 2011 thanks to a partnership between FoodBank and the Limpopo Department of Agriculture ("LDA".) The Food Park is fully funded by the LDA and is operated by the Company. The Food Park provides food support to around 60 "Agencies" (the carefully vetted community based organisations to which the Company provides food) in 5 districts in and around Polokwane. Over the last 12 months a total of 177 tons of food was distributed.

A significant part of the food the Food Park distributes is procured from small scale black farmers, who provide a wide range of crops to the Food Park. Currently there are more than 50 farmers who have been engaged and supported through this food procurement programme.

FoodBank Rustenburg. The only food bank in the North West Province, FoodBank Rustenburg has continued to be fully funded by the generosity of Xstrata Alloys. During this year FoodBank Rustenburg increased the number of Agencies that it supports from 37 to 57. These Agencies in turn support around 12 500 beneficiaries. The Company is engaging with the regional Department of Social Development ("DSD") with a view to expanding the network in the province.

The financial statements for this year reflect the operation of all 7 food banks in the FoodBank SA fold, along with the support provided to the independent food bank in Tshwane.

During the past year we distributed 3.3 million kilograms of food (2012: 3.8 million kg), which translates to 11.1 million meals (2012: 12.7 million meals) working on an average weight of 300g per meal. The meals were distributed to 1,121 Agencies in turn serving over 319 000 beneficiaries.

FoodBank South Africa

Directors' report (continued)

for the year ended 28 February 2013

FoodBank's Programmes

FoodBank began the year operating four principal programmes.

To date the Company's core project has been the **Food Rescue Programme**. In terms of this programme, each year thousands of tons of nutritious food are donated to FoodBank by the country's major food companies. The Company donates this food to the Agencies, who in turn give it to South Africa's hungry.

The success of this programme was recently recognised when FoodBank won the SA Chamber of Commerce Charity of the Year 2012 award in the UK.

The Food Rescue Programme is complemented by the Company's **Food Procurement Programme**. Under the latter, the Company purchases staple foods using donated funds. These purchased foods augment the rescued food, allowing the overall food donated to FoodBank's Agencies to be more nutritionally balanced.

When the Food Procurement Programme was launched, all the purchases were made from leading food companies. FoodBank's strong relationship with those companies allowed it to secure favourable prices. During this year this programme has evolved. Now, thanks to funding from the Department of Agriculture, Forestry and Fisheries (DAFF), FoodBank supports small scale black farmers throughout the country by procuring from these farmers.

The **Food Development Programme** aims to address rural hunger and to create jobs by helping small scale farmers to become economically viable. This entails factors such as helping these farmers to access suitable land, to procure the likes of seeds and fertilizer effectively, and to farm efficiently and sustainably. In addition, it is critical to help these farmers to sell their produce. Given current resources, FoodBank's approach is to partner with other social organisations with the capability of undertaking most of these requirements and to itself focus on making a market for the farmers' produce. In this regard, the opportunity to draw on the buying power of the Company's urban food banks is invaluable.

FoodBank's fourth programme is **Hunger United**. This represents a focused attempt to create constructive collaboration between FoodBank and other reputable initiatives seeking to eradicate hunger in South Africa.

During the year, at the initiative of and fully funded by the national DSD, FoodBank piloted a new programme, entailing **Community Nutrition and Development Centres** ("CNDCs".) These entail restaurants which offer dignified meals on a free basis to those in need. The ingredients are procured by FoodBank and cooked and served by members of the local community who are paid a stipend. The approach is based on Brazil's so-called "Popular Restaurants", which form part of that country's widely-hailed "Zero Hunger" initiative. Thanks to the support of the DSD, FoodBank has opened 15 CNDCs on a pilot basis, all initially in the Western Cape. The DSD aims to continue this programme and to roll it out in every province, and FoodBank is enthusiastic to collaborate in this regard as long as the Company can fund its core operations.

FoodBank South Africa

Directors' report (continued)

for the year ended 28 February 2013

Food and Funding

The past year was another difficult one for the hungry and for FoodBank. During tough economic times, food companies increase their effectiveness and reduce waste. This is understandable, but from our point of view it implies less surplus food just when the need for it is increasing.

