

**ILEMBE MANAGEMENT DEVELOPMENT
ENTERPRISE (PTY) LTD**

**TRADING AS
ENTERPRISE ILEMBE**

REGISTRATION NUMBER: 2006/032665/07



**AUDITED ANNUAL FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
30 JUNE 2021**

**PREPARED BY: SINEGUGU MTHEMBU
CHIEF FINANCIAL OFFICER
ENTERPRISE ILEMBE**

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
REGISTRATION NUMBER: 2006/032665/07
AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

CONTENTS	PAGE
General Information	1
Chief Executive Officer's Responsibility and Approval	3
Directors' Responsibilities and Approval	5
Director's Report	6
Statement of Financial Position	8
Statement of Financial Performance	9
Statement of Changes in Net Assets	10
Cash Flow Statement	11
Statement of Comparison of Budget and Actual Amounts	12
Accounting Policies	15
Notes to the Annual Financial Statements	21
Unaudited Supplementary Appendix A: Segmental Analysis of Property, Plant and Equipment	40
Unaudited Supplementary Appendix B: Segmental Statement of Financial Performance	41
Unaudited Supplementary Appendix C(1): Actual versus Budget by Vote (Revenue and Expenditure)	42
Unaudited Supplementary Appendix C(2): Actual versus Budget by Department (Revenue and Expenditure)	43
Unaudited Supplementary Appendix C(3): Actual versus Budget (Acquisition of Property, Plant and Equipment)	44
Unaudited Supplementary Appendix D: Disclosure of Grants and Subsidies in terms of Section 123 of the Municipal Finance Management Act, 56 of 2003	45

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
REGISTRATION NUMBER: 2006/032665/07
AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

General Information

Country of Incorporation	South Africa
Legal form of Entity	Private Company Registered with the Companies Act of South Africa
Company Registration Number	2006/032665/07
Vat Registration Number	4610255624
Income Tax Reference Number	9355953150
Nature of business	Local Economic Development, Trade & Investment Promotion
Acting Chief Executive Officer	Mr Linda Mncube
Chief Financial Officer	Ms Sinegugu Mthembu
Company Secretary	Ms Sinegugu Mthembu (Secondment)
Directors	Mr Xolani Gumede - Chairperson of the Board Ms Ntokozo Mlaba - Deputy Chair of the Board Dr Thamsanqa Mbonambi Mr Ian Deetlefs Ms Noluthando Dlamini
Controlling Entity	iLembe District Municipality
Auditors	Auditor-General of South Africa
Attorneys	Panel of Services Providers
Bankers	First National Bank
Postal Address	P O Box 593 Ballito 4420
Physical Address	Sangweni Tourism Centre Cnr. Ballito Drive and Link Road Ballito 4420
Contact No.	032-9461256
Web Address	www.enterpriseilembe.co.za

List of abbreviations

The list below may be found within the annual financial statements and the explanations are as follows:

AG - Auditor-General of South Africa
APP - Annual Performance Plan
CEO - Chief Executive Officer
CFO - Chief Financial Officer
GRAP - Generally Recognised Accounting Practice
HR - Human Resources
IAS - International Accounting Standards
ICT - Information and Communication Technology
KPI - Key Performance Indicator
King (IV) - King Report on Corporate Governance
MEC - Member of the Executive Council
MTREF - Medium-Term Revenue and Expenditure Framework
MTSF - Medium-Term Strategic Framework
SARS - South African Revenue Services
SCM - Supply Chain Management
MFMA - Municipal Finance Management Act, No.56 of 2003
VAT - Value Added Tax
SDBIP - Service Delivery and Budget Implementation Plan
AFS - Annual Financial Statements
Enterprise iLembe - iLembe Management Development Enterprise
Board - Enterprise iLembe Board of Directors
IDM - iLembe District Municipality
LED - Local Economic Development
FAR - Fixed Assets Register
COGTA - Cooperative Governance and Traditional Affairs
SETA - Sector Education and Training Authority
MICT - Media, information and Communication Technologies
YEP - Youth Enterprise Park
UIF - Unemployment Insurance Fund
FNB - First National Bank
SLA - Service Level Agreement
MOA - Memorandum of Agreement
MOU - Memorandum of Understanding
RASET - Radical Agrarian Socio-Economic Transformation
EDTEA - Economic Development, Tourism and Environmental Affairs
SMME - Small, Medium and Micro Enterprises
SASA - South African Sugar Association
COO - Chief Operations Officer
TCMI - Tourism, Communication, Marketing and Investment Promotion
PAYE - Pay As You Earn
SAMWU - South African Municipal Workers' Union
COVID-19 - Coronavirus Disease
WIP - Work in Progress

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
REGISTRATION NUMBER: 2006/032665/07
AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

Chief Executive Officer's Responsibility and Approval

The audited annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

I am responsible for the preparation of the annual financial statements, set out on pages 8 to 45, in terms of the Company's Act No. 71 of 2008 as amended and section 126 (2) of the Municipal Finance Management Act of 2003, which I have signed on behalf of iLembe Management Development Enterprise (Pty) Ltd.



Linda Mncube
Chief Executive Officer

29/12/2021

Date

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
REGISTRATION NUMBER: 2006/032665/07
AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

Directors' Responsibilities and Approval


The Directors are required by the Municipal Finance Management Act (Act No. 56 of 2003) and the Companies Act (Act No. 71 of 2008 as amended) to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related information. The auditors are responsible to report on the fair presentation of these statements. The financial statements have been prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The Directors are also responsible for the company's systems of internal financial control. These are developed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements and to adequately verify and maintain accountability of assets, and not absolute, assurance as to the reliability of the financial statements and to adequately verify and maintain accountability of assets, and to prevent and detect misstatement and loss. Nothing has come to the attention of Directors to indicate that any material breakdown in the functioning of these controls, procedures and systems occurred during the year under review.

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 municipal entity will not continue as a going concern in the year ahead.

To enable the Directors to meet these responsibilities, the Directors set standards of internal controls aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities with a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity.

All employees are required to maintain the highest ethical and integrity standards in ensuring that the municipal entity's business practices are concluded in a manner, which in all reasonable circumstances, is above reproach. The concept of reasonable assurance recognises that the control procedures should not exceed the expected benefits. The municipal 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 municipal entity.



Xolani Gumede
Chairperson of the Board

29-12-2021

Date

Directors' Report

The following report is submitted in terms of section 30(3) of the Companies Act, 2008, for the period ended 30 June 2021.

General Review

The Municipal 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 Municipal 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 Municipal Entity's affairs for the period ended 30 June 2021.

1. Nature of Business

The Municipal Entity has been formed as a local economic development agency of the Ilembe District Municipality to promote economic growth. The Municipal Entity was formed in terms of the Municipal Systems Act No. 32 of 2000 and the Municipal Finance Management Act No. 56 of 2003.

2. Going Concern

The Annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. The basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The Entity is also currently able to meet its obligations as the assets exceed liabilities, with the cost coverage sitting at 2,25:1 and the current ratio at 1,34:1. The number of days cash on hand is 67 days (norm is 30 days).

3. Material Agreement

None at this stage.

4. Financial results of the company

The audited annual financial statements on pages 8-45 set out fully the financial position and results of operations and cash flows of the Entity for the period ended 30 June 2021.

5. Subsequent Events

The Directors are not aware of any matter or circumstance arising since the end of the financial period under review that would impact on the fair presentation of the financial statements presented.

6. Share Capital

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

7. Dividends

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

8. Directors

The Directors of the Entity during the year and to date of this report are as follows:

Name	Details
KS Shandu - Board Chairperson	Term ended December 2020
AT Nzama - Deputy Board Chairperson & Tourism and In	Term ended December 2020
DN Nene - HR & Finance Sub-Committee Chair	Term ended December 2020
JJC Oelofse	Term ended December 2020
ZS Gumede	Term ended December 2020
N Mngadi	Term ended December 2020
B Mngadi	Term ended December 2020
Mr X Gumede - Board Chairperson	Appointed January 2021
Ms N Mlaba - Board Deputy Chairperson	Appointed January 2021
Ms N Dlamini	Appointed January 2021
Dr T Mbonambi	Appointed January 2021
Mr I Deetlefs	Appointed January 2021
Mr R Ridwaan	Resigned May 2021

Fees for a retainer and attendance at meetings totalling R755 186 (R765 519 in June 2020) were paid during the period under review. See note 19 of the Annual Financial Statements.

9. Economic Entity

As an Entity of the iLembe District Municipality, the following are applicable in terms of reporting structures:

- The Municipal Manager of iLembe District Municipality - Mr G Kumalo
- The Chairperson of the Economic Development Portfolio Committee - the Deputy Mayor of iLembe, Cllr D Shandu

10. Directors' interest in contracts

The Directors have declared interest in companies they are part of, but none that are linked to the Entity.

11. Corporate Governance

11.1 Board Meetings

The Board has two sub-committees - LED and Investment and the HR, Finance and Remuneration sub-committees. The Board is required to meet at least 4 times per annum. The schedule below indicates the meetings held during the 2020/2021 financial year and attendance thereof of both the previous Board and the newly approved Board as outlined under no. 8 above.

Name	Board	LED and Investment	HR, Finance & Remuneration
	11	3	3
Number of meetings			
KS Shandu - Board Chairperson	5	1	
AT Nzama - Deputy Board Chairperson	4	2	
ZS Gumede	5	2	
JJC Oelofse	4	2	2
DN Nene - HR & Finance Sub-Committee Chairperson	5		2
N Mngadi	4		2
B Mngadi	5		2
Mr X Gumede - Chairperson	6		1
Ms N Mlaba - Deputy Chairperson & Chairperson	6		1
Ms N Dlamini	6	1	1
Dr T Mbonambi	6	1	1
Mr R Ridwaan	4	1	
Mr I Deetlefs - Chairperson of LED & Investment	6	1	

11.2 Audit Committee Meetings

The Audit Committee currently comprises of external members and is required to meet at least 4 times per annum as per the MFMA. Additional meetings may be called for as the need arise. 4 meetings were held during the period under review. Members' attendance at the meetings is listed below:

Name	Number of Meetings Attended
S. Hlophe - Chairperson	4
S Gertze	4
B. Zulu	3
S.L Ndlovu	3

Mr S.L Ndlovu's appointment was terminated on 31 January 2021.

