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Umhlosinga Development Agency (Proprietary) Limited
(Registration No. 2004/016608/07)
Annual Financial Statements
for the year ended 30 June 2016

General Information

Country of Incorporation and domicile	Republic of South Africa
Nature of business and principle activities	Local economic development to facilitate the implementation of economic catalytic projects including the promotion of investments in the district.
Board of Directors	RP Tembe (Chairperson) SL Gumbi (Deputy Chairperson) ZJ Ndwandwe (Member) S Nyawo (Member) MW Thango (Member)
Chief Executive Officer	Mr M Ntuli (B.Proc. Uni.KZN)
Chief Financial Officer	Mr SQ Mntambo (Bcom Acc, AIMFO,MFMP)
Registered office	21 Klebe Street Mkhuze KwaZulu Natal 3965
Business address	Lot 308 Ebony Crescent Mtubatuba 3935
Postal address	PO Box 367 St Lucia 3936
Bankers	Nedbank Limited
Auditors	Auditor-General of South Africa
Audit Committee	Bhekokwakhe Menyuka (Chairperson) Vusi Tembe Simangaliso Vilakazi
Company secretary	Vacant [Chief Financial Officer is performing the duties of a company secretary]

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The reports and statements set out below comprise the annual financial statements presented to the parent entity:

Directors Responsibilities and Approval

In terms of Generally Recognised Accounting Practice (GRAP) and the South African Companies Act No 71 of 2008, the directors are required to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with GRAP. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with the Standards of GRAP and are based on appropriate accounting policies which have been consistently applied in previous years and are supported by reasonable, prudent judgements and estimates.

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

The directors have reviewed the company's cash flow forecast for the year to 30 June 2017. In the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for auditing and reporting on the company's annual financial statements. The annual financial statements have been examined by the company's external auditors and their report is presented on pages 4 to 5.

The annual financial statements set out on pages 9 to 40 have been prepared on the going concern basis and were approved by the Board of Directors and the Chief Executive Officer on 26 August 2016 and were signed on their behalf by:

Director	Director

Audit Report

Chief Executive Officer's Report

To the Board of Directors of Umhlosinga Development Agency (Proprietary) Limited

I am responsible for the preparation of the annual financial statements which are set out on pages 9 to 40 in terms of section 126 (2) of the Municipal Finance Management Act No. 56 of 2003 which I have signed on behalf of the municipal entity.

Accounting Officer
MM Ntuli (B Proc)

31-Aug-16
Date

Directors Report

The board of directors has pleasure in presenting their report for the year ended 30 June 2016.

1 Incorporation

The company was incorporated on and received its certificate to commence business on 17 June 2004.

The company was originally incorporated under the name of Maxitrade 42 General Trading (Proprietary) Limited and changed its name on 04 July 2006 to uMhlosinga Development Agency (Proprietary) Limited. It remained dormant until 01 January 2008 when the establishment phase commenced.

2 Review of activities

The company acts as an agent for and on behalf of uMkhanyakude District Municipality for the purpose of soliciting and implementing economic development activities and all the business allied thereto in order to ensure the development of the uMkhanyakude District Municipality and its surrounding areas.

The net surplus of the company for the year under review as disclosed in the Statement of Financial Performance was 1 322 541.

3 Going concern concept

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the company to continue as a going concern is dependent on a number of factors. The most significant of these is that the shareholder will continue to meet obligations in terms of operating expenditure.

4 Share capital

	2016	2015
Authorised		
The authorised share capital is comprises :		
1000 Ordinary shares of R1 each	1,000	1,000
Issued		
The issued share capital is comprises :		
100 Ordinary shares of R1 each	100	100

5 Directorate

The board of directors are as follows as at 30 June 2016:

	Date of appointment
RP Tembe	26-Mar-13
SL Gumbi	26-Mar-13
ZJ Ndwandwe	26-Mar-13
S Nyawo	26-Mar-13
MW Thango	26-Mar-13

6 Holding municipality

UMkhanyakude District Municipality is the company's parent holding municipality.

7 Auditors

In accordance with section 4 (1) (e) of the Public Audit Act No. 25 of 2004, the Auditor-General of South Africa are the auditors of the company.

Company Secretary's Certification

Declaration by the company secretary in respect of Section 88(2)(e) of the Companies Act.

The company secretary resigned with effect from 30 April 2014 and the board of directors are in the process of appointing a replacement. The board took a decision that the duties of company secretary shall be performed by chief financial officer until 30 June 2016 and the company secretary will be employed during the next financial year.

Statement of Financial Position as at 30 June 2016

	Note(s)	2016 R	2015 R Restated*
Assets			
Current Assets			
Trade and other receivables from exchange transactions	**3**	7,348,486	8,318,418
Trade and other receivables from non-exchange transactions	**4**	5,030,158	5,030,158
Cash and cash equivalents	**5**	5,208,269	1,108,318
VAT Receivable	**6**	513,725	301,906
		18,100,638	**14,758,800**
Non-Current Assets			
Property plant and equipment	**7**	617,292	457,965
		617,292	**457,965**
Total Assets		**18,717,930**	**15,216,765**
Liabilities			
Current Liabilities			
Trade and other payables from exchange transactions	**8**	5,540,418	7,685,007
Unspent conditional grants and receipts	**9**	10,283,437	6,158,037
Provisions	**10**	183,065	135,800
		16,006,919	**13,978,844**
Total Liabilities		**16,006,919**	**13,978,844**
Total Assets		18,717,930	15,216,765
Total Liabilities		(16,006,919)	(13,978,844)
Net Assets		**2,711,010**	**1,237,920**
Ordinary Shares		100	100
Accumulated surplus		2,710,910	1,237,820

