



enterprise ilembe  
ECONOMIC DEVELOPMENT AGENCY

# ANNUAL REPORT 2015-2016



INVESTMENT DESTINATION OF CHOICE



## *Vision*

To enable iLembe District to be the destination of choice for business, investment and tourism

## *Mission*

To drive economic development in the iLembe District



# CONTENTS

01

## INTRODUCTION & OVERVIEW

1.1. Overview of iLembe District Municipality	6
1.2. Foreword by the Chairman	7-8
1.3. Foreword by the Chief Executive Officer	9-12
1.4. Executive Summary	13
1.5. Strategic Objectives & Functions	13-15
1.6. Audit Committee Report	15-18

02

## SERVICE DELIVERY & PERFORMANCE HIGHLIGHTS

2.1. Key Successes and Challenges	20
2.2. Projects Undertaken	21-23
2.3. Capital Used	24
2.4. Job Creation & Skills Development	25-27
2.5. Performance Management	28

03

## HUMAN RESOURCES & ORGANISATIONAL MANAGEMENT

3.1. Organisational Structure	30
3.2. Institutional Transformation & Employment Equity	31

04

## AUDITED STATEMENTS & RELATED INFORMATION

4.1. Financial Statements & Related Information	36
4.2. Report of the Auditor-General	86-88
4.3. Chief Financial Officers Report	89-91
4.4. Audit Action Plan	92-93

05

## FUNCTIONAL SERVICE DELIVERY REPORTING

5.1. Service Level Agreement	96
------------------------------	----

06

## ANNUAL PERFORMANCE REPORTING

6.1. Service Delivery Budget Implementation Plan (SDBIP)	98-105
6.2. Highlights on Actual Performance	106-110
6.3. Conclusion	111





# CHAPTER

INTRODUCTION & OVERVIEW

# 01



## 1.1 OVERVIEW OF ILEMBE DISTRICT MUNICIPALITY

The iLembe District Municipality is situated on the East Coast of South Africa in the Province of KwaZulu Natal. iLembe District is bordered by eThekweni Metro in the South and linked to Uthungulu District in the North by the coastal highway, which is a key corridor in the region and is bordered in the west by Umgungundlovu and Umzinyathi Districts.

It is located between Africa's busiest ports of Richards Bay and Durban and is in close proximity to the King Shaka International Airport and the Dube Tradeport. It is the smallest District Municipality in the province with a total population of approximately 606 000. The municipality covers 3260 square kilometres and is divided into four local municipalities: KwaDukuza, Mandeni, Maphumulo & Ndwedwe.

### THE ECONOMIC SECTORS THAT CONSTITUTE THE PILLARS OF ILEMBE'S ECONOMY ARE THE FOLLOWING:

#### AGRICULTURE

- ▶ This sector is characterised by two main distinct types:
  - ▶ Commercial agriculture, such as sugar cane farming along the coastal strip
  - ▶ Subsistence agriculture in the rural hinterland and inland areas

#### MANUFACTURING

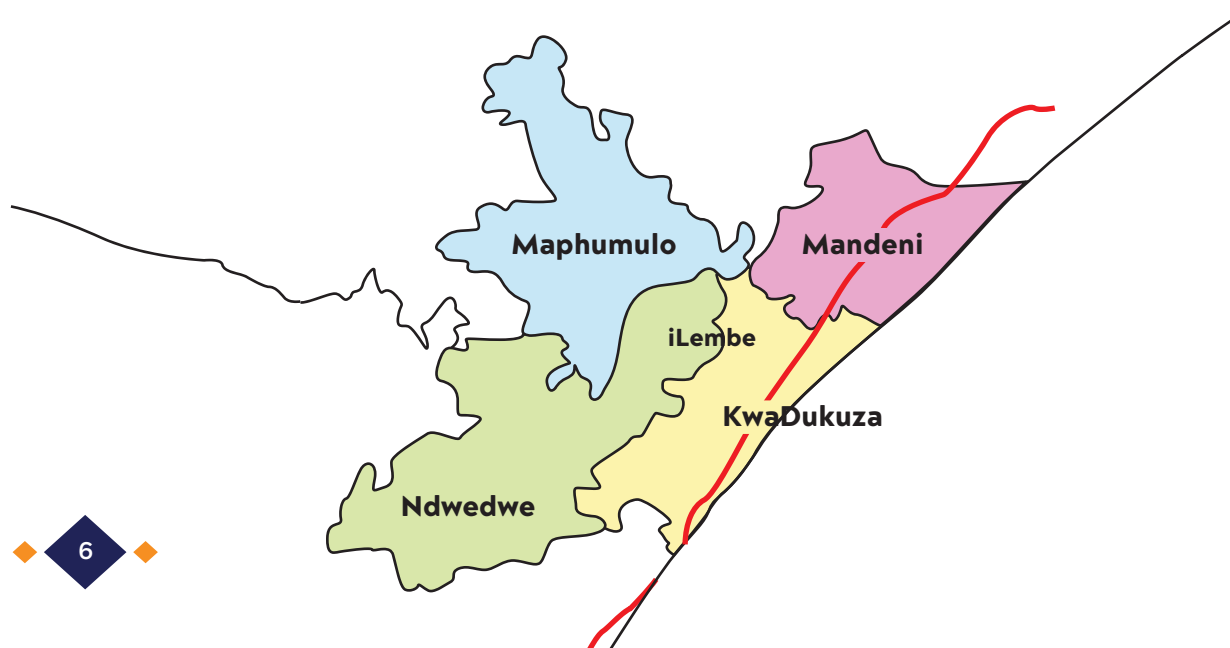
- ▶ This sector is mainly characterized by the following types of industries:
  - ▶ Primary sector comprises of heavy industries, such as sugar and paper mill production in the Isithebe Industrial Estate in Mandeni.
  - ▶ Secondary sector activities include light industries that are prevalent throughout the district and with a focus on the rural areas of the district as well as along the coastal belt.

#### TOURISM

- ▶ iLembe is one of the prime domestic tourism attractions in South Africa due to its favourable climate and its excellent beaches. This sector has consistently grown in iLembe and offers a variety of tourism facilities that can be categorised as follows:
  - ▶ Cultural and heritage tourism
  - ▶ Beach tourism
  - ▶ Nature-based and adventure tourism

#### COMMERCE AND SERVICES

- ▶ This sector includes the following sub sectors and is found in all the main urban centres throughout the district with specific reference to the towns of KwaDukuza and Ballito:
  - ▶ Wholesale / retail trade transport / storage communication financial / insurance
  - ▶ Real estate business / community / social / personal services / government services



# FOREWORD

## BY THE CHAIRMAN

### Mr B.N. Linda



*The key economic drivers in the district are still consistent in the sectors of agriculture, tourism, manufacturing & services and as a district we strive to continuously bridge the huge divide between the first and second economies through the identification, facilitation and promotion of projects.*

The extent of the disruption to business and investor confidence, caused by the unrest and violence in the iLembe District during the 1st half of 2016, is reflected in the most negative iBCI recorded thus far. It is however encouraging to observe that business expectations for the remainder of 2016 are positive at a level of 51.3. Considering the current positive economic data and other related activities, especially a strengthening rand, will contribute significantly to actual positive business performance of our iLembe District during the 2nd half of 2016.

As the board we continue to appreciate the political guidance and leadership provided by the District Municipality Council and the ruling party in the District with the renewed political direction that seeks to prioritise entrepreneurship and employment in the region. The Board continues to implement well researched strategies to advance the desires of the electorate and the broader citizens of iLembe District Municipality.

There was an introduction of two new members in October 2015; Ms D. Nene and Mr K. Shandu. The new members have brought into the Board valuable expertise in the area of economic development and human resources. The Board comprises of seven independent members appointed by Council and met four (4) times during the 2015/2016 financial year.

BOARD MEMBER		20 AUG 15	18 NOV 15	09 MAR 16	28 JUN 16
Mr Bongani Linda	Chairman	x		x	x
Mr Ian Deetlefs	Sub-Committee Chair Investment	x	x	x	x
Mr Cobus Oelofse	Sub-Committee Chair HR	x	x	x	x
Ms Thandi Nzama	Sub-Committee Chair Tourism	x	x	x	x
Ms Zanela Zeka	Member		x	x	
Mr Khanyisani Shandu	Member			x	x
Ms Dumisile Nene	Member		x	x	x

**Members attendance at meetings are listed above**

Developing strong, efficient and fully integrated working arrangements with both private and public sector partners and stakeholders especially local municipalities within the District, remains an important priority for the Agency and the Board is working hard to ensure that the Agency continues to deliver on this. Participation at inter-governmental relation forums is key to providing an enabling business environment in order to drive economic development and promote trade and investment in the region.

The Board also ensured that all vacant positions were filled for a well-resourced & capacitated entity. As we close the year though, we saw the departure of Mr. Thamsanqa Mkhwanazi the CEO of the Agency who was offered an opportunity closer to his family. Under his stewardship we were pleased to receive a clean audit opinion from the Auditor General. As he departs, the Board wishes him well in his new endeavors and is confident that a replacement will be made soon.

The National Schools Nutrition Programme continues to grow as more farmers participate in this programme. The programme did however experience major challenges brought on due to the extreme drought experienced in the region.

I take this opportunity on behalf of the Board, to express our gratitude to Council and management of iLembe District Municipality, who have given us unwavering support in delivering against our mandate. To every staff member of the Enterprise iLembe team, we say thank you for playing your part in making this yet another successful year for the Agency.



**B.N. LINDA**  
Chairman



# FOREWORD BY THE CHIEF EXECUTIVE OFFICER Mr T. Mkhwanazi



*Enterprise iLembe completed 2016 with challenges and achievements of which the management team faced with integrity and professionalism. One of the challenges has been the effects of the drought in the district which has had a negative effect to the yield of produce from the small-scale farmers that we support. Another, were efforts to resuscitate the hydroponic tunnels by performing repairs and implementing the turnaround strategy.*

However, the achievements far outweigh the challenges experienced during the year.

- ▶ Enterprise iLembe continued to supply vegetables to schools despite the shortages of local fresh produce caused by drought.
- ▶ The Bulwer Farm tunnels were fully repaired and a tenant is already on site to operate.
- ▶ Completed the implementation of the second phase of the Broadband roll out in the district, whereby a broadband master-plan and business plan has been completed.
- ▶ iLembe Co-operative Winery celebrated its third production of 6,000 litres of wine as well as the diversification of the cultivar, Villard Blanc, to Sauvignon Blanc and Merlot at the Ndwedwe site.
- ▶ The achievement of a clean audit opinion by the auditor general for the June 2015 financial year
- ▶ Implementation of the poverty eradication master-plan in partnership with the Office of The Premier.
- ▶ Filling of all positions in the organogram.
- ▶ The LED strategy finally adopted by district council.
- ▶ Completion of the ownership model for the purposes of transferring project assets to communities.
- ▶ Poultry and Biomass feasibility studies and business plans started in the current financial year.
- ▶ Completion and distribution of the investor prospectus and the tourist guide.
- ▶ Launch of the North Coast Tourism website.
- ▶ Review & Update of the tourism and investment DVDs.

### **NATIONAL SCHOOLS NUTRITION PROGRAMME (NSNP)**

The NSNP continued without major challenges in the current financial year which saw payments, being received from the Department of Education timeously throughout the year. This activity saw the entity deliver more than 2,000 tons of vegetables to 406 schools in the district. One of the major focusses in the new financial year will be to increase farming activity from locally developed farmers rather than procuring vegetables from the Durban fresh produce market. Negotiations for the new contract with the Department are underway and should be finalised early in the new financial year.

### **VINEYARDS AND WINERY**

A turnaround strategy for the vineyards and winery project was presented to and approved by the board in June 2016. The turnaround entails expanding the 1787 wine compliment to other cultivars not planted in the current project, through the procurement of bottled wine from established wine makers and then branding the bottles as 1787. This will increase the saleable quantities so that the revenue generated can ensure sustainability and profitability of the programme. It also entails opening a wine retail shop in the winery building that would expose the wine to customers through wine tasting activities. A partnership agreement has also been entered into with the owners of the land of which the winery building is situated, the purpose of the partnership is mainly to fully utilize the precinct including the winery building through leasing. The land owners are also interested in utilizing the 1787 brand for a restaurant in the precinct. The retail licence has been renewed, while we await the issuance of the wholesale licence by SARS.

### **BIODIESEL**

Numerous attempts to get Technical Partners for the biodiesel plant in Mandeni have been unsuccessful. The Board of Enterprise iLembe agreed to a proposal to abandon the project and consider proposals for the sale of equipment. The proposals are going to be considered before the end of the first quarter of the new financial year. Enterprise iLembe is currently considering proposal to revive the moringa project as a stand-alone business where the communities are going to grow, process and sell moringa leaf powder and moringa seeds

### **HYDROPONIC TUNNELS**

The Hydroponic Tunnels repair programme is still underway with Bulwer Farm site being fully repaired. The funds for the site in Maphumulo have been secured with the Office of the Premier through the poverty eradication programme. The repairs for the site in Mandeni have been budgeted for in the 2016/17 financial year.

### **RENEWABLE ENERGY**

iLembe District was designated the KwaZulu-Natal Economic Zone for renewable energy. Enterprise iLembe then conducted a scoping study of possible renewable energy projects in iLembe. Results indicated possibilities in solar, small hydro on the Thukela river and biomass projects in the district. In addition, The Department of Economic Development, Tourism and Environmental Affairs is also investigating the development of a renewable energy hub in the District. In the hub, there will be research and manufacturing facilities for renewable energy components. The entity appointed consultants to perform a feasibility study and business plan on Biomass alternative energy generation as well as a tyre to biofuel recycling programme.

### **STRATEGIES AND FEASIBILITY STUDIES**

With funding from COGTA, Enterprise iLembe also conducted a Local Development Strategy for iLembe District. The strategy is in line with the Provincial Growth and Development Plan. This strategy was adopted by council in the current financial year.

With the Entity's own funding, a district tourism strategy was developed in the current financial year, and has also been adopted by council. The board also reviewed the entity's strategy in the current financial year which is an annual activity before budgets are finalized. An ownership model for the transfer of project assets to communities was completed and adopted by district council in the current financial year, this will assist the entity in transferring the project assets to the communities as it was intended. Implementation of the ownership model will commence in the new financial year. A poultry and chicken abattoir feasibility study was completed in the current financial year and the implementation of this study will commence in the new financial year.

### **SMME, CO-OPERATIVE AND INFORMAL TRADER SUPPORT CO-OPERATIVES**

During the 15/16 financial year, the Social facilitation Unit managed to identify, train on pre-cooperative training and register 32 co-operatives within the district. Various training programmes had to be provided to these groups which included, pre-cooperative training and other business management and administration courses, coordinated in partnership with SEDA and ILO.

#### **SMME's**

In addition to the co-operatives supported above, the agency, also worked with 4 SMME's. These were assisted with putting together business proposals and submitting them to various funding organisation for funding support.

#### **INFORMAL TRADERS**

Though this remains the sole responsibility of the local municipalities, we do work with the Department of Economic Development in providing whatever necessary support required from time to time. We have assisted local municipalities in developing their informal trade policies as well as with implementation.

#### **INVESTOR ATTRACTION**

Ei developed an Investor Prospectus for the region with the aim to promote and position iLembe as a destination of choice for business and tourism. The prospectus is available in E-book format on our website; [www.enterpriseilembe.co.za](http://www.enterpriseilembe.co.za). Quarterly Business Confidence Index surveys were conducted in partnership with the iLembe Chamber of Commerce, Industry & Tourism. Ei continued to support the Entrepreneur Competition in partnership with the iLembe Chamber of Commerce, Industry & Tourism.

#### **TOURISM AND INVESTOR ATTRACTION**

##### **TOURISM**

Tourism continues to be a significant contributor to the economy of iLembe District and to this end Ei embarked on the development of a District Tourism Strategy. In the development of the iLembe Tourism Strategy we took into consideration seven fundamental principles which would contribute to the tourism industry's development to full potential. These include; Responsible Tourism/Sustainability, Transformation, BEE, Partnerships, Rural Development, Skills & Education Development as well as Enterprise Development. As part of the strategy pre-feasibility studies were conducted for Sibudu Caves, KwaShushu and the Ballito Exhibition Centre. In this financial year Enterprise iLembe continued to position and market the region with the aim to increase visitor numbers and spend but also to promote the geographic spread of tourism.

**SEVERAL INITIATIVES WERE UNDERTAKEN AND THESE INCLUDE THE FOLLOWING;**

- ▶ Participation at key consumer and trade exhibitions viz. Soweto Wine Festival, Star Getaway Show, World Travel Market Africa, World Travel Market London and Indaba.
- ▶ Event Support; Hlomendlini Cultural Festival, iBeach Festival, iCycle Race and the Ballito Strawberry Festival.
- ▶ Service Excellence Campaign - Ei partnered with FabMags on the Best of the Best campaign which serves to recognise businesses & individuals who promote the culture of service excellence in the community.
- ▶ Ei developed the North Coast Travel Guide with a print run of 15000 copies as well as an electronic E-book which is accessible through our websites.
- ▶ The Tourism and Investment DVD's were also reviewed and updated.
- ▶ There are continuous engagements though print and social media platforms and these include; Best of KZN, Suid Africa, Ballito Pro Magazine, Newspaper articles, Facebook, Twitter and Instagram.
- ▶ A new website for tourism was developed; [www.northcoast.org.za](http://www.northcoast.org.za)

**INVESTOR ATTRACTION**

Ei developed an Investor Prospectus for the region with the aim to promote and position iLembe as a destination of choice for business and tourism. The prospectus is available in E-book format on our website; [www.enterpriseilembe.co.za](http://www.enterpriseilembe.co.za)

Quarterly Business Confidence Index surveys were conducted in partnership with the iLembe Chamber of Commerce, Industry & Tourism. Ei continued to support the Entrepreneur Competition in partnership with the iLembe Chamber of Commerce, Industry & Tourism.

**CONCLUSION**

Support and guidance from our key stakeholders, the political and administrative leadership of iLembe District Municipality and the iLembe family of local municipalities, i.e. KwaDukuza, Mandeni, Maphumulo and Ndwedwe are key in Enterprise iLembe implementing its mandate successfully. Once again we say "Thank you" to them. We also like to thank all our stakeholders including the Departments of co-operative Governance and Traditional Affairs, Education, Agriculture, and Economic Development for all the support given.

The Board of Directors of Enterprise iLembe had to provide guidance at very critical periods during the past financial year. We are grateful to have such a committed Board to help us weather the storms. This is translated by the 2 consecutive clean audit opinions achieved by the entity in the 2 prior years.

Our staff members remain our very change agents in their own spheres. They continue to be the beacon of hope for poor communities in the District.



**T. MKHWANAZI**  
Chief Executive Officer

## 1.4 EXECUTIVE SUMMARY

The key economic drivers in the district are still consistent in the sectors of agriculture, tourism, manufacturing & services and as a district we strive to continuously bridge the huge divide between the first and second economies through the identification, facilitation and promotion of projects. The extent of the disruption to business and investor confidence, caused by the unrest and violence in the iLembe District during the 1st half of 2016, is reflected in the most negative iBCI recorded thus far. It is however encouraging to observe that business expectations for the remainder of 2016 are positive at a level of 51.3. Considering the current positive economic data and other related activities, especially a strengthening rand, will contribute significantly to actual positive business performance of our iLembe District during the 2nd half of 2016.

