



enterprise ilembe
ECONOMIC DEVELOPMENT AGENCY

ANNUAL REPORT 2018/19



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CHAPTER I

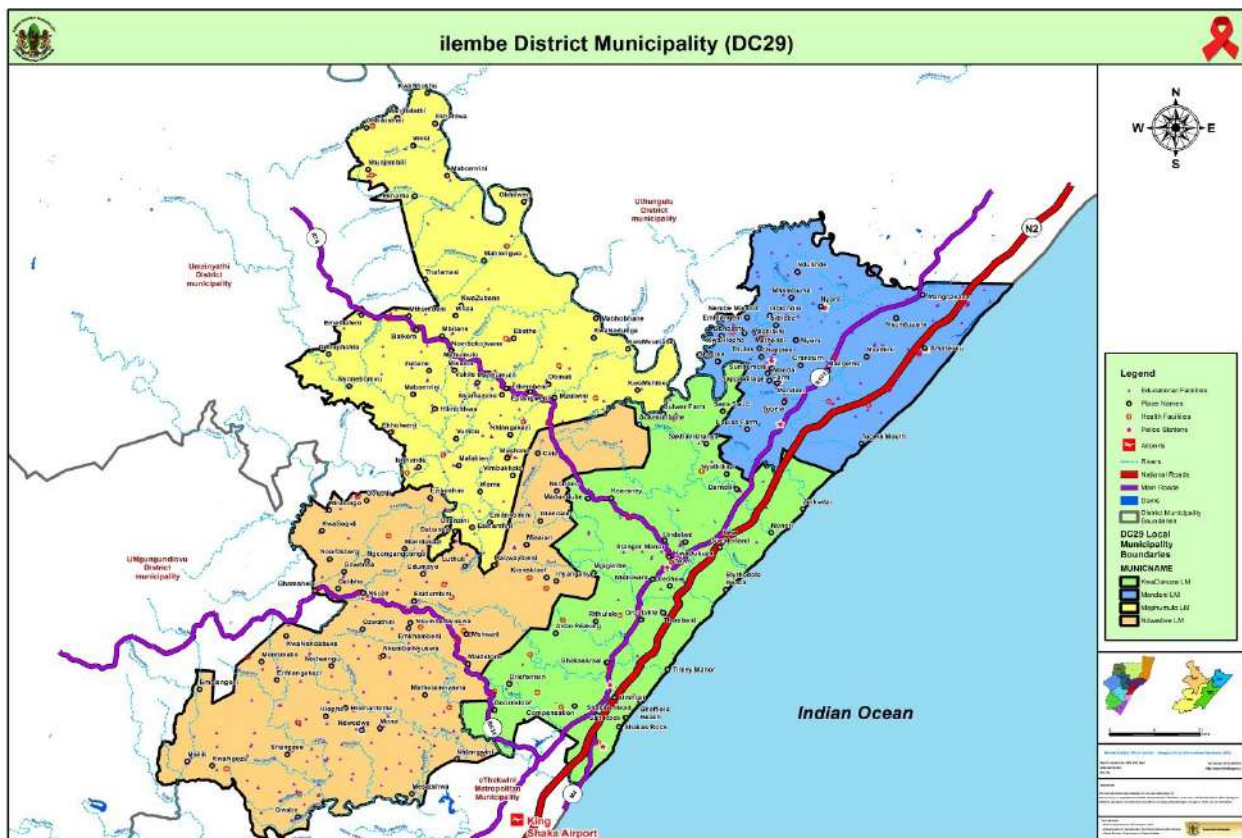
INTRODUCTION OVERVIEW



1.1 Overview of iLembe District Municipality

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

It is located between Africa's busiest ports of Richards Bay and Durban and is in close proximity to the King Shaka International Airport and the Dube Trade Port. It is the smallest District Municipality in the province with a total population of approximately 657 000. The municipality covers 3 260 square kilometers and is divided into four local municipalities: KwaDukuza, Mandeni, Maphumulo & Ndwedwe.



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

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

- ✦ **Manufacturing** - This sector is mainly characterised by the following types of industries:
 - Primary sector comprises of heavy industries, such as sugar and paper mill production in the Isithebe Industrial Estate in Mandeni
 - Secondary sector activities include light industries that are prevalent throughout the district and with a focus on the rural areas of the district as well as along the coastal belt.
- ✦ **Tourism** - iLembe is one of the prime domestic tourism attractions in South Africa due to its favourable climate and its excellent beaches. This sector has consistently grown in iLembe and offers a variety of tourism facilities that can be categorised as follows:
 - Cultural and heritage tourism
 - Beach tourism
 - Nature-based and adventure tourism
- ✦ **Commerce and Services** - This sector includes the following sub sectors and is found in all the main urban centres throughout the district with specific reference to the towns of KwaDukuza and Ballito:
 - Wholesale / retail trade transport / storage communication financial / insurance
 - Real estate business / community / social / personal services / government services





Foreword by the Chairperson

Mr. Khanyisani Shandu

As an economic development agency mandated to drive economic development and promote trade & investment, Enterprise iLembe has to live up to the expectations of the citizenry of the iLembe District, this necessitates that, as our way of life, we support open public discussions, we are responsive to the development needs of the District, we are conscious about the development impact on the environment and that we are trusted by our funding and social partners.

The agency is confident though, that the triple challenges of unemployment, poverty and inequality which faces the district and the country as a whole can be overcome through collective collaboration and planning. Key partnerships between all government sector departments at all spheres as well as with private sector and the communities we work in, is critical for economic growth and sustainability.

As the Board of Enterprise iLembe, we are mindful that as a government entity, we need to work together with the private and business sector in taking the district of iLembe to the next level of economic growth; where the ease of doing business will attract new investments, where the regulatory environment allows for small businesses to thrive and where our entrepreneurs can succeed.

It is to this end that during the past year, Enterprise iLembe has entered into favorable engagements and discussions with key partners to promote and package investment opportunities in all sectors and will continue with this drive. We continue to strive to build and strengthen relationships with all stakeholders as we believe that together we can build a sustainable economy in our district, ensuring a better live for all our people.

However, in reviewing the performance of the Entity through the Service Delivery Budget Implementation plan, as a Board we are pleased with the overall performance whilst conceding that there is still a lot more that needs to be done in order that we address the triple challenge of poverty, inequality and unemployment.

The appointed board members collectively bring much required expertise and values to Enterprise iLembe coming from backgrounds such as law, marketing, HR, Investment Promotions and Tourism.

Name	Board	LED Investment	HR Finance
Khanyisani Shandu	6	4	N/A
Cobus Oelofse	5	4	5
Thandi Nzama	4	2	N/A
Dumisile Nene	3	N/A	2
Noluthando Mngadi	3	N/A	4
Zakhele Gumede	5	4	2
Patrick Mngadi	4	N/A	6

Board and Sub Committee meetings are held at least once a quarter and the attendance thereof is recorded as follows;

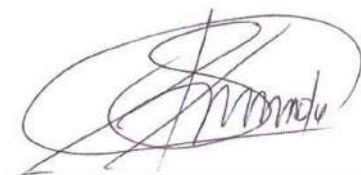
Appreciation

Let me take this opportunity to express my sincere gratitude to the board members for the professional manner in which they discharge their fiduciary and other duties to the organisation, through their collective and individual experience and expertise.

I would like to also share my deepest appreciation to the management of Enterprise iLembe led by the CEO Mr. Nkosinathi Nkomzwayo and the entire staff, for the manner in which they have dedicated themselves to work for our people and to serve them in a manner that says the principle of “Batho Pele” is deeply entrenched in the organisation.

Lastly on behalf of the Board of Directors of Enterprise iLembe we would like to thank our shareholder, iLembe District Municipality for their support, leadership and guidance.

We are looking forward to 2019/2020 as we strive even harder to ensure that our vision to make the iLembe District a destination of choice for investment, business and tourism become a reality.



Khanyisani Shandu
Chairperson



Foreword by the Chief Executive Officer

Mr. Nkosinathi Nkomzwayo

The economic climate has changed and becoming more challenging over the past ten to fifteen years. Local businesses are considered to be an important long-term and key driver of economic growth, innovation and reduction in unemployment. They offer significant job creation potential and support large numbers of livelihoods. The significant participation and meaningful inclusion of small, medium and micro enterprises into the mainstream economy in our province through their own enterprises will be one of the key game changers.

The 2018/2019 financial year reflected great accomplishments of what the entity wanted to achieve at the start of the financial year focusing on planning and implementation and also making great strides with engaging with various stakeholders and forming key partnerships.

Enterprise iLembe held strategic board and management sessions in order to plan and prepare for the five-year institutional assessment and capacitate the organisation to position itself effectively as a sustainable economic development agency in iLembe.

The Entity continues to focus on the following three strategic pillars as DNA of the organization:

- Financial sustainability of Ei
- Business Development
- Stakeholder Engagement

The strategic repositioning and focus on the three pillars has resulted in ensuring that the Entity addresses some of its weaknesses and threats, thus positioning itself to deliver efficient service to its clients.

The Entity continues to redress imbalances in the economic growth of iLembe District influencing positive local economic development to prevail in all sectors of the Entity.

The Entity has engaged with major stakeholders in the provincial and national level, formulating relationships to foster economic development projects and flourishing in media engagements to promote the iLembe District tourism products and investment opportunities as per the vision of Enterprise iLembe.

One of the key successes was that the entity ended the 2018/2019 financial year at a revenue of circa 49% more than original budget. This is as a result of concerted effort to grow our revenue base and reduce overreliance on parent municipality.

The 2018/2019 financial year has not been without challenges though and the following were faced by the Entity that are to be addressed in the new financial year and going forward:

Packaging of projects for funding and raising finances for sustainability through project initiatives

- Funding model for catalytic projects
- Stakeholder Management
- SMME Capacity Development
- Brand positioning/ Management
- Ownership and operations management of agricultural projects

Local Economic Development

One of the paramount initiatives that the Entity has focused on is to capacitate local farmers to be academically inclined in farming and increase the percentage of procuring vegetables for the National Schools Nutrition programme (NSNP) from local farmers. The Entity further continues to extend technical and financial support to the farmers that are in the open fields project and any other farmers within the district that need technical expertise and training.

There are however a number of challenges that are faced by the farmers on the ground which hinders their growth. The following are the typical challenges facing all farmers in the District:

- Limited budget
- Lack of infrastructural development
- Lack of substitute products
- Lack of service providers who supply fertilizers and chemicals in iLembe

In recognition of youth development and in unison to invest on potential leaders of tomorrow, the Entity and the Department of Labour successfully launched the Unemployment Insurance Fund (UIF) learnership programme in the fourth quarter.

Furthermore, the Entity pursued and unlocked economic opportunities with the Department of Cooperative Governance and Traditional Affairs on the Biomass Project. This project will convert and add value to any biomass and turn it into useful products such as charcoal, oil and gas. The implementation of the project will assist in reducing unemployment levels within the district and create opportunities for entrepreneurs to grow their business.

The Agency hosted its first Black Industrialist with the objective to initiate a measurable and targeted entrepreneurship development programme and to open a structured dialogue between targeted entrepreneurs and industries. It was a platform where local industries shared information on the opportunities available for black industrialists.

Enterprise iLembe continues to assist co-operatives and SMME's to acquire Business Management Skills through training sessions, learnerships and also secure funding from various private and government institutions. The Social Facilitation unit has registered a total of thirty-two [32] Co-operatives in the 2018/19 financial year and ensuring that there's reputable working relationships and vast knowledge and understanding of business operations through training sessions offered.

The Entity is playing a vital role in mentoring, supporting and nurturing entrepreneurs through SMME workshops and via the business incubator ensuring long term sustainability of small businesses. The iLembe Business Incubator is situated in KwaDukuza and supports more than fifty-eight entrepreneurs in various sectors from all four local municipalities.

Tourism, Investment & Stakeholder Management

Tourism continues to be a major contributor to the GDP of the region contributing just over R3.4 billion to the economy and creating/sustaining over 11 000 jobs. Enterprise iLembe participates at relevant national and international trade and consumer shows such as WTM London, ITB Berlin, Africa Travel Indaba and the Gauteng Getaway Show. The Entity produces marketing material and supports events that have the potential to attract more tourists to the destination.

The Entity continues to maintain key strategic partnerships with stakeholders such as Tourism KZN and Durban Tourism in order to partner, align and leverage of tourism programmes and projects, the hosting of the KZN Travel Academy and SMME workshops are some of the partnership initiatives. Enterprise iLembe also forms part of the Route Development Committee; Durban Direct which is responsible for the attraction of new airlines into King Shaka International Airport.

Enterprise iLembe in partnership with KwaDukuza Municipality commissioned the Nokukhanya Luthuli Street Feasibility Study. The Tourism Strategy identified KwaShushu Hotsprings / Ntunjambili as a catalytic project for Maphumulo and the district, budget will be set aside for the feasibility study of this project in the 2019/2020 financial year.

There is an ongoing partnership with Trade and Investment KZN to market and promote iLembe district as an investment destination of choice. In order to deliver on this mandate, it is imperative that Enterprise iLembe firstly creates awareness of the Entity and its mandate as well as promote the region on both a national and international level to various stakeholders which include both trade and investors. The Entity has embarked on trade missions in addition to direct engagements with investors which has yielded positive results with new investments coming into the district.

The Entity acknowledges that the results of marketing is usually long term. Building such trade relationships is a cycle that takes 3-5 years, and is not necessarily obvious and immediate. It is thus critically important to both create and maintain these relationships with key stakeholders and potential investors. Personal contact is vital in a person-centred industry such as tourism and investment.

On the aspect of formalizing cooperation and support to the economic well-being of iLembe District, Enterprise iLembe entered into a Memorandum of Understanding with the iLembe Chamber of Commerce, Industry and Tourism. This was formalised at a joint media briefing which was held on the last quarter of 2018/2019.

The Entity has developed a magazine titled iThemba that is published to communicate the programmes and projects that Enterprise iLembe, the district and the local municipalities are involved in. In addition, the Entity ensures communication through social media, print and radio stakeholder engagements.

Conclusion

We appreciate the support and guidance from our shareholder; iLembe District Municipality, the family of local municipalities as well as from our stakeholders and partners.

The Board of Directors have continued to provide strategic direction and leadership and we are grateful for their commitment towards the Entity achieving its mandate. The management and staff continue to work hard at supporting the vision of the Entity and we are thankful for their dedication and tireless efforts.

ENTERPRISE ILEMBE



Nathi Nkomzwayo
Chief Executive Officer

1.4 Executive Summary

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

Enterprise iLembe has progressed well in building capacity appropriate for a well-resourced Entity to carry out the mandate, but we still remain under pressure to do more.

The 2018/19 financial year has not been without challenges and the following were faced by the Entity that are to be addressed in the new financial year and going forward:

- » Packaging of projects for funding and raising finances for sustainability through project initiatives
- » Funding model for catalytic projects
- » Stakeholder Management
- » SMME Capacity Development
- » Brand positioning/ Management
- » Ownership and operations management of agricultural projects

1.5 Strategic Objectives & Functions

1.5.1 AGENCY MANDATE

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

1.5.2 KEY STRATEGIC GOALS OBJECTIVES



Facilitate the packaging & implementation of projects in existing & new sectors



Market & Promote the iLembe District as an Investment, Tourism & Business Destination



Research other potential growth sectors in addition to the current four sectors of main focus



Identify, build and co-ordinate partnerships among socio economic stakeholders



Facilitate research that assists with Policy Development and formulation that impacts the mandate of the Agency



Influence policy and the regulatory environment for socio economic development an investment

★ **STRATEGIC GOAL 1:**

Facilitate the packaging & implementation of projects in existing and new sectors

Objectives:

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

★ **STRATEGIC GOAL 2:**

Market and Promote the iLembe District as an Investment, Tourism & Business Destination

Objectives:

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

★ **STRATEGIC GOAL 3:**

Research other potential growth sectors in addition to the current four sectors of main focus

Objectives:

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

★ **STRATEGIC GOAL 4:**

Identify, build and co-ordinate partnerships among socio economic stakeholders

Objectives:

- Facilitate Business Retention and Expansion
- Support Entrepreneurship Development

★ **STRATEGIC GOAL 5:**

Facilitate research that assists with Policy Development and formulation that impacts the mandate of the Agency

Objectives:

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

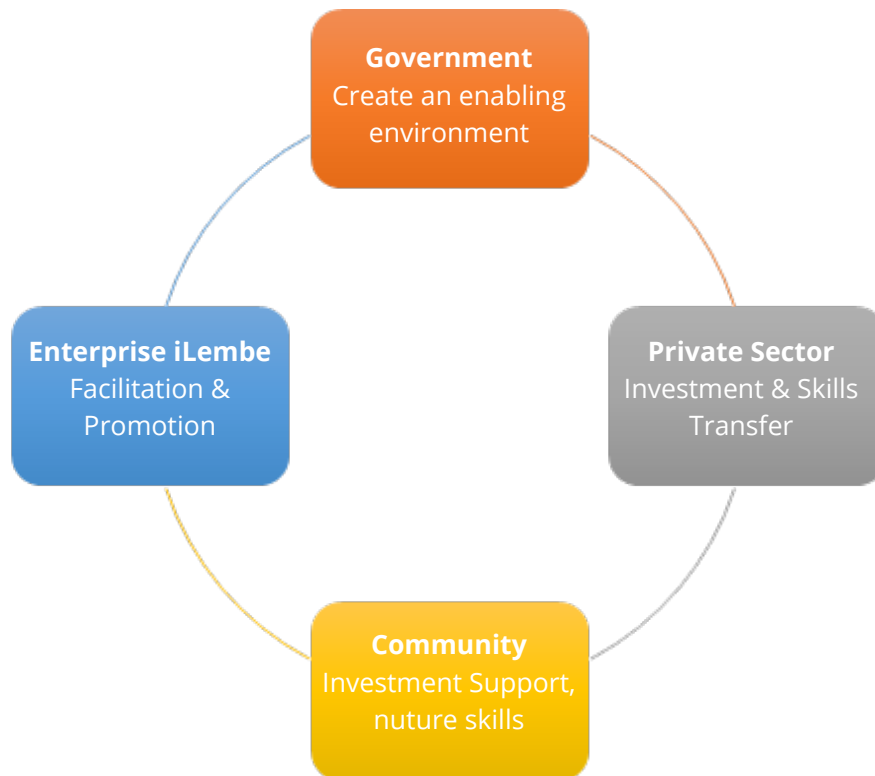
★ **STRATEGIC GOAL 6:**

Influence policy and the regulatory environment for socio economic development an investment

Objectives:

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

1.5.3 ROLES RESPONSIBILITIES



It is the role of Enterprise iLembe to facilitate and promote socio economic development in the region. The role of Enterprise iLembe can be further defined as follows;

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

1.6 AUDIT COMMITTEE REPORT

1. Objective

The purpose of this report is to present the Audit Committee's progress in carrying out its oversight responsibilities, including oversight for the statutory audit process for the financial year ended 30 June 2019.

