



Moses Kotane Institute
INNOVATION. THE FUTURE

ANNUAL REPORT 2019/20



RESEARCH. INNOVATION. MARITIME

MOSES KOTANE INSTITUUTE
FOREWORD BY THE MEC



As the Member of Executive Council (MEC) for the Department of Economic Development, Tourism and Environmental Affairs (EDTEA), I wish to express my warm appreciation to all our stakeholders who contributed towards the successes accomplished by the province through the Moses Kotane Institute (MKI).

The KZN Provincial government sees rural and township areas as catalysts for achieving Radical Economic Transformation. The Moses Kotane Institute was realigned for this purpose to contribute towards this initiative by conducting cutting edge research and financing research studies which are aligned to these objectives.

The institute built its research capacity, which has brought about cutting edge applied research that contributed towards decision making by the province. The kind of research included the investigation into the gender-based violence which has affected many women and children in the province. In addition to agribusiness, renewable energy, skills, digital transformation which sets connectivity and digital skilling as priorities in the province, an economic opportunity was identified within the cannabis industry.

The institute went further to commence with operationalising the cannabis industry in the hemp and cannabis streams to ensure that communities participate in the entire value chain. Further research is being conducted to develop a tissue culture that is specific to the province, and this is innovative.

Digital economy and oceans economy were prioritised by the province in 2019/20, and the Institute's focus was to contribute towards sustainable economic development by conducting world-class economic research, leading innovation, technology and oceans economy in the province of KwaZulu-Natal. This resulted in me hosting the Women in ICT summit, an inaugural virtual maritime and innovation awards, an investment readiness in cannabis industry, the launch of the digital centres and many more exciting innovative activities.

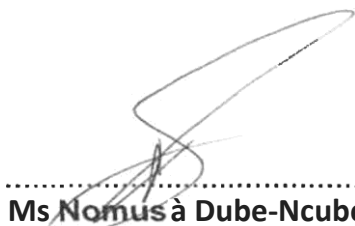
The Institute established of digital centres in rural and township communities starting off with Bergville, Kokstad and uMfolozi. This was to ensure that rural areas are provided with digital infrastructure and platforms to learn skills to digitise their businesses in order to function at a global level and meet up with the challenges brought by the Fourth Industrial Revolution. This is a premium attached to invention and innovation that will act to transform future patterns of production and consumption and similarly transform the nature of work and markets.

The World Bank (2018) indicates that innovation is one of the critical aspects, and lack of innovation caused South Africa not to meet its objectives of the National Development Plan. This is the reason the province takes innovation seriously as the catalyst for all aspects of economic growth and assigned MKI to lead in the establishment of the KwaZulu-Natal Innovation Hub, which is currently on phase one of its conceptualisation.

As part of oceans economy, the Institute led in the capacity building for youth and small businesses to contribute towards economic development and job creation. This was done through the enterprise development incubation programmes which empower emerging businesses in various districts of the KZN province. It built specialist maritime skills development especially training that results in self-employment and entrepreneurship. Innovation was introduced as a critical element in conducting maritime business.

I wish to thank all our strategic partners, the Board of Directors and its Chief Executive, senior executives, officials and all stakeholders who actively participated in seeing MKI's mandate take off. I am also appreciative to the entity for maintaining clean audits for the past financial years.

We will continue to strive for a government that upholds the high professional standards and clean governance.



.....
Ms Nomusa Dube-Ncube, MPL

**MEC KwaZulu-Natal Department of Economic Development,
Tourism and Environmental Affairs**

MESSAGE FROM THE CHAIRPERSON



Dr Sakhile G. Ngcobo
Chairperson of the Board

During the year under review, the Board of Directors of the Institute provided an oversight to the Institute by implementing the mandate and promoted good governance which was underpinned by ethical culture, good performance, effective control and legitimacy. We have meaningfully engaged our stakeholders in a transparent manner, driven by ethical consciousness and ethical conduct.

In steering the strategic direction of the organisation, our focus has been geared towards activities that would be impactful to society, and that would contribute towards economic development of the province. The Board has made means with the limited resources it had available.

The financial health of the organisation was positive despite limited resources, and we delivered a clean audit to our stakeholders. We have maintained stability of the entity in its mandate transition through existing capacity and ensured that we continue to serve the society. All of our activities are geared towards providing value, and taking care of the needs, interests and expectations as this is our greatest responsibility.

Our highlight for the year under review include establishing a cannabis unit within the institute to facilitate and provincial activities and the development of the industry. The second highlight includes the smooth transfer of the Maritime Centre of Excellence from Sharks Board to MKI. The third highlight includes crafting a mandate that is geared towards innovation and digital economy. We have excelled in all our areas of research, innovation and maritime capacity building.

I would like to thank our mother - the Department for Economic Development, Tourism and Environmental Affairs led by Honourable MEC Dube-Ncube, fellow Board members, the executive and staff of the Institute for the energy and contribution towards making MKI what it is today. I would also like to our stakeholders, collaborators, beneficiaries for being part of the MKI family.

A handwritten signature in black ink, appearing to read 'Sakhile Ngcobo', written in a cursive style.

Dr Sakhile Ngcobo
Chairperson of the Board

STATEMENT OF THE CHIEF EXECUTIVE OFFICER



Ms Thandeka Ellenson
Chief Executive Officer

The Institute aims to provide relevant and innovative research supported by expert advice for the realisation of inclusive and sustainable economic growth in KwaZulu-Natal. The work that we do allows us to provide cutting edge efficient solutions to the province under the programmes of research and development, innovation and technology as well as maritime and economics. Our goals include enhancing effective government policy formulation through evidence-based research, promote efficient and competitive economy enabled by innovative and easily accessible digital technologies and to promote oceans economy and job creation while we maintain efficient and effective governance.