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021
AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

	Note	2021 R	2020 Restated R
ASSETS			
Current Assets		17 840 562	30 551 714
Vat Receivable	4	392 346	3 323 809
Inventory	5	269 673	211 309
Trade and Other Receivables from Exchange Transactions	11	2 022 038	10 588 975
Trade and Other Receivables from Non-Exchange Transactions	11	1 682 010	335 728
Cash and Cash Equivalents	12	13 474 495	16 091 893
Non-current Assets		26 498 646	27 309 832
Property, Plant and Equipment	8	26 446 458	26 757 595
Biological Assets	9	-	530 000
Operating Leases	32	52 188	22 238
Total Assets		44 339 207	57 861 547
LIABILITIES			
Current Liabilities		14 985 056	29 020 088
Trade and Other Payables from Exchange Transactions	1	2 002 408	10 953 097
Employee Benefits	2	2 403 055	2 628 985
Trade and Other Payables from Non-Exchange Transactions	3	10 190 126	14 292 080
Finance Lease Liability	6	386 739	1 145 926
Operating Lease Liability	32	2 728	-
Non-current Liabilities			
Finance Lease Liability	6	-	302 983
Total Liabilities		14 985 056	29 323 071
NET ASSETS		29 354 151	28 538 477
NET ASSETS			
Accumulated Surplus		29 354 051	28 538 377
Issued Share Capital	10	100	100
Total Net Assets		29 354 151	28 538 477

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
STATEMENT OF FINANCIAL PERFORMANCE AS AT 30 JUNE 2021
AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

	Note	2021	2020
REVENUE		R	Restated R
Revenue from exchange transactions			
Gain on actuarial valuation	2	7 000	-
Rental Income	13	703 211	279 195
Interest Received	14	437 760	552 006
Other Income	16	806 915	1 225 402
National Schools Nutrition Income	17	-	11 269 539
Total Revenue from exchange transactions		1 954 886	13 326 142
Revenue from non-exchange transactions			
Government grants and subsidies	15	53 689 851	72 840 048
Insurance refunds	16	110 396	53 604
Total Revenue from non-exchange transactions		53 800 247	72 893 652
Total Revenue		55 755 133	86 219 793
EXPENDITURE			
Depreciation, Amortisation & Impairment	7	3 441 176	2 719 692
Employee Related Costs	18	18 771 361	20 944 107
Board Fees	19	755 186	765 519
Contracted Services	21	6 842 687	20 192 592
General Expenses	22	21 962 398	45 203 421
Loss on fair value adjustment	26	-	60 000
Loss on debt impairment	26	2 137 226	-
Loss on asset disposal	26	652 847	50 764
Total Expenditure		54 562 881	89 936 095
Surplus / (Deficit) for the year		1 192 252	(3 716 302)

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2021
AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

	Note	Shares R	<u>Accumulated Surplus/ (Deficit)</u> R.	<u>Total Net Assets</u> R
Opening Balance 1 July 2019		100	32 653 238	32 653 338
Deficit for the year		-	(4 450 623)	(4 450 623)
Adjustments		-	(398 559)	(398 559)
Balance at 30 June 2020		100	27 804 055	27 804 155
Prior period error		-	734 321	734 321
Restated Balance at 30 June 2020		100	28 538 377	28 538 477
Opening Balance 1 July 2020		100	28 538 377	28 538 477
Surplus for the year		-	1 192 252	1 192 252
Adjustments		-	(376 577)	(376 577)
Balance at 30 June 2021		100	29 354 051	29 354 151

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
CASH FLOW STATEMENT AS AT 30 JUNE 2021
AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

	Note	2021	2020
		R	Restated R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts government and other		75 019 947	130 468 727
Cash paid to suppliers and employees		(73 191 877)	(133 044 099)
Cash generated/(utilised) from operations	24	<u>1 828 070</u>	<u>(2 575 371)</u>
Interest received		437 760	552 006
NET CASH FLOWS FROM OPERATING ACTIVITIES		<u>2 265 830</u>	<u>(2 023 365)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(3 726 162)	(876 167)
NET CASH FLOWS FROM INVESTING ACTIVITIES		<u>(3 726 162)</u>	<u>(876 167)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease installments		(1 157 066)	(1 237 948)
NET CASH FLOWS FROM FINANCING ACTIVITIES		<u>(1 157 066)</u>	<u>(1 237 948)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		<u>(2 617 398)</u>	<u>(4 137 480)</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		<u>16 091 893</u>	<u>20 229 373</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	25	<u>13 474 495</u>	<u>16 091 893</u>

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS
AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

Description	2020/2021						Comments
	Original Budget R	Adjustment Budget R	Actual outcome June 2021 R	YTD Budget June 2021 R	Variance R	% Variance	Explanation of material variances over 10%
Financial Position							
Current assets:							
Receivables from exchange transactions	6 299 265	6 299 265	2 022 038	6 299 265	(4 277 227)	-68%	Immaterial
Receivables from non-exchange transactions	-	-	1 682 010	-	1 682 010	100%	Previously disclosed as part of receivables prior to split from non-exchange transactions
VAT	507 974	507 974	392 346	507 974	(115 628)	-23%	Linked to expenditure and revenue receipts
Cash and Cash Equivalents	5 110 218	5 110 218	13 474 495	5 110 218	8 364 277	164%	Unspent grants where approvals/responses were not received in time from funder (COGTA)
Inventory	283 018	211 309	269 673	211 309	58 364	28%	Additional wine was purchased in the current year - for cultivars that were sold out.
Non-current assets							
Property, plant and equipment	24 079 153	24 079 153	26 446 458	24 079 153	2 367 305	10%	Increase is due to asset additions - WIP for the YEP project
Biological assets	391 400	391 400	-	391 400	(391 400)	-100%	Biological assets written-off as vineyards will be repurposed to open fields due to the non-viability of the project.
Operating Leases	-	-	52 188	-	52 188	100%	Newly accounted for item
Total Assets	36 671 029	36 599 320	44 339 207	36 599 320	7 739 888		
Current liabilities							
Payables from exchange transactions	2 733 731	2 733 731	2 002 408	2 733 731	(731 323)	-27%	Less creditors than anticipated
Employee Benefits	-	-	2 403 055	-	2 403 055	100%	Includes leave and long service provisions
Unspent conditional grants and receipts	831 369	831 369	10 190 126	831 369	9 358 757	1126%	More unspent grants due to approvals not received from funder
Finance Lease Liability	-	-	386 739	917 964	(531 225)	-58%	Term of the lease near expiry
Operating Lease Liability	-	-	2 728	-	2 728	100%	Newly accounted for item
Total Liabilities	3 565 099	3 565 099	14 985 056	4 483 064	10 501 993		
Net Assets	33 105 929	33 034 220	29 354 151	32 116 256		-	
Accumulated surplus	33 105 829	33 105 829	29 354 051	33 105 829	(3 751 778)	-11%	Immaterial
Share capital held by Municipality	100	100	100	100	-	0%	
Total Net Assets	33 105 929	33 105 929	29 354 151	33 105 929	(3 751 778)		

Description	2020/2021						Comments
	Original Budget R	Adjustment Budget R	Actual outcome June 2021 R	YTD Budget June 2021 R	Variance R	% Variance	Explanation of material variances over 10%
Financial Performance							
Interest on investments	400 000	400 000	437 760	400 000	37 760	9%	Immaterial There were still engagements in progress with COGTA when the financial year was closed. About R5m of grants remained unspent. An agreement between Enterprise iLembe and Decavu was signed for the leasing of tunnels, however, this was only known after the adjustments budget was finalized, hence the over-billing. Based on what insurance claims were submitted Based on evaluations
Government grants and subsidies	39 829 711	63 534 044	53 689 851	63 534 044	(9 844 193)	-15%	
Other income	18 636 147	1 162 269	1 510 126	1 162 269	347 857	30%	
Insurance refunds	-	-	110 396	-	110 396	100%	
Gain of actuarial valuation	-	-	7 000	-	7 000	100%	
Total Revenue	58 865 858	65 096 312	55 755 133	65 096 312	(9 341 180)		
Employee Related Costs	20 456 264	20 270 467	18 771 361	20 270 467	(1 499 106)	-7%	Immaterial Expenditure previously budgeted under capital expenditure had to be moved to repairs as the building does not belong to the entity neither is there a lease agreement in place. Linked to some grants that could not be expended on due to approvals not being received. Also, there are savings in some instances. Linked to some grants that could not be expended on due to approvals not being received. Also, there are savings in some instances. Only known at the end of the financial year.
Directors' fees	836 754	828 530	755 186	828 530	(73 344)	-9%	
Depreciation, Amortization & Impairment	2 825 680	2 706 744	3 441 176	2 706 744	734 432	27%	
Repairs and maintenance	234 137	300 000	-	300 000	(300 000)	-100%	
General expenses	26 929 024	23 432 715	21 962 398	23 432 715	(1 470 317)	-6%	
Contracted services	7 537 405	10 120 779	6 842 687	10 120 779	(3 278 092)	-32%	
Loss on disposal of assets			652 847	-	652 847	100%	
Total Expenditure	58 819 264	57 659 235	52 425 655	57 659 235	(5 233 580)		
Surplus/(Deficit) for the year	46 594	7 437 077	3 329 478	7 437 077	(4 107 599)		

Description	2020/2021						Comments
	Original Budget R	Adjustment Budget R	Actual outcome June 2021 R	YTD Budget June 2021 R	Variance R	% Variance	Explanation of material variances over 10%
<u>Statement of changes in net assets</u>							
Balance as at 1 July 2020	33 106 250	33 106 250	28 538 477	33 106 250	(4 567 773)	-14%	Depends on yearly transactions
Correction Prior Year Period		-	(376 577)	-	(376 577)	100%	Only known at the end of the financial year.
Surplus/(Deficit) for the year	1 708 579	1 708 579	1 192 252	1 708 579	(516 327)	-30%	Only known at the end of the financial year.
Balance as at 30 June 2021	34 814 829	34 814 829	29 354 151	34 814 829	(5 460 678)		
<u>Cash Flows</u>							
Receipts	45 633 714	45 633 714	75 019 947	45 633 714	29,386,233	64%	Cash receipts were under estimated
Payments	35 839 354	35 839 354	73 191 877	35 839 354	37,352,523	104%	Payments were under estimated
Net cash flows from operating activities	9 794 360	9 794 360	2 265 830	9 794 360	(7,528,531)	-77%	Based on the cash and payments estimates
Net cash flows from investing activities	(5 204 216)	(5 204 216)	(3 726 162)	(5 204 216)	1,478,054	-28%	Estimate was based on capital purchases
Net cash flows from financing activities	-	-	(1 157 066)	-	(1,157,066)	100%	ommitted on the balance sheet budget
Cash/cash equivalents at the beginning of the year	520 348	520 348	16 091 893	520 348	15,571,546	2993%	When budgeting, the aim to spend on the entire budget
Cash/cash equivalents as at 30 June 2021	5 110 492	5 110 492	13 474 495	5 110 492	9,521,069		

The budget is approved on an accrual basis by nature classification. The approved budgets cover the period 1 July 2020 to 30 June 2021.

