



**enterprise ilembe**  
ECONOMIC DEVELOPMENT AGENCY

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

Registration Number: 2006 / 032665 / 07

**ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

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

## **FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

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

**GENERAL INFORMATION**

**REGISTRATION NUMBER:**

2006/032665/07

**EXTERNAL AUDITORS:**

Auditor General

**BANKERS:**

ABSA

**POSTAL ADDRESS:**

P O Box 593

Ballito

4420

**PHYSICAL ADDRESS:**

Sangweni Tourism Centre

Cnr. Ballito Drive and Link Road

Ballito

**TELEPHONE:**

032-9461256

**FAX:**

086 219 8745

**BANKERS**

ABSA – Public Sector Division

**AUDITOR**

Auditor General of South Africa

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

## **REPORT**

In terms of section 299 of the Companies Act, 1973, the following report is submitted for the year ended 30 June 2011.

### **GENERAL REVIEW**

The entity was incorporated on 27 October 2008 and replaced the Ilembe Development Foundation which was incorporated on 8 November 2002 and commenced business operations on 1 July 2006. The change was necessary to comply with Section 93 of the Municipal Systems Act. Subject to this there has been no material change in the nature or conduct of the entity's business during the period under review. The financial statements adequately disclose the results of the operations for the period under review and the state of the entity's affairs at 30 June 2011.

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

### **NATURE OF BUSINESS**

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

### **SHARE CAPITAL**

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

### **DIVIDENDS**

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

### **LIST OF DIRECTORS**

C M Manci - Chairperson

B N Linda

I Deetlefs

P M Mabaso

R Meer

D Naidoo (Resigned - September 2010)

M H Gumede (Resigned - September 2010)

T Chetty (Resigned - November 2010)

Fees for attendance at meetings totalling R418 240 (R106 000 in 2010) were paid during the year under review.



## ACCOUNTING OFFICER'S RESPONSIBILITIES AND APPROVAL

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with the Standards of Generally Recognized Accounting Practices (GRAP).

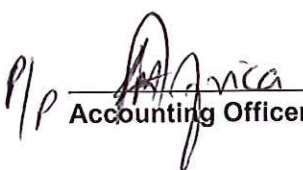
The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The accounting officer acknowledges that she is ultimately responsible for the system of internal financial control established by the entity and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimize it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

I am responsible for the preparation of these annual financial statements, which are set out on the following pages, in terms of Section 126(2) of the Municipal Finance Management Act and which I have signed on behalf of the entity.

The annual financial statements set out on the following pages, which have been prepared on the going concern basis, were approved by the accounting officer on the 31st August 2011 and were signed on the entity's behalf by:

  
Accounting Officer

**ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD**  
**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2011**

	Note	2011 R.	2010 R.
<b>ASSETS</b>			
<b>Current assets</b>		<b>27 633 326</b>	<b>18 920 610</b>
Call and Investment Deposits	2	22 167 237	14 772 244
Bank Balance and Cash	2	3 517 196	2 201 284
Receivables	3	285 875	1 349 242
VAT receivable	9	1 663 018	597 840
<b>Non-current assets</b>		<b>27 322 820</b>	<b>7 208 472</b>
Property, plant and equipment	6	27 296 470	7 182 122
Loans & Receivables	4	26 350	26 350
<b>Total assets</b>		<b>54 956 146</b>	<b>26 129 082</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts Payable	7	5 087 829	4 937 948
Unspent conditional grants and receipts	10	23 580 510	13 886 420
Provision	11	155 460	43 224
<b>Total liabilities</b>		<b>28 823 799</b>	<b>18 867 592</b>
<b>Net assets</b>		<b>26 132 347</b>	<b>7 261 490</b>
<b>NET ASSETS</b>			
Accumulated surplus		26 132 247	7 261 390
Share Capital	5	100	100
<b>Total net assets</b>		<b>26 132 347</b>	<b>7 261 490</b>

**ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011**

	Note	2011 R.	2010 R.
<b>Revenue</b>			
Grants	14	29 671 659	12 521 895
Interest Received	13	1 277 735	363 763
Rental Income	12	219 784	180 000
Other Income		550	15 600
<b>Total revenue</b>		<b>31 169 728</b>	<b>13 081 258</b>
<b>Expenses</b>			
Employee related costs	15	2 462 160	500 767
Directors Attendance Fees	16	418 240	106 000
Depreciation and amortisation expense	17	82 762	26 415
Repairs and maintenance		27 663	83 491
Provisions	11	112 236	43 224
Contracted Services	18	756 377	
Grant expenditure	19	4 745 405	3 448 701
General expenses	19	3 768 744	2 519 693
<b>Total expenses</b>		<b>12 373 586</b>	<b>6 728 291</b>
<b>Surplus / (deficit) for the period</b>		<b>18 796 142</b>	<b>6 352 967</b>
(Loss) on sale of assets	20	-	(1 952)
<b>Net Surplus / (deficit) for the period</b>		<b>18 796 142</b>	<b>6 351 015</b>

**ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD**  
**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2011**

	Shares	Accumulated Surplus/(Deficit)	Total: Net Assets
	R	R	R
<b>Balance at 30 June 2009</b>	<b>100</b>	<b>873 451</b>	<b>873 551</b>
<b>Restated balance</b>	<b>100</b>	<b>873 451</b>	<b>873 551</b>
Surplus / (deficit) for the period	-	6 351 015	6 351 015
Donated and contributed PPE	-	36 924	36 924
<b>Balance at 30 June 2010</b>	<b>100</b>	<b>7 261 390</b>	<b>7 261 490</b>
Correction of prior period error	-	74 716	74 716
<b>Restated balance</b>	<b>100</b>	<b>7 336 106</b>	<b>7 336 206</b>
Surplus / (deficit) for the period	-	18 796 142	18 796 142
<b>Balance at 30 June 2011</b>	<b>100</b>	<b>26 132 247</b>	<b>26 132 347</b>



**ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD  
CASH FLOW STATEMENT AS AT 30 JUNE 2011**

	Note	2011 R	2010 R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash generated from operations</b>		<b>27 555 562.12</b>	<b>22 517 504.00</b>
Cash receipts from ratepayers, government and other		34 512 458.08	29 196 156.00
Cash paid to suppliers and employees		(6 956 895.96)	(6 678 652.00)
Interest received		1 277 734.94	363 763.00
Interest paid		-	-
		1 277 734.94	363 763.00
<b>Net cash flows from operating activities</b>	22	<b>28 833 297.06</b>	<b>22 881 267.00</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(20 122 393)	(7 210 489)
Proceeds on disposal of property plant and equipment			
Investment Redeemed / (Made)			
<b>Net cash flows from investing activities</b>		<b>(20 122 393)</b>	<b>(7 210 489)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
New loans raised/(repaid)			
<b>NET CASH FROM FINANCING ACTIVITIES</b>		-	-
<b>Net increase in cash and cash equivalents</b>		<b>8 710 904</b>	<b>15 670 778</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>16 973 528</b>	<b>1 302 750</b>
<b>Cash and cash equivalents at end of period</b>	23	<b>25 684 432</b>	<b>16 973 528</b>

## ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

#### 1 ACCOUNTING POLICY NOTE

##### 1.1 BASIS OF PREPARATION

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

These standards are summarised as follows:

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

##### 1.2 PROPERTY, PLANT AND EQUIPMENT

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

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

		<b>Depreciation Rate</b>
Furniture and equipment	7 years	15%
Machinery and equipment	7 years	15%
Computer equipment	5 years	20%

All the above categories of fixed assets are included in property plant and equipment disclosed as other assets in the Statement of Financial Position.



## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

The estimated useful lives and residual values of property, plant and equipment are periodically reviewed and adjusted where necessary.

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

### **1.3 LEASED ASSETS**

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

All other leases are treated as operating leases and the relevant rentals are charged to the operating account in a systematic manner related to the period of use of the asset concerned.

### **1.4 CURRENCY**

These financial statements are presented in South African Rand.

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

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

Other income is recognised in the Statement of Financial Performance on an accrual basis.

### **1.6 PROVISIONS**

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

### **1.7 ACCOUNTS PAYABLE**

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

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

### **1.8 FINANCIAL INSTRUMENTS**

Financial instruments are initially measured at fair value. The subsequent measurement of financial instruments is dealt with below and in the absence of an approved GRAP standard, is in accordance with IAS 39.

#### **1.8.1 INVESTMENTS**

Financial instruments, which include unlisted, reciprocal municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks are stated in the annual financial statements at the lower of cost or fair value. No impairments are required as the cost values equate to their cash values.

Where investments have been impaired, the carrying values are adjusted by the impairment losses, which are recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net proceeds on disposal and the carrying amount is charged or credited to the Statement of Financial Performance.

#### **1.8.2 ACCOUNTS RECEIVABLE**

Account 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. 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.

Bad debts are written off during the year in which they are identified.

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

#### **1.8.3 CASH AND CASH EQUIVALENT**

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

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded at the current value of the utilisation of approved facilities from the Municipality's bankers. Finance charges on bank overdrafts are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

### **1.9 RELATED PARTIES**

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

### **1.10 CONDITIONAL GRANTS AND RECEIPTS**

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

### **1.11 CREDIT RISK**

Exposure to credit risk is minimal due to the nature of the entity. The income mainly comprises of grants from the iLembe District Municipality.

### **1.12 LIQUIDITY RISK**

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

### **1.13 GOING CONCERN**

These annual financial statements have been prepared on a going concern basis.



**ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD  
NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2011**

	2011	2010
	R	R
<b>2 CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents consist of the following:		
Cash at bank	3 515 196	2 199 284
Call Investments	22 167 237	14 772 244
Cash on hand	2 000	2 000
	25 684 433	16 973 528

The Entity has the following bank accounts: -

**Current Account (Primary Bank Account)**

ABSA, Public Sector Branch, Account Number 4060362852

Cash book balance at beginning of year	2 199 284	1 302 750
Cash book balance at end of year	3 515 196	2 199 284
Bank statement balance at beginning of year	2 199 284	1 302 750
Bank statement balance at end of year	3 515 196	2 199 284

**Call Investment**

Investec, Sandton Branch, Account No. 50004108608

Cash book balance at beginning of year	14 772 244	-
Cash book balance at end of year	22 167 237	14 772 244
Bank statement balance at beginning of year	14 772 244	-
Bank statement balance at end of year	22 167 237	14 772 244

**Cash on hand**

Petty Cash	2 000	2 000
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**ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD  
NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2011**

	2011	2010
	R	R
<b>3 RECEIVABLES</b>		
Ilembe District Municipality	224 143	1 349 242
Operating Lease Asset	61 733	
<b>Total Other Debtors</b>	<u>285 875</u>	<u>1 349 242</u>
Receivables Ageing:		
61-90 days	224 743	349 242
Greater than 150 days	61 733	1 000 000
	<u>285 875</u>	<u>1 349 242</u>
<b>4 LOANS &amp; RECIEVABLES</b>		
Coastal Farmers	20 000	20 000
Eskom	6 350	6 350
	<u>26 350</u>	<u>26 350</u>
These represent deposits held by suppliers		
<b>5 ISSUED SHARE CAPITAL</b>		
<b>Authorised Shares:</b>		
Ordinary Shares: 100 @ R1 each	<u>100</u>	<u>100</u>
<b>Issued Share Capital:</b>		
Ordinary Shares: 100 @ R1 each	<u>100</u>	<u>100</u>

**ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD  
NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2011 CONTD.**

**6 PROPERTY, PLANT AND EQUIPMENT**

Reconciliation of Carrying Value	Land R	Buildings R	Infrastr ucture R	Other Assets R	Projects Under Construction R	Total R
<b>Carrying values at 1 July 2009</b>	-	-	-	-	-	-
Cost/Revaluation	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-
	-	-	-	416 032	6 768 042	7 184 074
Acquisitions	-	-	-	442 447	-	442 447
Projects under Construction	-	-	-	-	6 768 042	6 768 042
Depreciation	-	-	-	26 415	-	26 415
<b>Carrying value of disposals</b>	-	-	-	1 952	-	1 952
Cost/Revaluation	-	-	-	2 300	-	2 300
Accumulated depreciation and impairment losses	-	-	-	348	-	348
<b>Carrying values at 30 June 2010</b>	-	-	-	414 080	6 768 042	7 182 122
Cost/Revaluation	-	-	-	440 147	6 768 042	7 208 189
Accumulated depreciation and impairment losses	-	-	-	26 067	-	26 067

Projects under Construction refer to community projects which will eventually be transferred to a special purpose vehicle once established.



**ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD  
NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2011 CONTD.**

**6 PROPERTY, PLANT AND EQUIPMENT Contd.**

Reconciliation of Carrying Value	Land R	Buildings R	Infrastr ucture R	Other Assets R	Projects Under Construction R	Total R
<b>Carrying values at 1 July 2010</b>	-	-	-	414 080	6 768 042	7 182 122
Cost/Revaluation	-	-	-	440 147	6 768 042	7 208 189
Accumulated depreciation and impairment losses	-	-	-	26 067	-	26 067
	<b>27 159</b>	-	-	137 015	19 950 174	20 114 348
Acquisitions	27 159	-	-	219 776	-	246 935
Projects under Construction	-	-	-	-	19 950 174	19 950 174
Depreciation	-	-	-	82 761	-	82 761
Carrying value of disposals	-	-	-	-	-	-
Cost/Revaluation	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-
<b>Carrying values at 30 June 2011</b>	<b>27 159</b>	-	-	<b>551 095</b>	<b>26 718 216</b>	<b>27 296 470</b>
Cost/Revaluation	27 159	-	-	659 923	26 718 216	27 405 298
Accumulated depreciation and impairment losses	-	-	-	108 828	-	108 828

Projects under Construction refer to community projects which will eventually be transferred to a special purpose vehicle once established.

**ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD**  
**NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2011 CONTD.**

	<b>2011</b>	<b>2010</b>
	<b>R</b>	<b>R</b>
<b>7 TRADE AND OTHER PAYABLES</b>		
Ilembe District Municipality	1 050 034	198 863
Umgeni Water	-	-
Auditing Fees	-	-
Trade Creditors	665 610	
Accrual Expenditure	3 325 876	4 708 731
Accruals Lease Expenses	46 309	30 354
<b>Total creditors</b>	<b><u>5 087 829</u></b>	<b><u>4 937 948</u></b>

The fair value of trade and other payables approximates their carrying amounts.

**8 VAT PAYABLE**

VAT payable	<b><u>(25 200)</u></b>	<b><u>-</u></b>
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VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

**9 VAT RECEIVABLE**

VAT receivable	<b><u>1 688 218</u></b>	<b><u>597 840</u></b>
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VAT is receivable on the payments basis. VAT is receivable from SARS only once payment is made to the creditor.

**ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD  
NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2011 CONTD.**

	2011 R	2010 R
<b>10 UNSPENT CONDITIONAL GRANTS AND RECEIPTS</b>		
Unspent Grant Salaries Ex IDC	-	809 746
Unspent Grant Ilembe District Municipality - LED	-	117 317
Unspent Grant Ilembe District Municipality - Tourism	-	163 018
Unspent Grant Agri Processing Ex DCGTA	5 354 927	4 018 213
Unspent Grant Disaster Management	55 318	292 932
Unspent Grant Broadband Project Ex DCGTA	2 369 200	2 961 896
Unspent Grant Biodiesel Production Facility Ex DCGTA	2 184 800	1 568 780
Unspent Grant North Coast Wine Project Ex DCGTA	8 441 656	2 671 449
Unspent Grant Amacambini Dev Project Ex DCGTA	757 666	955 921
Unspent Grant Integrated Craft Hub	321 664	327 148
Unspent Grant Siza Water Concession	498 246	-
Unspent Grant Maphumulo Small Town Rehabilitation	85 965	-
Unspent Grant Nonoti Beach Resort Business plan	49 123	-
Unspent Grant Moringa Tree Plantation	3 461 947	-
	<b>23 580 510</b>	<b>13 886 420</b>

See Note 14 for reconciliation of grants and receipts.  
These amounts are invested in ring-fenced investment until utilised.

**11 PROVISIONS**

Provision for leave pay	155 460	43 224
<u>Reconciliation of leave pay provision</u>		
Balance at beginning of the year	43 224	-
Contribution to provision	112 236	43 224
Expenditure against the provision	-	-
Balance at year end	<b>155 460</b>	<b>43 224</b>

**ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD**  
**NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2011 CONTD.**

	2011 R	2010 R
<b>12 RENTAL INCOME OF FACILITIES</b>		
Rental of buildings	219 784	180 000
<b>Total rentals</b>	<b>219 784</b>	<b>180 000</b>
<b>13 INTEREST EARNED - EXTERNAL INVESTMENTS</b>		
Bank	78 038	81 119
Call investment	1 199 697	282 644
<b>Total interest</b>	<b>1 277 735</b>	<b>363 763</b>
<b>14 GOVERNMENT GRANTS AND SUBSIDIES</b>		
Grant Operational ex IDM	2 163 171	1 620 000
Grant Other Ex IDM	198 263	
Grant Salaries Ex IDC	2 120 259	500 767
Grant Agricultural Hub Ex IDC	622 079	622 079
Grant Industrial Development Strategy Ex IDC	186 624	186 624
Grant Broadband Project Ex IDC	186 623	186 623
Grant North Coast Wine Project Ex IDC	182 477	182 477
Grant Ilembe District Municipality - LED	1 617 317	1 182 683
Grant Ilembe District Municipality - Tourism	963 018	536 982
Grant Agri Processing Ex DCGTA	9 663 286	3 981 787
Grant Industrial Development Strategy Ex DCGTA	-	1 300 000
Grant Disaster Management	237 614	207 068
Grant Broadband Project Ex DCGTA	3 092 696	38 104
Grant Biodiesel Production Facility Ex DCGTA	3 299 980	431 220
Grant North Coast Wine Project Ex DCGTA	3 229 793	1 328 551
Grant Amacambini Dev Project Ex DCGTA	198 255	44 079
Grant Integrated Craft Hub	5 484	172 852
Grant Nonoti Beach Resort Business plan	350 877	-
Grant Maphumulo Small Town Regeneration	614 035	-
Grant Moringa Tree Plantation	38 053	-
Grant Siza Water Concession	701 754	-
	<b>29 671 659</b>	<b>12 521 896</b>



ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD  
 NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2011 CONTD.

	2011 R	2010 R
<b>14.1 Grant Salaries Ex IDC</b>		
Balance unspent at beginning of year	809 746	-
Current year receipts	1 310 513	1 310 513
Conditions met - transferred to revenue	2 120 259	500 767
<b>Conditions still to be met - remain liabilities (see note 10)</b>	<u>-</u>	<u>809 746</u>
<b>14.2 Grant Agricultural Hub Ex IDC</b>		
Balance unspent at beginning of year	-	-
Current year receipts	622 079	622 079
Conditions met - transferred to revenue	622 079	622 079
<b>Conditions still to be met - remain liabilities (see note 10)</b>	<u>-</u>	<u>-</u>
<b>14.3 Grant Industrial Development Strategy Ex IDC</b>		
Balance unspent at beginning of year	-	-
Current year receipts	186 624	186 624
Conditions met - transferred to revenue	186 624	186 624
<b>Conditions still to be met - remain liabilities (see note 10)</b>	<u>-</u>	<u>-</u>
<b>14.4 Grant Broadband Project Ex IDC</b>		
Balance unspent at beginning of year	-	-
Current year receipts	186 623	186 623
Conditions met - transferred to revenue	186 623	186 623
<b>Conditions still to be met - remain liabilities (see note 10)</b>	<u>-</u>	<u>-</u>
<b>14.5 Grant North Coast Wine Project Ex IDC</b>		
Balance unspent at beginning of year	-	-
Current year receipts	182 477	182 477
Conditions met - transferred to revenue	182 477	182 477
<b>Conditions still to be met - remain liabilities (see note 10)</b>	<u>-</u>	<u>-</u>

**ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD  
NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2011 CONTD.**

