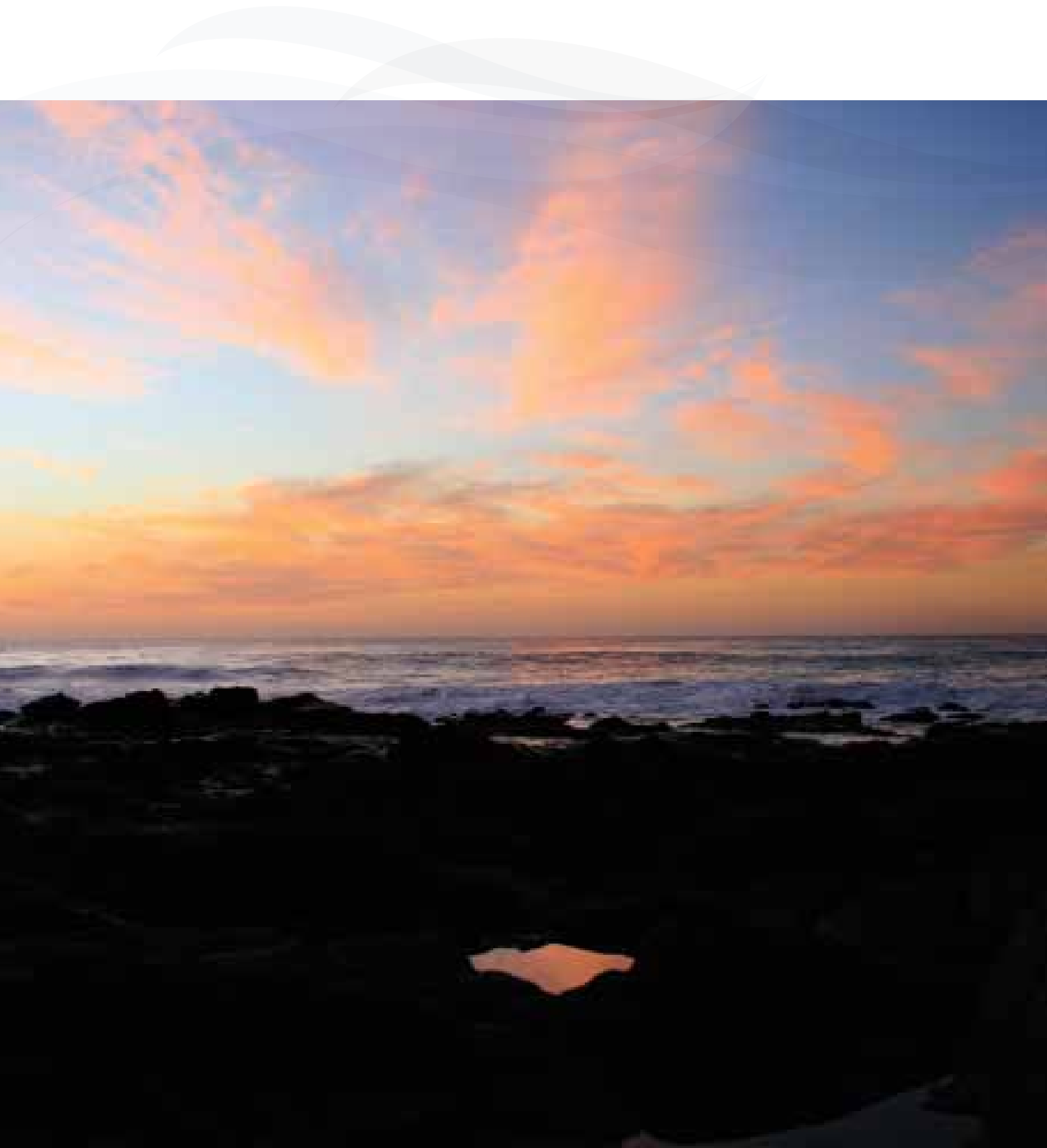




# annual report 2009 : 2010



**enterprise ilembe**  
ECONOMIC DEVELOPMENT AGENCY



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# vision

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To make iLembe District the Investment Destination of choice.

# mission

To enable iLembe District Municipality, to create a conducive environment for Economic Development.



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# chapter one

introduction  
and overview



# foreword

## by the Chairman

The Annual Report for the year under review is published at a time of acute challenges for South Africa. The pressures on the national fiscus, reduced spending by private sector and the devastating effects of the recent global economic recession, makes the work of this Agency an even greater assignment. As an investment & trade promotion agency, Enterprise iLembe, has to live up to the expectations of the citizenry of iLembe District, remaining a beacon of hope for a better life. This necessitates that, as our way of life, we support open public discussions, we are responsive to the development needs of the District, we are conscious about the development impact on the environment and that we are trusted by our funding and social partners.

The year under review has been focused on completing our establishment work, addressing governance arrangements and placing an efficient executive management capacity. As the Board, we are very pleased about the achievements of this organisation, since the appointment of the Chief Executive, Ms Kanyi Gasa. We conclude the year under review with the appropriate laid, our business plan is sound, our investment pipeline is strong and our financial position is healthy. We are also very aware of the tough financial & business conditions we are in, hence the importance for financial prudence and the need to strain every sinew to deliver value for money to our shareholder, the iLembe District Municipality.

### **The Mandate**

We have concluded our service level agreement with the District Municipality, which sets our delivery mandate, performance areas and service commitments. Key elements of the SLA;

- Local Economic Development
- Investment Promotions
- Technical Capacity Partner (iLembe District)

The rate of unemployment in the area is alarming and our performance must manifest itself in sustainable job creation. Equally important is our involvement in social programmes, in the areas of education and health, to harmonize our local economic development efforts.

### **Squeezing every sinew**

It's essential that we make every rand work as hard as possible. During the year the Board challenged the Executive to reduce internal capital and operational and prioritize project spending. This is coupled with the firm requirement for financial prudence, financial controls and credible financial reporting to our shareholder and funding partners.

This also resulted in the deferment of other key staff appointments for the year and these measures have been necessary in managing the risk of non-fulfilment funding commitments by funding partners.

We are also pleased that we have now signed firm agreement with all our funding partners, with clear contributions, deliverables and timelines.

#### **Delivering outstanding projects**

The citizens of Ilembe district judges value for money on the quality of economic development activity and the trade & investment we bring into the district. It is for this reason that we are working hard at ensuring that current projects are delivered timeously and are sustainable in the long term.

#### **The future**

As we prepare to hand-over the reins to the new board, marking the end of our two-year term, I want to thank all the members of the outgoing board for their contribution in turning an idea into a fully operational Agency, poised to achieve great things for the Ilembe district. I also want to express our gratitude to the Council of the Ilembe District Municipality, who, through His Worship the Mayor, Cllr. S.W Mdabe, have given us unwavering support in delivering against our mandate.

Our funding partners, in the Industrial Development Corporation, continue to play an important role beyond their financial contribution. The support they have given this organisation in ensuring that our establishment phase covers all the make up of a sustainable agency, have been remarkable and the organisation enters a new age, which promises a positive period for the IDC as an investment funding partner.

The mandate is clear, the need is dire, and desperate, the business case is sound and the strategy in place, Ilembe Enterprise will deliver.



C.M. Mancini  
Chairman

chairman







# foreword

## by the CEO

### OVERVIEW

2009/2010 has been a significant year for Enterprise iLembe and South Africa as a whole. The World cup came and went and we witnessed a shift in the countries landscape and spirit as we all prepared to host one of the biggest shows in the world. We saw the lives of ordinary citizens in SA impacted by the influx of visitors to our shores. We were united in the spirit of euphoria of what was to come.

The economic impact of the world cup cannot be underestimated. With more than one (1) million visitors registered by the Department of Home Affairs to have crossed the South African Border, our story was seen experienced by, and shown to the world.

The Global slowdown in economic activity was perhaps less felt in SA as government committed billions of funding towards the 2010 Soccer World Cup.

The whole world has experienced a depression that some are saying could be worse than the Great Depression of 1930's.

Locally, business has been slow with manufacturers and business owners having to reduce the number of employees and relying on short time or part time employees to keep their doors open. Enterprise Ilembe has over the year, strategically positioned itself to advise several local businesses in line with its business retention and expansion strategy.

With Africa still basking in the success of the event, however, the questions to ask include 'what now?' and perhaps whether we have lost some of our shine through the recent Public services strikes that lasted well into 3 weeks this year severally affecting economic activity.

The education sector was severely impacted and hardest hit are the poorest of the poor and those in public schools. The impact of the strike cannot be underestimated with almost 3 weeks in tuition lost, excluding the extended holidays in June/July to accommodate the world cup. Unexpectedly the result was an increase in the average matric pass rate for 2010. Unspecified yet is a possible reduced matric exemption rate and the knock on effect of a reduction in the applicants that may qualify for Universities in South Africa.

The economic climate in the country remains shaken with the impact being felt both in the private and public sector, although the country is showing cautious recovery.

National and local developers are feeling the pinch as SA gains slow momentum in the financial sector with fewer participants in the market for new commercial and residential sales and an increase in the unemployment rate nationally.

One of realities that face the District is not only that of attracting International Investment into the area but that of retaining local businesses and investors in the area, facilitating equal economic empowerment in the District.

Although the iLembe District has reflected a positive growth in GDP of 6% the reality is that this has been mainly jobless growth. With a recorded unemployment rate of 55000 high job creation projects need to be pursued vigorously.

The SMME sector needs to be supported and afforded opportunities to potentially grow their businesses and facilitate new entrants into the market.

Following a strategic planning and development session held earlier in the year a decision was taken for Enterprise iLembe's to pursue a more focused approach to project and lead generation.

The decision is beginning to bear fruit with the Agency finalising partnerships with key players in the Agriculture industry and in the Concrete industry.

Strategic partnerships have been formed with key stakeholders in the National, Provincial and Local space in order to unlock opportunities for local economic development and empowerment in iLembe.

## **ENTERPRISE ILEMBE FINANCE & GOVERNANCE**

### **FINANCE**

- Enterprise has had a strong financial year with funding having been received from the KZN Department of Co operative Governance and Traditional Affairs (COGTA) iLembe District (ID) and the Industrial Development Corporation (IDC). Sustainability models are being explored for the business as indicated in the Enterprise iLembe strategic document. Enterprise iLembe is positioning itself as a key Agency for doing business in iLembe, whether as a partner in the project or a facilitator in obtaining finance from one of our partners.

Expenditure against budget of 2009/2010 was lower than anticipated however this can be qualified through most of the projects within the Enterprise stable only reaching implementation and procurement phase in the later part of the year.

Enterprise iLembe continues to maintain a healthy financial position in the new financial year 2010/2011 however the CEO's office will remain vigilant in ensuring that all budgeted and approved funding for this financial year is received timorously.

### **GOVERNANCE**

- Enterprise iLembe policies and procedures have been drafted and signed off by the Board. A risk assessment was conducted by the contracted internal auditors and these were found to be of an adequate standard with some amendments and recommendations being made to mitigate key risk areas of the business... A final report with a 3 year audit plan has been submitted by Ngubane and Co to the office of the CEO.
- An External Audit committee was also appointed in the year in line with requirements of then PFMA and the Companies Act.

## **HUMAN RESOURCES**

### **Recruitment and Vacancies**

- As per the approved Board decision the organogram and structures were reviewed with key positions identified. As such the position for the Trade and Investment Manager and LED: Tourism Officer was filled.
- Various workshops and discussions are underway with the District in order to identify capacity constraints that exist within the District that are currently hampering service delivery. The proposed plan is for Enterprise iLembe to continue building capacity in house in preparation of the exiting of the contracted project management unit ( PMU).

### **Performance Management**

The management team with the CEO continues to explore the implementation of a performance management tool reflective of the Agencies performance and individuals within the agency with various stakeholders, in line with National governments vision and strategy.

## **INFORMATION TECHNOLOGY (IT) & INFRASTRUCTURE**

### **Infrastructure Development**

- The redevelopment of Sangweni Centre (the office of Enterprise iLembe) has become a priority in the repositioning of the Agency. Phase 1 of the development included the renovating and refurbishing of the building's exterior to give it a fresher more professional look. Phase 2 of the project will involve the extension of the building to accommodate new office space as the business grows.

## **TRADE & INVESTMENT PROMOTION(TIP)**

### **Brand Communication and Marketing**

Enterprise iLembe underwent a process of brand development which included the redesigning of the Agency's logo and the development of a Corporate Identity Manual. The Agency's website is now fully operational making us accessible to any potential investor/visitors across the globe.