It was especially the business confidence in the Manufacturing & Assembly (39.8), Wholesale, Retail & Vehicle Trade (39.7) and Agriculture, Forestry & Hunting (40.7) sectors that contributed to the overall gloomy sentiment. The most confident economic sector was Tourism, Catering & Accommodation with businesses in this sector reflecting a business confidence level of 64.7 index points, balancing the overwhelming negativity expressed by the other economic sectors.

Enterprise iLembe has progressed well in building capacity appropriate for a well resourced Entity to carry out the mandate of the Agency but we still remain under pressure to do more. Enterprise iLembe completed 2015 with challenges and achievements of which the management team faced with integrity and professionalism and we remain committed to service delivery in the District.

## 1.5 STRATEGIC OBJECTIVES & FUNCTIONS

### 1.5.1. AGENCY MANDATE

- ▶ Develop, review and strengthen the local economic development strategy on behalf of the district and family of municipalities;
- ▶ Champion a wide range of activities which emerge as important from the family of IDPs and LED Strategies;
- ▶ Co-ordinate LED activities to ensure alignment and integration;
- ▶ District marketing and promotion of tourism and investment promotion;
- ▶ Facilitate the identification, packaging and implementation of catalytic projects in the four key sectors and new sectors;
- ▶ Provide professional and multi-skilled support and networking services to major investors who wish to invest in the region;
- ▶ Work with local government to facilitate a business enabling environment;
- ▶ Implement business, retention and expansion (BR&E) programmes in partnership with local business;
- ▶ Build twinning relationships with developed regions nationally and internationally; Social Risk Management.



### 1.5.2. KEY STRATEGIC GOALS & OBJECTIVES

#### **FACILITATE THE PACKAGING & IMPLEMENTATION OF PROJECTS IN EXISTING AND NEW SECTORS.**

##### **OBJECTIVES:**

- ▶ Implement and ensure sustainability of existing projects
- ▶ Identify and package new projects in existing sectors
- ▶ Tap into available programmes to create more black industrialists

#### **MARKET AND PROMOTE THE ILEMBE DISTRICT AS AN INVESTMENT, TOURISM & BUSINESS DESTINATION.**

##### **OBJECTIVES:**

- ▶ To attract interest for new investment to iLembe District
- ▶ To increase visitor numbers to iLembe District
- ▶ To support new tourism product development and the geographical spread of tourism

#### **RESEARCH OTHER POTENTIAL GROWTH SECTORS IN ADDITION TO THE CURRENT FOUR SECTORS OF MAIN FOCUS.**

##### **OBJECTIVES:**

- ▶ To identify and package projects in new sectors
- ▶ Tap into available programmes to create more black industrialists

#### **IDENTIFY, BUILD AND CO-ORDINATE PARTNERSHIPS AMONG SOCIO ECONOMIC STAKEHOLDERS.**

##### **OBJECTIVES:**

- ▶ Facilitate Business Retention and Expansion
- ▶ Support Entrepreneurship Development

#### **FACILITATE RESEARCH THAT ASSISTS WITH POLICY DEVELOPMENT AND FORMULATION THAT IMPACTS THE MANDATE OF THE AGENCY.**

##### **OBJECTIVES:**

- ▶ Identify policies and Acts that effect the Agency
- ▶ Research Team
- ▶ Research that will influence the decision making process

#### **INFLUENCE POLICY AND THE REGULATORY ENVIRONMENT FOR SOCIO ECONOMIC DEVELOPMENT AND INVESTMENT.**

##### **OBJECTIVES:**

- ▶ Identify existing structures and leverage of those
- ▶ If none, create structures
- ▶ Use structures to engage government
- ▶ Include issues of infrastructure and spatial planning
- ▶ Influence infrastructural and spatial planning

## TO ENSURE SOUND FINANCIAL MANAGEMENT AND VIABILITY OF THE ENTITY.

### OBJECTIVES:

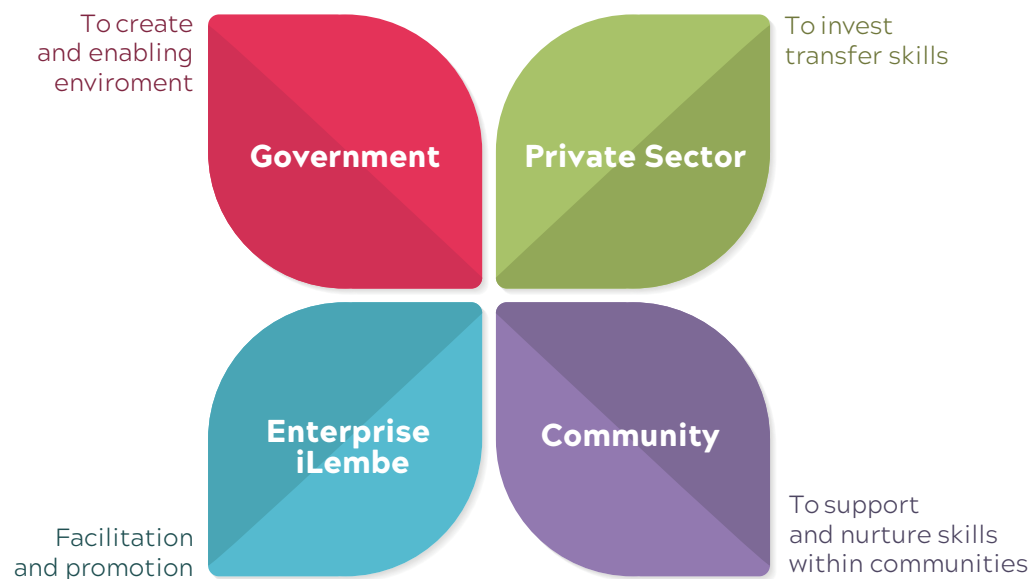
- ▶ Achieve a clean audit
- ▶ To ensure compliance, sound and credible general financial management principles
- ▶ To ensure that the Entity administration is governed by sound and effective values and principles as outlined in the constitution of SA

### 1.5.3. ROLES & RESPONSIBILITIES

It is the role of Enterprise iLembe to facilitate and promote socio economic development in the region.

#### THE ROLE OF ENTERPRISE ILEMBE CAN BE FURTHER DEFINED AS FOLLOWS:

- ▶ Nurture new ideas which have commercial potential AND have high impact potential in regards to poverty alleviation, jobs and empowerment.
- ▶ Build partnerships between public sector, support institutions, private sector and the community.
- ▶ Build partnerships within each locality and support one another in service delivery.
- ▶ Collectively bridge the gap between 1st & 2nd economies through catalytic & high-impact projects



## 1.6 AUDIT COMMITTEE REPORT

The iLembe Management Development Enterprise (Pty) Limited (Enterprise iLembe) Audit Committee hereby presents its report to the Board for the year ended 30 June 2016. The legal responsibilities of the Audit Committee are set out in terms of section 166 of the Municipal Finance Management Act, No. 56 of 2003 (MFMA) and section 94 of the Companies Act, No. 71 of 2008.

### AUDIT COMMITTEE MEMBERS AND ATTENDANCE AT MEETINGS.

The Audit Committee comprised of 5 independent, 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 arises. Members' attendance at the meetings is listed below:

NAME	NO OF MEETINGS ATTENDED	26 AUG 2015	13 NOV 2015	18 FEB 2016	6 MAY 2016
Mr. D Bosch (Chairperson)	4	a	a	a	a
Ms. P D A Mfusi	4	a	a	a	a
Mr. S L Ndlovu	4	a	a	a	a
Mrs. S Singh	4	a	a	a	a
Mr. S D Mngoma (Deputy Chair)	4	a	a	a	a

The Chairperson of the Audit Committee also attended two Board meetings during the year under review.

### AUDIT COMMITTEE RESPONSIBILITY

The Audit Committee has been set up in accordance with section 166 of the MFMA and operates within the terms of the Audit Committee Charter approved by the Council of the iLembe District Municipality and the Board of Enterprise iLembe.

Section 121(4)(g) of the Municipal Finance Management Act, No. 56 of 2003 requires that the annual report must include any recommendations of the Municipality's Audit Committee.

**In the conduct of its duties, the Audit Committee has performed the following statutory duties:**

#### 1. REVIEWED INTERNAL FINANCIAL CONTROL AND INTERNAL AUDITS

The internal audit function was outsourced to SizweNtsalubaGobodo. The internal audit plan for the 2015/16 financial year was presented and approved by the Audit Committee on 25 June 2015. The Audit Committee at each meeting assessed performance against the plan and reviewed the plan to ensure that critical risks of the operations of the Entity and the findings of the Auditor-General are addressed.

The Audit and Performance Audit Committee Charter as well as the Internal Audit Charter were reviewed and accepted.

Internal audit reports were completed as planned and tabled at the Audit Committee meetings. Internal audit reports include recommendations to improve internal controls together with agreed management action plans to resolve the issues reported on.

To further enhance the processes in place, internal audit conducted follow up audits on previously reported internal audit findings and reported progress to senior management and the Audit Committee. Management is required to implement appropriate systems of internal controls and corrective action to address the identified weaknesses and possible irregularities. Based on information submitted the Audit Committee is satisfied that the key internal controls functioned as intended during the year.

## 2. RISK MANAGEMENT

The Audit Committee is responsible for oversight of the internal and external auditors as well as financial reporting. Because the assessment of internal controls over financial reporting is risk-based, the Audit Committee is responsible for overseeing management's risk policies and discussing the key risk exposures with management.

The Entity conducted a risk assessment workshop on 20 May 2015 and the top key risks were identified, measured and prioritised and the updated risk register was adopted on 1 July 2015. The Audit Committee noted the updated risk registers and minutes of the Risk Management Committee and the internal audit function provided independent assurance in relation to the management's assertions surrounding the robustness and effectiveness of risk management.

The Audit Committee is satisfied with the risk management process.

## 3. REVIEW OF FINANCIAL STATEMENTS AND ACCOUNTING POLICIES.

The Audit Committee, at each meeting held during the year, reviewed the interim financial statements of Enterprise iLembe, considered the appropriateness, adoption and consistent application of the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP).

The Audit Committee discussed, provided comments and recommendations to enhance the quality of the annual financial statements. The review of the unaudited Annual Financial Statements for 2015/16 was done during a meeting on 18 August 2016.

## 4. THE ADEQUACY, RELIABILITY AND ACCURACY OF FINANCIAL REPORTING AND INFORMATION.

Information furnished by Internal Audit, the Auditor-General and Management has caused the Audit Committee to believe that the system of internal financial control is effective and formed a basis for the preparation of reliable financial statements. The Audit Committee concurs with the factual correctness and reasonability of the Auditor-General's clean audit report for the 2015/16 financial year.

## 5. PERFORMANCE MANAGEMENT

The Audit Committee also serves as the Performance Audit Committee and reviewed the quarterly performance reports and the internal audit reports on performance management based on Enterprise iLembe's scorecard. The Audit Committee is pleased to note that the overall internal and external audit ratings of the effectiveness of internal controls around the performance management system is satisfactory and controls were in place to provide management and the Board with reasonable assurance that the reported performance information against predetermined objectives is reliable, accurate and complete.

## 6. EFFECTIVE GOVERNANCE

The Audit Committee fulfils an oversight role regarding the reporting process, including the system of internal financial control. It is responsible for ensuring that the internal and external audit function is independent and has the necessary resources, standing and authority within Enterprise iLembe to enable it to discharge its duties. Furthermore, the Audit Committee oversees cooperation between the internal and external auditors, and serves as a link between the Board and these functions.

The internal and external auditors have unlimited direct access to the Audit Committee, primarily through the Chairperson.

## 7. COMPLIANCE WITH LEGISLATION

The Audit Committee has reviewed the effectiveness of the system for monitoring compliance with laws and regulations mainly through the reports submitted by management and internal audit. However, management efforts to move to full compliance by means of comprehensive checklists will be monitored on a quarterly basis.

## 8. FINANCE FUNCTION

The Audit Committee is satisfied with the expertise and adequacy of resources within the finance function to ensure quality reporting and information.

## 9. RECOMMENDATIONS

- ▶ The Board and management at all levels should continue with commitment to optimally use scarce resources, cash-flow and sustainability plans and regular monitoring and evaluation to ensure that the enterprise iLembe continues as a going concern.
- ▶ The Board and management need to continuously monitor and review internal controls. The Chief Executive Officer must ensure that there are consequences for non-adherence with internal controls.
- ▶ The Chief Executive Officer must ensure effective communication, attendance of meetings and knowledge sharing with the Board, the Mayor of iLembe District Municipality and the Municipal Public Accounts Committee.
- ▶ The Chief Executive Officer and the Board should explore possible alternative funding for Local Economic Development projects.

## CONCLUSION

The Audit Committee confirms its commitment to assist the Chief Executive Officer, the Board and Council of the iLembe District Municipality to enhance clean administration and to maintain a clean audit. The Audit Committee also wishes to thank management and staff for their cooperation and support and the teams from Internal Audit and the Auditor-General for their contributions.

On behalf of the Audit Committee



**Mr. D BOSCH**  
Chairperson



CHAPTER  
SERVICE DELIVERY &  
PERFORMANCE HIGHLIGHTS

02



## 2.1 KEY SUCCESSES & CHALLENGES

- ▶ The drought in the district negatively impacted on the yield of produce from the small-scale farmers. Enterprise iLembe was still able to deliver vegetables to schools despite this challenge.
- ▶ Efforts to resuscitate all the hydroponic tunnels by performing repairs and implementing the turnaround strategy proved to be a challenge, however one site was successfully repaired and a tenant secured.
- ▶ The Broadband master-plan was completed
- ▶ The iLembe Co-operative Winery celebrated its third production of 6,000 litres of wine.
- ▶ The achievement of a clean audit opinion by the auditor general for the June 2015 financial year.
- ▶ The Tourism Strategy for the district was finalised.
- ▶ Pre-feasibility studies were completed for the Sibudu Caves, KwaShuShu and Ballito Exhibition Centre projects
- ▶ The Ownership Model for the transfer of projects was completed.
- ▶ The Agency has a full staff compliment with all positions being filled in this financial year

## 2.2 PROJECTS UNDERTAKEN

### 2.2.1. MULTI-YEAR FUNDED PROJECTS

PROJECT NAME	PROJECT DESCRIPTION & STATUS QUO
<b>iLembe Vineyards and Winery Project</b>	<p><b>Project Funder/s: DCOGTA and IDC</b></p> <p>The iLembe vineyards and winery project is a two phased project which involves the establishment of a primary Villard Blanc crop for further processing in a winery established as a first of its kind in the District.</p>
<b>Project</b>	<p>A total of 10.1 hectares of vines have been planted across Mandeni, Maphumulo and Ndwedwe. The winery is located at the Collisheen Estate in the Sugar Rush park which is being developed into a tourism precinct. The Winery currently processes and bottles a white cultivar wine from grapes grown by the communities within iLembe District. The winery also boasts a restaurant and wine tasting facilities to add to the ambiance being created to enhance the experience offered through the 1787 brand which is currently being patented by Enterprise iLembe.</p> <p>Plans are under way to import a red cultivar from the Cape for further bottling and labeling at the winery, with the added aim to sell within the retail stores as well as sale and consumption at the restaurant.</p> <p>To ensure that the “1787” wine gets maximum marketing and exposure, Enterprise iLembe has initiated a process of applying for a distribution license. The license will enable distribution of the white and red wine to any retail store nationally and internationally.</p>
<b>iLembe Open Farms</b>	<p><b>Project Funder/s: iLembe District Municipality</b></p> <p>The project entails establishing and supporting community-based co-operatives to operationalize sustainable agricultural farms to produce cash crops for both the community’s needs and for sale to the Department of Education’s National School’s Nutrition Programme. This programme has opened up sustainable and reliable markets for the local small-scale farmers. The Department is in need of 64 tons of vegetables such as cabbages; butternut; spinach; carrot and green beans weekly for supply to the National Schools Nutrition programme.</p> <p>Enterprise iLembe currently supports a total of 43 farms. This supports entails the provision of mechanization, supply of chemicals, fertilizers, seeds and seedlings and technical advice and mentorship to the farmers in the four local municipalities. Though Enterprise iLembe endeavors to establish projects that are not only sustainable but also ensures that there is sufficient skill transfer to enable the farmers to become self-sufficient entrepreneurs.</p> <p>Climatic challenges and financial resources is forcing the Entity to review this programme and find a much sustainable and practical approach of supporting farmers without creating financial dependency and burden on the organization. The planting plan is one such tool that will ensure that the project is self-sufficient.</p>

<b>iLembe Open Farms</b>	Enterprise iLembe is always seeking to establish additional farms to ensure that the project not only meet the Department's weekly requirements but is also able to supply to other markets.
<b>Agricultural Hydroponic Tunnels</b>	<p><b>Project Funder: The Department of Cooperative Governance and Traditional Affairs</b></p> <p>The agricultural hydroponic tunnels project became a stimulus for agro processing within the District. With the collective establishment of 8 hydroponic tunnels within all four local municipalities (four sites) the tunnels tapped into a niche market by growing high value crops for sale in retail stores.</p> <p>This project was on hold as the project underwent much needed repairs to the existing eight structures. Due to budgetary constraints, Enterprise iLembe can only refurbish one site each financial year. This has meant that one site in Bulwer KwaDukuza, is fully operational once again. Tomatoes will be planted in this site to be supplied as a commodity to the National School's Nutrition Programme. Enterprise iLembe has commenced with plans to repair the second site in Mandeni.</p>
<b>National Schools Nutrition Programme and the Processing Facilities</b>	<p><b>Project Funder/s: Department of Education:</b></p> <p>In the past three (3) years, the processing facilities have offered a logistical solution to the National School's Nutrition Programme, by providing a facility where vegetables sourced from the local farms can be cleaned, packaged, stored and dispatched to the 409 schools within the District.</p> <p>The iLembe District was hardest hit by the drought, of which, its effects have contributed largely to the decline of output from the local farms this year. An average of only 30% of the produce was grown and sourced from the District's farms.</p> <p>Other challenges experienced in the implementation of this programme include the increase in the costs of running the programme resulting in the need to review the rate/fee at which the programme is being operated.</p>
<b>Studies Undertaken</b>	<p><b>Broadband Master Plan</b></p> <p>This study entailed the development of a Broadband master plan, feasibility study and business plan for the roll out of a broadband solution which is in line with the National Growth and Development Plan and the nation's 2013 vision. Enterprise iLembe is currently seeking funding for the implementation of this multimillion rand project.</p> <p><b>Chicken Abattoir and Poultry Farms</b></p> <p>In response to the resolutions taken at the iLembe Growth and Development Summit 2012, Enterprise iLembe initiated a study that would assess the feasibility of establishing a chicken abattoir in the district to cater for the rural chicken farms within the communities. The study showcases a number of feasible scenarios for the establishment of a regional chicken abattoir.</p>

## Studies Undertaken

### Development of Ownership Model for Institutional Structures

Enterprise iLembe has established a number of community based projects which will ultimately be handed over to the community in the form of a cooperative or a trust. The ownership model aimed to provide a number of tailor fitted options for the ownership structure of each project. Each scenario includes options of shareholding for the community, cooperative and a technical private partner.

