HEARTBEAT CENTRE FOR COMMUNITY DEVELOPMENT NPC

(Registration number 2000/001288/08)
Financial statements
for the year ended 29 February 2012

Heartbeat Centre for Community Development NPC
(Registration number 2000/001288/08)
Financial Statements for the year ended 29 February 2012

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	The identification and analysis of problem areas in communities, identification of key players in that certain community, and in consultation with identified key players the implementation and facilitation of plans and actions to relieve problems within identified areas specifically towards orphaned and vulnerable children.
Directors	Prof. S Pienaar C Dyantyi JA van Tonder R Botha
Registered office	Metropolitan Life Building Unit 01/2A 1064 Arcadia Street Hatfield 0083
Business address	Metropolitan Life Building Unit 01/2A 1064 Arcadia Street Hatfield 0083
Postal address	P. O.Box 72294 Lynwood Ridge 0040
Bankers	Standard Bank
Auditors	JTC Chartered Accountants (SA) Incorporated Chartered Accountants (S.A.) Registered Auditor
Company registration number	2000/001288/08
Level of assurance	These financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa.
Published	09 December 2013

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

Heartbeat Centre for Community Development NPC

(Registration number 2000/001288/08)
Financial Statements for the year ended 29 February 2012

Directors' Responsibilities and Approval

The directors are required by the Companies Act of South Africa, to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the company 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 Standard for Small and Medium-sized Entities. The external auditors are engaged to express an independent opinion on the financial statements.

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

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company 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 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 company's cash flow forecast for the year to 28 February 2013 and, in the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the company's financial statements. The financial statements have been examined by the company's external auditors and their report is presented on page 4.

The financial statements set out on pages 6 to 18, which have been prepared on the going concern basis, were approved by the board of directors on 09 December 2013 and were signed on its behalf by:

Director

Director

Independent Auditors' Report

To the members of Heartbeat Centre for Community Development NPC

We have audited the financial statements of Heartbeat Centre for Community Development NPC, which comprise the statement of financial position as at 29 February 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 6 to 18.

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 the International Financial Reporting Standard for Small and Medium-sized Entities, and requirements of the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' 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 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 auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with similar organisation, it is not feasible for the company to institute accounting controls over cash collections from donations prior to initial entry of the collections in the accounting records. Accordingly, it was impracticable for us to extend our examination beyond the receipts actualy recorded.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Heartbeat Centre for Community Development NPC as at 29 February 2012, 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.

Emphasis of Matter

Without qualifying our opinion, we draw attention to the directors report which indicates that the company incurred a net loss of R (1 255 094) for the year ended 29 February 2012. The directors' report also indicates that these conditions, along with other matters, indicate the existence of a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern.

Other matter

The records of the company with the CIPC have not been updated to reflect the correct directors and registered address of the company. ~~The company~~ is currently in the process to update these records with CIPC.

JTC Chartered Accountants (SA) Incorporated
Registered Auditor

Per: CF Terhoeven

09 December 2013

Boardwalk Office Park
Block J14 Ground floor
107 Haymeadow Drive
Faerie Glen X9
0043

Directors' Report

The directors submit their report for the year ended 29 February 2012.

1. Introduction

The success of Heartbeat this year should be measured by the extent to which it has achieved its mission. Heartbeat states: "we are a nurturing organisation, empowering orphaned and vulnerable children and those who support them to be responsible leaders of the future". This mission is being aspired to in a country where more than 6 million children are orphaned and vulnerable as a result of the scourge of the HIV/AIDS epidemic, displacement and the impact of migration. To fulfil our mission in this troubling environment is no simple quest. This year Heartbeat was also faced with a significant loss of funding, resulting mainly from the exiting of the President's Emergency Fund for Aids Relief in Africa (PEPFAR) from orphaned and vulnerable children's (OVCs) support programmes. The financial crisis has also had an impact on the support to non-governmental organisations nationwide, Heartbeat being no exception, with Murray & Roberts, one of our most loyal donors, not declaring dividends. After 10 years of loyal support the Old Mutual Foundation has also taken another direction. Despite these very tough challenges in a challenging environment Heartbeat prevailed and persisted to aspire to its mission.