2. Terms of reference

The mandate of the Audit Committee is legislated in terms of section 166 of the Municipal Finance Management Act, 2003 (MFMA) which requires the Audit Committee to advise the Accounting Officer and Council on matters relating to: Internal financial control and internal audits; risk management; adequacy, reliability and accuracy of financial reporting and information; accounting policies; performance management and evaluation; effective governance; Compliance with the MFMA and any other applicable legislation and / or policies and any other issues referred to it by the Entity.

The Audit Committee is also required to fulfill the functions of a Performance Management Committee constituted in terms of Regulation 14(2) of the Local Government: Municipal Planning and Performance Management Regulations, 2001.

The MFMA also requires the Audit Committee to review the annual financial statements, respond to Board on matters raised by the Auditor General and carry out investigations into the financial affairs of the Entity.

3. Audit Committee composition and attendance

The Audit Committee comprises four independent members. The members have diverse skills and experience. The term for audit committee members commenced in May 2018.

An independent member chairs the Committee. Both the Internal and External Auditors have unrestricted access to the Audit Committee.

The table below sets forth the membership and attendance at meetings of the committee for the period ended 30 June 2019:

Names	Role	Meetings Attended	26 Sept 2018	19 Nov 2018	25 Feb 2019	3 May 2019	16 Aug 2019
Mr S L Ndlovu	Member	5	✓	✓	✓	✓	✓
Ms C Gertze	Member	5	✓	✓	✓	✓	✓
Ms B Zulu	Member	3	⊖	✓	x	a	✓
Mr S Hlophe	Chairperson	5	✓	✓	✓	✓	✓

The following are standing invitees to the Audit Committee Meetings:

Representative from Auditor-General (AG)

Representatives from Provincial Treasury and COGTA

Internal Audit

The Chief Executive Officer (CEO)

The Chief Financial Officer (CFO)

The Chief Operations Officer (COO)

The Risk Management Committee Chairperson

4. Audit Committee's Responsibility

The Audit Committee operates under written terms of reference, the audit committee charter which is approved by the Board annually. These terms of reference are in line with the requirements of section 166 of the MFMA and Treasury Regulation 27.1.

In this report, under relevant headings, we have summarized the activities and progress we have undertaken in executing of our mandate:

4.1 Internal Audit and Internal Control

In line with the requirements of the MFMA the Internal Audit provides the Audit Committee and Management with assurance as to whether the internal controls are appropriate and effective.

This is achieved by means of the risk based internal audit plan which is approved by the Audit Committee annually.

The internal audit function of the Entity is currently outsourced to Nexia SAB&T.

The Audit Committee had approved the Internal Audit Plan for 2018/19 financial year, which had to be revised and adopted by the current internal auditors as it was previously prepared by the previous internal audit. Internal Audit reports were presented to the Audit Committee during this period.

4.2 Risk Management

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

The Entity conducted a risk assessment workshop during the start of the financial year and the top key risks were identified, measured and prioritised and the updated risk register was adopted on 1 July 2018. The implementation of MSCOA is still taken as a priority and high risk as there are constant upgrades through the financial system which the Entity must continually implement and comply with, as per the new reporting standards introduced by Treasury, which was implemented by the entity on 1 July 2017 as legislated.

Risk Management Reports are presented to the Audit Committee during its meetings. Based on our review and observations we are comfortable that the Enterprise adequately manages all critical risks faced by the organization.

4.3 ICT Governance and ICT Operations

ICT is the integral part of the organization. There have been improvements within the ICT function with the Entity resolving to have this function in-house and the appointment of an ICT Officer who is currently assessing the infrastructure and other ICT related resources that the Entity will need going forward. Audit Committee resolved that the issues of ICT Governance be a standing item in the Agenda.

4.4 Evaluation of Financial Reports and Annual Financial Statements

For the reporting period under review, the Audit Committee was able to evaluate the following:

Annual Performance Report and Annual Financial Statements were presented to the Audit Committee on the meeting held on the 16th August 2019. The Audit Committee reviewed the AFS through scrutiny and engagement with management as the AFS were yet to be reviewed by Internal Audit. The Audit Committee requested that internal audit circulate the audited AFS to the committee on 21 August 2019 so that the committee may satisfy themselves that the AFS presented are credible and present the true reflection of the financial affairs of the enterprise and provide further input if any. With regards to APR this was reviewed through scrutiny and engagement with management.

We are satisfied of the progress made at an organizational level, with management notifying the committee that some of the evidence will be submitted before final submission, which will decrease the number of targets not met, currently sitting at 81% of targets met.

With regards to AG Action Plan, the management confirmed that the issues raised by AG are being attended to, with the percentage of progress sitting at 92%. We evaluated this through an Action Plan progress report submitted to Audit Committee. We are satisfied that these matters are addressed adequately. The two outstanding issues are currently beyond management control, one being the response from SARS on the reversal of interest and penalties and the receipt of the permission to occupy (PTO) certificate from the tribal council in Maphumulo for the use of the vineyards site.

We are comfortable that MSCOA compliance has progressed adequately and through engagement with the District Municipality we are satisfied with the support provided to the Enterprise. During the review of AFS we noted that the AFS were in accordance with MSCOA and that the Enterprise is able to transact and process entries using the MSCOA system. The Entity currently has a signed agreement (SLA) with Munsoft – the financial system service provider which is assisting in queries being promptly attended to.

4.5 Performance information

The Audit Committee also serves as the Performance Audit Committee for the Enterprise. The legal responsibilities of the Audit Committee in this regard are set out in terms of the Local Government: Municipal Planning and Performance Management Regulations 2001.

As indicated above the Audit Committee reviewed the Annual Performance Report for the year ended 30 June 2019. The Entity is currently setting at 81% of targets met in its performance target measured at an organizational level. The Audit Committee recommends a review of performance targets so to be realistic and in line with smart principles.

5. Recommendations

The Board and management at all levels should continue with commitment to optimally use scarce resources, cash-flow and sustainability plans and regular monitoring and evaluation to ensure that the Enterprise iLembe continues as a going concern.

The Board and management need to continuously monitor and review internal controls. The Chief Executive Officer must ensure that there are consequences for non-adherence with internal controls.

The Chief Executive Officer and management should ensure that credible, reliable and accurate financial and performance information is submitted quarterly for review by the Board and the Audit Committee.

The Chief Executive Officer should ensure that recommendations of internal and external audits are implemented as per the action plans and report progress on a quarterly basis. This should assist to prevent irregular, fruitless and wasteful expenditure as well as non-compliance with laws and regulations.

The Chief Executive Officer and the Board should explore possible alternative funding for Local Economic Development projects. The committee also commended the various initiatives that the CEO and management undertook in the 2018/2019 financial and the funding raised for different projects.

6. Conclusion

The implementation and maintenance of proper systems of internal controls, risk management, the prevention of fraud and errors, safeguarding of the assets of the enterprise and compliance with relevant laws and regulations, are the responsibility of the Board. The role of the audit committee is to monitor the efficiency of the procedures and mechanism which the Board has put in place in order to ensure that its policies and procedures are adhered to.

The Audit Committee remains committed in assisting and supporting the Board in the execution of its mandate and towards managing the financial affairs in accordance with the law.

On behalf of the Audit Committee



Silas Hlophe
Chairperson of the Audit Committee

CHAPTER 2

SERVICE DELIVERY PERFORMANCE HIGHLIGHTS



2.1 Key Successes & Challenges

- The entity ended the 2018/2019 financial year at a revenue of circa 49% more than the original budget. This is as a result of a concerted effort by the entity to grow its revenue base
- The Entity has continued to forge new and strengthen existing partnerships with various stakeholders



2.2 Projects Undertaken

2.2.1 MULTI-YEAR FUNDED PROJECTS

PROJECT NAME	PROJECT DESCRIPTION & STATUS QUO
iLembe Vineyards and Winery Project	<p>Project Budget 18/19: R 1 063 036.00</p> <p>The iLembe vineyards and winery project is a two-phased project which involves the establishment of a primary Villard Blanc crop for further processing in a winery established as a first of its kind in the District. A total of 12 hectares of vines have been planted across Mandeni, Maphumulo and Ndwedwe. The winery is located at the Collisheen Estate in the Sugar Rush park which is being developed into a tourism precinct. The Winery currently processes and bottles a white cultivar wine from grapes grown by the communities within iLembe District.</p> <p>1787 wine has been expanded by sourcing different cultivars from Kloof Wine Estates in Cape Town, which consists of 1000 bottles of wine for each of these cultivars which are Sauvignon Blanc, Chenin Blanc, Rose, Merlot, Cabernet Sauvignon. Harvesting and bottling of wine happens on an annual basis during the month of February, followed by processing and then bottling at the winery [Compensation]. The iLembe winery license renewal has been submitted and is now awaiting a response from KZN Liquor Authority.</p> <p>Pre-pruning has commenced in the Mandeni and Maphumulo site; Ndwedwe was re-planted in November 2016 with a red wine cultivar, which should be ready for harvesting in February 2020. The wine is marketed and sold at various events and activations.</p>

iLembe Open Farms

Project Budget 18/19: R 1 200 000

SASA Funding 18/19: R 220 000

The project entails establishing and supporting community-based co-operatives to operationalize sustainable agricultural farms to produce cash crops for both the community's needs and for sale to the Department of Education's National School's Nutrition Programme. This programme has opened up sustainable and reliable markets for the local small-scale farmers. The Department is in need of 64 tons of vegetables such as cabbages; butternut; carrot, onions, tomatoes and green beans weekly for supply to the National Schools Nutrition programme.

Enterprise iLembe supported a total of 20 farms. This supports entails the provision of mechanization, supply of chemicals, fertilizers, seeds, seedlings, technical advice and mentorship to the farmers in the four local municipalities. Though Enterprise iLembe endeavors to establish projects that are not only sustainable but also ensures that there is sufficient skill transfer to enable the farmers to become self-sufficient entrepreneurs. Climatic challenges and financial resources is forcing the Entity to review this programme and find a much sustainable and practical approach of supporting farmers without creating financial dependency and burden on the organization. The planting plan is one such tool that will ensure that the project is self-sufficient.

Through LDS Charities there are three (3) new projects that have been identified that will be assisted with infrastructure development in the new financial year 2019/20; this will include fencing, borehole drilling, insulated storage containers and irrigation.

South African Sugar Association [SASA] has provided funding to assist four [4] projects with irrigation and fencing; and the appointed service providers has completed the installation of the fencing and irrigation for all four [4] projects.

Through the Agri-Parks Programme which is funded by Department of Rural Development and Land Reform [DRDLR]; four [4] projects were assisted with the provision of 170 000 seedlings [tomatoes, cabbages & onions] which were procured and delivered by DRDLR.

**Agricultural
Hydroponic
Tunnels**

Project Budget 18/19: R1400 000

The agricultural hydroponic tunnels project became a stimulus for agro processing within the District. With the collective establishment of 8 hydroponic tunnels within all four local municipalities (four sites) the tunnels tapped into a niche market by growing high value crops for sale in retail stores.

Mandeni tunnels are under production and the current service provider Farley Farms is producing cucumbers with a specific market of Checkers and RSA agent based in the Durban Fresh Produce Market in Clairwood.

Maphumulo Tunnels have both been repaired, tested and handed over. The site currently does not have a water source for irrigation and fertigation, hence water tankers from IDM were requested for irrigation testing. Bulwer Tunnels have been repaired and are now fully functional; and the tunnel is under production as it has been planted with tomatoes which are fruiting; Enterprise iLembe is in the process of finalizing an agreement with a potential technical partner. Ndwedwe Tunnel has been repaired and engagements with the potential partners has commenced. The agency received a resolution from Maphumulo LM Council to project manage Emambedweni Tunnels; as a result, Crocetta has been appointed to repair Emambedwini tunnels and will commence work in the new financial year 2019/20.

**National Schools
Nutrition
Programme
Processing Facilities**

Project Budget 18/19: R 11 631 102

In the past three (3) years, the processing facilities have offered a logistical solution to the National School's Nutrition Programme [NSNP], by providing a facility where vegetables sourced from the local farms can be cleaned, packaged, stored and dispatched to the 409 schools within the District.

Four [4] Hubs are now fully functional which are Mandeni and Maphumulo. A new panel of fifty-seven [57] local transporters have been appointed through SCM processes which are utilized to transport vegetables to schools as part of the NSNP. Enterprise iLembe has further appointed a service provider to build two cold storages in Maphumulo and Mandeni.

Enterprise iLembe had engagements with the Acting Director-Department of Education [DoE] to site challenges experienced in the implementation of this programme which included the possibilities of changing the menu, re-calculation of tonnages, substitution of commodities which are out of season, revised calendar to be in-line with kilometres; and the increased in the costs of running the programme resulting in the need to review the rate/fee at which the programme is being operated.

There is not enough produce from local farms to feed into the NSNP as we are still sitting on an annual average of 70% of local procurement, as farmers are apprehensive to plant for the National School's Nutrition Programme; and farmers require technical and financial assistance to produce quality vegetables.

District Wide Business Incubator	<p>Project Budget 18/19: R 3 980 000</p> <p>Through the completion of the business incubator feasibility study in October 2018. Goshen Entrepreneurship Hub was the appointed as an implementing agent to roll-out the Business Incubator Programme for a period of three [3] to assist 40 sub-contracted SMMEs through the provision of a structured and subsidized programme to ensure that SMME's within the iLembe district are sustainable through the support of the incubation programme which is managed by Enterprise iLembe.</p> <p>As a result, the business incubator office has been set up in KwaDukuza area to open the programme up to include other SMMEs in other sectors from all local municipal areas. Enterprise iLembe Community Development Services have been extended to the Business Incubator Office where the Community Development Officers are visiting the office every Wednesday once a week to provide business support to SMMEs and Co-ops, as a result a total of thirty [32] Co-operatives have been registered in the 2018/19 FY and are now in the processes of being assisted with business compliance, training and funding opportunities.</p> <p>The implementing agent submits monthly progress reports showing the business support and assistance that have been provided to the Incubatees as well as challenges faced by SMMEs and Co-ops and interventions that have been devised to improve their businesses. The Enterprise Development Manager has been appointed to manage the running of the business incubator office and to provide direction to the implementing agent on the Enterprise iLembe`s vision for the incubation programme and the expected outcomes.</p>
Maphumulo Integrated Energy Centre [IEC]	<p>Project Budget 18/19: R 750 000</p> <p>Engen is proposing to construct an Integrated Energy Centre (IEC) in Glendale, KwaMaphumulo. The site is approximately 0.63ha in extent. The development will entail shops, new canopy, internet café/computer room, library, boardroom & toilets, distribution centre, Underground storage tanks, 43 parking bays, Septic tank and soakaway. Unga Trading 7 has been appointed to conduct professional services for Geohydrological Investigations, Designs and Drawings, Land Surveying, SPLUMA Application, Traffic Engineering and Project Management in preparation for the construction of the Maphumulo IEC Project.</p>

Mandeni Youth Enterprise Park	<p>CoGTA Grant Funded Project Budget 18/19: R 1 000 000</p> <p>The project entails the construction of a park that will accommodate Youth Enterprises in a structured marketplace, with an objective to stimulate entrepreneurship opportunities for Youth within Mandeni Local Municipality. The Project Management Team and Project Steering Committee structures are in place and they play a technical and an oversight role in the implementation of the project. Delca systems has been appointed as project consultants to design the layout and operational plan for the Youth Enterprise Park and are reporting to both the PMT and PSC. Project inception report and informants/status quo report has been completed and approved; the project is currently sitting at the concept design and viability phase. Land in the Thokoza road area [Ward 7] has been secured by the Mandeni Municipality through receiving approval from Mathonsi Traditional Council.</p> <p>Delca systems is currently engaging with a number of freight companies to assist with the sourcing of containers, and this process is ongoing.</p>
Biomass	<p>CoGTA Grant Funded Project Budget 18/19: R 5 000 000</p> <p>The primary objective of the project is to establish a biomass processing plant, to process biomass and bio waste into various renewable energy products [charcoal, oil & gas]. It creates a mechanism for sustainable economic development and wealth generation for rural communities as well as integration of small scale producers into the existing petrochemical, agriculture and transportation industries</p> <p>The project also encourages real broad based black economic participation in both the emerging biofuels industry as well as in the established petrochemicals industry; and serve as the stimulus to the development of secondary industries e.g. glycerine production, charcoal and activated carbon production. It also provides a mechanism to prove the viability of medium scale community based Biomass processing projects so as to facilitate more private sector investments in future green energy projects.</p> <p>Enterprise iLembe entered into a partnership agreement with Phambili Energy in Dec 2018 for the implementation of the Biomass Conversion Combination Plan Project which will be located in Ward 3, KwaDukuza Area; and the partnership agreement will be for a period of five [5] years until the project is handed over to the Local Community as per the KZN CoGTA identified ownership model. The project inception has been completed; and the project is sitting in the implementation where the machinery in the plant has been refurbished and will be undergoing testing.</p>

Public Wi-fi	<p>CoGTA Grant Funded Project Budget 18/19: R 2 500 000</p> <p>Enterprise iLembe is leading the implementation of iLembe Broadband Project, which aims to ensure that there is equitable and affordable access to internet connectivity across all local municipalities within iLembe District. iLembe Broadband Project Masterplan identifies public Wi-Fi as one on key local economic impact opportunities that could be enabled by broadband infrastructure.</p> <p>Enterprise iLembe has appointed Inkanyezi Renaissance Group [IRG] which is an ICASA licensed telecommunications service provider to establish and manage Wi-Fi Zones at Ndwedwe Local Municipal Offices & Johnny Makhathini Civic Centre; and also Maphumulo Local Municipal Offices and Thusong Centers. Maphumulo and Ndwedwe Municipality has endorsed the implementation of the project; and the project is at the inception phase.</p>
District RASET	<p>Project Budget 18/19: R 5 000 000</p> <p>RASET has embarked on a Programme to Radically Transform the Agricultural Sector by opening up the government market and align support to emerging farmers. Enterprise iLembe has been nominated as an implementing agent for the RASET Programme on behalf of the iLembe District Municipality.</p> <p>The Project Steering Committee [PSC] has been formalized and sits monthly; and EDTEA RASET Programme Champions have been identified to assist the PSC in the implementation of the programme. 3 x Isuzu Trucks have been procured by EDTEA and has been delivered to Ei Offices and will be used for delivering produce to schools. A variety of service providers have been appointed and allocated per cluster to supply, deliver and install fencing and irrigation sprinkler system for identified projects within the District to receive infrastructural support as part of the RASET Programme. The RASET Funding has also been allocated for the repairs of Emambedweni Tunnel; and the service provider has been appointed. The installation of fencing, irrigation and tunnel repairs will commence in the new financial year for 2019/20.</p>

**Ndwedwe
Mini-Factories**

Project Budget 18/19: R 2 500 000

The objectives of the project also aims to enable the development of the Mini-factories which will assist in creating opportunities for youth, women, and the community at large to take advantage of the fast growing formal and informal economy in Ndwedwe area.