The budget and accounting bases are the same as both are on the accrual basis. The financial statements are prepared using a classification on the nature of expenses in the statement of financial performance.

1 BASIS OF PREPARATION

1.1 STATEMENT OF COMPLIANCE

These annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

1.2 BASIS OF MEASUREMENT

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention as the basis measurement, unless specified otherwise.

1.3 FUNCTIONAL AND PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipal entity. All financial information has been rounded to the nearest Rand.

1.4 OFFSETTING

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the municipal entity has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Revenue and expenses have not been offset except when offsetting is required or permitted by a standard of GRAP.

1.5 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipal entity will continue to operate as a going concern for at least the next 12 months. COVID-19 is not expected to have a significant impact on the Entity. Management has determined that there is no material uncertainty that casts doubt on the Entity's ability to continue as a going concern. It is expected that COVID-19 might have some impact, though not significant, for example, in relation to expected future performance, or the effects on some future asset valuations. The Entity is also currently able to meet its obligations as the assets exceed liabilities, with the cost coverage sitting at 2,25:1 and the current ratio at 1,34:1. The number of days cash on hand is 67 days (norm is 30 days).

1.6 USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with GRAP requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future.

1.7 COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.8 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED AND EFFECTIVE

The following GRAP standards have been issued and are effective and have been adopted by the municipal entity.

GRAP 20 Related Party Disclosure - effective 01 April 2019

GRAP 32 Service Concession Arrangements: Grantor: None - effective 01 April 2019

GRAP 108 Statutory Receivables - effective 01 April 2019

GRAP 109 Accounting by Principals and Agents - effective 01 April 2019

IGRAP 17 Interpretation of the Standard of GRAP on Service Concession Arrangements where a Grantor controls a significant residual interest in an assets - effective 01 April 2019

IGRAP 18 on Recognition and Derecognition of Land - effective 01 April 2019

Directive 12 on the selection of an appropriate reporting framework by public entities - effective 01 April 2018

IGRAP 19 Liabilities to pay levies - effective 01 April 2019

GRAP 18 on Segment Reporting - already effective
 GRAP 34 on Separate Financial Statements - effective 01 April 2020
 GRAP 35 on Consolidated Financial Statements - effective 01 April 2020
 GRAP 36 on Investments in Associates and Joint Ventures - effective 01 April 2020
 GRAP 37 on Joint Arrangements - effective 01 April 2020
 GRAP 38 on Disclosure of Interests in Other Entities - effective 01 April 2020
 GRAP 110 on Living and Non-Living Resources - effective 01 April 2020
 IGRAP 20 on Adjustments to Revenue (and related amendments to IGRAP 1) - newly effective

The impact of the application of these standards on the municipal entity's annual financial statements is as follows:
 There is no expected impact on the following standards at this stage:

- GRAP 32, IGRAP 17, IGRAP 18, Directive 12, IGRAP 19, GRAP 34, GRAP 35, GRAP 36, GRAP 37, GRAP 38, GRAP 110
GRAP 20 - Already used as a guideline for accounting policies

GRAP 108 - No changes expected to recognition and measurement, but additional disclosures and separate classification in the notes will be done on adoption where applicable.

GRAP 109 - No changes expected to recognition and measurement, but additional disclosures in the notes will be done on adoption where applicable.

GRAP 18 - There is no expected impact however, this may change in the future

IGRAP 20 - The related amendments have been noted and will be implemented accordingly.

2 SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies had been applied consistently during the current and previous reporting as set out in the note 1.2.

2.1 PROPERTY, PLANT AND EQUIPMENT

2.1.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipal entity. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipal entity for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipal entity expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

2.1.2 SUBSEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipal entity replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

2.1.3 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets.

Furniture and equipment	7-10 years
Manufacturing Plant	5-10 years
Computer equipment	5 years
Municipal Buildings	30 years
Motor Vehicles (Leases)	3 years

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipal entity tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

2.1.4 DERECOGNITION

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement 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.

2.1.5 LEASED ASSETS

Leases in terms of which the municipal entity assumes substantially all the risks and rewards of ownership are classified as finance leases. Other leases are classified as operating leases. Upon initial recognition of assets leased under finance leases, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

3 BIOLOGICAL ASSETS

3.1 INITIAL RECOGNITION AND MEASUREMENT

Biological assets are fair valued at the end of each accounting period. Biological assets that have not produced crops are valued at cost while in the case where crops are present the value of the crop at the end of the accounting period is taken into account to arrive at the fair value. Subsequent to initial recognition, biological assets are measured at fair value less estimated cost to sell.

3.2 FAIR VALUE ADJUSTMENTS

An independent expert valuer will evaluate the assets to get the fair value at the end of the financial year. The report from the valuer is then used to adjust the fixed asset register. The gains or losses are recognized in accumulated surplus or deficit.

4 INVENTORIES

4.1 INITIAL RECOGNITION

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, excluding taxes, transport costs and any other costs in bringing inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

4.2 SUBSEQUENT MEASUREMENT

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.
The basis of allocating cost to inventory items is the first in first out method.

5 FINANCIAL INSTRUMENTS

5.1 INITIAL RECOGNITION

Financial instruments are initially recognised at fair value. The entity recognises a financial asset or a financial liability in its Statement of Financial Position when, and only when the entity becomes a party to the contractual provisions of this instrument.

5.2 SUBSEQUENT MEASUREMENT

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities are measured either at fair value or amortised cost or cost.

5.2.1 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

5.2.2 TRADE PAYABLES AND BORROWINGS

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

5.2.3 CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipal entity categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

6 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. If the expenditure is not condoned by the relevant authority, it is treated as a receivable, if it meets the definition and the recognition criteria of an asset, in the statement of financial position until it is recovered or written off as irrecoverable.

7 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipal Entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. If the expenditure is not condoned by the relevant authority, it is treated as a receivable, if it meets the definition and the recognition criteria of an asset, in the statement of financial position until it is recovered or written off as irrecoverable.

8 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. If the expenditure is not condoned by the relevant authority, it is treated as a receivable, if it meets the definition and the recognition criteria of an asset, in the statement of financial position until it is recovered or written off as irrecoverable.

9 LEASES

MUNICIPAL ENTITY AS LESSOR

Under a finance lease, the municipal entity recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipal entity, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

10 REVENUE

10.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the municipal entity directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Recognition

Interest revenue 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.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipal entity acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Measurement

Monetary arising out of a contractual agreement, such as cash and receivables are initially measured at fair value on acquisition date.

10.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipal entity received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipal entity. Where public contributions have been received but the municipal entity has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipal entity.

11 VALUE ADDED TAX (VAT)

The municipal entity accounts for VAT on the cash basis. The municipal entity is liable to account for VAT at the standard rate 15% (14% until 31 March 2018) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or is out of scope for VAT purposes. The municipal entity accounts for VAT on a bi-monthly basis.

12 INCOME TAX

The municipal entity is registered for income tax purposes and is liable for income tax at the corporate rate of 28%. Income tax returns are up to date as at 30 June 2021. Current year tax return will be submitted by due date.

13 RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control; or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. The parent municipality as the Shareholder of the entity holding 100% shares is disclosed on the related parties note to the financial statements because of the nature of the transactions. Amounts are disclosed accordingly.

14 EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the annual financial statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the annual financial statements.

15 CAPITAL COMMITMENTS AND CONTINGENCIES

Items are classified as commitments where the municipal entity commits itself to future transactions that will normally result in the outflow of resources. Capital commitments and contingencies are not recognised in the statement of financial position as a liability but are included in the disclosure notes of the annual financial statements where applicable.

16 IMPAIRMENT OF ASSETS

16.1 Recognition

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

Irrespective of whether there is any indication of impairment, the municipal entity also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

16.2 Measurement

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

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

16.3 Reversal of Impairment

The municipal entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

17 EMPLOYEE BENEFITS

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past service or performance and the obligation can be estimated reliably.

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the entity expects to pay in exchange for that service and had accumulated at the reporting date. This includes long service awards and leave provision.

18 STATUTORY RECEIVABLES

18.1 INITIAL RECOGNITION

Statutory receivables are measured initially at their transaction amount, using the prescripts of legislation, regulations or an equivalent. The transaction amount is adjusted in subsequent reporting periods to accrue for any interest or other charges that an entity levies (if required or permitted to do so in legislation or similar means) and, to account for any impairment losses or any amounts derecognised, for example, the settlement of amounts owing by a debtor.

18.2 SUBSEQUENT MEASUREMENT

An entity shall measure statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- (a) interest or other charges that may have accrued on the receivable (where applicable);
- (b) impairment losses; and
- (c) amounts derecognised

19 SHARE CAPITAL

Share capital represents the nominal value of shares that have been issued. iLembe District Municipality holds 100% shares valued at R100.

Retained profit includes all current and prior period retained profits.

20 BUDGETING PRINCIPLES

The original and approved budget is the initial approved budget for the budget period. It means the expenditure authority derived from laws, appropriation bills, government ordinances and other decisions related to the anticipated revenue or receipts for the budgetary period. The budget, if necessary, may be adjusted in line with section 87 (6) of the MFMA.

The budget shall be financed from the following sources of financing:

- (i) Grants and subsidies shall be based on grants and subsidies allocated by iLembe District Municipality and any other donor organisations plus all other subsidies received by Entity.
- (ii) The budget for return on investment shall be in accordance with Investment policy of the Entity.
- (iii) All other income items will be budgeted for based on the actual income received in the preceding year and the percentage growth as determined by the Chief Financial Officer for a particular budget year.

National Treasury issues circulars and guidelines before every financial year budgeting process commences which are followed together with the MFMA in producing final budgets.

21 PROVISIONS

A provision is a liability of uncertain timing or amount. The liability may be a legal obligation or a constructive obligation. A constructive obligation arises from the entity's actions, through which it has indicated to others that it will accept certain responsibilities, and as a result has created an expectation that it will discharge those responsibilities. Examples of provisions may include: warranty obligations; legal or constructive obligations to clean up contaminated land or restore facilities; and obligations caused by a retailer's policy to make refunds to customers.

An entity recognises a provision if it is probable that an outflow of cash or other economic resources will be required to settle the provision. A provision is measured at the amount that the entity would rationally pay to settle the obligation at the end of the reporting period or to transfer it to a third party at that time. The Entity has made provisions where applicable.

22 SEGMENT REPORTING

22.1 INITIAL RECOGNITION

A segment is an activity of an entity:

that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);

Whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

22.2 MEASUREMENT

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities,

22.3 IDENTIFICATION OF SEGMENTS

The entity is organised and reports to management on the basis of major functional areas. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

22.4 AGGREGATE SEGMENTS

The entity operates within its municipal jurisdiction, as per the boundaries and demarcation. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout were sufficiently similar to warrant aggregation.