Our achievements include securing strategic partnerships with institutes of higher learning in the province for research purposes and public and private sector entities on digital technologies. This came with the ground-breaking research on cannabis commercialisation and beneficiation in KwaZulu-Natal. We also hosted a ground-breaking ICT conference for women which sought to expose women to digital economy. We capacitated youth of innovation entrepreneurship roadmap and we have successfully continued with the boatbuilding capacity building. The entity observes stricter governance and controls, and this resulted in achieving a clean audit.

The outlook for the upcoming year looks much more positive as the entity's new mandate starts to yield positive results. The emphasis will be on research, advisory and capacity building.

A handwritten signature in black ink, appearing to read 'M. Ellenson', written over a horizontal line.

Ms Thandeka Ellenson
Chief Executive Officer

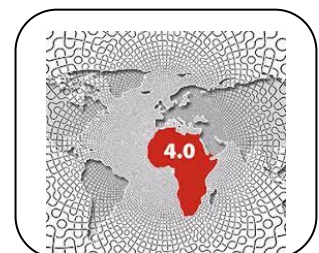


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PART A

1. MANDATE, VISION, MISSION AND VALUES

1.1 Vision

An internationally-recognised quality research institution driving economic development and innovation in KwaZulu-Natal.

1.2 Mission

To provide timely and accurate economic research to the Provincial government to support the attainment of radically transformed, inclusive and sustainable economic growth for KwaZulu-Natal.

1.3 Mandate

To conduct world class research into training, skills development, provincial strategic economic factors and to strategically lead on innovation and maritime coordination and implementation activities to respond to the needs of the provincial economy.

1.4 Values

The Moses Kotane Institute subscribes to the following values:

- Accountability
- Collaboration
- Equality
- Passion
- Ubuntu

We also strive for exponential, innovative and visionary leadership.

2. STRATEGIC GOALS

The Institute works towards the following:

Goal 1: A responsive accountable, efficient, affective and well-governed entity.

Goal 2: Effective government policy formulated through evidence-based research.

Goal 3: Efficient and competitive economy enabled by innovative and easily accessible digital technologies.

Goal 4: Inclusive and transformed oceans economy.

3. ECONOMIC POLICY AND STRATEGY

The overall thrust of South Africa's economic policy and strategy to address both low growth and the key challenges of inequality and unemployment is to pursue an inclusive economic growth agenda through the following:

- National Development Plan (NDP)
- Provincial Growth Development Plan (PDGP)
- Industrial Policy Action Plan (IPAP)
- Economic Development, Tourism and Environmental Affairs pillars

4. LEGISLATION AND POLICY

The Moses Kotane Institute (MKI) was incorporated as a non-profit company in terms of the Companies Act 2008 as amended, to pursue activities for public benefit. The main objective of the company is to conduct world class research into training, skills development, provincial strategic economic factors and to strategically lead in innovation and maritime coordination and implementation activities to respond to the needs of the provincial economy.

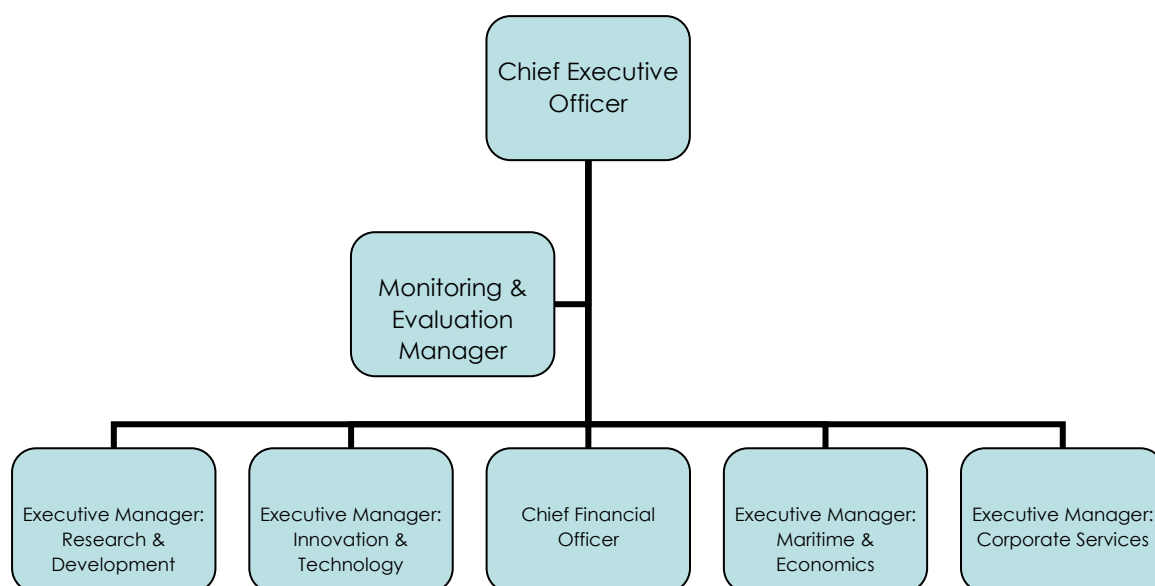
MKI used the following legislation to deliver its mandate:

- a) Companies Act
- b) Public Financial Management Act
- c) Broad Based Black Economic Empowerment Act
- d) Preferential Procurement Policy Framework Act
- e) Labour Relations Act
- f) Basic Condition of Employment Act
- g) Public Service Act
- h) Small Business Act
- i) Co-operatives Development Act
- j) Manufacturing Development Act
- k) Schedule 4 of the Constitution, namely, Urban and Rural Development
- l) Chapter 10 of the Constitution

The mandate of the institute is informed and derived from various strategies, policies and plans developed at a national and provincial level. These include among others:

- a) National Development Plan
- b) Provincial Growth and Development Strategy and Plan
- c) Human Resource Development Strategy for South Africa
- d) National Skills Development Strategy
- e) National Youth Development Strategy and Plan
- f) National Accord: Youth Development
- g) HRD Strategic Framework for Public Service Vision 2015
- h) Provincial HRD Strategy
- i) KZN BB-BEE Strategy
- j) New Growth Path
- k) Industrial Policy Action Plans
- l) Provincial Youth Development Strategy
- g) KZN Integrated Maritime Strategy

