

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

**TRADING AS
ENTERPRISE ILEMBE**

REGISTRATION NUMBER: 2006/032665/07



**UNAUDITED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2018**

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
REGISTRATION NUMBER: 2006/032665/07
UNAUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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UNAUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

General Information

Country of Incorporation	South Africa
Legal form of entity	(Pty) Ltd
Nature of business	Local Economic Development
Chief Executive Officer	Mr Nkosinathi Nkomzwayo
Chief Financial Officer	Mrs Sinegugu Mthembu
Controlling Entity	iLembe District Municipality
Auditors	Auditor-General of South Africa
Bankers	First National Bank
Postal Address	P O Box 593 Ballito 4420
Physical Address	Sangweni Tourism Centre Cnr. Ballito Drive and Link Road Ballito 4420
Contact No.	032-9461256
Fax No.	032-9463515
Web Address	www.enterpriseilembe.co.za

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
REGISTRATION NUMBER: 2006/032665/07
UNAUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Chief Executive Officer's Responsibility and Approval

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

I am responsible for the preparation of the annual financial statements, set out on pages 2 to 38, in terms of the Company's Act No. 71 of 2008 as amended and section 126 (1) of the Municipal Finance Management Act of 2003, which I have signed on behalf of iLembe Management Development Enterprise (Pty) Ltd.



Nkosinathi Nkomzwayo
Chief Executive Officer

29-Nov-18
Date

Directors' Responsibilities and Approval

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

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

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

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

All employees are required to maintain the highest ethical and integrity standards in ensuring that the municipal entity's business practices are conducted in a manner, which in all reasonable circumstances, is above reproach. The concept of reasonable assurance recognises that the



Khanyisani Shandu
Chairman of the Board

29-Nov-18

Date

Directors' Report

The following report is submitted in terms of section 30(3) of the Companies Act, 2008, for the period ended 30 June 2018.

General Review

The municipal entity was incorporated on 27 October 2008 and replaced the Ilembe Development Foundation which was incorporated on 8 November 2002 and commenced business operations on 1 July 2016. The change was necessary to comply with Section 93 of the Municipal Systems Act. Subject to this there has been no material change in the nature or conduct of the municipal entity's business during the period under review. The financial statements adequately disclose the results of the operations for the period under review and the state of the municipal entity's affairs for the period ended 30 June 2018.

1. Nature of Business

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

2. Going Concern

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

3. Material Agreement

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

4. Financial results of the company

The annual financial statements on pages 2-38 set out fully the financial position and results of operations and cash flows of the entity for the year ended 30 June 2018

5. Subsequent Events

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

6. Share Capital

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

7. Dividends

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

8. Directors

The directors of the entity during the year and to date of this report are as follows:

Name	Details
KS Shandu - Chairperson	Appointed November 2015
AT Nzama - Deputy Chairperson	Appointed February 2017
DN Nene	Appointed November 2015
JC Oelofse	Appointed February 2017
ZS Gumede	Appointed February 2017
N Mngadi	Appointed February 2017
P Mngadi	Appointed February 2018

Fees for a retainer and attendance at meetings totalling R550 896 (R563 686 in June 2017) were paid during the period under review. See note 15 of the Annual Financial Statements.

9. Economic Entity

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

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

10. Directors' interest in contracts

Fees for a retainer and attendance at meetings totalling R550 896 (R563 686 in June 2017) were paid during the period under review. See note 15 of the Annual Financial Statements. The directors have declared interest in companies they are part of, but none that are linked to the entity.

11. Corporate Governance

11.1 Board Meetings

The board has 2 sub committees outside of the board committee. As a board, they are required to meet at least 4 times annually. The schedule below indicates the meetings held and attended thereof.

Name	Board Committee	Tourism and Investment	HR and Finance
Number of meetings	4	2	3
KS Shandu - Board Chairperson	4	2	N/A
AT Nzama - Deputy Board Chairperson &	4	2	N/A
DN Nene - HR & Finance Sub-Committee Chair	2	N/A	3
JC Oelofse	4	1	2
ZS Gumede	4	2	N/A
N Mngadi	4	N/A	1
B Mngadi	1	N/A	1

Mr B. Mngadi was only appointed on February 2018, hence he attended only one board meeting during the 2017/2018 financial year.

11.2 Audit Committee Meetings

The Audit Committee currently comprised of independent, external members and is required to meet at least 4 times per annum as per the MFMA. Additional meetings may be called for as the need arise. Only 3 meetings were held during the 2017/2018 financial year due to the delays in the process of getting new audit committee. Members' attendance at the meetings is listed below:

Name	Number of Meetings Attended	
	Current Committee	Previous Committee
S. Hlophe - Acting Chairperson	1	N/A
S Gertze	1	N/A
Z. Bongekile	1	N/A
S.L Ndlovu	1	2
D. Bosch - Previous Chairperson	N/A	1
S Singh	N/A	2
S.D Mngoma	N/A	2

The entity appointed a new audit committee following the expiry term of the previous committee. The first seating was in May 2018.

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
STATEMENT OF FINANCIAL POSITION
UNAUDITED ANNUAL FINANCIAL STATEMENTS AS AT 30 JUNE 2018

	Note	2018 R	2017 R
ASSETS			
Current assets		12 200 751	6 653 287
Vat Receivable	3	507 974	347 660
Inventory	4	283 018	178 265
Receivables	10	6 299 265	5 607 014
Cash and cash equivalents	11	5 110 493	520 348
Non-current assets		24 470 598	25 372 829
Property, Plant and Equipment	6	24 079 198	24 980 802
Biological Assets	7	391 400	390 000
Intangible Assets	8	-	2 027
Total Assets		36 671 349	32 026 117
LIABILITIES			
Current liabilities		3 565 099	3 254 817
Payables	1	2 733 731	2 496 564
Unspent Conditional Grants and Receipts	2	831 369	758 253
Total Liabilities		3 565 099	3 254 817
Net Assets		33,106,250	28,771,300
NET ASSETS			
Accumulated Surplus		33 106 150	28 771 200
Issued Share Capital	9	100	100
Total Net Assets		33,106,250	28,771,300

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
STATEMENT OF FINANCIAL PERFORMANCE
UNAUDITED ANNUAL FINANCIAL STATEMENTS AS AT 30 JUNE 2018

REVENUE	Note	2018 R	2017 R
Revenue from exchange transactions			
Rental Income	12	66 087	72 000
Interest Received	13	273 047	253 120
Other Income	15	106 764	47 038
National Schools Nutrition Income	16	18 031 479	9 055 559
Total Revenue from exchange transactions		<u>18 477 377</u>	<u>9 427 717</u>
Revenue from non-exchange transactions			
Government grants and subsidies	14	24 829 416	21 481 452
Total Revenue		<u>43 306 793</u>	<u>30 909 169</u>
EXPENDITURE			
Depreciation, Amortisation & Impairment	5	1 163 571	1 177 002
Employee Related Costs	17	14 356 698	12 065 818
Directors Fees	18	550 856	563 685
Repairs and Maintenance	19	2 119 131	1 777 242
Contracted Services	20	16 230 803	9 862 235
General Expenses	21	7 138 611	3 959 664
Loss on Disposal	25	38 545	803 638
Total Expenditure		<u>41 598 214</u>	<u>30 209 284</u>
Surplus / (Deficit) for the year		<u>1 708 579</u>	<u>699 885</u>