### Renewable Energy: Biomass Feasibility study and Business Plan

With iLembe District being classified as an renewable Energy Hub there has been a interest amongst the private sector for the establishment of green projects within the District in particular Mandeni (Isithebe). As such, Enterprise iLembe has concluded a feasibility study and business plan around the establishment of a biomass processing facility within Mandeni.

### iLembe Tourism Strategy and Implementation Plan

The finalization of the tourism strategy will see the fast tracking of the establishment of Community Tourism Organizations as well as the implementation of tourism projects within the District municipality. Some of the identified tourism and business-tourism projects include;

- ▶ The Establishment of the Ballito Exhibition and Conference Centre (KwaDukuza)
- ▶ The Establishment of the Mass Beach Tourism Development in Nonoti ( KwaDukuza)
- ▶ The Development of the Sibudu Caves (Ndwedwe)
- ▶ The KwaShushu Hotsprings ( Maphumulo)

### AgriPark Concept

The development of an AgriPark is a programme that is being facilitated through the Department of Rural Development and Land Reform, Enterprise iLembe is the appointed secretariat for the District Task Team. This concept will see the development of a R40m agricultural hub within a location in KwaDukuza with decentralized farmer support units across the local municipalities feeding into the hub.



## 2.3 CAPITAL USED

Below is a summary of the operating income and expenditure compared with budget for the 2015/2016 financial year:

REVENUE	ACTUAL 2016 R	BUDGET 2016 R	VARIANCE %
Opening Accumulated Surplus	22 960 467	29 809 378	(23%)
Operating income for the year	44 034 977	49 098 959	(10%)
<b>Total</b>	<b>66 995 444</b>	<b>78 908 337</b>	
<b>EXPENDITURE</b>			
Operating expenditure for the year	45 004 602	48 613 907	(7%)
Closing accumulated surplus	19 552 592	30 294 430	(19%)
<b>Total</b>	<b>64 557 194</b>	<b>78 908 337</b>	

The negative variance on revenue is due to amounts that were expected to be received during the year and were not. This in particular relates to outstanding invoices from the Department of Education (DOE), as well as amounts deducted by iLembe District Municipality (IDM) for amounts owed to them as at the end of the financial year

In the 2015/2016 financial year R6.8 million was spent on projects. Details set out below:

CAPITAL PROJECTS	2015/16				
	BUDGET	ADJUSTMENT BUDGET	ACTUAL EXPENDITURE	VARIANCE	TOTAL PROJECT VALUE
Open Fields	2 100 000	2 367 000	2 343 702	(1%)	2 367 000
Broadband Project	0	3 115 835	3 100 000	(0.5%)	4 600 000
Tourism	1 200 000	1 644 426	1 330 645	(19%)	1 644 426
<b>TOTAL</b>	<b>3 300 000</b>	<b>7 127 261</b>	<b>6 774 347</b>		<b>8 611 426</b>

## 2.4 JOB CREATION & SKILLS DEVELOPMENT

### 2.4.1 Unemployment Rate

Despite its strategic location, iLembe faces numerous economic challenges such as the high levels of poverty in the rural inland areas, which contrasts with rapid development along its coastal regions. The District has been proactive in developing broad based interventions to facilitate local economic development in response to its challenges of high rates of unemployment and correspondingly high levels of poverty.

The district's unemployment rate is 31% in general and 37% amongst the youth (15-35). While unemployment is above the national average, it is below average for KZN. Youth unemployment is substantially lower than both the national and KZN average (with the exception of Maphumulo and Ndwedwe). The majority of employment in iLembe is in the wholesale, retail and trade industry (21%), community services (17%) and manufacturing industry (17%). The majority of employment in Ndwedwe is in agriculture, the majority of employment in Mandeni is in manufacturing while employment in Maphumulo is being sustained by government employment, and employment in KwaDukuza is the most diversified across all sectors.

UNEMPLOYMENT RATE (%)			YOUTH (15-34) UNEMPLOYMENT RATE (%)	
	2001	2011	2001	2011
iLembe	48.0	30.6	55.8	37.2
Maphumulo	75.9	49.0	83.3	58.4
Mandeni	45.1	28.6	51.5	34.6
KwaDukuza	34.3	25.0	42.6	30.8
Ndwedwe	67.8	48.7	76.4	58.3
KEY INDICATOR			ILEMBE	KWAZULU-NATAL
			2011	2011
Unemployment	Unemployment Rate		30.60%	33.00%
	Youth Unemployment Rate		37.20%	42.10%
Type of Employment %	Formal		76.81%	76.98%
	Informal		23.19%	23.02%

*Source StatsSA Census, 2011 (2012)*

### Number of Formally Employed People in iLembe

NUMBER OF FORMALLY EMPLOYED PEOPLE IN ILEMBE			
SECTOR	YEAR		
	1996	2013	%INCREASE/-DECREASE
Agriculture	13246	3471	-74
Mining	205	489	139
Manufacturing	13173	18877	43
Construction	3653	7092	94
Electricity	267	352	32
Trade	6032	15283	153
Transport	1698	4477	164
Finance	4879	11916	144
Community Services	7442	18902	154

### Employment in iLembe by type & skills

*Employment by Type and Skills Level: Source KZN Treasury*

NUMBER	ILEMBE	MANDENI	KWADUKUZA	NDWEDWE	MAPHUMULO
Employed - Formal & Informal	100455	27886	47821	17001	7747
Employed - Formal	77158	21189	36276	13181	6512
Employed - Formal - Highly skilled	11834	3248	4966	2051	1569
Employed - Formal - Skilled	30088	9481	13538	4500	2569
Employed - Formal - Semi & Unskilled	35236	8460	17772	6630	2374
Employed Formal	23297	6697	11545	3820	1235

#### 2.4.2 Enterprise iLembe Projects - Jobs Created/Retained

PROJECT NAME	2015/2016
iLembe Agri-Hubs	53
iLembe Vineyards	49
iLembe Open Fields	438
Processing Facility	12
<b>TOTAL</b>	<b>552</b>

**2.4.3 Number of new co-operatives registered by Enterprise iLembe**

NO	CO-OP NAME	DATE REG.	LOCAL MUNICIPALITY	NO. OF MEMBERS
1	Ngubeni Radics	28/7/2016	Maphumulo	9
2	Maphumulo Radics	26/7/2016	Maphumulo	6
3	Abasha	26/07/2016	Maphumulo	5
4	Vukukhanye	22/07/2016	Maphumulo	11
5	Ubuhle Buyeza	10/06/2016	Mandeni	7
6	Ziyenzeka Izinto	26/05/2016	Maphumulo	9
7	Inkobongo	15/04/2016	KwaDukuza	6
8	Zenzele Thembeni	11/04/2016	KwaDukuza	5
9	Zibambeke	10/04/2016	Maphumulo	12
10	Ensimini	07/03/2016	Ndwedwe	7
11	Nokhusa	19/02/2016	Maphumulo	7
12	Siyazama	08/02/2016	KwaDukuza	10
13	Mtsamayi	14/02/2015	Maphumulo	6
14	Yelulisandla	25/11/2015	Ndwedwe	7
15	ILima	12/01/2015	KwaDukuza	6
16	Emandleni	28/11/2015	Ndwedwe	9
17	Myeza	18/11/2015	Ndwedwe	9
18	Zisize	17/09/2015	Maphumulo	7
19	Zamokuhle	16/09/2015	Ndwedwe	12
20	Senzakahle	16/09/2015	Ndwedwe	5
21	Yakha	16/09/2015	Ndwedwe	8
22	Unyakanonyaka	03/09/2015	Ndwedwe	6
23	Intathakusa	03/09/2015	Ndwedwe	5
24	Mvakela	03/09/2015	Maphumulo	5
25	Jusamonki	03/09/2015	KwaDukuza	5
26	Cele	05/08/2015	Ndwedwe	5
27	Nodumehlezi	06/08/2015	KwaDukuza	14
28	Zijabulise	26/08/2015	Maphumulo	5
29	Mbelebele	06/08/2015	KwaDukuza	5
30	Nzangamandla	03/08/2015	Maphumulo	8
31	Senzokuhle	03/08/2015	Ndwedwe	6
32	Sinamuva	03/08/2015	Ndwedwe	7
	<b>TOTAL</b>			<b>234</b>

## 2.5 PERFORMANCE MANAGEMENT

The Entity utilises the Service Delivery Budget Implementation Plan (SDBIP) as a performance management tool for the entity as an organisation. Reporting using this performance plan is conducted on a monthly and quarterly basis to the shareholder; iLembe District Municipality and includes a portfolio of evidence. The performance management unit of iLembe District Municipality and the internal auditors (appointed by Enterprise iLembe) conduct a review and audit of the reports; this is then followed with coaching sessions held with the Chief Executive Officer of the Entity and the Municipal Manager of the District.

In respect of individual staff members, the Job Descriptions of employees have been reviewed to be in line with the actual tasks and duties being performed by each person. Review sessions are held with each staff member with the respective manager and signed off by the Chief Executive Officer on a quarterly basis. Individual performance plans are aligned to the Entity's SDBIP

### BUDGET PERFORMANCE

Enterprise iLembe was allocated a budget of R49 millions of which R35.1 million was for operational costs and R13.7 million was for projects. Of the total budget allocation, a total of R48.6 million was spent of which R33.4 million was spent on operational costs and R15.1 million on projects.

The majority of the grant funding allocated to Enterprise iLembe was spent and R5.9 million remained unspent as at 30 June 2016



# CHAPTER

HUMAN RESOURCES  
& ORGANISATIONAL  
MANAGEMENT

# 03

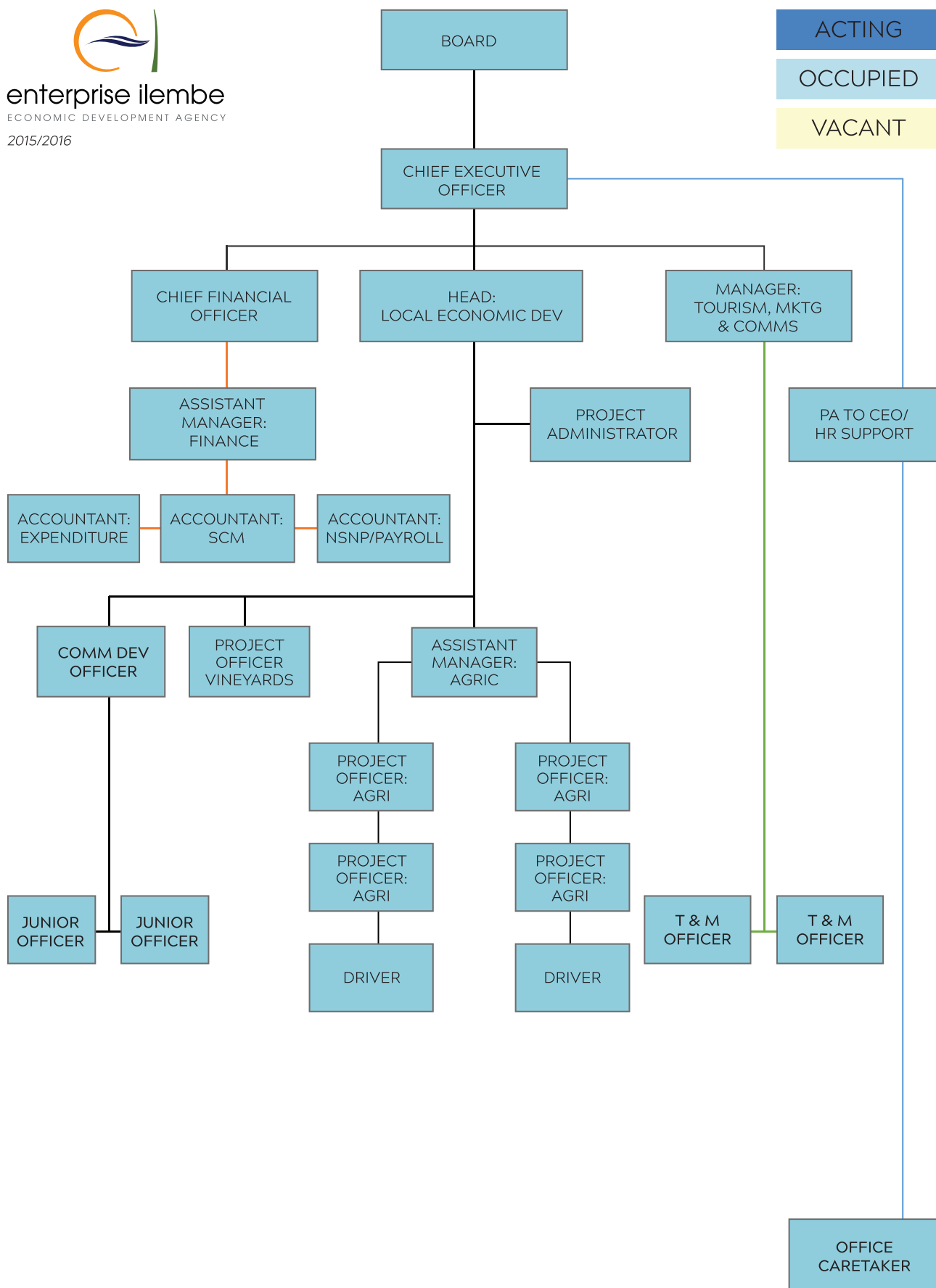




enterprise ilembe

ECONOMIC DEVELOPMENT AGENCY

2015/2016



**NEW APPOINTMENTS IN THE 2015/2016 FINANCIAL YEAR:****Ms. Snegugu Mthembu** - Chief Financial Officer**Mr. Lucky Nxumalo** - Assistant Manager: Agriculture**Ms. Nonkululeko Ngcobo** - Financial Accountant**Ms. Nonhlanhla Mbuyazi** - Agriculture Officer**Mr. Sifiso Mdletshe** - Agriculture Officer**RESIGNATIONS IN THE 2015/2016 FINANCIAL YEAR:****Michael Mkhwanazi** - NSNP Programme Administrator**Ms. Lindiwe Ndlovu** - Financial Accountant**Ms. Thamsanqa J Bacela** - Agriculture Officer**3.2 INSTITUTIONAL TRANSFORMATION & EMPLOYMENT EQUITY**

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

Affirmative Action has been defined as the tool to implement immediate positive remedial action. Programs and procedures to address both historic and existing inequalities and imbalances of the past are being implemented.

The Entity acknowledges the value of retaining staff especially employees with scarce skills and those who possess experience that is required for the Entity to fulfill its objectives. The Entity recognises that in order for it to be able to retain staff, it is very important to create an environment that encourages staff not only to succeed in their jobs but also to grow and achieve their personal development goals and aspirations

DESIGNATION	NUMBER	MALE	FEMALE	BLACK	WHITE	INDIAN
Board	7	4	3	5	2	-
CEO	1	1	-	1	-	-
CFO	1	-	1	1	-	-
Managers	3	-	3	2	-	1
Total Staff	24	10	14	20	2	2







# CHAPTER

AUDITED STATEMENTS  
& RELATED INFORMATION

# 04



# CONTENTS

General Information	35
Accounting Officer's Responsibility and Approval	36
Director's Report	37
Statement of Financial Position	40
Statement of Financial Performance	41
Statement of Changes in Net Assets	42
Cash Flow Statement	43
Statement of Comparison of Budget and Actual Amounts	44
Accounting Policies	46
Notes to the Annual Financial Statements	59
Unaudited Supplementary Appendix A: Segmental Analysis of Property, Plant and Equipment	80
Unaudited Supplementary Appendix B: Segmental Statement of Financial Performance	80
Unaudited Supplementary Appendix C(1): Actual versus Budget by Vote (Revenue and Expenditure)	81
Unaudited Supplementary Appendix C(2): Actual versus Budget by Department (Revenue and Expenditure)	83
Unaudited Supplementary Appendix C(3): Actual versus Budget (Acquisition of Property, Plant and Equipment)	84
Unaudited Supplementary Appendix D: Disclosure of Grants and Subsidies in terms of Section of the Municipal Finance Management Act, 56 of 2003	85

## GENERAL INFORMATION

### COUNTRY OF INCORPORATION

South Africa

### LEGAL FORM OF ENTITY

(Pty) Ltd

### NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES

Local Economic Development

### CHIEF EXECUTIVE OFFICER (CEO)

Ms Cheryl Peters (Acting)

### CHIEF FINANCIAL OFFICER

Ms Sinegugu Mthembu

### CONTROLLING ENTITY

iLembe District Municipality

### AUDITORS

Auditor General

### 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

### FAX NO.

032-9463515

### WEB ADDRESS

[www.enterpriseilembe.co.za](http://www.enterpriseilembe.co.za)





**ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD**  
**REGISTRATION NUMBER: 2006/032665/07**

UNAUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

## ACCOUNTING OFFICER'S RESPONSIBILITY & APPROVAL

The unaudited 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 these unaudited annual financial statements, set out on pages 2 to 34, in terms of the Company's Act of 2008 as amended and section 126 (1) of the Municipal Finance Management Act of 2003, which I have signed on behalf of iLembe Management Development Enterprise (Pty) Ltd.



---

**Cheryl Peters**  
**Acting Chief Executive Officer**

31 / 08 / 2016

---

**Date**

**ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD**  
**RREGISTRATION NUMBER: 2006/032665/07**

UNAUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

## **DIRECTORS' REPORT**

The following report is submitted in terms of section 30(3) of the Companies Act, 2008, for the year ended 30 June 2016.

### **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 year 30 June 2016.

### **1. STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for the maintenance of adequate accounting records and the preparation 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) 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 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 define 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.

## 2. 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 and Municipal Finance Management Act.

## 3. MATERIAL AGREEMENT

The entity currently has an agreement with the Department of Education (DOE), whereby the entity runs the National Schools Nutrition Program (NSNP) and DOE provides funding for this programme. There is a Service Level Agreement in this regard.

## 4. FINANCIAL RESULTS OF THE COMPANY

The annual financial statements on pages 2-34 set out fully the financial position and results of operations and cash flows of the entity for the financial year ended 30 June 2016.

## 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
B N Linda - Chairperson	Re - Appointed November 2014
I Deetlefs	Re - Appointed November 2014
DN Nene	Appointed October 2015
KS Shandu	Appointed October 2015
ZP Zeka	Appointed November 2014
AT Nzama	Appointed November 2014
JJC Oelefse	Appointed November 2014

Fees for a retainer and attendance at meetings totalling R555 156 (R478 957 in June 2015) were paid during the period under review. See Note 15 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 - Ms Gamede
- ▶ The Chair of the Economic Development Portfolio Committee - His Worship, the Mayor of iLembe, Cllr SW Mdabe

## 10. DIRECTORS' INTEREST IN CONTRACTS

The directors sign a declaration of interest every financial year and this has been done for the year under review as well. Where applicable, the directors have declared interest in companies they are part of, but none that are linked to this entity.