Statement of Financial Performance

	Note(s)	2016 R	2015 R Restated*
Revenue			
Revenue from exchange transactions			
Interest earned - external investments	**11**	108,820	50,112
Rental of land and building	**33**	136,842	-
Other income	**12**	174,873	78,155
Total revenue from exchange transactions		**420,535**	**128,267**
Revenue from non-exchange transactions			
Government grants & subsidies	**13**	26,200,177	12,337,197
Total revenue from non-exchange transactions		**26,200,177**	**12,337,197**
Total revenue		**26,620,712**	**12,465,464**
Expenditure			
Bad debts		-	41,448
Depreciation expense	**7**	167,597	172,201
Employee related costs	**14**	5,384,325	4,838,239
Repairs and maintenance	**15**	3,363	48,046
Contracted services	**16**	17,539,891	8,014,245
Grants and subsidies paid	**17**	767,910	364,499
General expenses	**18**	1,114,076	2,995,252
Finance costs	**19**	126,425	135,315
Total expenditure		**(25,103,587)**	**(16,609,245)**
Operating surplus / (Deficit) for the period before tax		**1,517,125**	**(4,143,781)**
Taxation		(44,035)	-
Surplus / (Deficit) for the period		**1,473,090**	**(4,143,781)**

Statement of Changes in Net Assets

	Notes	Ordinary Shares	Accumulated surplus / (deficit)	Total Net Assets
Opening balance as previously reported	**32**	**100**	**6,081,518**	**6,081,618**
Adjustments				
Correction of prior period errors	**30**	-	(699,917)	(699,917)
Balance at 01 July 2014 as Restated*		**100**	**5,381,601**	**5,381,701**
Changes in net assets				
Deficit for the year		-	(4,143,781)	(4,143,781)
Total changes		-	(4,143,781)	(4,143,781)
Balance at 30 June 2015		**100**	**1,237,820**	**1,237,920**
Changes in net assets				
Surplus for the year		-	1,473,090	1,473,090
Total changes		-	1,473,090	1,473,090
Balance at 30 June 2016		**100**	**2,710,910**	**2,711,010**

Umhlosinga Development Agency (Proprietary) Limited

(Registration No. 2004/016608/07)

Annual Financial Statements for the year ended 30 June 2016

Cash Flow Statement

	Note(s)	2016 R	2015 R Restated*
Cash flows from operating activities			
Receipts			
Receipts from consumers and other		932,986	(8,825,754)
Rental of land and building	**33**	136,842	-
Interest income	**12**	108,820	50,112
Grants	**13**	26,200,177	12,337,197
		27,378,825	3,561,555
Payments			
Employee costs	**14**	(5,384,325)	(4,838,239)
Suppliers		(17,441,200)	(458,018)
Income tax paid		-	(680,582)
Finance costs		(126,425)	(135,315)
		(22,951,950)	(6,112,154)
Net cash flows from operating activities	**20**	**4,426,875**	**(2,550,599)**
Cash flows from investing activities			
Payment for property plant and equipment		(326,924)	(57,669)
Net cash flows from investing activities		**(326,924)**	**(57,669)**
Net increase/(decrease) in cash and cash equivalents		**4,099,951**	**(2,608,268)**
Cash and cash equivalents at the beginning of the year	**5**	1,108,319	3,716,587
Cash and cash equivalents at the end of the year		**5,208,270**	**1,108,319**

Statement of Comparison of Budget and Actual Amounts

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Grants						
DOE	24,747,352	(4,228,671)	20,518,681	21,864,577	1,345,896	IS 1
COGTA	4,752,000	(3,100,000)	1,652,000	889,638	(762,362)	IS 2
DC 27	3,000,000	-	3,000,000	3,000,000	-	IS 3
EDTEA		5,461,000	5,461,000	445,963	(5,015,037)	IS 4
Other Income						
Interest on investment	73,670	-	73,670	108,820	35,150	IS 5
Landing Fees	34,183	101,691	135,874	118,948	(16,926)	IS 6
Other Income	20,000	24,433	44,433	55,924	11,491	IS 7
	32,627,205	(1,741,547)	30,885,658	26,483,870	(4,401,788)	
Expenditure						
Employee related costs	5,089,075	368,457	5,457,532	5,384,325	73,207	IS 8
Depreciation and amortisation expense	-	150,000	150,000	167,597	(17,597)	IS 9
Repairs and maintenance	-	2,500	2,500	3,363	(863)	IS 10
Contracted services	22,272,617	(4,859,236)	17,413,381	17,539,891	(126,510)	IS 11
Grants and subsidies paid	4,320,000	1,814,900	6,134,900	767,910	5,366,990	IS 12
General expenses	927,660	246,951	1,174,611	1,114,076	60,535	IS 13
Finance costs	-	14,788	14,788	126,425	(111,637)	IS 14
	32,609,352	(2,261,640)	30,347,712	25,103,587	5,244,125	

Statement of Comparison of Budget and Actual Amounts

Budget and Actual amount variances

Reference	Reason for variance
IS 1	Delivery to schools exceeded the planned one.
IS 2	UMDA had an issue with land acquisition and non-responsive service provider during competitive bidding.
IS 3	We communicated with the parent municipality with cash flow status but no good response. Funding not received from the district municipality despite numerous communication in this regard.
IS 4	The grant was received towards the end of the financial year, hence less spending during the year.
IS 5	Interest earned from the investment of the EDTEA grant which was not used immediately.
IS 6	No landing that took place.
IS 7	Increase was in respect of insurance refunds.
IS 8	Normal increase.
IS 9	Due to increase in Property, plant and equipment.
IS 10	Normal increase.
IS 11	Paid in line with the amount of work done.
IS 12	EDTEA grant was received towards the end of the financial year.
IS 13	Normal increase.
IS 14	Interest on overdue account for SARS and Auditor General accounts.