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
STATEMENT OF CHANGES IN NET ASSETS
UNAUDITED ANNUAL FINANCIAL STATEMENTS AS AT 30 JUNE 2018

	Note	Shares R	<u>Accumulated Surplus/ (Deficit)</u> R.	<u>Total Net Assets</u> R
Opening Balance 1 July 2016		100	19,552,495	19 552 595
Deficit for the year		-	574 173	574 173
Prior period error	29	-	2 299 593	2 299 593
Balance at 30 June 2017		100	21 277 914	21 278 015
Prior period error	29	-	7 493 286	7 493 286
Restated Balance at 30 June 2017		100	28,771,200	28,771,301
Opening Balance 1 July 2017		100	28,771,200	28 771 300
Surplus for the year		-	1,708,579	1 708 579
Adjustments		-	2 626 371	2 626 371
Balance at 30 June 2018		100	33,106,150	33 106 250

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
CASH FLOW STATEMENT
UNAUDITED ANNUAL FINANCIAL STATEMENTS AS AT 30 JUNE 2018

	Note	2018 R	2017 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts government and other		45 360 667	34 814 597
Cash paid to suppliers and employees		<u>(35 839 354)</u>	<u>(33 448 893)</u>
Cash generated/(utilised) from operations	23	9 521 313	1 365 704
Interest received		273 047	253 120
NET CASH FLOWS FROM OPERATING ACTIVITIES		<u>9 794 360</u>	<u>1 618 824</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	6,7,8	(299 903)	(1 318 543)
Increase in current investments		(4 904 313)	(6 563)
NET CASH FLOWS FROM INVESTING ACTIVITIES		<u>(5 204 216)</u>	<u>(1 325 106)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		<u>4 590 144</u>	<u>293 718</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		520 348	226 630
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	24	<u>5 110 492</u>	<u>520 348</u>

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
 STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS
 UNAUDITED ANNUAL FINANCIAL STATEMENTS AS AT 30 JUNE 2018

Description	2017/2018						Comments
	Original Budget R	Adjustment Budget R	Actual outcome June 2018 R	YTD Budget June 2018 R	Variance R	% Varaince	
Financial Position							
Current assets:							
Receivables from exchange transactions	1,277,231	1,277,231	6,299,265	6,299,265	-	0%	Immaterial
Cash and Cash Equivalents	1,500,000	1,500,000	5,110,493	5,110,493	-	0%	Immaterial
					-	0%	Immaterial
Non-current assets							
Property, plant and equipment	26,335,705	26,335,705	24,079,198	24,079,198	-	0%	Immaterial
Biological assets	2,774,800	2,774,800	391,400	391,400	-	0%	Immaterial
Intangible assets	8,360	8,360	-	0	-	0%	Immaterial
Total Assets	31,896,096	31,896,096	36,388,331	35,880,356	507,974		
Current liabilities:							
Payables from exchange transactions	224,449	224,449	2,733,731	2,733,731	-	0%	Immaterial
Unspent conditional grants and receipts	8 064 469	8 064 469	831,369	831,369	-	0%	Immaterial
Total Liabilities	8,288,918	8,288,918	3,565,099	3,565,099	-		
Net Assets	23,607,178	23,607,178	32,823,231	32,823,231	-		
Accumulated surplus	23,607,078	23,607,078	33,106,150	33,106,150	-	0%	Immaterial
Share capital held by Municipality	100	100	100	100	-	0%	Immaterial
Total Net Assets	23,607,178	23,607,178	33,106,250	33,106,250	-		
Financial Performance							
Interest on investments	219 912	219,912	273,047	219,912	53,135	24%	The increase is due to amounts invested for longer than previous financial year. Budget was an estimate from past years.
Government grants and subsidies	25,139,672	23,904,732	24,829,416	23,904,732	924,684	4%	Immaterial
Other income	16,894,721	18,340,777	18,204,330	18,340,777	(136,447)	-1%	Immaterial
Total Revenue	42,254,305	42,465,421	43,306,793	42,465,421	841,372		

Description	2017/2018						Comments
	Original Budget R	Adjustment Budget R	Actual outcome June 2018 R	YTD Budget June 2018 R	Variance R	% Variance	Explanation of material variances over 10%
Employee Related Costs	15,691,374	13,741,204	14,356,698	13,741,204	615,494	4%	Immaterial Immaterial Decrease is due to write-offs, reassessment of useful lives The budget for repairs of hubs was not spent as assessment indicated new refridgerators must be bought - this will be done in the next financial year. Immaterial Immaterial
Directors' fees	674 160	600,000	550,856	600,000	(49,144)	-8%	
Depreciation, Amortization & Impairment	1 180 696	1,491,696	1,163,571	1,491,696	(328,125)	-22%	
Repairs and maintenance	3,218,250	3,418,250	2,119,131	3,418,250	(1,299,119)	-38%	
General expenses	6,543,148	6,906,715	7,177,155	6,906,715	270,440	4%	
Contracted services	14,805,913	16,002,661	16,230,803	16,002,661	228,142	1%	
Total Expenditure	42,113,541	42,160,526	41,598,214	42,160,526	(562,312)		
Surplus/(Deficit) before tax	140,764	304,895	1,708,579	304,895	1,403,684		
Tax	-	-	478,402	-	-		
Surplus/(Deficit) after tax	140,764	304,895	1,230,177	304,895	1,403,684		
<u>Statement of changes in net assets</u>							
Balance as at 1 July 2017	23 607 178	23 607 178	21,278,015	21,278,015	-	0%	
Correction Prior Year Period	-	-	10,119,657	10,119,657	-	0%	
Surplus/(Deficit) for the year	(970,000)	(970,000)	1,708,579	1,708,579	-	0%	
Balance as at 30 June 2018	22 637 178	22 637 178	33,106,251	33,106,251	-		
<u>Cash Flows</u>							
Receipts	7,579,571	30,437,913	45,633,714	45,633,714	-	0%	Immaterial Immaterial Immaterial Immaterial Immaterial
Payments	2,156,146	30,294,213	35,839,354	35,839,354	-	0%	
Net cash flows from operating activities	5,423,425	143,700	9,794,360	9,794,360	-	0%	
Net cash flows from investing activities	(30,217)	(1,313,825)	(5,204,216)	-5,204,216	-	0%	
Cash/cash equivalents at the beginning of the year	528,988	513,441	520,348	520,348	-	0%	
Cash/cash equivalents as at 30 June 2018	5,922,196	-656,684	5,110,492	5,110,492	0		

The budget is approved on an accrual basis by nature classification. The approved budgets cover the period 1 July 2017 to 30 June 2018.

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

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
UNAUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1 BASIS OF PREPARATION

1.1 STATEMENT OF COMPLIANCE

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

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

1.2 BASIS OF MEASUREMENT

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

1.3 FUNCTIONAL AND PRESENTATION CURRENCY

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

1.4 OFFSETTING

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

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

1.5 GOING CONCERN ASSUMPTION

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

1.6 USE OF ESTIMATES AND JUDGEMENTS

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

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

1.7 COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. The municipal entity shall present a comparison of budget and actual amounts as additional budget columns in the primary financial statements only where the financial statements and the budget are prepared on a comparable basis. All comparisons of budget and actual amounts shall be presented on a comparable basis to the budget. The municipality shall explain in notes to the financial statements the budgetary basis and classification basis adopted in the approved budget.