### **Stakeholder Management**

There is continuous engagement with our partners such as IDC, Trade & Investment Promotion KwaZulu-Natal(TIKZN) and Tourism KwaZulu-Natal(TKZN) around investment promotion initiatives that the Agency can leverage off. Enterprise iLembe is also playing a key-role in the establishment of the iLembe Chamber of Commerce, Industry and Tourism, the Business Leaders Forum and Entrepreneurs iLembe in the district as these are ideal platforms to engage directly with business in the region.

The Agency is increasingly making its presence felt in the country as a young new player in the business game. Our presence is being felt far and wide with enquiries being made about business opportunities and projects we are participating in.

### **Acknowledgements**

The progress made this year can only be attributed to an immense team effort, drive and willingness to succeed. Any organization is only as successful as the team that drives and forms it.

I believe that we have a winning formula within the business and a team that is willing and able to make things happen.

I would therefore like to express my sincere gratitude to the Enterprise iLembe team who continue to show dedication and commitment to service.

Thank you to the Board of Directors who embraced me and continue to provide strategic guidance through robust and at times challenging debates in the interests of the Agency.

My appreciation to the Mayor of iLembe, and the District Municipality for their continued support during the year. We hope that the partnership with Enterprise iLembe is bearing fruits.



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**Kanyisile Gasas**  
Chief Executive Officer

chief executive officer



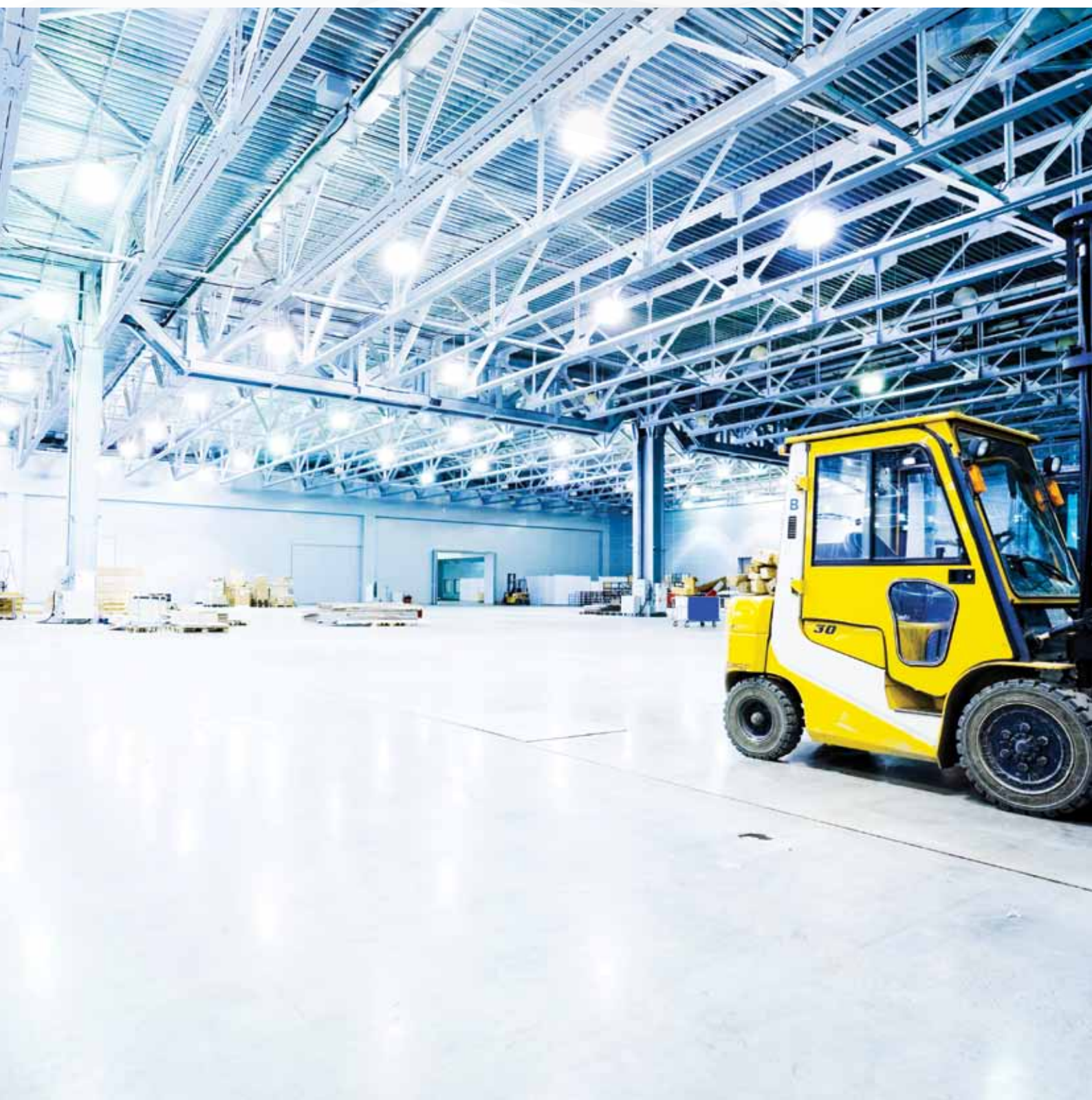
# executive summary

As an Agency established to drive economic development and to promote trade and investment, Enterprise iLembe, has had to live up to the high expectations of not only its shareholders and funding partners; the Department of Co operative Governance and Traditional Affairs(COGTA); iLembe District Municipality (IDM) and the Industrial Development Corporation (IDC) but of the citizenry of Ilembe District.

This necessitates that, as our way of life, we support open public discussions, we are responsive to the development needs of the District, we are conscious about the development impact on the environment and that we are trusted by our funding and social partners.

Although the iLembe District has reflected a positive growth in GDP of 6% the reality is that this has been mainly jobless growth. With a recorded unemployment rate of 55000, high job creation projects need to be pursued vigorously. Enterprise iLembe is positioning itself as a key Agency for doing business in iLembe, whether as a partner in the project or a facilitator in obtaining finance from one of our partners.





# objectives and functions of enterprise ilembe

## OBJECTIVES

Enterprise Ilembe is meant to get the District's key economic stakeholders to collectively plan and implement initiatives for economic development of the area, identify the most convenient instruments for their realisation and establish a coherent system for their technical and financial support.

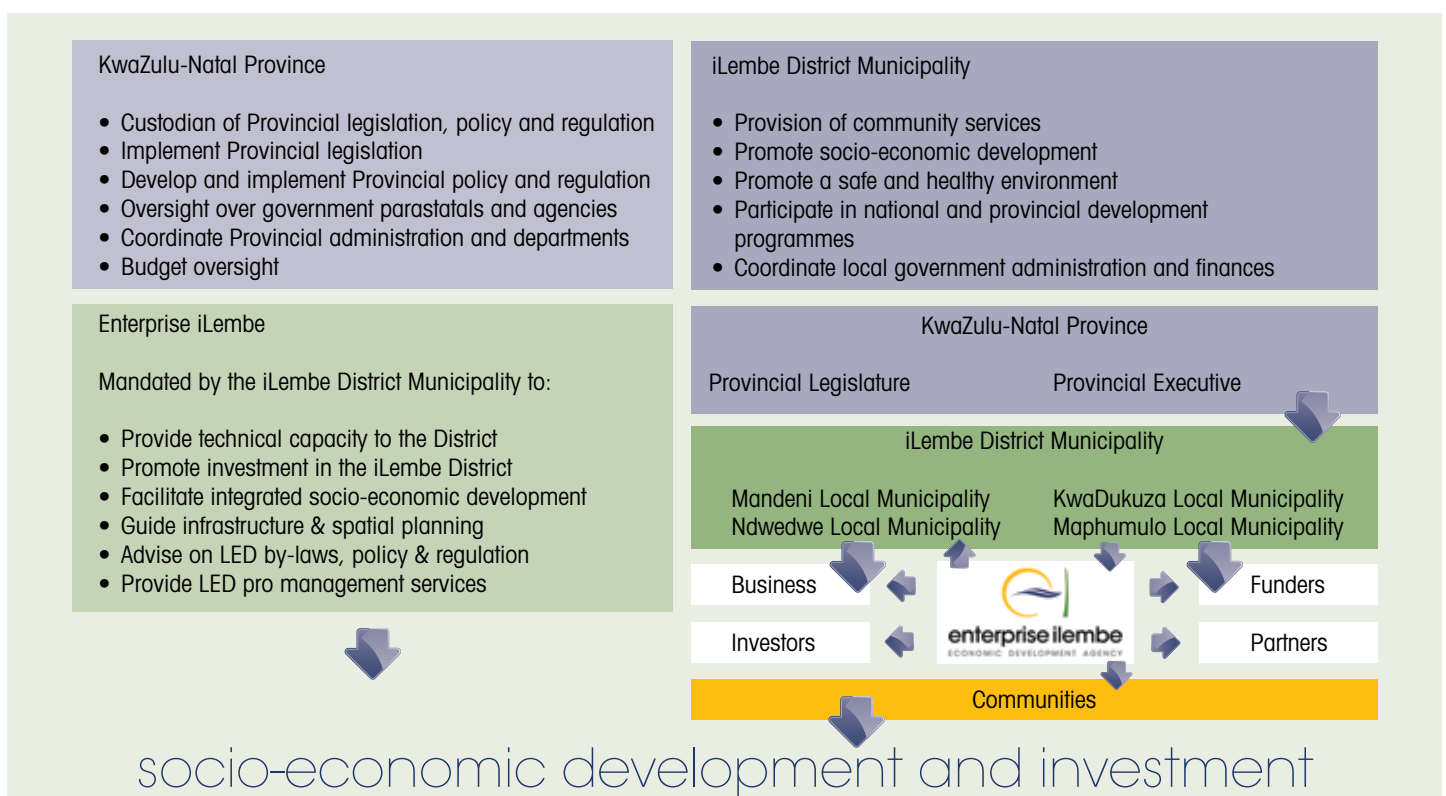
At its inception the following objectives of the agency were developed:

- To optimise on the regional competitive advantages of Tourism, Agriculture & Low Impact Manufacturing;
- To develop creative mechanisms to rapidly achieve BEE targets;
- To design an organisational vehicle to leverage catalytic economic opportunities;
- To involve Business in functional regional economic decision-making;
- To leverage all possible resources to the benefit of the Ilembe region.

In 2009, a new CEO was appointed to drive and implement the vision of the District after several changes in Leadership of the organisation.

Following this appointment a service provider with the approval and partnership with IDC was appointed to assist with the development and entrenchment of the Agency and its mandate within the District of Ilembe.

# role clarification map









## **FUNCTIONS**

Key functions of the agency presently include:

- Developing and strengthening the local economic development strategy on behalf of the district and local municipalities;
- Championing a wide range of activities which emerge as important from the LED strategy;
- Fundraising for specific projects, and potentially project managing some of these;
- Funding certain services to be applied across the area, eg specialist business advice;
- Coordinating activities to ensure that an integrated service is provided across providers, eg for business advice;
- Monitoring and quality control of services available in the area;
- Directly undertaking certain functions, e.g. Regional marketing and Regional Investment Promotion.
- Promoting regional activities, e.g. collective marketing, regional food brands etc.
- Facilitating the identification, packaging and implementation of catalytic projects.
- Provide a professional and multi-skilled support and networking service to major investors who wish to invest in the region by:-
- Working with local government to improve the business enabling environment;
- Establishing a research unit to develop and maintain a regional socio – economic and investor database and competitive advantages
- Facilitating the establishment of a Destination Management Office (DMO) in Ilembe.
- Provide a “turn-key” service to investors who wish to relocate to Ilembe
- Implement aggressive business retention and expansion (BR&E) programme coupled with a business development and support (BDS). Priority will be given to those businesses committed to black economic empowerment (BEE) partnerships.
- Build twinning relationships with developed regions internationally.

## **OPERATIONAL PRINCIPLES**

The Council and Board of Directors of Enterprise Ilembe have set out the following **operational principles** for the organisation:

- Bring the poor and previously disadvantaged to the centre of development
- Develop strategies to minimize the gap between the 2nd and 1st Economy
- Build a synergistic relationship between Local Economic Development and Social Upliftment.
- Build Linkages between the established coastal economies and historically marginalised rural areas.
- Build a culture of Social, Economic & Environmental interdependency as the first test when evaluating opportunities. (i.e. triple bottom line)
- Focus LED around realistic catalytic initiatives natural to the region and wherever possible building on the uniqueness of local competitive advantage and market differentiation.
- Building a capacity to nurture effective and mutually beneficial partnerships based on fair and equitable business principles.
- Ability to leverage Black Economic Empowerment (BEE) as measured by direct or potential equity and not only new jobs created.