Accounting Polices

1. Presentation of annual financial statements

The 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 in accordance with Section 122(3) of the Municipal Finance Management Act No. 56 of 2003 and the requirements of the Companies Act No.71 of 2008.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand and the figures in the statements have been rounded to the nearest rand.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

A summary of the significant accounting policies, which have been consistently applied, to all the years, in the preparation of these interim financial statements, are disclosed below.

1.1 Significant judgements and sources of estimation uncertainty

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

1.1.1 Provisions

Management determined an estimate for provisions raised based on the information available. Additional disclosure of these estimates of provisions is included in note 10.

1.1.2 Useful lives of property, plant, equipment

As described in accounting policies 1.6 the agency depreciates its property, plant and equipment over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets become available for use. The useful lives and residual values of the assets are based on industry knowledge and are reviewed annually.

1.1.3 Revenue recognition

Accounting policy 1.9 on Revenue from Exchange Transactions and accounting policy 1.10 on Revenue from Non - Exchange Transactions describes the conditions under which revenue is recorded by the management of the agency.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 Revenue from Exchange Transactions and GRAP 23 Revenue from Non Exchange Transactions and in particular, whether the service has been rendered. The management of the agency is satisfied that recognition of the revenue in the current year is appropriate.

1.1.4 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on management's educated judgemental.

1.1.5 Income tax

As a registered company the agency is registered for income tax. However due to the entity being a municipal entity it is exempt from income tax.

1.1.6 Effective interest rate

The entity uses an appropriate interest rate, taking into account guidance provided in the standards, and applying professional judgement to the specific circumstances, to discount future cash flows. The entity used the following in arriving at the effective interest rate used:

Nedbank Limited which yields monthly interest at a monthly rate of 5.25% per annum.

1.2 New standards and interpretations

Changes in accounting policies that are effected by management are applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of a change in policy. In such cases, the agency shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

The following new GRAP standards have been issued but are not yet effective

GRAP 20 - Related party disclosure

This standard of GRAP on related parties replaces the IPSAS 20 standard on related party disclosure. No significant impact on the financial statements of the agency is expected.

GRAP 32 - Service concession arrangements: Grantor

This standard of GRAP is to prescribe the accounting for service concession arrangements by the grantor, a public sector entity. A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time and the operator is compensated for its services over the period of the service concession arrangement. Although unlikely at this stage, the standard is only expected to have an impact on the agency in the event of any future arrangements of this nature.

GRAP 108 - Statutory receivables

This standard deals with the prescribed accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables and the effect thereof.

GRAP 109 - Accounting by principals and agents

This standard deals with the prescribed accounting requirements for transactions in a principal and agent

The following approved standards of GRAP that entities are not required to apply

GRAP 18 - Segmental reporting (municipal entities are not required to apply)

Compliance with this standard would have had an effect on the presentation only. Financial information would have been reported by segments. The disclosure of this information will assist users of the financial statements to better understand the agency's historical performance and to identify the resources allocated to support the major activities of the agency.

1.3 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

Accounting Polices

1.3 Financial instruments (Continued)

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is derecognised when the rights to receive cash flows from the asset have expired or the agency have transferred its right to receive cash flows from the asset. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and recognition of a new liability. Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a contractual right to:

Accounting Polices

1.3 Financial instruments (Continued)

- receive cash or another financial asset from another entity; or

- exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that arises from a contractual obligation to:

> deliver cash or another financial asset to another entity; or

> exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

> equity instruments or similar forms of unitised capital;

> a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or

> a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

> the entity designates at fair value at initial recognition; or

> are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

> combined instruments that are designated at fair value.

Classification

The agency has the following types of financial assets (classes and category) as reflected on the Statement of Financial Position or in the notes thereto:

Class	**Category**
Cash and cash equivalents	Financial asset measured at amortised cost
Accounts receivable from exchange transactions	Financial asset measured at amortised cost
Accounts receivable from non-exchange transactions	Financial asset measured at amortised cost
Short term investment deposits	Financial asset measured at amortised cost
Investment in fixed deposits	Financial asset measured at amortised cost

Accounting Polices

1.3 Financial instruments (Continued)

The agency has the following types of financial liabilities (classes and category) as reflected on the statement of financial position or in the notes thereto:

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Unspent conditional grant	Financial liability measured at amortised cost

Initial measurement of financial assets and financial liabilities

The agency measures a financial asset and financial liability initially at its fair value that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs are added to financial instruments carried at amortised cost or cost.

Subsequent measurement of financial assets and financial liabilities

The agency measures all financial assets and financial liabilities after initial recognition using the following category:

> Financial instruments at amortised cost.

Impairment and uncollectibility of financial assets

The agency assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly or by adjusting the allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

1.4 Employee benefits

Short-term employee benefits

Short term employee benefits encompasses all those benefits that become payable in the short term, i.e. within a financial year or within 12 months after the financial year. Therefore, short term employee benefits include remuneration, compensated absences and bonuses.

Short term employee benefits are recognised in the Statement of Financial Performance as services are rendered, except for non-accumulating benefits, which are recognised when the specific event occurs. These short term employee benefits are measured at their undiscounted costs in the period the employee renders the related service or the specific event occurs.