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

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

GRAP 20 Related Party Disclosures - issued June 2011

GRAP 32 Service Concession Arrangements: Grantor - issued August 2013

GRAP 108 Statutory Receivables - issued September 2013

GRAP 109 Accounting by Principals and Agents

IGRAP 17 Service Concession Arrangements where a Grantor Controls a significant residual interest in an asset

Management have considered all of the above mentioned GRAP standards approved or issued but not yet effective and anticipates that the adoption of these standards will not have a significant on the financial position, financial performance or cashflows of the entity.

2. SIGNIFICANT ACCOUNTING POLICIES

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

2.1 PROPERTY. PLANT AND EQUIPMENT

2.1.1 INITIAL RECOGNITION

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

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

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

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

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

2.1.2 SUBSEQUENT MEASUREMENT - COST MODEL

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

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

2.1.3 DEPRECIATION AND IMPAIRMENT

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

Furniture and equipment	7-10 years
Machinery and equipment	5-10 years
Computer equipment	5 years
Agriculture PPE	10-30 years
Buildings	30 years

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

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

2.1.4 DERECOGNITION

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

2.1.5 LEASED ASSETS

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

3 BIOLOGICAL ASSETS

3.1 INITIAL RECOGNITION

Biological assets are fair valued at the end of each accounting period. Biological assets that have not produced crops are valued at cost while in the case where crops are present the value of the crop at the end of the accounting period is taken into account to arrive at the fair value.

3.2 SUBSEQUENT MEASUREMENT

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

3.3 DERECOGNITION

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

4 INTANGIBLE ASSETS

4.1 INITIAL RECOGNITION

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

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

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

Intangible assets are initially recognised at cost.

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

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

4.2 SUBSEQUENT MEASUREMENT - COST MODEL

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

4.3 AMORTISATION AND IMPAIRMENT

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

Computer software and websites 5 years

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

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

4.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

5 INVESTMENT PROPERTY

5.1 INITIAL RECOGNITION

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

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

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

5.2 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL

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

6 INVENTORIES

6.1 INITIAL RECOGNITION

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

6.2 SUBSEQUENT MEASUREMENT

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

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

The basis of allocating cost to inventory items is the first in first out method.

7 FINANCIAL INSTRUMENTS

7.1 INITIAL RECOGNITION

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

7.2 SUBSEQUENT MEASUREMENT

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

7.2.1 INVESTMENTS

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

7.2.2 TRADE AND OTHER RECEIVABLES

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

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

7.2.3 TRADE PAYABLES AND BORROWINGS

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

7.2.4 CASH AND CASH EQUIVALENTS

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

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

8 UNAUTHORISED EXPENDITURE

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

9 IRREGULAR EXPENDITURE

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

10 FRUITLESS AND WASTEFUL EXPENDITURE

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

11 LEASES

11.1 MUNICIPAL ENTITY AS LESSEE

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

Initial Recognition

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

Measurement

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

Subsequent Recognition

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

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

11.2 MUNICIPAL ENTITY AS LESSOR

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

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

12 REVENUE

12.1 REVENUE FROM EXCHANGE TRANSACTIONS

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

Recognition

Interest revenue is recognised on a time proportion basis.

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

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

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

Measurement

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

12.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

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

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

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

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

12.3 GRANTS, TRANSFERS AND DONATIONS

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

13 VALUE ADDED TAX (VAT)

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

14 INCOME TAX

The municipal entity is registered for income tax purposes and is liable for income tax at the corporate rate of 28%. Income tax returns are up to date as at 30 June 2017. Current year tax return will be submitted by due date.

15 RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control; or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions.

16 EVENTS AFTER THE REPORTING DATE

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

17 IMPAIRMENT OF ASSETS

17.1 Recognition

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

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

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

17.2 Measurement

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

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

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

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

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

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

17.3 Reversal of Impairment

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

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

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

18 EMPLOYEE BENEFITS

18.1 Short-Term Employee Benefits

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

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

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

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

18.2 Post-Employment Benefits

18.2.1 Defined Contribution Plans

A defined contribution plan is a plan under which the entity pays fixed contributions into a separate entity. The entity has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay employees all the benefits relating to service in the current or prior periods.

The entity's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in surplus or deficit in the period in which the service is rendered by the relevant employees, unless another standard requires or permits the inclusion of the contribution in the cost of an asset. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

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

18.2.2 Termination Benefits

Termination benefits are recognised as an expense when the entity is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the entity has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
UNAUDITED ANNUAL FINANCIAL STATEMENTS AS AT 30 JUNE 2018

	2018 R	2017 R
1 PAYABLES		
1.1 Payables		
Payables from exchange transaction	1 166 748	1 088 736
Other creditors	339 103	578 740
Total Creditors	1 505 851	1 667 476
1.2 Provision for Leave		
Opening balance	829 088	554 077
Movement	398 792	275 011
Closing Balance	1 227 880	829 088
Total Payables	2 733 731	2 496 564
2 RECEIPTS		
Tourism King Shaka Route	-	57 000
Tourism Grant	-	501 254
LED Grant	-	199 999
Maphumulo IEC Grant	700 000	-
District Growth and Development Summit - 2018	131 369	-
Total Conditional Grants and Receipts	831 369	758 253
3 VALUE ADDED TAXATION		
Vat Receivable	507 974	347 660
4 INVENTORY		
Balance as at year end	283 018	178 265
Inventory comprise of own produce - bottled and unbottled as well as wine purchased for resale.		
5 DEPRECIATION, AMORTISATION & IMPAIRMENT		
Depreciation	1 162 099	1 115 759
Amortisation	1 472	2 091
Impairment	-	59 152
	1 163 571	1 177 002

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
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6 PROPERTY, PLANT & EQUIPMENT

Reconciliation of Carrying Value 2017/2018

	OTHER ASSETS				Total
	Buildings	Agricultural Assets	Furniture and Equipment	Computer Equipment	
	R	R	R	R	R
Carrying Values at 1 July 2017	929 137	18 162 559	340 102	5 549 004	24 980 802
Cost	155 517	18 956 064	631 376	610 454	20 353 411
WIP	818 811	5 777 329	-	5 221 181	11 817 321
Accumulated depreciation	(45 192)	(6 570 834)	(291 273)	(282 630)	(7 189 930)
Depreciation	(20 621)	(968 186)	(72 342)	(100 951)	(1 162 099)
Acquisitions	53 247	-	128 352	118 304	299 903
Transfer to completed assets	(818 811)	-	-	-	(818 811)
Carrying Value of disposals	-	-	3 002	36 409	39 411
Cost	-	-	69 613	244 596	314 209
Accumulated depreciation	-	-	(66 611)	(208 188)	(274 799)
Carrying Values at 30 June 2018	961 763	17 194 373	393 113	5 529 949	24 079 198
Cost	1 027 576	18 956 064	690 117	484 162	21 157 919
WIP	-	5 777 329	-	5 221 181	10 998 510
Accumulated depreciation	(65 813)	(7 539 020)	(297 004)	(175 393)	(8 077 230)

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

R

Biodiesel Equipment - The equipment was bought between the 2010/2011 and the 2011/2012 financial years as part of the biodiesel project funded by the department of COGTA, where the idea was to produce diesel using the moringa plant. The plant dried out during the drought season that affected the district and was subsequently wrote off during the 2015/2016 financial year. The agency has made a submission to COGTA requesting the project to be written off and the equipment channeled to a new project under Biomass.