In the circumstances, we are all the more grateful to our many donors for their generosity. Major donors of produce this year include Pick n Pay, Kellogg's South Africa, Nestlé, Massmart, Heinz foods, Unilever, Woolworths, Fruit and Veg City and many others. Their invaluable donations ensure that we can support numerous Agencies in a country in which food insecurity is growing.

As cost effective as FoodBank may be, it still needs funding to operate. Important steps have been taken to reduce the Company's reliance on once-off financial donations. These steps include the newer food banks being opened, and new programmes being implemented, only once fully funded. In addition the introduction of fees charged to Agencies recovers a fraction of the Company's logistics costs (the food is still donated to them free.)

Nevertheless, the Company still needs to secure financial donations to survive. In the prevailing economic environment of belt tightening, this has continued to be a challenge.

Our efforts to fundraise from the private sector have accelerated with the establishment of a "Fund Development Team" in South Africa and the appointment of a fundraiser in London, England. These have helped us to secure support from a variety of sources. We appreciate each and every donor. We cannot individually list every donor, and many of them prefer to remain anonymous. However, we would like to particularly thank Xstrata Alloys for their support in Rustenburg referred to above; Pick n Pay, supported by the Avusa Group, whose "Hampers Against Hunger" campaign contributed important funding and raised awareness; the Old Mutual Foundation; and Philip Morris International.

Turning to the public sector, we are deeply grateful to the national DSD and DAFF for the vital funding they provided during this year. We also received important funding from provincial or local government such as that referred to above from the LDA in support of the Food Park. Thank you!

Going concern

The Company undertakes numerous initiatives, including some described above, to secure enough funding to sustain its operations. Despite these efforts, the Company has continued to operate with only a few months of funding in hand. It is of no comfort that so many other charities in South Africa face an equally vulnerable financial future.

In light of this vulnerable position, the Directors re-evaluated the Company's uncertain prospective income and its more predictable financial obligations. They concluded that the Company would need to shrink in order to remain a going concern.

After the year end, steps were therefore initiated to shrink the Company's expense base. These steps included a S189A restructuring process to reduce the staff complement. This on-going process is distressing but unavoidable. It will leave the Company more financially stable, improving the job security of the employees who remain and helping to ensure that the Company can continue to support the hungry. The Directors envisage that this restructuring will not cause the closure of any existing food banks, but will undertake any and all steps judged necessary to sustain the Company.

FoodBank South Africa

Directors' report (continued)

for the year ended 28 February 2013

Going concern (continued)

As a result of these decisive steps to realign the Company's financial obligations with its available funding, the Directors consider the use of the going concern assumption for the purpose of financial reporting to be appropriate.

Thanks

FoodBank extends its appreciation to the many donors who generously support the Company (and, through it, the hungry—who we refer to as our “Boss”). Particular thanks are also due to our Boards of Members and Directors and our staff for their dedication and commitment during what was a challenging year.

We look forward to ever-closer collaboration as we work together to “feed the Boss”!

FoodBank South Africa

Directors' report (continued)

for the year ended 28 February 2013

Directors

The directors who held office at the date of this report are, in alphabetical order –

Robert Alan Cameron Gilbertson		
Mohamed Yusuf Kajee	(Managing)	
Mildred Howitson McLachlan		
Popayi William Mzimba	(Chairman)	
Heather Sonn		(Appointed 11 April 2013)

The directors who held office during the accounting period are –

Linda Adele Abramsohn		(Resigned 17 July 2012)
Reginald Colin Fox		(Resigned 15 May 2012)
Robert Alan Cameron Gilbertson		
Mohamed Yusuf Kajee	(Managing)	
Mildred Howitson McLachlan		
Popayi William Mzimba	(Chairman)	
Stephen Broughton Rowlands		(Resigned 17 July 2012)
Musawenkosi Sifiso Shabane		(Resigned 02 July 2012)
Crispin Franklin Sonn		(Resigned 16 November 2012)
Gerrit David Van Niekerk		(Appointed 01 August 2012)
		(Resigned 15 January 2013)

Secretary

Neil Davison	(Acting)	(Appointed 15 September 2012)
Geoffrey Roy Penny		(Resigned 15 September 2012)



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Independent auditor's report

To the Members of FoodBank South Africa

Report on the Financial Statements

We have audited the financial statements of FoodBank South Africa, which comprise the statement of financial position at 28 February 2013 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 10 to 28.