5. HIGH LEVEL STRUCTURE



6. STRATEGIC OBJECTIVES

The following are the strategic objective statements linked to strategic outcomes:

- Enhanced knowledge economy through relevant research
- Enhanced knowledge economy through digital technologies
- Enhanced knowledge economy through maritime

7. OVERALL PERFORMANCE

7.1 Voted Funds

Administration	KwaZulu-Natal Provincial Government (Premier: Mr Sihle Zikalala)
Responsible MEC	MEC for Economic Development, Tourism and Environmental Affairs (MEC: Ms Nomusa Dube-Ncube)
Accounting Authority	Board of Directors (Chairman: Dr Sakhile Ngcobo)
Accounting Officer	Acting Chief Executive Officer (Ms Thandeka Ellenson)
Main appropriation	R58,738,000
Adjusted appropriation	R54,189,100 (R31,600,000 plus R22,589,100 roll- over 2018/2019)
Final appropriation	R112,927,100
Actual amount spent	R45,682,483.83
Amount committed	R 67,244,616.17 (2019/2020 roll over)

7.2 Aim of Voted Funds

Voted funds transferred by the Department of Economic Development, Tourism and Environmental Affairs were utilised for the purposes of the Annual Performance Plan as set out. Payments were the main the basis of the funding agreement and were utilised towards programmes and sub-programmes.

7.3 Overview of Service Delivery 2019/20

The board revised its strategic plan in 2019 to align with the new research mandate based on the resolution passed by cabinet. The strategy was followed by organisational realignment which necessitated establishing a research, innovation and maritime programme supported by finance and corporate services units. The maritime programme was transferred by the province from Sharks Board to the Moses Kotane Institute in 2019.

7.4 Overview of Organisational Environment for 2019/20

The revised mandate was a breakthrough which enabled the Institute to lead in research, innovation and maritime. The Institute has been expanding its research staff capacity so that the research project can be done internally and continues to do so.

The area of innovation and technology has been growing and receiving great attention due to the global community embracing the Fourth Industrial Revolution. More people have been getting interested in technology and digital space. As a result, the entity has been establishing the digital centres mainly in the rural areas to bridge the digital divide.

Maritime and oceans economy is another area of focus which requires attention since the province has two ports, Durban and Richards Bay, over and above rivers and dams. The province resolved to transfer the Maritime Centre of Excellence from Sharks Board to the Moses Kotane Institute. This centre was accommodated under programme 4 of MKI, which is the maritime and economics programme. Apart from building capacity in the boatbuilding, commercial diving, maritime enterprise development areas, the entity also revived its maritime research to align with the research mandate.

Due to increased capacity of the entity in terms of its human resources, the entity sought additional space to accommodate officials, which commenced through rental of an office at Westville, and then later moved to La Mercy's Dube City.

The entity is required to be listed under Schedule 3c of the Public Finance Management Act (PFMA), and this is in progress.

PART B: PERFORMANCE REPORT

8. PROGRAMME 1: CORPORATE ADMINISTRATION

8.1 Office of the Chief Executive Officer

The objective of this office is to provide overall strategic direction, leadership and management for MKI. It ensures that there is alignment across the operational programmes, and is responsible for the implementation of strategy, policy and directives of the Board. This office is also responsible for the development of the annual performance plans, annual reports and ensuring that the strategic and annual performance plan targets are achieved.

8.1.1 Achievements

This office established three partnerships with the key organisations including the Mangosuthu University of Technology, Okhahlamba Municipality and the University of KwaZulu-Natal. In addition, this office provided leadership towards the implementation of the strategic and annual performance plan for the company, and the company achieved all its set targets for 2019/20, leading to a compilation of a positive annual report as presented.



Sealing the partnership with the Mangosuthu University of Technology

8.2 Finance

The purpose of this office is to provide efficient, effective and transparent financial management. Services provided under this unit include risk management, auditing, procurement and all functions related to the smooth running of the financial services provide to MKI internal and external stakeholders.

8.2.1 Achievements

The entity had set a target to procure 70% of its goods and services from the BBBEE service providers, and it achieved 80% of this which is just above the set target. It also set a target of paying 100% of invoices within 30 days of receipt of valid invoice, and it achieved this target. Lastly, the plan was to work towards achievement of a clean audit which would reflect strength in systems and control, and a clean audit was achieved.

8.3 Corporate Services

This unit was implemented to provide effective human resources management, information technology, administration and monitoring and evaluation. The unit creates awareness of the organisation through events, activities on various media platforms including social and print media.

8.3.1 Achievements

The entity enjoyed an increase of followers on social platforms and hosted several stakeholder events such as summits, conferences and stakeholder breakfasts. The unit also provided support services; and the scope of support has been expanded for effectiveness and for operational efficiencies. Monitoring and evaluation audited the implementation of programmes, verified the correctness of data and submission of reports.

9. PROGRAMME 2: RESEARCH AND DEVELOPMENT

9.1 Research and Development

This unit conducts strategic sector research for the province, and for the purposes of decision-making with the aim of enhancing knowledge economy. It also administers the research bursaries for students who are conducting research under the institutes of higher learning in the country.

9.1.1 Achievements

The entity conducted eight research studies as planned. These studies include commercialisation of cannabis in KwaZulu-Natal, KZN renewable energy and youth skills development framework, transformation in the gaming and betting industry in KZN, supply and demand of drone technology skills and future drivers, action research on mobile vehicles, KZN agro-processing strategy framework, gender-based violence in KZN – a preliminary study, Durban and Richards Bay maritime transport value chain, and impact of COVID-19 on informal businesses. The entity also financially supported 205 students to study in various tertiary institutions, and further enrolled the same students on the work readiness programme.