# report

audit  
committee



## REPORT OF THE AUDIT COMMITTEE

The Enterprise Ilembe Audit Committee is pleased to present below its report.

The legal responsibilities of are set out in terms of the regulations 27(1)(10)(b) and (c) of the Public Finance management Act of 1999 (as amended) and section 94 of the Companies Act, 2008.

The Committee was formally appointed during the reporting period.

### Audit committee charter

The audit committee has approved formal terms of reference as its audit committee charter. The committee has conducted its affairs in compliance with this charter and has discharged its responsibilities contained therein.

### Audit committee members and attendance at meetings

The audit committee consists of three independent, non-executive directors and held one meeting during the year. The members of the Audit Committee are Charmaine Jugnarayan, Edward Sithole and Stephen Nel (IDC).

The chief executive officer, chief finance officer, external auditor, and internal auditor attend meetings by invitation.

### In the conduct of its duties, the audit committee has performed the following statutory duties:

The committee has satisfied itself that the external auditor was independent of the company, as set out in section 94(8) of the Companies Act, 2008,

Based on the results of the formal documented review of the design, implementation and effectiveness of the company's system of internal financial controls conducted by the internal audit function during the year, in addition, considering information and explanations given by management and discussions with the external auditor on the results of their audit, nothing has come to the attention of the audit committee that caused the committee to believe that the company's system of internal financial controls is not effective and does not form a basis for the preparation of reliable financial statements.

The audit committee fulfils an oversight role regarding the company's integrated report and the reporting process, including the system of internal financial control. It is responsible for ensuring that the company's internal audit function is independent and has the necessary resources, standing and authority within the company to enable it to discharge its duties. Furthermore, the audit committee oversees cooperation between the internal and external auditors, and serves as a link between the board of directors and these functions.

The audit committee is satisfied that it complied with its legal, regulatory or other responsibilities.

The internal audit function's annual audit plan was considered approved by the audit committee. The Audit committee reviewed the results of the internal audit reports conducted during the year.

The audit committee has reviewed the financial statements of the company and is satisfied that they comply with South African Statement of Generally Recognised Accounting Practices. The audit committee concurs that the adoption of the going-concern premise in the preparation of the financial statements is appropriate.

The audit committee has recommended the financial statements to the Board for approval.

The internal and external auditors, have unlimited direct access to the audit committee, primarily through its chairman.

On behalf of the Audit Committee



Mrs. Charmaine Jugnarayan  
Chairperson

chairperson



# chapter two

service delivery  
and  
performance  
targets

# key success and challenges

In the year 2009/2010 Enterprise iLembe had to operationalise the business. Enterprise has shown significant growth over the past year. Growing from an R2mil strong entity to approximately R27mil in a 12 months period.

With that the challenge for management is that adjustments continue to be made to accommodate the growth of the business. These include an urgent need to capacitate, coupled with the need for the business to adopt more efficient and stringent management of our finances, projects, and ensure compliance with legislation and policies. Performance Management of the organisation is a key priority of the Board.

The Agricultural sector is a key sector in iLembe and as such the Agency has significant investments in the sector. Enterprise iLembe is very proud of the implementation of the Agri-Hubs and iLembe Open Farms projects that have seen the lives of communities changed in the District.

Farming in the area was severely impacted and hard hit with Kwa Zulu Natal experiencing its driest period in 30 years. Average rainfall fell from 1,009mm by the end of September reaching approximately only 313mm reflecting a reduction of an average of 46, 6%.

Some good rains were experienced in final month of 2010 allowing some recovery in the sector. Enterprise iLembe together with industry players are continuously exploring diversifying sugar products and alternative crops to support the industry.

The manufacturing sector as in the rest of the country slowed in response to the recessionary pressure.

The Tourism sector experienced positive growth in the area with increased interest and investment by the private sector in the District. Five new hotels opened in the area in response to growth projected in the tourism market.

Challenges however continue to be experienced in facilitating and directing investment towards the hinterland and rural areas of the District.

Success was achieved in the Arts & Crafts Sector as Ilembe District received funding for and opened the doors to the first Integrated Craft Hub in KZN.

The industry has become increasingly competitive necessitating further up skilling of existing crafters and identification of more communities to participate in the sector.

Enterprises iLembe is a grant funded organisation and as such will always face challenges related to fund raising and ensuring that committed funding is received timorously.

Ei to date receives funding from the Department of Co operative Governance and Traditional Affairs, Ilembe District, IDC for the role out of Local Economic Development projects.

Expenditure against allocated budgets is crucial, as this impacts the Agency's ability to secure further funding for LED projects and operational costs.

Enterprise Ilembe continues to maintain a healthy financial position however the CEO's office will have to remain vigilant in ensuring that all budgeted and approved funding for each financial year is received and spent.

# projects undertaken

## FUNDED PROJECTS

### 1. Agri-Hubs

This project involves the establishment of four hydroponic (tunnel) farms in the four local municipalities, as well as two nurseries to supply the tunnel farms. Total Budget is R11m funded by DCOGTA and IDC.

### 2. Ilembe Vineyards

This project involved the growing of approx 12 hectares of vines in 3 local areas of the District – with a view to building a new wine industry on the north coast. Total Budget of R8m has been approved by KZN Corridor Development Fund for the 2009/2010 financial year.

### 3. Ilembe Industrial Development Strategy

This project involves the development of a District wide plan for the release and development of priority sites for industrial expansion and development. The plan will guide future infrastructure, industrial and related developments. The project budget of R1.3m was funded by the Provincial Corridor Fund.

### 4. Ilembe Broadband Project

This project involves developing a detailed business plan for the roll-out of affordable (if not free) broadband to both urban nodes and rural areas in the District. A pilot project delivering such cable-based and wireless broadband capacity is also planned. A budget of R3m has been approved for the project. A total of about R30m is required for full broadband roll-out in the District.

### 5. Ilembe Biodiesel Refinery

This project aims to establish a biodiesel processing plant, delivering vehicle-grade diesel from used oil (initially) and ultimately from moringa seed. A budget of R6m has been approved from the KZN Corridor Fund for this project.

### 6. Mambulu Titanium

This project is a detailed feasibility study into the potential for the commercial mining of titanium deposits in the Mambulu area of Maphumulo Local Municipality. A budget of R400 000 is committed to the project.

### 7. Macambini Project Secretariat

Through this project, Enterprise Ilembe is able to provide the technical support to the process of exploring a viable stakeholder approved solution to the development proposal/s for Macambini. This involves providing research, legal, planning, design, engineering, social facilitation services to the Provincial Team tasked with developing solutions and managing the process.

### 8. Darnall Airport

This project proposes the development of a general aviation airport near Darnall. No further progress has been made since the finalisation of the high-level feasibility study which suggested that the closure of Virginia airport in EThekweni Municipality is key to the success of a new airport at Darnall.



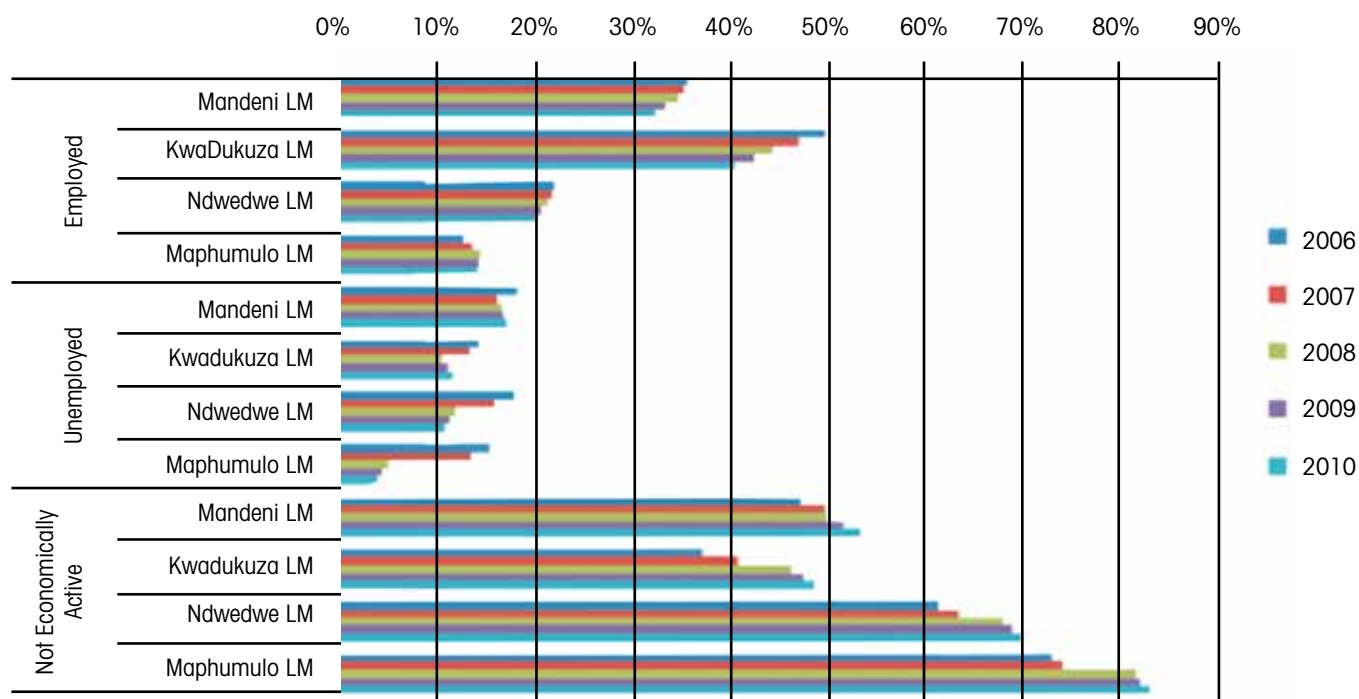


# capital used

REVENUE	Actual 2010 R	Budget 2010 R	Variance Actual/Budget %
Opening Surplus	873 451	-	-
Operating income for the year	13 081 258	28 590 000	(54.2)
Sundry transfers	34 972	-	-
<b>Total</b>	<b>13 989 681</b>	<b>28 590 000</b>	
<b>EXPENDITURE</b>			
Operating expenditure for the year	6 728 291	12 300 000	(45.3)
Closing surplus	7 261 390	-	-
<b>Total</b>	<b>13 989 681</b>	<b>12 300 000</b>	

In the 2009/10 Financial Year, in addition to the above expenditure R6 768 042 was spent on projects under construction.

# job creation & skills development



With regards to job creation in the District, the local municipalities follow a similar pattern to that of the district, with the majority of the working age population (15-65 years old) falling within the 'not economically active' group, although this does vary according to local municipality. All local municipalities have experienced a decline in employment, with KwaDukuza experiencing the greatest decline from around 49% employed in 2006, to an expected employment figure of 40% in 2010. Only 13% of the Maphumulo working age population were employed in 2006, with this figure expected to rise to 14% in 2010. Although all the municipalities have shown an unemployment figure of less than 20% for the past 5 years, the not-economically active figure for each has been increasing relatively fast.



# performance mangement

Historically the Agency has been using the Service Delivery Budget Implementation plan as a performance management tool for the business. The management team in the forthcoming year will explore the implementation of a performance management tool that is reflective of both the Agency's performance and that of individuals within the Agency in line with National Governments vision and strategy.