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, these financial statements present fairly, in all material respects, the financial position of FoodBank South Africa as at 28 February 2013 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 Matters

The supplementary schedule set out on page 29 does not form part of the financial statements and is presented as additional information. We have not audited this schedule and accordingly we do not express an opinion on it.

Other Reports Required by the Companies Act

As part of our audit of the financial statements for the year ended 28 February 2013 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 it.

KPMG Inc.

Per: G Thompson
Chartered Accountant (SA)
Registered Auditor
Director

14/11/2013
Date

FoodBank South Africa
Statement of comprehensive income
for the year ended 28 February 2013

	<i>Note</i>	2013 R	Restated 2012 R
Revenue	<i>4</i>	24 602 024	27 481 524
Operating expenses		(18 223 655)	(17 889 688)
Procured inventory donated by FoodBank	<i>9</i>	(4 065 032)	(7 105 738)
Surplus from operations	<i>5</i>	2 313 337	2 486 098
Finance income		252 754	863
Finance expense		(201 978)	(67 977)
Net surplus for the year		2 364 113	2 418 984
Other comprehensive income			
Other comprehensive income, net of tax		-	-
Total comprehensive income		2 364 113	2 418 984

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FoodBank South Africa
Statement of financial position
at 28 February 2013

	<i>Note</i>	2013	Restated 2012
		R	R
Assets			
Non-current assets			
Plant and equipment	8	4 388 373	4 677 780
Current assets			
Inventory	9	18 560 182	9 536 323
Receivables	10	385 707	2 792 588
Cash and cash equivalents	11	625 454	3 111 021
		17 549 021	3 632 714
Total assets		22 948 555	14 214 103
Equity and liabilities			
Equity			
Accumulated surplus		4 821 734	2 457 621
Non-current liabilities			
Loan from related party	14	1 476 199	2 573 011
Current liabilities			
Payables	12	16 650 622	9 183 471
Deferred revenue	13	1 288 399	3 426 341
Loan from related party	14	14 453 570	3 957 130
		908 653	1 800 000
Total liabilities		18 126 821	11 756 482
Total reserves and liabilities		22 948 555	14 214 103

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FoodBank South Africa
Statement of changes in equity
for the year ended 28 February 2013

	<i>Note</i>	Accumulated surplus R
Balance at 1 March 2011		38 637
Total comprehensive income for the year as previously reported		2 826 108
Prior period error	19	(407 124)
Restated balance at 29 February 2012		<u>2 457 621</u>
Balance at 1 March 2012		2 457 621
Total comprehensive income for the year		2 364 113
Balance at 28 February 2013		<u>4 821 734</u>

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FoodBank South Africa

Statement of cash flows

for the year ended 28 February 2013

	<i>Note</i>	2013 R	2012 R
Cash flows from operating activities			
Cash generated by/(utilised in) operations	<i>17</i>	16 372 514	(7 787 048)
Finance income		252 754	863
Finance expenses		(201 978)	(67 977)
Net cash inflow/(outflow) from operating activities		16 423 290	(7 854 162)
Cash flows from investing activities			
Proceed on disposal of plant and equipment		103 845	55 848
Acquisition of plant and equipment	<i>8</i>	(622 669)	(2 888 060)
Net cash outflow from investing activities		(518 824)	(2 832 212)
Cash flows from financing activities			
Repayment of loans from related parties	<i>14</i>	(1 988 159)	2 373 011
Net cash (outflow)/inflow from investing activities		(1 988 159)	2 373 011
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at beginning of year		3 632 714	11 946 077
Cash and cash equivalents at end of year	<i>11</i>	17 549 021	3 632 714

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FoodBank South Africa

Notes to the financial statements

for the year ended 28 February 2013

1. Reporting entity

FoodBank South Africa is a company domiciled in South Africa. The physical address of the Company is Cape Town Market, 110 Gunners Circle, Epping 1, 7460. The Company is primarily involved in the business of redistributing excess food and food donations to communities in need.

2. Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the requirements of the Companies Act of South Africa.

2.2 Basis of measurement

The financial statements have been measured on the historical cost basis, unless otherwise stated.