L-R: MEC Nomusa Dube-Ncube for KZN Economic Development, Tourism & Environmental Affairs, Dr Sakhile Ngcobo – the Chairperson of the Board of Moses Kotane Institute and MEC Peggy Nkonyeni for KZN Human Settlement and Public Works at a Cannabis Investment Readiness Forum



Dr Ngcobo, Chairperson of MKI

MEC Nomusa Dube-Ncube for EDTEA

10. PROGRAMME 3: INNOVATION AND TECHNOLOGY

10.1 Innovation and Technology

The purpose of this programme is to coordinate innovation and emerging technologies, and to enhance knowledge economy through digital technologies. There are limited platforms in KZN for strategic and critical reflection on the key issues for future economic growth, particularly on how develop and use knowledge to radically transform the existing economic structures.

10.1.1 Achievements

The entity capacitated youth on innovation roadmaps and technologies such as blockchain, hosted a Women in ICT summit, ICT workshops and commenced with the innovation labs known as digital centres in the province of KwaZulu-Natal through signing of collaboration agreements with Okhahlamba, Jozini, Pongola, Mandeni, Kokstad and Mpofana municipalities. The following year 2020/21 will focus on putting up infrastructure to most of these municipalities.



MKI hosted an Innovation Dialogue with the University of Zululand in August 2019



MKI hosted a Blockchain Seminar with the University of KwaZulu-Natal in November 2019

11. PROGRAMME 4: MARITIME

11.1 Maritime

The purpose of this programme is to enhance knowledge economy in maritime through provision of expert advisory service and to capacitate aspirant and emerging maritime enterprises to establish and grow sustainable businesses.

11.1.1 Achievements

The entity facilitated four enterprise development workshops to emerging maritime enterprises, trained youth on boatbuilding where 17 boats were built and youth were also trained on various skills related to the maritime sector, such as awareness on aquaculture, costal marine tourism, physical commercial diving training, business opportunities and careers in the maritime industry.



Trainees on Commercial Diving course offered by the Institute in 2019



Graduates of Enterprise Development

ANNUAL FINANCIAL STATEMENTS 2019/20

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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Date of incorporation

The Institute was incorporated on 28 November 2008, however, commenced trading on 01 January 2009.

Nature of activities

The Moses Kotane Institute-NPC is involved in conducting world-class research into training, skills development, provincial strategic economic factors and to strategically lead on innovation and maritime coordination and implementation activities to respond to the needs of the provincial economy.

Functional and reporting currency

Functional and reporting currency of the Institute is the South African Rand.

Directors

The Directors of the Institute during the period 31 March 2020 and to the date of this report were as follows:

Name	Appointment date	Reappointed
Dr S. G. Ngcobo (Chairman)	25 February 2011	01 January 2018
Prof. M. S. Maharaj	25 February 2011	01 January 2018
Dr I. Z. Machi	25 February 2011	01 January 2018
Dr E. V. Nzama	25 February 2011	01 January 2018
Ms. M. P. Myeni	01 December 2011	01 January 2018
Mrs. S. Khomo, CA (SA)	01 January 2014	01 January 2018
Mr. B. Gutshwa*** (resigned)	20 September 2012	01 January 2017
Mr S. Naidoo, CA (SA)***	01 April 2018	

***Independent audit committee member

Annual Financial Statements

The company's Directors were responsible for the preparation and fair presentation of these Annual Financial Statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act No.71 of 2008 of South Africa. The Annual Financial Statements were prepared by the office of the Chief Financial Officer.

Company Secretary

First Corporate Secretaries (Pty) Ltd served as the Company Secretary from 01 of September 2018 and for the year under review.

Business Address

1st Floor, 29⁰ South
7 Umsinsi Junction
Dube City
La Mercy
KwaZulu Natal, 4399

Postal Address

P.O Box 2357
Westville
3630

Bankers

First National Bank
2 Kikembe Drive
Umhlanga Rocks, 4320

Auditors

Auditor-General of South Africa
Block B, 460 Townbush Road
Cascades, Pietermaritzburg, 3201

MOSES KOTANE INSTITUTE NPC
STATEMENT OF DIRECTORS' RESPONSIBILITY
FOR THE YEAR ENDED 31 MARCH 2020

The Directors are responsible for the preparation, integrity and fair presentation of the Annual Financial Statements of Moses Kotane Institute-NPC, in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies Act of South Africa. The Financial Statements presented have been prepared in accordance with IFRS, and include amounts based on judgements and estimates made by management. The external auditors are engaged to express an independent opinion on the Annual Financial Statements.

It is the responsibility of the Directors to ensure that the Moses Kotane-NPC Institute ("the Institute") maintains a system of internal control designed to provide reasonable assurance that the Institute's assets are safeguarded against material loss or unauthorised use, and that transactions are properly authorised and recorded. The control system includes written accounting and control policies and procedures with clearly drawn lines of accountability and delegation of authority.

All employees are required to maintain the highest ethical and integrity standards in ensuring that the Institute's business practices are conducted in a manner which, in all reasonable circumstances, is above reproach. The concept of reasonable assurance recognises that the control procedures should not exceed expected benefits. The Institute 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 controls during the period under review, which resulted in any material loss to the Institute.

The Annual Financial Statements have been prepared in line with accounting policies applicable to a going concern. The Board of Directors have adopted this basis of accounting after having made enquires of management and given due consideration to information presented to the Board, including budgets and cash flow projections for the period ahead and key assumptions and accounting policies relating thereto. Accordingly, the Directors have no reason to believe that the Institute will not continue as a going concern in the foreseeable future.

The external auditors were given unrestricted access to all financial records and related data. The Directors believe that all representations made to the independent auditors during the audit were valid and appropriate.

The external auditors' responsibility is to review and report on these Annual Financial Statements. The independent auditors have audited the Annual Financial Statements for the year ended 31 March 2020.

The Annual Financial Statements for the year ended 31 March 2020 set on pages 15 - 57 were reviewed by the Audit and Risk Committee on 12 June 2020 and subsequently approved by the Board on 19 June 2020.