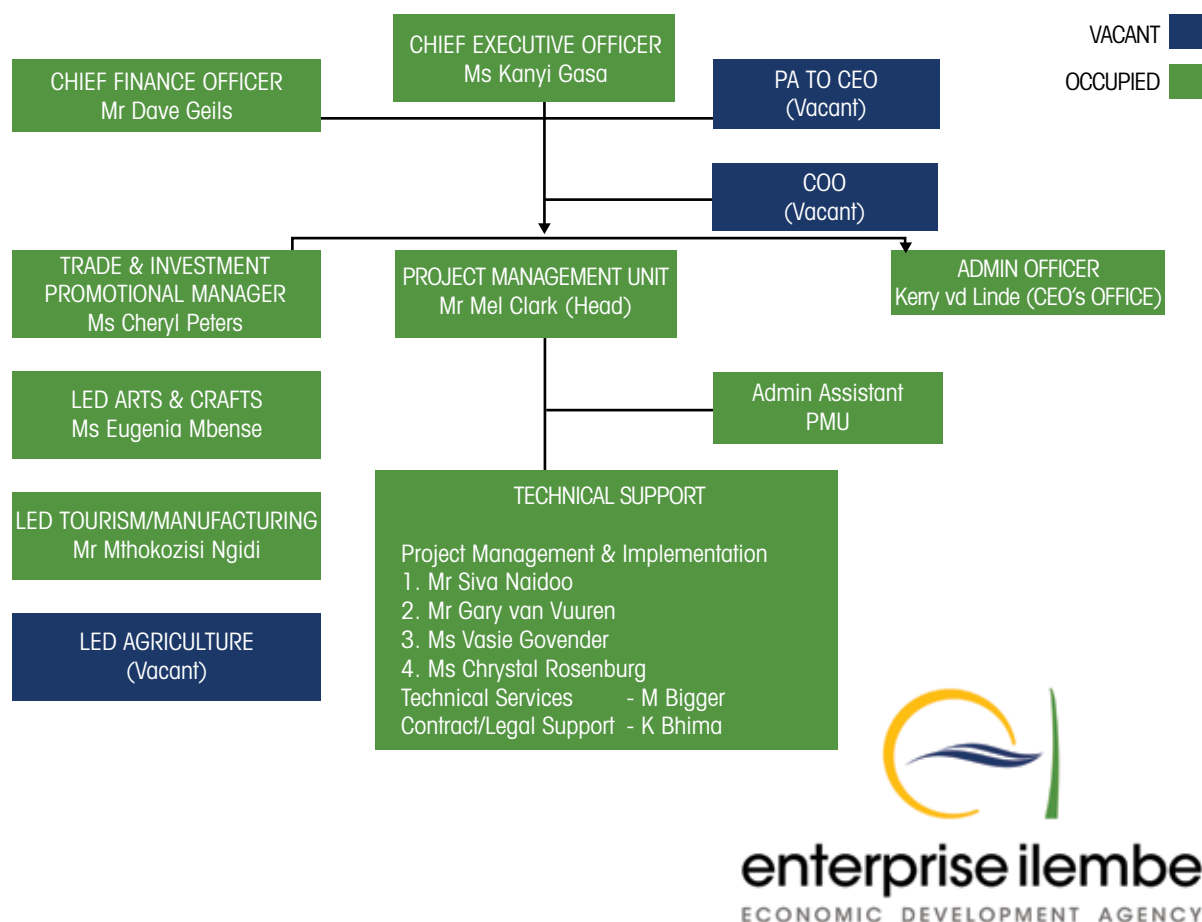


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# chapter three

human  
resources &  
organisational  
management

# organisational structure



## institutional transformation & employment equity

In compliance with the Employment Equity Act, 55/1998, the Enterprise iLembe's Employment Equity Plan has been crafted with the aim to remedy any form of discrimination in the workplace by removing all barriers in the employment policies, practises.

Affirmative Action has been defined as the tool to implement immediate positive remedial action.

Programmes and procedures to address both historic and existing inequalities and imbalances of the past are being implemented.

The Agency acknowledges the value of retaining staff especially employees with scarce skills and those who possesses experience that is required for the Agency to fulfil its objectives.

The Agency recognises that the in order for it to be able to retain staff, it is very important to create an environment that encourages staff not only to succeed in their jobs but also to grow and achieve their personal development goals and aspirations.

An exit interview questionnaire is being developed in order to ensure that the reasons for staff leaving the Agency are known and addressed, this will also form part of the retention strategy, based on the fact that whatever reason that is sighted by employees leaving us, corrective measure will be put in place to ensure that issues don't remain unresolved.



# chapter four

audited  
statements  
& related  
financial  
information



# financial statements & related information

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

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ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD  
ANNUAL FINANCIAL STATEMENT FOR THE YEAR ENDED JUNE 2010

**General information**

Registration number: 2006/032665/07

External auditors: Auditor General

Bankers: ABSA

Postal Address: P.O. Box 593  
Ballito  
4420

Physical Address: Sangweni Tourism Centre  
Cnr. Ballito Drive and Link Road  
Ballito

Telephone: 032 9461256

Fax: 032 9463515

**STATEMENT OF RESPONSIBILITY BY BOARD OF DIRECTORS**

The directors acknowledge that they are required by the Companies Act to prepare financial statements each year, that fairly present the state of affairs, result and cash flow for the year and that the independent auditors' responsibility limited to reporting on the financial statement.

It is the responsibility of the directors to ensure that the organisation maintains a system of internal control designed to provide reasonable assurance that the entity's assets are safeguarded against material loss or unauthorized use and that the transactions are properly authorised use and that transactions are properly authorised and recorded. The control system included written accounting and control policies and procedures and clearly, drawn lines of accountability and delegations of authority.

All employees are required to maintain the highest ethical and integrity standards is ensuring that the entity's business practices are concluded in a manner, which in all reasonable circumstances, is free reproach. The concept of reasonable assurance recognises that the control procedures should not exceed the expected benefits. The entity maintains its internal control system through management review. Nothing has come to the attention of the directors to indicate any breakdown in the functions of these internal controls during the year, which resulted in any material loss to the entity.

The annual financial statements have been prepared on the going concern basis. The Board of Directors has adopted this basis of accounting after having made enquiries of management and given due consideration to information presented to the Board, including budgets and cash flow projections for the year ahead and key assumptions and accounting policies relating thereto. Accordingly, the Directors have no reason to believe that the entity will not continue as a going concern in the year ahead.

The annual financial statements were submitted to that Auditor General for auditing on 31 August 2010. The annual financial statements will be submitted to the Board of Directors at their meeting in September 2010 and are signed by:



Ms K. Gasas  
Chief Executive Officer

chief executive officer

31 August 2010

AUDITOR'S REPORT OF THE AUDITOR-GENERAL TO THE BOARD OF ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD

**Introduction**

1. I have audited the accompanying financial statements of the iLembe Management Development Enterprise (Pty) Ltd, which comprise the statement of financial position as at 30 June 2010, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, and the directors report as set out on pages 35 to 51.

**Accounting officer's responsibility for the financial statements**

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and in the manner required by the Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA), Division of Revenue Act of South Africa, 2009 (Act No. 12 of 2009) (DoRA) and the Companies Act of South Africa, 2008 (Act No. 71 of 2008). 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.

**Auditor-General's responsibility**

3. As required by section 188 of the Constitution of South Africa, 1996 (Act No. 108 of 1996), section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with International Standards on Auditing and General Notice 1570 of 2009 issued in Government Gazette 32758 of 27 November 2009. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Opinion**

7. In my opinion, the financial statements present fairly, in all material respects, the financial position of iLembe Management Development Enterprise (Pty) Ltd as at 30 June 2010 and its financial performance and its cash flows for the year then ended in accordance with SA Standards of GRAP and in the manner required by the MFMA and the Companies Act of South Africa.

**Emphasis of matter**

8. I draw attention to the matter below. My opinion is not modified in respect of this matters:

**Irregular expenditure**

9. As disclosed in note 26.3 to the financial statements, irregular expenditure to the amount of R9, 363 million was incurred as tax clearance certificates were not obtained from suppliers, reasons for deviations from approved Municipal Supply Chain Management Regulations (GNR 868 of 30 May 2005) (Municipal SCM Regulations) were not documented and approved by the accounting officer and the preference point system in terms of the Preferential Procurement Policy Framework Act of South Africa, 2000 (Act No. 5 of 2000) (PPPFA) was not applied.

**Additional matters**

10. I draw attention to the matter below. My opinion is not modified in respect of this matter:

**Unaudited supplementary schedules**

11. The supplementary information set out on pages 52 to 54 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.



## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

12. As required by the PAA and in terms of General Notice 1570 of 2009 issued in Government Gazette 32758 of 27 November 2009, I include below my findings on the report on predetermined objectives, compliance with the following key laws and regulations: Municipal Finance Management Act, Local Government: Municipal Supply Chain Management Regulations (GNR 868 of 30 May 2005) (Municipal SCM Regulations) and the Preferential Procurement Policy Framework Act of South Africa, and financial management (internal control).

### **Predetermined objectives**

13. Material findings on the report on predetermined objectives, as set out on pages 62 to 66, are reported below:

### **Non-compliance with regulatory and reporting requirements**

#### **Local Government: Municipal Finance Management Act of South Africa**

##### **No mid-year budget and performance assessments**

14. Contrary to section 88(a) of the MFMA, the accounting officer did not assess the performance of the entity during the first half of the financial year, taking into account the targets set in the service delivery agreement, business plan or other agreement with the entity's parent municipality.

##### **Usefulness of information**

15. The following criteria were used to assess the usefulness of the planned and reported performance:

- Consistency: Has the entity reported on its performance with regard to its objectives, indicators and targets in its approved annual integrated development plan, i.e. are the objectives, indicators and targets consistent between planning and reporting documents?
- Relevance: Is there a clear and logical link between the objectives, outcomes, outputs, indicators and performance targets?
- Measurability: Are objectives made measurable by means of indicators and targets? Are indicators well defined and verifiable, and are targets specific, measurable, and time bound?

The following audit finding relates to the above criteria:

##### **Incomplete reporting on all predetermined indicators and targets**

16. The actual achievements with regard to all planned indicators and targets specified in the SDBIP for the year under review were not reported in the annual performance report submitted for audit purposes.

### **Compliance with laws and regulations**

#### **Local Government: Municipal Finance Management Act of South Africa**

##### **The Audit Committee was not properly established or not functioning correctly**

17. Contrary to section 166(4)(b) of the MFMA, the audit committee did not meet at least four times a year.

##### **Expenditure was not paid within the parameters set by the applicable legislation**

18. Contrary to section 99(2)(b) of the MFMA, expenditure amounting to R1,383 million was not paid within the required period of 30 days from receipt of invoice.

##### **The accounting officer did not adhere to her statutory responsibilities**

19. Contrary to section 87(11) of the MFMA, the accounting officer did not submit monthly statutory financial reports to the parent municipality within 7 working working days after the end of each month in the prescribed format.

##### **The financial statements were not prepared in accordance with applicable legislation**

20. Contrary to section 122(1) of the MFMA, the entity did not prepare financial statements which fairly presented the results of its operations at 30 June 2010, as material adjustments were made to accruals and disclosures in terms of irregular expenditure and commitments.

### **Municipal SCM Regulations**

##### **Supply Chain Management legislative requirements were not implemented or not adhered to (not resulting in irregular expenditure)**

21. Contrary to section 62(1)(b) of the MFMA, proper record keeping and management of SCM related documentation was not in place resulting in requested information not being available or supplied timely.

**Expenditure was incurred in contravention of or not in accordance with applicable legislation resulting in irregular expenditure**

22. Contrary to Municipal SCM Regulation 43(1), quotations were accepted from providers who did not have tax clearance confirming that their tax matters are in order.
23. Contrary to Municipal SCM Regulation 17(1)(c), goods and services of a transaction value between R10 000 and R200 000 were procured without inviting at least three written price quotations from accredited prospective providers and the deviation was not approved by the delegated authority.
24. Contrary to Municipal SCM Regulation 12(3), goods and services were split into parts or items of a lesser value merely to avoid complying with the requirements of the SCM policy.
25. Contrary to Municipal SCM Regulation 36(1), the accounting officer did not approve and provide reasons for the deviations from the competitive bidding of goods and services in excess of R200 000.

**Preferential Procurement Policy Framework Act of South Africa**

26. Contrary to section 2(1) of the PPPFA, the entity did not determine and apply a preference point system for all awards between R30 000 and R200 000.

**Internal control**

27. I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives as well as compliance with the MFMA and the Municipal SCM Regulations, but not for the purpose of expressing an opinion on the effectiveness of internal control.
28. The matters reported below are limited to the significant deficiencies regarding the findings on the report on predetermined objectives and the findings on compliance with laws and regulations.

**Leadership**

29. The management has not met their responsibilities to comply with relevant SCM laws and regulations and statutory monthly reporting requirements to the parent municipality.

**Financial and performance management**

30. Management did not design adequate systems to ensure accurate and complete disclosure in the financial statements and predetermined indicators and targets in the annual performance reports and safeguard SCM related documentation.

**Governance**

31. The audit committee did not meet their legislated responsibilities and only met once during the financial year.

*Auditor-General*

Pietermaritzburg  
30 November 2010



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

## ILEBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD

### REPORT

In terms of section 299 of the Companies Act, 1973, the following report is submitted for the year ended 30 June 2010.

### GENERAL REVIEW

The entity was incorporated on 27 October 2008 and replaced the Ilembe Development Foundation which was incorporated on 8 November 2002 and commenced business operations on 1 July 2006. The change was necessary to comply with Section 93 of the Municipal Systems Act. Subject to this there has been no material change in the nature or conduct of the entity's business during the period under review. The financial statements adequately disclose the results of the operations for the period under review and the state of the entity's affairs at 30 June 2010.