5,777,329

Broadband - The broadband project is also a project that happened between the 2010/11 and 2011/12 financial years, whereby the ICT infrastructure was installed. (incl. fiber optic cables). The total cost of rolling out this project was estimated to be about R400m, funding which has not materialized as yet.

5,221,181

10,998,510

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
 NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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Reconciliation of Carrying Value 2016/2017	Buildings R	Agricultural Assets	Furniture and Equipment	Computer Equipment R	Total R
Carrying Values at 1 July 2016	117 010	16 638 932	261 737	5 436 181	22 453 860
Cost	155 517	18 698 576	527 420	416 340	19 797 853
WIP	-	5 777 329	-	5 221 181	10 998 510
Accumulated depreciation	(38 508)	(7 836 973)	(265 683)	(201 340)	(8 342 504)
Prior Year Depreciation and Impairment Correction		2 278 323	39 800	(17 747)	2 300 376
Acquisitions	-	303 836	103 956	91 940	499 732
Adjustment on cost	-	-	-	102 174	102 174
WIP	818 811	-	-	-	818 811
Write Offs at Book Value	-	19 238	-	-	19 238
Cost	-	46 347	-	-	46 347
Accumulated Depreciaion	-	(27 110)	-	-	(27 110)
Depreciation	(6 684)	(980 142)	(65 390)	(63 543)	(1 115 759)
Impairment Loss		(59 152)			(59 152)
Carrying Values at 30 June 2017	929 137	18 162 559	340 102	5 549 004	24 980 802
Cost	155 517	18 956 064	631 376	610 454	20 353 411
WIP	818 811	5 777 329	-	5 221 181	11 817 321
Accumulated depreciation	(45 192)	(6 570 834)	(291 273)	(282 630)	(7 189 930)

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

Reconciliation of Carrying Value 2017/2018

Carrying Values at 1 July 2017

Cost
Accumulated depreciation

Acquisitions

Gain on Fair value

Carrying Values at 30 June 2018

Cost
Accumulated depreciation

Moringa Plantation R	Vineyards R	Total R
-	390 000	390 000
1,064,800	1,710,000	2 774 800
(1 064 800)	(1 320 000)	(2 384 800)
-	-	-
-	1 400	1 400
-	391 400	391 400
1,064,800	1,710,000	2 774 800
(1 064 800)	(1 318 600)	(2 383 400)

Reconciliation of Carrying Value 2016/2017

Carrying Values at 1 July 2016

Cost
Accumulated depreciation

Acquisitions

Loss on Fair value

Carrying Values at 30 June 2017

Cost
Accumulated depreciation

Moringa Plantation R	Vineyards R	Total R
-	1 174 400	1 174 400
1,064,800	1,710,000	2 774 800
(1 064 800)	(535 600)	(1 600 400)
-	-	-
-	(784,400)	(784 400)
-	390,000	390 000
1,064,800	1,710,000	2,774,800
(1 064 800)	(1 320 000)	(2 384 800)

**ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
UNAUDITED ANNUAL FINANCIAL STATEMENTS AS AT 30 JUNE 2018**

8 INTANGIBLE ASSETS

Reconciliation of Carrying Value 2017/2018

Carrying Values at 1 July 2017

	Software R	Total R
	2,027	2 027
Cost	28,816	28 816
Accumulated Amortisation	(26,789)	(26 789)
Acquisitions	-	-
Write Offs at Book Value	555	555
Cost	28 816	28 816
Accumulated Depreciaion	(28 261)	(28 261)
Amortisation	(1 472)	(1 472)
Carrying Values at 30 June 2018	-	-
Cost	-	-
Accumulated Amortisation	-	-

Reconciliation of Carrying Value 2016/2017

Carrying Values at 1 July 2016

	Software R	Total R
	4,118	4 118
Cost	28,816	28 816
Accumulated Amortisation	(24,698)	(24 698)
Acquisitions	-	-
	(174)	-
Amortisation	(2,091)	(2 091)
Carrying Values at 30 June 2017	2,027	2 027
Cost	28,816	28 816
Accumulated Amortisation	(26,789)	(26 789)

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
 NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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	2018 R	2017 R
9 ISSUED SHARE CAPITAL		
Name of company		
Ilembe District Municipality		
Carrying amount	<u>100</u>	<u>100</u>
% Holding	<u>100%</u>	<u>100%</u>
Ordinary Shares: 100 @ R1 each		
10 RECEIVABLES		
10.1 Receivables from Exchange Transactions		
Provincial Department of Education	5 325 361	4 271 492
SARS	224 280	697 473
Other Debtors	76 649	72 000
Total Receivables from Exchange Transactions	<u>5 626 290</u>	<u>5 040 965</u>
10.2 Other Receivables		
Ilembe District Municipality	646 625	526 779
Deposits	26 350	39 270
Total Receivables from non-exchange transactions	<u>672 975</u>	<u>566 049</u>
Total Receivables	<u>6 299 265</u>	<u>5 607 014</u>
11 CASH AND CASH EQUIVALENTS		
11.1 Bank Accounts		
11.1.1 Rocabex - Trust Bank Account - Kloof Branch		
<i>First National Bank Account</i>		
<i>Account Number 62347813471: Current Account</i>		
Cash book balance at the beginning of the year	<u>205 218</u>	<u>205 218</u>
Cash book balance at the end of the year	<u>205 218</u>	<u>205 218</u>
Bank statement balance at the beginning of the year	<u>205 218</u>	<u>205 218</u>
Bank statement balance at the end of the year	<u>205 218</u>	<u>205 218</u>
The entity is currently in the process of closing the Rocabex account since it is dormant		
11.1.2 First National Bank Account - Main Bank Account - Stanger Branch		
<i>Account Number 62450574077: Cheque Account</i>		
Cash book balance at the beginning of the year	<u>308 223</u>	<u>20 187</u>
Cash book balance at the end of the month	<u>91</u>	<u>308 223</u>
Bank statement balance at the beginning of the year	<u>308 223</u>	<u>20 187</u>
Bank statement balance at the end of the month	<u>91</u>	<u>308 223</u>
Total Bank Accounts	<u>205 309</u>	<u>513 441</u>
Petty Cash	870	344
	<u>206 180</u>	<u>513 785</u>
11.2 Current Investments		
11.2.1 First National Bank Account - Business Investment Desk Branch		
<i>Account Number 74767676876 Fixed Maturity Notice</i>		
Cash book balance at the beginning of the year	<u>-</u>	<u>-</u>
Cash book balance at the end of the year	<u>1 003 710</u>	<u>-</u>
Bank statement balance at the beginning of the year	<u>-</u>	<u>-</u>
Bank statement balance at the end of the year	<u>1 003 710</u>	<u>-</u>
11.2.2 First National Bank Account - Business Investment Desk Branch		
<i>Account Number 74767678161 Fixed Maturity Notice</i>		
Cash book balance at the beginning of the year	<u>-</u>	<u>-</u>
Cash book balance at the end of the year	<u>1 000 000</u>	<u>-</u>
Bank statement balance at the beginning of the year	<u>-</u>	<u>-</u>
Bank statement balance at the end of the year	<u>1 000 000</u>	<u>-</u>