2. Review of activities

Main business and operations

The company is engaged in the identification and analysis of problem areas in communities, identification of key players in that certain community, and in consultation with identified key players the implementation and facilitation of plans and actions to relieve problems within identified areas specifically towards orphaned and vulnerable children and operates only in South Africa.

Heartbeat has provided holistic care to more than 4 650 children in 15 sites and provinces throughout the country. We have supported our children psychosocially through home visits, support groups and one-on-one counselling sessions. Heartbeat provided our children access to education and educational support, such as extra classes for mathematics and science, thereby broadening their career choices while addressing the skills gap in the country. We supported 20 children in post-secondary education in subject fields such as accounting sciences, engineering and information technology.

Not only did we provide for the psychological and educational needs of the children, but we also gave the children monthly food parcels with the generous support of Tiger Brands. A hungry child is a stunted child, physically, mentally and emotionally.

We nurtured our care workers by enrolling them into accredited programmes. All our care workers passed the Home and Community Based Care (HCBC) training. We enrolled 30 of our children in a youth ambassador programme, training them to become the future leaders of our country. Heartbeat trained 16 community-based organisations through our mentoring and training programme, thereby extending its reach to an additional 2 189 children. We are proud that we did indeed realize our mission: we nurtured and empowered our children and their care workers and provided them with opportunities for leadership development.

The consequences of the closing out of the PEPFAR grant and the other financial difficulties encountered, provided Heartbeat with the opportunity of introspection and reflection on our programmes and activities. The organisation took immediate action, consulting with staff, labour and donors on the way forward. A strategy was formulated whereby 98 people throughout the organisation structure were laid off. This process was superbly managed by the COO, Mr Phetole Seodi. We examined our expenses and enforced efficiencies to reduce expenses. The senior management team and the chairperson of the board, Prof Sunette Pienaar, met on a weekly basis to monitor progress and risks.

Heartbeat has maintained its presence in all provinces although we had to cut back on services. This crisis provided us with an opportunity to think creatively about future fundraising strategies and other sustainability measures.

On the back of these challenges the operating results for the year were disappointing and those for the next financial year will be similar. The company incurred a net deficit of R 1 255 094 (2011: surplus R 561 557).

The income of the company consists of donations. The majority of these donations are received from specifically identified donors and in terms of certain contractual arrangements. Some donations are received from other sources and it is not possible for the company to implement controls to ensure that all those donations are accounted for in the records. The company can only account for these donations based on amounts actually received.

3. Going concern

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

The Directors have put the following strategies in place to ensure that Heartbeat continues as a going concern. We appointed new board members, improving our skills in the areas of SMME development, finances and access to businesses for funding. We have diversified our fundraising strategy, including medium sized businesses as stakeholder and potential donor. Heartbeat reassessed the Sponsor-a-Child-in-Need programme to determine ways and means to leverage our current donor base to bring more individual sponsors on board. We developed a campaign for Sponsor-a-Child-in-Need to be launched in the New Year. We have embarked on the process to register Heartbeat as BEE compliant, thereby giving us access to enterprise funding. Heartbeat also received provisional accreditation for our training and mentoring programme, expanding our market and accessing SETA funding. Heartbeat approached companies for a cause related marketing campaign to raise awareness of the organisation while raising funds. We believe we have found such a partner in Estee Lauder and the Pretty Powerful Campaign of Bobbi Brown with the founder and artist herself supporting the campaign from the New York offices.

Heartbeat put efficiencies in place. We cut down our head office expenditure by relocating to more affordable premises, given the fact that our rental agreement was coming to an end. Head office expenses and overheads were further trimmed down. Head office staff members were deployed to the projects to further contain travelling and other management expenses. Staff contracts were also paired with the donor funding to ensure payment to all staff members that were not laid off.