There has been no material fact or occurrence since the end of the period under review on which we consider it necessary to report.

### NATURE OF BUSINESS

The entity has been formed as a local development agency of the Ilembe District Municipality to promote economic growth.

### SHARE CAPITAL

Issued share capital 100 shares at the value of R1.00 each.

### DIVIDENDS

No dividends have been proposed or declared during the year under review, nor are any recommended.

### COMPARATIVE FIGURES

The 2009 comparative figures are for the period 27 October 2008 to 30 June 2009.

### LIST OF DIRECTORS

C.M. Manci – Chairperson  
T. Chetty  
B. K. Linda  
D. Naidoo  
M. H. Gumede

Fees for attendances at meetings totaling R106 000 (R141 000 in 2009) were paid during the year under review.

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD  
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010

	Note	2010 R	2009 R
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	2	16 973 528	1 302 750
Receivables	3	1 349 242	-
Deposits	4	26 350	-
VAT receivable	9	597 840	-
<b>Non-current assets</b>			
Property, plant and equipment	6	414 080	-
Projects Under Construction	6	6 768 042	-
<b>Total assets</b>		<b>26 129 082</b>	<b>1 302 750</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts Payable	7	4 937 948	429 199
Share Capital	5	100	100
Unspent conditional grants and receipts	10	13 886 420	-
Provision	11	43 224	-
<b>Total liabilities</b>		<b>18 867 692</b>	<b>429 299</b>
<b>Net assets</b>		<b>7 261 390</b>	<b>873 451</b>
<b>NET ASSETS</b>			
Accumulated surplus		7 261 390	873 451
<b>Total net assets</b>		<b>7 261 390</b>	<b>873 451</b>

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD  
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 R	2009 R
<b>Revenue</b>			
Grants	10,14,27	12 521 895	1 500 000
Interest Received	13	363 763	37 719
Rental Income	12	180 000	15 000
Other Income		15 600	10 000
<b>Total revenue</b>		<b>13 081 258</b>	<b>1 562 719</b>
<b>Expenses</b>			
Employee related costs	15	500 767	144 021
Directors Attendance Fees	16	106 000	141 000
Depreciation and amortisation expense	17	26 415	10 900
Repairs and maintenance		83 491	95 350
Provisions	11	43 224	-
Grant expenditure	19	3 448 701	-
General expenses	19	2 519 693	909 279
<b>Total expenses</b>		<b>6 728 291</b>	<b>1 300 550</b>
(Loss) on sale of assets	20	(1 952)	(155 091)
<b>Surplus / (deficit) for the period</b>		<b>6 351 015</b>	<b>107 078</b>

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD  
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2010

	Shares			Accumulated Surplus/(Deficit) R	Total: Net Assets R
	R				
Balance at 30 June 2008	100	-	-	766 373	766 473
Changes in accounting policy	-	-	-	-	-
Correction of prior period error	-	-	-	-	-
<b>Restated balance</b>	<b>100</b>	<b>-</b>	<b>-</b>	<b>766 373</b>	<b>766 473</b>
Surplus / (deficit) for the period	-	-	-	107 078	107 078
Capital Grants used to purchase PPE	-	-	-	-	-
Donated and contributed PPE	-	-	-	-	-
Surplus / (deficit) on revaluation of property of property, plant and equipment	-	-	-	-	-
Other items					
Net gains and losses not recognised in the statement of financial performance	-	-	-	-	-
Transfers to / from accumulated surplus/(deficit)	-	-	-	-	-
<b>Balance at 30 June 2009</b>	<b>100</b>	<b>-</b>	<b>-</b>	<b>873 451</b>	<b>873 551</b>
Changes in accounting policy	-	-	-	-	-
Correction of prior period error	-	-	-	-	-
<b>Restated balance</b>	<b>100</b>	<b>-</b>	<b>-</b>	<b>873 451</b>	<b>873 551</b>
Surplus / (deficit) on revaluation of property of property, plant and equipment	-	-	-	-	-
Offsetting of Depreciation	-	-	-	-	-
Donated and contributed PPE	-	-	-	36 924	36 924
Other items	-	-	-	-	-
Net gains and losses not recognised in the statement of financial performance	-	-	-	-	-
Transfers to / from accumulated surplus/(deficit)	-	-	-	-	-
Surplus / (deficit) for the period	-	-	-	6 351 015	6 351 015
<b>Balance at 30 June 2010</b>	<b>100</b>	<b>-</b>	<b>-</b>	<b>7 261 390</b>	<b>7 261 490</b>

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD  
CASH FLOW STATEMENT AS AT 30 JUNE 2010

	Note	2010 R	2009 R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts:		29 559 919	1 860 501
Grants		26 408 315	1 500 000
Interest Received		363 763	37 719
Other receipts		2 787 841	322 782
Payments:		-6 678 652	-1 289 650
Employee costs		-500 767	-144 021
Suppliers		-6 071 885	-1 004 629
Other payments		-106 000	-141 000
<b>Net cash flows from operating activities</b>	<b>22</b>	<b>22 881 267</b>	<b>570 851</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(7 210 489)	-
<b>Net cash flows from investing activities</b>		<b>(7 210 489)</b>	<b>-</b>
<b>Net increase in cash and cash equivalents</b>		<b>15 670 778</b>	<b>570 851</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>1 302 750</b>	<b>731 899</b>
<b>Cash and cash equivalents at end of period</b>	<b>23</b>	<b>16 973 528</b>	<b>1 302 750</b>

## **1 ACCOUNTING POLICY NOTE**

### **1.1 BASIS OF PREPARATION**

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act No. 56 of 2003).

These standards are summarised as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Interests in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after Reporting Date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 100	Non Current Assets Held for Sale and Discontinued Operations
GRAP 101	Agriculture
GRAP 102	Intangible Assets

### **1.2 PROPERTY, PLANT AND EQUIPMENT**

All property, plant and equipment is initially recorded at cost and adjusted for any impairment in value. Plant and equipment is depreciated on the straight line basis at rates estimated to write off the cost of the plant and equipment over their expected useful lives.

The annual depreciation rates are based on the following estimated asset lives:

Furniture and equipment	3 - 50 years
Machinery and equipment	3 - 20 years

The estimated useful lives and residual values of property, plant and equipment are periodically reviewed and adjusted where necessary. The gain or loss arising on the disposal of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

### **1.3 LEASED ASSETS**

Leases of property, plant and equipment where the entity assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalised at the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance charges is charged to the income statement over the lease period. The property, plant and equipment acquired under finance leasing contracts are depreciated over the useful life of the assets. All other leases are treated as operating leases and the relevant rentals are charged to the operating account in a systematic manner related to the period of use of the asset concerned.

### **1.4 CURRENCY**

The financial statement are presented in South African Rand.

### **1.5 REVENUE FROM EXCHANGE TRANSACTIONS**

Interest is recognised on a time proportion basis. Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

### **1.6 PROVISIONS**

Provisions are recognised where the entity has a present legal or constructive obligation as a result of a past event, a reliable estimate of the obligation can be made and it is probable that an outflow of resources embodying economic benefits will be made.



**1.7 ACCOUNTS PAYABLE**

Accounts payable are stated in the annual financial statements at the amounts due to trade and other creditors for goods or services received. The liabilities are generally settled within a period of 30 days, accordingly impairment, if any, is considered to be immaterial.

**1.8 ACCOUNTS RECEIVABLE**

Bad debts are written off during the year in which they are identified. An impairment or bad debt loss is recognised when it is probable that the entity will not be able to collect all amounts due (principal and interest) according to the contractual terms of the accounts receivable. The assessment of objective indicators of impairment for accounts receivable is carried out at each balance sheet date.

**1.9 CASH AND CASH EQUIVALENT**

Cash and cash equivalents include cash on hand, short term investments with financial institutions and the amount deposited with financial institutions as part of the entity's current account.

**1.10 RELATED PARTIES**

The entity in the ordinary course of business enters into transactions with related parties. These occur under the terms and conditions that are not more favourable to those entered into with third parties in arms length transactions.

**1.11 CONDITIONAL GRANTS AND RECEIPTS**

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the entity has complied with any of the criteria, conditions or obligations embodied in the agreement. A liability is recognised to the extent that the criteria, conditions or obligations have not been met.

**1.12 CREDIT RISK**

Exposure to credit risk is minimal due to the nature of the entity. The income comprises a grant from the Ilembe District Municipality.

**1.13 LIQUIDITY RISK**

The entity's exposure to liquidity risk is very minimal due to the majority of their income being from grants for specified projects/functions.

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD  
NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2010

	2010 R	2009 R
<b>2. CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents consist of the following:		
Cash at bank	2 199 284	1 302 750
Call Investments	14 772 244	-
Cash on hand	2 000	-
	16 973 528	1 302 750
The Entity has the following bank accounts: -		
<b>Current Account (Primary Bank Account)</b> ABSA, Public Sector Branch, Account Number 4060362852		
Cash book balance at beginning of year	1 302 750	731 899
Cash book balance at end of year	2 199 284	1 302 750
Bank statement balance at beginning of year	1 302 750	731 899
Bank statement balance at end of year	2 199 284	1 302 750
<b>Call Investment</b>		
Investec, Sandton Branch, Account No. 50004108608		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	14 772 244	-
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	14 772 244	-
<b>Cash on hand</b>		
Total cash and cash equivalents	2 000	-
<b>3 RECEIVABLES</b>		
Ilembe District Municipality	1 349 242	-
<b>Total Other Debtors</b>	<b>1 349 242</b>	-
Receivables Ageing:		
61-90 days	349 242	-
Greater than 150 days	1 000 000	-
	1 349 242	-
<b>4 DEPOSITS</b>		
Coastal Farmers	20 000	-
Eskom	6 350	-
	26 350	-
<b>5 ISSUED SHARE CAPITAL</b>		
Authorised Shares:		
Ordinary Shares: 100 @ R1 each	100	100
Issued Share Capital:		
Ordinary Shares: 100 @ R1 each	100	100

## 6 PROPERTY, PLANT AND EQUIPMENT

### 6.1 Reconciliation of Carrying Value

	Land	Buildings	Infrastructure	Community	Heritage	Other Assets	Projects under construction	Total
	R	R	R	R	R	R	R	R
<b>Carrying values at 1 July 2008</b>	-	-	-	-	-	<b>165 990</b>	-	<b>165 990</b>
Cost/Revaluation	-	-	-	-	-	284 182	-	284 182
Correction of error	-	-	-	-	-	-	-	-
Change in accounting policy	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	118 192	-	118 192
	-	-	-	-	-	10 900	-	10 900
Acquisitions	-	-	-	-	-	-	-	-
Projects under Construction	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	10 900	-	10 900
<b>Carrying value of disposals</b>	-	-	-	-	-	<b>155 090</b>	-	<b>155 090</b>
Cost/Revaluation	-	-	-	-	-	284 182	-	284 182
Accumulated depreciation and impairment losses	-	-	-	-	-	129 092	-	129 092
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
Other movements*	-	-	-	-	-	-	-	-
<b>Carrying values at 30 June 2009</b>	-	-	-	-	-	-	-	-
Cost/Revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-

Refer to Appendix A and B for more detail on property, plant and equipment

### 6.2 Reconciliation of Carrying Value

	Land	Buildings	Infrastructure	Community	Heritage	Other Assets	Projects under construction	Total
	R	R	R	R	R	R	R	R
<b>Carrying values at 1 July 2009</b>	-	-	-	-	-	-	-	-
Cost/Revaluation	-	-	-	-	-	-	-	-
Correction of error	-	-	-	-	-	-	-	-
Change in accounting policy	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-
	-	-	-	-	-	<b>416 032</b>	<b>6 768 042</b>	<b>7 184 074</b>
Acquisitions	-	-	-	-	-	442 447	-	442 447
Projects under Construction	-	-	-	-	-	-	6 768 042	6 768 042
Depreciation	-	-	-	-	-	26 415	-	26 415
<b>Carrying value of disposals</b>	-	-	-	-	-	<b>1 952</b>	-	<b>1 952</b>
Cost/Revaluation	-	-	-	-	-	2 300	-	2 300
Accumulated depreciation and impairment losses	-	-	-	-	-	348	-	348
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
Other movements*	-	-	-	-	-	-	-	-
<b>Carrying values at 30 June 2010</b>	-	-	-	-	-	<b>414 080</b>	<b>6 768 042</b>	<b>7 182 122</b>
Cost/Revaluation	-	-	-	-	-	440 147	6 768 042	7 208 189
Accumulated depreciation and impairment losses	-	-	-	-	-	26 067	-	26 067

Refer to Appendix B and C for more detail on property, plant and equipment

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD  
NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2010 CONTD.