Accounting Polices

1.4 Employee benefits (Continued)

Post-employment benefits

The entity provides post-employment benefits for its officials. These benefits are provided as either defined contribution plans or defined benefit plans. The entity identifies as defined contribution plans any post-employment plan in terms of which it has no obligation to make further contributions to the plan over and above the monthly contributions payable on behalf of employees (for example in the event of a funding shortfall). Any other plans are considered to be defined benefit plans.

Defined contribution plans

Contributions made towards the fund are recognised as an expense in the Statement of Financial Performance in the period that such contributions become payable. This contribution expense is measured at the undiscounted amount of the contribution paid or payable to the fund. A liability is recognised to the extent that any of the contributions have not yet been paid. Conversely an asset is recognised to the extent that any contributions have been paid in advance.

Defined benefit plans

Pursuant to the entity's obligation to fund the post-employment benefits provided through a defined benefit plan, the entity recognises a defined benefit obligation or asset with reference to the fund's financial position. To the extent that the future benefits payable under the fund exceeds the value assets held to finance those benefits, the entity recognises as defined benefit obligation. To the extent that the value of plan assets exceeds the future benefits payable by the fund the entity recognises as defined benefit asset. Plan assets are assets that are held by long-term employee benefit funds or qualifying insurance policies. Plan assets are not available to the creditors of the entity nor can they be paid directly to the entity.

The plan liabilities are measured at the present value of the future benefits payable. This present value of the plan liabilities is determined through actuarial valuation techniques.

Actuarial valuations are conducted on an annual basis by independent actuaries for each plan.

The past service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits have already vested, immediately following the introduction of, or changes to, a pension plan, past service costs are recognised immediately.

1.5 Provisions

Provisions are recognised when:

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

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate of future outflow of resources. Provisions are derecognised if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

A provision is used only for expenditures for which the provision was originally recognised.

The liability for leave pay is based on the total accrued leave days at year end and is shown as a provision in the Statement of Financial Position.

Accounting Polices

1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets that are held for administrative purposes, and are expected to be used during more than one financial period.

Initial recognition

The cost of an item of property, plant and equipment is recognised as an asset when:
> it is probable that future economic benefits or service potential associated with the item will flow to the agency; and
> the cost of the item can be measured reliably.

Property, plant and equipment is initially recognised at cost on its acquisition date or in the case of assets acquired at nil or nominal consideration the deemed cost, being the fair value of the assets at acquisition date.

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 agency. Trade discounts and rebates are deducted in arriving at the cost.

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.

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 for purposes of depreciation.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service the asset are recognised in the carrying amount of the related asset if the recognition criteria are met. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by the agency.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment. Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Subsequent measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic fair value of the subsequent expenditure can be reliably measured.

Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity for future economic benefits associated with the asset.

Where the agency replaces part of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Accounting Polices

1.6 Property, plant and equipment (Continued)

Subsequent measurement of all property, plant and equipment are measured at cost, less accumulated depreciation and any accumulated impairment losses. The agency does not recognise in the carrying amount of an item of property, plant and equipment the cost of day to day servicing of the item.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when compensation becomes receivable.

Depreciation

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the agency. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation Method	Average useful life
Motor Vehicle	Straight line	*5 years*
Office Equipment	Straight line	*5 years*
Furniture & Fittings	Straight line	*5 years*
Computer Equipment	Straight line	*5 years*
Plant, Machinery & Agricultural Equipment	Straight line	*6 years*

Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from derecognition is included in surplus or deficit when the item is derecognised.

Gains or losses, calculated as the difference between the net book value of assets (cost less accumulated depreciation and accumulated impairment losses) and the sales proceeds, are included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Accounting Polices

1.7 Leases (Continued)

1.7.1 Finance leases - The agency as a lessee

Finance leases are recognised as assets and liabilities in the Statement of Financial Position at amounts equal to the fair value of the leased property or, if lower, the present value of the future minimum lease payments. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation.

The discount rate used in calculating the present value of the future minimum lease payments is the interest rate implicit in the lease.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of the remaining balance of the liability.

1.7.2 Operating leases - The agency as a lessee

Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Financial Performance on a straight line basis over the period of the lease.

1.8 Taxation

Current tax

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities / (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax

Deferred tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured at the tax rate that applies to the period when the asset is realised or liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the statement of financial date. Deferred tax assets are recognised to the extent that it is probable that taxable benefits will be available against which deductable temporary differences can be utilised on an annual basis.

Value added tax

The entity accounts for Value Added Tax on the invoice basis.

1.9 Revenue from exchange transactions

An exchange transaction is one in which the agency receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and rebates.

Accounting Polices

1.9 Revenue from exchange transactions (Continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

> the amount of revenue can be measured reliably; and
> it is probable that the economic benefits or service potential associated with the transaction will flow to the agency; and
> the stage of completion of the transaction at the reporting date can be measured reliably; and
> the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Tender deposits

Income from tender deposits are recognised as income when they are received.

Finance income

Finance income earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

1.10 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an agency, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the agency can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an agency either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting agency.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes. Government grants are recognised as revenue when :

> it is probable that the economic benefits or service potential associated with the transaction will flow to the agency;
> the amount of the revenue can be measured reliably; and
> to the extent that there has been compliance with any conditions associated with the grant.

1.10 Revenue from non-exchange transactions (Continued)

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

Revenue from public contributions is recognised when all conditions associated with the contribution has been met or where the contribution is to finance property plant and equipment, when such items are brought into use. Where public contributions have been received but the agency has not met the conditions, a liability is recognised.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the agency.