	2011 R	2010 R
<b>14.6 Grant Ilembe District Municipality - LED</b>		
Balance unspent at beginning of year	117 317	-
Current year receipts	1 500 000	1 300 000
Conditions met - transferred to revenue	1 617 317	1 182 683
<b>Conditions still to be met - remain liabilities (see note 10)</b>	<b>-</b>	<b>117 317</b>
<b>14.7 Grant Ilembe District Municipality - Tourism</b>		
Balance unspent at beginning of year	163 018	-
Current year receipts	800 000	700 000
Conditions met - transferred to revenue	963 018	536 982
<b>Conditions still to be met - remain liabilities (see note 10)</b>	<b>-</b>	<b>163 018</b>
<b>14.8 Grant Agri Processing Ex DCGTA</b>		
Balance unspent at beginning of year	4 018 213	-
Current year receipts	11 000 000	8 000 000
Conditions met - transferred to revenue	9 663 286	3 981 787
<b>Conditions still to be met - remain liabilities (see note 10)</b>	<b>5 354 927</b>	<b>4 018 213</b>
<b>14.9 Grant Industrial Development Strategy Ex DCGTA</b>		
Balance unspent at beginning of year	-	-
Current year receipts	-	1 300 000
Conditions met - transferred to revenue	-	1 300 000
<b>Conditions still to be met - remain liabilities (see note 10)</b>	<b>-</b>	<b>-</b>
<b>14.10 Grant Disaster Management</b>		
Balance unspent at beginning of year	292 932	-
Current year receipts	-	500 000
Conditions met - transferred to revenue	237 614	207 068
<b>Conditions still to be met - remain liabilities (see note 10)</b>	<b>55 318</b>	<b>292 932</b>
<b>14.11 Grant Broadband Project Ex DCGTA</b>		
Balance unspent at beginning of year	2 961 896	-
Current year receipts	2 500 000	3 000 000
Conditions met - transferred to revenue	3 092 696	38 104
<b>Conditions still to be met - remain liabilities (see note 10)</b>	<b>2 369 200</b>	<b>2 961 896</b>



ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD  
 NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2011 CONTD.

	2011 R	2010 R
<b>14.12 Grant Biodiesel Production Facility Ex DCGTA</b>		
Balance unspent at beginning of year	1 568 780	-
Current year receipts	3 916 000	2 000 000
Conditions met - transferred to revenue	3 299 980	431 220
<b>Conditions still to be met - remain liabilities (see note 10)</b>	<b><u>2 184 800</u></b>	<b><u>1 568 780</u></b>
<b>14.13 Grant North Coast Wine Project Ex DCGTA</b>		
Balance unspent at beginning of year	2 671 449	-
Current year receipts	9 000 000	4 000 000
Conditions met - transferred to revenue	3 229 793	1 328 551
<b>Conditions still to be met - remain liabilities (see note 10)</b>	<b><u>8 441 656</u></b>	<b><u>2 671 449</u></b>
<b>14.14 Grant Amacambini Dev Project Ex DCGTA</b>		
Balance unspent at beginning of year	955 921	-
Current year receipts	-	1 000 000
Conditions met - transferred to revenue	198 255	44 079
<b>Conditions still to be met - remain liabilities (see note 10)</b>	<b><u>757 666</u></b>	<b><u>955 921</u></b>
<b>14.15 Grant Integrated Craft Hub</b>		
Balance unspent at beginning of year	327 148	-
Current year receipts	-	500 000
Conditions met - transferred to revenue	5 484	172 852
<b>Conditions still to be met - remain liabilities (see note 10)</b>	<b><u>321 664</u></b>	<b><u>327 148</u></b>
<b>14.16 Grant Nonoti Beach Resort Business plan</b>		
Balance unspent at beginning of year	-	-
Current year receipts	400 000	-
Conditions met - transferred to revenue	350 877	-
<b>Conditions still to be met - remain liabilities (see note 10)</b>	<b><u>49 123</u></b>	<b><u>-</u></b>
<b>14.17 Grant Maphumulo Small Town Regeneration</b>		
Balance unspent at beginning of year	-	-
Current year receipts	700 000	-
Conditions met - transferred to revenue	614 035	-
<b>Conditions still to be met - remain liabilities (see note 10)</b>	<b><u>85 965</u></b>	<b><u>-</u></b>

**ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD  
NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2011 CONTD.**

	2011 R	2010 R
<b>14.18 Grant Moringa Tree Plantation</b>		
Balance unspent at beginning of year	-	-
Current year receipts	3 500 000	-
Conditions met - transferred to revenue	38 053	-
<b>Conditions still to be met - remain liabilities (see note 10)</b>	<b>3 461 947</b>	<b>-</b>

<b>14.19 Grant Siza Water Concession</b>		
Balance unspent at beginning of year	-	-
Current year receipts	1 200 000	-
Conditions met - transferred to revenue	701 754	-
<b>Conditions still to be met - remain liabilities (see note 10)</b>	<b>498 246</b>	<b>-</b>

**15 EMPLOYEE RELATED COSTS**

Employee related costs - Salaries and Wages	2 441 458	477 610
Employee related costs - Contributions for UIF, pensions and medical aids	20 702	6 260
Travel, motor car, accommodation, subsistence and other allowances	-	8 160
Other employee related costs	-	8 737
<b>Total Employee Related Costs</b>	<b>2 462 160</b>	<b>500 767</b>

**Remuneration of the Chief Executive Officer**

Annual Remuneration	519 750	412 919
Travel, motor car, accommodation, subsistence and other allowances	205 613	8 160
Contributions to UIF, Medical and Pension Funds	-	5 029
<b>Total</b>	<b>725 363</b>	<b>426 108</b>

The Chief Executive Officer was employed for the full duration of the financial year

**Remuneration of the Chief Financial Officer**

Annual Remuneration	67 083	100 195
Travel, motor car, accommodation, subsistence and other allowances	-	-
Contributions to UIF, Medical and Pension Funds	-	-
<b>Total</b>	<b>67 083</b>	<b>100 195</b>

The Chief Financial Officer was engaged on the 01st June 2011

**ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD  
NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2011 CONTD.**

	<b>2011</b>	<b>2010</b>
	<b>R</b>	<b>R</b>
<b>16 REMUNERATION OF BOARD MEMBERS</b>		
Attendance Fees at Meetings		
M C Mancini	91 998	21 000
T C Chetty	32 250	25 000
B N Linda	82 248	25 000
M H Gumede	15 000	12 500
D Naidoo	17 500	22 500
Ian Deetlefs	60 748	
PM Mabaso	60 748	
Riaz Meer	57 748	
<b>Total Board Members' Remuneration</b>	<b>418 240</b>	<b>106 000</b>
<b>17 DEPRECIATION AND AMORTISATION EXPENSE</b>		
Property, plant and equipment	82 762	26 415
<b>Total Depreciation and Amortisation</b>	<b>82 762</b>	<b>26 415</b>
<b>18 CONTRACTED SERVICES</b>		
Project Management Unit	-	1 971 883
Accounting Services	83 802	-
Internal Audit Services	222 723	
ICT Services	149 525	
Office Rental	225 286	250 553
Building Maintenance	75 042	
<b>Total Contracted Services</b>	<b>756 377</b>	<b>2 222 436</b>

**ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD  
NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2011 CONTD.**