2.3 Functional and presentation currency

These financial statements are presented in South African rand, which is the Company's functional and presentation currency.

2.4 Use of estimates and judgements

The preparation of financial statements requires management to make judgement, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

3. Significant accounting policies

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

3.1 Plant and equipment

(i) Recognition and measurement

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

Costs include expenditure that is directly attributable to the acquisition of the asset. The cost of self constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use; and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Borrowing costs related to the acquisition or construction of qualifying assets are capitalised into the cost of the asset.

When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

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FoodBank South Africa

Notes to the financial statements (continued)

for the year ended 28 February 2013

3.1 Plant and equipment (continued)

(i) Recognition and measurement (continued)

Gains and losses on disposal of an item of plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of plant and equipment and are recognised net within 'sundry revenue' in profit or loss.

(ii) Subsequent costs

The Company recognises in the carrying amount of an item of plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognised in profit or loss as an expense as incurred.

The costs of the day-to-day servicing of plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Plant and equipment are depreciated from the date they are available for use. Depreciation is recognised in profit or loss on a straight line basis over the estimated useful lives of each part of an item of plant and equipment, with motor vehicles carrying a 30% residual value.

The estimated useful lives for the current and comparative periods are as follows:

- Motor vehicles	6 years
- Office equipment	5 years
- Computer equipment	5 years
- Computer software	3 years
- Furniture and fittings	6 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

3.2 Leases

Operating leases

Payments made under operating leases are recognised in profit or loss on a straight line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

3.3 Impairment

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

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other asset and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in terms of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

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FoodBank South Africa

Notes to the financial statements (continued)

for the year ended 28 February 2013

3.3 Impairment (continued)

The recoverable amount of an asset or cash generating unit is the greatest 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.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indicators that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.4 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.

Trade and other receivables

Trade and other receivables originated by the Company are stated at amortised cost using the effective interest method, less impairment losses.

Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost using the effective interest method, less impairment losses.

Trade and other payables

Trade and other payables are initially recognised at fair value less any directly attributable transaction costs. Subsequently it is measured at amortised cost using the effective interest method.

Loans from related parties

These loans are recognised initially at fair value plus direct transaction costs.

Loans payable that bear no interest and where there are no determinable terms of repayment are included in current liabilities. If the liability is included in non-current liabilities, it is assumed that repayment will only occur after 12 months from the reporting date. Any adjustment arising from applying the effective interest method over a 12 month period is ignored if it is not material and the loan is then recorded at cost.

Derivative financial instruments

The Company held no derivative financial instruments during this financial year.

Non-derivative financial instruments

Non-derivative financial instruments comprise cash and cash equivalents, trade and other receivables and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Company becomes party to the contractual provisions of the instrument. Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset.

FoodBank South Africa

Notes to the financial statements (continued)

for the year ended 28 February 2013

3.4 Financial instruments (continued)

Non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment loss.

Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of financial instruments that are not part of a hedging relationship are included in net profit or loss in the period in which the change arises.

3.5 Revenue

Donations, fundraising and service agreement revenue

Revenue comprises donations received, income from fundraising and service agreement revenue which is recognised upon receipt, unless there is a specific funding agreement, in which case the revenue is recognised in accordance with the terms of the agreement. Revenue is recognised when it is probable that the economic benefits will flow to the enterprise and can be measured reliably and includes donations for capital expenditure.

Deferred income

Grant and subsidy income is deferred to the extent that the period to which the funding agreement relates is longer than the financial period in which it is received. Income is also deferred if the funding is provided for specific purposes and such expenditure has not been incurred at year-end.

Government grants

Government grants are assistance from government in the form of transfers of resources in return for compliance with conditions associated with the grants.

Government grants are recognised initially as deferred revenue when there is reasonable assurance that they will be received and that the Company will comply with the conditions associated with the grants. Grants are recognised in the statement of comprehensive income on a systematic basis as the related expenses are incurred.

3.6 Finance income and costs

Finance income comprises interest income on funds invested. Finance income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings. All borrowing costs are recognised in profit or loss using the effective interest method.

3.7 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur, and where a reliable estimate can be made of the amount of the obligation. Provisions are determined by discounting the expected future cash flow at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

3.8 Employee benefits

Short term employee benefits

The cost of all short term employee benefits (those payable within 12 months after service is rendered), such as paid vacation leave, sick leave and bonuses, is recognised during the period in which the employee renders the related service.