## 11. CORPORATE GOVERNANCE

The board has 3 sub committees outside of the board committee. As a board, they are required to meet at least 4 times annually. The schedule below indicates the meetings held and the attendance thereof:

Name	"Board Committee"	"Investment Committee"	"HR Committee"	"Tourism Committee"
Number of meetings	4	2	2	2
Bongani Linda	3	n/a	1	n/a
Ian Deetlefs	4	2	n/a	n/a
Cobus Oelose	4	2	2	2
Thandi Nzama	4	n/a	n/a	2
Zanele Zeka	2	n/a	n/a	n/a
Khanyisani Shandu	2	n/a	n/a	1
Dumisile Nene	3	n/a	2	n/a

**NB: N/A indicates that attendance is not applicable as the director is not a member of the committee.**

## 12. DIRECTORS' APPROVAL

The annual financial statements were submitted to the Auditor General for auditing on 31 August 2016.



Mr. B N Linda - Chairperson

31 / 08 / 2016

Date

**ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD**  
**STATEMENT OF FINANCIAL POSITION**

FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 R	2015 R
<b>ASSETS</b>			
<b>Current assets</b>		<b>7 012 401</b>	<b>24 001 305</b>
Receivables from Exchange Transactions	8	6 785 771	19 146 387
Bank Balances and Cash	9	226 630	4 854 918
<b>Non-current assets</b>		<b>23 632 378</b>	<b>29 118 865</b>
Property, Plant and Equipment	4	22 453 860	26 335 705
Biological Assets	5	1 174 400	2 774 800
Intangible Assets	6	4 118	8 360
<b>Total Assets</b>		<b>30 644 779</b>	<b>53 120 170</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>		<b>11 092 187</b>	<b>30 159 603</b>
Payables from Exchange Transactions	1	4 808 430	3 036 720
Unspent Conditional Grants and Receipts	2	5 995 058	12 285 380
Value Added Taxation	3	288 699	14 837 503
<b>Total Liabilities</b>		<b>11 092 187</b>	<b>30 159 603</b>
<b>Net Assets</b>		<b>19 552 592</b>	<b>22 960 567</b>
<b>NET ASSETS</b>			
Accumulated Surplus		19 552 492	22 960 467
Share Capital held by Municipality	7	100	100
<b>Total Net Assets</b>		<b>19 552 592</b>	<b>22 960 567</b>

**ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
 FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 R	2015 R
<b>REVENUE</b>			
<b>Revenue from exchange transactions</b>			
Rental Income	10	-	197 654
Interest on investment	11	168 143	62 549
Other income	13	18 354 293	13 763 167
<b>Revenue from non-exchange transactions</b>			
Government grants and subsidies	12	25 512 541	15 489 304
Total Revenue		<b>44 034 977</b>	<b>29 512 674</b>
<b>EXPENDITURE</b>			
Employee Related Costs	14	9 389 382	8 489 940
Directors Fees	15	555 156	478 957
Depreciation , Amortisation and Impairment	4,5,6	3 813 517	1 385 518
Repairs and Maintenance	16	144 700	113 167
Contracted Services	17	960 216	489 035
General Expenses	18	22 762 611	16 204 457
Grant Expenses	19	7 379 020	3 761 583
Total Expenditure		<b>45 004 602</b>	<b>30 922 657</b>
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>( 969 625)</b>	<b>( 1 409 982)</b>

**ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD**  
**STATEMENT OF CHANGES IN NET ASSETS**  
 FOR THE YEAR ENDED 30 JUNE 2016

	<b>Shares</b>	<b><u>Accumulated Surplus/ (Deficit)</u></b>	<b><u>Total Net As- sets</u></b>
	<b>R</b>	<b>R</b>	<b>R</b>
<b>Opening Balance 1 July 2014</b>	<b>100</b>	<b>23 607 078</b>	<b>23 607 178</b>
Deficit for the year	-	( 1 409 982)	( 1 409 982)
Adjustments - Note 26	-	6 890	6 890
Gain fair value of biological assets	-	756 480	756 480
<b>Balance at 30 June 2015</b>	<b>100</b>	<b>22 960 467</b>	<b>22 960 567</b>
<b>Opening Balance 1 July 2015</b>	<b>100</b>	<b>22 960 467</b>	<b>22 960 567</b>
Deficit for the year	-	(969 625)	( 969 625)
Adjustments - Note 26	-	(837 948)	( 837 948)
Loss fair value of biological assets	-	( 1 600 400)	( 1 600 400)
<b>Balance at 30 June 2016</b>	<b>100</b>	<b>19 552 492</b>	<b>19 552 592</b>



**ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD****CASH FLOW STATEMENT**

FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 R	2015 R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts government and other		47 491 660	31 408 212
		( 51 952	( 28 645
Cash paid to suppliers and employees		151)	628)
Cash generated/(utilised) from operations	21	( 4 460 491)	2 762 584
Interest received		168 143	62 549
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>( 4 292 348)</b>	<b>2 825 133</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	4,5,6	( 335 940)	( 188 654)
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>( 335 940)</b>	<b>( 188 654)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
		-	-
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>-</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
		-	-
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>( 4 628 288)</b>	<b>2 636 479</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		<b>4 854 918</b>	<b>2 218 439</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	22	<b>226 630</b>	<b>4 854 918</b>

**ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD**  
**STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS**  
 FOR THE YEAR ENDED 30 JUNE 2016

Description	2015/16				
	Original Budget R	Adjusted Budget R	Actual outcome R	% Variance	Variance
<b>Financial Position</b>					
<b>Current assets:</b>					
Receivables from exchange transactions	1 277 231	3 430 230	6 785 771	117%	3 355 541
Value Added Tax	-	-	-		
Current Investments	-	3 000 000	-	-120%	(3 000 000)
Bank balance and cash	1 500 000	900 000	226 630	-90%	(673 370)
Inventory	-	-	-		
<b>Non-current assets</b>					
Property, plant and equipment	26 335 705	25 331 665	22 453 860	-14%	(2 877 805)
Biological assets	2 774 800	2 774 800	1 174 400	-69%	(1 600 400)
Intangible assets	8 360	7 647	4 118	-55%	(3 529)
<b>Total Assets</b>	<b>31 896 096</b>	<b>35 444 342</b>	<b>30 644 779</b>		<b>(4 799 563)</b>
<b>Current liabilities:</b>					
Payables from exchange transactions	224 449	2 749 911	4 808 430	90%	2 058 519
Unspent conditional grants and receipts	8 064 469	2 400 001	5 995 058	180%	3 595 057
Value Added Taxation	-	-	288 699	100%	288 699
<b>Total Liabilities</b>	<b>8 288 918</b>	<b>5 149 912</b>	<b>11 092 187</b>		<b>5 942 275</b>
<b>Net Assets</b>	<b>23 607 178</b>	<b>30 294 430</b>	<b>19 552 592</b>		<b>(10 741 838)</b>
Accumulated surplus	23 607 078	30 294 330	19 552 492	-43%	(10 741 838)
Share capital held by Municipality	100	100	100	0%	-
<b>Total Net Assets</b>	<b>23 607 178</b>	<b>30 294 430</b>	<b>19 552 592</b>		<b>(10 741 838)</b>
<b>Financial Performance</b>					
Interest on investments	70 000	194 436	168 143	-16%	(26 293)
Government grants and subsidies	19 573 096	31 858 476	25 512 541	-24%	(6 345 935)
Other income	12 153 000	17 046 048	18 354 293	9%	1 308 246
<b>Total Revenue</b>	<b>31 796 096</b>	<b>49 098 959</b>	<b>44 034 977</b>		<b>(5 063 982)</b>
Employee Related Costs	9 374 696	9 374 696	9 389 382	0%	14 686

**ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD**  
**STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS**

FOR THE YEAR ENDED 30 JUNE 2016

Directors' fees	700 000	600 000	555 156	-9%	(44 844)
Depreciation	1 300 000	1 425 253	3 813 517	201%	2 388 264
Repairs and maintenance	300 000	97 200	144 700	59%	47 500
General expenses	16 591 400	22 000 048	23 722 827	9%	1 722 779
Grant expenses	4 500 000	15 116 710	7 379 020	-61%	(7 737 690)
<b>Total Expenditure</b>	<b>32 766 096</b>	<b>48 613 907</b>	<b>45 004 602</b>		<b>(3 609 305)</b>
<b>Surplus/(Deficit)</b>	<b>-970 000</b>	<b>485 052</b>	<b>(969 625)</b>		<b>(1 454 677)</b>
<b><u>Statement of changes in net assets</u></b>					
Balance as at 30 June 2015	23 607 178	29 809 378	22 960 565	-28%	(6 848 813)
					-
Correction Prior Year Period	-	-	(837 948)	100%	(837 948)
					-
Surplus/(Deficit) for the year	(970 000)	485 052	(969 625)	-360%	-1 454 677
Gain fair value of biological assets	-	-	-		
<b>Balance as at 30 June 2016</b>	<b>22 637 178</b>	<b>30 294 430</b>	<b>21 152 992</b>		<b>(9 141 438)</b>
<b><u>Cash Flows</u></b>					
Receipts	31 796 096	38 174 046	47 659 803	30%	9 485 757
Payments	34 646 566	38 708 464	51 952 151	41%	13 243 687
Net cash flows from operating activities	(2 850 470)	(534 418)	(4 292 348)	844%	(3 757 930)
Purchase of property, plant and equipment	(330 000)	(420 500)	(335 940)	-24%	84 560
Cash/cash equivalents at the beginning of the year	4 854 918	4 854 918	4 854 918	0%	-
<b>Cash/cash equivalents as at 30 June 2016</b>	<b>1 674 448</b>	<b>3 900 000</b>	<b>226 630</b>		<b>(3 673 370)</b>

The budget is approved on an accrual basis by nature classification. The approved budgets cover the period 1 July 2015 to 30 June 2016.

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.

All unfavourable variances under/above 10% are explained in the supplementary Appendix C1.

**ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
FOR THE YEAR ENDED 30 JUNE 2016

## **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 the historical cost basis.

### **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.

### **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. The municipal entity shall present a comparison of budget and actual amounts as additional budget columns in the primary financial statements only where the financial statements and the budget are prepared on a comparable basis. All comparisons of budget and actual amounts shall be presented on a comparable basis to the budget. The municipality shall explain in notes to the financial statements the budgetary basis and classification basis adopted in the approved budget.

## 1.8 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

**The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipal entity.**

GRAP 20 Related Party Disclosures - issued June 2011

GRAP 32 Service Concession Arrangements: Grantor - issued August 2013

GRAP 108 Statutory Receivables - issued September 2013

GRAP 109 Accounting by Principals and Agents

IGRAP 17 Service Concession Arrangements where a Grantor Controls a significant residual interest in an asset Management have considered all of the above mentioned GRAP standards approved or issued but not yet effective and anticipates that the adoption of these standards will not have a significant on the financial position, financial performance or cashflows of the entity.

## 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. been applied

### 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. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

Depreciation commences when an asset is available for use and ceases at the earlier of the date that the asset is derecognised or classified as held for sale in accordance with GRAP 100. Non-current assets held for sale and discontinued operations. A non-current asset or disposal group is not depreciated while it is classified as held for sale.

Heritage assets and land are not depreciated.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the municipal entity will obtain ownership by the end of the lease term.

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

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

Furniture and equipment	7 years
Machinery and equipment	7 years
Computer equipment	5 years
Agriculture PPE	15 years
Buildings	30 years

Projects Under Construction are not depreciated due to the intention to transfer the assets to Special Purpose Vehicles in the near future.

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**

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.

#### **3.2 SUBSEQUENT MEASUREMENT**

Subsequent to initial recognition, biological assets are measured at fair value less estimated cost to sell.

#### **3.3 DERECOGNITION**

Biological assets are derecognized when they are impaired. 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. INTANGIBLE ASSETS**

#### **4.1 INITIAL RECOGNITION**

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipal entity recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipal entity and the cost or fair value of the asset can be measured reliably.



“Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- ▶ the municipal entity intends to complete the intangible asset for use or sale;
- ▶ it is technically feasible to complete the intangible asset;
- ▶ the municipal entity has the resources to complete the project; and
- ▶ it is probable that the municipal entity will receive future economic benefits or service potential.”

Intangible assets are initially recognised at cost.

Where an intangible 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 intangible asset 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.

#### 4.2 SUBSEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

#### 4.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software and websites      5 years

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipal entity tests intangible assets with finite useful lives 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 an intangible asset 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.

#### 4.4 DERECOGNITION

Intangible assets 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 intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

## 5. INVESTMENT PROPERTY

### 5.1 INITIAL RECOGNITION

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipal entity measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

### 5.2 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

## 6. INVENTORIES

### 6.1 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, plus taxes, transport costs and any other costs in bringing the 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.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

### 6.2 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 weighted average method.

## 7. FINANCIAL INSTRUMENTS

### 7.1 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.

### 7.2 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.

#### 7.2.1 INVESTMENTS

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

#### 7.2.2 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.

#### 7.2.3 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.

#### 7.2.4 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.

## 8. FOREIGN CURRENCY TRANSACTION

“Transactions in foreign currencies are translated to the functional currency of the municipal entity at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in surplus or deficit, except for differences arising on the retranslation of available-for-sale financial instruments, which are recognised in net assets.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.”

## 9. 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.

## 10. 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.

## 11. 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.

## 12. PROVISIONS

Provisions are recognised when the municipal entity has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipal entity does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. "A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

**(a) The municipal entity has a detailed formal plan for the restructuring identifying at least:**

- ▶ the business or part of a business concerned;
- ▶ the principal locations affected;
- ▶ the location, function, and approximate number of employees who will be compensated for terminating their services;
- ▶ the expenditures that will be undertaken;
- ▶ when the plan will be implemented; and

(b) The municipal entity has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

## 13. LEASES

### 13.1 MUNICIPAL ENTITY AS LESSEE

“Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipal entity.

#### Initial Recognition

Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments.

#### Measurement

The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipal entity uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. “

#### Subsequent Recognition

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

### 13.2 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.

### 14.1. 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.

### 14.2. 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.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

### 14.3. GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

## 15. VALUE ADDED TAX (VAT)

The municipal entity accounts for VAT on the cash basis. The municipal entity is liable to account VAT at the standard rate (14%) 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.



## 16. INCOME TAX

As a registered company the municipal entity is registered for income tax. However the entity applied for a tax exemption and it was granted.

## 17. 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.

## 18. 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.

## 19. CAPITAL COMMITMENTS

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 are not recognised in the statement of financial position as a liability but are included in the disclosure notes of the annual financial statements.

## 20. IMPAIRMENT OF ASSETS

### 20.1 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.

### 20.2. 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.

### 20.3. 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.

**ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD****NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2016

**1. PAYABLES FROM EXCHANGE TRANSACTIONS**

	2016 R	2015 R
Payables from exchange transaction	3 207 166	166 307
Accruals Lease Expenses	-	4 514
Staff leave ( Provision)	554 077	413 348
Other creditors	1 047 187	2 452 551
<b>Total Creditors</b>	<b>4 808 430</b>	<b>3 036 720</b>

**2. UNSPENT CONDITIONAL GRANTS AND RECEIPTS**

Disaster Management	-	55 317
Amacambini Dev Project Ex DCGTA	757 666	757 666
Integrated Craft Hub	-	3 115
Siza Water Concession	-	243 322
Maphumulo Small Town Rehabilitation	85 965	85 965
Nonoti Beach Resort Business Plan	-	49 123
Moringa Tree Plantation	2 400 001	2 400 001
Tourism King Shaka Root	57 000	30 114
Fresh Produce Market	278 049	278 049
IDC Projects Grant	15 835	3 115 835
Agri Processing Grant	1 679 958	2 210 158
Tourism Grant	286 896	444 426
LED Grant	24 177	267 879
Admin Grant IDM	-	1 860 425
LED Strategy	335 182	335 182
Growth Summit	74 330	148 804
<b>Total Conditional Grants and Receipts</b>	<b>5 995 058</b>	<b>12 285 380</b>

**3. VALUE ADDED TAXATION****3.1 VAT Payables**

	<b>288 699</b>	<b>14 837 503</b>
--	----------------	-------------------

The movement on the VAT balance includes an amount of R14,205,250 which was the VAT charged to IDM for grants and the balance relates to vat control.

VAT is payable to SARS bi monthly.

