Qhubeka Charity NPC (Formally Qhubeka The Motive Power Movement NPC)
(Registration number 2005/012333/08)

Consolidated Audited Annual Financial
Statements for the year ended 31 December 2017

General Information

Country of incorporation and domicile	South Africa
Company registration number	2005/012333/08
Nature of business and principal activities	Poverty relief for poor and needy persons through the provision of bicycles
Directors	A.A. Fitzhenry C.J. Brunsden F.S.T. Phweni
Registered office	30 A Dias Crescent Douglasdale 2191
Business address	30 A Dias Crescent Douglasdale 2191
Postal address	30 A Dias Crescent Douglasdale 2191
Bankers	Nedbank Limited, First National Bank
Secretary	Waterford Financial Management Proprietary Limited
Auditors	Grant Thornton Johannesburg Partnership Chartered Accountants (S.A.) Registered Auditors A South African member of Grant Thornton International Limited
Level of assurance	These consolidated audited annual financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.

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The reports and statements set out below comprise the consolidated audited annual financial statements presented to the members:

Preparer

These annual financial statements were prepared under the supervision of A.A. Fitzhenry (Director)

Directors' Responsibilities and Approval

The directors are required by the Companies Act 71 of 2008, to maintain adequate accounting records and are responsible for the content and integrity of the consolidated audited annual financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated audited annual financial statements fairly present the state of affairs of the group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with the International Financial Reporting Standards for Small and Medium-sized Entities. The external auditors are engaged to express an independent opinion on the consolidated audited annual financial statements.

The consolidated audited annual financial statements are prepared in accordance with the International Financial Reporting Standards for Small and Medium-sized Entities and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the group and all employees are required to maintain the highest ethical standards in ensuring the group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risk cannot be fully eliminated, the group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated audited annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the group's cash flow forecast for the 12 months to 31 December 2018 and, in the light of this review and the current financial position, they are satisfied that the group has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the group's consolidated audited annual financial statements. The consolidated audited annual financial statements have been examined by the group's external auditors and their report is presented on page 4.

The consolidated audited annual financial statements set out on page 6 to 21, which have been prepared on the going concern basis, were approved by the board on 22 March 2018 and were signed on its behalf by:

Director

Independent Auditor's Report
To the shareholders of
Qhubeka Charity NPC

Opinion
We have audited the consolidated and separate financial statements of Qhubeka Charity NPC set out on pages 7 to 19, which comprise the statement of financial position as at 31 December 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of Qhubeka Charity NPC as at 31 December 2017, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities 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 consolidated and separate 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 supplementary information set out on pages 20 to 21. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate 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 consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate 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 consolidated and separate financial statements
The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities 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 consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate 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 consolidated and separate financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 consolidated and separate 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 consolidated and separate 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 consolidated and separate 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 consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Grant Thornton

GRANT THORNTON
Registered Auditors
Practice Number: 903485E

EFG Dreyer
Partner
Registered Auditor
Chartered Accountant (SA)

21 May 2018

@Grant Thornton
Wanderers Office Park
52 Corlett Drive
Illovo, 2196

Directors' Report

The directors have pleasure in submitting their report on the consolidated audited annual financial statements of Qhubeka Charity NPC and the group for the year ended 31 December 2017.

1. Nature of business

Qhubeka Charity NPC is a holding company incorporated in South Africa with interests in charity and poverty relief for persons through the provision of bicycles. During the current financial year, the company established a subsidiary company in order to manufacture bicycles for the purpose of enterprise development. The activities of the group are undertaken through the company and its principal subsidiary. The group operates principally in South Africa.

There have been no material changes to the nature of the group's business from the prior year.

2. Review of financial results and activities

The consolidated consolidated audited annual financial statements have been prepared in accordance with International Financial Reporting Standards for Small and Medium-sized Entities and the requirements of the Companies Act 71 of 2008. The accounting policies have been applied consistently compared to the prior year.

Full details of the financial position, results of operations and cash flows of the group are set out in these consolidated consolidated audited annual financial statements.