Directors' Approval of Unaudited Annual Financial Statements for the year ended 31 March 2020

The Annual Financial Statements for the year ended 31 March 2020, as set out on pages 15 – 57 were approved by the Board on 19 June 2020 and are signed on their behalf.



Dr Sakhile G. Ngcobo
Chairman of the Board



Ms. Thandeka Ellenson
Chief Executive Officer

DECLARATION BY COMPANY SECRETARY

In terms of the requirements of the Companies Act of South Africa, I certify, to the best of my knowledge, that Moses Kotane Institute-NPC has lodged with the Companies and Intellectual Properties Commission (CIPC) all such returns and notices as are required of a public company in terms of this Act, and that all such returns are true, correct and up to date.



First Corporate Secretaries (Pty) Ltd
Company Secretary
30 June 2020

The Moses Kotane Institute-NPC ("the Institute") continues to operate in a manner that is in line with governance best practices and with regards to accountability, transparency, fairness and responsibility.

The Board of Directors ("the Board") is responsible for conducting the affairs of the Institute with integrity and in accordance with the Companies Act and King Code of Corporate Governance Principles (King IV). Management is responsible and accountable to the Board for designing, implementing and monitoring the policies and systems approved by the Board and for integrating them into the day-to-day operational activities.

We are committed to integrity, ethical values and professionalism in all our structural activities that will ensure that the Institute's business remains sustainable in the long term. An essential part of this commitment is our Board's support for the highest standards of corporate governance.

Shareholder compact

The Moses Kotane Institute-NPC was established as a non-profit company (NPC) in terms of the Companies Act, Act No. 71 of 2008 as amended. The Department of Economic Development, Tourism and Environmental Affairs (EDTEA) is the Shareholder and has authority over the Institute in terms of the Public Amendment Act 30 (2007), which has an objective to introduce government components as a service within the public delivery, through a focused, ring-fenced, separate entity under the direct control of the Minister or other executive authority.

Each year, the Moses Kotane Institute-NPC enters into an annual funding agreement with The KwaZulu-Natal Department of Economic Development, Tourism and Environmental Affairs (EDTEA) and agrees on its performance objectives, measures and indicators in line with government treasury regulations principles under the Public Finance Management Act, 1999 (PFMA). The annual targets are annexed to a list of principles agreed between the Moses Kotane Institute-NPC and its shareholder and regular reports are provided. The performance of the Institute against the performance objectives is indicated in the annual funding agreement.

Board of Directors

The Board is the accounting authority of the Institute as outlined in the Memorandum of Incorporation. It is required to meet at least quarterly. The Board meets at least once per quarter and ensures that quarterly meetings are held. The Board meetings are scheduled annually in advance. Special meetings are convened as necessary to address specific issues.

The Board directs the Institute's risk assessment, resource management, strategic planning, financial and operational management to ensure that obligations to shareholders and other stakeholders are understood and met. Major responsibilities of the Board include the review of business plans, budgets, monitoring of performance, approval of major policy decisions and the appointment of the Chief Executive Officer and the Chief Financial Officer. Certain functions are delegated to committees consisting of non-executive Directors as detailed within this section.

Good corporate governance requires that the composition of the Board be reviewed on a regular basis. The rotation of Directors at regular intervals is accepted as standard practice since it ensures that the Board remains dynamic and does not become stagnant in terms of thinking and abilities. However, it is important that the process is managed in such a way that the rotation of Directors does not lead to a disruption in the operations of the business and that the Board is well-balanced in terms of skills, expertise and demographics (race, gender and people with disabilities).

Delegation of authority

The political authority of the Institute is the MEC for Economic Development, Tourism and Environmental Affairs in KwaZulu-Natal, Ms Nomusa Dube-Ncube. The Board has the authority to assist with leadership on the strategic business of the Institute, including the authority to delegate its powers. The Board aims to ensure that the Institute remains sustainable and viable. The Board's responsibilities are facilitated by a well-developed governance structure through its sub-committees and a comprehensive delegation of authority framework.

Board evaluation and performance

A performance evaluation of the Board and individual Directors is conducted at the end of the financial year. Any shortcomings are addressed and areas of strength consolidated. The performance of Board committees is evaluated against their terms of reference.

Board and committee meeting attendance

The number of meetings held during the year are as follows:

Members	Board	Audit & Risk Committee	Finance Committee	Education & Skills Development Committee	Human Resources Committee	Social & Ethics Committee
No of meetings held	4	4	4	4	4	4
Special meetings	0	0	0	0	0	0
Total meetings	4	4	4	4	4	4

The table below reflects attendance of the membership of the Board and Senior Management.

Members	Board	Audit & Risk Committee	Finance Committee	Research, Innovation and Maritime Committee	Human Resources Committee	Social & Ethics Committee
Dr S.G. Ngcobo	3	0	0	0	0	4
Prof M.S. Maharaj	4	4	4	4	0	0
Dr I.Z. Machi	4	0	0	4	4	0
Dr E.V. Nzama	1	0	0	1	0	1
Ms M.P. Myeni	4	4	4	0	4	0
Mrs S. Khomo, CA (SA)	4	4	4	0	0	4
Mr B. Gutshwa***	0	0	0	0	0	0
Mr. S. Naidoo (CA)SA***	0	3	0	0	0	0
Ms T.P. Ellenson, ACEO	4	4	4	4	4	4

***Independent audit committee member

Board committees

Board committees assist the Board in carrying out its responsibilities. The Committees' recommendations and reports to the Board ensure transparency and full disclosure of committee activities. Each committee operates within terms of reference that defines the composition, role, responsibilities and delegated authority of the committee. The Board, from time to time, sets up committees for specific (ad hoc) purposes. Committee meeting attendance is reflected above. These are the standing committees during the period under review. In addition to the terms of reference, a Board committee exercises its delegated authority in accordance with specific policies approved by the Board from time to time.