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	2018 R	2017 R
11.2.3 First National Bank Account - Business Investment Desk Branch		
<i>Account Number 74769875781 Fixed Maturity Notice</i>		
Cash book balance at the beginning of the year	-	-
Cash book balance at the end of the year	<u>805 994</u>	<u>-</u>
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	<u>805 994</u>	<u>-</u>
11.2.4 First National Bank Account - Business Investment Desk Branch		
<i>Account Number 62602914138 - Call Account</i>		
Cash book balance at the beginning of the year	6 563	-
Cash book balance at the end of the year	<u>16 111</u>	<u>6 563</u>
Bank statement balance at the beginning of the year	6 563	-
Bank statement balance at the end of the year	<u>16 111</u>	<u>6 563</u>
11.2.5 Investec - Grayston Drive Branch		
<i>Account Number 1100546992530 Business Top5</i>		
Cash book balance at the beginning of the year	-	-
Cash book balance at the end of the year	<u>2 078 498</u>	<u>-</u>
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	<u>2 078 498</u>	<u>-</u>
Total Current Investments	<u><u>4 904 313</u></u>	<u><u>6 563</u></u>
CASH & CASH EQUIVALENTS	<u><u>5 110 493</u></u>	<u><u>520 348</u></u>
12 RENTAL INCOME OF FACILITIES		
Bulwer Tunnels	40 000	72 000
Mathonsi Tunnels	<u>26 087</u>	<u>-</u>
	<u><u>66 087</u></u>	<u><u>72 000</u></u>
<p>The rental income relates to the agreements in place between the Agency and Njinji (for the Bulwer Tunnel) and Farley Farms (for the Mathonsi Tunnel).</p> <p>The agreement with Njinji was terminated due to non-payment of rent and amounts recovered through invoices owed to the company for the supply of produce.</p> <p>The agreement with Farley is in place from 1 November 2017 to 31 October 2020.</p>		
13 INTEREST RECEIVED		
Bank	32 153	253 120
Investments	<u>240,894</u>	<u>-</u>
	<u><u>273 047</u></u>	<u><u>253 120</u></u>
Interest was derived from amounts invested with FN and Investec Banks.		
14 GOVERNMENT GRANTS AND SUBSIDIES		
Ilembe District Municipality - LED Projects & Programmes	3 582 999	2 824 178
Ilembe District Municipality - Tourism Programmes	2 138 205	856 044
Agri Processing Facilities	-	383 250
Operational Ex IDM	18 384 781	17 417 980
King Shaka Tourism Route	54 800	-
District Growth and Development Summit - COGTA	168 631	-
Ilembe District Municipality - Development of SMME's	500 000	-
Total Government Grant and Subsidies	<u><u>24 829 416</u></u>	<u><u>21 481 452</u></u>
14.1 Grant Local Economic Development Strategy Ex COGTA		
Balance unspent at beginning of year	-	335 182
Adjustments and Transfers	-	(335 182)
Conditions still to be met-transferred to liabilities (refer to Note 2)	<u>-</u>	<u>-</u>
14.2 Grant Agri Processing Facilities Ex COGTA		
Balance unspent at beginning of year	-	1 679 959
Transferred to revenue - no further conditions to be met	-	(383 250)
Adjustments and Transfers	-	(1 296 709)
Conditions still to be met-transferred to liabilities (refer to Note 2)	<u>-</u>	<u>-</u>

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	2018 R	2017 R
14.3 Grant Ilembe District Municipality - LED		
Balance unspent at beginning of year	199 999	24 177
Current year receipts	3 383 000	3 000 000
Conditions met - transferred to revenue	(3 582 999)	(2 824 178)
Conditions still to be met-transferred to liabilities (refer to Note 2)	-	199 999
14.4 Grant Ilembe District Municipality - Tourism		
Balance unspent at beginning of year	501 254	286 895
Current year receipts	1 636 951	1 070 403
Transferred to revenue - no further conditions to be met	(2 138 205)	(856 044)
Conditions still to be met-transferred to liabilities (refer to Note 2)	-	501 254
14.5 Grant Amacambini Dev Project Ex DCGTA		
Balance unspent at beginning of year	-	757 666
Adjustments and Transfers	-	(757 666)
Conditions still to be met-transferred to liabilities (refer to Note 2)	-	-
14.6 Grant Maphumulo Small Town Regeneration		
Balance unspent at beginning of year	-	85 965
Adjustments and Transfers	-	(85 965)
Conditions still to be met-transferred to liabilities (refer to Note 2)	-	-
14.7 Grant Moringa Tree Plantation		
Balance unspent at beginning of year	-	2 400 001
Adjustments and Transfers	-	(2 400 001)
Conditions still to be met-transferred to liabilities (refer to Note 2)	-	-
14.8 Fresh Produce Market		
Balance unspent at beginning of year	-	278 049
Adjustments and Transfers	-	(278 049)
Conditions still to be met-transferred to liabilities (refer to Note 2)	-	-
14.9 District Growth and Development Summit 2018 - COGTA		
Balance unspent at beginning of year	-	-
Current year receipts	300 000	-
Conditions met - transferred to revenue	(168 631)	-
Conditions still to be met-transferred to liabilities (refer to Note 2)	131 369	-
14.10 Growth Summit		
Balance unspent at beginning of year	-	74 330
Adjustments and Transfers	-	(74 330)
Conditions still to be met-transferred to liabilities (refer to Note 2)	-	-
14.11 Tourism King Shaka Route		
Balance unspent at beginning of year	57 000	57 000
Conditions met - transferred to revenue	(54 800)	-
Adjustments and Transfers	(2 200)	-
Conditions still to be met-transferred to liabilities (refer to Note 2)	-	57 000
14.12 Development of SMMEs		
Current year receipts	500 000	-
Conditions met - transferred to revenue	(500 000)	-
Conditions still to be met-transferred to liabilities (refer to Note 2)	-	-
14.13 Maphumulo IEC Grant		
Current year receipts	700 000	-
Conditions met - transferred to revenue	-	-
Conditions still to be met-transferred to liabilities (refer to Note 2)	700 000	-

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	2018 R	2017 R
15 OTHER INCOME		
KwaDukuza Municipality - Tourism Exhibition Contribution	56,787	-
Wine sales	47,778	-
Other income	2,200	47,038
	<u>106 764</u>	<u>47 038</u>

16 National Schools Nutrition Programme

Supply of vegetables	18 031 479	9 055 559
	<u>18 031 479</u>	<u>9 055 559</u>

The entity has a contract with the Department of Education (DOE) for the supply of vegetables to schools within iLembe District. DOE and the Entity signed a 3 year SLA commencing on 1 July 2017