FoodBank South Africa

Notes to the financial statements (continued)

for the year ended 28 February 2013

3.8 Employee benefits (continued)

The provisions for employee entitlements to wages, salaries, annual and sick leave represent the amount which the Company has a present obligation to pay as a result of the employees' services provided to the reporting date. The provisions have been calculated at undiscounted amounts based on current wage and salary rates.

3.9 Inventory

Inventory comprises food which is procured for the sole purpose of being donated to agencies. The cost of all procured inventory is capitalised. Upon donation of the procured inventory to beneficiaries, the inventory balance is reduced with the cost of the donated inventory.

3.10 Donated assets

Non-reciprocal, non-monetary contributions in the form of donated assets from third parties other than government are measured at the nominal amount paid.

3.11 Standards and Interpretations not yet effective

In terms of International Financial Reporting Standards, the Company is required to include in its financial statements disclosure about the future impact of Standards and Interpretations issued but not yet effective at the issue date. The directors are of the opinion that the following Standards and Interpretations may have an impact on future financial statements:

Standard or interpretation	Effective date
IFRS 9 <i>Financial instruments</i>	Annual periods beginning on or after 1 January 2015*
IFRS 7 <i>Disclosures – Offsetting Financial Assets and Financial Liabilities</i>	1 January 2013*
IAS 32 <i>Offsetting Financial Assets and Financial Liabilities</i>	1 January 2014*

*All Standards and Interpretations will be adopted at their effective date

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FoodBank South Africa

Notes to the annual financial statements (continued)

for the year ended 28 February 2013

	2013 R	Restated 2012 R
4. Revenue		
Donations	252 718	7 209 492
Grants	15 693 343	12 403 937
Service agreement revenue	5 151 304	5 464 681
Sundry revenue	3 504 659	2 403 414
	<u>24 602 024</u>	<u>27 481 524</u>

5. Surplus from operations

The surplus is arrived at after taking into account:

Auditor's remuneration

- audit fees : current year

150 000

-

- audit fees : prior year

158 722

141 000

Director emoluments

- executive services

848 205

171 323

Operating lease charges

- property rentals

1 841 228

1 665 411

Depreciation

747 778

555 615

All of the director emoluments were paid to Mohamed Yusuf Kajee in respect of his services as Managing Director.

For most of the previous financial year FoodBank enjoyed the services of a volunteer who acted as the Company's Managing Director.

6. Operating lease expense

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

Not later than one year

959 114

679 118

Two to five years

1 187 406

320 060

2 146 520

999 178

7. Taxation

Provision has not been made for SA normal current or deferred taxation as the Company has been granted exemption in terms of section 10(1)(cN) of the Income Tax Act.

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FoodBank South Africa

Notes to the financial statements (continued)

for the year ended 28 February 2013

8. Plant and equipment	Cost R	Accumulated depreciation R	Net book value R		
2013					
Furniture and fittings	490 679	(82 864)	407 815		
Motor vehicles	6 451 426	(2 799 674)	3 651 752		
Office equipment	317 523	(228 332)	89 191		
Computer equipment	608 772	(378 689)	230 083		
Computer software	90 079	(80 547)	9 532		
	<u>7 958 479</u>	<u>(3 570 106)</u>	<u>4 388 373</u>		
2012					
Furniture and fittings	241 842	(15 536)	226 306		
Motor vehicles	6 672 832	(2 690 904)	3 981 928		
Office equipment	302 909	(171 258)	131 651		
Computer equipment	594 647	(286 998)	307 649		
Computer software	90 079	(59 833)	30 246		
	<u>7 902 309</u>	<u>(3 224 529)</u>	<u>4 677 780</u>		
	Carrying amount at beginning of year R	Additions R	Disposals R	Depreciation R	Carrying amount at end of year R
2013					
Furniture and fittings	226 306	248 837	-	(67 328)	407 815
Motor vehicles	3 981 928	339 772	(161 068)	(508 880)	3 651 752
Office equipment	131 651	14 614	-	(57 074)	89 191
Computer equipment	307 649	19 446	(3 230)	(93 782)	230 083
Computer software	30 246	-	-	(20 714)	9 532
	<u>4 677 780</u>	<u>622 669</u>	<u>(164 298)</u>	<u>(747 778)</u>	<u>4 388 373</u>
2012					
Furniture and fittings	35 595	201 901	-	(11 190)	226 306
Motor vehicles	1 806 090	2 594 167	(37 977)	(380 352)	3 981 928
Office equipment	159 442	25 421	-	(53 212)	131 651
Computer equipment	360 059	56 570	(17 871)	(91 109)	307 649
Computer software	39 997	10 001	-	(19 752)	30 246
	<u>2 401 183</u>	<u>2 888 060</u>	<u>(55 848)</u>	<u>(555 615)</u>	<u>4 677 780</u>