Heartbeat's greatest asset is its people. Despite the lay-offs many staff members volunteered to stay on to support the children. The management and senior management team supported each other with small tokens of appreciation and kind words. Management instated a 'keep going' message which was mailed to all staff in the organisation. The COO consulted and encouraged staff members one-on-one as we weathered the storm.

Our loyal donors jacked up their support for Heartbeat with Go Ahead! deploying volunteers from Deutche Bank to develop a marketing strategy for the organisation. Woolworths generously allowed Heartbeat to redirect funding to our most pressing issues. Go Ahead!, MixTelematics and Sasol pledged their continued support. Tiger Brands partnered to deliver much needed school shoes to our children and to raise more awareness about Heartbeat. Santam, Standard Bank, Ad Outpost and ESKOM showed interest in our operations. We also submitted a funding proposal to the National Lotteries Board and a grant of R596 600 was allocated to the company. The Department of Social Development remains a loyal supporter of Heartbeat; our programmes also aligned to their objectives.

Despite the adversities of the past year, Heartbeat has fared well. We have put all necessary actions in place to weather the storm while looking for creative solutions. We have realign our vision, mission and objectives in the New Year to cater for our changing environment while pursuing quality service delivery to our country's children in those areas most needed. The Board is confident that Heartbeat will continue with its operations for the foreseeable future.

The Board understands that the financial results indicate the existence of a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern and that the auditors will include this matter in their audit report.

4. Events after the reporting period

The directors are not aware of any matter or circumstance arising since the end of the financial year other than the matters discussed above.

5. Directors' interest in contracts

None of the directors of the company have interest in contracts entered into by the company.

6. Non-current assets

There were no major changes in the nature of the non-current assets of the company during the year.

7. Directors

The directors of the company during the year and to the date of this report are as follows:

Name	Changes
Prof. S Steyn	
Mr BE Greyling	Resigned 01 July 2012
Dr BST Masilela	Resigned 01 July 2012
G Behrman	Resigned 01 July 2012
C Dyantyi	
PS Seodi	
KNL More	
JA van Tonder	Appointed 29 January 2013
R Botha	Appointed 04 February 2013
A Vieira	Resigned 06 November 2013
N Swartz	Appointed 04 February 2013

8. Secretary

The company had no secretary during the year.

Heartbeat Centre for Community Development NPC
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Statement of Financial Position

Figures in Rand	Note(s)	2012	2011
Assets			
Non-Current Assets			
Property, plant and equipment	2	667 030	700 716
Current Assets			
Trade and other receivables	3	1 379 602	2 338 143
Cash and cash equivalents	4	5 398 143	5 335 250
		6 777 745	**7 673 393**
Total Assets		**7 444 775**	**8 374 109**
Equity and Liabilities			
Equity			
Retained income		1 821 255	3 076 349
Liabilities			
Current Liabilities			
Operating lease liability		33 952	101 018
Trade and other payables	7	282 223	272 469
Provisions	5	40 975	81 418
Donor creditors	6	5 266 370	4 842 855
		5 623 520	**5 297 760**
Total Equity and Liabilities		**7 444 775**	**8 374 109**

Heartbeat Centre for Community Development NPC

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Statement of Comprehensive Income

Figures in Rand	Note(s)	2012	2011
Revenue	8	22 293 183	24 525 009
Other income		4 366	-
Operating expenses		(23 700 167)	(24 194 695)
Operating (deficit)/surplus	9	**(1 402 618)**	**330 314**
Investment revenue	10	147 527	231 308
Finance costs	11	(3)	(65)
(Deficit)/surplus for the year		**(1 255 094)**	**561 557**
Other comprehensive income		-	-
Total comprehensive (deficit)/surplus for the year		**(1 255 094)**	**561 557**