When, as a result of a non-exchange transaction, the agency recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

1.11 Budget information

Municipal entities are typically subject to budgetary limits in the form of appropriations or budget authorisation's (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by Municipal entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.12 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, agency or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (No. 56 of 2003). All unauthorised expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.13 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All fruitless and wasteful expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.14 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), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic 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.

1.15 Commitments

Items are classified as commitments where the agency commits itself to future transactions that will result in the future outflow of resources. Project commitments are not recognised in the statement of Financial Position as a liability but are included in the disclosure note 25, for approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date.

1.16 Related parties

The agency operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the agency, including those charged with the governance of the agency in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the agency.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed. The agency applies GRAP 25 for related parties.

1.17 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.18 Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

1.19 Going concern assumption

These annual financial statements have been prepared based on the expectation that the agency will continue to operate as a going concern for at least the next 12 months.

1.20 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The agency will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

Accounting Polices

1.20 Events after reporting date (Continued)

The agency will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.21 Offsetting

Assets, liabilities, revenues and expenses have not been offset, except when offsetting is required or permitted by a Standard of GRAP.

2 New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The agency has not applied the following standards and interpretations, which have been published and are mandatory for the agency's accounting periods beginning on or after 01 July 2016 or later periods:

Standard/ Interpretation:	Years beginning on or after	Expected impact:
> GRAP 20: Related parties disclosures	No effective date has been determined by the Minister of Finance.	The standard will have significant impact as agency operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government - considered to be related parties.
> GRAP 32: Service Concession Arrangements: Grantor	No effective date has been determined by the Minister of Finance.	Although unlikely at this stage, the standard is only expected to have an impact on the agency in the event of any future such arrangements.
> GRAP 108: Statutory Receivables	No effective date has been determined by the Minister of Finance.	No impact is foreseeable currently.
> IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	No effective date has been determined by the Minister of Finance.	Although unlikely at this stage, the standard is only expected to have an impact on the agency in the event of any future such arrangements.
> GRAP 109: Accounting by Principals and Agents	No effective date has been determined by the Minister of Finance.	No significant impact is currently expected

Notes to the Annual Financial Statements

		2016 R	2015 R
3	**Trade and other receivable from exchange transactions**		
	Gross balances		
	Department of Education	7,348,486	8,318,418
		7,348,486	**8,318,418**
	Provision for Doubtful Debts		
	Department of Education	-	-
		-	**-**
	Net Balance		
	Department of Education	7,348,486	8,318,418
		7,348,486	**8,318,418**
	Summary of Debtors by Customer Classification		
	Department of Education		
	Current (0 – 30 days)	2,443,874	-
	31 - 60 Days	2,460,461	1,542,369
	61 - 90 Days	2,444,151	1,494,485
	91 - 120 Days	-	910,279
	121 + Days	-	4,371,285
	Less: Allowance for impairment	-	-
		7,348,486	**8,318,418**
4	**Trade and other receivables from non-exchange transactions**		
	Gross balances		
	Umkhanyakude District Municipality	5,030,158	5,030,158
		5,030,158	**5,030,158**
	Provision for Doubtful Debts		
	Umkhanyakude District Municipality	-	-
		-	**-**
	Net Balance		
	Umkhanyakude District Municipality	5,030,158	5,030,158
		5,030,158	**5,030,158**

Notes to the Annual Financial Statements

	2016	2015
	R	R

4 Trade and other receivables from non-exchange transactions (Continued)

Summary of Debtors by Customer Classification

	2016 R	2015 R
Umkhanyakude District Municipality		
Current (0 – 30 days)	-	-
31 - 60 Days	-	325,000
61 - 90 Days	-	-
91 - 120 Days	-	-
121 + Days	5,030,158	4,705,158
Less: Allowance for impairment	-	-
	5,030,158	**5,030,158**

5 Cash and cash equivalents

Cash and cash equivalents consist of the following:

	2016 R	2015 R
Cash on hand	961	1,001
Cash at bank	200,528	86,708
Call investments : 49865324 & 36990525	5,006,781	1,020,608
	5,208,269	**1,108,318**

The entity has the following bank accounts: -

	30 June 2016	30 June 2015	30 June 2014
Bank statement balances			
- Primary Bank : Richards Bay Account number 1029736839	200,528	86,708	124,532
- Investment call accounts Account number 49865324 & 36990525	5,006,781	1,020,608	3,589,496
	5,207,308	**1,107,317**	**3,714,028**

	30 June 2016	30 June 2015	30 June 2014
Cash book balances			
- Primary Bank : Richards Bay Account number 1029736839	200,528	86,708	124,532
- Investment call accounts Account number 49865324 & 36990525	5,006,781	1,020,608	3,589,496
	5,207,308	**1,107,317**	**3,714,028**

6 VAT Receivable

	2016 R	2015 R
VAT Receivable	513,725	301,906

VAT is payable on the invoices basis. VAT is paid over to SARS only once invoice is received from debtors.