This project is aimed at developing area based cluster business enterprises model in Ward 6 Ndwedwe. These enterprises are to be operated by local entrepreneurs to meet primarily the needs within and beyond the local municipality and therefore can be understood a 'township or rural enterprises' as distinguished from those operated by entrepreneurs outside the area. Cogta has approved funding for the project and Enterprise iLembe is having continuous engagements to acquire land from the Ndwedwe Municipality in order to implement the project.

The investment destination of choice

2.3 Capital Used

REVENUE	Actual	Budget	Variance
	2019	2019	2019
	R	R	%
Opening accumulated surplus	31 363 456	21 278 015	47%
Operating income for the year	72 120 436	81 982 182	-12%
Total	103 483 892	103 260 197	
EXPENDITURE			
Operating expenditure for the year	70 248 833	78 824 178	-11%
Closing accumulated surplus	33 357 687	33 106 250	.8%
Total	103 606 520	111 930 428	

PROJECT DETAILS SET OUT BELOW.

Projects	2018/19				
	Budget	Adjustment	Actual Expenditure	Variance %	Total Project Value
		Budget			
UIF	-	13 626 793	11 999 307	-12%	
SASA	-	220 000	186 335	-15%	
COGTA RASET	-	4 347 826	588 119	-86%	
COGTA BIOMASS	-	4 347 826	2 666 500	-39%	
COGTA YEP	-	869 565	125 531	-86%	
Tourism Ex IDM	1 950 000	1 950 000	1 950 000	0%	
COGTA Public Wi Fi	-	2 173 913	856 246	-61%	
COGTA Mini Factories	-	2 173 913	-	-100%	
LED IDM	3 050 000	3 050 000	3 050 000	0%	
Kwashushu Project	-	1 393 478	21 667 932	1455%	
Development of SMMEs	3 980 000	3 980 000	3 980 000	0%	
District Growth Summit	-	131 000	-	-100%	
Maphumulo IEC Project	700 000	700 000	697 500	0%	
NSNP Project	14 993 102	12 756 178	14 573 235		
	24 673 102	51 720 492	62 340 705		

2.4 Job Creation & Skills Development

2.4.1 UNEMPLOYMENT RATE

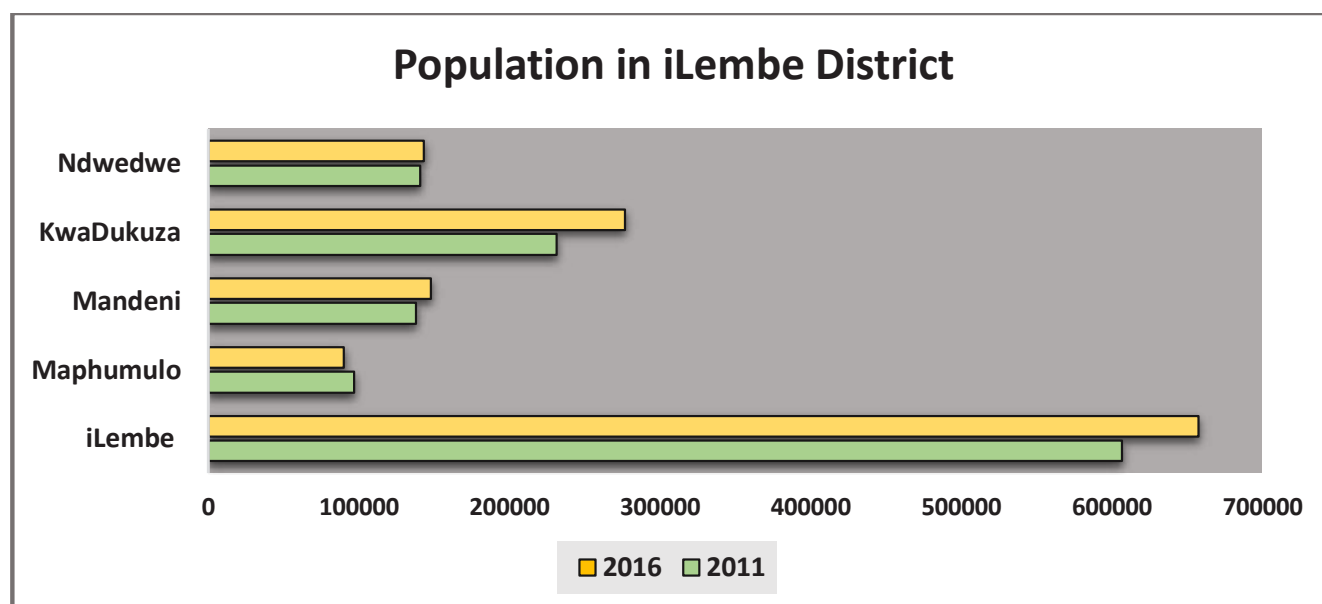
Despite its strategic location, iLembe faces numerous economic challenges such as the high levels of poverty in the rural inland areas, which contrasts with rapid development along its coastal regions. The District has been proactive in developing broad based interventions to facilitate local economic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

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

★ DEMOGRAPHICS

	2011	2016
iLembe	606808	657612
Maphumulo	96724	89969
Mandeni	138078	147808
KwaDukuza	231187	276719
Ndwedwe	140820	143117

Source: Stats SA



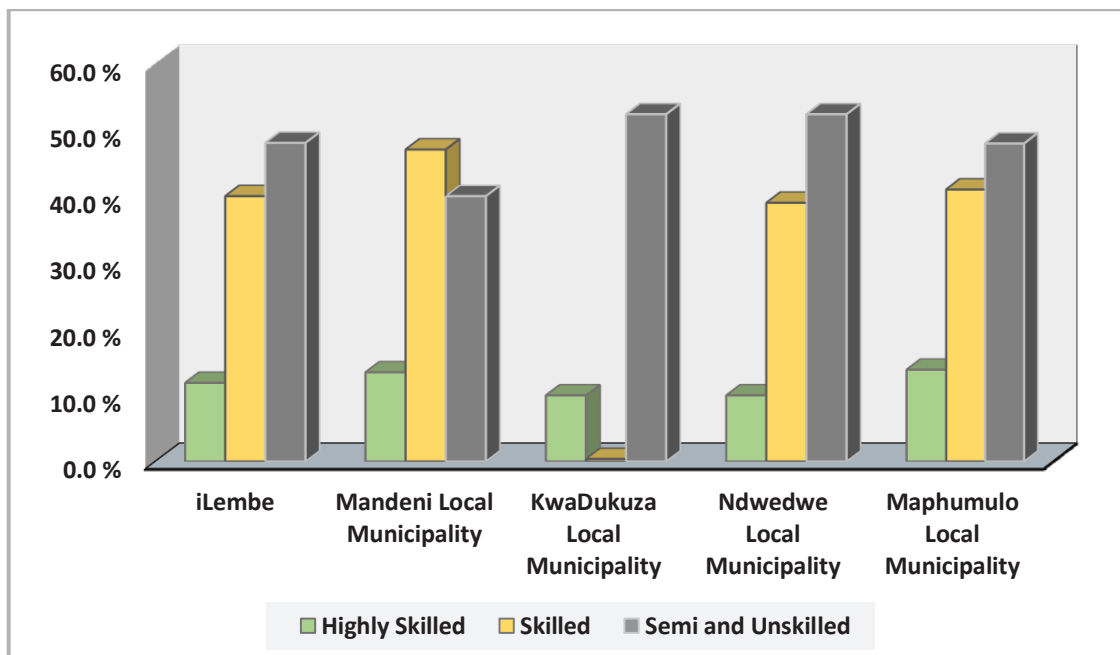
★ **UNEMPLOYMENT RATE**

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

Source: Stats SA

★ **EMPLOYMENT BY TYPE AND SKILLS LEVEL**

Below is a figure indicating the breakdown of formal employment into the three skills categories. Between 10% and 13% of the formally employed in all municipalities are highly skilled, with 13% of those formally employed in Mandeni being highly-skilled. This is mainly attributed to the industrial development within the Isithebe Industrial Estate which attracts a greater number of highly-skilled workers to the area.



2.4.2 ENTERPRISE ILEMBE PROJECTS: DIRECT JOBS CREATED RETAINED

PROJECT NAME	2017/2018	2018/2019
iLembe Agri-Hubs/ Processing Facility	15 [including 3 market loaders]	15 [including 3 market loaders]
Tunnels	37	33
iLembe Vineyards	47	48
iLembe Open Fields	820	910
TOTAL	919	1006



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

2.4.3 NUMBER OF NEW CO-OPERATIVES REGISTERED BY ENTERPRISE ILEMBE

No	Name of Cooperative	Registration Date	Area	Total No. Members	No. Females	No. Males	No. Youth >35 yrs
1	Siqalokwethu	13/07/2018	KwaDukuza	12	10	2	7
2	Nondi	04/09/2018	KwaDukuza	5	4	1	1
3	Izimpane	14/ 09/2018	KwaDukuza	5	5	0	3
4	Siphiwinhlanhla	30/10/2018	KwaDukuza	5	4	1	3
5	Imbewu	22/01/2019	KwaDukuza	5	1	4	1
6	Benzeleni	05/03/2019	KwaDukuza	5	0	5	0
7	Ocean View	29/03/2019	KwaDukuza	5	1	4	5
8	PMP	06/05/2019	KwaDukuza	5	2	3	0
9	Imvelaphi	03/07/2019	KwaDukuza	8	4	4	3
10	Singangolwazi	26/06/2019	KwaDukuza	6	3	3	4
11	Mdubuzo	10/06/2019	KwaDukuza	7	4	3	4
12	Asenze	15/07/2018	Ndwedwe	6	6	0	2
13	Izikhwepha Zethu	24/08/2018	Ndwedwe	5	5	0	3
14	Sukumani Mavila	14/10/2018	Ndwedwe	9	9	0	1
15	Injula	18/10/2018	Ndwedwe	5	3	2	2
16	Idikwe	13/09/2018	Ndwedwe	8	7	1	2
17	Nqanawe	14/09/2018	Ndwedwe	6	5	1	2
18	Marest	26/09/2018	Ndwedwe	13	11	2	6
19	Mbothayi	30/09/2018	Ndwedwe	6	6	0	0
20	Bonisa	15/10/2018	Ndwedwe	5	5	0	5
21	Izinga Craft Design	30/05/2018	Ndwedwe	5	2	3	4
22	Ubuhle Bentsha	28/04/2019	Ndwedwe	5	4	1	5
23	Lupetro	30/04/2019	Ndwedwe	5	4	1	4
24	Bhekimpilo	26/06/2019	Ndwedwe	7	4	3	3
25	Umbonomuhle	28/06/2019	Ndwedwe	18	10	8	5
26	Otweni Youth and Community	17/08/2018	Maphumulo	5	4	1	1
27	Thafamasi Women's	22/10/2018	Maphumulo	7	7	0	3
28	Sizangesisu	05/02/2019	Maphumulo	7	5	2	1
29	Isithelo Sethu	16/05/2019	Maphumulo	7	3	4	5
30	Masisweni	12/04/2018	Mandeni	5	3	2	5
31	80 planting	08/01/2019	Mandeni	5	4	1	2
32	Dokodweni	15/02/2019	Mandeni	7	4	3	5
33	Mangethe Prideland	19/03/2019	Mandeni	5	2	3	5
34	Imbonqa Yesizwe	29/03/2019	Mandeni	5	2	3	2

2.5 Performance Management

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

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

2018/2019 Budget Performance

The total annual budget for 2018/2019 financial year for Enterprise iLembe amounted to R81.9 million of which R38.9 million was allocated for projects and R43 million was allocated for operational costs. The Entity relies on the district for funding as well as the payment from DOE for the supply of fresh produce to schools within the district, for the NSNP project. The department pays an average of 60 cents per child per day to run this project.

The National Schools Nutrition Programme (NSNP) was allocated only R12, 7 million for the current financial year by the Department of Education (DOE). The Entity used the entire amount allocated, but there was an amount of R 8,9 million owing by the department at the end of the financial year.

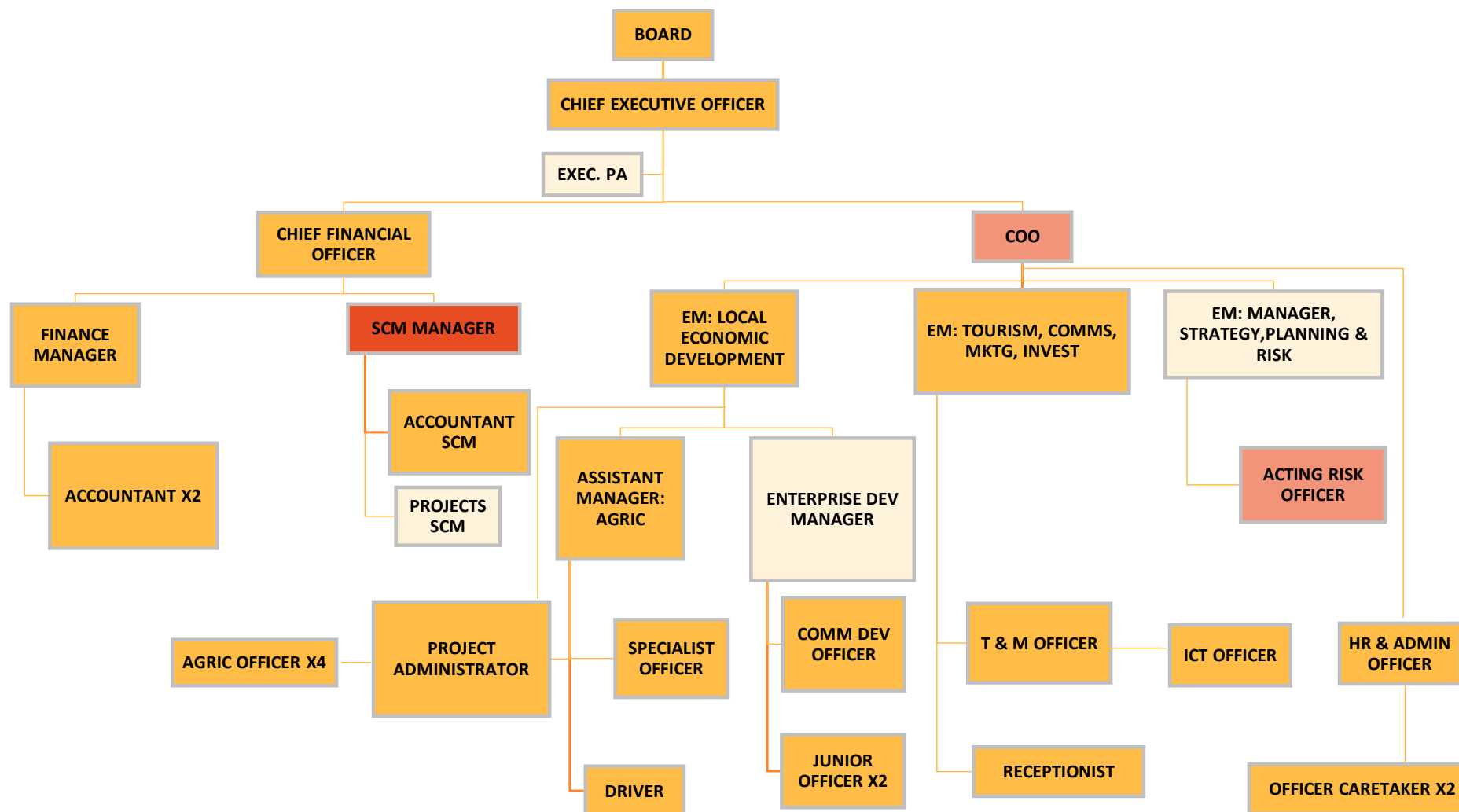
The Entity spent their total allocation from the district. Overall, the performance of the Entity was satisfactory, as can also be ascertained by studying the annual performance report for the 2018/2019 financial year.

