

PATHWAYS PRETORIA

(Registration Number NPO 042851)

Annual Financial Statements

for the year ended 31 December 2017

Compiled Financial Statements

Prepared: Samuel Pauw

Pauw & Associates ^{BK}_{CC}

Geoktrooierde Rekenmeesters (S.A.) - Chartered Accountants (S.A.) Reg. No. 1998/003859/23

PATHWAYS PRETORIA

(Registration Number NPO 042851)

Annual Financial Statements for the year ended 31 December 2017

Index

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

General Information	2
Report of the Compiler	3
Board' Responsibilities and Approval	4
Board' Report	5
Statement of Financial Position	6
Statement of Comprehensive Income	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
Accounting Policies	10 - 12
Notes to the Annual Financial Statements	13 - 15
Supplementary information:	
Detailed Income Statement	16 - 17
Additional disclosure	18

PATHWAYS PRETORIA

(Registration Number NPO 042851)

Annual Financial Statements for the year ended 31 December 2017

General Information

Country of Incorporation and Domicile	South Africa
Nature of Business and Principal Activities	Training, education and care of children and young adults with several physical or mental disabilities
Board members	D. Nel (Principal) S. Taylor (Chairman) B. Haskins J. Kleinsmith S. Panday
Business Address	3 Fisant street Rietfontein 0118
Compilers	Pauw & Associates CC 16 Natalie Avenue Murrayfield 0184

Report of the Compiler

To the Members of Pathways Pretoria

We have compiled the accompanying annual financial statements of Pathways Pretoria based on information you have provided. These annual financial statements comprise the statement of financial position of Pathways Pretoria as at 31 December 2017, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory information.

We performed this compilation engagement in accordance with International Standard on Related Services 4410 (Revised), Compilation Engagements.

We have applied our expertise in accounting and financial reporting to assist you in the preparation and presentation of these 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. We have complied with relevant ethical requirements, including principles of integrity, objectivity, professional competence and due care.

These financial statements and the accuracy and completeness of the information used to compile them are your responsibility.

Since a compilation engagement is not an assurance engagement, we are not required to verify the accuracy or completeness of the information you provided to us to compile these financial statements. Accordingly, we do not express an opinion thereon.

Pauw & Associates CC

20 February 2018



Per: Samuel Pauw
Chartered Accountant (SA)

16 Natalie Avenue
Murrayfield
0184

PATHWAYS PRETORIA

(Registration Number NPO 042851)

Annual Financial Statements for the year ended 31 December 2017

Board' Responsibilities and Approval

The Board are required by the South African Companies Act to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements satisfy the financial reporting standards as to form and content and present fairly the statement of financial position, results of operations and business of the school, and explain the transactions and financial position of the business of the school at the end of the financial year. The annual financial statements are based upon appropriate accounting policies consistently applied throughout the school and supported by reasonable and prudent judgements and estimates.

The Board acknowledge that they are ultimately responsible for the system of internal financial control established by the school and place considerable importance on maintaining a strong control environment. To enable the Board 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 school and all employees are required to maintain the highest ethical standards in ensuring the school's business is conducted in a manner that in all reasonable circumstances is above reproach.

The focus of risk management in the school is on identifying, assessing, managing and monitoring all known forms of risk across the school. While operating risk cannot be fully eliminated, the school endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Board 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 annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss. The going-concern basis has been adopted in preparing the annual financial statements. Based on forecasts and available cash resources the Board have no reason to believe that the school will not be a going concern in the foreseeable future. The annual financial statements support the viability of the school.

The compilers are responsible for reporting on the school's annual financial statements. The compilation report is presented on page 3.

The annual financial statements as set out on pages 6 to 15 were approved by the board on 20 February 2018 and were signed on their behalf by:

D. Nel (Principal)

S. Taylor (Chairman)

PATHWAYS PRETORIA

(Registration Number NPO 042851)

Annual Financial Statements for the year ended 31 December 2017

Board' Report

The Board present their report for the year ended 31 December 2017.

1. Review of activities

Main business and operations

The principal activity of the school is training, education and care of children and young adults with several physical or mental disabilities and there were no major changes herein during the year.

The operating results and statement of financial position of the school are fully set out in the attached financial statements and do not in our opinion require any further comment.

2. Going concern

The 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.

3. Events after reporting date

All events subsequent to the date of the annual financial statements and for which the applicable financial reporting framework require adjustment or disclosure have been adjusted or disclosed.

The Board are not aware of any matter or circumstance arising since the end of the financial year to the date of this report that could have a material effect on the financial position of the school.

4. Board

The Board of the school during the year and to the date of this report are as follows:

D. Nel (Principal)
S. Taylor (Chairman)
B. Haskins
J. Kleinsmith
S. Panday

5. Compilers

Pauw & Associates CC were the compilers for the year under review.