3. Directors

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

Directors	Changes
A.A. Fitzhenry	
C.J. Brunsden	
D.G. Major	Resigned 23 March 2017
D.H. Neiswander	Resigned 23 March 2017
F.S.T. Phweni	
K. Jasiunaite	Resigned 23 March 2017

4. Events after the reporting period

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

5. Going concern

The directors believe that the group has adequate financial resources to continue in operation for the foreseeable future and accordingly the consolidated consolidated audited annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the group is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the group. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the group.

6. Auditors

Grant Thornton Johannesburg was appointed to office as auditors for the company and its subsidiary for 2017.

Statement of Financial Position as at 31 December 2017

		Group	Company	
	Note(s)	2017 R	2017 R	2016 R
Assets				
Non-Current Assets				
Property, plant and equipment	2	1 250 857	191 309	365 108
Investments in subsidiaries	3	-	100	-
		1 250 857	**191 409**	**365 108**
Current Assets				
Inventories	4	3 708 486	609 548	12 492 807
Financial assets	5	-	3 602 148	-
Trade and other receivables	6	13 072 273	10 677 179	435 754
Cash and cash equivalents	7	26 242 736	8 237 443	343 178
		43 023 495	**23 126 318**	**13 271 739**
Total Assets		**44 274 352**	**23 317 727**	**13 636 847**
Equity and Liabilities				
Equity				
Retained surplus		20 528 811	21 885 925	12 889 390
Liabilities				
Current Liabilities				
Deferred grant	8	19 935 952	995 500	-
Trade and other payables	9	3 809 589	436 302	747 457
		23 745 541	**1 431 802**	**747 457**
Total Equity and Liabilities		**44 274 352**	**23 317 727**	**13 636 847**

Qhubeka Charity NPC
(Registration number 2005/012333/08)
Consolidated Audited Annual Financial Statements for the year ended 31 December 2017

Statement of Comprehensive Income

		Group	Company	
	Note(s)	2017 R	2017 R	2016 R
Revenue	10	35 719 365	33 947 980	29 129 792
Cost of sales	11	(3 594 371)	(3 010 020)	(2 606 120)
Gross profit		**32 124 994**	**30 937 960**	**26 523 672**
Other income	12	24 110	8 424	2 488 016
Operating expenses		(24 905 326)	(22 158 175)	(25 352 977)
Operating profit		**7 243 778**	**8 788 209**	**3 658 711**
Investment revenue	13	395 645	208 328	138 887
Finance costs	14	(2)	(2)	-
Surplus for the year		**7 639 421**	**8 996 535**	**3 797 598**
Other comprehensive income		-	-	-
Total comprehensive surplus for the year		**7 639 421**	**8 996 535**	**3 797 598**

Statement of Changes in Equity

	Retained surplus R	Total equity R
Group		
Balance at 01 January 2017	**12 889 390**	**12 889 390**
Profit for the year	7 639 421	7 639 421
Other comprehensive income	-	-
Total comprehensive income for the year	**7 639 421**	**7 639 421**
Balance at 31 December 2017	**20 528 811**	**20 528 811**
Note(s)		
Company		
Balance at 01 January 2016	**9 091 792**	**9 091 792**
Profit for the year	3 797 598	3 797 598
Other comprehensive income	-	-
Total comprehensive income for the year	**3 797 598**	**3 797 598**
Balance at 01 January 2017	**12 889 390**	**12 889 390**
Profit for the year	8 996 535	8 996 535
Other comprehensive income	-	-
Total comprehensive income for the year	**8 996 535**	**8 996 535**
Balance at 31 December 2017	**21 885 925**	**21 885 925**
Note(s)		

