

**GLOBAL COMPACT NETWORK SOUTH AFRICA NPC
REGISTRATION NO. 2018/073580/08**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2021**

**INDEX TO THE FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 DECEMBER 2021**

Contents	Page
Directors' responsibilities and approval	1
Report of the independent auditors	2 - 3
Directors' report	4
Statement of financial position	5
Statement of comprehensive income	6
Statement of changes in reserves	7
Statement of cash flows	8
Notes to the financial statements	9 - 14

DIRECTORS' RESPONSIBILITIES AND APPROVAL

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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 period and the results of its operations and cash flows for the period then ended, in conformity with its accounting policies. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with 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 controls 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 out 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 company and employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. 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 controls provides reasonable assurance that the financial records may be relied on for the presentation 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 31st December 2022 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.

Although the board of directors is primarily responsible for the financial affairs of the company, it is supported by the company's external auditors.

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 pages 2 to 3.

The financial statements set out on pages 4 to 14, which have been prepared on the going concern basis, were approved by the board of directors on the _____ and were signed on its behalf by:



Driekie Havenga - Director
Audit, Risk & Finance



Achleng Ojwang
Executive Director



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BRAAMFONTEIN
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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

GLOBAL COMPACT NETWORK SOUTH AFRICA NPC REGISTRATION NO. 2018/073580/08

Unqualified Opinion

We have audited the financial statements of Global Compact Network South Africa NPC set out on pages 4 to 14, which comprise the statement of financial position as at 31 December 2021, and the statement of comprehensive income, statement of changes in reserves and statement of cash flows for the financial period then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements fairly present, in all material respects, the financial position of Global Compact Network South Africa NPC as at 31 December 2021, and of its financial performance and its cash flows for the period then ended in accordance with its accounting policies, the International Financial Reporting Standards for Small and Medium-sized Entities and the Companies Act of South Africa.

Basis for Unqualified 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), together with the ethical requirements that are relevant to our audit of financial statements in South Africa. We have fulfilled our other ethical requirements in accordance with these requirements and the IRBA Code. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Part A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged With Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with their accounting policies, the International Financial Reporting Standards for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is 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 management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 management.
- Conclude on the appropriateness of management's 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the business activities within the company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company's audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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. We have communicated with those charged with governance on all relationships and other matters, which may reasonably be thought to bear on our independence and, where applicable, related safeguards.



DC Douglas R A (IRBA 605581)
Douglas & Velcich
Chartered Accountants (S.A.)

Johannesburg
18 March 2022

**GLOBAL COMPACT NETWORK SOUTH AFRICA NPC
REGISTRATION NO. 2018/073580/08**

**REPORT OF THE DIRECTORS FOR THE
YEAR ENDED 31 DECEMBER 2021**

Your board of directors presents its report, together with the audited financial statements of the company for the financial year ended 31 December 2021.

NATURE OF ACTIVITIES

The objective of the company is to create platforms for companies that are members of United Nations Global Compact to work with other stakeholders to collectively respond to national and global challenges of poverty, inequality and environmental organisation.

RESULTS

The results for the year are fully disclosed in the attached financial statements.

POST FINANCIAL POSITION EVENTS

No material fact or circumstance has occurred between the financial position date and the date of the audit report.

EQUIPMENT

During the year under review, the company acquired equipment of R43,497 (2020: RNil).

DIRECTORS

The following directors held office for the year under review:-

P N Bardill (Chairperson)	B J Chicksen
K Ebersohn-Khuvutlu	T D Santos
P Kapelus	K S Tshaka
H Havenga	K J Chaba
A A Ojwang (Executive Director)	B S M Backman

AUDITORS

Douglas and Velcich were retained as auditors for the year under review.

GLOBAL COMPACT NETWORK SOUTH AFRICA NPC
REGISTRATION NO. 2018/073580/08

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

	Note	2021 R	2020 R
ASSETS		7 996 062	5 744 629
Non current assets		44 498	28 232
Equipment	3	44 498	28 232
Current assets		7 951 564	5 716 397
Accounts receivable	4	638 350	1 316 800
Cash and cash equivalents	5	7 313 214	4 399 597
Total assets		7 996 062	5 744 629
RESERVES AND LIABILITIES		7 996 062	5 744 629
Reserves		7 271 590	4 341 064
Accumulated surplus		7 271 590	4 341 064
Current liabilities		724 472	1 403 565
Deferred membership fees		638 350	1 316 800
Provision for leave pay	6	86 122	86 765
Total reserves and liabilities		7 996 062	5 744 629