PATHWAYS PRETORIA

(Registration Number NPO 042851)

Annual Financial Statements as at 31 December 2017

Statement of Financial Position

Figures in R	Notes	2017	2016
Assets			
Non-Current Assets			
Property, plant and equipment	3	56,608	40,347
Current Assets			
Trade and other receivables	4	251,128	156,677
Cash and cash equivalents	5	595,327	374,067
		846,455	530,743
Total Assets		903,063	571,090
Equity and Liabilities			
Equity			
Retained earnings/ (accumulated loss)		210,027	(303,531)
Non-Current Liabilities			
Debentures	6	250,000	280,000
Current Liabilities			
Trade and other payables	8	89,233	20,729
Borrowings	9	-	60,264
Prepaid annual fees	10	286,392	444,628
Prepaid registration fees	11	67,410	69,000
		443,035	594,620
Total Equity and Liabilities		903,063	571,090

PATHWAYS PRETORIA

(Registration Number NPO 042851)

Annual Financial Statements for the year ended 31 December 2017

Statement of Comprehensive Income

Figures in R	2017	2016
Revenue	5,286,924	5,012,684
Cost of sales	(536,532)	(251,825)
Gross profit	4,750,392	4,760,859
Other income	35,395	20,100
Operating costs	(4,308,377)	(4,766,874)
Operating profit	477,410	14,085
Finance income	36,168	8,412
Finance costs	(19)	(593)
Profit for the year	513,558	21,904

PATHWAYS PRETORIA

(Registration Number NPO 042851)

Annual Financial Statements for the year ended 31 December 2017

Statement of Changes in Equity

Figures in R	Retained earnings	Total
Balance at 1 January 2016	(325,434)	(325,434)
Profit for the year	21,904	21,904
Balance at 31 December 2016	(303,531)	(303,531)
Balance at 1 January 2017	(303,531)	(303,531)
Profit for the year	513,558	513,558
Balance at 31 December 2017	210,027	210,027

PATHWAYS PRETORIA

(Registration Number NPO 042851)

Annual Financial Statements for the year ended 31 December 2017

Statement of Cash Flows

Figures in R	Note(s)	2017	2016
Cash flows from operating activities			
Profit for the year		513,558	21,904
<i>Adjustments for:</i>			
Finance costs		19	593
Depreciation of property, plant and equipment		43,489	55,322
Investment income		(36,168)	(8,412)
Profit on disposal of property, plant and equipment		-	(20,000)
Operating cash flow before working capital changes		520,898	49,406
<i>Working capital changes</i>			
Increase in trade and other receivables		(94,452)	(55,172)
Increase in short term loans		(60,264)	(111)
Decrease in trade and other payables		(91,321)	(171,519)
Cash generated by operating activities		274,861	(177,396)
Investment income		36,168	8,412
Finance costs		(19)	(593)
Net cash from operating activities		311,010	(169,577)
Cash flows from investing activities			
Property, plant and equipment acquired	3	(59,750)	(55,907)
Proceeds on disposals of property, plant and equipment		-	20,000
Net cash utilised in investing activities		(59,750)	(35,907)
Cash flows from financing activities			
Loans repaid		(30,000)	(55,000)
Net cash utilised in financing activities		(30,000)	(55,000)
Increase/(decrease) in cash and cash equivalents		221,260	(260,484)
Cash and cash equivalents at beginning of the year		374,067	634,551
Cash and cash equivalents at end of the year	5	595,327	374,067

PATHWAYS PRETORIA

(Registration Number NPO 042851)

Annual Financial Statements for the year ended 31 December 2017

Accounting Policies

1. General information

Pathways Pretoria is a private school incorporated in South Africa.

2. Summary of significant accounting policies

These annual financial statements have been prepared in accordance with the International Financial Reporting Standards for Small and Medium-sized Entities issued by the International Accounting Standards Board. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

These financial statements have been prepared under the historical cost convention and are presented in South African Rands.

2.1 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and/or services in the ordinary course of the company's activities. Revenue is shown net of value-added tax, returns, and discounts.

The company recognises revenue when: the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity; and specific criteria have been met for each of the company's activities, as described below:

2.1.1 Services revenue

The service rendered is recognised as revenue by reference to the stage of completion of the transaction at the reporting date.

2.1.2 Interest income

Interest income is recognised using the effective interest rate method.

PATHWAYS PRETORIA

(Registration Number NPO 042851)

Annual Financial Statements for the year ended 31 December 2017

Accounting Policies

2.2 Property, plant and equipment

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

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.

Assets with a cost price less than R7,000.00 are written off at commissioning.