22.5 TYPES OF GOODS AND/OR SERVICES BY SEGMENT

These reportable segments as well as the goods and/or services for each segment are set out below:

Reportable Segments

Other

Unallocated

Goods and/or services

Provision for tourism, agriculture and other services

Provision for finance and other support services

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

	2021	2020
	R	Restated R
1 PAYABLES FROM EXCHANGE TRANSACTIONS		
1.1 Payables		
Trade Payables	799 136	3 403 751
Retentions	372 420	140 366
Creditor Accruals	245 943	6 319 785
Other Creditors	584 909	633 058
IDM Creditor	-	456 137
Total Creditors	2 002 408	10 953 097

Retentions in the current year relate to the amounts withheld in relation to training service providers for the UIF project until the learner certificates are issued.

2 EMPLOYEE BENEFITS

2.1 Provision for Leave

Opening balance	2 069 985	1 641 270
Movement	(425 929)	428 715
Closing Balance	1 644 055	2 069 985

2.2 Long Service Awards

Opening balance	559 000	-
Current service cost	131,000	559 000
Interest cost	76,000	-
Benefits paid	-	-
Actuarial gain	(7 000)	-
Closing Balance	759 000	559 000

Total Employee Benefits	2 403 055	2 628 985
--------------------------------	------------------	------------------

The leave provision is calculated based on the number of leave days for each employee at the end of the reporting period. This is based on the salary cost per day based on the number of working days and monthly salary. 75% of the leave provision is cash backed as per the approved reserves policy.

Long service awards are disclosed as per the Actuarial valuation report produced by valuers at the end of the reporting period. These are tested against the Entity data of employees at the end of the reporting period.

3 PAYABLES FROM NON-EXCHANGE TRANSACTIONS

Unspent Grants and Receipts

UIF Grant	1 706 765	4 979 164
SASA Grant	-	22 224
COGTA RASET Grant	1 810 568	1 942 245
COGTA BIOMASS Grant	14 605	14 605
COGTA YEP Grant	1 274 749	4 287 572
COGTA Public Wi Fi Grant	33 298	33 298
COGTA Mini Factories Grant	2 173 913	2 173 913
Maphumulo KwaShushu Grant	-	391 304
District Growth and Development Summit	131 369	131 369
Tourism IDM Grant	652 092	203 957
LED Grant	447 782	-
Development of SMMEs	255 573	-
EDTEA Kwashushu Grant	-	10 365
MICT SETA Grant	1 689 413	102 064
Total Grants and Receipts	10 190 126	14 292 080

The decrease in unspent grants from the last financial year is as a result of less grant funding allocated to the Entity during the 2020/2021 financial year. Note 15 provides further details.

4 VALUE ADDED TAXATION

Vat Receivable/Payable	392 346	3 323 809
-------------------------------	----------------	------------------

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

	2021	2020
	R	Restated R
5 INVENTORY		
Opening Balance	211 309	243 680
Add: Current Year Harvest/Acquisitions	90 726	-
Less: Sales	(32 362)	(32 370)
Less: Marketing & Promotion Material	-	-
Balance as at year end	269 673	211 309

Inventory is classified into one class. It comprise own produce - bottled and unbottled wine as well as wine purchased for resale.

6 FINANCE LEASE LIABILITY

Minimum lease payments due		
- within one year	391 913	1 240 822
- in second to fifth year inclusive	-	308 157
	391 913	1 548 979
less: future finance charges	5 174	100 070
Present value of minimum lease payments	386 739	1 448 909
Present value of minimum lease payments due		
- within one year	386 739	1 145 926
- in second to fifth year inclusive	-	302 983
	386 739	1 448 909
Non-current liabilities	-	302 983
Current liabilities	386 739	1 145 926
	386 739	1 448 909

The Entity leases its motor vehicles with Avis and due to the substance of these agreements, they are recognized and disclosed as finance leases. The lease term is 36 months. 10,25% prime lending rate was used to discount lease payments / monthly rentals as per First National Bank of Southern Africa.

7 DEPRECIATION & IMPAIRMENT

Depreciation	2 760 281	2 719 693
Impairment	680 896	-
	3 441 176	2 719 692

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

8 PROPERTY, PLANT & EQUIPMENT

Reconciliation of Carrying Value 2020/2021

	OTHER ASSETS					
	Motor Vehicles - Leases	Municipal Buildings	Manufacturing Plant	Furniture and Equipment/Machine	Computer Equipment	Total
	R	R	R	R	R	R
Carrying Values at 1 July 2020	1 365 787	1 195 154	15 500 676	2 615 053	6 080 924	26 757 595
Cost	3 079 231	1 394 976	18 452 827	2 803 687	1 245 311	26 976 032
WIP	-	-	5 777 329	929 820	5 221 181	11 928 330
Accumulated depreciation	(1 713 443)	(199 822)	(8 729 480)	(1 118 454)	(385 567)	(12 146 766)
Depreciation	(1 025 474)	(46 927)	(1 133 062)	(277 433)	(277 384)	(2 760 281)
WIP Acquisitions				3 012 823		3 012 823
Acquisitions		3 500		104 525	132 039	240 064
Additions to leases						-
Donated Assets						-
Impairment			(680 896)			(680 896)
Carrying Value of disposals	-	-	(10 407)	(11 917)	(100 522)	(122 846)
Cost	-	-	(80 825)	(86 788)	(292 994)	(460 607)
Accumulated depreciation	-	-	70 418	74 871	192 471	337 761
Carrying Values at 30 June 2021	340 314	1 151 727	13 676 311	5 443 050	5 835 057	26,446,458
Cost	3 079 231	1 398 476	18 372 002	2 821 424	1 084 356	26 755 488
WIP	-	-	5 777 329	3 942 642	5 221 181	14 941 152
Accumulated depreciation and impairment	(2 738 917)	(246 749)	(10 473 020)	(1 321 016)	(470 480)	(15 250 182)

Included in the carrying value are assets under construction as follows:

R

Biodiesel Equipment (Manufacturing Plant) - The equipment was bought between the 2010/2011 and the 2011/2012 financial years as part of the biodiesel project funded by the department of COGTA, where the idea was to produce diesel using the moringa plant. The plant dried out during the drought season that affected the district at that time and was subsequently written off during the 2015/2016 financial year. The Entity made a submission to COGTA requesting the project to be written off and the equipment channeled to a new project under Biomass - which was granted. The commissioning of the biomass project was done during the 2020/2021 financial year. The Entity has engaged the Technical Partner to assist with the evaluation of the equipment so as to get correct values for the transfer. The assets will be transferred as part of the implementation of the ownership model.

5,777,329

Broadband (Computer Equipment) - The broadband project is also a project that happened between the 2010/11 and 2011/12 financial years, whereby the ICT infrastructure was installed. (incl. fibre optic cables). The total cost of rolling out this project was estimated to be about R400m, funding which has not materialized as yet. During the 2021/22 financial year, the Entity may have to expense this cost if the funding doesn't materialize.

5,221,181

Youth Enterprise Park - COGTA approved an amount of R6m for the establishment of the Youth Enterprise Park (YEP) - R1m for feasibility and R5m for construction. This project is currently underway and will be completed during the first quarter of the 2021/2022 financial year.

3,942,642

14,941,152

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

Reconciliation of Carrying Value 2019/2020	Motor Vehicles - Leases	Municipal Buildings	Manufacturing Plant	Furniture and Equipment/Machine	Computer Equipment	Total
	R	R	R	R	R	R
Carrying Values at 1 July 2019	2 073 302	1 241 922	16 528 806	1 773 722	5 876 489	27 494 241
Cost	2 761 044	1 394 976	18 347 377	2 630 076	905 553	26 039 026
WIP	-	-	5 777 329	-	5 221 181	10 998 510
Accumulated depreciation	(687 742)	(153 054)	(7 595 900)	(856 353)	(250 244)	(9 543 294)
Depreciation	(1 028 277)	(46 768)	(1 133 580)	(269 793)	(241 275)	(2 719 693)
WIP Acquisitions	-	-	-	804 288	-	804 288
Acquisitions	-	-	105 450	186 467	488 963	780 879
Additions to leases	328 529	-	-	-	-	328 529
Donanted Assets	-	-	-	-	2 348	2 348
Prior period error 2018/2019 - cost	(10 342)	-	-	-	-	(10 342)
Prior period error 2018/2019 - depreciation	2 576	-	-	-	-	2 576
Prior period error 2018/2019 - WIP	-	-	-	125 531	-	125 531
Carrying Value of disposals	-	-	-	(5 163)	(45 601)	(50 764)
Cost	-	-	-	(12 855)	(151 553)	(164 408)
Accumulated depreciation	-	-	-	7 692	105 952	113 644
Restated Carrying Values at 30 June 2020	1 365 787	1 195 154	15 500 676	2 615 053	6 080 924	26 757 595
Cost	3 079 231	1 394 976	18 452 827	2 803 687	1 245 311	26 976 032
WIP	-	-	5 777 329	929 820	5 221 181	11 928 330
Accumulated depreciation	(1 713 443)	(199 822)	(8 729 480)	(1 118 454)	(385 567)	(12 146 766)

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

9 BIOLOGICAL ASSETS

Reconciliation of Carrying Value 2020/2021

Carrying Values at 1 July 2020

	Vineyards	Total
	R	R
Cost	530 000	530 000
Cost	1 710 000	1 710 000
Accumulated amortisation	(1 180 000)	(1 180 000)
Disposal	(530 000)	(530 000)

Carrying Values at 30 June 2021

	-	-
Cost	1 710 000	1 710 000
Accumulated amortisation	(1 710 000)	(1 710 000)

Due to the project (planting and producing wine) proving not to be viable, the Entity wrote to COGTA (funder) requesting that the vineyards be repurposed to open fields as a more viable option. As a result, the biological assets (vines) were approved for write-off by Board during the 2020/2021 financial year.