Notes to the Annual Financial Statements

7 Property, plant and equipment

	2016			2015		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Vehicles	414,618	(231,970)	182,648	414,618	(119,260)	295,358
Capital work in progress	325,790	-	325,790	-	-	-
Furniture and fittings	69,738	(26,698)	43,040	68,603	(11,025)	57,578
Plant, machinery and equipment	214,455	(148,655)	65,800	214,455	(112,905)	101,550
Computor equipment	10,779	(10,765)	15	10,779	(7,300)	3,479
	1,035,380	**(418,088)**	**617,292**	**708,455**	**(250,490)**	**457,965**

Reconciliation of property, plant and equipment - 2016

	Carrying Value Opening Balance	Additions	Depreciation	Total
Vehicles	295,358	-	(112,710)	182,648
Capital work in progress	-	325,790	-	325,790
Furniture and fittings	57,577	1,134	(15,673)	43,038
Plant, machinery and equipment	101,550	-	(35,750)	65,801
Computer equipment	3,479	-	(3,464)	15
	457,964	**326,924**	**(167,597)**	**617,292**

Notes to the Annual Financial Statements

7 Property, plant and equipment (Continued)

Reconciliation of property, plant and equipment - 2015

	Carrying Value Opening Balance	Additions	Depreciation	Total
Vehicles	414,618	-	(119,260)	295,358
Capital work in progress	-	-	-	-
Furniture and fittings	11,969	57,669	(12,061)	57,577
Plant, machinery and equipment	137,300	-	(35,750)	101,550
Computor equipment	8,609	-	(5,130)	3,479
	572,496	**57,669**	**(172,201)**	**457,965**

A register containing the information required by section 96 of the Municipal Finance Management Act (No. 56 of 2003) is available for inspection at the registered office of the entity.

No assets have been pledged as security nor have any restrictions been placed on any assets under the control of the entity.

Other information	**2016 R**	**2015 R**
Carrying value of idle property, plant and equipment	-	-
Fully depreciated property, plant and equipment still in use	108,589	112,536
Property, plant and equipment retired from active use, but not classified as held for sale	-	-
	108,589	**112,536**

The reassessment of useful life has been conducted, the above indicate the values of fully depreciated property, plant and equipment still in use however we left at nil balance as they might be no future use of those asset. The parent municipality has provided PPE to the carrying value of R 6 296.30 to be used by the entity.

Notes to the Annual Financial Statements

		2016 R	2015 R
8	**Trade and other payables from exchange transactions**		
	Trade creditors	5,496,383	7,685,007
	Tax payable	44,035	-
		5,540,418	**7,685,007**
9	**Unspent conditional grants and receipts**		
	Unspent Conditional Grants from other spheres of Government		
	Other	10,283,437	6,158,037
		10,283,437	**6,158,037**
10	**Provisions**		
	Opening Balance	135,800	99,788
	Provisions Raised	47,265	36,012
	Closing Balance	**183,065**	**135,800**
11	**Interest earned - external investments**		
	Bank	**108,820**	**50,112**
12	**Other income**	**174,873**	**78,155**
13	**Government grants & subsidies**		
	Reconciliation of Movement in Grant: Other Government Grants and Subsidies		
	Balance unspent at beginning of year	6,158,037	1,526,775
	Current year receipts	30,325,577	16,968,459
	Conditions met - transferred to revenue	(26,200,177)	(12,337,197)
	Conditions still to be met - remain liabilities	**10,283,437**	**6,158,037**
14	**Employee related costs**		
	Employee related costs - Salaries and Wages	2,402,245	2,245,935
	Employee related costs - Contributions for UIF, pensions and medical aids	327,313	168,985
	Total	**2,729,559**	**2,414,920**
	Remuneration of the Chief Executive Officer		
	Annual Remuneration	963,000	900,000
	Travel, motor car, accommodation, subsistence and other allowances	321,000	316,200
	Contributions to UIF, Medical and Pension Funds	239,445	155,737
	Total	**1,523,445**	**1,371,937**

Notes to the Annual Financial Statements

		2016 R	2015 R
14	**Employee related costs (Continued)**		
	Remuneration of the Chief Finance Officer		
	Annual Remuneration	722,250	506,250
	Travel, motor car, accommodation, subsistence and other allowances	240,750	168,750
	Contributions to UIF, Medical and Pension Funds	168,321	64,656
	Total	**1,131,321**	**739,656**
	Directors Emoluments		
	Fees and travel costs as non-executive directors	108,331	311,726
	Total	**108,331**	**311,726**
15	**Repairs and maintenance**		
	Repairs and maintenance for the year	3,363	48,046
		3,363	**48,046**
16	**Contracted services**		
	Contracted services for School nutrition programme	17,539,891	8,014,245
		17,539,891	**8,014,245**
17	**Grants and subsidies paid**		
	National Treasury International	-	162,865
	MTN SA Foundation	-	201,634
	Mkuze Regeneration Plan -COGTA	767,910	-
		767,910	**364,499**
18	**General expenses**		
	Advertising	10,784	33,781
	Admin fees	23,277	37,104
	Audit fees	637,976	601,079
	Bank charges	15,372	12,151
	Cleaning	3,951	4,961
	Rental for land and building	136,842	-
	Conferences and delegations	10,338	42,074
	Consulting fees	-	282,845
	Consumables	15,992	19,741
	Entertainment	-	4,433
	Fuel and oil	732	1,002
	Insurance	37,612	35,734
	Legal expenses	-	1,200
	Postage	661	1,105
	Printing and stationery	15,245	24,908
	Professional fees	49,651	1,106,866

Notes to the Annual Financial Statements

	2016	2015
	R	R

18 General expenses (Continued)

	2016	2015
Rental of office equipment	64,473	58,022
Rental of computer equipment	-	5,526
Security costs	4,942	201,869
Telephone cost	10,724	48,876
Training	-	18,659
Travel and subsistence - Local	70,638	305,586
Uniforms & overalls	-	1,894
Other	4,864	145,839
	1,114,076	**2,995,252**