## 4. PROPERTY, PLANT &amp; EQUIPMENT

## Reconciliation of Carrying Value

## Carrying Values at 1 July 2015

Cost  
Accumulated depreciation

Acquisitions

## Write Offs at Book Value

Cost  
Accumulated Depreciaion

Depreciation

Impairment Loss

## Carrying Values at 30 June 2016

Cost  
Accumulated depreciation

## Reconciliation of Carrying Value

## Carrying Values at 1 July 2014

Cost  
Accumulated depreciation

Acquisitions

## Write Offs at Book Value

Cost  
Accumulated Depreciaion

Depreciation

## Carrying Values at 30 June 2015

Cost  
Accumulated depreciation

Improvements R	PPE Agriculture	Lease Improvements	Projects under construction R	Furniture and Equipment R	Computer Equipment R	Total R
<b>52 177</b>	<b>13 527 563</b>	<b>17 500</b>	<b>12 385 721</b>	<b>221 556</b>	<b>131 188</b>	<b>26 335 705</b>
60 556 (8 379)	18 323 845 (4 796 282)	30 000 (12 500)	12 385 721 -	471 512 (249 956)	278 946 (147 758)	31 550 580 (5 214 875)
64 961	9 800	-	-	123 785	137 394	335 940
-	<b>380 750</b>	-	-	<b>27 761</b>	-	<b>408 511</b>
-	1 022 280 (641 530)	-	-	67 877 (40 116)	-	1 090 157 (681 646)
(2 629)	(1 232 205) (2 450 016)	(15 000)	-	(55 843)	(53 582)	(1 359 259) (2 450 016)
<b>114 510</b>	<b>9 474 392</b>	<b>2 500</b>	<b>12 385 721</b>	<b>261 737</b>	<b>215 000</b>	<b>22 453 860</b>
125 517 (11 008)	17 311 365 (7 836 973)	30 000 (27 500)	12 385 721 -	527 420 (265 683)	416 340 (201 340)	30 796 363 (8 342 504)
Improvements R	PPE Agriculture	Lease improvements	Projects under construction R	Furniture and Equipment R	Computer Equipment R	Total R
<b>54 196</b>	<b>14 777 003</b>	-	<b>12 385 721</b>	<b>377 873</b>	<b>63 831</b>	<b>27 658 624</b>
60 556 (6 360)	18 351 551 (3 574 548)	-	12 385 721 -	647 296 (269 423)	191 853 (128 022)	31 636 977 (3 978 353)
-	-	30 000	-	44 197	114 457	188 654
-	<b>13 523</b>	-	-	<b>130 495</b>	<b>1 724</b>	<b>145 743</b>
-	27 706 (14 183)	-	-	286 623 (156 128)	27 364 (25 640)	341 694 (195 951)
(2 019)	(1 235 917)	(12 500)	-	(83 763)	(45 376)	(1 379 575)
<b>52 177</b>	<b>13 527 563</b>	<b>17 500</b>	<b>12 385 721</b>	<b>221 556</b>	<b>131 188</b>	<b>26 335 705</b>
60 556 (8 379)	18 323 845 (4 796 282)	30 000 (12 500)	12 385 721 -	471 512 (249 956)	278 946 (147 758)	31 550 580 (5 214 875)

## 5. BIOLOGICAL ASSETS

### Reconciliation of Carrying Value

	Moringa Plantation R	Vineyards R	Total R
<b>Carrying Values at 1 July 2015</b>	1 064 800	1 710 000	2 774 800
Cost	1 064 800	1 710 000	2 774 800
Accumulated depreciation	-	-	-
Acquisitions	-	-	-
Loss on Fair value	(1 064 800)	(535 600)	(1 600 400)
<b>Carrying Values at 30 June 2016</b>	-	1 174 400	1 174 400
Cost	-	1 174 400	1 174 400
Accumulated depreciation	-	-	-

### Reconciliation of Carrying Value

	Moringa Plantation R	Vineyards R	Total R
<b>Carrying Values at 1 July 2014</b>	368 320	1 650 000	2 018 320
Cost	368 320	1 650 000	2 018 320
Accumulated depreciation	-	-	-
Acquisitions	-	-	-
Gain on Fair value	696 480	60 000	756 480
<b>Carrying Values at 30 June 2015</b>	1 064 800	1 710 000	2 774 800
Cost	1 064 800	1 710 000	2 774 800
Accumulated depreciation	-	-	-

## 6. INTANGIBLE ASSETS

### Reconciliation of Carrying Value

#### Carrying Values at 1 July 2015

Cost

Accumulated depreciation

Acquisitions

Amortisation

#### Carrying Values at 30 June 2016

Cost

Accumulated depreciation

### Reconciliation of Carrying Value

#### Carrying Values at 1 July 2014

Cost

Accumulated depreciation

Acquisitions

#### Write Offs at Book Value

Cost

Accumulated Depreciation

Depreciation

#### Carrying Values at 30 June 2015

Cost

Accumulated depreciation

Software R	Total R
<b>8 360</b>	<b>8 360</b>
28 816	28 816
(20 456)	(20 456)
-	-
(4 242)	(4 242)
-	-
<b>4 118</b>	<b>4 118</b>
28 816	28 816
(24 698)	(24 698)
<b>Software R</b>	<b>Total R</b>
<b>15 119</b>	<b>15 119</b>
35 014	35 014
(19 895)	(19 895)
-	-
817	817
6 198	6 198
(5 381)	(5 381)
(5 943)	(5 943)
-	-
<b>8 360</b>	<b>8 360</b>
28 816	28 816
(20 456)	(20 456)

**7. ISSUED SHARE CAPITAL****Name of company**

Ilembe District Municipality

Carrying amount

100

100

% Holding

100%

100%

Ordinary Shares: 100 @ R1 each

**8. RECEIVABLES FROM EXCHANGE TRANSACTIONS****Other debtors**

Ilembe District Municipality - Vat and other

1 058 797

14 114 087

Conrite Walls

-

54 960

S Koyi

10 228

-

Zunco Foods

-

52 200

Deposits: Coastal Farmers

20 000

20 000

Eskom

6 350

6 350

Warne House

12 920

12 920

1 108 294

14 260 517

Provincial Department of Education

5 677 477

4 885 870

Total Receivables from exchange transactions

**6 785 771****19 146 387****9. BANK BALANCES AND CASH****ACCOUNT DESCRIPTION****Rocabex - Trust Bank Account***First National Bank Account - Kloof Branch**Account Number 62347813471: Current Account*

Cash book balance at the beginning of the year

205 998

206 730

Cash book balance at the end of the year

**205 219****205 998**

Bank statement balance at the beginning of the year

205 998

206 730

Bank statement balance at the end of the year

**205 219****205 998****First National Bank Account - Stanger Branch***First National Bank Account -**Account Number 62347809272: Current Account*

Cash book balance at the beginning of the year

2 011 709

2 011 709

Cash book balance at the end of the year

**20 187****4 648 920**

	2016 R	2015 R
Bank statement balance at the beginning of the year	2 011 707	2 011 707
Bank statement balance at the end of the year	<b>20 187</b>	<b>4 648 920</b>
Petty cash and cash on hand	<b>1 225</b>	-
<b>TOTAL BANK BALANCES AND CASH:</b>		
Cash book balance at the end of the year	225 405	4 854 918
Bank statement balance at the end of the year	225 405	4 854 918
Petty cash and cash on hand	1 225	-
	<b>226 630</b>	<b>4 854 918</b>
<b>10. RENTAL INCOME OF FACILITIES</b>		
Rental of Buildings	-	197 654
Total Rental Income	-	<b>197 654</b>

The entity was the lessor of an office property. The lease was negotiated for a term of five years. Description of property Sub 16 of De Jagers Kraal No. 864. The lease came to an end on 30 March 2015

**11. INTEREST ON INVESTMENTS**

Bank

2016 R	2015 R
168 143	62 549
<b>168 143</b>	<b>62 549</b>

**12. GOVERNMENT GRANTS AND SUBSIDIES**

Ilembe District Municipality - LED

Ilembe District Municipality - Tourism

Agri Processing Facilities

Integrated Craft Hub

Projects Ex IDC

Operational Ex IDM

Ndwedwe Tunnels

King Shaka

Growth summit

Total Government Grant and Subsidies

2 343 702	1 852 121
1 330 645	831 605
530 200	208 421
-	224 200
3 100 000	-
18 133 521	11 727 721
-	275 350
-	369 886
74 474	-
<b>25 512 541</b>	<b>15 489 304</b>

**12.1 Grant Local Economic Development Strategy Ex COGTA**

Balance unspent at beginning of year

Current year receipts

Conditions met - transferred to revenue

Conditions still to be met-transferred to liabilities (refer to Note 2)

335 182	335 182
-	-
-	-
<b>335 182</b>	<b>335 182</b>

**12.2 Grant Agri Processing Facilities Ex COGTA**

Balance unspent at beginning of year

Current year receipts

Transferred to revenue - no further conditions to be met

Conditions still to be met-transferred to liabilities (refer to Note 2)

2 210 159	2 418 580
-	-
(530 200)	(208 421)
<b>1 679 959</b>	<b>2 210 159</b>



**12.3 Grant Ilembe District Municipality - LED**

Balance unspent at beginning of year	267 879	-
Current year receipts	2 100 000	2 120 000
Conditions met - transferred to revenue	(2 343 702)	(1 852 121)
Adjustments and Transfers	-	-
Conditions still to be met-transferred to liabilities (refer to Note 2)	<b>24 177</b>	<b>267 879</b>

**12.4 Grant Ilembe District Municipality - Tourism**

Balance unspent at beginning of year	444 426	226 031
Current year receipts	1 200 000	1 050 000
Transferred to revenue - no further conditions to be met	(1 330 645)	-
Adjustments and Transfers	(26 886)	(831 605)
Conditions still to be met-transferred to liabilities (refer to Note 2)	<b>286 895</b>	<b>444 426</b>

**12.5 Grant Disaster Management**

Balance unspent at beginning of year	55 317	55 317
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Adjustments and Transfers	(55 317)	-
Conditions still to be met-transferred to liabilities (refer to Note 2)	<b>-</b>	<b>55 317</b>

**12.6 Grant Amacambini Dev Project Ex DCGTA**

Balance unspent at beginning of year	757 666	757 666
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met-transferred to liabilities (refer to Note 2)	<b>757 666</b>	<b>757 666</b>

**12.7 Grant Integrated Craft Hub**

Balance unspent at beginning of year	3 115	227 315
Current year receipts	-	-
Transferred to revenue - no further conditions to be met	-	(224 200)
Adjustments and Transfers	(3 115)	-
Conditions still to be met-transferred to liabilities (refer to Note 2)	<b>-</b>	<b>3 115</b>

**12. GOVERNMENT GRANTS AND SUBSIDIES (Continued)****12.8 Grant Nonoti Beach Resort Business Plan**

	2016 R	2015 R
Balance unspent at beginning of year	49 123	49 123
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Adjustments and Transfers	(49 123)	-
Conditions still to be met-transferred to liabilities (refer to Note 2)	-	<b>49 123</b>

**12.9 Grant Maphumulo Small Town Regeneration**

Balance unspent at beginning of year	85 965	85 965
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met-transferred to liabilities (refer to Note 2)	<b>85 965</b>	<b>85 965</b>

**12.10 Grant Moringa Tree Plantation**

Balance unspent at beginning of year	2 400 001	2 400 000
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met-transferred to liabilities (refer to Note 2)	<b>2 400 001</b>	<b>2 400 000</b>

**12.11 Grant Siza Water Concession**

Balance unspent at beginning of year	243 322	243 322
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Adjustments and Transfers	(243 322)	-
Conditions still to be met-transferred to liabilities (refer to Note 2)	-	<b>243 322</b>

**12.12 Fresh Produce Market**

Balance unspent at beginning of year	278 049	278 049
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met-transferred to liabilities (refer to Note 2)	<b>278 049</b>	<b>278 049</b>

**12.13 Projects Ex IDC**

	2016 R	2015 R
Balance unspent at beginning of year	3 115 835	285 835
Current year receipts	-	2 830 000
Conditions met - transferred to revenue	(3 100 000)	-
Conditions still to be met - transferred to liabilities (refer to Note 2)	<b>15 835</b>	<b>3 115 835</b>

**12.14 Growth Summit**

Balance unspent at beginning of year	148 804	148 804
Current year receipts	-	-
Conditions met - transferred to revenue	(74 474)	-
Conditions still to be met-transferred to liabilities (refer to Note 2)	<b>74 330</b>	<b>148 804</b>

**12.15 Ndwedwe Tunnel**

Balance unspent at beginning of year	-	275 350
Current year receipts	-	-
Conditions met - transferred to revenue	-	(275 350)
Conditions still to be met-transferred to liabilities (refer to Note 2)	-	-

**12.16 Tourism King Shaka Route**

Balance unspent at beginning of year	30 114	400 000
Current year receipts	-	-
Conditions met - transferred to revenue	-	(369 886)
Adjustments and Transfers	26 886	-
Conditions still to be met - transferred to liabilities (refer to Note 2)	<b>57 000</b>	<b>30 114</b>

**12.17 Unconditional IDM Grant**

Balance unspent at beginning of year	1 860 425	-
Current year receipts	16 273 096	13 588 146
Conditions met - transferred to revenue	(18 133 521)	(11 727 721)
	-	1 860 425

### 13. OTHER INCOME

Included in other income is the following:

Department of Education

Other income

2016 R	2015 R
17 334 090	13 763 167
1 020 203	-
<b>18 354 293</b>	<b>13 763 167</b>

The Department of Education (DOE) amount relates to the contract between DOE and the Entity for the supply of vegetables to schools within iLembe District.

### 14. EMPLOYEE RELATED COSTS

Employee related costs - salaries and wages

UIF

Leave pay

Car and other allowances

9 282 882	8 067 696
40 718	-
65 782	205 966
-	216 278
<b>9 389 382</b>	<b>8 489 940</b>

Included in the employee related costs are the following:

*Remuneration of the Chief Executive Officer*

*Acting Allowances- T Mkhwanazi ( December - Feb 2015)*

*CEO ( T Mkhwanazi) March- June 2015*

Total

1 369 305	744 254
-	42 525
-	460 795
<b>1 369 305</b>	<b>1 247 574</b>

*Remuneration of the Chief Financial Officer*

Annual Remuneration

Total

852 000	873 544
<b>852 000</b>	<b>873 544</b>

The CFO resigned in March 2015 and the CEO was appointed as the Acting CFO in April 2015.

The current CFO was appointed on 12 September 2015.

*Remuneration of the Head: LED*

Annual Remuneration

Total

770 400	425 000
<b>770 400</b>	<b>425 000</b>

*Remuneration of the Manager: Tourism, Market and Communication*

Annual Remuneration

Total

723 367	731 043
<b>723 367</b>	<b>731 043</b>

**15. REMUNERATION OF BOARD MEMBERS**

Remuneration includes a retainer and attendance fees at meetings:

	2016 R	2015 R
B N Linda (Re-appointed November 2014)	103 463	109 874
I Deetlefs (Re-appointed November 2014)	93 437	84 973
P M Mabaso (Resigned - October 2014)	-	29 556
R Meer (Resigned - April 2015)	-	60 601
J Wiltshire (Resigned October 2014)	-	27 217
Z P Zeka (Appointed November 2014)	62 420	50 613
A T Nzama (Appointed November 2014)	87 437	57 287
K Oelofse (Appointed November 2014)	102 437	58 836
K S Shandu (Appointed November 2015)	47 613	-
D P Nene (Appointed November 2015)	58 347	-
Total Board Members' Remuneration	<b>555 156</b>	<b>478 957</b>

**16. REPAIRS AND MAINTENANCE**

Plant and equipment	144 700	113 167
	<b>144 700</b>	<b>113 167</b>

**17. CONTRACTED SERVICES**

Rental of premises	119 713	53 142
Security	300 961	32 112
Lease of Vehicles	539 541	403 781
	<b>960 216</b>	<b>489 035</b>

**18. GENERAL EXPENSES**

Included in general expenses is the following:

	2016 R	2015 R
Advertising	52 642	31 035
External Audit Fees	497 138	424 945
Subscriptions/Licences	206 048	61 608
Bank Charges	30 960	33 882
Entertainment/Refreshments	55 159	56 248
Consulting and Professional Fees	355 854	244 718
Board Expenses	41 571	5 716
Equipment Hire	32 548	325 259
Subsistence and Travel	355 018	298 065
Office Expenses	9 408	226 522
Telephone and Fax	143 392	47 401
Interest and Penalties	63 255	312 259
Fuel and Oil	223 772	549 496
Vineyards	1 431 346	-
Training	122 700	140 815
Bad Debts	3 940	
Cleaning Services	17 372	-
Marketing and communication	248 030	214 415
Printing and stationary	118 059	123 561
Water and Electricity	68 649	234 188
Internal Audit Service	415 291	286 146
Loss on sale of asset	408 510	
ICT Services	260 382	148 746
Assets under 3000	-	156 087
Broadband expenditure	1 500 000	-
National Schools Nutrition Programme	16 101 567	12 283 345
	<b>22 762 611</b>	<b>16 204 457</b>

**19. GRANT EXPENSES**

Included in grant expenditure is the following:

**LED Projects**

Refurbishment of Tunnels

Mechanization

Ownership Model (Consultation Fees)

Feasibility Study - Poultry abattoir

Ndwedwe Hub renovation

Advertizing

Casual Labours

**Tourism**

Marketing and Advertising - events, stands and exhibitions

Annual Report

Conferences

Tourism Strategy Report

Sponsorship

**Growth Summit**

Conference

**IDC**

Feasibility Study- Broad Band (Phase 2)

Integrated Craft Hub

**Ndwedwe Tunnels**

Salaries for Hub employees

King Shaka

	2016 R	2015 R
<b>LED Projects</b>	2 343 702	1 852 121
Refurbishment of Tunnels	20 965	
Mechanization	880 737	
Ownership Model (Consultation Fees)	411 660	
Feasibility Study - Poultry abattoir	964 625	
Ndwedwe Hub renovation	43 700	
Advertizing	21 204	
Casual Labours	811	
<b>Tourism</b>	1 330 645	831 605
Marketing and Advertising - events, stands and exhibitions	1 105 103	
Annual Report	98 095	
Conferences	3 500	
Tourism Strategy Report	103 947	
Sponsorship	20 000	
<b>Growth Summit</b>	74 474	-
Conference	74 474	
<b>IDC</b>	3 100 000	-
Feasibility Study- Broad Band (Phase 2)	3 100 000	
Integrated Craft Hub	-	224 200
<b>Ndwedwe Tunnels</b>	530 200	483 771
Salaries for Hub employees	530 200	
King Shaka	-	369 886
	<b>7 379 020</b>	<b>3 761 583</b>

**20. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE****20.1 Unauthorised expenditure**

Over expenditure on operating budget non cash item:

Depreciation

-	-
-	-

**20.2 Fruitless and wasteful expenditure**

Reconciliation of fruitless and wasteful expenditure

Opening balance -

Fruitless and wasteful expenditure current year

Fruitless and wasteful expenditure written off

**Fruitless and wasteful expenditure .**

63 255	312 259
(63 255)	(312 259)
-	-

The fruitless and wasteful expenditure relates to penalties and interest charged on the late payment of PAYE, SDL, UIF

### 20.3 Irregular expenditure

Submitted to Board for consideration and condoned  
Transfer to receivables for recovery - not condoned

### 20.4 Deviations

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

Total Value

Total Number of Cases

2016  
R

2015  
R

-

-

-

-

1 348 288

4 135 624

4

7

#### Incident

Irregular expenditure is as a result of non compliance with one or more of the Supply Chain Management Regulations or Supply Chain Management Policy requirements.

#### Action

In the Board's opinion the expenditure is valid apart from the non compliance set out above. The irregular expenditure has been condoned by the Board.



**21. CASH GENERATED/(UTILISED) BY OPERATIONS**

	2016 R	2015 R
Surplus/(Deficit) for the year	(969 625)	(1 409 982)
Adjustment for:		
Previous years operating transactions	(429 440)	139 704
Depreciation: Property, Plant and equipment	3 813 517	1 385 518
Investment income	(168 143)	(62 549)
Operating surplus before working capital changes:	2 246 309	52 691
(Increase)/Decrease in other Receivables	12 360 616	(18 408 650)
(Decrease)/Increase in unspent conditional grants	(6 290 322)	4 098 841
Increase in Payables	1 771 709	1 780 041
Decrease/(Increase) in VAT receivable/payable	(14 548 803)	15 239 661
Cash generated/(utilised) by operations	<b>(4 460 491)</b>	<b>2 762 584</b>

**22. CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR**

Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position:

Bank balances and cash	226 630	4 854 918
Total cash and cash equivalents at the end of the year	<b>226 630</b>	<b>4 854 918</b>

**23. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT****23.1 Audit fees**

Current year audit fee	497 138	276 943
Amount paid - current year	(497 138)	(276 943)
Balance unpaid (included in creditors)	-	-

**23.2 PAYE and UIF**

Opening balance	-	-
Current year payroll deductions	1 906 870	2 173 002
Amount paid - current year	(1 776 087)	(2 173 002)
Balance unpaid (included in creditors)	<b>130 783</b>	-

## 24. CAPITAL COMMITMENTS

There were no commitments in respect of capital expenditure in the current financial year.

## 25. CONTINGENT LIABILITIES

It has been established that the entity may be liable to pay Mancefeza Trading in respect of services rendered. The service provider was appointed as part of the panel of service providers for the transportation of vegetables with regards to the NSNP project. A misrepresentation of facts was picked up whereby the supplier is not declaring relations with one of the entity employees. This case is currently being handled by EI lawyers.