Some of the vehicles serve as security on a related party loan, see note 14.
The cost price of fully depreciated assets that are still in use is R3 214 463.

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FoodBank South Africa
Notes to the financial statements (continued)
for the year ended 28 February 2013

	2013	Restated 2012
	R	R
9. Inventory		
Opening stock	2 792 588	466 290
Purchases	1 658 151	9 432 036
Donated to beneficiaries	<u>(4 065 032)</u>	<u>(7 105 738)</u>
	<u>385 707</u>	<u>2 792 588</u>
10. Receivables		
Deposits	336 618	344 242
Department of Agriculture – KZN (Jozini)	-	652 010
Department of Agriculture – Limpopo	-	1 474 276
Sundry debtors	288 836	-
Tshwane Municipality	-	251 871
Value Added Tax receivable	-	388 622
	<u>625 454</u>	<u>3 111 021</u>
11. Cash and cash equivalents		
Petty cash	4 087	3 270
Current account	1 231 507	2 144 104
Call account	16 294 612	1 500 863
Credit card	18 815	(15 523)
	<u>17 549 021</u>	<u>3 632 714</u>
12. Payables		
Accruals	442 049	525 991
Provision for leave pay	281 316	427 001
Other Payables	378 074	2 473 349
Value Added Tax payable	186 960	-
	<u>1 288 399</u>	<u>3 426 341</u>

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FoodBank South Africa

Notes to the financial statements (continued)

for the year ended 28 February 2013

	2013	Restated 2012
	R	R
13. Deferred revenue		
Canadian High Commission	76 891	-
Department of Agriculture – Peulwana	6 000 000	-
Department of Agriculture – Limpopo	1 054 185	-
Department of Social Development	2 223 576	-
Engen	101 251	-
National Lottery Board	1 158 275	1 410 992
Nedbank Foundation	117 057	130 000
Phillip Morris	150 000	158 424
Tshwane Municipality	651 075	-
Xstrata Alloys	2 921 260	2 257 714
	<u>14 453 570</u>	<u>3 957 130</u>

Canadian High Commission

The Canadian High Commission funding was made available to provide training to all employees of FoodBank South Africa. The grant will be recognised in future in income in accordance with accounting policy 3.5.

Department of Agriculture – Peulwana

The Department of Agriculture funding received by FoodBank will be utilised to procure food from emerging farmers. The grant will be recognised in future in income in accordance with accounting policy 3.5.

Department of Agriculture - Limpopo

The Department of Agriculture funding made available to FoodBank South Africa is being utilised to manage the Limpopo Food Park. The grant is being recognised in income in accordance with accounting policy 3.5.

Department of Social Development

Funding received from the Department of Social Development is being utilised to pilot a CNDC project which will be replicated across the country in the new financial year. The grant is being recognised in income in accordance with accounting policy 3.5.

Engen

The Engen funding received by FoodBank South Africa is being utilised to pay for the fuel used to deliver food to various agencies, as well as the Peninsula School Feeding Association. The grant will be recognised in future in income in accordance with accounting policy 3.5.

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FoodBank South Africa

Notes to the financial statements (continued)

for the year ended 28 February 2013

13. Deferred income (continued)

Tshwane Municipality

The Tshwane Municipality funding made available to FoodBank South Africa was to procure food for the food bank operated by the Tshwane Municipality. The grant will be recognised in future in income in accordance with accounting policy 3.5.

Other prior year grants

All other grants which were deferred in the prior year have been appropriately recognised as revenue during the current financial year.