	2010 R	2009 R
<b>7 TRADE AND OTHER PAYABLES</b>		
Ilembe District Municipality	198 863	385 879
Umgenti Water	-	34 200
Auditing Fees	-	9 120
Trade Creditors	4 708 731	-
Accruals Lease Expenses	30 354	-
<b>Total creditors</b>	<b>4 937 948</b>	<b>429 199</b>
The fair value of trade and other payables approximates their carrying amounts.		
<b>8 VAT PAYABLE</b>		
VAT payable	-	-
VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.		
<b>9 VAT RECEIVABLE</b>		
VAT receivable	597 840	-
VAT is receivable on the payments basis. VAT is receivable from SARS only once payment is made to the creditor.		
<b>10 UNSPENT CONDITIONAL GRANTS AND RECEIPTS</b>		
Unspent Grant Salaries Ex IDC	809 746	-
Unspent Grant Ilembe District Municipality - LED	117 317	-
Unspent Grant Ilembe District Municipality - Tourism	163 018	-
Unspent Grant Agri Processing Ex DCGTA	4 018 213	-
Unspent Grant Disaster Management	292 932	-
Unspent Grant Broadband Project Ex DCGTA	2 961 896	-
Unspent Grant Biodiesel Production Facility Ex DCGTA	1 568 780	-
Unspent Grant North Coast Wine Project Ex DCGTA	2 671 449	-
Unspent Grant Amacambini Dev Project Ex DCGTA	955 921	-
Unspent Grant Integrated Craft Hub	327 148	-
	<b>13 886 420</b>	<b>-</b>
See Note 14 for reconciliation of grants and receipts. These amounts are invested in ring-fenced investment until utilised.		
<b>11 PROVISIONS</b>		
Provision for leave pay	43 224	-
Reconciliation of leave pay provision		
Balance at beginning of the year	-	-
Contribution to provision	43 224	-
Expenditure against the provision	-	-
<b>Balance at year end</b>	<b>43 224</b>	<b>-</b>
<b>12 RENTAL INCOME OF FACILITIES</b>		
Rental of buildings	180 000	15 000
<b>Total rentals</b>	<b>180 000</b>	<b>15 000</b>
<b>13 INTEREST EARNED - EXTERNAL INVESTMENTS</b>		
Bank	81 119	37 719
Call investment	282 644	-
<b>Total interest</b>	<b>363 763</b>	<b>37 719</b>

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD  
NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2010 CONTD.

	2010	2009 R	R
<b>14 GOVERNMENT GRANTS AND SUBSIDIES</b>			
Grant Salaries Ex IDC		1 310 513	-
Grant Agricultural Hub Ex IDC		622 079	-
Grant Industrial Development Strategy Ex IDC		186 624	-
Grant Broadband Project Ex IDC		186 623	-
Grant North Coast Wine Project Ex IDC		182 477	-
Grant Ilembe District Municipality - LED		1 300 000	-
Grant Ilembe District Municipality - Tourism		700 000	-
Grant Agri Processing Ex DCGTA		8 000 000	-
Grant Industrial Development Strategy Ex DCGTA		1 300 000	-
Grant Disaster Management		500 000	-
Grant Broadband Project Ex DCGTA		3 000 000	-
Grant Biodiesel Production Facility Ex DCGTA		2 000 000	-
Grant North Coast Wine Project Ex DCGTA		4 000 000	-
Grant Amacambini Dev Project Ex DCGTA		1 000 000	-
Grant Integrated Craft Hub		500 000	-
		<b>24 788 316</b>	-
<b>14,1 Grant Salaries Ex IDC</b>			
Balance unspent at beginning of year		-	-
Current year receipts		1 310 513	-
Conditions met - transferred to revenue		500 767	-
Conditions still to be met - remain liabilities (see note 10)		<b>809 746</b>	-
<b>14,2 Grant Agricultural Hub Ex IDC</b>			
Balance unspent at beginning of year		-	-
Current year receipts		622 079	-
Conditions met - transferred to revenue		622 079	-
Conditions still to be met - remain liabilities		-	-
<b>14,3 Grant Industrial Development Strategy Ex IDC</b>			
Balance unspent at beginning of year		-	-
Current year receipts		186 624	-
Conditions met - transferred to revenue		186 624	-
Conditions still to be met - remain liabilities		-	-
<b>14,4 Grant Broadband Project Ex IDC</b>			
Balance unspent at beginning of year		-	-
Current year receipts		186 623	-
Conditions met - transferred to revenue		186 623	-
Conditions still to be met - remain liabilities		-	-
<b>14,5 Grant North Coast Wine Project Ex IDC</b>			
Balance unspent at beginning of year		-	-
Current year receipts		182 477	-
Conditions met - transferred to revenue		182 477	-
Conditions still to be met - remain liabilities		-	-
<b>14,6 Grant Ilembe District Municipality - LED</b>			
Balance unspent at beginning of year		-	-
Current year receipts		1 300 000	-
Conditions met - transferred to revenue		1 182 683	-
Conditions still to be met - remain liabilities (see note 10)		<b>117 317</b>	-

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD  
NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2010 CONTD.

	2010 R	2009 R
<b>14.7 Grant Ilembe District Municipality - Tourism</b>		
Balance unspent at beginning of year	-	-
Current year receipts	700 000	-
Conditions met - transferred to revenue	536 982	-
Conditions still to be met - remain liabilities (see note 10)	163 018	-
<b>14.8 Grant Agri Processing Ex DCGTA</b>		
Balance unspent at beginning of year	-	-
Current year receipts	8 000 000	-
Conditions met - transferred to revenue	3 981 787	-
Conditions still to be met - remain liabilities (see note 10)	4 018 213	-
<b>14.9 Grant Industrial Development Strategy Ex DCGTA</b>		
Balance unspent at beginning of year	-	-
Current year receipts	1 300 000	-
Conditions met - transferred to revenue	1 300 000	-
Conditions still to be met - remain liabilities	-	-
<b>14.10 Grant Disaster Management</b>		
Balance unspent at beginning of year	-	-
Current year receipts	500 000	-
Conditions met - transferred to revenue	207 068	-
Conditions still to be met - remain liabilities (see note 10)	292 932	-
<b>14.11 Grant Broadband Project Ex DCGTA</b>		
Balance unspent at beginning of year	-	-
Current year receipts	3 000 000	-
Conditions met - transferred to revenue	38 104	-
Conditions still to be met - remain liabilities (see note 10)	2 961 896	-
<b>14.12 Grant Biodiesel Production Facility Ex DCGTA</b>		
Balance unspent at beginning of year	-	-
Current year receipts	2 000 000	-
Conditions met - transferred to revenue	431 220	-
Conditions still to be met - remain liabilities (see note 10)	1 568 780	-
<b>14.13 Grant North Coast Wine Project Ex DCGTA</b>		
Balance unspent at beginning of year	-	-
Current year receipts	4 000 000	-
Conditions met - transferred to revenue	1 328 551	-
Conditions still to be met - remain liabilities (see note 10)	2 671 449	-
<b>14.14 Grant Amacambini Dev Project Ex DCGTA</b>		
Balance unspent at beginning of year	-	-
Current year receipts	1 000 000	-
Conditions met - transferred to revenue	44 079	-
Conditions still to be met - remain liabilities (see note 10)	955 921	-
<b>14.15 Grant Integrated Craft Hub</b>		
Balance unspent at beginning of year	-	-
Current year receipts	500 000	-
Conditions met - transferred to revenue	172 852	-
Conditions still to be met - remain liabilities (see note 10)	327 148	-

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD  
NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2010 CONTD.

	2010 R	2009 R
<b>15 EMPLOYEE RELATED COSTS</b>		
Employee related costs - Salaries and Wages	477 610	127 885
Employee related costs - Contributions for UIF, pensions and medical aids	6 260	1 807
Travel, motor car, accommodation, subsistence and other allowances	8 160	1 814
Other employee related costs	8 737	12 515
<b>Total Employee Related Costs</b>	<b>500 767</b>	<b>144 021</b>
<b>Remuneration of the Chief Executive Officer (December 2009 to June 2010) (March 2009 to April 2009)</b>		
Annual Remuneration	412 919	127 885
Travel, motor car, accommodation, subsistence and other allowances	8 160	1 814
Contributions to UIF, Medical and Pension Funds	5 029	1 807
<b>Total</b>	<b>426 108</b>	<b>131 506</b>
<b>Remuneration of the Chief Financial Officer (Contract basis) (2009 - October 2008 to June 2009)</b>		
Annual Remuneration (disclosed under professional fees)	100 195	45 581
<b>16 REMUNERATION OF BOARD MEMBERS</b>		
Attendance Fees at Meetings		141 000
M C Manci	21 000	
T C Chetty	25 000	
B N Linda	25 000	
M H Gumede	12 500	
D Naidoo	22 500	
<b>Total Board Members' Remuneration</b>	<b>106 000</b>	<b>141 000</b>
<b>17 DEPRECIATION AND AMORTISATION EXPENSE</b>		
Property, plant and equipment	26 415	10 900
<b>Total Depreciation and Amortisation</b>	<b>26 415</b>	<b>10 900</b>
<b>18 CONTRACTED SERVICES</b>		
Project Management Unit	1 971 883	-
Accounting Services	-	7 642
<b>Total Contracted Services</b>	<b>1 971 883</b>	<b>7 642</b>
<b>19 GENERAL EXPENSES</b>		
Included in general expenses are the following:-		
Accounting Services	-	7 642
Advertising	243 863	120 734
Audit fees	-	42 148
Bank charges	3 991	1 783
Catering Expenses	-	2 250
Consulting fees	-	138 272
Consumables	11 114	-
Entertainment	88 242	-
Legal expenses	20 055	61 977
Marketing and Communication	367 753	450 240
Professional fees	1 051 715	-
Rental of buildings	250 553	34 200
Office Expenses	168 762	33 405
Subscription & publication	905	-
Telephone cost	5 436	-
Training	18 584	-
Travel and subsistence	123 430	10 931
Other	165 290	5 697
<b>Total General Expenses</b>	<b>2 519 693</b>	<b>909 279</b>



ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD  
NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2010 CONTD.

	2010 R	2009 R
<b>19 GENERAL EXPENSES Contd.</b>		
Included in grant expenditure is the following:-		
LED Projects	1 080 422	-
Industrial Development Strategy	1 551 610	-
Amacambini Development	44 079	-
Disaster Management	207 069	-
Integrated Craft Hub	172 852	-
Tourism	392 669	-
<b>Total Grant Expenditure</b>	<b>3 448 701</b>	<b>-</b>
<b>20 (LOSS) ON SALE OF ASSETS</b>		
Property, plant and equipment	(1 952)	(155 091)
<b>Total (Loss) on Sale of Assets</b>	<b>(1 952)</b>	<b>(155 091)</b>
<b>21 GAIN ON FAIR VALUE ADJUSTMENT</b>		
Property, plant and equipment	36 924	-
<b>Total Gain on Fair Value Adjustment</b>	<b>36 924</b>	<b>-</b>
<b>22 CASH GENERATED BY OPERATIONS</b>		
Surplus/(deficit) for the year	6 351 015	107 078
Adjustment for:-		
Depreciation and amortisation	26 415	10 900
Contribution to leave provision	43 224	-
Loss on sale of assets	1 952	155 091
Gain on fair valuing assets	36 924	-
<b>Operating surplus before working capital changes:</b>	<b>6 459 530</b>	<b>273 069</b>
(Increase) in trade receivables	(1 349 242)	-
(Increase) in VAT receivable	(597 840)	-
Increase in trade payables	4 508 749	297 782
(Increase) in deposits	(26 350)	-
Increase in unspent conditional grants	13 886 420	-
<b>Cash generated by operations</b>	<b>22 881 267</b>	<b>570 851</b>
<b>23 CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Bank balances and cash	16 973 528	1 302 750
<b>Net cash and cash equivalents</b>	<b>16 973 528</b>	<b>1 302 750</b>
<b>24 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>		
<b>24.1 Audit fees</b>		
Opening balance	9 120	5 000
Current year audit fee	-	9 120
Amount paid - current year	-	-
Amount paid - previous years	9 120	5 000
<b>Balance unpaid (included in payables)</b>	<b>-</b>	<b>9 120</b>

**24 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT Contd.**

**24,2 VAT**

VAT input receivables and VAT output payables are shown in notes 8 and 9. All VAT returns have been submitted by the due date throughout the year.