Statement of Cash Flows

		Group	Company	
	Note(s)	2017 R	2017 R	2016 R
Cash flows from operating activities				
Cash generated from (used in) operations	15	6 639 765	10 304 941	(484 122)
Interest income		395 645	208 328	138 887
Finance costs		(2)	(2)	-
Net cash from operating activities		**7 035 408**	**10 513 267**	**(345 235)**
Cash flows from investing activities				
Purchase of property, plant and equipment	2	(1 141 977)	(82 429)	(42 092)
Sale of property, plant and equipment	2	70 175	70 175	-
Investment in subsidiary		-	(100)	-
Loans advanced		-	(3 602 148)	-
Net cash from investing activities		**(1 071 802)**	**(3 614 502)**	**(42 092)**
Cash flows from financing activities				
Proceeds from other financial liabilities		19 935 952	995 500	-
Net cash from financing activities		**19 935 952**	**995 500**	**-**
Total cash movement		**25 899 558**	**7 894 265**	**(387 327)**
Cash at the beginning of period		343 178	343 178	730 504
Total cash at end of period	7	**26 242 376**	**8 237 443**	**343 178**

Accounting Policies

1. Presentation of Consolidated Audited Annual Financial Statements

The consolidated audited annual financial statements have been prepared in accordance with the International Financial Reporting Standards for Small and Medium-sized Entities, and the Companies Act 71 of 2008. The consolidated audited annual financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in South African Rands.

These accounting policies are consistent with the previous period.

1.1 Consolidation

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and all entities, including special purpose entities, which are controlled by the company.

Control exists when the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries are included in the consolidated financial statements from the effective date of acquisition to the effective date of disposal.

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the group's interest therein, and are recognised within Equity.

Transactions which result in changes in ownership levels, where the group has control of the subsidiary both before and after the transaction are regarded as equity transaction and are recognised directly in the Statement of Changes in Equity.

The difference between the fair value of consideration paid or received and the movement in non-controlling interest for such transactions is recognised in equity attributable to the owners of the parent.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the consolidated audited annual financial statements, management is required to make judgements, estimates and assumptions that affect the amounts represented in the consolidated audited annual financial statements and related disclosures. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results in the future could differ from these estimates which may be material to the consolidated audited annual financial statements.

Critical judgements in applying accounting policies

Management did not make critical judgements in the application of accounting policies, apart from those involving estimations, which would significantly affect the financial statements.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Accounting Policies

1.3 Property, plant and equipment

Property, plant and equipment are tangible items that:

- are held for use in the production or supply of goods or services, for rental to others or for administrative purposes; and
- are expected to be used during more than one period.

Property, plant and equipment is carried at cost less accumulated depreciation and accumulated impairment losses.

Cost includes all costs incurred to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Depreciation is provided using the straight-line method to write down the cost, less estimated residual value over the useful life of the property, plant and equipment, which is as follows:

Item	Average useful life
Furniture and fixtures	6 years
Motor vehicles	4 years
IT equipment	3 years
Warehouse equipment	10 years

The residual value, depreciation method and useful life of each asset are reviewed at each annual reporting period if there are indicators present that there has been a significant change from the previous estimate.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss in the period.

1.4 Investments in subsidiaries

Group consolidated audited annual financial statements

The group consolidated audited annual financial statements include those of the holding company and its subsidiaries. The results of the subsidiaries are included from the effective date of acquisition.

1.5 Financial instruments

Financial instruments at amortised cost

Debt instruments, as defined in the standard, are subsequently measured at amortised cost using the effective interest method. Debt instruments which are classified as current assets or current liabilities are measured at the undiscounted amount of the cash expected to be received or paid, unless the arrangement effectively constitutes a financing transaction.

At the end of each reporting date, the carrying amounts of assets held in this category are reviewed to determine whether there is any objective evidence of impairment. If so, an impairment loss is recognised

Financial instruments at cost

Commitments to receive a loan are measured at cost less impairment.

Equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably are measured at cost less impairment. This includes equity instruments held in unlisted investments.

Accounting Policies

1.5 Financial instruments (continued)

Financial instruments at fair value

All other financial instruments are measured at fair value through profit and loss.

1.6 Inventories

Inventories are measured at the lower of cost and selling price less costs to complete and sell, on the first-in, first-out (FIFO) basis.

1.7 Impairment of assets

The group assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset (or group of assets) in prior years. A reversal of impairment is recognised immediately in profit or loss.