	<b>2011</b>	<b>2010</b>
	<b>R</b>	<b>R</b>
<b>19 GENERAL EXPENSES</b>		
Included in general expenses are the following:-		
Advertising	559 039	243 863
Audit fees	219 610	-
Bank charges	8 810	3 991
Consumables	-	11 114
Entertainment	24 154	88 242
Legal expenses	-	20 055
Marketing and Communication	872 299	367 753
Professional fees	582 503	1 051 715
Office Expenses	336 662	168 762
Subscriptions & publications	32 262	905
Telephone cost	163 904	5 436
Training	116 521	18 584
Travel and subsistence	406 327	123 430
Board Expenses - Other	75 185	
Other	371 468	165 290
<b>Total General Expenses</b>	<b><u>3 768 744</u></b>	<b><u>2 269 140</u></b>

**19 GENERAL EXPENSES Contd.**

Included in grant expenditure is the following:-

LED Projects	1 756 218	1 080 422
Industrial Development Strategy	3 000	1 551 610
Amacambini Development	198 255	44 079
Maphumulo Small Town Regeneration	614 035	
Nonoti Beach Resort Business Plan	350 877	
Siza Water Concession Monitoring	701 754	
New Projects	51 350	
Disaster Management	237 614	207 069
Integrated Craft Hub	5 484	172 852
Tourism	826 816	392 669
<b>Total Grant Expenditure</b>	<b><u>4 745 405</u></b>	<b><u>3 448 701</u></b>

**20 (LOSS) ON SALE OF ASSETS**

Property, plant and equipment	-	(1 952)
<b>Total (Loss) on Sale of Assets</b>	<b><u>-</u></b>	<b><u>(1 952)</u></b>



**ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD**  
**NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2011 CONTD.**

	2011 R	2010 R
<b>21 GAIN ON FAIR VALUE ADJUSTMENT</b>		
Property, plant and equipment	-	36 924
<b>Total Gain on Fair Value Adjustment</b>	<u>-</u>	<u>36 924</u>
<b>22 CASH GENERATED BY OPERATIONS</b>		
Surplus/(deficit) for the year	18 796 142	6 351 015
Adjustment for:-		
Depreciation and amortisation	82 761	26 415
Contribution to leave provision	112 236	43 224
Loss on sale of assets	-	1 952
Gain on fair valuing assets	-	36 924
<b>Operating surplus before working capital changes:</b>	<u>18 991 138</u>	<u>6 459 530</u>
Decrease /(Increase) in trade receivables	1 063 367	(1 349 242)
(Increase) in VAT receivable	(1 065 178)	(597 840)
Increase / (Decrease) in trade payables	149 881	4 508 749
(Increase) in deposits	-	(26 350)
Increase in unspent conditional grants	9 694 090	13 886 420
<b>Cash generated by operations</b>	<u>28 833 297</u>	<u>22 881 267</u>
<b>23 CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Bank balances and cash	3 517 196	2 201 284
Call Deposits	22 167 237	14 772 244
<b>Net cash and cash equivalents</b>	<u>25 684 433</u>	<u>16 973 528</u>

**ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD  
NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2011 CONTD.**

	<b>2011</b>	<b>2010</b>
	<b>R</b>	<b>R</b>
<b>24 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>		
<b>24.1 Audit fees</b>		
Opening balance	-	9 120
Current year audit fee	219 610	-
Amount paid - current year	(219 610)	-
Amount paid - previous years	-	9 120
<b>Balance unpaid (included in payables)</b>	<b>-</b>	<b>-</b>
<b>24.2 VAT</b>		
Total Output VAT	(2 113)	-
Total Input VAT	2 969 132	597 840
VAT Claims Received	(1 278 800)	-
<b>Total VAT Claimable</b>	<b>1 688 218</b>	<b>597 840</b>

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

**24.3 PAYE and UIF**

Opening balance	-	-
Current year payroll deductions	232 211	132 706
Amount paid - current year	(232 211)	132 706
Amount paid - previous years	-	-
<b>Balance unpaid (included in payables)</b>	<b>-</b>	<b>-</b>

**24.4 Risk Management**

**Liquidity Risk**

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an on-going review of future commitments and credit facilities, where these exist.

Cash flow forecasts are prepared and adequate utilized borrowing facilities are monitored.

**Interest rate risk**

Deposits attract interest rates that vary with prime, the entity's policy is to manage interest rate risk so that fluctuations in variable rates do not have material impact on profit or loss



**ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD  
NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2011 CONTD.**

2011                      2010  
R                              R

**Credit risk**

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

**24.5 Going Concern**

At 30 June 2011, the entity had accumulated surpluses up to R26 132 347 and the municipality's total assets exceeded its liabilities by R26 132 347. The accumulated surpluses were however only partially cash-backed.

**24.6 Financial Assets By Category**

The accounting policies for financial instruments have been applied to the line items below:

2011

	Loans and receivables	Available- for-sale	Total
Loans and receivables	26 350	-	26 350
Receivables from exchange transactions	62 816	-	62 816
Call investment deposits	22 167 237	-	22 167 237
	<b>22 256 403</b>	<b>-</b>	<b>22 256 403</b>

2010

	Loans and receivables	Available- for-sale	Total
Loans and receivables	26 350	-	26 350
Receivables from exchange transactions	-	-	-
Call investment deposits	14 772 244	-	14 772 244
	<b>14 798 594</b>	<b>-</b>	<b>14 798 594</b>

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD  
 NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2011 CONTD.

	2011 R	2010 R
<b>24.7 <u>Financial Liabilities By Category</u></b>		
The accounting policies for financial instruments have been applied to the line items below:		
<b>2011</b>		
	<b>Financial liabilities at amortised cost</b>	<b>Total</b>
Trade and other payables	5 087 829	5 087 829
Unspent conditional grants and receipts	23 580 510	23 580 510
	<b>28 668 339</b>	<b>28 668 339</b>
<b>2010</b>		
	<b>Financial liabilities at amortised cost</b>	<b>Total</b>
Trade and other payables	4 937 948	4 937 948
Unspent conditional grants and receipts	13 886 420	13 886 420
	<b>18 824 368</b>	<b>18 824 368</b>
<b>25 CONTINGENT LIABILITIES</b>		
There were no contingent liabilities at the reporting date.		
<b>26 COMMITMENTS</b>		
Commitments in respect of expenditure:		
Approved and contracted for:		
Community Projects	14 705 015	9 763 882
Approved and not contracted for:		
Community Projects	8 461 947	-
<b>Total</b>	<b>23 166 962</b>	<b>9 763 882</b>
Committed expenditure will be financed as follows:		
Grant funded	23 166 962	9 763 882
<b>Total</b>	<b>23 166 962</b>	<b>9 763 882</b>

**ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD**  
**NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2011 CONTD.**