22 644

5 150 893

## 26. ADJUSTMENTS RELATING TO PRIOR YEAR

Prior year adjustments

(837 948)

6 890

## 27. EVENTS AFTER THE REPORTING DATE

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

## 28. RELATED PARTIES

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

### Related party balances

Accounts owing to related party:

Ilembe District Municipality

-

309 369

Accounts owing by related party:

Ilembe District Municipality

1 268 537

12 980 319

Receivable

1 268 537

12 980 319

Payable

-

309 369

1 268 537

12 670 950

Rental income paid to Enterprise Ilembe

-

197 654

Grant income paid to Enterprise Ilembe:

Administration Grant

LED Grant

Tourism Grant

Growth Summit

2016 R	2015 R
18 133 521	13 588 146
2 100 000	2 120 000
1 200 000	1 000 000
-	-
<b>21 433 521</b>	<b>16 708 146</b>

## 29. OPERATING LEASES

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

No later than 1 year

Later than 1 year and no later than 5 years

66 744	99 789
-	16 632
<b>66 744</b>	<b>116 421</b>

The entity is the lessee of office property at Warne House, the lease is for 2 years and it commenced on the 1 September 2014 and terminate on the 31 August 2016. The lease has been extended to January 2017

## 30. TRANSFER OF AGRICULTURAL PROJECTS

The process of transferring the following agricultural assets presently disclosed as PPE Agriculture, Biological Assets and Projects Under Construction will begin:

Bio Diesel

North Coast Vineyards

Agri Processing Facilities

Moringa Plantations

5 777 329	5 777 329
1 174 400	1 710 000
11 924 407	13 527 563
-	1 064 800
<b>18 876 136</b>	<b>22 079 692</b>

Special Purpose Vehicles (SPVs) will be established and the assets will be transferred into these SPVs.

In anticipation of the transfer of assets the following companies have been registered:

Rocabex (Pty) Ltd; Rocablox (Pty) Ltd and Rocabix (Pty) Ltd.

Bank accounts have been opened in the names of the three companies.

To date due to the assets having not been transferred to the SPVs the above companies have not traded apart from the proceeds from the sale of agricultural produce being deposited into the bank account of Rocabex (Pty) Ltd.

An agreement was entered into on 28 September 2012 between Enterprise Ilembe and Coation Trading 596 CC Trading as Romac Farm and Black Balance Projects (Pty) Ltd in respect of the traditional arrangements in relation to the operation of the Ilembe Agri-Hubs Project with effect from 1 October 2012.

Romac Farm pulled out of the said agreement on 28 February 2014 due to operational issues. The entity is busy with ownership and sustainability models for the Agri Hubs process before transferes are done.

A service provider has been appointed to report recommendations on the best model to transfer these assets to communities.

### 31. GOING CONCERN

The financial statement for the period ended 30 June 2016 have been prepared on going concern basis.

There are no issues that would hamper the Entity from operating in the foreseeable future.

### 32. RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES

#### 32.1 Interest Rate Analysis

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

#### Financial Assets:

External Investments:

Current Investments

Bank balances and cash

Interest earned external investments

Interest rate

Outstanding Debtors

Other debtors

Interest earned on outstanding debtors

Interest rate

	2016 R	2015 R
	-	-
	226 630	4 854 918
	<b>226 630</b>	<b>4 854 918</b>
	<b>168 143</b>	<b>62 549</b>
	<b>74,2%</b>	<b>1,3%</b>
	1 058 797	14 114 087
	<b>1 058 797</b>	<b>14 114 087</b>
	<b>0,0%</b>	<b>0,0%</b>

**Financial Liabilities:**

## Long-term Liabilities

Interest paid on long-term liabilities

Interest rate

**32.2 Credit Risk**

The risk that debtors will not pay the entity on time.

Receivables:

Other debtors

Ageing of consumer debtors:

Current

31-60 days

&gt;60 days

Less: Provision for bad debts

**Net Consumer Debtors****33.3 Liquidity Risk**

The risk that the entity will not be able to settle its obligations when they are due.

Debt (Long term liabilities)

Equity (Net Assets)

**Net Debt to Equity Ratio****SUBSEQUENT EVENTS**

There have been no subsequent events from 1 July 2015 to the date of issuing of these financial statements, other than those disclosed herein.

	2016 R	2015 R
	-	-
	-	-
	-	-
	0,0%	0,0%
	5 677 477	4 885 870
	<b>5 677 477</b>	<b>4 885 870</b>
	1 625 246	4 675 901
	-	25 038
	6 215 515	14 406 178
	-	-
	<b>7 840 760</b>	<b>19 107 117</b>
	-	-
	19 552 592	22 960 567
	-	-

**34. RESTATEMENT OF COMPARATIVE INFORMATION****Statement of Financial Performance:**

The items listed below have been reclassified from general expenses to contracted services

**Contracted Services**

- Rental of Premises
- Lease of Vehicles
- Security

**General Expenses**

- Rental of Premises
- Lease of Vehicles
- Security

2016 R	2015 R
Restated Comparative	Prior Year Disclosure
119 713	
539 541	
300 961	
	53 142
	403 781
	32 112

**ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD**  
**UNAUDITED SUPPLEMENTARY APPENDIX A: SEGMENTAL ANALYSIS OF PROPERTY, PLANT & EQUIPMENT**  
 FOR THE YEAR ENDED 30 JUNE 2016

	Opening Balance	Cost / Revaluation		Accumulated		Opening Balance	Depreciation		Closing Balance	Carrying Value
	R	Additions	Write Offs / Revaluations	Reversal	Impairment loss/ Reversal of impairment loss/Transfers	R	R	R	R	R
PPE Agriculture	18 323 845	9 800	(1 022 280)		1 808 486	4 796 282	1 232 205	1 808 486	7 836 973	9 474 392
Leasehold Improvements	30 000	-			-	12 500	15 000	-	27 500	2 500
Assets Under Construction	12 385 721	-	-		-	-	-	-	-	12 385 721
Improvements	60 556	64 961	-		-	8 379	2 629	-	11 008	114 510
Biological Assets	2 774 800	-	(1 600 400)		-	-	-	-	-	1 174 400
Furniture and Equipment	471 512	123 785	(67 877)		(40 116)	249 956	55 843	(40 116)	265 683	261 737
Computers Equipment	278 946	137 394	-		-	147 758	53 582	-	201 340	215 000
Softwares	28 816	-	-		-	20 456	4 242	-	24 698	4 118
	<b>34 354 196</b>	<b>335 940</b>	<b>(2 690 557)</b>		<b>1 768 370</b>	<b>5 235 331</b>	<b>1 363 501</b>	<b>1 768 370</b>	<b>8 367 202</b>	<b>23 632 378</b>

**ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD**  
**UNAUDITED SUPPLEMENTARY APPENDIX B: SEGMENTAL ANALYSIS OF FINANCIAL PERFORMANCE**  
 FOR THE YEAR ENDED 30 JUNE 2016

	2015 Actual Revenue R	2015 Actual Expenditure R	2015 (Surplus)/ Deficit R	2016 Actual Revenue R	2016 Actual Expenditure R	2016 (Surplus)/ Deficit R
29 512 674	30 922 656	(1 409 982)	Administration	44 034 977	45 004 602	(969 625)
<b>29 512 674</b>	<b>30 922 656</b>	<b>(1 409 982)</b>	<b>(Surplus) for the year</b>	<b>44 034 977</b>	<b>45 004 602</b>	<b>(969 625)</b>



ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD  
 UNAUDITED SUPPLEMENTARY APPENDIX C(1): ACTUAL VERSUS BUDGET (REVENUE & EXPENDITURE)  
 FOR THE YEAR ENDED 30 JUNE 2016

Description	2015/16 Original Budget R	Budget Adjustments R	Final Adjusted Budget R	Actual Outcome R	Variance R	Actual Outcome as % of Final Budget %	Variance %	Explanation of significant Variance greater than 10% versus Final Budget
<b><u>Financial Performance</u></b>								
Rental Income	100 000	(100 000)	-	-	-	0%	0%	The negative variance is due to the fact that the entity had budgeted for an investment of R3m which could not be made, as DOE did not pay invoices of R5,6m due to the entity.
Interest on investment	70 000	124 436	194 436	168 143	(26 293)	0%	-14%	The negative variance is as a result of unspent grants which were budgeted for pending the outcome of the audit from COGTA, which was not yet finalized by year end, hence no movement could occur on these grants.
Grants and Subsidies	19 573 096	12 285 380	31 858 476	25 512 541	(6 345 935)	80%	-20%	
Other income	12 053 000	4 993 048	17 046 048	18 354 293	1 308 246	108%	8%	Immaterial
<b>Total Revenue (excluding capital transfers &amp; contributions)</b>	<b>31 796 096</b>	<b>17 302 863</b>	<b>49 098 959</b>	<b>44 034 977</b>	<b>(5 063 982)</b>	<b>90%</b>	<b>-10%</b>	
Employee related costs	9 374 696	-	9 374 696	9 389 382	14 686	100%	0%	
Directors Fees	700 000	(100 000)	600 000	555 156	(44 844)	93%	-7%	Immaterial
Depreciation	1 300 000	125 253	1 425 253	3 813 517	2 388 264	268%	168%	Immaterial

Description	2015/16 Original Budget R	Budget Adjustments R	Final Adjusted Budget R	Actual Outcome R	Variance R	Actual Outcome as % of Final Budget %	Variance %	Explanation of significant Variance greater than 10% versus Final Budget
Repairs and Maintenance	300 000	(202 800)	97 200	144 700	47 500	149%	49%	There were repairs and maintenance which had to be done at Sangweni offices due to the break in that happened inside the premises. This was initially not budgeted for, but this was foreseen and unavoidable, but was presented to the board when the monthly report was submitted, for authorization.
General Expenses	16 591 400	5 408 648	22 000 048	23 722 827	1 722 779	108%	8%	Immaterial
Grant Expenses	4 500 000	10 616 710	15 116 710	7 379 020	(7 737 690)	49%	-51%	As alluded under grant income, grants brought in during the adjustments budget could not be spent as no correspondence was received from COGTA by the end of the financial year.
<b>Total Expenditure</b>	<b>32 766 096</b>	<b>15 847 811</b>	<b>48 613 907</b>	<b>45 004 602</b>	<b>(3 609 305)</b>	<b>93%</b>	<b>-7%</b>	
<b>Surplus/(Deficit)</b>	<b>(970 000)</b>	<b>1 455 052</b>	<b>485 052</b>	<b>(969 625)</b>	<b>(1 454 677)</b>	<b>0%</b>	<b>0%</b>	
<u><b>Capital expenditure &amp; funds sources</b></u>								
Internally generated funds	330 000	<b>90 500</b>	420 500	335 940	(84 560)	0%	-20%	The entity had budgeted for security upgrade in respect of cameras to the offices, which ended up not happening due to issues that were encountered with the then contracted supplier, who had to be cancelled and another supplier was awarded the contract.
<b>Total sources of capital funds</b>	<b>330 000</b>	<b>90 500</b>	<b>420 500</b>	<b>335 940</b>	<b>(84 560)</b>	<b>0%</b>	<b>0%</b>	

**ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD**  
**UNAUDITED SUPPLEMENTARY APPENDIX C(2): ACTUAL VERSUS BUDGET BY DEPARTMENT**  
**(REVENUE & EXPENDITURE)**  
 FOR THE YEAR ENDED 30 JUNE 2016

	Actual 2016 R	Budget 2016 R	Variance 2016 R	% Variance 2016 %
<b>REVENUE</b>				
Rental Income	-	-	-	#DIV/0!
Interest on investment	168 143	194 436	(26 293)	0,00%
Government grants and subsidies	25 512 541	31 858 476	(6 345 935)	-19,92%
Other income	18 354 293	17 046 048	1 308 246	7,67%
<b>Total Revenue</b>	<b>44 034 977</b>	<b>49 098 959</b>	<b>(5 063 982)</b>	
<b>EXPENDITURE</b>				
Organisational development	45 004 602	48 613 907	( 3 609 305)	-7,42%
<b>Total Expenditure</b>	<b>45 004 602</b>	<b>48 613 907</b>	<b>(3 609 305)</b>	
<b>NET SURPLUS FOR THE YEAR</b>	<b>(969 625)</b>	<b>485 052</b>	<b>(1 454 677)</b>	

**ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD**  
**UNAUDITED SUPPLEMENTARY APPENDIX C(3): ACTUAL VERSUS BUDGET**  
**(ACQUISITION OF PROPERTY, PLANT & EQUIPMENT)**  
 FOR THE YEAR ENDED 30 JUNE 2016

	2016 Actual R	2016 Budget R	2016 Variance R	2016 Variance %	Explanation of Significant Variances
Administration	326 140	420 500	(94 360)	-22%	
PPE Agriculture	9 800	-	9 800	100%	
Biological Assets	-	-	-	100%	
Projects Under Construction	-	-	-	100%	
	<b>335 940</b>	<b>420 500</b>	<b>-</b>	<b>100%</b>	

**ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD**  
**UNAUDITED SUPPLEMENTARY APPENDIX D: GRANTS & SUBSIDIES RECEIVED - 2015/2016**  
**FOR THE YEAR ENDED 30 JUNE 2016**

Name of Grants	Unspent Balance 2014/2015 R	Adjustments and Transfers	Quarterly Receipts				Quarterly Expenditure				Adjustments and Transfers	Total Expenditure	Unspent Balance 2015/2016 R	With-held/Delayed	Compliance With Grant Conditions DORA
			July 15 to Sept 15 1	Oct 15 to Dec 15 2	Jan 16 to Mar 16 3	Total Receipts	July 15 to Sept 15 1	Oct 15 to Dec 15 2	Jan 16 to Mar 16 3	April 16 to June 16 4					
Disaster Management	55 317	-	-	-	-	-	129 150	142 750	129 149	129 150	55 317	-	-	NO	YES
Agri Processing Facilities Ex DCGTA	2 210 158	-	-	-	-	-	-	-	-	-	-	530 199	1 679 959	NO	YES
LED Strategy Ex DCGTA	335 182	-	-	-	-	-	-	-	-	-	-	-	335 182	NO	YES
North Coast Wine Project Ex DCGTA	-	-	-	-	-	-	-	-	-	-	-	-	-	NO	YES
Amacimbini Dev Project Ex DCGTA	757 666	-	-	-	-	-	-	-	-	-	-	-	757 666	NO	YES
Integrated Craft Hub	3 115	-	-	-	-	-	-	-	-	-	3 115	-	-	NO	YES
Siza Water Concession	243 322	-	-	-	-	-	-	-	-	-	243 322	-	-	NO	YES
Maphumulo Small Town Rehabilitation	85 965	-	-	-	-	-	-	-	-	-	-	-	85 965	NO	YES
Nonoti Beach Resort Business Plan	49 123	-	-	-	-	-	-	-	-	-	49 123	-	-	NO	YES
Moringa Tree Plantation	2 400 001	-	-	-	-	-	-	-	-	-	-	-	2 400 001	NO	YES
Ilembe District Municipality - LED	267 879	-	875 000	700 000	525 000	2 100 000	624 461	860 752	357 666	500 823	-	2 343 702	24 177	NO	YES
Ilembe District Municipality - Tourism	444 426	(26 886)	500 000	400 000	300 000	1 200 000	192 815	280 789	376 288	480 753	-	1 330 644	286 896	NO	YES
Fresh Produce Market Broadband Project Ex DCGTA	278 049	-	-	-	-	-	-	-	-	-	-	-	278 049	NO	YES
Tourism King Shaka Route	30 114	26 886	-	-	-	-	-	-	-	-	-	-	57 000	NO	YES
Ilembe Winery	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating Grant Ex IDM	1 860 425	-	6 780 457	7 284 790	-	14 065 247	2 480 485	6 160 396	7 284 790	-	-	15 925 671	0	NO	YES
Projects Ex IDC	3 115 835	-	-	-	-	-	1 500 000	1 500 000	-	-	100 000	3 000 000	15 835	NO	YES
Growth Smrit	148 804	-	-	-	-	-	60 000	-	-	14 474	-	74 474	74 330	NO	YES
	<b>12 285 381</b>	<b>-</b>	<b>8 155 457</b>	<b>8 384 790</b>	<b>825 000</b>	<b>17 365 247</b>	<b>4 986 911</b>	<b>8 944 687</b>	<b>8 147 893</b>	<b>1 125 199</b>		<b>23 204 690</b>	<b>5 995 058</b>		
<b>Unspent grants at 30 June 2015</b>	<b>12 285 381</b>										<b>Unspent grants at 30 June 2016</b>		<b>5 995 058</b>		

## 4.2 REPORT OF THE AUDITOR GENERAL

### INTRODUCTION

1. I audited the financial statements of the iLembe Management Development Enterprise (Pty) Ltd set out on page 34 to 85, which comprise, the statement of financial position as at 30 June 2016, the statement of financial performance statement of changes in net assets, cash flow statement and the statement of comparison of budget with actual information for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

### ACCOUNTING OFFICER'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

2. The board of directors, which constitutes the accounting officer is responsible for the preparation and fair presentation of these and separate financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standard of GRAP) financial reporting framework and the requirements of the Local Government: Municipality Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and Companies Act of South Africa, 2008 (Act No. 71 of 2008) (Companies Act), and the Division of Revenue Act of South Africa, 2014 (Act No. 10 of 2014) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

### AUDITOR-GENERAL'S RESPONSIBILITY

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**OPINION**

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the iLembe Management Development Enterprise (Pty) Ltd as at 30 June 2016 and its financial performance and cash flows for the year then ended, in accordance with the SA Standards of GRAP and the requirements of the MFMA, Companies Act and DoRA.

**EMPHASIS OF MATTERS**

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

**FINANCIAL SUSTAINABILITY**

8. As disclosed in the statement of financial performance of the annual financial statements the municipal entity incurred a net loss of R969 625 (2015: R1 409 982) for the year ended 30 June 2016 and, as of that date the municipal entity's unspent grants exceeded its bank balance by R5 768 428. These unfavourable conditions may affect the completion of the existing economic development projects.

**MATERIAL LOSSES**

9. As disclosed in note 4 to the financial statements, material losses to the amount of R2450 016 were incurred as a result of an impairment loss for the tunnels that were damaged.

10. As disclosed in note 5 to the financial statements, material losses to the amount of R1064 800 was incurred as a result of a write-off of the full value of the Moringa Plantation.

**ADDITIONAL MATTER**

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

**OTHER REPORTS REQUIRED BY COMPANIES ACT**

12. As part of our audit of the financial statements for the year ended 30 June 2016, I have read the Directors Report and the Audit Committee's Report for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports I have not identified material inconsistencies between the reports and the audited financial statements. I have not audited the reports and accordingly do not express an opinion on them.

**UNAUDITED DISCLOSURE NOTES**

13. In terms of section 125(2)(e) of the MFMA the municipal entity is required to disclose particulars of non-compliance with the MFMA. This disclosure requirement did not form part of the audit of the financial statements and accordingly I do not express an opinion thereon.

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

14. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives of selected development priorities presented in the annual performance report, compliance with legislation and internal control. I performed test to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.



**PREDETERMINED OBJECTIVES**

15. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for socio economic development priority presented in the annual performance report of the entity for the year ended 30 June 2016.
16. I evaluated the usefulness of the reported performance information to determine whether it was consistent with the planned development priorities. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for managing programme performance information.
17. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
18. vvvv performance information for the socio economic development priority.