1.8 Provisions and contingencies

Provisions are recognised when:

- the group has an obligation at the reporting date as a result of a past event;
- it is probable that the company will be required to transfer economic benefits in settlement; and
- the amount of the obligation can be estimated reliably.

1.9 Grants

Grants that do not impose specified future performance conditions are recognised in income when the grant proceeds are receivable.

Grants that impose specified future performance conditions are recognised in income only when the performance conditions are met.

Grants received before the revenue recognition criteria are satisfied are recognised as a liability.

1.10 Revenue

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Interest is recognised, in profit or loss, using the effective interest rate method.

Donation income is recognised, in profit or loss, when the company receives the donation and the associated project costs have been incurred or accrued.

Accounting Policies

1.11 Cash and cash equivalents

Cash and cash equivalents are categorised as loans and receivables and, subsequent to initial recognition, are measured at amortised cost. 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, all of which are available for use by the group unless otherwise stated.

Outstanding payments are included in trade and other payables.

1.12 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in the functional currency of the company, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of each reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous consolidated audited annual financial statements are recognised in profit or loss in the period in which they arise.

Notes to the Consolidated Audited Annual Financial Statements

2. Property, plant and equipment

Group	2017			2016		
	Cost	Accumulated depreciation and impairments	Carrying value	Cost	Accumulated depreciation and impairments	Carrying value
Plant and machinery	1 059 548	-	1 059 548	-	-	-
Furniture and fixtures	135 298	(99 804)	35 494	135 298	(78 392)	56 906
Motor vehicles	1 010 967	(961 532)	49 435	1 096 933	(847 498)	249 435
IT equipment	115 233	(47 187)	68 046	32 804	(21 868)	10 936
Warehouse Equipment	77 390	(39 056)	38 334	77 390	(29 559)	47 831
Total	**2 398 436**	**(1 147 579)**	**1 250 857**	**1 342 425**	**(977 317)**	**365 108**

Company	2017			2016		
	Cost	Accumulated depreciation and impairments	Carrying value	Cost	Accumulated depreciation and impairments	Carrying value
Furniture and fixtures	135 298	(99 804)	35 494	135 298	(78 392)	56 906
Motor vehicles	1 010 967	(961 532)	49 435	1 096 933	(847 498)	249 435
IT equipment	115 233	(47 187)	68 046	32 804	(21 868)	10 936
Warehouse equipment	77 390	(39 056)	38 334	77 390	(29 559)	47 831
Total	**1 338 888**	**(1 147 579)**	**191 309**	**1 342 425**	**(977 317)**	**365 108**

Reconciliation of property, plant and equipment - Group - 2017

	Opening balance	Additions	Depreciation	Total
Plant and machinery	-	1 059 548	-	1 059 548
Furniture and fixtures	56 906	-	(21 412)	35 494
Motor vehicles	249 435	-	(200 000)	49 435
IT equipment	10 936	82 429	(25 319)	68 046
Warehouse equipment	47 831	-	(9 497)	38 334
	365 108	**1 141 977**	**(256 228)**	**1 250 857**

Notes to the Consolidated Audited Annual Financial Statements

	Group	Company	
	2017 R	2017 R	2016 R

Reconciliation of property, plant and equipment - Company 2017

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	56 906	-	(21 412)	35 494
Motor vehicles	249 435	-	(200 000)	49 435
IT equipment	10 936	82 429	(25 319)	68 046
Warehouse equipment	47 831	-	(9 497)	38 334
	365 108	**82 429**	**(256 228)**	**191 309**

Reconciliation of property, plant and equipment - Company 2016

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	51 645	24 515	(19 254)	56 906
Motor vehicles	449 435	-	(200 000)	249 435
IT equipment	21 869	-	(10 933)	10 936
Warehouse equipment	38 381	17 577	(8 127)	47 831
	561 330	**42 092**	**(238 314)**	**365 108**

3. Investments in subsidiaries

		% Holding 2017	% Holding 2016	Carrying Amount 2017	Carrying Amount 2016
Real Bicycle Co. (Pty) Ltd	100 No par value shares	100 %	- %	100	-