Reconciliation of Carrying Value 2019/2020

Carrying Values at 1 July 2019

	Vineyards	Total
	R	R
Cost	590 000	590 000
Cost	1 710 000	1 710 000
Accumulated amortisation	(1 120 000)	(1 120 000)

Acquisitions	-	-
Loss on Fair value	(60 000)	(60 000)

Carrying Values at 30 June 2020

	530,000	530,000
Cost	1 710 000	1,710,000
Accumulated amortisation	(1 180 000)	(1 180 000)

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

	2021 R	2020 Restated R
10 ISSUED SHARE CAPITAL		
Name of company		
Ilembe District Municipality		
Carrying amount	100	100
% Holding	100%	100%
Ordinary par value shares: 100 @ R1 each		
11 RECEIVABLES		
11.1 Receivables from Exchange Transactions		
Provincial Department of Education	560 566	4 189 076
Department of Labour	690 075	3 840 000
MICT SETA	-	787 500
Phambili Energy	1 624 089	1 060 357
Other Debtors	1 284 533	712 042
Provision for debt impairment	(2 137 225)	-
Total Receivables from Exchange Transactions	2 022 038	10 588 975
11.2 Receivables from Non-Exchange Transactions		
Ilembe District Municipality	1 418 061	-
SARS	-	102 113
Interest recoveries	22 957	-
Prepayments	64 012	56 635
Deposits	176 980	176 980
Total Receivables from non-exchange transactions	1 682 010	335 728
Total Receivables	3 704 048	10 924 703
Ageing of consumer debtors:		
Current	196 270	1 873 874
31-60 days	818 371	8 053 034
>60 days	4 562 684	662 067
Net Consumer Debtors	5 577 325	10 588 975

Included in other debtors are amounts owing in respect of tunnel rentals from Farley Farms and Decaju as well as wine sales.

Included in deposits are holding amounts for rentals as well as electricity and water

Prepayments include costs that are due and payable in advance for rental of premises and internet connection.

Interest recoveries relates to amounts recovered from employees or credit notes issued by suppliers where interest on late payment of invoices was charged.

Impairment testing was done on debtors and a provision for doubtful debts has been included.

12 CASH AND CASH EQUIVALENTS

12.1 Bank Accounts

12.1.1 Rocabex - Trust Bank Account - Kloof Branch

First National Bank Account

Account Number 62347813471: Current Account

Cash book balance at the beginning of the year	-	204 873
Cash book balance at the end of the year	-	-
Bank statement balance at the beginning of the year	-	204 873
Bank statement balance at the end of the year	-	-

12.1.2 First National Bank Account - Main Bank Account - Stanger Branch

Account Number 62450574077: Cheque Account

Cash book balance at the beginning of the year	1 480 006	2 809 995
Cash book balance at the end of the month	1 057 678	1 480 006
Bank statement balance at the beginning of the year	1 480 006	2 809 995
Bank statement balance at the end of the month	1 057 678	1 480 006

	2021 R	2020 Restated R
12.1.3 First National Bank Account - UIF Account - Stanger Branch		
<i>Account Number 62804908286: Corporate Cheque Account</i>		
Cash book balance at the beginning of the year	4 491 853	5 809 093
Cash book balance at the end of the month	<u>1 384 681</u>	<u>4 491 853</u>
Bank statement balance at the beginning of the year	4 491 853	5 809 093
Bank statement balance at the end of the month	<u>1 384 681</u>	<u>4 491 853</u>
Total Bank Accounts	<u>2 442 359</u>	<u>5 971 858</u>
Petty Cash	6 399	2,885
EWallet	4 170	-
	<u>2 452 927</u>	<u>5 974 743</u>
12.2 Current Investments		
12.2.1 First National Bank Account - Business Investment Desk Branch		
<i>Account Number 62602914138 - Call Account</i>		
Cash book balance at the beginning of the year	13 920	-
Cash book balance at the end of the year	<u>3 347 991</u>	<u>13 920</u>
Bank statement balance at the beginning of the year	13 920	-
Bank statement balance at the end of the year	<u>3 347 991</u>	<u>13 920</u>
12.2.2 First National Bank Account - Business Investment Desk Branch		
<i>Account Number 62828152752 - Call Account</i>		
Cash book balance at the beginning of the year	913 616	-
Cash book balance at the end of the year	<u>1 549 190</u>	<u>913 616</u>
Bank statement balance at the beginning of the year	913 616	-
Bank statement balance at the end of the year	<u>1 549 190</u>	<u>913 616</u>
12.2.3 First National Bank Account - Business Investment Desk Branch		
<i>Account Number 62854605569 - Call Account</i>		
Cash book balance at the beginning of the year	2 529 941	-
Cash book balance at the end of the year	<u>-</u>	<u>2 529 941</u>
Bank statement balance at the beginning of the year	2 529 941	-
Bank statement balance at the end of the year	<u>-</u>	<u>2 529 941</u>
12.2.4 Investec - Grayston Drive Branch		
<i>Account Number 1100546992530 Business Top5</i>		
Cash book balance at the beginning of the year	-	5 051 264
Cash book balance at the end of the year	<u>-</u>	<u>-</u>
Bank statement balance at the beginning of the year	-	5 051 264
Bank statement balance at the end of the year	<u>-</u>	<u>-</u>
12.2.5 Investec - Grayston Drive Branch		
<i>Account Number 1100546992500 Business Top5</i>		
Cash book balance at the beginning of the year	5 065 890	-
Cash book balance at the end of the year	<u>-</u>	<u>5 065 890</u>
Bank statement balance at the beginning of the year	5 065 890	-
Bank statement balance at the end of the year	<u>-</u>	<u>5 065 890</u>
12.2.6 First National Bank Account - Business Investment Desk Branch		
<i>Account Number 74895277835</i>		
Cash book balance at the beginning of the year	-	-
Cash book balance at the end of the year	<u>2 563 713</u>	<u>-</u>
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	<u>2 563 713</u>	<u>-</u>

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

	2021 R	2020 Restated R
12.2.7 First National Bank Account - Business Investment Desk Branch <i>Account Number 62793930142</i>		
Cash book balance at the beginning of the year	1 593 783	1 028 608
Cash book balance at the end of the year	<u>3 560 675</u>	<u>1 593 783</u>
Bank statement balance at the beginning of the year	1 593 783	1 028 608
Bank statement balance at the end of the year	<u>3 560 675</u>	<u>1 593 783</u>
Total Current Investments	<u>11 021 568</u>	<u>10 117 150</u>
CASH & CASH EQUIVALENTS	<u>13 474 495</u>	<u>16 091 893</u>
13 RENTAL INCOME OF FACILITIES		
Tunnels	<u>703 211</u>	<u>279 195</u>
	<u>703 211</u>	<u>279 195</u>
The agreement between the Agency and Farley Farms (for the Mathonsi Tunnel) terminated on 31 October 2020. The Entity further entered into another agreement for five tunnels with Decavu for a period of three years commencing 1 December 2019.		
14 INTEREST RECEIVED		
Bank	22 460	95 776
Investments	<u>415 300</u>	<u>456 229</u>
	<u>437 760</u>	<u>552 006</u>
Interest from investments was derived from amounts invested with FNB and Investec Banks.		
15 GOVERNMENT GRANTS AND SUBSIDIES		
UNCONDITIONAL GRANTS		
Operational Grant - IDM	28 694 129	25 668 420
Ilembe District Municipality - LED Projects & Programmes	1 022 218	1 096 200
Ilembe District Municipality - Tourism Programmes	1 017 865	994 043
Ilembe District Municipality - Development of SMME's	3 481 507	3 851 280
CONDITIONAL GRANTS		
COGTA Public Wi Fi Grant	-	1 284 369
COGTA YEP Grant	3 012 823	804 288
COGTA BIOMASS Grant	-	1 675 721
COGTA RASET Grant	131 677	1 817 462
SASA Grant	21 837	-
UIF Grant	13 818 474	34 103 629
Maphumulo KwaShushu Project	391 304	-
MICT SETA	2 087 651	685 436
EDTEA KwaShushu Project	10 365	859 200
Total Government Grant and Subsidies	<u>53 689 851</u>	<u>72 840 048</u>
15.1 COGTA - Public Wi Fi Grant		
Balance unspent at beginning of year	33 298	1 317 667
Conditions met - transferred to revenue	-	(1 284 369)
Conditions still to be met-transferred to liabilities	<u>33 298</u>	<u>33 298</u>
15.2 COGTA - Mini Factories		
Balance unspent at beginning of year	2 173 913	2 173 913
Current year receipts	-	-
Conditions still to be met-transferred to liabilities	<u>2 173 913</u>	<u>2 173 913</u>
15.3 IDM - LED		
Current year receipts	1 470 000	1 096 200
Conditions met - transferred to revenue	(1 022 218)	(1 096 200)
Conditions still to be met-transferred to liabilities	<u>447 782</u>	<u>-</u>

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

	2021 R	2020 Restated R
15.4 IDM - Tourism		
Balance unspent at beginning of year	203 957	-
Current year receipts	1 466 000	1 198 000
Transferred to revenue	(1 017 865)	(994 043)
Conditions still to be met-transferred to liabilities	652 092	203 957
15.5 COGTA -YEP		
Balance unspent at beginning of year	4 287 572	744 034
Current year receipts	-	4 347 826
Conditions met - transferred to revenue	(3 012 823)	(804 288)
Conditions still to be met-transferred to liabilities	1 274 749	4 287 572
15.6 COGTA - Biomass		
Balance unspent at beginning of year	14 605	1 681 326
Current year receipts	-	-
Conditions met - transferred to revenue	-	(1 675 721)
Adjustments and Transfers		9 000
Conditions still to be met-transferred to liabilities	14 605	14 605
15.7 COGTA - RASET		
Balance unspent at beginning of year	1 942 245	3 759 707
Current year receipts	-	-
Conditions met - transferred to revenue	(131 677)	(1 817 462)
Adjustments and Transfers	-	-
Conditions still to be met-transferred to liabilities	1 810 568	1 942 245
15.8 SASA		
Balance unspent at beginning of year	22 224	22 224
Current year receipts	-	-
Conditions met - transferred to revenue	(22 224)	-
Conditions still to be met-transferred to liabilities	-	22 224
15.9 District Growth and Development Summit 2018 - COGTA		
Balance unspent at beginning of year	131 369	131 369
Conditions met - transferred to revenue	-	-
Conditions still to be met-transferred to liabilities	131 369	131 369
15.10 UIF		
Balance unspent at beginning of year	4 979 164	3 671 505
Current year receipts	10 546 075	35 411 288
Conditions met - transferred to revenue	(13 818 474)	(34 103 629)
Conditions still to be met-transferred to liabilities	1 706 765	4 979 164
15.11 Development of SMMEs - IDM		
Current year receipts	3 737 080	3 851 280
Conditions met - transferred to revenue	(3 481 507)	(3 851 280)
Conditions still to be met-transferred to liabilities	255 573	-
15.12 EDI EA - Kwashushu Project		
Opening Balance	10 365	869 565
Conditions met - transferred to revenue	(10 365)	(859 200)
Conditions still to be met-transferred to liabilities	-	10 365
15.13 Maphumulo Municipality - Kwashushu Project		
Opening Balance	391 304	391 304
Conditions met - transferred to revenue	(391 304)	-
Conditions still to be met-transferred to liabilities	-	391 304