CHAPTER 3

HUMAN RESOURCES ORGANISATIONAL MANAGEMENT



3.1 Organisational Structure 2017/2018



NEW APPOINTMENTS IN THE 2017/2018 FINANCIAL YEAR:

NO	SURNAME	JOB DESIGNATION	START DATE
1	Jeffrey Bahle Magwaza	Enterprise Development Manager (Contract)	02 July 2018
2	Kerry vd Linde	Admin and HR Officer	01 October 2018
3	Revelation Sithole	Agricultural Officer	01 October 2018
4	Sbongile Mzobe	Office Caretaker/Cleaner	01 October 2018
5	Nokuthula Ngcongo	UIF Co-coordinator (contract) & Acting Risk Officer	16 May 2019

RESIGNATIONS/CONTRACT END 2018/2019 FINANCIAL YEAR

- | | | | |
|----|-----------------------------------|---|---------------|
| 1. | Pearl Mbambo (Executive PA) | - | 29 March 2019 |
| 2. | Nokuthula Ngcongo (Finance Clerk) | - | 15 May 2019 |
| 3. | Jeffrey Bahle Magwaza (EDM) | - | 30 June 2019 |

3.2 Institutional Transformation & Employment Equity

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

Affirmative Action has been defined as the tool to implement immediate positive remedial action.

Programs and procedures to address both historic and existing inequalities and imbalances of the past are being implemented.

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

DESIGNATION	NUMBER	MALE	FEMALE	BLACK	WHITE	INDIAN
Board	7	4	3	6	1	-
CEO	1	1	-	1	-	-
CFO	1	-	1	1	-	-
Managers	3	1	2	2	-	1
Total Staff	29	10	18	24	2	2

CHAPTER 4

AUDITED STATEMENTS RELATED INFORMATION



4.1 Financial Statements & Related Information

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD

REGISTRATION NUMBER: 2006/032665/07

UNAUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

General Information

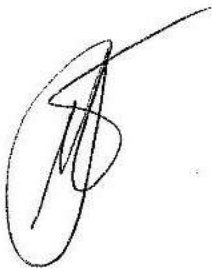
Country of Incorporation	South Africa
Legal form of entity	(Pty) Ltd
Nature of business	Local Economic Development, Tourism & Investment
Chief Executive Officer	Mr Nkosinathi Nkomzwayo
Chief Financial Officer	Mrs Sinegugu Mthembu
Controlling Entity	iLembe District Municipality
Auditors	Auditor-General 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
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 2019

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 6 to 43, in terms of the Company's Act No. 71 of 2008 as amended and section 126 (2) of the Municipal Finance Management Act of 2003, which I have signed on behalf of iLembe Management Development Enterprise (Pty) Ltd.



Nkosinathi Nkomzwayo
Chief Executive Officer

30/08/2019
Date

Directors' Responsibilities and Approval

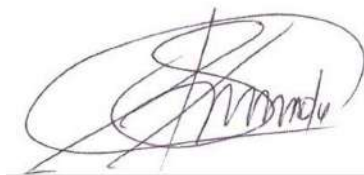
The Directors are required by the Municipal Finance Management Act (Act No. 56 of 2003) and the Companies Act (Act No. 71 of 2008 as amended) to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related information. The auditors 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) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

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

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

All employees are required to maintain the highest ethical and integrity standards in ensuring that the municipal entity's business practices are concluded in a manner, which in all reasonable circumstances, is above reproach. The concept of reasonable assurance recognises that the control procedures should not exceed the expected benefits. The municipal entity maintains its internal control system through management review. Nothing has come to the attention of the Directors to indicate any breakdown in the functions of these internal controls during the year, which resulted in any material loss to the municipal entity.



Khanyisani S. Shandu
Chairman of the Board

30/08/2019

Date

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
REGISTRATION NUMBER: 2006/032665/07
UNAUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Directors' Report

The following report is submitted in terms of section 30(3) of the Companies Act, 2008, for the period ended 30 June 2019.

GENERAL REVIEW

The Municipal Entity was incorporated on 27 October 2008 and replaced the Ilembe Development Foundation which was incorporated on 8 November 2002 and commenced business operations on 1 July 2006. The change was necessary to comply with Section 93 of the Municipal Systems Act. Subject to this there has been no material change in the nature or conduct of the Municipal Entity's business during the period under review. The financial statements adequately disclose the results of the operations for the period under review and the state of the Municipal Entity's affairs for the period ended 30 June 2019.

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 2019.

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 R660 017 (R550 896 in June 2018) were paid during the period under review. See note 19 of the Annual Financial Statements.

9. ECONOMIC ENTITY

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

- The Municipal Manager of iLembe District Municipality - Mr G Kumalo
- The 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 R660 017 (R550 896 in June 2018) were paid during the period under review. See note 19 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. As a Board, they are required to meet at least 4 times annually. The schedule below indicates the meetings held during the 2018/2019 financial year and attendance thereof.

Name	Board Committee	LED and Investment	HR and Finance
Number of meetings	6	4	5
KS Shandu - Board Chairperson	6	4	N/A
AT Nzama - Deputy Board Chairperson & Tourism and Investment Sub Committee Chair	3	2	N/A
DN Nene - HR & Finance Sub-Committee Chair	3	N/A	2
JC Oelofse	4	4	5
ZS Gumede	6	4	2
N Mngadi	4	N/A	3
B Mngadi	5	N/A	5

11.2 Audit Committee Meetings

The Audit Committee currently comprises 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. 5 meetings were held during the 2018/2019 financial year. Members attendance at the meetings is listed below:

Name	Number of Meetings Attended
S. Hlophe - Chairperson	5
S Gertze	4
Z. Bongekile	3
S.L Ndlovu	4

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
STATEMENT OF FINANCIAL POSITION
UNAUDITED ANNUAL FINANCIAL STATEMENTS AS AT 30 JUNE 2019

	Note	2019 R	2018 R
ASSETS			
Current assets		32 955 440	12 026 368
Vat Receivable	3	3 035 999	345 841
Inventory	4	243 680	283 018
Trade and Other Receivables	11	9 446 043	6 287 290
Cash and cash equivalents	12	20 229 718	5 110 218
Non-current assets		28 940 488	24 470 597
Property, Plant and Equipment	7	28 350 488	24 079 197
Biological Assets	8	590 000	391 400
Total Assets		61 895 928	36 496 964
LIABILITIES			
Current liabilities		27 361 433	5 150 208
Trade and Other Payables	1	11 300 455	3 090 960
Provisions	1	1 641 270	1 227 880
Unspent Conditional Grants and Receipts	2	13 501 744	831 369
Finance Lease Liability	5	917 964	-
Non-current liabilities			
Finance Lease Liability	5	1 160 745	-
Total Liabilities		28 522 179	5 150 208
Net Assets		33 373 749	31 346 756
NET ASSETS			
Accumulated Surplus		33 373 649	31 346 656
Issued Share Capital	10	100	100
Total Net Assets		33 373 749	31 346 756

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
STATEMENT OF FINANCIAL POSITION
UNAUDITED ANNUAL FINANCIAL STATEMENTS AS AT 30 JUNE 2019

	Note	2019	2018
REVENUE		R	R
Revenue from exchange transactions			
Rental Income	13	84 348	66 087
Interest Received	14	819 837	273 047
Other Income	16	1 369 246	106 764
National Schools Nutrition Income	17	21 371 976	18 031 479
Gain on Assets Adjustment	26	747 570	1 400
Total Revenue from exchange transactions		24 392 977	18 478 777
Revenue from non-exchange transactions			
Government grants and subsidies	15	47 778 912	24 829 416
Total Revenue		72 171 889	43 308 193
EXPENDITURE			
Depreciation, Amortisation & Impairment	6	2 107 851	1 163 571
Employee Related Costs	18	18 057 150	14 356 698
Directors Fees	19	660 017	550 856
Repairs and Maintenance	20	1 091 025	2 119 131
Contracted Services	21	20 598 240	16 181 120
General Expenses	22	28 590 410	6 748 664
Loss on Disposal	26	19 175	39 945
Total Expenditure		71 104 693	41 159 984
Surplus / (Deficit) for the year		1 067 195	2 148 209

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
STATEMENT OF CHANGES IN NET ASSETS
UNAUDITED ANNUAL FINANCIAL STATEMENTS AS AT 30 JUNE 2019

	Note	Shares	Accumulated Sur- plus/ (Deficit)	Total Net Assets
		R	R.	R
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
Prior period error	29	-	(1 759 494)	(1 759 494)
Restated Balance at 30 June 2018		100	31 346 656	31 346 756
Opening Balance 1 July 2018		100	31 346 656	31 346 756
Surplus for the year		-	1 067 195	1 067 195
Adjustments		-	959 698	959 698
Balance at 30 June 2019		100	33 373 549	33 373 649

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
CASH FLOW STATEMENT
UNAUDITED ANNUAL FINANCIAL STATEMENTS AS AT 30 JUNE 2019

	Note	2019	2018
		R	R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts government and other		105 539 928	45 360 667
Cash paid to suppliers and employees		(83 209 046)	(35 839 628)
Cash generated/(utilised) from operations	24	22 330 882	9 521 039
Interest received		819 837	273 047
NET CASH FLOWS FROM OPERATING ACTIVITIES		23 150 720	9 794 086
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	7,8,9	(1 416 931)	(299 903)
Increase in current investments		(5 913 079)	(4 904 313)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(7 330 009)	(5 204 216)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans raised - leases		(701 210)	-
NET CASH FLOWS FROM FINANCING ACTIVITIES		(701 210)	-
NET DECREASE IN CASH AND CASH EQUIVALENTS		15 119 500	4 589 870
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		5 110 218	520 348
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	25	20 229 718	5 110 218

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS
UNAUDITED ANNUAL FINANCIAL STATEMENTS AS AT 30 JUNE 2019

Description	2018/2019 Original Budget R	Adjustment Bud- get Budget R	Actual outcome June 2019 R	YTD Budget June 2019 R
Financial Position				
Current assets:				
Receivables from exchange transactions	6 299 265	6 299 265	9 446 043	6 299 265
Value Added Tax	507 974	507 974	3 035 999	507 974
Cash and Cash Equivalents	5 110 218	5 110 218	20 229 718	5 110 218
Inventory	283 018	283 018	243 680	283 018
Non-current assets				
Property, plant and equipment	24 079 153	24 079 153	28 350 488	24 079 153
Biological assets	391 400	391 400	590 000	391 400
Total Assets	36 671 029	36 671 029	61 895 928	36 671 029
Current liabilities				
Payables from exchange transactions	2 733 731	2 733 731	11 300 455	2 733 731
Unspent conditional grants and receipts	831 369	831 369	13 501 744	831 369
Finance Lease Liability	-	-	917 964	917 964
Non-current liabilities				
Finance Lease Liability	-	-	1 160 745	1 160 745
Total Liabilities	3 565 099	3 565 099	26 880 909	5 643 809
Net Assets	33 105 929	33 105 929	35 015 019	31 027 220
Accumulated surplus	33 105 829	33 105 829	33 373 649	33 105 829
Share capital held by Municipality	100	100	100	100
Total Net Assets	33 105 929	33 105 929	33 373 749	33 105 929
Financial Performance				
Interest on investments	250 000	600 000	819 837	600 000
Government grants and subsidies	35 171 685	60 632 247	47 778 912	60 632 247
Other income	19 556 040	20 749 935	23 573 139	20 749 935
Total Revenue	54 977 725	81 982 182	72 171 889	81 982 182

Variance R	% Varaince	Comments
		Explanation of material variances over 10%
3 146 778	50%	This includes the supply of amasi for the NSNP programme which was given to the entity during the last quarter of the financial year, contrary to last financial year.
2 528 024	498%	Relates to additional funding allocated in the current year.
15 119 500	296%	Unspent amoumnts due to funds received during the second half of the financial year.
(39 338)	-14%	Wine issued during the year
4 271 335	18%	Finance lease of vehicles and acquisitions
198 600	51%	There was a gain on fair value
25 224 899		
8 566 724	313%	Additional funding received in the current year and accruals
12 670 376	1524%	Unspent grants - additional funding received
-	-	New lease agreement - vehicle finance lease
-	-	New lease agreement - vehicle finance lease
-	-	
267 820	1%	Immaterial
-	0%	
267 820		
219 837	37%	More interest was realized than initially budgeted for. This is also dependant on interest rates offered by banks and the periods that amounts are invested for.
(12 853 336)	-21%	Additional allocations were received during the adjustments budget process, which could not all be spent during the year. These will be rolled over to the 2019/2020 financial year.
2 823 205	14%	The variance is due to the additional provision of Amasi that the Entity was instructed by DOE to provide to the schools, which was not initially budgeted for but invoicing was done during the year.
(9 810 294)		

Employee Related Costs	17 845 417	17 220 375	18 057 150	17 220 375
Directors' fees	631 200	666 016	660 017	666 016
Depreciation, Amortization & Impairment	1 474 584	1 474 584	2 107 851	1 474 584
Repairs and maintenance	1 710 000	1 785 164	1 091 025	1 785 164
General expenses	13 026 355	41 223 143	28 590 410	41 223 143
Contracted services	18 217 239	16 454 896	20 598 240	16 454 896
Total Expenditure	52 904 795	78 824 178	71 104 693	78 824 178
Surplus/(Deficit) for the year	2 072 930	3 158 004	1 067 195	3 158 004
Statement of changes in net assets				
Balance as at 1 July 2018	33 106 250	33 106 250	33 106 250	33 106 250
Correction Prior Year Period	1 097 619	1 097 619	(799 796)	(799 796)
Surplus/(Deficit) for the year	1 708 579	1 708 579	1 067 195	1 067 195
Balance as at 30 June 2019	35 912 448	35 912 448	33 373 649	33 373 649
Cash Flows				
Receipts	45 633 714	45 633 714	105 539 928	105 539 928
Payments	35 839 354	35 839 354	83 209 046	83 209 046
Net cash flows from operating activities	9 794 360	9 794 360	23 150 720	23 150 720
Net cash flows from investing activities	(5 204 216)	(5 204 216)	(7 330 009)	(7 330 009)
Net cash flows from financing activities	-	-	(701 210)	(701 210)
Cash/cash equivalents at the beginning of the year	520 348	520 348	5 110 218	5 110 218
Cash/cash equivalents as at 30 June 2019	5 110 492	5 110 492	20 229 718	20 229 718

The budget is approved on an accrual basis by nature classification. The approved budgets cover the period 1 July 2018 to 30 June 2019.

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.

836 775	5%	Includes an amount for leave provision not initially budgeted for.
(5 999)	-1%	Immaterial
633 267	43%	The over expenditure relates to the additional depreciation in respect of leased vehicles, which the Entity has to account for as part of assets
(694 138)	-39%	A portion of the repairs to the tunnels was capital in nature and had to be booked on the capital budget - hence the low expenditure on the operational budget.
(12 632 733)	-31%	Expenditure includes grant expenditure for grants received during adjustments budget, which could not be all spent during the year.
4 143 344	25%	Includes amounts for amasi - not initially budgeted for but for which funding was received from DOE.

(7 719 485)

(2 090 809)

0 0%

- 0%

- 0%

0

- 0%

- 0%

- 0%

- 0%

- 0%

0

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
UNAUDITED ANNUAL FINANCIAL STATEMENTS AS AT 30 JUNE 2019

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

Depreciation commences when an asset is available for use and ceases at the earlier of the date that the asset is derecognised or classified as held for sale in accordance with GRAP 100.

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

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

THE ANNUAL DEPRECIATION RATES ARE BASED ON THE FOLLOWING ESTIMATED AVERAGE ASSET LIVES:

Furniture and equipment	7-10 years
Machinery and equipment	5-10 years
Computer equipment	5 years
Agriculture PPE	10-30 years
Buildings	30 years
Motor Vehicles (Leases)	3 years

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

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

2.1.4 DERECOGNITION

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

2.1.5 LEASED ASSETS

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

3 BIOLOGICAL ASSETS

3.1 INITIAL RECOGNITION

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
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	2019	2018
	R	R
1 PAYABLES & PROVISIONS		
1.1 Payables		
Payables from exchange transaction	4 403 877	2 751 857
Creditor Accruals	6 523 500	-
Other Creditors	373 078	339 103
Total Creditors	11 300 455	3 090 960
1.2 Provision for Leave		
Opening balance	1 227 880	829 088
Movement	413 390	398 792
Closing Balance	1 641 270	1 227 880
Total Payables	12 941 725	4 318 840
2 UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
UIF Grant	3 671 505	-
SASA Grant	22 224	-
COGTA RASET Grant	3 759 707	-
COGTA BIOMASS Grant	1 681 326	-
COGTA YEP Grant	744 034	-
COGTA Public Wi Fi Grant	1 317 667	-
COGTA Mini Factories Grant	2 173 913	-
Maphumulo IEC Grant	-	700 000
District Growth and Development Summit	131 369	131 369
Total Conditional Grants and Receipts	13 501 744	831 369
The increase in unspent grants from the last financial year is as a result of additional grant funded allocated to the Entity during the 2018/2019 financial year.		
3 VALUE ADDED TAXATION		
Vat Receivable	3 035 999	345 841

4 INVENTORY

Balance as at year end	243 680	283 018
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Inventory comprise of own produce - bottled and unbottled as well as wine purchased for resale.

5 FINANCE LEASE LIABILITY

Minimum lease payments due		
- within one year	934 947	-
- in second to fifth year inclusive	1 168 684	-
	2 103 630	-
less: future finance charges	24 921	-
Present value of minimum lease payments	2 078 709	-
Present value of minimum lease payments due		
- within one year	917 964	-
- in second to fifth year inclusive	1 160 745	-
	2 078 709	-
Non-current liabilities	1 160 745	-
Current liabilities	917 964	-
	2 078 709	-

The Entity leases its motor vehicles with Avis and due to the substance of these agreements, they are recognized and disclosed as finance leases. The lease term is 36 months and the interest rate implicit on the agreement is 0,085% per month. Interest rates are generally considered to be fixed at the contract date given the nature of the agreement. All leases have fixed repayments.