17 EMPLOYEE RELATED COSTS

Employee related costs - salaries and wages	11 060 764	10 163 230
Vineyard Wages	1 194 256	1 238 085
Tunnel workers	288 400	383 250
Pension contributions	253 680	-
Medical aid	565 216	-
UIF	48 723	44 034
Leave pay	466 283	54 597
Car and other allowances	479 376	182 622
	<u>14 356 698</u>	<u>12 065 818</u>

The staff members of the entity became members of the Natal Joint Municipal Pension Fund (NJMPF) as well as contributions to medical aid during the 2017/2018 financial year. Included in the employee related costs are the following:

Remuneration of the Chief Executive Officer

Acting Allowance - C Rajkoomar (Aug to Jan 2017)	-	335,501
Acting Allowance - T Ngcobo (Feb to May 2017)	-	211,754
CEO (T Mkhwanazi - resigned July 2016)	-	314 188
CEO (N Nkomzwayo - appointed June 2017)	1 442 396	120 955
UIF	1 785	-
Total	<u>1 444 181</u>	<u>982 398</u>

Remuneration of the Chief Financial Officer

Annual Remuneration	990 389	902 120
Car and Other Allowances	60 000	75 260
Medical Aid	35 017	-
Pension Fund	43 632	-
UIF	1 785	-
Total	<u>1 130 822</u>	<u>977 380</u>

Remuneration of the Head: LED

Annual Remuneration	730 606	657 546
Car and other allowances	219 182	214 182
Medical Aid	30 954	-
Pension Fund	21 370	-
UIF	1 785	-
Total	<u>1 003 897</u>	<u>871 728</u>

Remuneration of the Manager: Tourism, Market and Communication

Annual Remuneration	718 859	605 681
Car and other allowances	172 944	224 985
Medical Aid	38 435	-
Pension Fund	24 850	-
UIF	1 785	-
Total	<u>956 872</u>	<u>830 666</u>

18 REMUNERATION OF BOARD MEMBERS

Remuneration includes a retainer and attendance fees at meetings:

B N Linda (Contract ended January 2017)	-	61 854
I Deetlefs (Contract ended January 2017)	-	46 505
ZP Zeka (Contract ended January 2017)	-	37 161
KS Shandu - Chairperson (Appointed November 2015)	109 423	85 431
AT Nzama - Deputy Chairperson (Re-Appointed February 2017)	90 437	84 768
D Nene (Appointed November 2017)	90 437	86 687
JC Oelofse (Re-appointed February 2017)	77 420	95 763
ZS Gumede (Appointed February 2017)	74 420	37 258
N Mngadi (Appointed February 2017)	74 460	28 258
B Mngadi (Appointed February 2018)	34 258	-
Total Board Members' Remuneration	<u>550 856</u>	<u>563 685</u>

One board member was only appointed in February 2018, hence the variance between the financial years.

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	2018 R	2017 R
19 REPAIRS AND MAINTENANCE		
General Repairs	260 469	260 693
Tunnel Repairs	1 858 662	1 516 549
	<u>2 119 131</u>	<u>1 777 242</u>
20 CONTRACTED SERVICES		
Other Contracted Services	1 894 416	1 808 288
Rental of premises	148 785	166 291
Security	465 090	411 353
Cleaning services	74 852	30 329
Fuel and Oil	251 323	223 365
Internal Audit	133 068	473 282
Lease of Vehicles	772 648	455 018
Leases- Office Equipment	48 650	48 650
National Schools Nutrition Programme	14 336 387	8 053 947
NSNP: Vegetables - Market	3 140 391	1 821 888
NSNP: Farmers	4 939 635	2 717 310
NSNP: Hub Workers	271 800	298 800
NSNP: Transportation of Vegetables	5 984 561	3 215 949
	<u>16 230 803</u>	<u>9 862 235</u>
21 GENERAL EXPENSES		
Included in general expenses is the following: -		
Advertising	274 794	198 716
External Audit Fees	661 312	513 541
Subscriptions/Licences	140 372	110 716
Bank Charges	36 137	25 405
Entertainment/Refreshments	81 935	68 052
Consulting and Professional Fees	556 241	420 465
Board Expenses/Travel	11 548	10 826
Purchase of Wine	39 673	-
Tourism events and exhibitions	1 975 153	856 044
Subsistence, Travel & Accommodation	708 867	213 044
Conference and workshop	43 948	19 463
Legal Fees	14 294	-
Telephone and Fax	280 210	183 472
Training	90 959	95 130
Mechanization	358 475	642 172
Development of SMMEs	521 281	-
Interest and Penalties	57 975	-
Postage, Courier & Delivery Services	14 351	-
District Growth Development Summit	146 636	-
Marketing, Communication & investments	475 434	281 997
Printing and stationary	168 210	100 689
Water and Electricity	133 642	117 306
Audit Committee	85 128	-
Winery Operations	5 971	-
ICT Services	256 067	102 623
	<u>7 138 611</u>	<u>3 959 664</u>
22 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE		
22.1 Fruitless and wasteful expenditure		
Reconciliation of fruitless and wastful expenditure		
Opening balances-		
Fruitless and wasteful expenditure current year	58 507	-
Fruitless and wasteful expenditure written off	(58 507)	-
Fruitless and wasteful expenditure	<u>-</u>	<u>-</u>
22.2 Irregular expenditure		
Reconciliation of irregular expenditure:		
Opening balance	27 665	-
Awards to employees of the state current year	28 160	27 665
Amount written off by Board	(55 825)	-
Transfer to receivables for recovery - not written off	<u>-</u>	<u>27 665</u>
Awards to the suppliers in service of the state relate to transactions that occurred before the finalization of audit of which payments were made audit was completed, which the entity was liable to pay.		
22.3 Deviations		
Deviations were approved in terms of Section 34 of the Supply Chain Management Policy:		
Total Value	<u>7 283 350</u>	<u>38 163</u>
Total Number of Cases	<u>6</u>	<u>3</u>

**ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
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	2018 R	2017 R
23 CASH GENERATED/(UTILISED) BY OPERATIONS		
Surplus for the year	1 708 579	699 885
Adjustment for: -		
Previous years operating transactions	7 493 286	2 299 593
Depreciation, impairment & amortization	1 163 571	1 177 002
Loss/(gain) on disposal of property, plant and equipment	38 545	803 638
Investment income	(273 047)	(253 120)
Operating surplus before working capital changes:	10 130 934	4 726 998
Increase in inventories	(104 753)	(178 265)
(Increase)/Decrease in receivables	(692 251)	(1 178 757)
(Decrease)/increase in unspent conditional grants	73 116	(4 375 099)
Decrease in Payables	237 167	2 311 866
Increase/(decrease) in VAT payable	-	(288 699)
Increase in VAT receivable	(160 314)	347 660
Other Assets/Liabilities	37 416	-
Cash generated/(utilised) by operations	<u>9 521 313</u>	<u>1 365 704</u>
24 CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		
Current Investments	4 904 313	6 563
Bank balances and cash	206 180	513 785
Total cash and cash equivalents at the end of the year	<u>5 110 493</u>	<u>520 348</u>
25 GAINS AND LOSSES		
25.1 Disposal of Assets		
Loss on disposal	39 961	19 238
Gain on disposal	(16)	-
(Gain) / Loss	<u>39 945</u>	<u>19 238</u>
25.2 Fair Valuing of Assets		
Loss on fair valuing	-	784 400
Gain on fair valuing	(1 400)	-
(Gain) / Loss	<u>(1 400)</u>	<u>784 400</u>
Loss on Disposal	<u>38 545</u>	<u>803 638</u>
26 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
26.1 Audit fees		
Current year audit fee	661 312	513 541
Amount paid - current year	(661 312)	(513 541)
Balance unpaid (included in creditors)	-	-
26.2 PAYE and UIF		
Opening balance	-	130 783
Current year payroll deductions	3 074 000	2 639 801
Amount paid - current year	(2 824 975)	(2 770 584)
Balance unpaid (included in creditors)	<u>249 025</u>	-
26.3 Medical Aid Contributions		
Opening balance	-	-
Current year payroll deductions	971 599	-
Amount paid - current year	(878 532)	-
Balance unpaid (included in creditors)	<u>93 067</u>	-
26.4 Pension Contributions		
Opening balance	-	-
Current year payroll deductions	376 520	-
Amount paid - current year	(376 520)	-
Balance unpaid (included in creditors)	-	-
The employees of Enterprise iLembe became members of the Natal Joint Municipal Pension Fund (NJMPF) with effect from April 2018.		
27 INCOME TAX		
No provision has been made for income tax in the current financial year, the enterprise is in a tax loss position. Prior to considering current year tax implications; the enterprise had a brought forward assessed loss of R18 163 782. Assessed loss available for offsetting against future taxable income amounts to R17 677 012.		

2018
R

2017
R

28 CONTINGENT LIABILITIES

During the 2015/16 financial year it was established that the entity may be liable to pay Mancefeza Trading in respect of services rendered. The service provider was appointed as part of the panel of service providers for the transportation of vegetables with regards to the NSNP project. A misrepresentation of facts was picked up whereby the supplier did not declare relations with one of the entity employees. This case was handled by El lawyers and they have informed the entity that they have not heard anything from Mancefeza's lawyers and three years has elapsed and the debt prescribed.

-

22 644

29 CORRECTION OF PRIOR PERIOD ERROR

Prior period creditors		(34 118)
Interest charged by SARS		440
Reversal of accruals	-	
Adjustments to opening balances	-	
Deposit refund from Warne House Properties	-	
Prior year transfer of unspent grants to conditions met	8 640	-
This relates to COGTA grants that were not realized as conditions met in prior periods	(5 227 901)	
Lease of machinery amounts	-	12 162
Inventory Adjustment		
Recognition of wine stock previously not recorded	(178 265)	
SARS Debtor		
Relates to the Vat amount owing by SARS in the prior financial year previously not recorded.	(697 473)	
Prior year depreciation and impairment reversals/adjustments	(1 398 287)	(2 278 077)
This is as a result of the Maphumulo tunnel repaired during the current financial year, where the impairment previously done had to be reversed, also the re-assessed useful lives, as well as the depreciation recalculation relating to an asset that should have been capitalized in the last financial year.		
Prior year adjustments	<u>(7 493 286)</u>	<u>(2 299 593)</u>

30 EVENTS AFTER THE REPORTING DATE

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

31 RELATED PARTIES

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

Related party balances

Amounts owing by iLembe District Municipality :

Opening Balance	526,779	1 268 537
Movements during the year	119,846	(741 758)
Closing Balance	<u>646,625</u>	<u>526,779</u>

Grant income received by Enterprise Ilembe:

Administration Grant	18 384 781	17 417 980
LED Grant	3 383 000	3 000 000
Tourism Grant	1 636 951	1 070 403
District Growth & Development Summit	300 000	-
Development of SMMEs	500 000	-
	<u>24 204 732</u>	<u>21 488 383</u>

32 OPERATING LEASES

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

No later than 1 year	32 433	48 650
Later than 1 year and no later than 5 years	-	32 433
	<u>32 433</u>	<u>81 083</u>

The entity entered into a lease agreement for machinery (contract for two printing machines) which is for the period 01 March 2016 to 28 February 2019.

33 TRANSFER OF AGRICULTURAL PROJECTS

The process of transferring the following agricultural assets presently disclosed as PPE Agriculture and Biological Assets is currently underway. The entity is busy with the implementation of the ownership model. COGTA gave the entity a period of 36 months to complete the process

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	2018 R	2017 R
Biodiesel	5 777 329	5 777 329
North Coast Vineyards	391 400	390 000
Agri Processing Facilities	10 107 236	11 111 170
	<u>16 275 965</u>	<u>17 278 499</u>

34 GOING CONCERN

The annual financial statements for the period ended 30 June 2018 have been prepared on a going concern basis. The agency does not foresee anything that will hinder it operating in the future.

35 RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES

35.1 Interest Rate Analysis

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

Financial Assets:

External Investments:

Current Investments	4,904,313	6,563
Bank balances and cash	206,180	513,785
	<u>5,110,493</u>	<u>520,348</u>

Interest earned external investments	<u>273,047</u>	<u>253,120</u>
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Interest rate	<u>5.3%</u>	<u>5.3%</u>
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Outstanding Debtors:

Other debtors	6,245,228	5,567,744
	<u>6,245,228</u>	<u>5,567,744</u>

Interest earned on outstanding debtors	<u>0.0%</u>	<u>0.0%</u>
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Interest rate

35.2 Credit Risk

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

Receivables:

Other debtors	6,245,228	5,567,744
	<u>6,245,228</u>	<u>5,567,744</u>

Ageing of consumer debtors:

Current	1,169,873	4,301,490
31-60 days	3,273,942	42,002
>60 days	1,672,841	1,224,325
Net Consumer Debtors	<u>6,116,657</u>	<u>5,567,817</u>

35.3 Liquidity Risk

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

Equity (Net Assets)	<u>33,106,250</u>	<u>21,278,015</u>
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36 SUBSEQUENT EVENTS

There have been no subsequent events from 1 July 2018 to the date of issuing of these financial statements, other than those disclosed herein.

37 RESTATEMENT OF COMPARATIVE INFORMATION

Statement of Financial Performance:

The items listed below have been reclassified from general expenses to contracted services due to the nature of expenditure as it relates to the payment of contracted services

Contracted Services

- Cleaning Services	73,884	
- Internal Audit	133,068	

General Expenses

- Cleaning Services		30,329
- Internal Audit		473,282

The items listed below have been reclassified from other income to sale of produce due to the nature of the income

Sale of Produce

- Supply of Vegetables (NSNP)	18,031,479	
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Other Income

- Supply of Vegetables (NSNP)		9,055,559
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ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
UNAUDITED SUPPLEMENTARY APPENDIX A : SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
UNAUDITED ANNUAL FINANCIAL STATEMENTS AS AT 30 JUNE 2018