4. Inventories

	Group 2017	Company 2017	Company 2016
Finished goods	3 098 938	-	-
Bicycles, cycling shirts and cycling helmets	609 548	609 548	12 492 807
	3 708 486	**609 548**	**12 492 807**

5. Financial assets

	Group 2017	Company 2017	Company 2016
At amortised cost			
Real Bicycle Co	-	3 602 148	-
No date has been set for repayment of the loan which is unsecured and interest free.			
Current assets			
At amortised cost	-	3 602 148	-

Notes to the Consolidated Audited Annual Financial Statements

	Group	Company	
	2017 R	2017 R	2016 R

6. Trade and other receivables

Trade receivables	1 609 051	1 869 931	49 985
Prepayments	2 065 211	-	-
Deposits	6 114 227	6 114 227	223 415
VAT	1 180 144	667 505	57 571
Prepaid expenses	995 500	995 500	-
World Bicycle Relief US NFP	-	-	104 783
Other receivable	1 108 140	1 030 016	-
	13 072 273	**10 677 179**	**435 754**

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	374	374	750
Bank balances	26 242 362	8 237 069	342 428
	26 242 736	**8 237 443**	**343 178**

8. Deferred grant

At amortised cost			
Capital grant The grant is expected to realise in the next 12 months.	18 940 452	-	-
Other income grant The grant is expected to realise in the next 12 months.	995 500	995 500	-
	19 935 952	**995 500**	-
Current liabilities			
At amortised cost	19 935 952	995 500	-

9. Trade and other payables

Trade payables	184 536	235 276	5 640
Amounts received in advance	2 500	-	-
Buffalo Bicycle Limited - Mauritius	-	-	280 319
Accrued expenses	129 529	129 529	339 429
Accrued audit fees	71 497	71 497	122 069
Payroll accruals	924 027	-	-
	3 809 589	**436 302**	**747 457**

10. Revenue

Sale of bicycles and cycling equipment	5 572 380	5 572 380	3 476 976
Donations Income	29 087 437	28 375 600	25 652 816
Government grants	1 059 548	-	-
	35 719 365	**33 947 980**	**29 129 792**

Notes to the Consolidated Audited Annual Financial Statements

	Group	Company	
	2017 R	2017 R	2016 R
11. Cost of sales			
Sale of goods			
Cost of goods sold	3 594 371	3 010 020	2 606 120
12. Other income			
Profit and loss on sale of assets and liabilities	70 175	70 175	-
Profit and loss on forex exchange	(46 065)	(61 751)	(297 243)
World Bicycle Relief Contributions	-	-	2 785 259
	24 110	**8 424**	**2 488 016**
13. Investment revenue			
Interest revenue			
Bank	395 645	208 328	138 887
14. Finance costs			
Bank	2	2	-
15. Cash generated from (used in) operations			
Profit before taxation	7 639 421	8 996 535	3 797 598
Adjustments for: Depreciation and amortisation	256 228	256 228	238 314
Profit on sale of assets	(70 175)	(70 175)	-
Interest received	(395 645)	(208 328)	(138 887)
Finance costs	2	2	-
Changes in working capital:			
Inventories	8 784 321	11 883 259	(8 288 908)
Trade and other receivables	(14 452 766)	(10 241 425)	3 414 035
Trade and other payables	4 878 379	(311 155)	493 726
	6 639 765	**10 304 941**	**(484 122)**

Notes to the Consolidated Audited Annual Financial Statements

	Group	Company	
	2017	2017	2016
	R	R	R

16. Related parties

Relationships	
Ultimate holding company	World Bicycle Relief US NFP
Subsidiaries	Real Bicycle Company (Proprietary) Limited 3
Members of key management	A.A. Fitzhenry

Related party balances

	Group 2017 R	Company 2017 R	Company 2016 R
Loan accounts - Owing (to) by related parties			
Real Bicycle Company (Proprietary) Limited		3 602 148	-
World Bicycle Relief US NFP		-	104 783
		3 602 148	**104 783**

Related party transactions

	Group 2017 R	Company 2017 R	Company 2016 R
Purchases from (sales to) related parties			
Real Bicycle Company (Proprietary) Limited		(1 703 550)	-
Real Bicycle Company (Proprietary) Limited		112 697	-
		(1 590 853)	**-**
Management fees paid to (received from) related parties			
Buffalo Bicycles Limited - Mauritius		-	937 443

17. Going concern

The consolidated audited annual 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.