6 DEPRECIATION, AMORTISATION & IMPAIRMENT

Depreciation	2 078 668	1 162 099
Amortisation	-	1 472
Impairment	29 184	-
	2 107 851	1 163 571

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7 PROPERTY, PLANT & EQUIPMENT

Reconciliation of Carrying Value 2018/2019

OTHER ASSETS

	Motor Vehicles - Leases	Municipal Buildings	Manufacturing Plant	Furniture and Equipment	Computer Equipment	Total
		R	R	R	R	R
Carrying Values at 1 July 2018		1 288 562	16 151 378	1 109 307	5 529 949	24 079 197
Cost	-	1 394 976	17 480 966	1 797 813	484 162	21 157 916
WIP	-	-	5 777 329	-	5 221 181	10 998 510
Accumulated depreciation	-	(106 414)	(7 106 917)	(688 505)	(175 393)	(8 077 230)
Depreciation	(687 742)	(46 640)	(1 018 043)	(192 645)	(133 599)	(2 078 668)
WIP Acquisitions					856 246	856 246
Acquisitions	2 761 044	-	878 515	861 044	492 500	4 993 103
Impairment	-	-	(29 184)	-	-	(29 184)
Impairment Reversal	-		548 970			548 970
Carrying Value of disposals	-	-	2 830	3 984	12 361	19 175
Cost	-	-	12 104	28 781	71 109	111 994
Accumulated depreciation	-	-	(9 274)	(24 797)	(58 748)	(92 819)
Carrying Values at 30 June 2019	2 073 302	1 241 923	16 528 805	1 773 723	6 732 735	28 350 488
Cost	2 761 044	1 394 976	18 347 377	2 630 076	905 552	26 039 025
WIP	-	-	5 777 329	-	6 077 427	11 854 756
Accumulated depreciation	(687 742)	(153 054)	(7 595 901)	(856 353)	(250 243)	(9 543 293)

Biodiesel Equipment (Manufacturing Plant) - The equipment was bought between the 2010/2011 and the 2011/2012 financial years as part of the biodiesel project funded by the department of COGTA, where the idea was to produce diesel using the moringa plant. The plant dried out during the drought season that affected the district and was subsequently wrote off during the 2015/2016 financial year. The agency made a submission to COGTA requesting the project to be written off and the equipment channeled to a new project under Biomass - which was granted. The commissioning of the biomass project has commenced and will be completed in the 2019/2020 financial year.

5 777 329

Broadband (Computer Equipment) - The broadband project is also a project that happened between the 2010/11 and 2011/12 financial years, whereby the ICT infrastructure was installed. (incl. 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

Public Wifi (Computer Equipment) - This expenditure relates to the hardware that has been purchased for the installation of Public Wi-Fi. The project will be completed in 2019/2020

856 246

11 854 756

Reconciliation of Carrying Value 2017/2018	Municipal Buildings R	Manufacturing Plant	Furniture and Equipment	Computer Equipment R	Total R
Carrying Values at 1 July 2017	929 136	18 162 559	340 104	5 549 005	24 980 805
Cost	155 517	18 956 064	631 376	610 454	20 353 411
WIP					11 817 321
818 811					
5 777 329					
-					
5 221 181					
Accumulated depreciation					(7 189 929)
(45 192)					
(6 570 834)					
(291 273)					
(282 630)					
Depreciation	(24 814)	(963 992)	(72 342)	(100 951)	(1 162 099)
Additions	53 247	-	128 352	118 304	299 903
Transfer to completed assets	(818 811)	-	-	-	(818 811)
Reclasification of asset costs	397 401	(1 475 098)	1 077 697		
Reclasification of accumulated depreciation	(66 407)	427 909	(361 503)		
Carrying Value of disposals	-	-	3 002	36 409	39 411
Cost	30 000	-	39 613	244 596	314 209
Accumulated depreciation	(30 000)	-	(36 611)	(208 188)	(274 799)
Carrying Values at 30 June 2018	1 288 562	16 151 378	1 109 307	5 529 949	24 079 198
Cost	1 394 976	17 480 966	1 797 813	484 162	20 858 013
WIP	-	5 777 329	-	5 221 181	10 998 510
Accumulated depreciation	(106 414)	(7 106 917)	(688 505)	(175 393)	(7 777 325)

8 BIOLOGICAL ASSETS

Reconciliation of Carrying Value 2018/2019

	Vineyards R	Total R
Carrying Values at 1 July 2018	391 400	391 400
Cost	1 710 000	1 710 000
Accumulated depreciation	(1 318 600)	(1 318 600)
Acquisitions	-	-
Gain on Fair value	198 600	198 600
Carrying Values at 30 June 2019	590 000	590 000
Cost	1 710 000	1 710 000
Accumulated depreciation	(1 120 000)	(1 120 000)

Reconciliation of Carrying Value 2017/2018

	Vineyards R	Total R
Carrying Values at 1 July 2017	390 000	390 000
Cost	1 710 000	1 710 000
Accumulated depreciation	(1 320 000)	(1 320 000)
Acquisitions	-	-
Loss on Fair value	1 400	1 400
Carrying Values at 30 June 2018	391 400	391 400
Cost	1 710 000	1 710 000
Accumulated depreciation	(1 318 600)	(1 318 600)

9 INTANGIBLE ASSETS

Reconciliation of Carrying Value 2018/2019

	Software R	Total R
Carrying Values at 1 July 2018	-	-
Cost	-	-
Accumulated Amortisation		
-		
-		
Acquisitions		
-		
-		
Amortisation	-	-
Carrying Values at 30 June 2019	-	-
Cost	-	-
Accumulated Amortisation	-	-

Reconciliation of Carrying Value 2017/2018

	Software R	Total R
Carrying Values at 1 July 2017	2 027	2 027
Cost	28 816	28 816
Accumulated Amortisation	(26 789)	(26 789)
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	-	-

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	2019 R	2018 R
10 ISSUED SHARE CAPITAL		
Name of company Ilembe District Municipality		
Carrying amount	100	100
% Holding	100%	100%
Ordinary Shares: 100 @ R1 each		
11 RECEIVABLES		
11.1 Receivables from Exchange Transactions		
Provincial Department of Education	8 947 983	5 325 361
SARS	102 113	224 280
Other Debtors	277 796	64 674
Total Receivables from Exchange Transactions	9 327 893	5 614 315
11.2 Other Receivables		
Ilembe District Municipality	-	646 625
Deposits	118 150	26 350
Total Receivables from non-exchange transactions	118 150	672 975
Total Receivables	9 446 043	6 287 290
12 CASH AND CASH EQUIVALENTS		
12.1 Bank Accounts		
12.1.1 Rocabex - Trust Bank Account - Kloof Branch		
First National Bank Account		
Account Number 62347813471: Current Account		
Cash book balance at the beginning of the year	205 218	205 218
Cash book balance at the end of the year	205 218	205 218
Bank statement balance at the beginning of the year	205 218	205 218
Bank statement balance at the end of the year	205 218	205 218

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

Account Number 62450574077: Cheque Account

Cash book balance at the beginning of the year	91	308 223
Cash book balance at the end of the month	2 809 995	91
Bank statement balance at the beginning of the year	91	308 223
Bank statement balance at the end of the month	2 809 995	91

12.1.3 First National Bank Account - UIF Account - Stanger Branch

Account Number 62804908286: Corporate Cheque Account

Cash book balance at the beginning of the year	-	-
Cash book balance at the end of the month	5 809 093	-
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the month	5 809 093	-

Total Bank Accounts	8 824 306	205 309
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Petty Cash	716	596
	8 825 022	205 905

12.2 Current Investments

12.2.1 First National Bank Account - Business Investment Desk Branch

Account Number 74767676876 Fixed Maturity Notice

Cash book balance at the beginning of the year	1 003 710	-
Cash book balance at the end of the year	-	1 003 710
Bank statement balance at the beginning of the year	1 003 710	-
Bank statement balance at the end of the year	-	1 003 710

12.2.2 First National Bank Account - Business Investment Desk Branch

Account Number 74767678161 Fixed Maturity Notice

Cash book balance at the beginning of the year	1 000 000	-
Cash book balance at the end of the year	-	1 000 000
Bank statement balance at the beginning of the year	1 000 000	-
Bank statement balance at the end of the year	-	1 000 000

12.2.3 First National Bank Account - Business Investment Desk**Branch****Account Number 74769875781 Fixed Maturity Notice****Cash book balance at the beginning of the year****805 994**

-

Cash book balance at the end of the year	-	805 994
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Bank statement balance at the beginning of the year	805 994	-
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Bank statement balance at the end of the year	-	805 994
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12.2.4 First National Bank Account - Business Investment Desk**Branch****Account Number 62602914138 - Call Account**

Cash book balance at the beginning of the year	16 111	-
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Cash book balance at the end of the year	-	16 111
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Bank statement balance at the beginning of the year	16 111	6 563
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Bank statement balance at the end of the year	-	16 111
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12.2.5 Investec - Grayston Drive Branch**Account Number 1100546992530 Business Top5**

Cash book balance at the beginning of the year	2 078 498	-
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Cash book balance at the end of the year	-	2 078 498
--	---	-----------

Bank statement balance at the beginning of the year	2 078 498	-
---	-----------	---

Bank statement balance at the end of the year	-	2 078 498
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12.2.6 Investec - Grayston Drive Branch**Account Number 1100546992500 Business Top5**

Cash book balance at the beginning of the year		
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Cash book balance at the end of the year	5 051 264	
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Bank statement balance at the beginning of the year		
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Bank statement balance at the end of the year	5 051 264	-
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12.2.7 First National Bank Account - Business Investment Desk**Branch****Account Number 62602914138**

Cash book balance at the beginning of the year	-	-
Cash book balance at the end of the year	5 324 824	-
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	5 324 824	-

12.2.8 First National Bank Account - Business Investment Desk**Branch****Account Number 62793930142**

Cash book balance at the beginning of the year	-	-
Cash book balance at the end of the year	1 028 608	-
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	1 028 608	-

Total Current Investments	11 404 696	4 904 313
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CASH & CASH EQUIVALENTS	20 229 718	5 110 218
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13 RENTAL INCOME OF FACILITIES

Bulwer Tunnels	-	40 000
Mathonsi Tunnels	84 348	26 087
	84 348	66 087

The rental income relates to the agreement in place between the Agency and Farley Farms (for the Mathonsi Tunnel). The agreement with Farley is in place from 1 November 2017 to 31 October 2020.

14 INTEREST RECEIVED

Bank	154 856	32 153
Investments	664 981	240 894
	819 837	273 047

Interest from investments was derived from amounts invested with FNB and Investec Banks.

15 GOVERNMENT GRANTS AND SUBSIDIES

UNCONDITIONAL GRANTS

Operational Ex IDM	21 667 932	18 384 781
Ilembe District Municipality - LED Projects & Programmes	3 050 000	3 582 999
Ilembe District Municipality - Tourism Programmes	1 950 000	2 138 205
Ilembe District Municipality - Development of SMME's	3 980 000	500 000

CONDITIONAL GRANTS

King Shaka Tourism Route	-	54 800
District Growth and Development Summit - COGTA	-	168 631
COGTA Public Wi Fi Grant	856 246	-
COGTA YEP Grant	125 531	-
COGTA BIOMASS Grant	2 666 500	-
COGTA RASET Grant	588 119	-
SASA Grant	197 776	-
UIF Grant	11 999 307	-
Maphumulo IEC Project	697 500	-
Total Government Grant and Subsidies	47 778 912	24 829 416

15.1 Grant COGTA Public Wi Fi Grant

Balance unspent at beginning of year	-	-
Current year receipts	2 173 913	-
Conditions met - transferred to revenue	(856 246)	-
Conditions still to be met-transferred to liabilities	1 317 667	-

15.2 Grant COGTA Mini Factories Grant

Balance unspent at beginning of year	-	-
Current year receipts	2 173 913	-
Conditions met - transferred to revenue	-	-
Conditions still to be met-transferred to liabilities	2 173 913	-

15.3 Grant Ilembe District Municipality - LED

Balance unspent at beginning of year	-	199 999
Current year receipts	3 050 000	3 383 000
Conditions met - transferred to revenue	(3 050 000)	(3 582 999)
Conditions still to be met-transferred to liabilities	-	-

15.4 Grant Ilembe District Municipality - Tourism

Balance unspent at beginning of year	-	501 254
Current year receipts	1 950 000	1 636 951
Transferred to revenue - no further conditions to be met	(1 950 000)	(2 138 205)
Conditions still to be met-transferred to liabilities	-	-

15.5 COGTA YEP Grant

Balance unspent at beginning of year	-	-
Current year receipts	869 565	-
Conditions met - transferred to revenue	(125 531)	-
Conditions still to be met-transferred to liabilities	744 034	-

15.6 Grant COGTA BIOMASS Grant

Balance unspent at beginning of year	-	-
Current year receipts	4 347 826	-
Conditions met - transferred to revenue	(2 666 500)	-
Conditions still to be met-transferred to liabilities	1 681 326	-

15.7 Grant COGTA RASET Grant

Balance unspent at beginning of year	-	-
Current year receipts	4 347 826	-
Conditions met - transferred to revenue	(588 119)	-
Conditions still to be met-transferred to liabilities	3 759 707	-

15.8 Grant SASA

Balance unspent at beginning of year	-	-
Current year receipts	220 000	-
Conditions met - transferred to revenue	(197 776)	-
Conditions still to be met-transferred to liabilities	22 224	-

15.9 Grant District Growth and Development Summit 2018 - COGTA

Balance unspent at beginning of year	131 369	-
Current year receipts	-	300 000
Conditions met - transferred to revenue	-	(168 631)
Conditions still to be met-transferred to liabilities	131 369	131 369

15.10 Growth UIF Grant

Balance unspent at beginning of year	-	-
Current year receipts	15 670 812	-
Conditions met - transferred to revenue	(11 999 307)	-
Conditions still to be met-transferred to liabilities	3 671 505	-

15.11 Development of SMMEs

Balance unspent at beginning of year		-
Current year receipts		-
Conditions met - transferred to revenue		-
Current year receipts	3 980 000	500 000
Conditions met - transferred to revenue	(3 980 000)	(500 000)
Conditions still to be met-transferred to liabilities	-	-

15.12 Maphumulo IEC Grant

Current year receipts	700 000	700 000
Conditions met - transferred to revenue	(697 500)	-
Adjustments and Transfers	(2 500)	-
Conditions still to be met-transferred to liabilities	-	700 000

16 OTHER INCOME

KwaDukuza Municipality	206 450	56 787
Wine sales	64 169	47 778
Insurance refunds	137 143	-
Africa Ignite	528 006	-
Tourism KZN	367 540	-
Other income	65 937	2 200
	1 369 246	106 764

17 National Schools Nutrition Programme

Supply of vegetables	21 371 976	18 031 479
	21 371 976	18 031 479

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. In April 2019, the Entity was requested to supply Amasi to the schools up to June 2019.

18 EMPLOYEE RELATED COSTS

Employee related costs - salaries and wages	13 692 941	11 060 764
Vineyard Wages	1 156 211	1 194 256
Tunnel workers	552 202	288 400
Pension contributions	1 109 615	253 680
Medical aid	665 418	565 216
UIF	201 500	48 723
Leave pay	484 985	466 283
Car and other allowances	194 278	479 376
	18 057 150	14 356 698

Included in the employee related costs are the following:

Remuneration of the Chief Executive Officer		
CEO	1 525 488	1 442 396
UIF	1 785	1 785
Total	1 527 272	1 444 181

Remuneration of the Chief Financial Officer		
Annual Remuneration	1 081 816	990 389
Car and Other Allowances	42 100	60 000
Medical Aid	43 956	35 017
Pension Fund	186 743	43 632
UIF	1 785	1 785
Total	1 356 400	1 130 822

Remuneration of the Head: LED		
Annual Remuneration	1 051 986	730 606
Car and other allowances	58 704	219 182
Medical Aid	31 985	30 954
Pension Fund	91 465	21 370
UIF	1 785	1 785
Total	1 235 923	1 003 897

Remuneration of the Manager: Tourism, Market and Communication		
Annual Remuneration	954 405	718 859
Car and other allowances	60 674	172 944
Medical Aid	43 956	38 435
Pension Fund	85 881	24 850
UIF	1 785	1 785
Total	1 146 701	956 872

19 REMUNERATION OF BOARD MEMBERS

Remuneration includes a retainer and attendance fees at meetings:

KS Shandu - Chairperson	(Appointed November 2015)	121 463	109 423
AT Nzama - Deputy Chairperson	(Re-Appointed February 2017)	90 437	90 437
D Nene - Finance & HR Chairperson	(Appointed November 2017)	93 437	90 437
JC Oelofse	(Re-appointed February 2017)	92 420	77 420
ZS Gumede	(Appointed February 2017)	95 420	74 420
N Mngadi	(Appointed February 2017)	77 420	74 460
B Mngadi	(Appointed February 2018)	89 420	34 258
		660 017	550 856

Total Board Members' Remuneration

20 REPAIRS AND MAINTENANCE

General Repairs	313 755	260 469
Repairs and Maintenance tunnels and hubs	777 271	1 858 662
	1 091 025	2 119 131

21 CONTRACTED SERVICES

Other Contracted Services	2 558 177	1 844 733
Rental of premises	808 998	135 972
Security	795 509	428 220
Cleaning services	95 834	74 852
Fuel and Oil	347 084	251 323
Internal Audit	211 951	133 068
Lease of Vehicles	226 082	772 648
Leases- Office Equipment	72 719	48 650
National Schools Nutrition Programme	18 040 062	14 336 387
NSNP: Vegetables - Market	4 273 119	3 140 391
NSNP: Farmers	4 867 164	4 939 635
NSNP: Hub Workers	265 272	271 800
NSNP: Amasi	2 840 403	-
NSNP: Transportation of Vegetables	5 794 104	5 984 561
	20 598 240	16 181 120

22 GENERAL EXPENSES

Included in general expenses is the following: -

Advertising	403 305	274 794
External Audit Fees	666 588	661 312
Subscriptions/Licences/Insurance	181 641	140 372
Bank Charges	53 670	36 137
Entertainment/Refreshments	101 571	74 007
Consulting and Professional Fees	4 941 970	451 216
Board Expenses/Travel	27 632	11 548
Purchase of Wine	39 338	39 673
Tourism events and exhibitions	1 345 090	1 952 350
Subsistence, Travel & Accommodation	1 390 871	702 987
Conference and workshop	56 410	43 948
Legal Fees	286 659	14 294
Telephone and Fax	466 958	280 210
Training	6 322 968	89 449
Mechanization	1 114 524	358 475
Development of SMMEs	853 066	521 281
Interest and Penalties	20 027	57 975
Postage, Courier & Delivery Services	6 565	14 351
District Growth Development Summit	-	146 636
Marketing, Communication & investments	1 928 453	356 584
Printing and stationary	114 059	168 210
Water and Electricity	292 789	133 642
Audit Committee	105 000	85 128
Winery Operations	8 975	5 971
ICT Services	113 245	128 117
Admin Costs/Consumables	54 288	-
Projects Expenditure	5 615 775	-
UIF Learner Stipends	2 042 000	-
Uniforms	36 974	-
	28 590 410	6 748 664

23 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

23.1 Fruitless and wasteful expenditure

Reconciliation of fruitless and wastful expenditure

Opening balances-

Fruitless and wasteful expenditure current year	35 150	58 507
Fruitless and wasteful expenditure written off	(33 126)	(58 507)
Fruitless and wasteful expenditure not yet written off	2 025	-

23.2 Irregular expenditure

Reconciliation of irregular expenditure:

Opening balance	-	27 665
Awards to employees of the state current year	2 244	28 160
Amount written off by Board	-	(55 825)
Irregular expenditure not yet written off	2 244	-

Awards to the suppliers in service of the state relate to transactions that occurred before the finalization of 2017/2018 audit, which the entity was liable to pay.