19 Finance Costs

	2016	2015
Trade and other payable	126,425	135,315
	126,425	**135,315**

20 Cash generated from operations

	2016	2015
Surplus / (deficit) for the year	1,473,090	(4,143,781)
Adjustments for:		
Depreciation	167,597	172,201
Movement in provision	47,265	36,012
Operating surplus / (deficit) before changes in working capital:	1,687,952	(3,935,569)
Changes in working capital:		
(Increase) / Decrease in trade and other receivables	969,932	(8,791,304)
(Increase) / Decrease in VAT receivable	(211,819)	(112,605)
Increase / (Decrease) in Tax Payable	44,035	(680,582)
Increase / (Decrease) in unspent conditional grants and receipts	4,125,399	4,406,220
Increase / Decrease in trade and other payables	(2,188,624)	6,563,240
	4,426,875	**(2,550,600)**

21 Related parties

Related party relationship

Umhlosinga Development Agency is a subsidiary wholly owned by uMkhanyakude District Municipality to spearhead the local economic development within the district.

Notes to the Annual Financial Statements

	2016	2015
	R	R

21 Related parties (Continued)

Related party transactions

Income received from related parties

	2016	2015
Grant received from Umkhanyakude District Municipality	3,000,000	3,300,000
Approved budget	3,000,000	3,625,000

Related party balances

Balances outstanding from related parties

	2016	2015
Transfer outstanding from Umkhanyakude District Municipality	5,030,158	5,030,158

22 Unauthorised, Fruitless and Wasteful and Irregular expenditure

Unauthorised expenditure

	2016	2015
	-	-

Fruitless and Wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

	2016	2015
Opening balance -	-	111,429
Fruitless and wasteful expenditure current year	126,425	132,146
Written off by Board		(243,575)
Fruitless and wasteful expenditure awaiting condonement	**126,425**	**-**

Fruitless and Wasteful expenditure relates to South African Revenue Services and Auditor General penalty, interest on overdue account due to late payments.

Irregular expenditure

Reconciliation of irregular expenditure

	2016	2015
Opening balance	7,509,148	3,098,231
Irregular expenditure current year	249,092	4,410,917
Written off by Board	(1,659,352)	-
Irregular expenditure awaiting condonement	**6,098,888**	**7,509,148**

Incident	**Disciplinary steps / Criminal proceedings**	**Amount**
Wings Like Eagles Trading expenditure paid not work done	Condoned by the board no further expenditure paid	52,435
Awards made to the persons in the service state	No further procurement be made to this suppliers	49,841
Expenditure incurred as result non-compliance with SCM (register available)	Still to be investigated	5,849,797
Royal Tembe Development Foundation paid for work not done	Contract terminated	131,346

Notes to the Annual Financial Statements

	2016 R	2015 R

Irregular expenditure (Continued)

Nedbank credit card expenditure by previous CEO not supported	Card cancelled with the bank	103,603
Irregular expenditure due to expenditure incurred above the approved budget by the parent	Condoned by the board	1,322,127
Expenditure incurred as result non-compliance with SCM which contract were running	Working on terminating contract	249,092
		7,758,241

23 Taxation

	2016	2015
Normal income tax	44,035	-
	44,035	**-**

24 Additional disclosure in terms of Municipal Finance Management Act

Audit fees

	2016	2015
Opening balance	40,190	-
Current year audit fee	637,976	601,079
Amount paid - current year	(643,413)	(560,889)
Balance unpaid (included in payables)	**34,753**	**40,190**

The balance unpaid represents invoices for audit fees that were not sent to UMDA on time .

PAYE and UIF

	2016	2015
Opening balance	116,818	248,898
Current year payroll deductions	977,843	819,006
Amount paid - current year	(267,296)	(702,188)
Amount paid - previous years	(116,818)	(248,898)
	710,547	**116,818**

The balance represents PAYE, SDL and UIF deducted from the 30 June 2015 payroll. These amounts were paid during 31 July 2015. The current expense was not paid over due to the delay on operational grant transfer from the parent municipality.

Pension and Medical Aid Deductions

	2016	2015
Opening balance	-	-
Current year payroll deductions	1,313,969	791,019
Amount paid - current year	(1,313,969)	(791,019)
	-	**-**

	2016 R	2015 R

24 Additional disclosure in terms of Municipal Finance Management Act (Continued)

Value added tax

	2016 R	2015 R
Vat Receivable	538,822	276,809

VAT input receivables and VAT output payables are shown in note 6. All VAT returns have been submitted by the due date throughout the year.

Non-Compliance with Chapter 11 of the Municipal Finance Management Act

	2016 R	2015 R
The entity has an approved a supply chain management policy all devaition are recorded on the deviation register. There was one major supplier (Inomusa Suppliers Trading Enterprise (PTY) Ltd) where a devaition was recorded for the transportation and procuring of vegetables and fruits for the schools nutrition programme.	14,998,954	6,531,242

Material Losses

Non material losses were recorded.

25 Project commitments

Commitments in respect of capital expenditure

	2016 R	2015 R
Amounts budgeted and committed		
Airport establishment	4,000,000	20,000,000
School nutrition project	22,000,000	22,000,000
King Zwelthini Royal Resort	-	2,000,000
Other	-	4,800,000
	26,000,000	**48,800,000**

This expenditure will be financed from:

	2016 R	2015 R
Department of Economic Development, Tourism and Environmental Affairs	4,000,000	-
COGTA	-	4,800,000
DC 27	-	20,000,000
Department of Education	22,000,000	22,000,000
Industrial Development Corporation	-	2,000,000
	26,000,000	**48,800,000**

Operating leases - as lessee (expense)

At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:

	2016 R	2015 R
Minimum lease payments due		
- within one year	48,903	48,903
- in second to fifth year inclusive	48,903	97,806
	97,806	**146,709**

Operating Leases consists of the following:

Operating lease payments represent rentals payable by the agency for photocopying machine. Leases are negotiated for an average term of three years and rentals are fixed for an average of three years.