	2010 R	2009 R
<b>24,3 PAYE and UIF</b>		
Opening balance	-	-
Current year payroll deductions	132 706	44 457
Amount paid - current year	132 706	44 457
Amount paid - previous years	-	-
<b>Balance unpaid (included in payables)</b>	-	-
<b>25 COMMITMENTS</b>		
<b>Commitments in respect of expenditure:</b>		
Approved and contracted for: Community Projects	9 763 882	-
Approved and not contracted for: Community Projects	-	-
<b>Total</b>	<b>9 763 882</b>	-
Committed expenditure will be financed as follows:		
Grant funded	9 763 882	-
<b>Total</b>	<b>9 763 882</b>	-
<b>26 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE</b>		
<b>26.1 Unauthorised expenditure</b>		
No unauthorised expenditure was incurred for the year ended 30 June 2009 or for the year ended 30 June 2010.		
<b>26.2 Fruitless and wasteful expenditure</b>		
No fruitless or wasteful expenditure was incurred for the year ended 30 June 2009 or for the year ended 30 June 2010.		
<b>26.3 Irregular expenditure</b>		
Non compliance with one or more of the Supply Chain Management regulations or Supply Chain Management policy requirements.	9 363 200	-
Reconciliation of irregular expenditure:		
Opening balance	-	-
Irregular expenditure awaiting condonement	9 363 200	-
<b>Total Irregular Expenditure</b>	<b>9 363 200</b>	-
Incident: Non compliance with Supply Chain Disciplinary steps: Nil		
<b>27 UNCONDITIONAL GRANTS</b>		
The Entity received the following unconditional grant from the Ilembe District Municipality		
<b>Description</b>		
Administration Grant	1 620 000	1 500 000

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD  
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	2010 R	2009 R
<b>28 RELATED PARTIES</b>		
Parent Municipality: Ilembe District Municipality		
<b>Related party balances</b>		
Accounts owing (to)/by related party:		
Ilembe District Municipality	1 150 379	(385 878)
Net amount included in Trade receivables and Trade payables regarding the related party		
Ilembe District Municipality	1 150 379	(385 878)
Rental income received from Ilembe District Municipality	180 000	15 000
Grant income received from Ilembe District Municipality:		
Administration Grant	1 620 000	1 500 000
LED Grant	1 300 000	-
Tourism Grant	700 000	-
	<b>3 620 000</b>	<b>1 500 000</b>
Grant income received via Ilembe District Municipality:		
Grant Agri Processing Ex DCGTA	8 000 000	-
Grant Industrial Development Strategy Ex DCGTA	1 300 000	-
Grant Disaster Management	500 000	-
Grant Broadband Project Ex DCGTA	3 000 000	-
Grant Biodiesel Production Facility Ex DCGTA	2 000 000	-
Grant North Coast Wine Project Ex DCGTA	4 000 000	-
Grant Amacambini Dev Project Ex DCGTA	1 000 000	-
Grant Integrated Craft Hub	500 000	-
	<b>20 300 000</b>	<b>-</b>
<b>29 OPERATING LEASES</b>		
At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:		
<b>Operating lease - lessee</b>		
Within one year	201 300	-
In the second to fifth year inclusive	706 584	-
After five years	-	-
<b>Total</b>	<b>907 884</b>	<b>-</b>
Operating leases consist of the following:		
Operating lease payments represent rentals payable by the entity for certain of its office properties. Leases are negotiated for an average term of five years and are escalated annually. No contingent rent is payable.		
<b>Operating lease - lessor</b>		
Within one year	201 300	-
In the second to fifth year inclusive	706 584	-
After five years	-	-
<b>Total</b>	<b>907 884</b>	<b>-</b>

**30 COMPARATIVE INFORMATION**

The 2009 comparative figures are for the period 27 October 2008 to 30 June 2009.

**31 COMPARISON WITH THE BUDGET**

The comparison of the Entity's actual financial performance with that budgeted is set out in Annexures A(1), A(2), E(3) and E(4)

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

APPENDIX A(1): BUDGET RECONCILIATION FOR THE 2009/10 FINANCIAL YEAR: STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION

Description	Original Budget 2009/10	Adjustment Budget 2009/10	Actual Outcome 2009/10	Unauthorised Expenditure 2009/10	Variance Actual/Budget 2009/10	Actual as % of Adjust Budget
<b>Revenue</b>						
Grants	10 260 000	28 360 000	12 521 895	0	15 838 105	44,2
Interest Received	50 000	50 000	363 763	0	-313 763	727,5
Rental Income		180 000	180 000	0	0	100,0
Other Income		0	15 600	0	-15 600	0,0
<b>Total Revenue</b>	<b>10 310 000</b>	<b>28 590 000</b>	<b>13 081 258</b>	<b>0</b>	<b>15 508 742</b>	
<b>Expenditure</b>						
Employee Related Costs	2 114 000	1 814 000	500 767	0	1 313 233	27,6
Directors Attendance Fees	457 920	442 820	106 000	0	336 820	23,9
Depreciation	0	0	26 415	26 415	-26 415	0,0
Repairs and Maintenance	106 000	100 000	83 491	0	16 509	83,5
Provisions	0	0	43 224	43 224	-43 224	0,0
Grant Expenditure	4 332 300	5 900 000	3 448 701	0	2 451 299	58,5
General Expenses	3 299 780	4 043 180	2 519 693	0	1 523 487	62,3
<b>Total Expenditure</b>	<b>10 310 000</b>	<b>12 300 000</b>	<b>6 728 291</b>	<b>69 639</b>	<b>5 571 709</b>	
<b>Surplus/(Deficit)</b>	<b>0</b>	<b>16 290 000</b>	<b>6 352 967</b>			
Transfers - Capital	0	16 290 000	0			
<b>Surplus/(Deficit) after capital transfers</b>	<b>0</b>	<b>0</b>	<b>6 352 967</b>			

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD  
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APPENDIX A(2): RECONCILIATION OF BUDGET SURPLUS/DEFICIT WITH THE SURPLUS/DEFICIT IN THE STATEMENT OF FINANCIAL PERFORMANCE

Details	R
Net surplus per statement of financial performance	6 351 015
Adjusted for: Loss on sale of assets	1 952
<b>Adjusted Net Surplus for the year</b>	<b>6 352 967</b>
<b>Net surplus per approved budget</b>	<b>16 290 000</b>

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

APPENDIX B: ANALYSIS OF PROPERTY, PLANT & EQUIPMENT

	HISTORICAL COST					ACCUMULATED DEPRECIATION						
	Opening Balance R	Additions/ Transfers R	Under Construction R	Disposals R	Closing Balance R	Opening Balance R	Additions/ Transfers R	Disposals R	Impairment losses R	Closing Balance R	Carrying Value R	Budget Additions R
<b>OTHER ASSETS</b>	<b>0</b>	<b>7 210 489</b>	<b>0</b>	<b>2 300</b>	<b>7 208 189</b>	<b>0</b>	<b>26 415</b>	<b>348</b>	<b>0</b>	<b>26 067</b>	<b>7 182 122</b>	<b>16 640 000</b>
Furniture and Equipment	0	347 733	0	2 300	345 433	0	19 978	348	0	19 630	325 803)	250 000
Computer Equipment	0	94 714	0	0	94 714	0	6 437	0	0	6 437	88 277)	
Land & buildings	0	0	0	0	0	0	0	0	0	0	0	700 000
Projects Under Construction	0	6 768 042	0	0	6 768 042	0	0	0	0	0	6 768 042	15 690 000
<b>TOTAL</b>	<b>0</b>	<b>7 210 489</b>	<b>0</b>	<b>2 300</b>	<b>7 208 189</b>	<b>0</b>	<b>26 415</b>	<b>348</b>	<b>0</b>	<b>26 067</b>	<b>7 182 122</b>	<b>16 640 000</b>

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD  
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APPENDIX C: SEGMENTAL ANALYSIS OF PROPERTY, PLANT & EQUIPMENT

	HISTORICAL COST					ACCUMULATED DEPRECIATION						
	Opening Balance R	Additions/ Transfers R	Under Construction R	Disposals R	Closing Balance R	Opening Balance R	Additions/ Transfers R	Impairment losses R	Disposals R	Closing Balance R	Carrying Value R	
<b>EXECUTIVE</b>	<b>0</b>	<b>442 447</b>	<b>0</b>	<b>2 300</b>	<b>440 147</b>	<b>0</b>	<b>26 415</b>	<b>0</b>	<b>348</b>	<b>26 067</b>	<b>414 080</b>	
Executive	0	442 447	0	2 300	440 147	0	26 415	0	348	26 067	414 080	
<b>PROJECTS UNDER CONSTRUCTION</b>	<b>0</b>	<b>6 768 042</b>	<b>0</b>	<b>0</b>	<b>6 768 042</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6 768 042</b>	
Projects Under Construction	0	6 768 042	0	0	6 768 042	0	0	0	0	0	6 768 042	
<b>TOTAL</b>	<b>0</b>	<b>7 210 489</b>	<b>0</b>	<b>2 300</b>	<b>7 208 189</b>	<b>0</b>	<b>26 415</b>	<b>0</b>	<b>348</b>	<b>26 067</b>	<b>7 182 122</b>	

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD  
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APPENDIX D: DETAILED SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE

2009 Actual Income	2009 Actual Expenditure	2009 Actual Surplus/ (Deficit)		2010 Actual Income	2010 Actual Expenditure	2010 Actual Surplus/ (Deficit)
R	R	R		R	R	R
1 562 719	1 455 641	107 078	Executive	13 081 258	6 728 291	6 352 967
1 562 719	1 455 641	107 078	Entity general expenses	13 081 258	6 728 291	6 352 967
1 562 719	1 455 641	107 078	Total	13 081 258	6 728 291	6 352 967

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

APPENDIX E(1): ACTUAL OPERATING VERSUS BUDGET

	2010 Actual R	2010 Budget R	2010 Variance R	2010 Variance %	Explanations of significant variances greater than 10% versus budget
<b>REVENUE</b>					
Rental of facilities	180 000	180 000	0	0,0	Due to the fact that the Entity has only started operating properly in the current year it was difficult to budget accurately as there was no historical information to base the budget on.
Interest earned – external investments	363 763	50 000	313 763	627,5	
Grants & subsidies – operating	12 521 895	28 360 000	(15838105)	-55,8	
Other revenue	15 600	0	15 600	0,0	
<b>Total Revenue</b>	<b>13 081 258</b>	<b>28 590 000</b>	<b>(15 508 742)</b>	<b>-54,2</b>	
<b>EXPENDITURE</b>					
Employee related costs	500 767	1 814 000	(1 313 233)	(-72,4)	Due to the fact that the Entity has only started operating properly in the current year it was difficult to budget accurately as there was no historical information to base the budget on.
Directors Attendance Fees	106 000	442 820	( 336 820)	-76,1	
Depreciation	26 415	0	26 415	0,0	
Repairs & maintenance	83 491	100 000	( 16 509)	-16,5	
Provisions	43 224	0	43 224	0,0	
Grant expenditure	3 448 701	5 900 000	(2 451 299)	(-41,5)	
General expenses	2 519 693	4 043 180	(1 523 487)	(-37,7)	
<b>Total Expenditure</b>	<b>6 728 291</b>	<b>12 300 000</b>	<b>(5 571 709)</b>	<b>(-45,2)</b>	
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>6 352 967</b>	<b>16 290 000</b>	<b>9 937 033</b>	<b>-</b>	

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD  
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APPENDIX E(2): ACTUAL CAPITAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPM

	2010 Actual R	2010 Under Construction R	2010 Total Additions R	2010 Budget R	2010 Variance R	2010 Variance %	Explanation of significant variances greater than 5% versus budget
<b>Executive</b>							
Executive	442 447	-	442 447	950 000	(507 553)	-53,4	Due to the fact that the Entity has only started operating properly in the current year it was difficult to budget accurately as there was no historical information to base the budget on.
<b>Projects Under Construction</b>							
Projects Under Construction	0	6 768 042	6 768 042	15 340 000	(8 571 958)	(-55,9)	
<b>TOTAL</b>	<b>442 447</b>	<b>6 768 042</b>	<b>7 210 489</b>	<b>16 290 000</b>	<b>(9 079 511)</b>	<b>(-55,7)</b>	

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD  
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APPENDIX F: DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grants and Subsidies Received