Audit and Risk Committee

The Audit and Risk Committee comprises two independent members external to the Institute and six non-executive Directors of the Board of the Institute. The committee monitors the internal control systems to protect the Institute's interests and assets. This committee also reviews any accounting and auditing concerns raised by internal and external audit, the Annual Financial Statements and the interim reports.

The Audit and Risk Committee ensures that an effective internal audit function is in place and that the roles and functions of external audit and internal audit are sufficiently clarified and coordinated to provide an objective overview of the operational effectiveness of the Institute's system of internal control, risk management, governance and reporting. This includes overseeing the IT risks and fraud risks as they relate to financial reporting and the internal financial controls and reporting to the Board on the effectiveness thereof.

The Committee also assesses the performance of the internal audit function, and the adequacy of available internal audit resources. During the year under review, PricewaterhouseCoopers (PwC) were the internal auditors up to 30 October 2019 and HTB Consulting were appointed from 01 November 2019. In addition, the Audit and Risk Committee considers and appropriately deals with any complaints received relating to the Annual Financial Statements, accounting practices or internal audit, whether from within or outside of the Institute.

The Audit and Risk Committee considers and makes recommendations on the appointment and retention of the auditors and ensures that such appointments comply with legislation, the fees paid and the terms of engagement; pre-approves the nature and extent of any non-audit services and evaluates their independence, objectivity and effectiveness. Auditors have unrestricted access to the chairperson of the Audit and Risk committee and the chairperson of the Board. The committee reviews the accuracy, reliability and creditability of statutory financial reporting.

The Committee also reviews the Annual Financial Statements of the Institute, as presented by management prior to Board approval. The Audit and Risk Committee meetings were held during the review period. The Committee had the following members:

- Prof. M.S. Maharaj (Board member and chairperson)
- Mr. B. Gutshwa (Independent, external) (resigned)
- Ms. M.P. Myeni (Board member)
- Mrs. S. Khomo (CA) SA (Board member)
- Mr S. Naidoo (Independent)

Permanent invitees

- Acting Chief Executive Officer
- Chief Financial Officer
- Internal Auditors
- External Auditors

Compliance with the International Financial Reporting Standard, Companies Act and King IV Report

The Board is the accounting authority in terms of the Companies Act 71 of 2008 as amended. The Institute has adhered to the statutory duties and responsibilities imposed by the Companies Act 71 of 2008 as amended, International Financial Reporting Standard and King Code IV. The Institute's system and processes are regularly reviewed to ensure that compliance is monitored in this regard. In addition, The Institutes is also guided on best practices by the King reports on Corporate Governance for South Africa and the Protocol on Corporate Governance in the Public Sector-2002.

The PFMA in principle regulates financial management and governance. The Institute is funded mainly by government and therefore borrows from Public Finance Management Act as good practice.

Integrated risk management

The effective management of risk is central to the achievement of the Institute's vision. By understanding and managing risk, we can provide greater certainty and security for our employees, our customers and stakeholders.

The Institute's Board, through the Audit and Risk committee, acknowledges its overall accountability for ensuring an effective results-driven, internal risk management process. Management committee strives to implement a risk monitoring system that enables management to respond appropriately to all significant risks that could impact on business objectives.

Responsibility for the management of risk resides with line management of the Institute. Those accountable for the management of risks also ensure that the necessary controls always remain in place and effective at all times. Control effectiveness focuses on improving our ability to manage risk effectively, so that we can quickly and confidently act on opportunities to improve and sustain the quality and continuity of supply, create value and achieve sustainable growth.

The Institute strives to perform risk management at all levels to ensure that risk is reported upwards. After consolidation of these integrated risk reports, Management committee and the Audit and Risk committee review and evaluate the risk profile to determine the major operational, strategic and business continuity risks.

Ethical business conduct

Good corporate governance is about effective ethical leadership, which requires leadership that demonstrates ethics in decision making, leads by example and oversees the management of ethics within the Institute. The Institute's Board is accountable for the Institute's ethics management programme and the operational responsibilities lie with Executive Committee ("EXCO"). The Executive Committee assists the Chief Executive Officer in setting the framework, rules, standards and boundaries for ethical behaviour, and provides ethics training and an advisory service to employees, assisting them in dealing effectively with ethical dilemmas in the workplace.

Internal control

Management is responsible for establishing an effective internal control environment, which is developed and maintained on an ongoing basis to provide reasonable assurance to the Board regarding:

- The integrity and reliability of the Annual Financial Statements
- The safeguarding of the Moses Kotane-NPC Institute's assets
- Economic and efficient use of resources
- Compliance with applicable legislation and regulations
- Verification of the accomplishment of established goals and objectives
- Detection and minimisation of fraud, potential liability, loss and material misstatement

These controls are contained in the Institute's policies and procedures, structures and approval frameworks, and they provide direction, establish accountability and ensure adequate segregation of duties. They each contain self-monitoring mechanisms.

The Board ensures that an effective internal control framework is established and maintained. The internal audit function monitors the operation of the internal control system and report's findings and recommendations for improvement to management and the audit committee.

The audit committee monitors and evaluates the duties and responsibilities of management and of internal and external auditors to ensure that all major issues reported have been satisfactorily resolved. Finally, the audit committee reports all important matters considered necessary to the Board.

Governance and compliance

The Board takes fraud seriously and ensures that there is minimum exposure to fraud and criminal acts. One of the measures has been to implement the Whistle-Blowing Policies, Procedures and Fraud and Corruption Prevention Policy. The Board Committees addresses these threats. Its work covers crime prevention, detection, response and investigation. Where serious fraud, corruption and irregularities are suspected, forensic audit is instituted where necessary to establish the facts to enable management to deal appropriately with the matter and prevent a recurrence. This is done within the whistle blowing framework.

Employment equity

The Institute applies employment policies that are considered appropriate to the business and the market in which it operates. They are designed to attract, motivate and retain quality staff at all levels.