Notes to the Annual Financial Statements

	2016	2015
	R	R

26 Risk management

The entity's objectives when managing capital are to safeguard the entity's ability to continue as a going concern in order to provide returns and benefits for all stakeholders, while delivering sustainable services and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the entity consists of cash and cash equivalents disclosed in note 3 and equity as disclosed in the statement of financial position.

Due to the largely non-trading nature of activities and the way in which they are financed, municipal entities are not exposed to the degree of financial risk faced by business entities. The entity’s financial services function monitors and manages the financial risks relating to the operation of the entity. These risks include credit risk and liquidity risk.

Liquidity risk

Liquidity risk refers to the ability of an entity to meet its obligations associated with financial liabilities. The entity’s liquidity risk pertains to whether funds are available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit obligations.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored. The liquidity ratio is outlined below:

	2016	2015
Current Assets	18,100,638	14,758,800
Current Liabilities	16,006,919	13,978,844
Liquidity ratio	1,12 : 1	1,06 : 1

Interest rate risk

The entity limits its exposure to interest rate fluctuations by only dealing with well-established institutions and opting for fixed interest rates rather than variable rates.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party. Debtors comprise of mainly outstanding invoices from National School Nutrition Programme, outstanding transfer from parent municipality and former staff debt. Ongoing evaluations are performed on the financial condition of these debtors and have been presented in these financial statements net of a provision for impairment. In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by demand for payment or which ever procedure is applicable in terms of board of directors' credit control and debt collection system.

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

Financial instrument	2016	2015
Investments	5,006,781	1,020,608
Cash and cash equivalents	201,488	87,710
Accounts receivable from exchange and non-exchange transaction	12,378,644	13,348,576

Notes to the Annual Financial Statements

	2016	2015
	R	R

27 Going concern

We draw attention to the fact that at 30 June 2016, the entity had accumulated surplus of R 2 516 326 and that the entity's total assets exceed its total liabilities by R 2 516 326.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business, dependant on the receiving of grant allocations.

28 Events after the reporting date

No events after the reporting that has been recorded between the date of the financial year end and the date of submission which will have any material effect on the presentation made.

29 Contingent assets

The entity has made a claim against the former CFO, of R705 167.35 where payments were incorrectly paid into another bank account. Case no.98/02/2015 has been opened and currently with special commercial crime unit. The directors are of the opinion that the results of recent negotiations with her attorney have given strong indications that this claim is probable to be met in full in the near future.

30 Prior period errors

30.1 Trade and other receivables from exchange transactions

During the year ended 30 June 2014 an amount of R 705 167 was fraudulently paid into the wrong account instead of the SARS account. This amount was recognised as a receivable at the time, however, subsequent to the year end we realised that it was not appropriate to raise a debtor but a contingent asset since its recoverability is contingent upon the court sanctioning the repayment of the amount.

30.2 Trade and other payables from exchange transactions

Furthermore, during the same year, expenses amounting to R 189 334 were not recorded in the accounting records (expenditure and accrual accounts) of the agency. This resulted to a suspense account with a debit balance as payments were made to suppliers that were not recorded as accruals.

30.3 Expenses

Expenses amounting to R 194 583.91 were not recorded in the correct accounting period, services were rendered in the 2014/15 financial year also the VAT was accounted in incorrect period R25 096.92.

Notes to the Annual Financial Statements

	2016 R	2015 R

The effect of the correction of the error on the 2015 results is as follows:

	2016 R	2015 R
Statement of Financial Position		
Trade and other receivables from exchange	-	(894,501)
Trade and other payables from exchange		169,487
VAT Receivable	-	25,097
Accumulated surplus	-	(699,917)
	-	**0**
Statement of Financial Perfomance		
Rental of land and building		-
General expenses		-
	-	**-**

31 Income Tax paid / (Refund)

	2016 R	2015 R
Balance at the beginning of the year	-	(680,582)
Current tax for the year recognised in surplus / (deficit)	(44,035)	-
Balance at the end of the year	44,035	-
	-	**680,582**

32 Share capital / contributed capital

	2016 R	2015 R
Authorised		
1000 Ordinary shares of R1 each	1,000	1,000
Issued		
100 Ordinary shares R1 each	100	100

	2016 R	2015 R
33 Rental Income (Service in Kind)	136,842	-

The entity receives service in-kind from the parent municipality. UMkhanyakude district municipality has provided Umhlosinga Development Agency with the free use of land and building Water consumption are also being paid by the parent municipality but considered to insignificant as amount paid to date is R6 134.56 for 2015/16 and R2 807.22 for 2014/15 respectively. Electricity consumption also being paid by the parent municipality but has been considered as insignificant; UMDA use electricity for light and connection to our computer equipment. Umhlosinga development agency has a free use of land and building belonging to UMkhanyakude district municipality, further to this; water and electricity used by the entity is being paid for by UMkhanyakude district municipality, these are effectively classified as service in kind in terms of GRAP 23. The fair value of free use for land and buildings has been estimated and recognised in terms of GRAP 23.Free use of water and electricity is not considered by the municipality to be significant to the operations of the entity and is therefore not recognised.