23.3 Deviations

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

Total Value	5 909 837	7 283 350
Total Number of Cases	6	6

24 CASH GENERATED/(UTILISED) BY OPERATIONS

Surplus for the year	1 067 195	2 148 209
Adjustment for: -		
Adjustments/Previous years operating transactions	5 652 644	6 559 460
Depreciation, impairment & amortization	2 107 851	1 163 571
Loss/(gain) on disposal of property, plant and equipment	(728 394)	38 545
Investment income	(819 837)	(273 047)
Finance costs	(18 876)	-
Operating surplus before working capital changes:	7 260 584	9 636 738
(Increase)/Decrease in inventories	39 338	(104 753)
(Increase)/Decrease in receivables	(3 158 753)	(680 276)
(Decrease)/increase in unspent conditional grants	12 670 376	73 116
Increase/(Decrease) in Payables	8 209 495	594 396
Increase in VAT receivable	(2 690 158)	1 819
Other assets		
Cash generated/(utilised) by operations	22 330 882	9 521 039

25 CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR

Current Investments	11 404 696	4 904 313
Bank balances and cash	8 825 022	205 905
Total cash and cash equivalents at the end of the year	20 229 718	5 110 218

26 GAINS AND LOSSES**26.1 Disposal of Assets**

Loss on disposal	19 175	39 961
Gain on disposal	-	(16)
(Gain) / Loss	19 175	39 945

26.2 Gain on fair valuing of assets	(198 600)	(1 400)
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26.3 Impairment Reversal	(548 970)	-
	(747 570)	(1 400)

27 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT**27.1 Audit fees**

Current year audit fee	666 588	661 312
Amount paid - current year	(666 588)	(661 312)
Balance unpaid (included in creditors)	-	-

27.2 PAYE and UIF

Opening balance	249 025	-
Current year payroll deductions	3 492 175	3 074 000
Amount paid - current year	(3 441 933)	(2 824 975)
Balance unpaid (included in creditors)	299 268	249 025

27.3 Medical Aid Contributions

Opening balance	93 067	-
Current year payroll deductions	1 129 791	971 599
Amount paid - current year	(1 161 296)	(878 532)
Balance unpaid (included in creditors)	61 562	93 067

27.4 Pension Contributions

Opening balance	-	-
Current year payroll deductions	1 689 553	376 520
Amount paid - current year	(1 689 571)	(376 520)
Balance unpaid (included in creditors)	(18)	-

28 INCOME TAX

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

29 CORRECTION OF PRIOR PERIOD ERROR

Effects on Statement of Financial Performance

General Expenses	389 947
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These relate to expenses raised in the incorrect period (2018) but relating to 2019

Contracted Services	49 683
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These relate to expenses raised in the incorrect period (2018) but relating to 2019

	439 630
--	---------

Effects on Statement of Financial Position

Vat Receivables	(162 134)
-----------------	------------

Relates to prior period vat transactions that were incorrectly accounted for in June 2018

Trade and Other Receivables	(11 975)
-----------------------------	-----------

Relates to prior period prepayment that was incorrectly accounted for in June 2018

Cash & Cash Equivalents	(275)
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Relates to petty cash transactions that were incorrectly accounted for in June 2018

Trade and Other Payables	(1 585 109)
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Relates to prior period creditors that were incorrectly accounted for in June 2018

	(1 759 492)
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Effects on Statement of Net Assets

	(1 759 492)
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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/(to) iLembe District Municipality :

Opening Balance	646 698	526 779
Movements during the year	(1 518 448)	119 919
Closing Balance	(871 751)	646 698

This amount is included under payables

Grant income received by Enterprise Ilembe:

Administration Grant	21 667 932	18 384 781
LED Grant	3 050 000	3 383 000
Tourism Grant	1 950 000	1 636 951
Raset Grant	5 000 000	-
YEP Grant	1 000 000	-
Biomass Grant	5 000 000	-
Mini-Factories	2 500 000	-
Public Wi-Fi	2 500 000	-
District Growth & Development Summit	-	300 000
Development of SMMEs	3 980 000	500 000
	46 647 932	24 204 732

32 OPERATING LEASES

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

No later than 1 year	136 506	32 433
Later than 1 year and no later than 5 years	250 261	-
	386 767	32 433

The entity entered into a lease agreement for machinery (contract for 5 printing machines) which is for the period 01 April 2019 to 31 March 2022.

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

Biodiesel	5 777 329	5 777 329
North Coast Vineyards	590 000	391 400
Agri Processing Facilities	10 751 476	10 107 236
	17 118 805	16 275 965

34 GOING CONCERN

The annual financial statements for the period ended 30 June 2019 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	11 404 696	4 904 313
Bank balances and cash	8 825 022	205 905
	20 229 718	5 110 218

Interest earned bank external investments	819 837	273 047
---	---------	---------

Interest rate	4,1%	5,3%
---------------	------	------

Outstanding Debtors:

Other debtors	9 327 893	6 233 253
	9 327 893	6 233 253

Interest earned on outstanding debtors

Interest rate	0,0%	0,0%
---------------	------	------

35.2 Credit Risk

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

Receivables:

Other debtors	9 327 893	6 233 253
	9 327 893	6 233 253

Ageing of consumer debtors:

Current	1 823 874	1 169 873
31-60 days	6 847 552	3 273 942
>60 days	656 467	1 672 841
Net Consumer Debtors	9 327 893	6 116 657

35.3 Liquidity Risk

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

Equity (Net Assets)	33 373 749	31 346 756
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36 SUBSEQUENT EVENTS

Computer
Equipment

There have been no subsequent events from 1 July 2019 to the date of issuing of these financial statements, other than those disclosed herein.

37 RESTATEMENT OF COMPARATIVE INFORMATION

Statement of Financial Performance:

Restated Comparative

The items listed below have been reclassified within Property, Plant and Equipment from one class of assets to another

Municipal Buildings

- Cost	397 401
- Accumulated depreciation	(66 407)

Manufacturing Plant

- Cost	(1 475 098)
- Accumulated depreciation	427 909

Furniture and Equipment

- Cost	1 077 697
- Accumulated depreciation	(361 503)

-

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 2019

	Cost / Valuation				
	Opening Balance	Additions	Write Offs / Valuations	Trans- fers/ WIP	Closing Balance
	R	R	R	R	R
Manufacturing Plant	23 258 295	878 515	(12 104)	-	24 124 706
Municipal Buildings	1 394 976	-	-	-	1 394 976
Biological Assets	391 400	-	198 600	-	590 000
Furniture and Equipment	1 797 813	861 044	(28 781)	-	2 630 076
Motor Vehicle - Leases	-	2 761 044	-	-	2 761 044
Computer Equipment	5 705 342	492 500	(71 109)	856 246	6 982 979
	32 547 826	4 993 103	86 606	856 246	38 483 781

-

	Accumulated Depreciation				
	Opening Balance	Additions	Impairment loss/ Reversal of impairment loss/Transfers	Closing Balance	Carrying Value
	R	R	R	R	R
	7 106 917	1 018 043	(529 060)	7 595 901	16 528 805
	106 414	46 640	-	153 054	1 241 923
	-	-	-	-	590 000
	688 505	192 645	(24 797)	856 353	1 773 723
	-	687 742	-	687 742	2 073 302
	175 393	133 599	(58 748)	250 243	6 732 735
	8 077 230	2 078 668	(612 605)	9 543 293	28 940 488

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
 UNAUDITED SUPPLEMENTARY APPENDIX B: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
 UNAUDITED ANNUAL FINANCIAL STATEMENTS AS AT 30 JUNE 2019

2018 Actual Revenue R	2018 Actual Expenditure R	2018 (Surplus)/ Deficit R		2019 Actual Revenue R	2019 Actual Expenditure R	2019 (Surplus)/ Deficit R
43 306 793	41 598 214	1 708 579	Administration	72 171 889	71 104 693	1 067 195
43 306 793	41 598 214	1 708 579	(Surplus) for the year	72 171 889	71 104 693	1 067 195

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 2019

Description	2018/19 Budget R	Original	2018/19 Budget	Adjusted	Prorata Budget R
Financial Performance					
Interest on investment	250 000		600 000		600 000
Government grants and subsidies	35 171 685		60 632 247		60 632 247
Other Income	19 556 040		20 749 935		20 749 935
Total Revenue (excluding capital transfers & contributions)	54 977 725		81 982 182		81 982 182
Employee related costs	17 845 417		17 220 375		17 220 375
Directors Fees	631 200		666 016		666 016
Depreciation	1 474 584		1 474 584		1 474 584
Repairs and Maintenance	1 710 000		1 785 164		1 785 164
Contracted Services	18 217 239		16 454 896		16 454 896
General Expenses	13 026 355		41 223 143		41 223 143
Total Expenditure	52 904 795		78 824 178		78 824 178
Surplus/(Deficit) before tax	2 072 930		3 158 004		3 158 004
Surplus/(Deficit)	2 072 930		3 158 004		3 158 004
Capital expenditure & funds sources					
Internally generated funds	2 065 000		4 375 264		4 375 264
Total sources of capital funds	2 065 000		4 375 264		4 375 264

Actual Outcome R	Variance R	Variance %	Explanation of significant Variance greater than 10% versus Final Budget
819 837	219 837	37%	More interest was realized than initially budgeted for. This is also dependant on interest rates offered by banks and the periods that amounts are invested for.
47 778 912	(12 853 336)	-21%	Additional allocations were received during the adjustments budget process, which could not all be spent during the year. These will be rolled over to the 2019/2020 financial year.
23 573 139	2 823 205	14%	The variance is due to the additional provision of Amasi that the Entity was instructed by DOE to provide to the schools, which was not initially budgeted for but invoicing was done during the year.
72 171 889	(9 810 294)	-9%	
18 057 150	836 775	5%	Includes an amount for leave provision not initially budgeted for.
660 017	(5 999)	-1%	Immaterial
2 107 851	633 267	43%	The over expenditure relates to the additional depreciation in respect of leased vehicles, which the Entity has to account for as part of assets
1 091 025	(694 138)	-39%	A portion of the repairs to the tunnels was capital in nature and had to be booked on the capital budget - hence the low expenditure on the operational budget.
20 598 240	4 143 344	25%	Immaterial
28 590 410	(12 632 733)	-31%	Expenditure includes grant expenditure for grants received during adjustments budget, which could not be all spent during the year.
71 104 693	(11 862 828)	-11%	
1 067 195	2 052 535		
1 067 195	2 052 535	0%	
2 232 059	(2 143 205)	-40%	A grant received for the purchase of the NSNP tool was not used as the Entity was informed that Raset was developing the same tool for use by Development Agencies
2 232 059	(2 143 205)	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 2019

	Actual 2019	Budget 2019	Variance 2019
	R	R	R
REVENUE			
Rental Income	84 348	60 000	24 348
Interest on investment	819 837	600 000	219 837
Government grants and subsidies	47 778 912	60 632 247	(12 853 336)
Other income	23 488 792	20 689 935	2 798 857
Total Revenue	72 171 889	81 982 182	(9 810 294)
EXPENDITURE			
Organisational development	71 104 693	78 824 178	(7 719 485)
Total Expenditure	71 104 693	78 824 178	(7 719 485)
Surplus / (Deficit) for the year	1 067 195	3 158 004	(2 090 809)

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 2019

	2019 Actual R	2019 Budget R	2019 Variance R	2019 Variance %
Administration	2 232 059	4 375 264	(2 143 205)	-49%
	2 232 059	4 375 264	(2 143 205)	-49%

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
UNAUDITED SUPPLEMENTARY APPENDIX D : GRANTS AND SUBSIDIES RECEIVED - 2018/2019
UNAUDITED ANNUAL FINANCIAL STATEMENTS AS AT 30 JUNE 2019

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

Name of Grants	Unspent Balance 2017/2018	Quarterly Receipts			
		July 18 to Sept 18	Oct 18 to Dec 18	Jan 19 to Mar 19	April 19 to June 19
		1	2	3	4
Unconditional Grant - IDM	-	10 621 536	8 497 229	2 549 168	-
Ilembe District Municipality - LED	-	1 270 833	1 016 667	209 777	552 723
Ilembe District Municipality - Tourism	-	812 500	597 671	-	539 829
Development of SMMEs	-	1 658 333	1 297 788		1 023 879
SASA Grant	-	-	220 000	-	-
District Growth & Development Summit (COGTA)	131 369	-	-		
Maphumulo IEC Project	700 000	-	-	-	-
Raset Grant	-	-	-	5 000 000	-
Biomass Project	-	-	-	5 000 000	-
Public-Wifi	-	-	-	2 500 000	-
Mini Factories	-	-	-	2 500 000	-
UIF Training	-	-	-	15 670 813	-
YEP Grant	-	-	-	1 000 000	-
	831 369	14 363 202	11 629 354	34 429 758	2 116 431

Unspent grants as at 30 June 2018

Total Receipts	Quarterly Expenditure				Adjustments and Transfers	Total Expenditure	Unspent Balance 2018/2019
	July 18 to Sept 18	Oct 18 to Dec 18	Jan 19 to Mar 19	April 19 to June 19			
	1	2	3	4			
21 667 932	10 621 536	8 497 229	2 549 168		-	21 667 932	-
3 050 000	609 459	323 910	1 473 685	642 946		3 050 000	-
-							
1 950 000	414 392	279 778	520 156	735 674		1 950 000	-
3 980 000	417 800	1 572 200	283 984	1 706 016		3 980 000	-
220 000	-	-	-	186 335	11 441	197 776	22 224
-	-					-	131 369
-	348 500	170 000	104 550	74 450	2 500	700 000	-
5 000 000	-	-	-	588 119	88 218	676 337	4 323 663
5 000 000	-	-	1 908 713	757 788	399 975	3 066 475	1 933 525
2 500 000	-	-	-	856 246	128 437	984 683	1 515 317
2 500 000	-	-	-	-	-	-	2 500 000
15 670 813	-		2 656 000	9 343 307	-	11 999 307	3 671 506
1 000 000	-	-	-	125 531	18 830	144 361	855 639
62 538 745	12 411 687	10 843 116	9 496 256	15 016 411		48 416 871	14 953 242
			Unspent grants as at 30 June 2019				14 953 242

4.2 Report of the Auditor General on the audit of the financial statements

1. I have audited the financial statement of the iLembe management development enterprise (Pty) Ltd set out on pages 6 to 43 (of annexure A) which comprise the statement of financial position as at 30 June 2019, the statement of financial performance, statement changes in net assets, statement of cash flows and the statement of comparison of the budget information with actual information for the year that ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the iLembe management development enterprise (Pty) Ltd as at 30 June 2019, and its financial performance and cash flow for the year that ended in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) and the Companies Act of South Africa, 2008 (Act No. 71 of 2008) (the Companies Act).

BASIS FOR THE OPINION

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.
4. I am independent of the municipal entity in accordance with section 290 and 291 of the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants and, parts 1 and 3 of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional accountants (including international Independence Standards) (IESBA codes) as well as the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

OTHER MATTER

6. I draw attention to the matter below.

Unaudited disclosure note

7. In terms of section 125(2) (e) of the MFMA, the municipal entity is required to disclose particulars of non-compliance with the MFMA in the financial statements. This disclosure requirements did not form part of the audit of the financial statements and, accordingly, I don't express an opinion on it.

RESPONSIBILITIES OF THE ACCOUNTING AUTHORITY FOR THE FINANCIAL STATEMENTS

8. The accounting authority is responsible for the preparation and fair presentation of the financial statement in accordance with the SA Standards of GRAP and the requirements of the MFMA and the Companies Act, and for such internal control as the accounting authority determines what is necessary to enable the preparation of financial statement that are free from material misstatement, whether due to fraud or error.