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

	2021 R	2020 Restated R
15.14 MICT SETA		
Opening Balance	102 064	
Current year receipts	3 675 000	787 500
Conditions met - transferred to revenue	(2 087 651)	(685 436)
Conditions still to be met-transferred to liabilities	1 689 413	102 064
16 OTHER INCOME		
KwaDukuza Municipality	-	45 598
Wine sales	150 734	56 940
Maphumulo W-Fi	131 174	153 850
Phambili Energy - Rent Recoveries	524 618	961 993
Other income	389	7 022
	806 915	1 225 402
Insurance refunds	110 396	53 604
17 National Schools Nutrition Programme		
Supply of vegetables	-	11 269 539
	-	11 269 539
The contract with the Department of Education expired on 30 June 2020		
18 EMPLOYEE RELATED COSTS		
Employee related costs - salaries and wages	14 890 268	15 677 844
Vineyard Wages	694 157	995 840
Tunnel workers	34 020	349 752
Pension contributions	1 342 591	1 306 890
Medical aid	894 952	811 054
UIF	61 691	220 649
Leave pay	127 509	544 092
Long-Service Awards	207 000	559 000
Car and other allowances	519 172	478 986
	18 771 361	20 944 107
Included in the employee related costs are the following:		
Remuneration of the Chief Executive Officer		
CEO	537 388	1 571 714
UIF	744	1 785
Total	538 131	1 573 499
Remuneration of the Chief Operating Officer		
Annual Remuneration	393 990	913 987
Car and other allowances	211 363	249 769
Medical Aid	-	13 797
Pension Fund	-	52 339
UIF	744	1 785
Total	606 097	1 231 677
The COO also resigned and the position was removed from the structure.		
Remuneration of the Chief Financial Officer		
Annual Remuneration	1 126 490	1 060 225
Acting Allowance	29 294	-
Car and Other Allowances	145 293	136 746
Medical Aid	49 720	46 930
Pension Fund	211 311	198 881
UIF	1 785	1 785
Total	1 563 893	1 444 566
The CFO acted during the month of September 2020 when the CEO was on annual leave.		

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

	2021	2020
	R	Restated R
Remuneration of the Manager: Tourism, Communication, Marketing and Investment Promotion		
Annual Remuneration	870 375	839 460
Acting Allowance	340 500	
Car and other allowances	209 395	197 078
Medical Aid	49 697	46 930
Pension Fund	97 179	91 463
UIF	1 785	1 785
Total	1 568 931	1 176 715

The CEO was dismissed in November 2020 and Manager TCMI was appointed in the acting position for the rest of the financial year.

19 REMUNERATION OF BOARD MEMBERS

Remuneration includes a retainer and attendance fees at meetings:

KS Shandu - Chairperson	(Term ended 31 December 2020)	69 732	130 463
AT Nzama - Deputy Chairperson	(Term ended 31 December 2020)	55 719	111 437
D Nene - Finance & HR Chairperson	(Term ended 31 December 2020)	58 719	102 939
JC Oelofse	(Term ended 31 December 2020)	56 710	110 420
ZS Gumede	(Term ended 31 December 2020)	50 710	92 420
N Mngadi	(Term ended 31 December 2020)	44 710	98 420
B Mngadi	(Term ended 31 December 2020)	71 710	119 420
Mr X Gumede - Board Chairperson	(Appointed January 2021)	69 732	-
Ms N Mlaba - Boar Deputy Chairperson	(Appointed January 2021)	60 384	-
Ms N Dlamini	(Appointed January 2021)	56 710	-
Mr R Ridwaan	(Resigned May 2021)	43 258	-
Dr T Mbonambi	(Appointed January 2021)	56 710	-
Mr I Deetlefs	(Appointed January 2021)	60 384	-
Total Board Members' Remuneration		755 186	765 519

20 REPAIRS AND MAINTENANCE

General Repairs	304 209	129 676
Repairs and Maintenance tunnels and hubs	44 913	1 739
	349 122	131 415

This amount is included under general expenses

21 CONTRACTED SERVICES

Other Contracted Services

	6 842 687	8 660 959
Security	1 025 670	1 085 617
Cleaning services	159 060	88 867
Internal Audit	290 672	472 260
Consulting/Professional Fees	2 025 395	5 610 742
Legal Fees	2 045 262	380 774
Mechanization	254 956	484 152
MICT SETA Refreshments	201 652	
Tourism Events/Exhibitions	704 118	413 191
Leases- Office Equipment	135 901	125 356

National Schools Nutrition Programme

	-	11 531 633
NSNP: Vegetables - Market	-	2 475 670
NSNP: Farmers	-	4 529 705
NSNP: Hub Workers	-	257 550
NSNP: Amasi	-	-
NSNP: Transportation of Vegetables	-	4 268 709
	6 842 687	20 192 592

The contract for running the National Schools Nutrition Programme terminated on 30 June 2020

	2021	2020
	R	Restated R
22 GENERAL EXPENSES		
Included in general expenses is the following: -		
Admin Costs/Consumables	94 392	15 221
Advertising	186 067	118 995
Repairs and maintenance	349 122	131 415
Audit Committee	81 000	109 500
Refreshments	45 205	53 793
Fuel and Oil	347 905	329 794
Rental of premises	1 169 624	1 074 826
Bank Charges	95 054	88 977
Conference and workshop	76 701	71 246
COVID19 Expenditure	89 618	130 206
Development of SMMs	421 063	590 568
External Audit Fees	771 390	731 936
Fleet cards	22 885	53 487
ICT Services	479 587	424 953
Finance Costs - Interest on finance lease	94 897	204 950
Interest and Penalties	79 834	621
Marketing, Communication & investments	659 220	1 039 841
Postage, Courier & Delivery Services	2 110	6 872
Printing and stationery	89 068	120 163
Projects Expenditure	2 039 514	10 073 482
Subscriptions/Licences/Insurance	147 658	164 455
Subsistence, Travel & Accommodation	148 161	503 859
Telephone and Fax	466 400	482 967
SDL	136 567	143 007
Training	4 016 337	12 885 131
UIF Stipends	9 518 043	15 095 398
Uniforms	-	524
Excess of insurance	-	6 590
Water and Electricity	322 626	337 015
Winery Operations	12 351	213 628
	21 962 398	45 203 421

23 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

23.1 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure		
Opening balance	4 025	2 025
Fruitless and wasteful expenditure current year	37 972	2 500
Interest & Penalties relating to Prior Financial Years	78 947	-
Penalties reversed by SARS	(1 000)	-
Fruitless and wasteful expenditure written off	(1 025)	(500)
Amount recovered from responsible parties	(38 952)	-
Fruitless and wasteful expenditure not yet recovered/written off	79 967	4 025

Incident	Action Taken
1. Interest and penalties amounting to R2,025 charged on the late submission and payment of excise duties return.	SARS agreed to reverse penalties of R1000 and the Board wrote off the balance of R1025.
2. A penalty of R2,000 imposed by SARS due to late submission of excise duties return.	An investigation was conducted by the ACEO. The amount has been recovered from the responsible person.
3. A penalty of R36,952 imposed by SARS due to late payment of PAYE.	An investigation was conducted by the ACEO. The amount is being recovered from the responsible person. The ACEO granted a payment period of 18 months. This will be recovered in full in 2022.
4. Penalties and interest of R78,947.31 were imposed by SARS due to the re-submission of returns relating to previous financial years	A letter of remission will be sent to SARS for the reversal of interest and penalties
4.Reconnection fees of R1,020 were levied by Eskom.	This is currently being investigated by the ACEO and a report will be submitted to Board in due course.

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

	2021 R	2020 Restated R
23.2 Irregular expenditure		
Reconciliation of irregular expenditure:		
Opening balance	11 053 649	2 244
Competitive bidding process not followed.	2 609 070	7 039 359
Irregular Expenditure relating to prior years		4 014 290
Amount written off by Board		(2 244)
Irregular expenditure not yet written off	13 662 719	11 053 649

The irregular expenditure relates to the procurement of services in relation to the UIF and MICT SETA projects (learnership grants) where the project manager was appointed without following the competitive bidding process. A Memorandum of Agreement was signed by the then CEO on the basis that when the initial applications were submitted, Sphola Consulting was cited as the company that will offer project management services.

23.3 Deviations

Deviations were approved in terms of Section 34 of the Supply Chain Management Policy:

Total Value	254 947	5 103 658
Total Number of Cases	1	2

The recorded deviation relates to the provision of legal services which were urgently required in dealing with the investigation into misconduct by the former CEO. And as the panel of legal service providers within the Entity was appointed by the CEO, the Board did not want to engage them on the matter in case there was no impartiality.

24 CASH GENERATED/(UTILISED) BY OPERATIONS

Surplus for the year	1 192 252	(3 716 302)
Adjustment for: -		
Adjustments/Previous years operating transactions	(1 216 395)	(1 455 114)
Depreciation, impairment & amortization	3 441 176	2 719 692
Loss/(gain) on disposal of property, plant and equipment	2 790 073	110 764
Investment income	(437 760)	(552 006)
Operating surplus/(deficit) before working capital changes:	5 769 346	(2 892 966)
(Increase)/Decrease in Inventories	(58 364)	32 370
Decrease/(Increase) in Receivables From Exchange Transactions	8 566 937	(1 261 082)
Increase in Receivables From Non-Exchange Transactions	(1 346 282)	(217 578)
(Decrease)/Increase in Unspent conditional grants	(4 101 954)	790 335
(Decrease) in Payables	(8 950 689)	(195 558)
Increase/(decrease) in finance lease liability current	(759 187)	227 962
Increase/(Decrease) in Employee benefits	(225 930)	987 715
Decrease/(Increase) in VAT Receivables	2 931 463	(303 329)
Increase in operating lease liability	2 728	-
Cash generated/(utilised) by operations	1 828 069	(2 832 130)

25 CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR

Current Investments	11 021 568	10 117 150
Bank balances and cash	2 452 927	5 974 743
Total cash and cash equivalents at the end of the year	13 474 495	16 091 893

26 GAINS AND LOSSES

26.1 Disposal of Assets

Loss on disposal	652 846	50 764
Gain on disposal	-	-
	652 847	50 764

26.2 Loss on fair valuing of Biological assets

	-	60 000
	-	60 000

26.3 Loss on Debt Impairment

	2 137 225	-
	2 137 226	-

	2021 R	2020 Restated R
27 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
<u>27.1 Audit fees</u>		
Current year audit fee	771 390	731 936
Amount paid - current year	(771 390)	(731 936)
Balance unpaid (included in creditors)	-	-
<u>27.2 PAYE, Skills and UIF</u>		
Opening balance	316 888	311 535
Current year payroll deductions	4 064 058	4 179 095
Amount paid - current year	(4 112 370)	(4 173 742)
Balance unpaid (included in creditors)	268 576	316 888
<u>27.3 Medical Aid Contributions</u>		
Opening balance	131 933	61 562
Current year payroll deductions	1 574 843	1 460 542
Amount paid - current year	(1 572 755)	(1 390 171)
Balance unpaid (included in creditors)	134 021	131 933
<u>27.4 Pension Contributions</u>		
Opening balance	173 127	(18)
Current year payroll deductions	2 100 535	2 060 278
Amount paid - current year	(2 104 377)	(1 887 133)
Balance unpaid (included in creditors)	169 285	173 127
<u>27.5 SAMWU</u>		
Opening balance	1 690	-
Current year payroll deductions	19 955	1 690
Amount paid - current year	(20 020)	-
Balance unpaid (included in creditors)	1 625	1 690
<u>27.6 NATAL JOINT FUNERAL FUND</u>		
Opening balance	-	-
Current year payroll deductions	3 168	-
Amount paid - current year	(2 904)	-
Balance unpaid (included in creditors)	264	-
<u>27.7 NET SALARIES</u>		
Opening balance	-	-
Current year payroll deductions	11 204 042	-
Amount paid - current year	(11 192 942)	-
Balance unpaid (included in creditors)	11 100	-

28 INCOME TAX

No provision has been made for income tax in the current financial year, the enterprise is in a tax loss position. Prior to considering current year tax implications; the enterprise had a brought forward assessed loss of R18 163 782.