Statement of Changes in Equity

Figures in Rand	Specific Reserves	Retained surplus	Total equity
Balance at 01 March 2010	**2 817 311**	**2 514 792**	**5 332 103**
Changes in equity			
Total comprehensive surplus for the year	-	561 557	561 557
Transfer from specific reserves	(2 817 311)	-	(2 817 311)
Total changes	(2 817 311)	561 557	(2 255 754)
Balance at 01 March 2011	**-**	**3 076 349**	**3 076 349**
Changes in equity			
Total comprehensive deficit for the year	-	(1 255 094)	(1 255 094)
Total changes	-	(1 255 094)	(1 255 094)
Balance at 29 February 2012	**-**	**1 821 255**	**1 821 255**

Statement of Cash Flows

Figures in Rand	Note(s)	2012	2011
Cash flows from operating activities			
Cash receipts from donors		23 241 887	26 362 824
Cash paid to suppliers and employees		(23 496 277)	(26 895 621)
Cash used in operations	13	(254 390)	(532 797)
Interest income		147 527	231 308
Finance costs		(3)	(65)
Net cash from operating activities		**(106 866)**	**(301 554)**
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(256 043)	(441 331)
Sale of property, plant and equipment	2	2 287	-
Net cash from investing activities		**(253 756)**	**(441 331)**
Cash flows from financing activities			
Increase/(decrease) in Donor creditors		423 515	489 920
Total cash movement for the year		**62 893**	**(252 965)**
Cash at the beginning of the year		5 335 250	5 588 215
Total cash at end of the year	4	**5 398 143**	**5 335 250**

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, and the Companies Act of South Africa. The 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 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.

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.

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

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
Buildings - Containers	3 years
Furniture and fixtures	6 years
Motor vehicles	5 years
Office equipment	6 years
IT equipment	3 years
Computer software	2 years

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

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item and have significantly different patterns of consumption of economical benefits is depreciated separately over its useful life.

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.

1.2 Financial instruments

Financial instruments at amortised cost

Financial instruments may be designated to be measured at amortised cost less any impairment using the effective interest method. These include trade and other receivables, loans and trade and other payables. At the end of each reporting period 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.

1.3 Tax

Tax expenses

The entity is exempt from income tax.

Accounting Policies

1.4 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

1.5 Impairment of assets

The company assesses at each reporting period date whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

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 (selling price less costs to complete and sell, in the case of inventories), 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.

1.6 Employee benefits

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.

1.7 Provisions and contingencies

Provisions are recognised when:

- the company has an obligation at the reporting period 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.

1.8 Revenue

Revenue comprises donation income, and is recognised when received. Donations received in terms of contractual arrangements are recognised as income when the expenses are incurred in terms of the contract with the donors. Any unutilised funds are accounted for as donor creditors.

SACIN donations are accounted for as creditors when funds become due and receivable from corporate entities. When expenses are incurred in terms of SACIN program the SACIN donations are accounted for as income.

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

2. Property, plant and equipment

	2012			2011		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Buildings	607 445	(588 686)	18 759	589 595	(562 176)	27 419
Furniture and fixtures	434 608	(240 203)	194 405	436 896	(196 357)	240 539
Motor vehicles	414 301	(304 104)	110 197	414 301	(221 244)	193 057
Office equipment	35 481	(25 516)	9 965	35 480	(21 864)	13 616
IT equipment	517 653	(410 416)	107 237	460 370	(327 150)	133 220
Computer software	38 701	(38 701)	-	38 701	(38 701)	-
After school equipment	275 891	(49 424)	226 467	94 983	(2 118)	92 865
Total	**2 324 080**	**(1 657 050)**	**667 030**	**2 070 326**	**(1 369 610)**	**700 716**