**ADDITIONAL MATTER**

19. I identified no material findings on the usefulness and reliability of the reported performance information for the selected development priority, however I draw attention to the following matter:
20. The annual performance report on page 98 to 110, includes information on the achievement of planned targets for the year.

**COMPLIANCE WITH LEGISLATION**

21. I performed procedures to obtain evidence that the entity complied with applicable legislation regarding financial matters, financial management and other related matters. I did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA.

**INTERNAL CONTROL**

22. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. I did not identify any significant deficiencies in internal control.

Pietermaritzburg  
30 November 2016

*Auditor-General*



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

## 4.3 CHIEF FINANCIAL OFFICERS REPORT

### 1. INTRODUCTION

It has been yet another successful financial year for the iLembe Management Development Enterprise (Pty) Ltd, trading as Enterprise iLembe. The year ended 30 June 2016, has been a productive one for the Entity, but of course not without challenges. It has been with the limited resources the Entity has, that it has managed to fulfil its objective and the main reason for its existence, which is the provision of the Local Economic Development within the iLembe District. Below is the summary of the financial position and performance of the Entity.

### 2. OPERATING RESULTS

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

REVENUE	ACTUAL 2016 R	BUDGET 2016 R	VARIANCE 2016 %
Opening accumulated surplus	22 960 467	29 809 378	(23%)
Operating income for the year	44 034 977	49 098 959	(10%)
<b>TOTAL</b>	<b>66 995 444</b>	<b>78 908 337</b>	
EXPENDITURE			
Operating expenditure for the year	45 004 602	48 613 907	(7%)
Closing accumulated surplus	19 552 592	30 294 430	(19%)
<b>Total</b>	<b>64 557 194</b>	<b>78 908 337</b>	

The negative variance on revenue is due to amounts that were expected to be received during the year and were not. This in particular relates to outstanding invoices from the Department of Education (DOE), as well as amounts deducted by iLembe District Municipality (IDM) for amounts owed to them as at the end of the financial year.

An amount of R23 480 588 was spent on projects during the 2015/16 financial year as follows:

Project	2015/16 R
Open Fields	2 343 702
IDC Renewable Energy	3 100 000
Growth Summit	74 474
Tourism	1 330 645
Agri-Processing Facility	530 200
National Schools Nutrition Programme (NSNP)	16 101 567
<b>TOTAL</b>	<b>23 480 588</b>

One of the challenges that Enterprise iLembe faced during the 2015/16 financial year was the timing of the receipt of grants from IDM, which were not received at stipulated times during the year, as well as DOE not paying the balance of invoices for the last three months of the financial year

Specifically, with IDM, two issues impacted on the Entity financially. The first one was the VAT issue, which was owing to SARS at the end of the last financial year, June 2015. Due to financial challenges faced by the district, the Entity had to pay the balance owing to SARS amounting to R1, 5m as well as an amount of R2, 5m IDM deducted from our last trench, which relates to amounts the Entity owes IDM. This then means that about R4m, which should have been used for the business of the entity was not, hence the negative impact on the cash flow.

Linked to the above is the amount of R5, 6m owing by DOE, which was not paid by the end of the financial year. The Entity continued with the NSNP project which involves paying suppliers for the produce procured from them as well as the Durban Fresh Produce Market and transporters who are contracted to deliver the vegetables to the schools. This had such a negative impact on the cash flow of the Entity, as invoices equivalent to three months were not paid by DOE by the end of the financial year. The Entity ended up having a huge balance of creditors due to the invoices that had to be accrued for payment during the 2016/17 financial year.

As a result of this, the board of directors for the Entity took a resolution to stop all work on the NSNP project until payment for outstanding invoices is received from DOE. As at the end of the financial year June 2016, no payment had been received.

### 3. UNSPENT CONDITIONAL GRANT

The following amounts with regards to conditional grants were unspent as at 30 June 2016:

GRANT	UNSPENT GRANT JUNE 2016 R
Grant Amacambini Dev Project Ex DCGTA	757 666
Moringa Tree Plantation	2 400 000
Tourism King Shaka Route	57 000
Maphumulo Small Town Rehabilitation	85 965
Fresh Produce Market	278 049
IDC Projects Grant	15 835
Agri Processing Facility	1 679 958
Tourism Grant	286 896
Growth Summit	74 330
LED Strategy	335 182
LED Agriculture Grant	24 177
<b>TOTAL</b>	<b>5 995 058</b>

The larger amounts of unspent grants relate to COGTA grants of which issues have still not been resolved between the Entity and COGTA. These unspent amounts also reflect negatively on the overall picture of the Entity's financial position as it appears as if the entity does not have enough cash to cover its commitments.

#### 4. ACCUMULATED SURPLUS

The accumulated surplus as at 30 June 2016 was R19 552 592.

#### 5. CASH AND CASH EQUIVALENTS

As at 30 June 2016 the cash and cash equivalents held by Enterprise iLembe were as follows:

Details	R
Cash at bank	226 630
Current Investments	0
<b>TOTAL</b>	<b>226 630</b>

Non-receipt of amounts owing by DOE, as alluded above, has negatively impacted on the cash and cash equivalent balances at year end. This has impacted on the number of day's cash on hand as well as the debt coverage ratios, as at the end of June 2016. These amounts, however, will be received during the 2016/17 financial year.

#### 6. EXPRESSION OF APPRECIATION

A successful year is never a one man's victory, but a collective effort from all other stakeholders involved in the running of the Entity.

It is in this spirit that I would like to extend a heart-felt appreciation to the Chairman of the Board, the Board Members, the audit committee, the heads of departments within the Entity, the finance staff and the rest of staff within the Entity for their support and assistance. Special appreciation is also given to the Office of the Auditor-General for their support and assistance in resolving issues that arise during our interactions.

I would also like to extend my appreciation to our shareholder, iLembe District Municipality, for their continued support and working together with us to fulfil our mandate as Enterprise iLembe.



**SINEGUGU MTHEMBU**  
CHIEF FINANCIAL OFFICER

## 4.4 AUDIT ACTION PLAN

### ENTERPRISE ILEMBE AUDIT ACTION PLAN AS AT 12 JANUARY 2017

#### AG FINDINGS

No	Audit Finding	Rating	Unit	Internal Control Deficiency	Actions	Assigned To	Date of Action	Action to Date	% Complete
1	Non-compliance with the VAT ACT	M	Finance	The CFO did not adequately implement internal controls over the daily and monthly processing as well as reconciling of transactions in compliance with paragraph 95 of the MFMA and section 38 of the VAT Act.	1. Management set up reminders to ensure bi-monthly returns are submitted on time  2. CFO to sign off all VAT Returns as evidence of review and submission	CFA	Ongoing on a bi-monthly basis	Reminders have been set by management. Submissions are currently up to date. VAT returns are being physically signed off by the CFO as evidence of review and submission.	100%
2	Non-compliance with SCM Regulations: False Declarations of Interests made by suppliers	M	Finance	Possible conflicts of interest with suppliers must be determined before awarding tenders or accepting quotations.	1. Entity to encourage prospective service providers to make correct and honest declarations by highlighting the importance of this at tender briefing meetings and as well as the use of the declaration forms.  2. Letters will be sent to all suppliers identified as being in service of the state and due action will be taken.  3. The suppliers database will be sent to the AG for verification prior to the commencement of the 2016/2017 audit to identify any further suppliers in service of the state, the commencement of the 2016/2017 audit to identify any further suppliers in service of the state.	SCM	Ongoing per transaction  31 January 2017  30 April 2017	It is compulsory for all bidders to complete MBD 4- Declaration Of Interest Forms for all tenders. CSD Reports are also being generated on a transactional basis to ascertain whether suppliers are government employees or not.  In progress. Letters to service providers are being drafted by the SCM department.  Not yet due	100%  60%  0%

## 4.4 AUDIT ACTION PLAN

### EMPHASIS OF MATTER PARAGRAPHS

No	Audit Finding	Rating	Unit	Internal Control Deficiency	Actions	Assigned To	Date of Action	Action to Date	% Complete
1	Financial Sustainability of the entity - Unspent grants are not cash backed and net loss incurred for the 2015 financial year end.	H	CFO	Inadequate daily and monthly controls for this process	<p>1. A report on the reasons for the unspent grants to not be cash backed will be tabled to the Board and IDM. All new grants to be invested in separate call accounts. Management is having discussions with CoGTA to re-allocate funds.</p> <p>2. The net loss will self-resolve as the entity has budgeted for a surplus and the loss absorbed in previous financial years accumulated surplus.</p>	CFO	Ongoing until a decision is made by the funder	A submission was made to the Board of Directors with recommendations on how to resolve this issue. Further, a meeting was held with CoGTA in relation to the unspent grants issue and CoGTA has agreed to condone the reallocation of funds to other projects subject to Enterprise iLembe submitting a detailed report as to the circumstances leading to the reallocation of funds. A report has been sent to CoGTA in this regard. Liaisons with the funder are ongoing. No new grants have been received.	60%
2	No progress on transfer of assets	M	CFO	The board has not ensured that the shareholders agreement is entered into within reasonable time in order to increase benefits and reduce losses/ expenditure to the entity	Ownership models and registration of co-ops to be fast tracked so that assets can be transferred to the beneficiaries.	CEO	30-Jun-16	In progress. A service provider was appointed following the competitive bidding process for the development of ownership institutions for projects implemented by EI. The final draft of the Ownership Model has been developed and has been presented to Management and CoGTA - Both parties approved of the proposed model. The next step is to obtain buy-in from the LED Forums, EDP and Council.	65%







# CHAPTER

FUNCTIONAL SERVICE DELIVERY  
& REPORTING

# 05





## 5.1 SERVICE LEVEL AGREEMENT

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

### 5.1.1. PROJECT MANAGEMENT UNIT:

Using the Project Management Unit for developing and implementing detailed service delivery plans within the framework of the municipality's IDP;

### 5.1.2. PROMOTION OF SOCIAL AND ECONOMIC DEVELOPMENT:

To promote integrated and equitable social and economic development within the district as a whole by taking appropriate steps to enhance such development;

### 5.1.3. TOURISM:

Promotion of local tourism for the area of the district municipality;

### 5.1.4. MARKETS:

The establishment, conduct and control of fresh produce markets serving the area of a major portion of the municipalities in the district;

### 5.1.5. ABATTOIRS:

The establishment, conduct and control of abattoirs serving the area of a major portion of the municipalities in the district;

### 5.1.6. AIRPORTS:

Municipal airports serving the area of the district municipality as a whole

### 5.1.7. INCIDENTAL POWERS:

The right to exercise any power concerning a matter reasonably necessary or incidental to the effective performance of the functions, the exercise of the power and the provision of the services in the paragraph 1 to 7 above.

#### The following items are not the core function of the Agency:

- ▶ Project Management Unit
- ▶ Social development
- ▶ Markets
- ▶ Abattoirs

## REPORTING

The Chief Executive Officer as the Accounting Officer has been mandated by the Board of Enterprise iLembe to report on these functions to iLembe District Municipality. In addition to the various Intergovernmental (IGR) structures, regular meetings are held between the Board of Enterprise iLembe and principals of the District. The CEO and management of the Entity participate and report into the following structures:

- ▶ iLembe District Management Committee Meetings (MANCO)
- ▶ Economic Development Portfolio Committee
- ▶ Inter-governmental Forums

The Shareholder; iLembe District Municipality also has ex-officio representation on the Board of Enterprise iLembe.

# CHAPTER

ANNUAL PERFORMANCE  
MANAGEMENT REPORTING

# 06



## ENTERPRISE ILEMBE SDBIP 2015/2016 - QUARTER 4/ANNUAL REPORT - FINAL REPORT

In terms of section 93B of the Municipal Systems Act, the parent municipality must ensure that the performance objectives and indicators for the municipal entity are established by agreement with the entity and included in the municipal entity's multi-year business plan in accordance with section 87 (5) (d) of the MFMA. It is for this reason that the report for the Enterprise iLembe has been included in the annual performance report.

### 6.1 ORGANISATIONAL SCORECARD - SERVICE DELIVERY BUDGET IMPLEMENTATION PLAN (SDBIP) 2015/2016

NATIONAL KPAS	IDP OBJECTIVE	DEPARTMENTAL OBJECTIVE	KEY PERFORMANCE AREA	KEY PERFORMANCE INDICATOR	UNIT OF MEASURE	BASELINE	ANNUAL TARGET 2014/2015	
SOCIAL ECONOMIC DEVELOPMENT & PLANNING	To upscale agriculture development in the District	To implement and ensure sustainability of projects	Schools Nutrition Programme (NSNP) Strategic Plan Implementation	Percentage of produce procured from local iLembe farms on a quarterly basis	Percentage	80%	90% by 30 June 2015	
			Open Fields	a) Number of co-op farmers phased out of the Ei Open Farms programme by deadline b) Number of New Open Field Farms for 2014/2015 c) Number of existing farms maintained by Ei	Number	a) 7 b) 10 c) 29	a) 7 by 30 June 2015 b) 10 new farms c) 28	
			Agricultural Hydroponic Tunnels	Number of tunnel sites fully functional by deadline	Number	0	2 by end June 2015	
			iLembe Winery	Implement Sustainability Plan by deadline	Date	Sustainability Plan in progress	End March 2015	
			iLembe Vineyards	Ownership model implemented by deadline	Date	Ownership Model not finalised	End June 2015	
	To increase Manufacturing output in the District	To identify and package new projects in existing sectors	iLembe Broadband/ICT	Final business plan Packaged for Broadband Phase 2 for funding by deadline	Date	New Measure	New Measure	
			Co-operative Development	Number of co-operatives registered to increase new job opportunities	Number	32	15	
				Number of co-operatives trained (skills development)	Number	21	4	
				Number of co-ops assisted with funding applications	Number	4	4	
			New projects in existing sectors	Identify & Package large catalytic projects for funding by deadline	Number	2 projects have been identified, namely poultry and processing facility.	2 by 30 June 2015	
				Identify & Package SMME projects for funding by deadline	Number	4	3	
		To identify and package projects in new sectors	To identify and package new projects in new sectors	Draft Feasibility Study for an identified intervention by deadline	Number	Not done	30 June 2015	

	ANNUAL ACTUAL 2014/2015	ANNUAL TARGET 2015/2016	ANNUAL ACTUAL 2015/2016	BUDGET	REASON FOR VARIANCE	CORRECTIVE MEASURE	PMS COM- MENTS	EVIDENCE REF NUMBER	EVIDENCE	PERFO- MANCE SYMBOL	WEIGHT- INGS
	80%	30% (was 90%) by 30 June 2016	42%	R12mil				1	Y	😊	H
	a) 7 b) 10 c) 29	a) 5 (c) (was 12) by 30 June 2016 b) 8 (c) (was 12) new farms c) 43	a) 5 b) 9 c) 43	R2.3mil	Farmers on the database could not be maintained for support in the final quarter.	The target is being reviewed to include support provided to the independent farmers		2	a) Y b) Y c) Y	a) 😊 b) 😊 c) 😊	H
	0	1 (was 2) by end June 2016	0	Salaries	Ultimate growers pulled out of the project in May. Letter is hereto attached.	Tunnel has been repaired, seedlings have been purchased, implementation to commence		3	Y	😐	M
	Not done	End June 2016	Sustainability Plan Implemented	Salaries				4	Y	😊	M
	Ownership Model not finalised	End June 2016	Ownership Model is not implemented	Salaries	Model was ap- proved on 21 June 2016.			5	Y	😐	H
	New Measure	End June 2016	Final Business Plan	Salaries				6	Y	😊	M
	32	30 (c) (was 36)	30	Salaries				7	Y	😊	M
	21	22 (c) (20)	36	Salaries				8	Y	😊	L
	4	92 (c) (was 6)	92	Salaries				9	Y	😊	M
	2 projects have been identified, namely poultry and processing facility.	2 (c) by 30 June 2016	2	Salaries	Broadband & Poultry			10	Y	😊	M
	4	5	5	Salaries				11	Y	😊	M
	Not done	1(was 2)	1	Salaries	Poultry			12	Y	😊	M

NATIONAL KPAS	IDP OBJECTIVE	DEPARTMENTAL OBJECTIVE	KEY PERFORMANCE AREA	KEY PERFORMANCE INDICATOR	UNIT OF MEASURE	BASELINE	ANNUAL TARGET 2014/2015	
SOCIAL ECONOMIC DEVELOPMENT & PLANNING	To improve coordination in LED between DM & LMs	Identify existing structures and leverage & leverage of those	Use structures to engage and influence government	Number of Technical Sub Forum meetings attended per annum	Number	New Measure	New Measure	
	To increase Manufacturing output in the District	To attract interest in investment in the iLembe District	Provide Market Intelligence (international, national, provincial and local)	Number of intelligence reports developed on the trade and investment market by deadline	Number	1 done by end June 2015	1 by end June 2015	
	To increase Manufacturing output in the District	To facilitate Business Retention & Expansion	To build partnerships	Number of Business Networking Sessions attended/Hosted	Number	7	4	
			To promote Entrepreneurship	Number of Progress Reports submitted on the Entrepreneur Competition.	Number	3	3	
	To capitalise on Tourism potential	To attract interest in investment in the iLembe District	Provide Investment opportunities	Investment Brochure updated/ reviewed to promote the region by deadline	Date	1	30 June 2015	
			Promote Investment Opportunities	Review and update Investment DVD by deadline	Date	New Measure	New Measure	
		To increase visitor numbers to the iLembe District	Tourism Marketing & Promotions	Number of exhibitions attended	Number	8	4	
			Tourism Marketing & Promotions	Number of adverts/advertorials in relevant publications	Number	5	4	
				Develop & Finalise website for Tourism by deadline	Date	New Measure	New Measure	
				Number of Official Tourism Travel Guides for 2016/2017 developed by deadline	Date & Number	1 by April 2015	1 by end June 2015	
				Review and update Tourism DVD	Date	New Measure	New Measure	
				Number of events supported to increase visitors to District	Number	5	3	
			Tourism Development	District Tourism Strategy developed by deadline	Number & Date	New Measure	New Measure	
				Finalise implementation plan for King Shaka Tourism route by deadline	Date	New Measure	New Measure	
INSTITUTIONAL DEVELOPMENT TRANSFORMATION	To increase the District's skills base	To improve the capacity of staff to deliver services	Employee Training	Percentage of employees trained	Percentage	39%	0,35	
	To have an updated, approved and populated organogram	To manage the staff component of the Agency	Well resourced management capacity (Organogram)	a) Reviewed organogram by the board by deadline b) Percentage of posts filled on the organogram	Date & Percentage	a) 02 June 2015 b) 95.8%	a) 31 March 2015 b) 100% by 30 June 2015	