	2013 R	2012 R
14. Loan from related party		
FoodBank Foundation	1 476 199	2 573 011
<p>The amount owing to the FoodBank Foundation is unsecured, bears interest at a variable interest rate, which is currently 5.25%, has no fixed date for repayment and does not need to be repaid within twelve months if the Company cannot repay it earlier. For this reason the loan is disclosed as non-current.</p>		
Alan Gilbertson and Carol Dixon	908 653	1 800 000

The amount owing to Alan Gilbertson and Carol Dixon is secured by certain vehicles. The loan was initially extended for 3 months to ensure the Company's solvency, and was interest free for a period of 12 months. Thereafter the loan attracted interest at variable rates, and currently bears interest of 5.25%. The loan was repaid in full by November 2013.

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FoodBank South Africa

Notes to the financial statements (continued)

for the year ended 28 February 2013

15. Financial risk management

The Company's activities are exposed to market risk, credit risk and liquidity risk.

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

The board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. Management is responsible for the daily risk management. Management reports regularly to the board of directors on its activities. Risk management policies are established and reviewed by the board and implemented by management.

15.1 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.

The table below analyses the Company's financial liabilities into relevant maturity categories based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Interest terms	Carrying amount	Contractual cash flows	1 year or less	1-5 years	Over 5 years
28 February 2013	R	R	R	R	R	
Non-derivative financial assets						
Receivables	Interest-free	625 454	625 454	625 454	-	-
Cash and cash equivalents	Interest-free	17 549 021	17 549 021	17 549 021	-	-
		18 174 475	18 174 475	18 174 475	-	-
Restated 29 February 2012	Interest terms	Carrying amount	Contractual cash flows	1 year or less	1-5 years	Over 5 years
		R	R	R	R	R
Non-derivative financial assets						
Receivables	Interest-free	2 722 399	2 722 399	2 722 399	-	-
Cash and cash equivalents	Interest-free	3 632 714	3 632 714	3 632 714	-	-
		6 355 113	6 355 113	6 355 113	-	-

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FoodBank South Africa

Notes to the financial statements (continued)

for the year ended 28 February 2013

15. Financial risk management (continued)

15.1 Liquidity Risk (continued)

	Interest terms	Carrying amount	Contractual cash flows	1 year or less	1-5 years	Over 5 years
	R	R	R	R	R	
28 February 2013						
Non-derivative financial liabilities						
Loan from Alan Gilbertson and Carol Dixon	5.25%	908 653	908 653	908 653	-	-
Loan from FoodBank Foundation	5.25%	1 476 199	1 476 199	-	1 476 199	-
Payables	Interest-free	1 101 439	1 101 439	1 101 439	-	-
		3 486 291	3 486 291	2 010 092	1 476 199	-
Restated 29 February 2012						
Non-derivative financial liabilities						
Loan from Alan Gilbertson and Carol Dixon	5.25%	1 800 000	1 800 000	1 800 000	-	-
Loan from FoodBank Foundation	5.25%	2 573 011	2 573 011	-	2 573 011	-
Payables	Interest-free	3 426 341	3 426 341	3 426 341	-	-
		7 799 352	7 799 352	5 226 341	2 573 011	-

15.2 Market Risk

The Company's most significant market risk is interest rate risk. The interest rate risk arises from loans from the related parties. Borrowings issued at variable rates expose the Company to cash flow interest rate risk.

The Company adopts a policy of variable rate borrowings.

15.3 Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and debtors. The Company only deposits cash with Nedbank Limited, a bank with high quality credit standing, and limits exposure to any one counterparty.

Sundry debtors consist of suppliers with debit balances. Management does not expect any losses from non-performance by these counterparties.

15.4 Fair values

The fair values of all financial instruments are not materially different to the carrying amounts reflected in the statement of financial position as the fair values approximated the carrying amounts of the financial instruments at year end.

FoodBank South Africa
Notes to the financial statements (continued)
for the year ended 28 February 2013

16. Related parties

16.1 Identity of related parties

The directors are listed in the directors' report.