Equal employment opportunities are offered without discrimination to all employees and specific affirmative processes available to historically disadvantaged individuals.

Code of ethics

The Institute subscribes to a code of ethics and endeavours to act with honesty, responsibility and integrity towards its stakeholders.

Corporate citizenship and sustainability

The Institute's business must be run in an ethical manner, taking cognisance of its impact on all stakeholders. In addition, it means that the Institute needs to contribute to the realisation of the hopes and aspirations of people in KwaZulu-Natal and South Africa. This includes contributing to a safe working environment, environmental responsibility, promoting the shared growth initiative for the province and corporate social responsibility and improving the lives of all in the province of KwaZulu-Natal.

General review

The business and operations and the results thereof of the Moses Kotane-NPC Institute ("the Institute") are clearly reflected in the attached Annual Financial Statements.

On 23 March 2020, the Honourable President Cyril Ramaphosa announced that South Africa will be placed on lockdown for 21 days from midnight Thursday 26 March 2020. Given the afore-mentioned emergency protocol that has been instituted, it was prudent for the Institute to adjust its procurement timelines to take cognisance the current set of circumstances in which it found itself under the country to ensure that procurement processes still follow fair, transparent, equitable, competitive and cost effective.

AUDIT AND RISK COMMITTEE REPORT

The role of the Audit and Risk Committee is to provide oversight responsibilities in the financial reporting process, the system of internal control, the audit process and the entities monitoring of compliance with laws and regulations, the code of conduct, the appointment and evaluation of qualifications and independence of the Institute's independent auditors. This includes overseeing the IT risks and fraud risks as they relate to financial reporting and the internal financial controls and reporting to the Board on the effectiveness thereof. The Board in turn, reports on effectiveness of the system of internal controls.

The Audit and Risk Committee:

- Evaluated the Annual Financial Statements of the Moses Kotane Institute-NPC for the period ended 31 March 2020. Based on the information provided, the Audit and Risk Committee considers that the Annual Financial Statements comply, in all material respects, with the requirements of the Companies Act, 71 of 2008, International Financial Reporting Standard ("IFRS") and King Code of Corporate Governance Principles (King IV).
- Reviewed the appropriateness of the accounting policies and procedures of the accounting policies and practices.
- Concurred that the adoption of the going concern premises in the preparation of Annual Financial Statements is appropriate.
- Acknowledged and condoned the emphasis of matter.

The Audit and Risk Committee recommended approval of the enclosed Annual Financial Statements for the period ended 31 March 2020 by the Board.



Professor Manoj Maharaj
Chairperson
Audit and Risk Committee

1. AUDIT REPORT

1.1 Report on the audit of the financial statements

Opinion

- 1.1.1 I have audited the financial statements of Moses Kotane Institute Non-Profit Company (NPC), set out on pages 33 to 79, which comprise The Statement of Financial Position as at 31 March 2020, The Statement of Comprehensive Income, The Statement of Changes in Equity and The Statement of Cash Flows for The Year then Ended, as well as the notes to the Financial Statements, including a summary of significant accounting policies.
- 1.1.2 In my opinion, the financial statements present fairly, in all material respects, the financial position of Moses Kotane Institute NPC as at 31 March 2020, and its financial performance and cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRS) and the requirements of the Companies Act 71 of 2008 (Companies Act).

1.2 Basis for opinion

- 1.2.1 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.
- 1.2.2 I am independent of the entity in accordance with sections 290 and 291 of the *Code of Ethics for Professional Accountants*, and parts 1 and 3 of the *International Code of Ethics for Professional Accountants* (including *International Independence Standards*) of the International Ethics Standards Board for Accountants (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.
- 1.2.3 I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Responsibilities of the accounting authority for the financial statements

- 1.3.1 The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and the requirements of the Companies Act, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
- 1.3.2 In preparing the financial statements, the accounting authority is responsible for assessing Moses Kotane Institute-NPC'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 entity or to cease operations, or has no realistic alternative but to do so.

1.4 Auditor-general's responsibilities for the audit of the financial statements

- 1.4.1 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.
- 1.4.2 A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

1.5 Report on the audit of the annual performance report

- 1.5.1 The entity is not required to prepare a report on its performance against predetermined objectives, as it does not fall within the ambit of the Public Finance Management Act 1 of 1999.

1.6 Report on the audit of compliance with legislation

Introduction and scope

- 1.6.1 In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
- 1.6.2 I did not raise material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

Other information

- 1.6.3 The accounting authority is responsible for the other information. The other information comprises the information included in the Annual Report, which includes the Directors' report, the Company Secretary's report and the Audit Committee's report, as required by the Companies Act. The other information does not include the financial statements and the Auditor's report.
- 1.6.4 My opinion on the financial statements and report on compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
- 1.6.5 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, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
- 1.6.6 If, based on the work I have performed on the other information that I obtained prior to the date of this auditor's report, I conclude that there is a material misstatement in this other information, I am required to report that fact. I have nothing to report in this regard.

1.7 Internal control deficiencies

1.7.1 I considered internal control relevant to my audit of the financial statements and report on compliance with applicable legislation; however, my objective was not to express any form of assurance on it. I did not identify any significant deficiencies in internal control.

1.8 Other reports

1.8.1 I draw attention to the following engagements conducted by various parties which had, or could have, an impact on the matters reported in the entity's financial statements, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or compliance with legislation.

1.8.2 The entity has instituted an investigation into allegations of possible misappropriation of assets covering the period April 2019 to August 2020. The investigation is still in progress at the date of this report.

1.8.3. The KwaZulu-Natal provincial treasury forensic unit has investigated alleged irregularities at the entity. The investigation was initiated as per the request made by the controlling department in December 2017 and covers the periods of 2014 to 2017. The investigation was completed in July 2020 and is still to be presented to the accounting authority at the date of this report.

Pietermaritzburg
3 September 2020

Annexure – Auditor-general's responsibility for the audit

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and on the entity's compliance with respect to the selected subject matters.