	2021 R	2020 Restated R
29 CORRECTION OF PRIOR PERIOD ERROR		
Effects on Statement of Financial Performance		
General Expenditure		(895 723)
These include expenses that were not raised in the previous financial years, expenses against which credit notes were issued in the current year and expenses where calculations were not correct due to the straightlining not correctly done.		
Revenue		(145 017)
Revenue corrections include invoices not previously raised as contracts were only known of during the current financial year, income that should have been realized due to straightlining of operating leases and income that was raised for eleven months instead of twelve.		
Contracted Services		27 848
Includes expenses where expenses accounted for should have been for the previous financial year		
Employee Related costs		306 259
This includes the shared service invoices in relation to the IDM SLA which were not raised on the system due to invoices being received late		
Depreciation		(27 689)
These are depreciation reversals due to incorrect amortisation calculations during the previous financial years		
		<u>(734 321)</u>
Effects on Statement of Financial Position		
Property, Plant and Equipment		
Relate to expenses relating to the YEP project that was previously expensed and have now being transferred to WIP		
Trade and Other Receivables		(282 721)
Relates to prior period service debtors that were incorrectly accounted for and those not accounted for, which should have been raised.		
Cash & Cash Equivalents		1 405
Relates to petty cash amounts recovered that were not banked		
Trade and Other Payables		(57 288)
Relates to prior period creditors that were incorrectly accounted for		
VAT		(403 079)
Relates to prior period transactions where vat was incorrectly accounted for as well as invoices only now raised pertaining to previous financial years		
Non-Current Assets		22 238
Relates to the effects of straightlining where the operating lease asset had to be recognized		
Salary Controls/Payroll Creditors		9 029
Relates to staff costs that were incorrectly included or not included in the previous financial year		
Finance Lease Asset		(19 956)
Leased assets incorrectly accounted for in the previous financial years, which have now been corrected using the correctly calculated amortisation schedule		
		<u>(730 374)</u>
Effects on Statement of Net Assets		<u>(734 321)</u>

30 EVENTS AFTER THE REPORTING DATE

No events after the reporting date that could affect the presentation of the annual financial statements have been identified.

31 RELATED PARTIES

Parent Municipality: Ilembe District Municipality.
Ilembe District Municipality is the sole shareholder of the entity.

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

	2021 R	2020 Restated R
Related party balances		
Amounts owing by/(to) iLembe District Municipality :		
Opening Balance	(456 137)	(871 751)
Movements during the year	1 874 198	415 614
Closing Balance	1 418 061	(456 137)
This amount is included under receivables		
Grant income received by Enterprise Ilembe:		
Administration Grant	28 694 129	25 668 420
LED Grant	1 022 218	1 096 200
Tourism Grant	1 017 865	994 043
EDTEA Grant	-	1 000 000
YEP Grant	-	5 000 000
Development of SMMEs	3 481 507	3 851 280
	34 215 719	37 609 943
Amount disclosed under payables (unspent grants)	1 151 492	203 957

There were no other transactions in the current year, other than the ones listed above.

32 OPERATING LEASES

The future minimum lease payments payable under operating leases for the actual liability are as follows:

No later than 1 year	1 816 015	869 913
Later than 1 year and no later than 5 years	302 500	1 782 380
	2 118 515	2 652 293

The entity entered into a lease agreement for machinery (contract for 5 printing machines) which is for the period 01 April 2019 to 31 March 2022. The Entity also leases tunnels to Farley Farms (1 November 2017 - 31 October 2020) and Decaju (1 December 2019 - 30 November 2022)

The effect of straightlining on the operational leases has resulted in the liabilities as follows

Non-current assets	52 188	22 238
	52 188	22 238
Non-current liabilities	-	-
Current liabilities	2 728	-
	2 728	-

33 GOING CONCERN

The unaudited annual financial statements for the period ended 30 June 2021 have been prepared on a going concern basis. COVID-19 is not expected to have a significant impact on the Entity. Management has determined that there is no material uncertainty that casts doubt on the Entity's ability to continue as a going concern. It is expected that COVID-19 might have some impact, though not significant, for example, in relation to expected future performance, or the effects on some future asset valuations. The agency does not foresee anything that will hinder it operating in the future.

34 RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES

34.1 Interest Rate Analysis

The risk that the entity will not receive the maximum interest benefits from investments.

Financial Assets:

External Investments:

Current Investments	11 021 568	10 117 150
Bank balances and cash	2 452 927	5 974 743
	13 474 495	16 091 893
Interest earned bank external investments	437 760	552 006
Interest rate	3.2%	3.4%

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

	2021 R	2020 Restated R
Outstanding Debtors:		
Other debtors	3 444 112	10 588 975
	<u>3 444 112</u>	<u>10 588 975</u>
Interest earned on outstanding debtors		
Interest rate	<u>0.0%</u>	<u>0.0%</u>

34.2 Credit Risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The Entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party

Financial assets exposed to credit risk at year end were as follows:

Receivables	11	3 444 112	10 588 975
Cash and cash equivalents	12	13 474 495	16 091 893
Ageing of consumer debtors:			
Current		196 270	1 873 874
31-60 days		818 371	8 053 034
>60 days		4 562 684	662 067
Net Consumer Debtors		<u>5 577 325</u>	<u>10 588 975</u>

34.3 Liquidity Risk

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Less than One Year

Finance lease liability	386 739	1 145 926
Trade Payables	799 136	3 403 751
	<u>1 185 875</u>	<u>4 549 677</u>

Between Two to Five Years

Finance lease liability	-	302 983
Trade Payables	-	-
	<u>-</u>	<u>302 983</u>

35 SUBSEQUENT EVENTS

There have been no subsequent events from 1 July 2020 to the date of issuing of these financial statements, other than those disclosed herein.

36 RESTATEMENT OF COMPARATIVE INFORMATION

Statement of Financial Performance:

	Restated Comparative	Prior Year Disclosure
The items listed below have been reclassified from General Expenses to Contracted Services and vice versa in line with the updated Standard Charts of Accounts (SCOA) on the Asset Module in Munsoft.		
Contracted Services		
Consulting/Professional Fees	2 025 395	
Legal Fees	2 045 262	
Mechanization	254 956	
Tourism Events/Exhibitions	704 118	
Rental of premises		1 074 826
Fuel and Oil		329 794
General Expenses		
Consulting/Professional Fees		5 577 500
Legal Fees		380 774
Mechanization		484 152
Tourism Events/Exhibitions		422 071
Rental of premises	1 169 915	
Fuel and Oil	347 905	

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

	2021 R	2020 Restated R
Statement of Financial Position:	Restated Comparative	Prior Year Disclosure
The items listed below have been correctly reclassified from Receivables from Exchange Transactions to Receivables from Non-Exchange Transactions		
Receivables from Non-Exchange Transactions		
SARS Debtor	-	
Ilembe District Municipality	1 418 061	
Receivables from Exchange Transactions		
SARS Debtor		102 113
Ilembe District Municipality		-

37 REPORTABLE SEGMENTS

For management purposes, the entity is organised and operates in four functional segments (or business units). To this end, management monitors the operating results of these business units for the purpose of making decisions about resource allocations and assessment of performance. Revenues and expenditures relating to these business units are allocated at a transactional level. Costs relating to the governance and administration of the entity are not allocated to these business units.

The four business units comprise of:

- Local economic development which includes agriculture and farmer support as well as development of SMMEs;
- Tourism and Investment Promotion services which includes marketing, communication, events, research and exhibitions as well
- HR and Administration which also incorporates ICT and legal related activities;
- Financial management related activities;

The grouping of these segments is consistent with the functional classification of government activities which considers the nature of the services, the beneficiaries of such services and the fees charged for the services rendered (if any).

Management does monitor service provider performance by means of quarterly performance assessment rated by project managers within business units. Performance management is also monitored through the service delivery and budget implementation plan detailing targets and progress against those.

	2020/2021		
	Other	Unallocated	Total
Segment Revenue	26 623 243	29 131 888	55 755 131
External revenue from non-exchange transactions	25 106 118	28 694 129	53 800 246
External revenue from exchange transactions	1 517 126	-	1 517 126
Interest revenue	-	437 759	437 759
Segment Expenses	27 365 771	27 118 157	54 483 929
Total Segment expenses	27 365 771	23 676 980	51 042 752
Depreciation and amortisation	-	3 441 177	3 441 177
Surplus/deficit for the year	(742 528)	2 013 731	1 271 200

	2019/2020		
	Other	Unallocated	Total
Segment Revenue	59 945 764	26 274 029	86 219 793
External revenue from non-exchange transactions	47 171 628	25 722 024	72 893 652
External revenue from exchange transactions	12 774 136	-	12 774 136
Interest revenue	-	552 005	552 005
Segment Expenses	60 936 501	28 999 594	89 936 095
Total Segment expenses	60 936 501	26 279 902	87 216 403
Depreciation and amortisation	-	2 719 692	2 719 692
Surplus/deficit for the year	(990 737)	(2 725 565)	(3 716 302)

38 CAPITAL COMMITMENTS

Operational Expenditure

Approved and contracted	371 333	9 064 101
Approved but not yet contracted	-	-
<i>The entity entered into a 36 month contract for Business Development Services</i>		

Total operational commitments	371 333	9 064 101
--------------------------------------	----------------	------------------

Capital Expenditure

Approved and contracted: Property, Plant and Equipment	1 269 223	979 243
--	-----------	---------

	2021 R	2020 Restated R
Approved but not yet contracted <i>The entity entered into a contract for the construction of the Mandeni</i>	-	-
Total capital commitments	1 269 223	979 243
Total commitments	1 640 556	10 043 344
The expenditure will be financed from:		
Government Grants	1 640 556	9 933 335
Own Resources	-	110 009
	1 640 556	10 043 344

39 CONTINGENT ASSET

Phambili Energy

During the 2020/2021 financial year, the Entity engaged legal services to review the agreement currently in place between the Entity and Phambili Energy, who is the Technical Partner in the roll-out of the Biomass Project - a project funded by COGTA. This was prompted by a dispute that is happening between the parties. Phambili Energy proposed a settlement wherein Phambili Energy would pay back the Entity R5 million as its capital contribution to the project initiation, plus other costs, and in turn the Entity would exit from the project. The Entity has not accepted this offer as it is not based on any financial benefit assessment, in turn requested that Phambili Energy provides its audited financial statements so that the proposal made could be assessed on the factual basis and that the Entity does not end up losing.