	ANNUAL ACTUAL 2014/2015	ANNUAL TARGET 2015/2016	ANNUAL ACTUAL 2015/2016	BUDGET	REASON FOR VARIANCE	CORRECTIVE MEASURE	PMS COM- MENTS	EVIDENCE REF NUMBER	EVIDENCE	PERFO- MANCE SYMBOL	WEIGHT- INGS
	New Measure	4 (8)	4	Salaries				13	Y	😊	M
	1 done by end June 2015	1 by end June 2016	1	R200 000				14	Y	😊	M
	7	8 (C) (6)	14					15	Y	😊	M
	3	3 (c)	3					16	Y	😊	M
	1	1 by 30 June 2016	1 by 30 May 2016					17	Y	😊	M
	New Measure	1 by 30 June 2016	1 by 30 June 2016					18	Y	😊	M
	8	6 (c) (5)	6	R1.1mil				19	Y	😊	M
	5	4 (c)	6					20	Y	😊	M
	New Measure	30 June 2016	Completed by 30 May 2016		<a href="http://www.northcoast.org.za">www.northcoast.org.za</a>			21	Y- Refer to website link for evidence	😊	M
	1 by April 2015	1 by end June 2016	Completed by end May 2016					22	Y	😊	M
	New Measure	1 by end June 2016	Completed by end May 2016					23	Y	😊	H
	5	5 (c)(was 3)	5					24	Y	😊	M
	New Measure	30 June 2016	Final Strategy by 30 June 2016					25	Y	😊	H
	New Measure	30 June 2016	N/A		Defer KPI to next Financial Year. Awaiting final review and recom- mendations from current Tourism strategy			26	N/A	N/A	H
	39%	60%	63%	R200 000				27	Y	😊	M
	a) 02 June 2015 b) 95.8%	a) 30 June 2016 b) 100% by 30 June 2016	a) Organogram Reviewed b) 100%	Salaries				28	a) Y b) Y	a) b)	M

NATIONAL KPAS	IDP OBJECTIVE	DEPARTMENTAL OBJECTIVE	KEY PERFORMANCE AREA	KEY PERFORMANCE INDICATOR	UNIT OF MEASURE	BASELINE	ANNUAL TARGET 2014/2015	
FINANCIAL VIABILITY & MANAGEMENT	To achieve a clean audit opinion	To ensure adequate financial and administration management	Compliance with MFMA and Clean Administration	a) Clean audit opinion by the AG for 2014/15b) % decrease in AGs findingsc) No repeat findings	a) AG opinion b) Percentage c) Number	a) Clean Audit Opinion Received b) 60% c) 2	a) Clean audit opinion by the AG for 2013/14b) 25%c) 0	
	To ensure sound expenditure management principles	Expenditure Management	Operational expenditure monitoring	Percentage of operational expenditure  (Actual operating expenditure/ Budgeted operating expenditure x 100)	Percentage	97,79%	1	
	To procure quality goods and services in a cost effective, transparent, competitive, equitable and efficient manner within the policy framework	Contract Management	Management of service providers/ Contract Management	Number of Signed Quarterly reports on performance of service providers by management.	Number	4	4	
	To ensure sound and credible general financial management principles	Cashflow Management	Cost Coverage	Cost Coverage ratio (All available cash + investments/monthly fixed operating expenditure)	Ratio	2.12:1	1.0 : 1.0	
			Management of cashflow	Cashflow Management (Ability of EI to meet its financial obligations)	Number	63 days	30 days	

	ANNUAL ACTUAL 2014/2015	ANNUAL TARGET 2015/2016	ANNUAL ACTUAL 2015/2016	BUDGET	REASON FOR VARIANCE	CORRECTIVE MEASURE	PMS COM- MENTS	EVIDENCE REF NUMBER	EVIDENCE	PERFO- MANCE SYMBOL	WEIGHT- INGS
	a) Clean Audit Opinion Received b) 60% c) 2	a) Clean audit opinion by the AG for 2014/15b) 25% c) 0	a) Clean audit opinion b) 50% c) 0	R800 000				29	a) Y b) Y c) Y	a) 😊 b) 😊 c) 😊	M
	97,79%	100%	84%	Salaries	The variance is due to unspent grants that were brought in during the adjustments budget process, pending the response from COGTA on the write off /spend- ing of these grants. The response has still not been received from COGTA.			30	Y	😞	M
	4	4	4	Salaries				31	Y	😊	M
	2.12:1	1.0 : 1.0	0.09 : 1.0	Salaries	DOE has not paid the Entity the March to June invoices. Follow ups have been made on the status and a promise has been made to pay.	This will reconcile when DOE has paid		32	Y	😞	M
	63 days	30 days	3 days	Salaries	DOE has not paid the Entity the March to June invoices. Follow ups have been made on the status and a promise has been made to pay.	This will reconcile when DOE has paid		33	Y	😞	M



NATIONAL KPAS	IDP OBJECTIVE	DEPARTMENTAL OBJECTIVE	KEY PERFORMANCE AREA	KEY PERFORMANCE INDICATOR	UNIT OF MEASURE	BASELINE	ANNUAL TARGET 2014/2015	
FINANCIAL VIABILITY & MANAGEMENT	To ensure sound and credible general financial management principles	Budget & compliance monitoring	Quality, reliable financial statements and management information	Monthly financial information reports ( MFMA Section 71) submitted to the District by deadline	Date	10th day of each month	10th day of each month	
		Budget & monitoring against predetermined objectives	Clean Administration	Performance Report with accurate & complete POEs submitted by deadline - monthly and quarterly	Date	10th day of each month	14th day of each month	
			Coaching session	Number of coaching sessions of employees' performance conducted timeously	Number	4	4	
GOOD GOVERNANCE & DEMOCRACY	To ensure that the entity administration is governed by sound and effective values and principles as outlined in the Constitution of South Africa	To ensure good governance and provide Mandate aligned strategic direction	Multi year strategic plan	Review and approve strategic plan for EI with clear measurable targets by the board by deadline	Date	Final Plan	End of June 2015	
			Good Governance	Number of board meetings held to ensure effectiveness of Board of Directors by deadline	Number	5	4	
		To ensure effectiveness and guidance of the committee in all areas of the entity	Audit Committee	Number of Audit Committee reports submitted to the Board and the District by deadline	Number	2	2	

PERFORMANCE SYMBOLS				
TARGET MET	IN PROGRESS	NOT MET	N/A	TOTAL
	☹	☹		
38	5	0	1	44

	ANNUAL ACTUAL 2014/2015	ANNUAL TARGET 2015/2016	ANNUAL ACTUAL 2015/2016	BUDGET	REASON FOR VARIANCE	CORRECTIVE MEASURE	PMS COM- MENTS	EVIDENCE REF NUMBER	EVIDENCE	PERFO- MANCE SYMBOL	WEIGHT- INGS
	14 Aug 2014 9 Sep 2014 13 Oct 2014 12 Nov 2014 9 Dec 2014 15 Jan 2015 9 Feb 2015 9 Mar 2015 10 April 2015 12 May 2015 10 June 2015 8 July 2015	10th day of each month	14-Sep-2015 12-Oct-2015 10-Nov-2015 7-Dec-2015 11-Jan-2016 10-Feb-2016 08-Mar-2016 11-Apr-2016 09-May-2016 08-Jun-2016 08-Jul-2016	Salaries				34	Y	☺	M
	14Aug 2014 10 Sep 2014 14 Oct 2014 13 Nov 2014 12 Dec 2014 13 Jan 2015 12 Feb 2015 11 Mar 2015 14 April 2015 14 May 2015 17 June 2015 14 July 2015	10th (was 14th) day of each month	14-Aug-2015 14-Sep-2015 14-Oct-2015 13-Nov-2015 10-Dec-2015 13-Jan-2016 10-Feb-2016 09-Mar-2016 11-Apr-2016 10-May-2016 10-Jun-2016 08-Jul-2016	Salaries				35	Y	☺	M
	4	4	4	Salaries				36	Y	☺	L
	Final Plan	End of June 2016	Final Strategy approved on 05 April 2016	Salaries				37	Y	☺	H
	5	4	4	R700 000				38	Y	☺	M
	2	2	2	R450 000				39	Y	☺	M

WEIGHTINGS			
HIGH	MEDIUM	LOW	TOTAL
H	M	L	
9	33	2	44

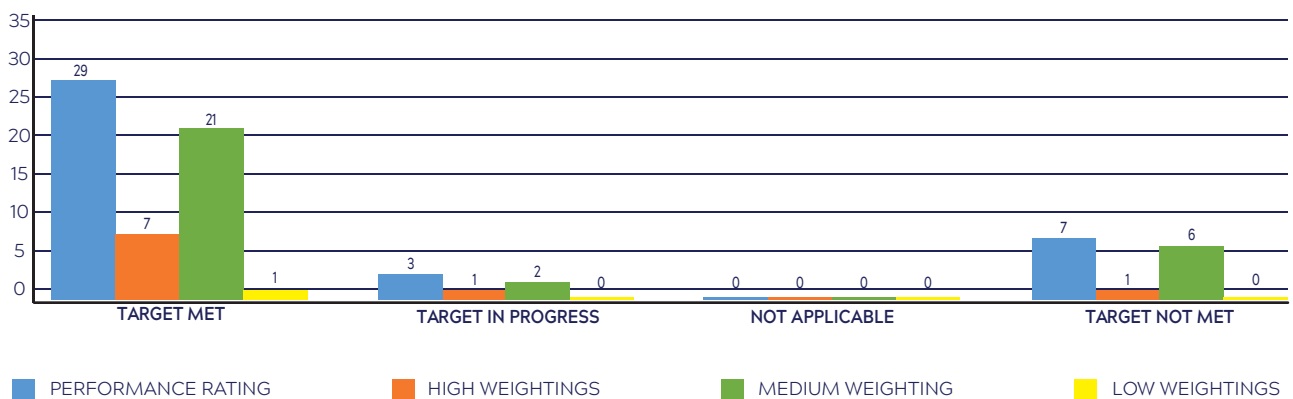
## 6.2 HIGHLIGHTS ON ACTUAL PERFORMANCE

In terms of section 122 of the MFMA the Accounting Officer's assessment of performance against measurable performance objectives set by iLembe District Municipality is as follows:

### Comparison to previous financial years

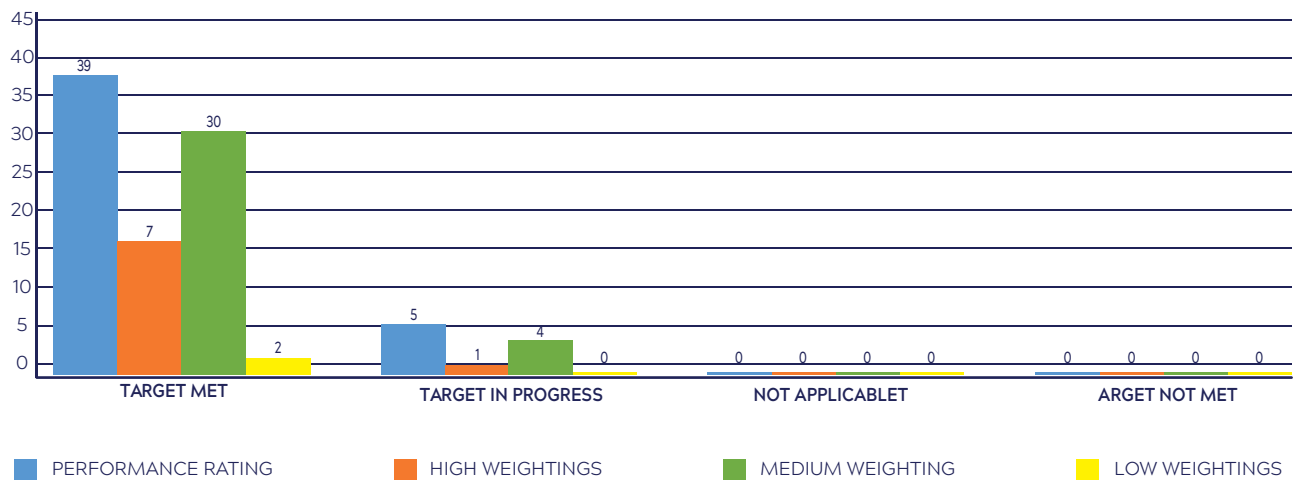
FINANCIAL YEAR	TARGET MET	% ACHIEVED
2015/2016	39 out of 44	87%
2014/2015	29 out of 39	74%
2013/2014	21 out of 29	72%

### 2014/2015 Performance at Enterprise iLembe



KEY PERFORMANCE INDICATORS 15/16	HIGH WEIGHT	MEDIUM WEIGHT	LOW WEIGHT	TOTAL
Target met	7	30	2	39
Target in progress	1	4	0	5
Target not met	0	0	0	0
Not Applicable	0	0	0	0
				44

### 2015/2016 Performance at Enterprise iLembe



#### 6.2.1. SOCIAL ECONOMIC DEVELOPMENT & PLANNING

Enterprise iLembe continues to facilitate and stimulate economic growth in the District, through National Schools Nutrition Programme, tourism, marketing and promotions which will assist in promoting business retention, expansion and attract new investment and create job opportunities.

### 2015/2016 Performance at Enterprise iLembe



#### 6.2.3. PERFORMANCE HIGHLIGHTS FOR 2015/2016

To ensure integrated planning throughout the District, the annual IDP review process was successful and adopted on the 29th May 2016. Eleven planning and infrastructure alignment meetings were held as of end June 2016.

The disaster management unit prepared a full report to the municipal manager on the status of incidents responded to and issues experienced during the financial year.

The entity is on track with most targets, in terms of the schools nutrition programme, 37% of produce is procured from iLembe Local Farmers. Five co-ops were phased out of the Entity's open farms programme, 9 new open farm fields were introduced and 43 existing farms continued to be maintained. The iLembe winery sustainability plan has been completed and implemented. The final business plan has been packaged for Broad Phase 2 for funding. Thirty co-operatives were registered to increase new job opportunities, 36 co-operatives were trained and 93 were assisted with funding applications. The Broadband and poultry projects were identified and packed as large catalytic projects for application for funding.

Two projects were identified and packaged as SMME projects for funding. A draft feasibility study was conducted for poultry that was the identified intervention. To attract interest in investments within the District an intelligence report was developed on the trade and investment market. Fourteen business network sessions were attended/hosted to assist in building partnerships. To promote entrepreneurship three progress reports were submitted on the entrepreneur competition.

To capitalise on tourism potential an investment brochure with review/updates was completed to promote the region, one investment DVD was done, 6 exhibitions were attended, 6 adverts/advertorials were in the relevant publications. The tourism website has been developed and is finalised and the DVD has been reviewed and updated. The official tourism travel guide for 2016/2017 is done and available. The Entity has supported 5 events which will assist in increasing the number of visitors to the District. The final district tourism strategy was developed.

#### **6.2.4. INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION**

The entity continues to improve the capacity of staff and management to deliver services by providing training and having an updated, approved and populated organogram.

##### **Performance Highlights for 2015/2016**

The entity has done well in terms of staff training with 63% against a target of 60%. The organogram was reviewed and approved by the Board of Enterprise iLembe in June 2016, and all positions were filled.

#### **6.2.5. FINANCIAL VIABILITY AND MANAGEMENT**

Effective and adequate financial Management is a priority as the entity continues to work towards maintaining clean administration and a clean audit. Sound expenditure management principles and credible general financial management principles have been adhered to.

##### **Performance Highlights for 2015/2016**

The entity obtained a clean audit for the 2014/2015 financial year, with a 50% decrease in the AG findings and no repeat findings. Four quarterly reports on performance of service providers were completed. All financial information as well as performance information has been prepared and completed timeously and submitted to the District by stipulated deadlines. Performance coaching sessions are done on a quarterly basis to ensure continuous monitoring, to detect and identify challenges towards achieving targets and to ensure measures are taken to improve performance.

#### **6.2.6. GOOD GOVERNANCE AND DEMOCRACY**

To ensure that the entity administration is governed by sound and effective values and principles as outlined in the relevant legislation.

##### **Performance Highlights for 2015/2016**

The multi-year strategic plan was approved in April 2016, 4 Board meetings were held and two Audit Committee reports were submitted to the Board as per legislation.

#### **6.2.7. PERFORMANCE OF SERVICE PROVIDERS**

All service provider's performance is monitored and reviewed on a monthly and quarterly basis, however as defined in the Systems Act Section 76 the service providers performing the core functions of the entity are rated below in table 4.2

**Performance Analysis and rating criteria:**

PERFORMANCE WEIGHTING		
1	POOR	Performance did not meet most contractual requirements and contains serious problem(s) for which correction actions were ineffective.
2	SATISFACTORY	Performance did not meet some contractual requirements, contractors actions appear only marginally effective or were not fully implemented.
3	GOOD	Contractual performance of contractor contains some minor problems for which corrective action taken by the contractor appear or were satisfactory
4	VERY GOOD	Performs meets contractual requirements some minor problems for which corrective action taken by the contractor were effective

## SERVICE PROVIDER PERFORMANCE REPORT

SERVICE PROVIDER PERFORMANCE REPORT														
2014/2015 ANNUAL PERFORMANCE RATINGS										2015/2016 ANNUAL PERFORMANCE RATINGS				
COMPANY NAME	EXCELLENT (5)	VERY GOOD (4)	GOOD (3)	SATISFACTORY (2)	POOR (1)	NOT ENGAGED	NO REPORT SUBMITTED	EXCELLENT (5)	VERY GOOD (4)	GOOD (3)	SATISFACTORY (2)	POOR (1)	NOT ENGAGED	NO REPORT SUBMITTED
Zunco Foods - Establishment and Operation of Agri-processing facilities in iLembe				✓									✓	
Panel of forty-eight (48) service providers for the transportation of vegetables for the NSNP						✓			✓					
Panel of five (5) service providers appointed for the purposes of Land Preparation for the Open Fields Project						✓			✓					

## CONCLUSION

Enterprise iLembe will continue to strive to play a pivotal role in the development and growth of the iLembe District. We have had another positive year and believe that the Agency is delivering real value to the communities of iLembe and is starting to make immediate impact in the lives of the people.

We need to continuously ensure that our actions create confidence in the communities we serve in order that we pave the way for future leaders to be able to pick up from where others have left off; that there is continuity and accountability for our actions.

Our value statement should therefore always be:

***“Economic Development that will change the lives of our people”***

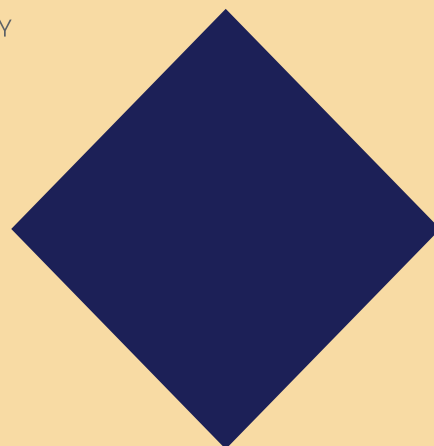






enterprise ilembe

ECONOMIC DEVELOPMENT AGENCY



PHYSICAL ADDRESS

Enterprise iLembe, Cnr, Link Road and Ballito Drive  
Ballito, 4420

POSTAL ADDRESS

P.O Box 539 Ballito, KwaZulu-Natal,  
South Africa, 4420

TELEPHONE

+27 (0) 32 946 1256

FAX

+27 (0) 32 946 3515

EMAIL

[info@enterpriseilembe.co.za](mailto:info@enterpriseilembe.co.za)

WEBSITE

[www.enterpriseilembe.co.za](http://www.enterpriseilembe.co.za)