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Disposals	Depreciation	Total
Buildings	27 419	17 850	-	(26 510)	18 759
Furniture and fixtures	240 539	-	(2 287)	(43 847)	194 405
Motor vehicles	193 057	-	-	(82 860)	110 197
Office equipment	13 616	-	-	(3 651)	9 965
IT equipment	133 220	57 284	-	(83 267)	107 237
After school equipment	92 865	180 909	-	(47 307)	226 467
	700 716	**256 043**	**(2 287)**	**(287 442)**	**667 030**

Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Depreciation	Total
Buildings	55 481	-	(28 062)	27 419
Furniture and fixtures	18 737	251 581	(29 779)	240 539
Motor vehicles	275 917	-	(82 860)	193 057
Office equipment	18 134	-	(4 518)	13 616
IT equipment	125 197	94 767	(86 744)	133 220
Other property, plant and equipment	-	94 983	(2 118)	92 865
	493 466	**441 331**	**(234 081)**	**700 716**

3. Trade and other receivables

	2012	2011
Donations receivable	1 077 750	1 901 461
Deposits	49 959	57 856
VAT	251 893	378 826
	1 379 602	**2 338 143**

Notes to the Financial Statements

Figures in Rand	2012	2011

4. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	3 374	6 615
Bank balances	4 693 737	4 663 398
Short-term deposits	701 032	665 237
	5 398 143	**5 335 250**

5. Provisions

Reconciliation of provisions - 2012

	Opening balance	Reversed during the year	Total
Leave pay provision	81 418	(40 443)	40 975

Reconciliation of provisions - 2011

	Opening balance	Additions	Total
Other provisions	61 928	19 490	81 418

6. Donor Creditors

Academy for Educational Development	181 739	71 791
Department of Social Delopment - Atteridgeville	90 030	54 377
Department of Social Delopment - Katlehong	965 529	461 601
Department of Social Development - Nelmapius	76 186	65 230
Department of Social Development - Vosloorus	226 348	81 470
DeparDepartment of Social Development - General	29 966	1 181
Exxarro Chairmans Fund	49 475	-
Family Health International Reserves	-	(4 977)
Go- Ahead	115 631	422 821
Go- Ahead - Wolfgang	685	2 500
Impact Research	-	10 000
Michael and Susan Dell Foundation	135 518	201 987
Mix Telematics	80 400	-
Murry and Robberts	-	240 436
Northern Cape	-	748 237
Sasol	-	175 000
Winrock US Aid	-	(631)
Woolworths	493 758	798 417
Support-a-Child-in-Need Fund (SACIN)	2 268 115	1 324 864
SACIN Tertiary Education Fund	552 990	188 551
	5 266 370	**4 842 855**

Notes to the Financial Statements

Figures in Rand	2012	2011

7. Trade and other payables

Trade payables	5	1
Other payables	282 218	272 468
	282 223	**272 469**

8. Revenue

Donations	22 293 183	24 525 009

9. Operating (deficit)/surplus

Operating (deficit)/surplus for the year is stated after accounting for the following:

Operating lease charges		
Premises		
• Contractual amounts	380 452	429 053
Depreciation on property, plant and equipment	287 442	234 081
Employee costs	10 537 239	11 060 379

10. Investment revenue

Interest revenue		
Bank	147 527	231 308

11. Finance costs

Interest paid	3	65

12. Auditors' remuneration

Fees	93 000	79 000
Other services	413	375
	93 413	**79 375**

13. Cash used in operations

(Deficit)/surplus before taxation	(1 255 094)	561 557
Adjustments for:		
Depreciation and amortisation	287 442	234 081
Interest received	(147 527)	(231 308)
Finance costs	3	65
Movements in operating lease assets and accruals	(67 066)	(26 489)
Movements in provisions	(40 443)	19 490
Changes in working capital:		
Trade and other receivables	958 541	(1 204 609)
Trade and other payables	9 754	114 416
	(254 390)	**(532 797)**

Notes to the Financial Statements

Figures in Rand	2012	2011

14. Commitments

Operating leases – as lessee (expense)

Minimum lease payments due		
- within one year	363 482	324 538
- in second to fifth year inclusive	-	363 482
	363 482	**688 020**

Operating lease payments represent rentals payable by the company for certain of its office properties. Leases are negotiated for an average term of five years. No contingent rent is payable.