16.2 Material related party transactions

Director emoluments - refer note 5
 Loans from related parties – refer note 14

	2013	Restated 2012
	R	R
17. Notes to the statement of cash flows		
Cash generated by/(utilised in) operations		
Operating surplus before interest	2 313 337	2 486 098
Adjustments for:		
Loss on sale of assets	60 453	-
Depreciation of plant and equipment	747 778	555 615
Operating surplus before working capital changes	<u>3 121 568</u>	<u>3 041 713</u>
Decrease / (Increase) in receivables	2 485 567	(2 826 552)
(Decrease) / Increase in trade and other payables	(2 137 942)	3 256 565
Increase / (Decrease) in deferred revenue	10 496 440	(8 932 476)
Decrease / (Increase) in inventories	2 406 881	(2 326 298)
	<u><u>16 372 514</u></u>	<u><u>(7 787 048)</u></u>

18. Contingent assets and liabilities

During the 2012 financial year the Jozini Agri Foodbank project commenced. This is a partnership between FoodBank South Africa and the Kwa Zulu Natal Department of Agriculture. Phase 1 of this project entails training small scale farmers in the districts of Jozini and Ugu. FoodBank has partnered with Technoserve to provide the required farmer training.

At the end of the 2013 financial year an amount of R1 624 498 was receivable from the KZN-DOA. Payment to Technoserve of R1 492 380 is dependent on this amount being received. The recoverability of this amount is questionable, and there is no legal obligation to pay Technoserve. In the circumstances the directors have not made any provision for the asset or the liability.

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FoodBank South Africa

Notes to the financial statements (continued)

for the year ended 28 February 2013

19. Prior Period Error

Prior year revenue was overstated as a result of errors in the calculation of deferred revenues.

The correction of the errors resulted in the following adjustments:

	Balance as previously reported R	Adjustment R	Restatement R
Profit for the year ended 29 February 2012	(2 826 108)	407 124	(2 418 984)
Receivables – Tshwane Municipality	-	251 871	251 871
Income received in advance – Xstrata Alloys	(2 473 350)	215 636	(2 257 714)
Receivables – Dept of Agric. Limpopo	2 374 473	(900 197)	1 474 276
Deferred revenue – National Lottery Board	(1 436 558)	25 566	(1 410 992)

20. Subsequent Events

After the year end, the Company embarked on a S189A restructuring process to reduce its financial obligations sufficiently to align them with anticipated income.

21. Going concern

The Directors and Management intend the restructuring process described in note 20 to reduce the Company's financial obligations sufficiently that they do not exceed available funding. As a result they are confident that the Company will have adequate resources to sustain its restructured operations for the year ahead and for the foreseeable future.

As a result, these financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its commitments as disclosed in note 15.

FoodBank South Africa

Detailed income statement

for the year ended 28 February 2013

	2013 R	Restated 2012 R
Revenue	24 602 024	27 481 524
Other income		
Net finance income / (expense)	<u>50 776</u>	<u>(67 114)</u>
	24 652 800	27 414 410
Procured inventory donated by Foodbank	(4 065 032)	(7 105 738)
Expenditure	(18 223 655)	(17 889 688)
Accommodation and allowances	162 760	296 762
Auditor's remuneration	308 722	141 000
Bank charges	77 322	34 610
Computer expenses	433 120	251 669
Depreciation	747 778	555 615
Directors' emoluments	848 205	171 323
Distribution costs	28 176	105 578
Entertainment	119 095	57 688
Fundraising and other consulting	114 766	778 811
Fundraising costs and promotions	17 134	204 774
Insurance	287 769	294 116
Legal expenses	3 666	28 450
Motor vehicle expenses	133 008	54 768
Motor vehicle licensing and registration	40 174	40 310
Office equipment	133 630	35 454
Other expenses	96 132	73 287
Parking	21 832	23 104
Petrol and oil	1 089 113	920 001
Postage	34 911	42 604
Printing and stationery	159 247	170 533
Rent paid	2 212 495	1 927 667
Repairs and maintenance - office	107 530	47 011
Repairs and maintenance - vehicle	295 171	349 972
Salaries and wages	9 193 299	9 569 806
Security	97 109	58 186
Staff recruitment	73 050	37 350
Staff uniforms	10 715	6 317
Staff welfare	91 304	65 257
Telephone and fax	395 939	494 862
Training	46 428	10 666
Travel - local	551 369	866 355
Utilities	292 686	175 782
Net surplus for the year	<u>2 364 113</u>	<u>2 418 984</u>