GLOBAL COMPACT NETWORK SOUTH AFRICA NPC
REGISTRATION NO. 2018/073580/08

STATEMENT OF COMPREHENSIVE INCOME FOR
THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 R	2020 R
INCOME		6 618 663	5 311 834
Grants and donations	7	-	602 489
Membership fees		6 462 572	4 572 275
Reimbursements		-	10 000
Interest received		156 091	89 911
Ters benefit		-	37 159
EXPENDITURE		3 688 137	2 833 133
Accounting fees		43 967	40 501
Audit fee		25 395	23 403
Bank charges		5 566	5 749
Banners and branding		760	-
Computer costs		18 616	32 216
Consulting fees		73 206	47 736
Depreciation		27 231	19 733
Entertainment and refreshments		-	593
General expenses		-	350
Postage and courier		82	-
Printing and stationery		8 417	-
Programme costs		93 584	499 300
Provision for leave pay		(643)	(43 523)
Publications and communication		52 545	18 849
Repairs and maintenance		440	-
Salaries, wages and contributions	8	3 315 498	2 115 617
Subscriptions		12 600	-
Travel and accommodation		-	5 682
Website costs		10 873	66 927
SURPLUS FOR THE YEAR		2 930 526	2 478 701

STATEMENT OF CHANGES IN RESERVES FOR
THE YEAR ENDED 31 DECEMBER 2021

	Accumulated Surplus R	Total R
Balance at 31 December 2019	1 862 363	1 862 363
Surplus for the year	2 478 701	2 478 701
Balance at 31 December 2020	4 341 064	4 341 064
Surplus for the year	2 930 526	2 930 526
Balance at 31 December 2021	7 271 590	7 271 590

GLOBAL COMPACT NETWORK SOUTH AFRICA NPC
REGISTRATION NO. 2018/073580/08

STATEMENT OF CASH FLOWS FOR THE
YEAR ENDED 31 DECEMBER 2021

	Note	2021 R	2020 R
Cash flows from operating activities			
Cash receipts from funders and membership		5 784 122	5 349 723
Cash paid to programmes, suppliers and employees		(2 983 099)	(2 984 723)
Cash generated from operations	9	2 801 023	2 365 000
Interest received		156 091	89 911
Net cash inflow from operating activities		2 957 114	2 454 911
Cash flows (utilised in) investing activities		-	-
Cash flows from financing activities		(43 497)	-
Acquisition of assets		(43 497)	-
Net increase in cash and cash equivalents		2 913 617	2 454 911
Cash and cash equivalents at beginning of year		4 399 597	1 944 686
Cash and cash equivalents at end of year	5	7 313 214	4 399 597

**GLOBAL COMPACT NETWORK SOUTH AFRICA NPC
REGISTRATION NO. 2018/073580/08**

**NOTES TO THE FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 DECEMBER 2021**

ACCOUNTING POLICIES

1. The financial statements have been prepared in accordance with International Financial Reporting Standards for Small, Medium - sized Entities and the Companies Act of South Africa. The financial statements have been prepared on the historical cost basis, except for financial instruments, and incorporate the following principal accounting policies set out below.

1.1 SIGNIFICANT JUDGEMENTS

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements.

1.2 EQUIPMENT

The cost of an item of tangible assets is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the company; and
- the cost of the item can be measured reliably.

Costs include costs incurred initially to acquire or construct an item of tangible assets 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 tangible assets, the carrying amount of the replaced part is derecognised.

Tangible assets are carried at cost less accumulated depreciation and any impairment losses.

Depreciation is provided on all tangible assets other than freehold land, to write down the cost, less residual value, by equal instalments over their useful lives as follows:

Item	Useful life
Computer equipment	3 years
Office equipment	5 years
Office furniture	6 years

The depreciation charge for each period is recognised directly through profit or loss, unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognising of an item of property and equipment is reflected directly through profit or loss.

1.3 FINANCIAL INSTRUMENTS

Measurement

Financial instruments carried on the statement of financial position include bank balances, accounts receivable and accounts payable. Financial instruments are initially measured at cost as at trade date, which includes transaction costs. Subsequent to initial recognition, the following instruments are measured as set out below :-

NOTES TO THE FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER 2021 (Continued)

ACCOUNTING POLICIES (Continued)

1.3 FINANCIAL INSTRUMENTS (Continued)

Accounts receivable

Accounts receivable is stated at cost less provision for impairment losses.

Cash and cash equivalents

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant risk in change in value.

Cash and cash equivalents are measured at fair value.

Accounts payable

Accounts payable which are short - term obligation, are stated at their nominal value.

1.4 IMPAIRMENT

The carrying amounts of assets are reviewed at financial position date to determine whether there is any indication of impairment. If there is such indication, the assets are written down to the estimated recoverable amounts. The recoverable amount is the higher of the net selling price and the value in use.

1.5 PROVISIONS AND CONTINGENCIES

Provisions are recognised when:

- the association has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation.

The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions shall not be recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

NOTES TO THE FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER 2021 (Continued)

ACCOUNTING POLICIES (Continued)

1.5 PROVISIONS AND CONTINGENCIES (Continued)

After their initial recognition, contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised.