15. Related parties

Relationships	
Director representing donor	R Botha - Representative of MixTelematics Ltd

Related party balances

Amounts included in Trade receivable (Trade Payable) regarding related parties		
MixTelematics Ltd	(80 400)	-

Related party transactions

Donor funds (received)/utilised		
MixTelematics Ltd	(80 400)	-

16. Directors' emoluments

Executive

2012

	In connection with services rendered to the company	Total
Directors remuneration	243 479	243 479

2011

	In connection with services rendered to the company	Total
Directors remuneration	240 500	240 500

Directors' Report

The directors submit their report for the year ended 29 February 2012.

1. Introduction

The success of Heartbeat this year should be measured by the extent to which it has achieved its mission. Heartbeat states: "we are a nurturing organisation, empowering orphaned and vulnerable children and those who support them to be responsible leaders of the future". This mission is being aspired to in a country where more than 6 million children are orphaned and vulnerable as a result of the scourge of the HIV/AIDS epidemic, displacement and the impact of migration. To fulfil our mission in this troubling environment is no simple quest. This year Heartbeat was also faced with a significant loss of funding, resulting mainly from the exiting of the President's Emergency Fund for Aids Relief in Africa (PEPFAR) from orphaned and vulnerable children's (OVCs) support programmes. The financial crisis has also had an impact on the support to non-governmental organisations nationwide, Heartbeat being no exception, with Murray & Roberts, one of our most loyal donors, not declaring dividends. After 10 years of loyal support the Old Mutual Foundation has also taken another direction. Despite these very tough challenges in a challenging environment Heartbeat prevailed and persisted to aspire to its mission.

2. Review of activities

Main business and operations

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Heartbeat has provided holistic care to more than 4 650 children in 15 sites and provinces throughout the country. We have supported our children psychosocially through home visits, support groups and one-on-one counselling sessions. Heartbeat provided our children access to education and educational support, such as extra classes for mathematics and science, thereby broadening their career choices while addressing the skills gap in the country. We supported 20 children in post-secondary education in subject fields such as accounting sciences, engineering and information technology.

Not only did we provide for the psychological and educational needs of the children, but we also gave the children monthly food parcels with the generous support of Tiger Brands. A hungry child is a stunted child, physically, mentally and emotionally.

We nurtured our care workers by enrolling them into accredited programmes. All our care workers passed the Home and Community Based Care (HCBC) training. We enrolled 30 of our children in a youth ambassador programme, training them to become the future leaders of our country. Heartbeat trained 16 community-based organisations through our mentoring and training programme, thereby extending its reach to an additional 2 189 children. We are proud that we did indeed realize our mission: we nurtured and empowered our children and their care workers and provided them with opportunities for leadership development.

The consequences of the closing out of the PEPFAR grant and the other financial difficulties encountered, provided Heartbeat with the opportunity of introspection and reflection on our programmes and activities. The organisation took immediate action, consulting with staff, labour and donors on the way forward. A strategy was formulated whereby 98 people throughout the organisation structure were laid off. This process was superbly managed by the COO, Mr Phetole Seodi. We examined our expenses and enforced efficiencies to reduce expenses. The senior management team and the chairperson of the board, Prof Sunette Pienaar, met on a weekly basis to monitor progress and risks.

Heartbeat has maintained its presence in all provinces although we had to cut back on services. This crisis provided us with an opportunity to think creatively about future fundraising strategies and other sustainability measures.

On the back of these challenges the operating results for the year were disappointing and those for the next financial year will be similar. The company incurred a net deficit of R 1 255 094 (2011: surplus R 561 557).