Name of Grant	Name of Organ of State or Municipality	Receipts	Expenditure	Grants Delayed/ Withheld	Reason for Delay/ Withholding of Funds	Compliance to Revenue Act (*) Yes / No	Reason for Non- compliance
Salaries Ex IDC	IDC	1 310 513	500 767	Nil	-	Yes	-
Agricultural Hub Ex IDC	IDC	622 079	622 079	Nil	-	Yes	-
Industrial Development Strategy Ex IDC	IDC	186 624	186 624	Nil	-	Yes	-
Broadband Project Ex IDC	IDC	186 623	186 623	Nil	-	Yes	-
North Coast Wine Project Ex IDC	IDC	182 477	182 477	Nil	-	Yes	-
Ilembe District Municipality - LED	IDM	1 300 000	1 182 683	Nil	-	Yes	-
Ilembe District Municipality - Tourism	IDM	700 000	536 982	Nil	-	Yes	-
Agri Processing Ex DCGTA	DCGTA	8 000 000	3 981 787	Nil	-	Yes	-
Industrial Development Strategy Ex DCGTA	DCGTA	1 300 000	1 300 000	Nil	-	Yes	-
Disaster Management	IDM	500 000	207 068	Nil	-	Yes	-
Broadband Project Ex DCGTA	DCGTA	3 000 000	38 104	Nil	-	Yes	-
Biodiesel Production Facility Ex DCGTA	DCGTA	2 000 000	431 220	Nil	-	Yes	-
North Coast Wine Project Ex DCGTA	DCGTA	4 000 000	1 328 551	Nil	-	Yes	-
Amacambini Dev Project Ex DCGTA	DCGTA	1 000 000	44 079	Nil	-	Yes	-
Integrated Craft Hub	IDM	500 000	172 852	Nil	-	Yes	-
<b>Total Grants and Subsidies Received</b>		<b>24 788 316</b>	<b>10 901 896</b>				





# report

## of the chief financial officer

### INTRODUCTION

The financial year ended 30 June 2010 has seen a marked increase in the income and expenditure of the Ilembe Management Development Enterprise (Pty) Ltd, trading as Enterprise Ilembe.

### OPERATING RESULTS

Details of the operating results are included in the financial statements included in this Annual Report. A summary of the results are as follows:

REVENUE	Actual 2010 R	Budget 2010 R	Variance Actual/Budget %
Opening Surplus	873 451	-	-
Operating income for the year	13 081 258	28 590 000	(54.2)
Sundry transfers	34 972	-	-
<b>Total</b>	<b>13 989 681</b>	<b>28 590 000</b>	
<b>EXPENDITURE</b>			
Operating expenditure for the year	6 728 291	12 300 000	(45.3)
Closing surplus	7 261 390	-	-
<b>Total</b>	<b>13 989 681</b>	<b>12 300 000</b>	

In the 2009/2010 Financial Year, in addition to the above expenditure R6 768 042 was spent on projects under construction. One of the challenges facing Enterprise Ilembe is the timing of the receipt of grants from the Industrial Development Corporation and the Provincial Department of Co-Operative Government and Traditional Affairs. The grants from the Department of Co-Operative Government and Traditional Affairs are paid via the Ilembe District Municipality while the Industrial Development Corporation grant is paid directly to the Enterprise Ilembe.

It has been very difficult for Enterprise Ilembe to plan for the expenditure of the grants due to fact that it was unknown when the grants would be received. Therefore the implementation and supply chain management processes were only implemented once the grants had actually been received.

### CONDITIONAL GRANTS

Due to the uncertainty as regards the timing of the receipt of the grants alluded to above the following amounts were regarded as conditional grants were unspent at 30 June 2010:

Clarity and qualification is provided in the Audit Committee Chair's Report.

Grant	Unspent Grant as at 30 June 2010 R
Grant Salaries Ex IDC	809 746
Grant Ilembe District Municipality – LED	117 317
Grant Ilembe District Municipality – Tourism	163 018
Grant Agri Processing Ex DCGTA	4 018 213
Grant Disaster Management	292 932
Grant Broadband Project Ex DCGTA	2 961 896
Grant Biodiesel Production Facility Ex DCGTA	1 568 780
Grant North Coast Wine Project Ex DCGTA	2 671 449
Grant Amacambini Dev Project Ex DCGTA	955 921
Grant Integrated Craft Hub	327 148
<b>TOTAL</b>	<b>13 886 420</b>

A plan of action has been put in place to spend the unspent grants to ensure that the mandate of Enterprise Ilembe is fully met.

### ACCUMULATED SURPLUS

The accumulated surplus as at 30 June 2010 was R7 261 390.

### CASH AND CASH EQUIVALENTS

As at 30 June 2010 the cash and cash equivalents held by Enterprise Ilembe were as follows:

	R
Cash at bank	2 199 284
Call investment	14 772 244
Petty cash	2 000

The cash and cash equivalents is high due to the fact that the unspent grants as at 30 June 2010 amounted to R13 886 420 as set out above.

### COMPARATIVE FIGURES

It should be noted that the comparative figures disclosed in the financial statements for the period ended 30 June 2009 are for the period 27 October 2008 to 30 June 2009.

### EXPRESSION OF APPRECIATION

I would like to thank the Chairman of the Board, Board Members and Chief Executive officer for the support and assistance they have given me during the last financial year. Special appreciation is also given to the Office of the Auditor General for their support.



Dave Geils  
Chief Financial Officer

# chapter five

## functional service delivery report

# service level agreement

Enterprise iLembe has a Service Level Agreement with iLembe District Municipality. The SLA guides the mandate of the Agency and sets out the function and services to be delivered as follows;

- 1) Project Management Unit
- 2) Promotion of Social Economic Development
- 3) Shared Support Services
- 4) Tourism
- 5) Markets
- 6) Abattoirs
- 7) Airports
- 8) Incidental Bylaws

Reporting on these functions has been mandated by the Board to the CEO. Regular meetings are held with principals of the District, and the Agency reports into the various structures of Council including the Economic Development Portfolio Committee.

A Project Management Unit was established and a service provider contracted to perform the function as an interim measure. Enterprise iLembe will be capacitating a permanent PMU based on future discussions and needs of the Agency and the District.

The image features a solid green vertical bar on the left side. To its right, there are several overlapping, wavy, light green shapes that resemble a landscape or hills. The text 'chapter six' is positioned across the top of these elements.

# chapter six

2009/2010

annual  
performance  
report





# organisational scorecard (SDBIP)

## Enterprise iLembe (EIL) SDBIP 2009/2010

Enterprise Lembe KPA	KPI	Annual Target	Activities/Deliverables	Score
Project Management Unit (PMU) Reporting	Percentage of donor reports submitted to funding bodies by deadline	90%	<ol style="list-style-type: none"> <li>1. Compile schedule / calendar of due dates for reports to funding partners (MIG, DWAF, DLGTA, Corridor Steering Committee, IDC and private sector / foreign donors)</li> <li>2. Distribute due dates to relevant departments / implementing agents for the 2009/2010 FY</li> <li>3. Request &amp; receive departmental / implementing agents' monthly / quarterly reports</li> <li>4. Collate and perform quality control checks - to secure EIL CEOs approvals</li> <li>5. Submit relevant reports to appropriate funding partner(s)</li> </ol>	3
Agriculture	4 Tunnels erected  Establish agricultural farms at 4 sites in iLembe  Implementation plan approved for growing grape vines in iLembe	End March 2010 End March 2010 June 2010	<ol style="list-style-type: none"> <li>1. Secretariat role to Agric Forum</li> <li>2. Establish one-stop farmer support facility within EIL</li> <li>3. Assist to speed-up land claims</li> <li>4. Pilot agricultural projects to respond to opportunities created by Dube Trade Port and growing tourism market</li> <li>5. Oversee establishment of large agri-processing hubs (document impacts in terms of job creation and other potential economic spin-offs) and develop concept paper for leveraging other large investments in agriculture</li> <li>6. Establish agricultural farms at 4 sites in iLembe</li> <li>7. Business Plan developed for marketing, packaging and delivery of projected surplus agricultural farm production to markets</li> <li>8. Implementation Plan developed to start planting grape vines in the iLembe District during 15 August to end September 2010.</li> </ol>	3
Manufacturing	Marketable Industrial Dev Strategy by deadline	End March 2010	<ol style="list-style-type: none"> <li>1. Determine the role of industry within iLembe</li> <li>2. Undertake a survey of existing industries located within iLembe</li> <li>3. Analyse the demand for industrial land in iLembe District</li> <li>4. Conduct a land supply analysis</li> <li>5. Identify and prioritise at least seven to ten land parcels/sites potentially suitable for industrial development</li> <li>6. Conduct site specific assessments</li> <li>7. Identify key short, medium and long-term interventions required to develop the prioritised sites for marketing to potential investors</li> <li>8. Develop marketing mechanisms and tools that can be used to market the identified sites to potential investors</li> </ol>	3
ICT	Implementation of iLembe Broadband Project	New Broadband infrastructure in place by June 2010	<ol style="list-style-type: none"> <li>1. Develop an ICT growth strategy for the district to support taking up economic opportunity by emerging entrepreneurs</li> <li>2. Develop framework for iLembe Broadband Project</li> <li>3. Secure funding for the Project</li> <li>4. Call for proposals from private sector for further development and implementation of the Broadband Project</li> <li>5. Appoint private sector partner for Project Implementation</li> <li>6. Facilitate implementation and monitoring and evaluation framework for Project.</li> </ol>	3
Skills Development & Capacity Building	Implementation of iLembe Skills Village Programme and Training of local community.	800 people passing through integrated training	<ol style="list-style-type: none"> <li>1. Establish Chamber of Business for the iLembe district focussing on: Tourism; Agriculture, Manufacturing &amp; ICT Sectors (but not excluding others)</li> <li>2. In partnership with Chamber facilitate skills development and capacity building for recipients from the emerging economy - focussing on above sectors</li> <li>3. Promote economic opportunity for informal economy players in all sectors above</li> <li>4. Motivate establishment of contact / call cluster within EIL</li> <li>5. Develop a Co-ops Policy</li> </ol>	3

Enterprise Lembe KPA	KPI	Annual Target	Activities/Deliverables	Score
Development of Co-operatives	Co-operative strategy developed. Implementation plan for co-ops in iLembe developed.	Co-operative Strategy in place by June 2010.	<ol style="list-style-type: none"> <li>Literature review.</li> <li>Stakeholder engagement.</li> <li>Develop a proposal.</li> <li>Proposal adopted by Portfolio Committee.</li> <li>Development of co-operative strategy.</li> <li>Development of co-operative implementation plan.</li> </ol>	3
Minerals and Energy	Planning and construction and of a sustainable community based biodiesel production facility in iLembe.	June 2010	<ol style="list-style-type: none"> <li>Establish stakeholder's forum</li> <li>Identify suitable facility site</li> <li>Site evaluation and planning. Generation of site drawings.</li> <li>Preliminary application to DME. Conducting EIA.</li> <li>Application to local Town Planning Dept. Formal application to DME. Notification to SARS.</li> <li>Identification of local labour.</li> <li>Training of labour.</li> <li>Order Placements.</li> <li>Construction of the biodiesel production facility started.</li> </ol>	3
Investment Incentive Strategy	Number of identified stakeholders engaged with	June 2010	<ol style="list-style-type: none"> <li>Exco adoption</li> <li>Secure EIL Board adoption</li> <li>Liaise with stakeholders LM's, Eskom, Ithala.</li> </ol>	3
Informal Economy Plan	Number of identified stakeholders engaged with	Dec 2009	<ol style="list-style-type: none"> <li>Exco adoption</li> <li>Secure EIL Board adoption</li> <li>Liaise with stakeholders LM's.</li> </ol>	3
Tourism	a) % of the total number of LM projects completed by FY b) Anchor Project 1 - Establishment of a tourism info centre for the District	a) 50% b) End June 2010	<ol style="list-style-type: none"> <li>Establish Co-ordinating Task Team to respond to 2010 SWC</li> <li>Promote off-beach attractions (culture, arts &amp; crafts)</li> <li>Play oversight role vis-à-vis LM projects (King Shaka Heritage Route; Mandeni Beach Facilities; KwaShushu Hotsprings and Kwaloshe Forest)</li> <li>Roll out tourism sector plan.</li> </ol>	3

# conclusion

Enterprise iLembe has vital role to play in the development and growth of iLembe District and its family of municipalities. We have had a positive year where we believe we have found our feet and taken cognisance of the importance of our role as the economic development agency for the district.

The organisation is proving its weight in the District and is starting to deliver real value to both our funders and stakeholders.

We will remain committed to our mandate in the District and KZN as a whole.



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