Depreciation is charged so as to allocate the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The following rates are used for the depreciation of property, plant and equipment:

Motor vehicles	5 years
Furniture and fittings	6 years
Other fixed asset	5 years
Office equipment	3 years
Computer equipment	3 years

2.3 Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. Determining whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Leases of assets are classified as finance leases when the leases transfer substantially all risks and rewards incidental to ownership of the assets to the company. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss at actual cost if the expected increase is in line with expected general inflation.

2.4 Trade and other receivables

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

2.5 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown under current liabilities on the statement of financial position.

PATHWAYS PRETORIA

(Registration Number NPO 042851)

Annual Financial Statements for the year ended 31 December 2017

Accounting Policies

2.6 Borrowings

Borrowings are recognised initially at the transaction price (that is, the present value of cash payable to the bank, including transaction costs). Borrowings are subsequently stated at amortised cost. Interest expense is recognised on the basis of the effective interest rate method and is included in finance costs.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

2.7 Employee benefit obligations

2.7.1 Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

2.8 Trade payables

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest rate method.

2.9 Provisions

Provisions are measured at the present value of the amount expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.10 Borrowing costs

Borrowing costs are recognised on the basis of the effective interest rate method and is included in finance costs.

PATHWAYS PRETORIA

(Registration Number NPO 042851)

Annual Financial Statements for the year ended 31 December 2017

Notes to the Annual Financial Statements

Figures in R 2017 2016

3. Property, plant and equipment

	Cost	Accumulated depreciation	2017 Carrying value	Cost	Accumulated depreciation	2016 Carrying value
<i>Owned assets</i>						
Motor vehicles	304,800	(304,797)	3	304,800	(304,797)	3
Furniture and fittings	78,283	(58,928)	19,355	78,283	(54,094)	24,189
Other fixed asset	183,690	(146,536)	37,153	136,520	(120,449)	16,071
Office equipment	34,853	(34,843)	10	34,853	(34,843)	10
Computer equipment	98,786	(98,700)	86	86,206	(86,132)	74
	700,412	(643,804)	56,608	640,662	(600,316)	40,347

The carrying amounts of property, plant and equipment can be reconciled as follows:

	Carrying value at beginning of year	Additions	Disposals	Depreciation	2017 Carrying value at end of year
<i>Owned assets</i>					
Motor vehicles	3	-	-	-	3
Furniture and fittings	24,189	-	-	(4,833)	19,355
Other fixed asset	16,071	47,170	-	(26,087)	37,153
Office equipment	10	-	-	-	10
Computer equipment	74	12,580	-	(12,568)	86
	40,347	59,750	-	(43,489)	56,608

	Carrying value at beginning of year	Additions	Disposals	Depreciation	2016 Carrying value at end of year
<i>Owned assets</i>					
Motor vehicles	3	-	-	-	3
Furniture and fittings	29,022	-	-	(4,833)	24,189
Other fixed asset	10,717	13,657	-	(8,303)	16,071
Office equipment	10	-	-	-	10
Computer equipment	9	42,250	-	(42,185)	74
	39,761	55,907	-	(55,322)	40,347

PATHWAYS PRETORIA

(Registration Number NPO 042851)

Annual Financial Statements for the year ended 31 December 2017

Notes to the Annual Financial Statements

Figures in R	2017	2016
4. Trade and other receivables		
Trade debtors	273,022	165,636
Deposits	38,087	46,072
Other debtors	18,079	8,897
Ernie Els foundation	-	45,000
Staff loans	-	3,927
	<u>329,188</u>	<u>269,532</u>
Impairment loss	(78,060)	(112,855)
	<u>251,128</u>	<u>156,677</u>
5. Cash and cash equivalents		
Favourable cash balances		
Cash on hand	574	361
ABSA Current Account -4057-475-367	4,730	159,969
ABSA Savings Account -9098-403-401	418	17,501
ABSA Fundraising Account 9187-858-965	-	98,522
ABSA Fundraising Account -92-9201-3056	-	718
ABSA Petrol Account -9302-944-282	-	58
ABSA Studio Account -9302-941-331	-	22,314
ABSA Debenture Account -9306-511-168	589,604	69,012
ABSA Call Account -91-4178-6564	-	5,612
	<u>595,327</u>	<u>374,067</u>
6. Debentures		
Unsecured Redeemable debentures	<u>250,000</u>	<u>280,000</u>
	<u>250,000</u>	<u>280,000</u>
The loans bear no interest and repayments are made when the learners leave the school.		
7. Operating lease liabilities		
Lease and sublease payments recognised as an expense in the period:		
Minum lease payments	<u>85,384</u>	<u>299,000</u>
At year-end, the school has outstanding commitments under non-cancellable operating leases that fall due as follows:		
- no later than one year	<u>-</u>	<u>162,000</u>

PATHWAYS PRETORIA

(Registration Number NPO 042851)

Annual Financial Statements for the year ended 31 December 2017

Notes to the Annual Financial Statements

Figures in R

	2017	2016
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8. Trade and other payables

Trade creditors	78,483	19,729
Other accruals	10,600	1,000
Payroll accruals	150	-
	<u>89,233</u>	<u>20,729</u>

9. Borrowings

Loan from Greyling T.	-	14,889
Loan from Sparta Charity	-	45,375
	<u>-</u>	<u>60,264</u>

The loans bear no interest and have no fixed terms of repayment.