	Opening Balance	Additions	Cost / Revaluation ite Offs / Revaluatic	Transfers	Prior Year Adjustments	Closing Balance	Opening Balance	Accumulated Additions	Depreciation Impairment loss/ Reversal of impairment loss/Transfer	Closing Balance	Carrying Value
	R	R	R	R	R	R	R	R	R	R	R
PPE Agriculture	24 733 393	-	-	-	-	24 733 393	6 570 834	968 186	-	7 539 020	17 194 373
Buildings	974 328	53 247	-	-	-	1 027 576	45 192	20 621	-	65 813	961 763
Biological Assets	390 000	-	1,400	-	-	391 400	-	-	-	-	391 400
Furniture and Equipment	631 376	128 352	(69 613)	-	-	690 118	291 273	72 342	(66 611)	297 004	393 114
Computers Equipment	5 831 635	118 304	(244 596)	-	-	5 705 342	282 630	100 951	(208 188)	175 393	5 529 949
Software	28 816	-	(28 816)	-	-	-	26 789	1 472	(28 261)	0	(0)
	32 589 548	299 903	(341 625)	-	-	32 547 829	7 216 719	1 163 571	(303 060)	8 077 230	24 470 598

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
 UNAUDITED SUPPLEMENTARY APPENDIX B: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
 UNAUDITED ANNUAL FINANCIAL STATEMENTS AS AT 30 JUNE 2018

2017 Actual Revenue R	2017 Actual Expenditure R	2017 (Surplus)/ Deficit R		2018 Actual Revenue R	2018 Actual Expenditure R	2018 (Surplus)/ Deficit R
30 909 169	30 209 284	699 885	Administration	43 306 793	41 598 214	1 708 579
<u>30 909 169</u>	<u>30 209 284</u>	<u>699 885</u>	(Surplus) for the year	<u>43 306 793</u>	<u>41 598 214</u>	<u>1 708 579</u>

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
 UNAUDITED SUPPLEMENTARY APPENDIX C(1): ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE)
 UNAUDITED ANNUAL FINANCIAL STATEMENTS AS AT 30 JUNE 2018

Description	2017/18 Original Budget	2017/18 Adjusted Budget	Prorata Budget	Actual Outcome	Variance	Variance %	Explanation of significant Variance greater than 10% versus Final Budget
	R		R	R	R		
Financial Performance							
Interest on investment	219 912	219 912	219 912	273 047	53 135	24%	Dependant on rates offered by financial institutions
Government grants and subsidies	25 139 672	23 904 732	23 904 732	24 829 416	924 684	4%	Immaterial
Other Income	16 894 721	18 340 777	18 340 777	18 204 330	(136 447)	-1%	Immaterial
Total Revenue (excluding capital transfers & contributions)	42 254 305	42 465 421	42 465 421	43 306 793	841 372	1%	
Employee related costs	15 691 374	13 741 204	13 741 204	14 356 698	615 494	4%	Immaterial
Directors Fees	674 160	600 000	600 000	550 856	(49 144)	-8%	Board member vacancy only filled in February 2018
Depreciation	1 180 696	1 491 696	1 491 696	1 163 571	(328 125)	-22%	Write-offs/disposals/re-alignment
Repairs and Maintenance	3 218 250	3 418 250	3 418 250	2 119 131	(1 299 119)	-38%	New refridgerators for hubs had to be bought hence no repairs done
Contracted Services	14 805 913	16 002 661	16 002 661	16 230 803	228 142	1%	Immaterial
General Expenses	6 543 148	6 906 715	6 906 715	7 177 155	270 440	4%	Immaterial
Total Expenditure	42 113 541	42 160 526	42 160 526	41 598 214	(790 453)	-1%	
Surplus/(Deficit) before tax	140 764	304 895	304 895	1 708 579	1 631 826		
Surplus/(Deficit)	140 764	304 895	304 895	1 708 579	1 631 826	0%	
Capital expenditure & funds sources							
Internally generated funds	100 000	283 877	283 877	299 903	16 026	5%	Immaterial
Total sources of capital funds	100 000	283 877	283 877	299 903	16 026	0%	

**ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
 UNAUDITED SUPPLEMENTARY APPENDIX C(2): ACTUAL VERSUS BUDGET BY DEPARTMENT (REVENUE AND EXPENDITURE)
 UNAUDITED ANNUAL FINANCIAL STATEMENTS AS AT 30 JUNE 2018**

	Actual 2018	Budget 2018	Variance 2018	% Variance 2018
	R	R	R	%
REVENUE				
Rental Income	66 087	60 000	6 087	0%
Interest on investment	273 047	219 912	53 135	0%
Government grants and subsidies	24 829 416	23 904 732	924 684	4%
Other income	18 138 243	18 280 777	(142 534)	-1%
Total Revenue	43 306 793	42 465 421	841 372	
EXPENDITURE				
Organisational development	41 598 214	42 160 526	(562 312)	-1%
Total Expenditure	41 598 214	42 160 526	(562 312)	
Surplus / (Deficit) for the year	1 708 579	304 895	1 403 684	

**ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
 UNAUDITED SUPPLEMENTARY APPENDIX C(3): ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT)
 UNAUDITED ANNUAL FINANCIAL STATEMENTS AS AT 30 JUNE 2018**

	2018 Actual R	2018 Budget R	2018 Variance R	2018 Variance %	Explanation of Significant Variances
Administration	299 903	283 877	16 026	6%	immaterial
	<hr/>				
	299 903	283 877	16 026	6%	
	<hr/>				

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
 UNAUDITED SUPPLEMENTARY APPENDIX D : GRANTS AND SUBSIDIES RECEIVED - 2016/2017
 UNAUDITED ANNUAL FINANCIAL STATEMENTS AS AT 30 JUNE 2018

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

Name of Grants	Unspent Balance 2016/2017	Adjustments and Transfers	Quarterly Receipts			Quarterly Expenditure				Total Expenditure	Unspent Balance 2017/2018
			Oct 17 to Dec 17	Jan 18 to Mar 18	April 17 to June 17	Oct 17 to Dec 17	Jan 18 to Mar 18	April 18 to June 18			
			2	3	4	2	3	4			
Agri Processing Facilities Ex DCGTA	1 296 709	(1 296 709)				-	-			-	-
LED Strategy Ex DCGTA	335 182	(335 182)				-	-			-	-
Amacambini Dev Project Ex DCGTA	757 666	(757 666)				-				-	-
Maphumulo Small Town Rehabilitation	85 965	(85 965)				-				-	-
Moringa Tree Plantation	2 400 001	(2 400 001)				-				-	-
Ilembe District Municipality - LED	199 999	-	2 248 605	934 395		3 183 000	1 214 304	1 098 337	1 070 358	3 382 999	-
Ilembe District Municipality - Tourism	501 254		802 304	333 393		1 135 697	556 384	209 626	870 941	1 636 951	-
Fresh Produce Market	278 049	(278 049)				-				-	-
Tourism King Shaka Route	57 000	(2 200)				-			54 800	54 800	-
Development of SMMEs	-		353 221	146 779		500 000	-	194 631	305 369	500 000	-
District Growth & Development Summit (-	-	-	-	300 000	300 000	-	-	168 631	168 631	131 369
Maphumulo IEC Project	-	-	-	-	700 000	700 000	-	-	-	-	700 000
Growth Smmit	74 330	(74 330)				-			-	-	-
	5 986 154	(5 230 101)	3 404 130	1 414 567	1 000 000	5 818 697	1 770 688	1 502 594	2 470 099	5 743 381	831 369

Unspent grants at 30 June 2017

5 986 154

Unspent grants at 30 June 2018

831 369