	2011	2010
	R	R
<b>27 SUBSEQUENT EVENTS</b>		
There were no reportable matters subsequent to the reporting date.		
<b>28 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE</b>		
<b>28.1 Unauthorised expenditure</b>		
No unauthorised expenditure was incurred for the year ended 30 June 2010 or for the year ended 30 June 2011.		
<b>28.2 Fruitless and wasteful expenditure</b>		
No fruitless or wasteful expenditure was incurred for the year ended 30 June 2010 or for the year ended 30 June 2011.		
<b>28.3 Irregular expenditure</b>		
Relates to payments made directly to sub-contractors appointed at the discretion of the main service provider	<u>10 456 475</u>	<u>513 300</u>
Reconciliation of irregular expenditure:		
Opening balance	513 300	-
Irregular expenditure awaiting condonation	9 943 175	513 300
Irregular expenditure condoned	0	0
<b>Total Irregular Expenditure</b>	<u>10 456 475</u>	<u>513 300</u>

Incident: Three  
Disciplinary steps: Nil

**ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD  
NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2011 CONTD.**

**2011**      **2010**  
**R**            **R**

**28.4 Supply Chain Management**

**Supply chain management regulations**

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the supply chain management policy needs to be approved/condoned by the Chief Executive Officer and ratified by the Board of Directors.

**Deviation from supply chain management regulations**

Paragraph 12(1)(d)(i) of Government gazette no.27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the municipal council and includes a note to the annual financial statements.

Non-compliance with one or more of the Supply Chain Management regulations or Supply Chain Management policy requirements.

**NIL 9 363 200**

Reconciliation of SCM deviations:

Opening balance	9 363 200	-
SCM Deviations awaiting Ratification	4 262 615	9 363 200
SCM Deviations ratified	(13 625 815)	0
<b>Total Irregular Expenditure</b>	<b>0</b>	<b>9 363 200</b>

**Incident**

Prior-year deviations ratified during current year	9 363 200
Supply of air conditioners - current service provider (maintenance contract)	44 451
Upgrade of security cameras - current service provider	25 189
Plant hire for project sites - single provider in the vicinity of the sites	142 686
Transport hire for vineyards project - single provider	13 437
Venue hire for Annual investor summit - only venue available at short notice	72 810
Equipment hire for Annual investor summit - only service provider available at short notice	9 975



**ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD  
NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2011 CONTD.**

	2011 R	2010 R
Event co-ordination Annual investor summit - only service provider available at short notice	14 022	
Hydroponic tunnels electrical installation - technical appointment	88 584	
Hydroponic tunnels electrical installation repair work - original service provider	17 200	
Hydroponic tunnels plastic flooring - technical appointment	91 200	
Hydroponic tunnels plumbing - technical appointment	21 785	
Hydroponic seedlings and planting material - technical appointment	83 814	
Hydroponic tunnels soil sample testing - technical appointment	65 106	
Design of stands for Tourism Indaba - only service provider available at short notice	60 339	
Décor for Tourism Indaba - only service provider available at short notice	52 013	
Gifts for Tourism Indaba - only service provider available at short notice	14 022	
Venue hire for Annual investor summit - only venue available at short notice	72 810	
Venue hire for African Hebrew Israel Community - only venue available at short notice	9 472	
Development of Quarterly Economic Indicators - only proposal received	98 761	
Editing of annual investor summit DVD - originally compiled by service provider	16 758	
Launch of Blaque Vine Media - only service provider available at short notice	7 900	
Professional services for ownership model - urgent requirement	60 000	
Purchase of equipment for biodiesel plant - specialised equipment available from sole provider	1 633 879	
Beading craftwork for wine festival - scope of appointment limited to district	5 250	
Mannequins for craft hub - sole provider	3 445	
Accounting system and reporting software - only two proposals received	184 698	
Materials for hydroponic tunnels - sourced from service providers close to the sites in order to benefit the local community	180 176	
Printing of pamphlets - only venue available at short notice	41 954	
Re-printing of reports and marketing material - original service provider retained	65 372	
Launch of agri-hubs project - only service provider available given the time-constraints	940 500	
Maintenance of tractors - service provider retained by the District	71 275	
Generators for hydroponic tunnels - sourced from service providers close to the sites in order to benefit the local community	53 732	
	<u>13 625 815</u>	<u>0</u>

**ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD**  
**NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2011 CONTD.**

	2011 R	2010 R
<b>29 UNCONDITIONAL GRANTS</b>		
The Entity received the following unconditional grant from the Ilembe District Municipality		
<b><u>Description</u></b>		
Administration Grant	<u>2 163 171</u>	<u>1 620 000</u>
<b>30 RELATED PARTIES</b>		
Parent Municipality: Ilembe District Municipality		
<b>Related party balances</b>		
Accounts owing to related party:		
Ilembe District Municipality	<u>1 050 034</u>	<u>198 863</u>
Accounts owing by related party:		
Ilembe District Municipality	<u>224 143</u>	<u>1 150 379</u>
Net amount included in Trade receivables and Trade payables regarding the related party		
Ilembe District Municipality	<u>(825 891)</u>	<u>951 516</u>
Rental income received from Ilembe District Municipality	<u>219 784</u>	<u>180 000</u>
Grant income received from Ilembe District Municipality:		
Administration Grant	2 163 171	1 620 000
LED Grant	1 500 000	1 300 000
Siza Water Concession Monitoring	1 200 000	
Tourism Grant	800 000	700 000
	<u>5 663 171</u>	<u>3 620 000</u>
Grant income received via Ilembe District Municipality:		
Grant Agri Processing Ex DCGTA	11 000 000	8 000 000
Grant Industrial Development Strategy Ex DCGTA	0	1 300 000
Grant Disaster Management	0	500 000
Grant Broadband Project Ex DCGTA	2 500 000	3 000 000
Grant Biodiesel Production Facility Ex DCGTA	3 916 000	2 000 000
Grant North Coast Wine Project Ex DCGTA	9 000 000	4 000 000
Grant Amacambini Dev Project Ex DCGTA	0	1 000 000
Grant Integrated Craft Hub	0	500 000
Moringa Tree Plantation	3 500 000	
Maphumulo Small Town Rehabilitation	700 000	
Nonoti Beach Resort Business Plan	400 000	
	<u>31 016 000</u>	<u>20 300 000</u>

**ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD  
 NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2011 CONTD.**

	2011 R	2010 R
<b>31 OPERATING LEASES</b>		
At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:		
<b>Operating lease - lessee</b>		
Within one year	221 430	201 300
In the second to fifth year inclusive	463 188	706 584
After five years	-	-
<b>Total</b>	<b>684 618</b>	<b>907 884</b>

Operating leases consist of the following:  
 Operating lease payments represent rentals payable by the entity for certain of its office properties. Leases are negotiated for an average term of five years and are escalated annually. No contingent rent is payable.

<b>Operating lease - lessor</b>		
Within one year	221 430	201 300
In the second to fifth year inclusive	463 188	706 584
After five years	-	-
<b>Total</b>	<b>684 618</b>	<b>907 884</b>

Operating leases consist of the following:  
 Certain of the entity's office properties are utilised to generate rental income. Leases are negotiated for an average term of five years and are escalated annually. No contingent rent is receivable.



**ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD**  
**NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2011 CONTD.**

**32 RECONCILIATION OF BUDGET SUMMARY**

Description	2009/11							
	Original Budget	Budget Adjustments	Virement	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
R thousands	1	2	3	5	6	7	8	9
<b>Financial Performance</b>								
Transfers recognised - operational	11 470	9 526	-	9 912		386	104.05	86.42
Interest Revenue	50	1 500	-	1 278		(222)	85.18	2555.47
Rental Revenue	200	200	-	220		20	109.89	109.89
Other own revenue	-	-	-	1		1		
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>11 720</b>	<b>11 226</b>	<b>-</b>	<b>11 410</b>		<b>184</b>		
Employee costs	1 911	1 911	-	2 462		551	128.85	128.85
Directors Remuneration	580	580		418		(162)	72.11	72.11
Debt impairment								
Depreciation & asset impairment	-	-	-	83		83		
Finance charges	-	-	-	-		-		
Grant Expenditure	6 510	2 800	-	4 745		1 945	169.48	72.89
Transfers and grants								
Other expenditure	4 129	5 257	-	3 769		(1 488)	71.69	91.28
<b>Total Expenditure</b>	<b>13 130</b>	<b>10 548</b>	<b>-</b>	<b>11 477</b>		<b>929</b>		
<b>Surplus/(Deficit)</b>	<b>(1 410)</b>	<b>678</b>		<b>(67)</b>		<b>(745)</b>		
Transfers recognised - capital	11 096	41 527		19 760		(21 768)		
Contributions recognised - capital & contributed assets	(9 686)	(42 205)		(896)		41 309		
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>-</b>	<b>-</b>		<b>18 796</b>		<b>18 796</b>		
Share of surplus/ (deficit) of associate								
<b>Surplus/(Deficit) for the year</b>	<b>-</b>	<b>-</b>		<b>18 796</b>		<b>18 796</b>		



# ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD

## UNAUDITED APPENDIX A(1):

### RECONCILIATION OF BUDGET SUMMARY FOR THE YEAR ENDED 30 JUNE 2011

#### Reconciliation of Budget Summary

Description R thousands	2009/11								
	Original Budget	Budget Adjustments	Virement	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	1	2	3	4	5	6	7	8	9
<b>Financial Performance</b>									
Transfers recognised - operational	11 470	9 526	–	9 526	9 912		386	104.05	86.42
Interest Revenue	50	1 500	–	1 500	1 278		(222)	85.18	2555.47
Rental Revenue	200	200	–	200	220		20	109.89	109.89
Other own revenue	–	–	–	–	1		1		
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>11 720</b>	<b>11 226</b>	<b>–</b>	<b>11 226</b>	<b>11 410</b>		<b>184</b>		
Employee costs	1 911	1 911	–	1 911	2 574		664	134.73	134.73
Directors Remuneration	580	580		580	493		(87)	85.07	85.07
Depreciation & asset impairment	–	–	–	–	83		83		
Grant Expenditure	6 510	2 800	–	2 800	4 655		1 855	166.27	71.51
Other expenditure	4 129	5 257	–	5 257	4 650		(607)	88.46	112.63
<b>Total Expenditure</b>	<b>13 130</b>	<b>10 548</b>	<b>–</b>	<b>10 548</b>	<b>12 456</b>		<b>1 908</b>		
<b>Surplus/(Deficit)</b>	<b>(1 410)</b>	<b>678</b>		<b>678</b>	<b>(1 046)</b>		<b>(979)</b>		
Transfers recognised - capital	11 096	41 527		41 527	19 760		(23 122)		
Contributions recognised - capital & contributed assets	(9 686)	(42 205)		(42 205)	(18 728)		23 477		
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>–</b>	<b>–</b>		<b>–</b>	<b>(624)</b>		<b>(624)</b>		
Share of surplus/ (deficit) of associate									
<b>Surplus/(Deficit) for the year</b>	<b>–</b>	<b>–</b>		<b>–</b>	<b>(624)</b>		<b>(624)</b>		
<b>Capital expenditure &amp; funds sources</b>									
Capital expenditure									
Transfers recognised - capital	11 096	41 527		41 527	19 760		(23 122)	44.32	165.88
Internally generated funds		950		950	122		(828)		
<b>Total sources of capital funds</b>	<b>11 096</b>	<b>42 477</b>		<b>42 477</b>	<b>18 527</b>		<b>(23 950)</b>	<b>43.62</b>	<b>166.98</b>
<b>Cash flows</b>									
Net cash from (used) operating				–	27 530		27 530		
Net cash from (used) investing				–	(18 819)		(18 819)		
<b>Cash/cash equivalents at the year end</b>	<b>–</b>	<b>–</b>		<b>–</b>	<b>8 711</b>		<b>8 711</b>		

**ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

**UNAUDITED APPENDIX A(2)  
RECONCILIATION OF BUDGET SURPLUS/DEFICIT WITH THE  
SURPLUS/DEFICIT IN THE STATEMENT OF FINANCIAL PERFORMANCE**

<b>Details</b>	<b>R.</b>
Surplus / (Deficit) per statement of financial performance	18 796 142
<b>Adjusted for:</b>	
Loss on sale of assets	0
Contribution towards Capital Outlay	(20 122 393)
<b>Net Surplus / (Deficit) for the year</b>	<b>(1 326 251)</b>
<b>Net surplus per approved budget</b>	<b>0</b>

**ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

**UNAUDITED APPENDIX B**  
**ANALYSIS OF PROPERTY, PLANT & EQUIPMENT**

	HISTORICAL COST					ACCUMULATED DEPRECIATION					Carrying Value	Budget Additions
	Opening Balance	Additions/Transfers	Under Construction	Disposals	Closing Balance	Opening Balance	Additions/Transfers	Disposals	Impairment losses	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R
<b>LAND &amp; BUILDINGS</b>	0	27 159	0	0	27 159	0	0	0	0	0	27 159	500 000
<b>INFRASTRUCTURE ASSETS</b>	6 768 042	0	19 950 174	0	26 718 216	0	0	0	0	0	26 718 216	37 557 198
Projects Under Construction	6 768 042	0	19 950 174	0	26 718 216	0	0	0	0	0	26 718 216	37 557 198
<b>OTHER ASSETS</b>	440 147	219 776	0	0	659 923	26 067	82 761	0	0	108 828	551 096	450 000
Furniture and Equipment	345 433	176 529	0	0	521 962	19 630	58 663	0	0	78 293	443 669	450 000
Computer Equipment	94 714	43 247	0	0	137 961	6 437	24 097	0	0	30 534	107 427	
<b>TOTAL</b>	<b>7 208 189</b>	<b>246 935</b>	<b>19 950 174</b>	<b>0</b>	<b>27 405 298</b>	<b>26 067</b>	<b>82 76</b>	<b>0</b>	<b>0</b>	<b>108 828</b>	<b>27 296 471</b>	<b>38 507 198</b>

**IILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

**UNAUDITED APPENDIX C  
SEGMENTAL ANALYSIS OF PROPERTY, PLANT & EQUIPMENT**

	HISTORICAL COST				ACCUMULATED DEPRECIATION				Carrying Value R		
	Opening Balance R	Additions/ Transfers R	Under Construction R	Disposals R	Closing Balance R	Opening Balance R	Additions/ Transfers R	Impairment losses R		Disposals R	Closing Balance R
<b>ENTERPRISE</b>	440 147	246 935	0	0	687 082	26 067	82 761	0	0	108 828	578 255
Enterprise	440 147	246 935	0	0	687 082	26 067	82 761	0	0	108 828	578 255
<b>PROJECTS UNDER CONSTRUCTION</b>	6 768 042	0	19 950 174	0	26 718 216	0	0	0	0	0	26 718 216
Projects Under Construction	6 768 042	0	19 950 174	0	26 718 216	0	0	0	0	0	26 718 216
<b>TOTAL</b>	7 208 189	246 935	19 950 174	0	27 405 298	26 067	82 761	0	0	108 828	27 296 471



**ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

**UNAUDITED APPENDIX D  
DETAILED SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE**

2010 Actual Income  R	2010 Actual Expenditure  R	2010 Actual Surplus/ (Deficit)  R		2011 Actual Income  R	2011 Actual Expenditure  R	2011 Actual Surplus/ (Deficit)  R
13 081 258	6 728 291	6 352 967	Enterprise	31 169 728	12 373 586	18 796 142
13 081 258	6 728 291	6 352 967	Entity general expenses	31 169 728	12 373 586	18 796 142
<u>13 081 258</u>	<u>6 728 291</u>	<u>6 352 967</u>	Total	<u>31 169 728</u>	<u>12 373 586</u>	<u>18 796 142</u>

**ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

**UNAUDITED APPENDIX E (1)  
ACTUAL OPERATING VERSUS BUDGET**

	2011 Actual	2011 Budget	2011 Variance	2011 Variance	Explanations of significant variances greater than 10% versus budget
	R	R	R	%	
<b>REVENUE</b>					
Rental of facilities	219 784	200 000	19 784	10%	Rental escalation was not effected
Interest earned – external investments	1 277 735	1 500 000	( 222 265)	-15%	Investment levels less than anticipated
Grants & subsidies – Operating	9 911 981	9 525 717	386 264	-4%	
Grants & subsidies – Capital	19 759 678	41 527 198	(21 767 520)	-52%	Expenditure on projects less than anticipated
Other revenue	550	0	550		
<b>Total Revenue</b>	<b>31 169 728</b>	<b>52 752 915</b>	<b>(21 583 187)</b>	<b>-41%</b>	
<b>EXPENDITURE</b>					
Employee related costs	2 462 160	1 910 840	551 320	29%	
Directors Attendance Fees	418 240	580 000	( 161 760)	-28%	No budgetary provision made for this item
Depreciation	82 762	0	82 762		
Repairs & maintenance	27 663	175 000	( 147 337)	-84%	Reduced spending levels on operational expenditure
Contracted Services	756 377	0	756 377		Budget included under general expenses
Provisions	112 236	0	112 236		No budgetary provision made for this item
Grant expenditure	4 745 405	42 205 000	(37 459 595)	-89%	Actual excludes capital expenditure on projects
General expenses	3 768 744	7 882 075	(4 113 331)	-52%	Reduced spending levels on operational expenditure
<b>Total Expenditure</b>	<b>12 373 586</b>	<b>52 752 915</b>	<b>(40 379 329)</b>	<b>-77%</b>	
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>18 796 141</b>	<b>0</b>	<b>18 796 141</b>	<b>-</b>	

**ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

**UNAUDITED APPENDIX E (2)  
ACTUAL CAPITAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT)**

	2011 Actual R.	2011 Under Construction R.	2011 Total Additions R.	2011 Budget R.	2011 Variance R.	2011 Variance %	Explanation of significant variances greater than 5% versus budget
<b>Enterprise</b>							
Enterprise	246 935	-	246 935	950 000	(703 065)	-74%	Reduced spending levels on operational expenditure
<b>Projects Under Construction</b>							
Projects Under Construction	-	19 950 174	19 950 174	37 557 198	(17 607 024)	-47%	Expenditure on projects less than anticipated
<b>TOTAL</b>	<b>246 935</b>	<b>19 950 174</b>	<b>20 197 109</b>	<b>38 507 198</b>	<b>(18 310 089)</b>	<b>-48%</b>	

**ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

**UNAUDITED APPENDIX F**

Grants and Subsidies Received									
Name of Grant	Name of Organ of State or Municipality	Receipts	Expenditure	Grants Delayed/Withheld	Reason for Delay / Withholding of Funds	Compliance to Revenue Act (*) See below	Reason for Non-compliance		
						Yes / No			
Salaries Ex IDC	IDC	1 310 513	1 310 513	Nil	-	Yes	-		
Agriculture Hub Project Ex IDC	IDC	622 079	626 365	Nil	-	Yes	-		
Industrial Development Strategy Project Ex IDC	IDC	186 623	3 000	Nil	-	Yes	-		
Broadband Project Ex IDC	IDC	186 624	186 624	Nil	-	Yes	-		
North Coast Wine Project IDC	IDC	182 476	182 476	Nil	-	Yes	-		
Grant ex Ilembe District - Admin	IDM	2 163 171	2 163 171	Nil	-	Yes	-		
Grant ex Ilembe District - LED	IDM	1 500 000	1 728 237	Nil	-	Yes	-		
Tourism Grant ex IDM	IDM	800 000	864 188	Nil	-	Yes	-		
Maphumulo Small Town Rehabilitation	IDM	700 000	417 695	Nil	-	Yes	-		
Dev Business Plan Nonoti Beach Resort	IDM	400 000	350 877	Nil	-	Yes	-		
Ilembe District Municipality - Siza Water Concession	IDM	1 200 000	210 526	Nil	-	Yes	-		
Agri Processing Grant ex DCGTA	DCGTA	11 000 000	8 482 967	Nil	-	Yes	-		
Broadband Project Ex DCGTA	DCGTA	2 500 000	3 092 696	Nil	-	Yes	-		
Biodiesel Production Facility Ex DCGTA	DCGTA	3 916 000	3 299 980	Nil	-	Yes	-		
North Coast Wine Project Ex DCGTA	DCGTA	4 000 000	3 094 556	Nil	-	Yes	-		
North Coast Winery Project Ex DCGTA	DCGTA	5 000 000	-	Nil	-	Yes	-		
Moringa Tree Plantations Project Ex DCGTA	DCGTA	3 500 000	38 053	Nil	-	Yes	-		
		<b>39 167 486</b>	<b>26 051 925</b>						