9. In preparing the financial statements, the accounting authority is responsible for assessing the iLembe management development enterprise (Pty) Ltd's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipal entity or to cease operations, or has no realistic alternative but to do so.

AUDITOR-GENERAL'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

10. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
11. A further description of my responsibilities for the audit of the financial statements included in the annexure to this auditor's report.

Report on the audit of the annual performance report

INTRODUCTION AND SCOPE

12. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004)(PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected development objectives presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
13. My procedure address the reported performance information, which must be based on the approved performance planning document of the entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
14. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the Local economic development objective presented in the annual performance report on pages xx-xx for the year ended 30 June 2019.
15. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

16. I did not raise any material findings on the usefulness and reliability of the reported performance information for this development priority.

OTHER MATTER

17. I draw attention to the matters below.

Achievement of planned targets

18. The annual performance report on Annexure B for information on the achievement of planned targets for the year and explanations provided for the under and over achievement of a significant number of targets.

Adjustment of material misstatements

19. I identify material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of local economic development. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

Report on the audit of the compliance with legislation

INTRODUCTION AND SCOPE

20. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the municipal entity with specific matters in the key legislation. I performed procedures to identify findings but not gather evidence to express assurance.

21. The material findings on compliance with specific matters in key legislations are as follows:

Expenditure management

22. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R35 150, as disclosed in note 23 of the annual financial statements, as required by section 95(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by the late payment to the South Africa Revenue Services (SARS) for payroll taxes.

Other information

23. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected development objectives presented in the annual performance report that have been specifically reported in this auditor's report.

24. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

25. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected development objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
26. When I do receive and read the other outstanding information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

There are no matters to report in this regard.

Internal control deficiencies

27. I considered internal control relevant to my audit of the financial statement, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for opinion, and the findings on compliance with legislation included in the report.
28. The significant deficiencies in internal control, are described below

Financial and performance management

COMPLIANCE MONITORING

29. The review and monitoring of compliance with the laws and regulations were not adequately implemented to prevent the material non-compliance the fruitless and wasteful expenditure relating to the SARS penalties and interest charged for late payments of excise duties and payroll taxes.

Auditor-General

Auditor General
Pietermaritzburg
30 November 2019

Annexure-Auditor-general's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional skepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected development objectives and on the municipal entity's compliance with respect to the selected subject matter.

FINANCIAL STATEMENTS

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:
 - Identify and assess the risks of material misstatement of the financial statement whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
 - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipal entity's internal control
 - Conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the iLembe management development enterprise (Pty) Ltd's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a municipal entity to cease continuing as going concern
 - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

4.3 Chief Financial Officer's Report for the period 2018/2019

1. INTRODUCTION

iLembe Management Development Enterprise (Pty) Ltd, trading as Enterprise iLembe, as an Entity of iLembe District Municipality (IDM), relies heavily on the operational grant that it receives from the district in order to run the daily operations. As such, it is notable that even with the limited resources the Entity has, the year ended 30 June 2019, has been a productive one, but of course not without challenges. The Entity has managed to fulfil its objective and mandate as given, which is the provision of the Local Economic Development within the iLembe District, which includes the promotion of tourism and investment, this through a number of sectors where impact has been made. The financial resources available have been stretched in a way that has allowed the Entity to function in a productive manner.

The funding sources currently available for the Entity include allocations from IDM, and allocation from the Department of Education (DOE) for the running of the National Schools Nutrition Programme (NSNP), government grants for various projects and interest earned from investments.

During the 2018/19 financial year, the Entity repaired one Ndwedwe tunnel and will source a technical partner in order to operationalize the tunnel. The Bulwer tunnel is currently used by the Entity in the production of tomatoes for the NSNP project whilst the tunnel in Mathonsi – Mandeni is being leased to Farley Farm.

The Entity has been working with MSCOA since its implementation in 2017. There are constant upgrades and workshops that keep the Entity abreast with all applicable changes.

Below is the summary of the financial position and performance of the Entity.

The investment destination of choice

2. OPERATING RESULTS

Details of the operating results are included in the annual financial statements, which are part of this Annual Report. A summary of the results is as follows

REVENUE	Actual 2019 R	Budget 2019 R	Variance 2019 %
Opening accumulated surplus	33 654 799	21 278 015	58%
Operating income for the year	71 287 175	81 982 182	-13%
Total	104 941 974	103 260 197	
EXPENDITURE			
Operating expenditure for the year	71 104 693	78 824 178	-13%
Closing accumulated surplus	35 520 822	33 106 250	7%
Total	106 625 515	111 930 428	

The variances for the 2018/2019 financial year are as a result of additional revenues in the form of grants that were made available to the entity.

An amount of R 62 340 705 was spent on projects during the 2018/19 financial year as follows

Projects	2018/19 R
UIF	11 999 307
SASA	186 335
COGTA RASET	588 119
COGTA BIOMASS	2 666 500
COGTA YEP	125 531
Tourism Ex IDM	1 950 000
COGTA Public Wi Fi	856 246
COGTA Mini Factories	-
LED IDM	3 050 000
Kwashushu Project	21 667 932
Development of SMMEs	3 980 000
District Growth Summit	-
Maphumulo IEC Project	697 500
NSNP Project	14 573 235
TOTAL	62 340 705

One of the challenges that Enterprise iLembe faced during the 2018/2019 financial year was that the IDM allocation was cut by R3.8 million which meant that the Entity had to cut on some operational expenses.

During the last financial year, 2017/2018, the Department of Education (DOE) owed the Entity R5, 2 million. During the current financial year, 2018/2019 DOE again owed the Entity an amount of R8.9 million. The increase in the outstanding amount was due to a request by DOE for the entity to supply Amasi during the last quarter of the financial year.

The Entity has signed a three year SLA with DOE with effect from July 2017 to June 2020.

3. UNSPENT CONDITIONAL GRANTS

The following amounts with regards to conditional grants were unspent as at 30 June 2019:

Project Name	Unspent grants 30 June 2019
UIF Grant	3 671 505.92
SASA Grant	22 223.75
COGTA RASET Grant	4 323 662.92
COGTA BIOMASS Grant	1 933 525.00
COGTA YEP Grant	855 638.80
Tourism Ex IDM	-
COGTA Public Wi Fi Grant	1 515 316.86
COGTA Mini Factories Grant	2 500 000.00
LED IDM Grant	-
Operating Grant IDM	-
Development of SMMEs	-
District Growth Summit	131 369.00
Maphumulo IEC Project	-
TOTAL	14 953 242.25

A request for the roll-over will be submitted as soon as unspent amounts are audited and confirmed by Auditor General.

4. ACCUMULATED SURPLUS

The accumulated surplus as at 30 June 2019 was R 33 357 687.

5. CASH AND CASH EQUIVALENTS

As at 30 June 2019 the cash and cash equivalents held by Enterprise iLembe were as follows:

Details	R
Cash at bank	8 824 427
Current Investments	11 404 696
TOTAL	20 229 123

6. EXPRESSION OF APPRECIATION

A successful year is never a one man's victory, but a collective effort from all other stakeholders involved in the running of the Entity. It is in this spirit that I would like to extend a heart-felt appreciation to the Chairman of the Board, the Board Members, the audit committee, the Chief Executive Officer, the Heads of Departments within the Entity, the finance staff and the rest of staff within the Entity for their support and assistance. Special appreciation is also given to the Office of the Auditor-General for their support and assistance in resolving issues that arise during our interactions.

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



S.N. MTHEMBU
Chief Financial Officer

4.4 Audit Action Plan

ENTERPRISE ILEMBE AUDIT ACTION PLAN AS AT 30 JUNE 2019									
AG FINDINGS									
No.	Audit Finding	Rating	Unit	Internal Control Deficiency	Actions	Assigned To	Date of Action	Action to Date	% Complete
1	Awards made to suppliers in service of the state .	M	Finance	1.1 Entity to encourage prospective service providers to make correct and honest declarations by highlighting the importance of this at tender briefing meetings and as well as the use of the declaration forms.	1. Excise Duties- Follow up on the request sent to SARS to reverse the Interest and Penalties	SCM	Ongoing per transaction	It is compulsory for all bidders to complete MBD 4- Declaration Of Interest Forms for all tenders. CSD Reports are also being generated on a transactional basis to ascertain whether suppliers are government employees or not.	100%
					1.2 Letters will be sent to all SEVEN suppliers identified as being in service of the state and due action will be taken.		20-Dec-18	Letters sent to suppliers. Suppliers placed on hold on the Munsoft system to prevent the agency from engaging with them.	100%

					1.3 Memo to be sent to the LED Department notifying them of the suppliers identified as being in service of the state and that these suppliers will be placed on hold until the supplier can prove otherwise.		20-Dec-18	Memorandum circulated to LED staff on 13/12/2018.	100%
					1.4 Memo to be sent to all staff notifying them of the prohibition of awards to suppliers in service of the state.		20-Dec-18	Completed. Letter sent on 22/11/2018 to all staff.	100%
2	The agency did not prevent Irregular, Fruitless and Wasteful Expenditure	H	Finance	Management did not adequately review and monitor compliance with the MFMA section 95 to ensure that Irregular, Fruitless and Wasteful Expenditure is prevented	2.1 Irregular Expenditure - ensure that suppliers placed on hold on the Munsoft System	CFO	30-Jun-19	Completed. This related to suppliers picked up by the AG in the 2016/17 audit which was finalized in December 2017- these supplier had been used by then but were not used after finalisation of the audit. These suppliers have been notified of this and have been placed on hold on the system. No payments made to them in the current financial year.	100%

					2.2 Fruitless and Wasteful Expenditure: 2.2.1- Ensure that SARS Returns are submitted on time		30-Jun-19	Completed. All EMP 201 returns submitted on time.	100%
					2.2.2 Commence timeously with the process of renewal of liquor license		30-Jun-19	Completed. All documents have been submitted and approved for renewal. Payment was made on 26 June 2019.	100%
3	Output VAT not charged on Rental Income	H	Finance	Invoices and transactions are not properly re-viewed to ensure that they are in compliance with the VAT Act	AFS has been adjusted to correctly reflect VAT on the rental of tunnels	CFO	30-Nov-18	Completed.	100%
4	Filing of VAT according to the incorrect VAT Category	M	Finance	Management had not enquired from SARS upon noticing that monthly VAT 201 returns have to be filed and if the agency had moved to a category C basis for VAT	Enquire with SARS if the agency has moved to a category C basis for VAT and correctly file the returns accordingly	CFO	30-Nov-18	Completed. SARS confirmed that the agency has moved to a category C basis for VAT and monthly returns are now being filed.	100%

5	Rights of use of Land- Biological Assets	H	LED	Management did not keep written proof ownership of the biological assets as well as the agreement with the Ingonyama Trust for use of the land.	The agency current-ly has right of use of the land. The agreement will be reviewed should it be deemed neces-sary, before the a g r e e m e n t s lapse.	Head: LED	30-Jun-19	The Permission to Occupy documents (PTO's) for Mandeni, Maphumulo and Ndwedwe have been located.	100%
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CHAPTER 5

FUNCTIONAL SERVICE DELIVERY REPORTING



5.1 Service Level Agreement

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

1. Project Management Unit: Using the Project Management Unit for developing and implementing detailed service delivery plans within the framework of the municipality's IDP;
2. Promotion of Social and Economic Development: To promote integrated and equitable social and economic development within the district as a whole by taking appropriate steps to enhance such development;
3. Tourism: Promotion of local tourism for the area of the district municipality;
4. Markets: The establishment, conduct and control of fresh produce markets serving the area of a major portion of the municipalities in the district;
5. Abattoirs: The establishment, conduct and control of abattoirs serving the area of a major portion of the municipalities in the district;
6. Airports: Municipal airports serving the area of the district municipality as a whole
7. Incidental Powers: The right to exercise any power concerning a matter reasonably necessary or incidental to the effective performance of the functions, the exercise of the power and the provision of the services in the paragraph 1 to 7 above.

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

- Project Management Unit
- Social development
- Markets
- Abattoirs

REPORTING

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

- » Economic Development Portfolio Committee
- » Executive Committee Inter-Governmental Forums
- » Provincial Forums

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

CHAPTER 6

ANNUAL PERFORMANCE REPORTING



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



ANNUAL TARGET 2018-2019	ANNUAL TARGET 2018-2019	REASON FOR VARIANCE / COMMENTS	MEASURES TAKEN TO IMPROVE PER- FORMANCE/	PMS COMMENTS	EVIDENCE REF. NUMBER	EVIDENCE	PERFORMANCE SYMBOL	WEIGHTINGS
4	4				1	Y	😊	M
70% by 30 June 2019	59%	Target was not met due to lack of infrastructure development, harsh weather conditions, seasonality of some of the commodities which had to be sourced from the market.	Enterprise iLembe has received funding from CoGTA which will be used towards infrastructure development; we have also engaged the Department of Education regarding the planting of substitute commodities to mitigate against seasonality. Department of Agriculture has also been engaged to assist with the supply of inputs and infrastructure development.		2	Y	😞	H
20	20				3	Y	😊	H
End June 2019	Report prepared in June 2019				4	Y	😊	M
1	1				5	Y	😊	H
4	4				6	Y	😊	M
Report prepared by 30 June 2019	Report prepared in June 2019	Bulwer and Mandeni Tunnel workers have accepted to be formalized into a Co-ops; Bulwer tunnel workers have been formalized into Sphiwamandla Co-op, whereas the Mandeni tunnel workers are still			7	Y	😊	M

National KPA's	IDP Ref No.	Strategic Objective	Departmental Objective	Key Performance Area	Key Performance Indicator	Unit of Measure	Baseline	Annual Target 2017-2018	Annual Target 2017-2018
LOCAL ECONOMIC DEVELOPMENT	LED03	To capitalize on tourism potential of the District	To increase visitor numbers to the iLembe District	Tourism Marketing & Development	Facilitate the establishment of functional Community Tourism Organisations (CTOs) by deadline	Number	New measure	New measure	New measure
					Feasibility studies conducted for new tourism initiatives by deadline	Date & Number	Progress report prepared by 13 June 2018	End June 2018	Progress report prepared by 13 June 2018
					Number of exhibitions attended	Number	6	6	6
					Number of adverts/advertorials in relevant publications	Number	6	4	6
					Number of Official Tourism Travel Guides for 2019/2020 developed by deadline	Date & Number	1 by 31 May 2018	1 by end June 2018	1 by 31 May 2018
					Number of Tourism Industry Research Performance Reports	Number	4	4	4
					Number of events supported to increase visitors to District	Number	6	5	6
	LED04	To increase manufacturing output within the District	To attract interest in investment in the iLembe District	Provide Market Intelligence (international, national, provincial and local)	Number of Business Confidence Index developed by deadline	Date & Number	2 by 7 March 2018	2 by end March	2 by 7 March 2018
				Investment promotion strategy	Bi-annual reporting on implementation of the investment promotion strategy by deadline	Date & Number	The strategy was adopted on 06 December 2017 and circulated on 04 April 2018	End March 2018	The strategy was adopted on 06 December 2017 and circulated on 04 April 2018
				Investor Prospectus	Investor Prospectus Reviewed by deadline	Date	Reviewed Prospectus done by 30 June 2018	End June 2018	Reviewed Prospectus done by 30 June 2018
				To build partnerships with external stakeholders	Number of Business Networking Sessions attended/Hosted	Number	22	20	22
				To promote Entrepreneurship	Number of Progress Reports submitted on the Entrepreneur Competition.	Number	2	2	2

ANNUAL TARGET 2018-2019	ANNUAL TARGET 2018-2019	REASON FOR VARIANCE / COMMENTS	MEASURES TAKEN TO IMPROVE PERFORMANCE/	PMS COMMENTS	EVIDENCE REF. NUMBER	EVIDENCE	PERFORMANCE SYMBOL	WEIGHTINGS
1 CTO established by end June 2019	1 CTO Established in September 2018.				8	Y-Q1	😊	M
1 Draft feasibility study by end June 2019	Draft feasibility study is not done	Bid process complete. Service Provider appointed. Project timeline changed due to change in scope of works of the project.	Project completion date December 2019.		9	Y	😞	M
6	6				10	Y	😊	L
4	7	Unplanned opportunities presented themselves and budget was available to proceed with advertising the region.			11	Y	😊	M
1 by end June 2019	1 travel guide devel- oped in April 2019				12	Y	😊	M
2	2				13	Y	😊	M
5	6	Unplanned opportunities presented themselves and budget was available to proceed with advertising the region.			14	Y	😊	H
2 by end March 2019	2				15	Y	😊	M
2 by end June 2019	2				16	Y	😊	M
End June 2019	Investor Prospectus Reviewed by 25 June 2019				17	Y	😊	M
25 (was 20)	31	Unplanned opportunities presented themselves and was taken up in order to ensure partnerships with external stakeholders.			18	Y	😊	L
2	2				19	Y	😊	M









National KPA's	IDP Ref No.	Strategic Objective	Departmental Objective	Key Performance Area	Key Performance Indicator	Unit of Measure	Baseline	Annual Target 2017-2018	Annual Target 2017-2018
LOCAL ECONOMIC DEVELOPMENT	LED05	To ensure job creation	To identify and package new projects in existing sectors	Co-operative Development	Number of new co-operatives registered	Number	39	30	39
					Number of co-operatives trained on basic business management skills	Number	94	80	94
					Number of co-ops and SMME's assisted with funding applications	Number	15	10	15
				Capacity Building and Mentorship support for small enterprises	Number of programmes implemented	Number	2	2	2
				To encourage local businesses to take advantage of government programmes (Black Industrialist, Employment Tax incentives, etc)	Number of engagement sessions with local businesses	Number	2	1	2
	LED06	To create an ICT platform available to everyone		To roll out Department of Labour UIF - activation programme	Secure funding from Department of Labour to activate the UIF learner activation programme by deadline	Date	New measure	New measure	New measure
				Broadband Project	Source Funding for ICT projects - Phase 1	Date	DBSA and DTI have been identified as funders; and applications have been submitted.	Submit funding applications	DBSA and DTI have been identified as funders and applications have been submitted.