18. Events after the reporting period

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

19. Taxation

No provision for taxation has been made as Qhubeka Charity NPC has received from SARS tax exemption and Real Bicycle Co. (Proprietary) Limited has not made a taxable profit and no deferred tax asset was raised on this loss.

Detailed Income Statement

		Group	Company	
	Note(s)	2017 R	2017 R	2016 R
Revenue				
Sale of bicycles and cycling equipment		5 572 380	5 572 380	3 476 976
Government grants		1 059 548	-	-
Donations received		29 087 437	28 375 600	25 652 816
	10	**35 719 365**	**33 947 980**	**29 129 792**
Cost of sales				
Opening stock		(12 492 807)	(12 492 807)	(4 203 899)
Purchases		5 189 950	8 873 239	(10 895 028)
Closing stock		3 708 486	609 548	12 492 807
	11	**(3 594 371)**	**(3 010 020)**	**(2 606 120)**
Gross profit		32 124 994	**30 937 960**	**26 523 672**
Other income				
Profit and loss on forex exchange		(46 065)	(61 751)	(297 243)
World Bicycle Relief Contributions		-	-	2 785 259
Interest received	13	395 645	208 328	138 887
Gains on disposal of assets		70 175	70 175	-
		419 755	(16 882)	2 626 903
Expenses (Refer to page 21)		**(24 905 326)**	**(22 158 175)**	**(25 352 977)**
Operating profit		7 639 423	8 996 537	3 797 598
Finance costs	14	(2)	(2)	-
Surplus for the year		7 639 421	8 996 535	3 797 598

The supplementary information presented does not form part of the financial statements and is unaudited

Detailed Income Statement

		Group	Company	
		2017	2017	2016
	Note(s)	R	R	R
Operating expenses				
Accounting fees		193 517	172 027	147 692
Advertising		457 522	439 772	200 377
Assets under R7 000		7 762	7 762	14 650
Bad debts		3 177	3 177	-
Bank charges		94 826	90 355	95 221
Commission paid		27 479	27 479	-
Communications management - outside		511 728	511 728	526 269
Consulting and professional fees		1 500	-	-
Consumables		44 791	-	-
Delivery expenses		837 057	837 057	-
Depreciation, amortisation and impairments		256 228	256 228	238 314
Employee costs		4 659 868	3 916 257	2 796 959
Entertainment		16 355	14 725	5 074
Event expenses		1 295 113	1 187 239	922 028
General expenses		70 695	70 675	5 650
Hire		7 140	7 140	7 934
IT expenses		15 011	15 011	15 202
Insurance		387 525	387 525	114 774
Lease rentals on operating lease		727 478	727 478	364 580
Legal Fees		4 340	-	-
License fee		730 103	730 103	720 390
Management fees		-	-	937 443
Mechanics training expenses		242 697	64 862	125 742
Motor vehicle expenses		118 130	118 130	179 644
Municipal expenses		15 232	15 232	17 247
Petrol and oil		3 349	-	-
Printing and stationery		24 893	23 202	20 062
Postage		24 073	-	-
Project expenses		10 137 366	9 747 366	14 068 582
Repairs and maintenance		68 210	32 195	(383)
Research and development costs		212 983	212 983	1 382
Secretarial fees		4 139	4 139	3 420
Staff recruitment		538	538	36 000
Staff welfare		2 444	-	-
Technical services - outside		1 365 464	1 365 464	1 065 795
Telephone and fax		95 768	79 506	60 628
Training		155 706	143 431	41 649
Transport and freight		844 173	680	852 573
Travel - local		987 505	877 046	1 194 416
Travel - overseas		433 126	260 648	262 121
Warranty expense		(179 685)	(188 985)	311 542
		24 905 326	**22 158 175**	**25 352 977**