The income of the company consists of donations. The majority of these donations are received from specifically identified donors and in terms of certain contractual arrangements. Some donations are received from other sources and it is not possible for the company to implement controls to ensure that all those donations are accounted for in the records. The company can only account for these donations based on amounts actually received.

3. Going concern

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

The Directors have put the following strategies in place to ensure that Heartbeat continues as a going concern. We appointed new board members, improving our skills in the areas of SMME development, finances and access to businesses for funding. We have diversified our fundraising strategy, including medium sized businesses as stakeholder and potential donor. Heartbeat reassessed the Sponsor-a-Child-in-Need programme to determine ways and means to leverage our current donor base to bring more individual sponsors on board. We developed a campaign for Sponsor-a-Child-in-Need to be launched in the New Year. We have embarked on the process to register Heartbeat as BEE compliant, thereby giving us access to enterprise funding. Heartbeat also received provisional accreditation for our training and mentoring programme, expanding our market and accessing SETA funding. Heartbeat approached companies for a cause related marketing campaign to raise awareness of the organisation while raising funds. We believe we have found such a partner in Estee Lauder and the Pretty Powerful Campaign of Bobbi Brown with the founder and artist herself supporting the campaign from the New York offices.

Heartbeat put efficiencies in place. We cut down our head office expenditure by relocating to more affordable premises, given the fact that our rental agreement was coming to an end. Head office expenses and overheads were further trimmed down. Head office staff members were deployed to the projects to further contain travelling and other management expenses. Staff contracts were also paired with the donor funding to ensure payment to all staff members that were not laid off.

Heartbeat's greatest asset is its people. Despite the lay-offs many staff members volunteered to stay on to support the children. The management and senior management team supported each other with small tokens of appreciation and kind words. Management instated a 'keep going' message which was mailed to all staff in the organisation. The COO consulted and encouraged staff members one-on-one as we weathered the storm.

Our loyal donors jacked up their support for Heartbeat with Go Ahead! deploying volunteers from Deutche Bank to develop a marketing strategy for the organisation. Woolworths generously allowed Heartbeat to redirect funding to our most pressing issues. Go Ahead!, MixTelematics and Sasol pledged their continued support. Tiger Brands partnered to deliver much needed school shoes to our children and to raise more awareness about Heartbeat. Santam, Standard Bank, Ad Outpost and ESKOM showed interest in our operations. We also submitted a funding proposal to the National Lotteries Board and a grant of R596 600 was allocated to the company. The Department of Social Development remains a loyal supporter of Heartbeat; our programmes also aligned to their objectives.

Despite the adversities of the past year, Heartbeat has fared well. We have put all necessary actions in place to weather the storm while looking for creative solutions. We have realign our vision, mission and objectives in the New Year to cater for our changing environment while pursuing quality service delivery to our country's children in those areas most needed. The Board is confident that Heartbeat will continue with its operations for the foreseeable future.

The Board understands that the financial results indicate the existence of a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern and that the auditors will include this matter in their audit report.

Directors' Report

4. Events after the reporting period

The directors are not aware of any matter or circumstance arising since the end of the financial year other than the matters discussed above.

5. Directors' interest in contracts

None of the directors of the company have interest in contracts entered into by the company.

6. Non-current assets

There were no major changes in the nature of the non-current assets of the company during the year.

7. Directors

The directors of the company during the year and to the date of this report are as follows:

Name	Changes
Prof. S Steyn	
Mr BE Greyling	Resigned 01 July 2012
Dr BST Masilela	Resigned 01 July 2012
G Behrman	Resigned 01 July 2012
C Dyantyi	
PS Seodi	
KNL More	
JA van Tonder	Appointed 29 January 2013
R Botha	Appointed 04 February 2013
A Vieira	Resigned 06 November 2013
N Swartz	Appointed 04 February 2013

8. Secretary

The company had no secretary during the year.