ANNUAL TARGET 2018-2019	ANNUAL TARGET 2018-2019	REASON FOR VARIANCE / COMMENTS	MEASURES TAKEN TO IMPROVE PERFORMANCE/	PMS COMMENTS	EVIDENCE REF. NUMBER	EVIDENCE	PERFOR- MANCE SYM- BOL	WEIGHTINGS
30 (was 20)	32			Need reason for exceeding target as per AG request	20	Y	😊	M
94 (was 20)	111	Bid process complete. Service Provider appointed. Project timeline changed due to change in scope of works of the project.	Project completion date December 2019.		21	Y	😞	M
20	47				22	Y	😊	H
2	2 programmes were implemented	1.Business Incubator Programme was rolled out and implementing agent has been appointed and there are capacity building trainings that are being done monthly. 2. Enterprise iLembe and Sphola Consulting have signed a Memorandum of Agreement [MOA] to roll out the skills development facilitation programme through the UIF Programme; therefore the annual target has been achieved. Ei has signed a service level agreement [SLA] with Ithunga Development to train Ndwedwe farmers; and training commenced in May as per the implementation plan			23	Y	😊	L
1 by end June 2019 (was end December 2018)	1				24	Y	😊	M
End June 2019	2	Ei has signed a Memorandum of Agreement [MOA] with UIF to roll out the skills development facilitation programme; learners have been recruited and inducted. Protective clothing has been sourced; training			25	Y	😊	H
Source funding to develop a bankable business case (was Develop bankable business case) by 30 June 2019	Funding secured by 30 June 2019	R 2.5 million has been secured from Cogta for the rolling of the Public Wi-fi. Service provider has been appointed to roll out the Public Wi-fi Programme for Ndwedwe and Maphumulo; and the project inception phase is complete.			26	Y	😊	H

NATIONAL KPA'S	IDP REF NO.	STRATEGIC OBJECTIVE	DEPARTMENTAL OBJECTIVE	KEY PERFORMANCE AREA	KEY PERFORMANCE INDICATOR	UNIT OF MEASURE	BASELINE	ANNUAL TARGET 2017-2018	ANNUAL TARGET 2017-2018
MUNICIPAL TRANSFORMATION & INSTITUTIONAL DEVELOPMENT	MTI01	To establish an efficient and productive administration	To improve the capacity of staff to deliver services	Employee Training	Percentage of training budget spent	Percentage	112%	100%	112%
			To manage the staff component of the Agency	Well resourced management capacity (Organogram)	a) Reviewed organogram by the board by deadline b) Percentage of posts filled on the organogram	Date & Percentage	a) Reviewed organogram by 30 June 2018 b) 92% by 30 June 2018	a) 30 June 2018 b) 90% by 30 June 2018	a) Reviewed organogram by 30 June 2018 b) 92% by 30 June 2018
MUNICIPAL FINANCIAL VIABILITY & MANAGEMENT	FV02	To ensure sound budgeting and compliance principles	Budget & compliance monitoring	Quality, reliable financial statements and management information	Monthly financial information reports (MFMA Section 87(11) submitted to the District by deadline	Date	7th day of each month	7th working day of each month	07-09-2017 10-10-2017 09-11-2017 07-12-2017 10-01-2018 09-02-2018 06-03-2018 09-04-2018 08-05-2018 08-06-2018 10-07-2018
	FV03	To ensure sound expenditure management	Cashflow Management	Cost Coverage	Cost Coverage ratio (All available cash + investments/ monthly fixed operating expenditure)	Ratio	1.45:1.0	1.0 : 1.0	1.45:1.0
				Management of cashflow	Cashflow Management (Ability of EI to meet its financial obligations)	Number	44 days	30 days	44 days
			Expenditure Management	Operational expenditure monitoring	Percentage of operational expenditure - (Actual operating expenditure/ Budgeted operating expenditure x 100)	Percentage	94%	100%	94%
	FV04	To procure quality goods and services in a cost effective,transparent, competitive, equitable and efficient manner within the policy framework	Contract Management	Management of service providers/ Contract Management	Number of Signed Quarterly reports on performance of service providers by management.	Number	4	4	4

ANNUAL TARGET 2018-2019	ANNUAL TARGET 2018-2019	REASON FOR VARIANCE / COMMENTS	MEASURES TAKEN TO IMPROVE PERFORMANCE/	PMS COMMENTS	EVIDENCE REF. NUMBER	EVIDENCE	PERFORMANCE SYMBOL	WEIGHTINGS
100%	100%				27	Y	😊	M
a) 30 June 2019 b) 90% by 30 June 2019	a) Organo- gram Reviewed in June 2019 b) 90.90%				28	a) Y b) Y	a) 😊 b) Y 😊	M
7th working day of each month	07-08-18 07-09-18 09-10-18 09-11-18 10-12-18 16-01-19 11-02-19 08-03-19 09-04-19 07-05-19 10-06-19 09-07-19				29	Y	😊	H
1.0 : 1.0	3.75:1				30	Y	😊	L
30 days	112 days				31	Y	😊	M
100%	87%		Due to additional funding received during the adjustment budget, the additional budget could not be spent by the end of the financial year.		32	Y	😊	H
4	4				33	Y	😊	H

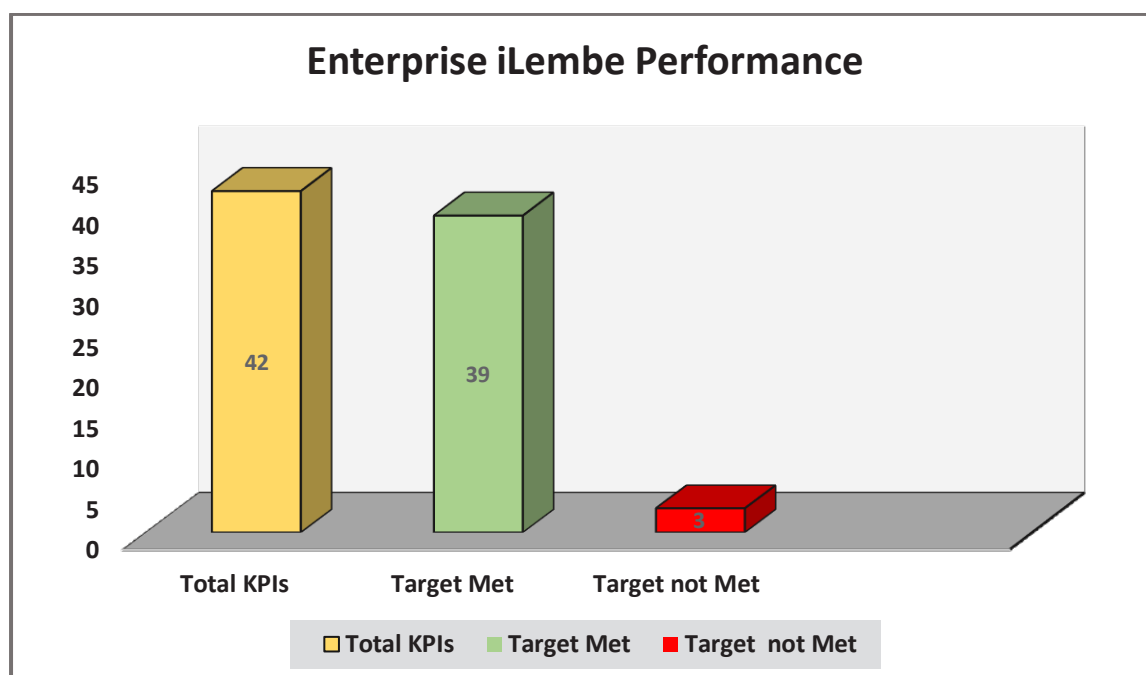
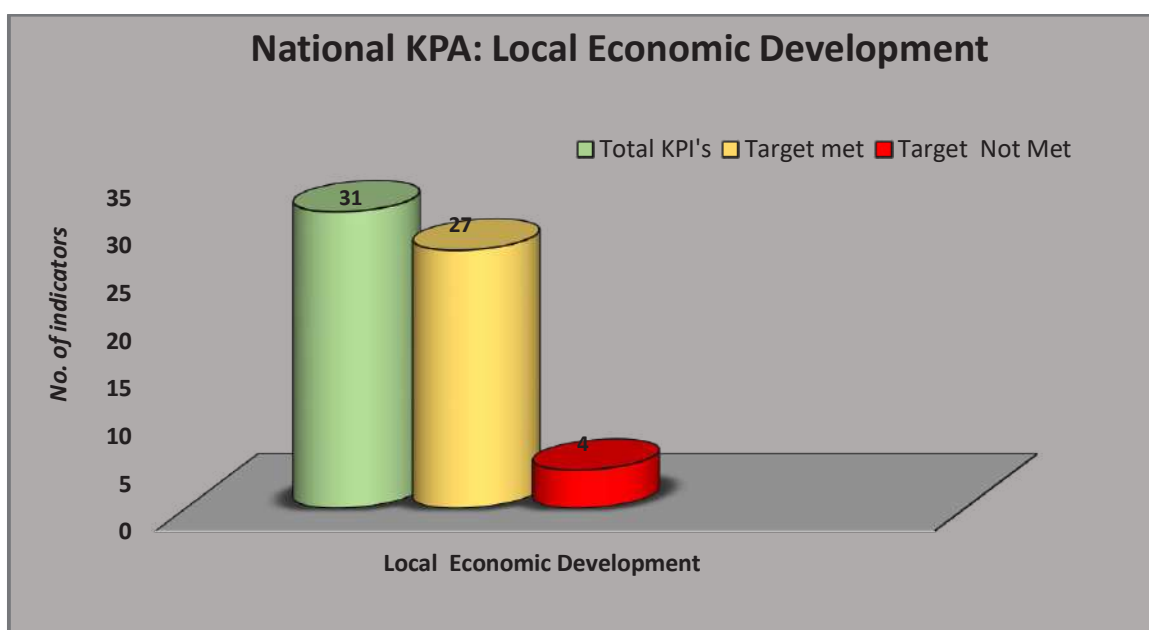
NATIONAL KPA'S	IDP REF NO.	STRATEGIC OBJECTIVE	DEPARTMENTAL OBJECTIVE	KEY PERFORMANCE AREA	KEY PERFORMANCE INDICATOR	UNIT OF MEASURE	BASELINE	ANNUAL TARGET 2017-2018	ANNUAL TARGET 2017-2018
MUNICIPAL FINANCIAL VIABILITY & MANAGEMENT	FV05	To maintain a clean audit opinion	To ensure adequate financial and administration management	Maintain Clean Audit	a) Clean audit opinion by the AG for 2017/2018 b) No repeat findings (except in cases where it is beyond EI control) c) Monitoring progress on 2017/2018 audit action plan	AG report, Number & Percentage	a) Submitted AFS on 31 August 2017 and Clean audit opinion was achieved. b) 0 c) 100%	a) Clean audit opinion by the AG for 2016/2017 b) 0 c) 100%	a) Submitted AFS on 31 August 2017 and Clean audit opinion was achieved. b) 0 c) 100%
MUNICIPAL FINANCIAL VIABILITY & MANAGEMENT	GP010	To ensure effective Performance Management	Budget & monitoring against predetermined objectives	Clean Administration	Performance Report with accurate & complete POEs submitted by deadline - monthly and quarterly	Date	10th day of each month	10th day of each month	10-08-2017 07-09-2017 10-10-2017 09-11-2017 07-12-2017 10-01-2018 09-02-2018 09-03-2018 10-04-2018 10-05-2018 08-06-2018 10-07-2018
				Coaching session	Number of coaching sessions of employees' performance conducted timeously	Number	4	4	4
	GP06	Compliance and good Governance	To ensure good governance and provide Mandate aligned strategic direction	Multi year strategic plan	Review and approve strategic plan for EI with clear measurable targets by the board by deadline	Date	Strategic plan approved on 18 June 2018	End of June 2018	Strategic plan approved on 18 June 2018
				Good Governance	Number of board meetings & board sub-committee meetings held to ensure effectiveness of Board of Directors by deadline	Number	11	12	11
			To ensure effectiveness and guidance of the committee in all areas of the entity		Number of Audit Committee reports submitted to the Board and the District by deadline	Number	2	2	2

ANNUAL TARGET 2018-2019	ANNUAL TARGET 2018-2019	REASON FOR VARIANCE / COMMENTS	MEASURES TAKEN TO IMPROVE PERFORMANCE/	PMS COMMENTS	EVIDENCE REF. NUMBER	EVIDENCE	PERFORMANCE SYMBOL	WEIGHTINGS
a) Clean audit opinion by the AG for 2017/2018 b) 0 c) 100%	a) Clean audit opinion by the AG for 2017/2018	c) Awaiting PTO from Maphumulo.			34	a) Y - Q2 b) Y - Q2 c) Y	a)  b)  c) 	H
10th day of each month	08-08-18 10-09-18 10-10-18 12-11-18 10-12-18 10-01-19 08-02-19 08-03-19 10-04-19 10-05-19 10-06-19 10-07-19				35	Y		H
4	4	4			36	Y		M
End of June 2019	Strategic Plan Reviewed in February 2019				37	Y		H
12	14			Need reason for exceeding target as per AG request	38	Y		H
2	2				39	Y		H

6.2 Highlights on Actual Performance

FINANCIAL YEAR	TARGET MET	% ACHIEVED
2018/2019	39 out of 42	92%
2017/2018	38 out of 43	88%
2016/2017	26 out of 35	74%
2015/2016	39 out of 44	87%
2014/2015	29 out of 39	74%
2013/2014	21 out of 29	72%

2018/2019 PERFORMANCE



Enterprise iLembe continues to:

- » Improve co-ordination of Local Economic Development in the District
- » Implements and ensures sustainability of projects to upscale agriculture development in the District
- » Capitalises on tourism potential to increase visitor numbers in the District
- » Increases manufacturing output in the District to attract interest in investment
- » Ensures job creation by identifying and packaging new projects in existing sectors.

PERFORMANCE HIGHLIGHTS AS PER THE ORGANISATIONAL SCORECARD AND NATIONAL KPA

Ref Org: 19 - A total of 20 small scale farmers were identified and supported by the Entity.

The Integrated Development Plan was reviewed and adopted by Council on 29 May 2019. In terms of the District climate change response strategy, the project is ahead of target as the Consultant, which was appointed by the Department of Environmental Affairs, prepared the draft strategy.

Drafting of the Integrated Waste Management Plan has been done and is currently at situational analysis phase.

Quarterly LED forums are held and attended with representatives from all the local municipalities. Regarding new markets for farmers, report was prepared on capacitating farmers and engagements with Government departments by the deadline. The project of agricultural Hydroponic Tunnels, the Ndwedwe site is fully operational. Quarterly reports were prepared on the maintenance of the vineyards. The ownership model for existing projects, formalisation of co-operatives for handing over by June 2019 is on track and a report has been prepared outlining the progress status.

Tourism potential is on track, one Community Tourism Organisation was established at Mandeni. Tourism marketing and development is progressing well, with six exhibitions attended, seven adverts/advertorials were in relevant publications, one official tourism travel guide for 2019/2020 financial year was developed, two tourism industry research performance reports prepared and six events supported to increase visitors to the district.

Two business confidence indexes were developed. Bi-annual reporting was done on the implementation of the investment promotion strategy. The investor prospectus was reviewed by end June 2019. A total of 31 business networking sessions were attended/hosted and 2 progress reports were prepared on the Entrepreneur competition.

New co-operatives registered as of at end June 2019 is at 32, one hundred and eleven were trained on basic business skills management and 47 co-ops and SMMEs were assisted with funding applications. Two programmes were implemented, namely, the business incubator and the skills development facilitation programme. An engagement session was held with local municipalities to encourage local businesses to take advantage of government programmes.

Funding was secured from the department of Labour to activate the UIF learner activation programme. The broadband project, funding was sourced for Phase 1 of the ICT project, it was secured from COGTA for the public Wi-Fi programme in Ndwedwe and Maphumulo.

CHALLENGES AND MEASURES TO IMPROVE PERFORMANCE AS PER THE ORGANISATIONAL SCORECARD AND NATIONAL KPA

CHALLENGES	MEASURES TO IMPROVE PERFORMANCE/ CORRECTIVE MEASURES
LOCAL ECONOMIC DEVELOPMENT	
Ref OMM 34 – Only 6 planning and infrastructure alignment meetings were held due to the slowdown in development primarily because of the slow economic growth rate.	
Ref OMM 35 – The reviewed district growth and development plan is not yet adopted. It will be undertaken through the Vuthela iLembe LED programme due to unavailability of internal financial resources.	
Ref EI 02 – Percentage produce procured from Local iLembe farmers is at 59% against a target of 70%. Target was not met due to lack of infrastructure development, harsh weather conditions, seasonality of some of the commodities, which had to be sourced from the market.	Enterprise iLembe has received funding from Cogta, which will be used towards infrastructure development; we have also engaged the Department of Education regarding the planting of substitute commodities to mitigate against seasonality. Department of Agriculture has also been engaged to assist with the supply of inputs and infrastructure development.
Ref EI 09 – The feasibility study for new tourism initiatives was not done.	Project timeline changed due to change in scope of works. Project completion date will be in next financial year.

6.3 Conclusion

Enterprise iLembe's value statement will always be;

“Economic Development that will change the lives of people”





ENTERPRISE ILEMBE

Enterprise iLembe is the Economic Development Agency for the iLembe District Municipality responsible for Trade & Investment Promotions and Local Economic Development in the region.

2018/19 ANNUAL REPORT



Corner Ballito Drive & Link Road
Ballito, KwaZulu-Natal North Coast,
4420



+27(0)32 946 1256



info@enterpriseilembe.co.za