1.6 REVENUE RECOGNITION

Income from fees, grants, sponsorship and membership is brought to account in the financial period to which it relates.

All other income is brought to account as and when received.

1.7 INTEREST INCOME

Interest is brought to account as and when received.

1.8 EXPENDITURE

Expenditure is accounted for on the accrual basis of accounting.

1.9 PROJECT ACCOUNTING AND EXPENSE ALLOCATION

In terms of its contractual obligations to donors, the company's policy is to allocate project expenses that are clearly identifiable as such, directly against project funds. Indirect and shared costs are apportioned on the basis of management estimates.

Accrued and deferred grant income is based on the balance of the project fund after taking into account the direct, indirect and shared costs as described above. The unexpended surplus of the project fund is deferred to the following year or the deficit is accrued in the year under review.

1.10 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.

The expected cost of compensated absences is recognised as an expense as the employee renders service that increases their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

NOTES TO THE FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER 2021 (Continued)

2. FINANCIAL RISK MANAGEMENT

2.1 Financial risk factors

The company's activities could expose it to a variety of financial risks: market risk (including fair value interest rate risk), credit risk, liquidity risk and cash flow interest rate risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seek to minimise potential adverse effects on the company's financial performance.

Risk management is carried out by the directors, who evaluate financial risks.

(a) Market risk

The company has no significant exposure to foreign currency risk.

(b) Credit risk

The company's credit risk is attributable to accounts receivable, accrued income and liquid funds.

The credit risk on liquid funds is limited because the counter party is a bank with credit rating assigned by international credit - rating agencies. The company has no significant concentration of credit risk, as accounts receivable is subject to rigorous credit control.

(c) Liquidity risk

The company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash reserves are maintained to cover anticipated expenditure.

(d) Cash flow and fair value interest rate risk

The company has minimal exposure to interest rate risk as surplus funds are invested in local interest - bearing accounts.

GLOBAL COMPACT NETWORK SOUTH AFRICA NPC
REGISTRATION NO. 2018/073580/08

NOTES TO THE FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER 2021 (Continued)

	Computer equipment R	Total R
3. EQUIPMENT		
31 December 2021		
Net book value - 1 January 2021	28 232	28 232
At cost	59 198	59 198
Accumulated depreciation	(30 966)	(30 966)
Additions during the year	43 497	43 497
Depreciation for the year	(27 231)	(27 231)
Net book value - 31 December 2021	44 498	44 498
At cost	102 695	102 695
Accumulated depreciation	(58 197)	(58 197)
Net book value - 1 January 2020	47 965	47 965
At cost	59 198	59 198
Accumulated depreciation	(11 233)	(11 233)
Additions during the year	-	-
Depreciation for the year	(19 733)	(19 733)
Net book value - 31 December 2020	28 232	28 232
At cost	59 198	59 198
Accumulated depreciation	(30 966)	(30 966)
	2021	2020
	R	R
4. ACCOUNTS RECEIVABLE		
Membership fees	638 350	1 189 000
5. CASH AND CASH EQUIVALENTS		
Favourable balances		
FNB Current account	1 178 385	383 129
FNB Call Account	5 996 002	3 839 911
Nedbank - Current account	138 827	176 557
	7 313 214	4 399 597
6. PROVISION FOR LEAVE PAY		
Balance at beginning of the year	86 765	130 288
Additions during the year	246 506	165 887
(Utilised) during the year	(247 149)	(209 410)
	86 122	86 765

GLOBAL COMPACT NETWORK SOUTH AFRICA NPC
REGISTRATION NO. 2018/073580/08

NOTES TO THE FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER 2021 (Continued)

	2021 R	2020 R
7. GRANTS AND DONATIONS		
UNGC Foundation Received	-	602 489
	<u>-</u>	<u>602 489</u>
	<u>-</u>	<u>602 489</u>
8. DIRECTOR'S EMOLUMENTS		
As employee	<u>1 615 825</u>	<u>1 351 250</u>
This cost is included in the Salaries, wages and other contributions.		
9. CASH GENERATED FROM OPERATIONS		
Surplus for the year	2 930 526	2 478 701
Adjustment:		
Interest received	(156 091)	(89 911)
Depreciation	27 231	19 733
(Decrease)/increase in deferred income	(678 450)	127 800
(Decrease) in provision for leave pay	(643)	(43 523)
Operating surplus before working capital changes	<u>2 122 573</u>	<u>2 492 800</u>
Changes in working capital	678 450	(127 800)
Decrease/(increase) in accounts receivable	<u>678 450</u>	<u>(127 800)</u>
Cash generated from operations	<u>2 801 023</u>	<u>2 365 000</u>

10. TAXATION

No provision has been made for taxation as the company has qualified for tax exemption from income tax as a public benefit organisation under section 10(1)(cN) as read with section 30 of the Income Tax Act.

11. RELATED PARTIES

Director's emoluments

refer note 8