5,000,000 -

This is anticipated to be resolved during the 2021/2022 financial year.

40 SERVICES IN KIND

Right of use of Raset Fleet Agreement

The Entity currently has a support agreement in place that was signed between the Entity and iThala for the RASET Programme. This contract was to allocate to the Entity the use of 3 truck and 2 bakkies which was also going to assist with the implementation of the National Schools Nutrition Programme (NSNP) - of which the contract terminated on 30 June 2020. These trucks were not used during the 2020/2021 financial year.

The contract terminates on 31 March 2022.

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
 UNAUDITED SUPPLEMENTARY APPENDIX A : SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
 AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

	Opening Balance	Additions	Cost / Valuation Write Offs / Valuations	Transfers/ WIP	Closing Balance	Opening Balance	Accumulated Additions	Depreciation Impairment loss/ Reversal of impairment loss/Transfer ~	Closing Balance	Carrying Value
	R	R	R	R	R	R	R	R	R	R
Manufacturing Plant	24 230 156	-	(80 825)	-	24 149 331	8 729 480	1 133 062	610 478	10 473 020	13 676 311
Municipal Buildings	1 394 976	3 500	-	-	1 398 476	199 822	46 927	-	246 749	1 151 727
Biological Assets	530 000	-	(530 000)	-	-	-	-	-	-	-
Furniture and Equipment	3 733 507	104 525	(86 788)	3 012 823	6 764 066	1 118 454	277 433	(74 871)	1 321 016	5 443 050
Motor Vehicle - Leases	3 079 231	-	-	-	3 079 231	1 713 443	1 025 474	-	2 738 917	340 314
Computer Equipment	6 466 491	132 039	(292 994)	-	6 305 537	385 567	277 384	(192 471)	470 480	5 835 057
	39 434 361	240 064	(990 607)	3 012 823	41 696 640	12 146 766	2 760 281	343 136	15 250 182	26 446 459

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
 UNAUDITED SUPPLEMENTARY APPENDIX B: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
 AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

2020 Actual Revenue R	2020 Actual Expenditure R	2020 Surplus/ (Deficit) R		2021 Actual Revenue R	2021 Actual Expenditure R	2021 Surplus/ (Deficit) R
86 219 793	89 936 095	(3 716 302)	Administration	55 755 133	54 562 881	1 192 252
<u>86 219 793</u>	<u>89 936 095</u>	<u>(3 716 302)</u>	(Surplus) for the year	<u>55 755 133</u>	<u>54 562 881</u>	<u>1 192 252</u>

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
UNAUDITED SUPPLEMENTARY APPENDIX C(1): ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE)
AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

Description	2020/21 Original Budget	2020/21 Adjusted Budget	Prorata Budget	Actual Outcome	Variance	Variance %	Explanation of significant Variance greater than 10% versus Final Budget
Financial Performance	R		R	R	R		
Interest on investment	400 000	400 000	400 000	437 760	37 760	9%	Immaterial
Government grants and subsidies	39 829 711	63 534 044	63 534 044	53 689 851	(9 844 193)	-15%	There were still engagements in progress with COGTA when the financial year was closed. About R5m of grants remained unspent.
Other Income	18 636 147	1 162 269	1 162 269	1 510 126	347 857	30%	An agreement between Enterprise iLembe and Decavu was signed for the leasing of tunnels, however, this was only known after the adjustments budget was finalized, hence the over-billing.
Total Revenue (excluding capital transfers & contributions)	58 865 858	65 096 312	65 096 312	55 637 737	(9 458 575)	-10%	
Employee related costs	20 456 264	20 270 467	20 270 467	18 771 361	(1 499 106)	-7%	Immaterial
Directors Fees	836 754	828 530	828 530	755 186	(73 344)	-9%	Based on the number of meetings held by the Board - a new Board was appointed in January 2021
Depreciation	2 825 680	2 706 744	2 706 744	3 441 176	734 432	27%	Immaterial
Repairs and Maintenance	234 137	300 000	300 000	-	(300 000)	-100%	Immaterial
Contracted Services	7 537 405	10 120 779	10 120 779	6 842 687	(3 278 092)	-32%	Immaterial
General Expenses	26 929 024	23 432 715	23 432 715	21 962 398	(1 470 317)	-6%	Immaterial
Loss on disposal of assets	-	-	-	652 847	652 847	100%	Only know at the end of the financial year.
Total Expenditure	58 819 264	57 659 235	57 659 235	52 425 655	(5 233 580)	-6%	
Surplus/(Deficit) before tax	46 594	7 437 077	7 437 077	3 212 082	(4 224 995)		
Surplus/(Deficit)	46 594	7 437 077	7 437 077	3 212 082	(4 224 995)	0%	
Capital expenditure & funds sources							
Transfers recognised - capital	-	6 460 572	6 460 572	3 012 823	(3 447 749)	-27%	Project will be completed by year end.
Internally generated funds	150 000	660 000	660 000	240 064	(419 936)	-57%	Adjustments made during adjustments budget - on SCM process stage with some already awarded
Total sources of capital funds	150 000	7 120 572	7 120 572	3 252 886	(3 867 686)	0%	

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
 UNAUDITED SUPPLEMENTARY APPENDIX C(2): ACTUAL VERSUS BUDGET BY DEPARTMENT (REVENUE AND EXPENDITURE)
 AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

	Actual 2021	Budget 2021	Variance 2021	% Variance 2021	Comments
	R	R	R	%	
REVENUE					
Rental Income	703 211	158 261	544 950	344%	Lease arrangement only known after adjustments budget process was finalized.
Interest on investment	437 760	400 000	37 760	9%	Immaterial
Government grants and subsidies	53 689 851	63 534 044	(9 844 193)	-15%	Some grants were not spent as approval was not received from the Funder
Other income	917 311	1 004 008	(86 697)	-9%	Immaterial
Gain on actuarial valuation	7 000	-	7 000	100%	Only known at year end (Actuarial Valuation)
Total Revenue	55 755 133	65 096 312	(9 341 180)		
EXPENDITURE					
Organisational development	54 562 881	57 659 235	(3 096 354)	-5%	Immaterial
Total Expenditure	54 562 881	57 659 235	(3 096 354)		
Surplus / (Deficit) for the year	1 192 252	7 437 077	(6 244 825)		

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
 UNAUDITED SUPPLEMENTARY APPENDIX C(3): ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT)
 AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

	2021 Actual R	2021 Budget R	2021 Variance R	2021 Variance %	
Administration	240 064	660 000	(419 936)	-64%	Improvements for the kitchenette had to be expensed as the building belongs to the parent municipality and there is no lease agreement in place.
Projects Under Construction	3 012 823	6 460 572	(3 447 749)	-53%	Additional funding was not approved for use by the funder. Also, challenges in sourcing containers caused delays in finalizing the project. Will be completed during the first quarter of 2022.
	3 252 886	7 120 572	(3 867 686)	-54%	

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
 UNAUDITED SUPPLEMENTARY APPENDIX D : GRANTS AND SUBSIDIES RECEIVED - 2020/2021
 AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF THE MUNICIPAL FINANCE MANAGEMENT ACT, 56 OF 2003

Name of Grants	Unspent Balance 2019/2020	Quarterly Receipts				Total Receipts	Quarterly Expenditure				Adjustments and Transfers	Total Expenditure	Unspent Balance 2020/2021
		July 20 to Sept 20	Oct 20 to Dec 20	Jan 21 to Mar 21	April 21 to June 21		July 20 to Sept 20	Oct 20 to Dec 20	Jan 21 to Mar 21	April 21 to June 21			
		1	2	3	4		1	2	3	4			
Ilembe District Municipality - LED	-	752 133	210 597	421 194	86 075	1 470 000	-	47 851	627 328	347 040	-	1 022 218	447 782
Ilembe District Municipality - Tourism	203 957	843 221	236 102	708 306	(321 629)	1 466 000	-	285 421	91 626	640 818	-	1 017 865	652 092
Development of SMMEs	-	1 837 009	-	1 543 087	356 986	3 737 082	749 285	392 200	1 170 777	1 169 244	-	3 481 507	255 575
SASA Grant	22 224	-	-	-	-	-	-	-	-	22 224	-	22 224	-
District Growth & Development Summit (131 369	-	-	-	-	-	-	-	-	-	-	-	131 369
Maphumulo Kwashushu	391 304	-	-	-	-	-	-	-	-	391 304	-	391 304	0
Raset Grant	1 942 245	-	-	-	-	-	-	-	-	131 677	-	131 677	1 810 568
Biomass Project	5 605	-	-	-	-	-	-	-	-	-	(9 000)	(9 000)	14 605
Public-Wifi	33 298	-	-	-	-	-	-	-	-	-	-	-	33 298
Mini Factories	2 173 913	-	-	-	-	-	-	-	-	-	-	-	2 173 913
UIF Training	4 979 164	1 920 000	8 626 075	-	-	10 546 075	3 351 489	4 574 846	5 559 763	332 377	-	13 818 474	1 706 765
EDTEA Kwashushu	10 365	-	-	-	-	-	-	-	-	10 365	-	10 365	0
MICT SETA	102 064	2 362 500	1 312 500	-	-	3 675 000	1 743 086	1 444 783	34 130	-	(1 134 348)	2 087 651	1 689 413
YEP Grant	4 287 571	-	-	-	-	-	-	1 311 062	1 540 390	161 370	-	3 012 823	1 274 749
	14 283 080	7 714 863	10 385 274	2 672 588	121 432	20 894 157	5 843 860	8 056 163	9 024 015	3 206 418	-	24 987 108	10 190 129

Unspent grants as at 30 June 2020

14 283 080

Unspent grants as at 30 June 2021

10 190 129