10. Prepaid annual fees

Account receivables with credit balances	<u>286,392</u>	<u>444,628</u>
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11. Prepaid registration fees

Prepaid school registration fees	43,870	43,000
Prepaid studio registration fees	23,540	26,000
	<u>67,410</u>	<u>69,000</u>

12. Comparative figures

In the comparative period the expenses attributable to fundraising activities were set-off against the income of those activities and therefore only the net amount was disclosed as income.

During the period under review the entity improved its disclosure by separating income from direct cost of the fundraising activities.

It was impracticable to restate the comparative figures.

PATHWAYS PRETORIA

(Registration Number NPO 042851)

Annual Financial Statements for the year ended 31 December 2017

Detailed Income Statement

Figures in R	2017	2016
Gross Revenue		
School fees	2,908,285	2,798,538
After care fees	57,200	93,460
Donations received	274,065	298,647
Fundraising income	118,781	(45,801)
Recreational activities	52,190	(13,328)
Registration fees	90,000	103,000
Rent received	55,990	97,660
School uniforms	20,075	(4,560)
Stationary received	4,570	12,510
Studio fees	1,523,840	1,590,418
Swimming fees	5,400	5,400
Transport fees	121,500	105,649
Workshops	55,027	(28,909)
	<u>5,286,924</u>	<u>5,012,684</u>
Cost of Sales		
Discount granted	115,200	7,308
Fundraising expenses	113,530	-
Recreational activities	55,924	-
School subsidies	158,200	176,617
School uniforms	28,271	-
Stationary expenses	15,145	-
Studio subsidies	-	67,900
Workshops expenses	50,262	-
	<u>536,532</u>	<u>251,825</u>
Gross Profit	<u>4,750,392</u>	<u>4,760,859</u>
Other Income		
Bad debts recovered	35,395	100
Investment income	36,168	8,412
Profit on sale of fixed assets	-	20,000
	<u>71,563</u>	<u>28,512</u>
	<u>4,821,954</u>	<u>4,789,371</u>

PATHWAYS PRETORIA

(Registration Number NPO 042851)

Annual Financial Statements for the year ended 31 December 2017

Detailed Income Statement

Figures in R	2017	2016
Expenditure		
Accounting fees	112,325	119,665
Advertising	-	706
Bad debts	1,240	26,052
Bank charges	24,232	12,179
Building and ground improvement costs	159,449	-
Class themes and use	7,983	10,270
Cleaning	15,009	7,436
Computer expenses	3,547	2,778
Consulting fees	570	-
Depreciation - Tangible assets	43,489	55,322
Electricity and water	83,144	66,052
Entertainment	3,632	4,776
Finance costs	19	593
Gifts	5,915	2,891
Horse riding	98,740	97,700
Insurance	44,661	21,698
Internet	8,619	25,460
Lease rental on operating lease	85,384	299,000
Life skill courses - Consumables	46,333	9,001
Life skill courses - Refreshments	24,886	14,308
Motor vehicle expense	56,213	36,901
Postage	-	153
Printing and stationery	32,648	25,815
Repairs and maintenance	58,666	88,188
Salaries	3,173,097	3,679,121
Security	24,929	17,069
Staff welfare	37,837	61,178
Studio - Tennis	27,500	-
Subscriptions	1,543	3,540
Telephone and fax	14,885	19,676
Training	13,550	4,466
Travel - local	40,350	55,475
Workmens compensation fund	58,002	-
	<u>4,308,397</u>	<u>4,767,467</u>
Profit for the year	<u>513,558</u>	<u>21,904</u>

PATHWAYS PRETORIA

(Registration Number NPO 042851)

Annual Financial Statements for the year ended 31 December 2017

Additional disclosure

Figures in R	2017	2016
Buildings and ground improvement costs		
Opening balance	107,736	107,736
Improvements made during the year	159,449	-
Closing balance	<u>267,185</u>	<u>107,736</u>

The above building and ground improvement expenditure is the total cumulative amount that Pathways Pretoria incurred on the premises that they are currently residing.