Financial statements

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 statements, 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 the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting authority.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the board of directors, which constitutes the accounting authority, 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 Moses Kotane Institute-NPC'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 an entity to cease continuing as a 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

1. 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.
2. 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, actions taken to eliminate threats or safeguards applied.

The directors have the pleasure in presenting their report for the financial period ended 31 March 2020 in terms of the Companies Act, 71 of 2008, International Financial Reporting Standards ("IFRS").

General review

The business and operations and the results of the Moses Kotane Institute are reflected in the attached annual financial statements.

On the 23 March 2020, the Honourable President Cyril Ramaphosa announced that South Africa will be placed on lockdown for 21 days from midnight Thursday 26 March 2020. Given the afore-mentioned emergency protocol that has been instituted, it was prudent for the Institute to adjust its procurement timelines to take cognisance the current set of circumstances under which it found itself in the country to ensure that procurement processes still follow fair, transparent, equitable, competitive and cost effective.

Nature of business activities

The Moses Kotane Institute-NPC, which is registered as a non-profit company in terms of the Companies Act, 71 of 2008, its main business is:

- To conduct world-class research into training, skills development, and provincial strategic economic sectors.
- To strategically lead on innovation and maritime coordination and implementation activities to respond to the needs of provincial economy.

With these strategic goals as the framework, the Institute focuses on contributing to economic development in the Province of KwaZulu-Natal through:

- Efficient and effective administration and governance ensured.
- Enhancing the knowledge economy through relevant research.
- Facilitating economic growth through skills development.
- Strategic integration of emerging technologies drives industrial development.

Application of the International Financial Reporting Standard (IFRS)

The annual financial statements for the year ended 31 March 2020 have been prepared in accordance with Companies Act and International Financial Reporting Standard.

Review of financial position and results

The results of the Institute's operations during the year under review, and the state of its affairs under review are set out in the attached annual financial statements.

Subsequent events

Subsequent to year end, the full impact of the novel coronavirus (COVID-19) was unleashed globally. In South Africa, with effect from midnight on 26 March 2020, President Cyril Ramaphosa initiated a nationwide lockdown for a period of 21 days, which was later extended to 30 April 2020. Certain sectors of the economy have been returned in a phased manner from 01 May 2020.

The entity considers this to be a non-adjusting post balance sheet event and accordingly, the financial effects of COVID-19 have not been reflected in the entity financial statements as at 31 March 2020.

As the situation continues to evolve with changes in government regulations and evolving business and consumer reactions thereto, as at the date these financial statements, the directors of entity considered that the financial effects of COVID-19 on the financial statements cannot be reasonably estimated for future financial periods.

There is still no clarity on the duration and manner in which the national lockdown will be lifted. It is difficult to determine the impact that this will have on the already weakened service delivery environment thereafter.

The entity has performed a going concern review and assessed its liquidity and solvency position. The entity has secured funding for the 2020/21 financial year and projected funding for the three years through the Provincial Treasury and there has been no changes noted by the entity. Under these conditions, the entity is comfortable that it will be able to continue as a going concern for the foreseeable future.

Going concern

We draw attention to the fact that for the financial year ended 31 March 2020, the Institute has a surplus of R21,029 million (2019 deficit of R7,533 million) and that the Institute's assets exceeded its liabilities by R41,211 million (2019 by R20,144 million).

The Institute will be a going concern in the years ahead and as such, it adopts the going concern basis in preparing the annual financial statements. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments that will occur is dependent on various factors. The most significant of these is that the Board continues to procure funding from the KwaZulu-Natal Department of Economic Development, Tourism and Environmental Affairs and has secured funding for the 2020/21 financial year and projected funding for the next three years.

Nothing has come to the attention of the Directors to indicate that the Institute will not remain a going concern for the foreseeable future and will continue monitoring future of the entity and the impact of COVID-19.

MOSES KOTANE INSTITUTE NPC
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 MARCH 2020

	Note	2020 R'000	2019 R'000
ASSETS			
Current assets		67,745	24,055
Cash and cash equivalents	2	67,245	22,589
Trade and other receivables	3	208	518
VAT receivable	4	292	948
Non-current assets		16,463	4,392
Property, plant and equipment	5	10,827	4,338
Right-of- use lease assets	5	5,583	0
Intangible assets	6	53	54
TOTAL ASSETS		84,208	28,447
LIABILITIES			
Current liabilities		34,356	8,303
Trade and other payables	7	4,630	2,809
Current provisions	8	27,889	5,486
Operating lease	31	0	8
Lease liabilities	31	1,837	0
Non-current liabilities		8,641	0
Deferred income	9	5,411	0
Lease liabilities	31	3,230	0
TOTAL LIABILITIES		42,997	8,303
Net assets		41,211	20,144
Accumulated surplus		41,211	20,144
TOTAL NET ASSETS AND LIABILITIES		84,208	28,447

MOSES KOTANE INSTITUTE NPC
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2020

	Note	2020 R'000	2019 R'000
REVENUE			
Revenue from Government Grants		88,642	56,135
Government grants and subsidies	10	88,642	56,135
Other income		1,944	2,195
Public contributions and sponsorships	11	0	190
Other income	12	1,944	2,005
TOTAL REVENUE		90,586	58,330
EXPENSES			
Employee-related costs	13	(17,308)	(6,195)
Directors' emoluments	14	(7,607)	(5,835)
Depreciation and amortisation expense	15	(2,662)	(485)
Auditors' remuneration	16	(550)	(361)
Administration expenses	17	(1,940)	(1,469)
Operating expenses	18	(9,363)	(6,754)
Bursary expenses	19	(27,909)	(39,801)
Research expenses	20	(1,907)	(5,662)
Learner support expenses	21	(316)	(684)
Donation expenses	22	(1,666)	(0)
TOTAL EXPENSES		(71,228)	(67,246)
OPERATING PROFIT / (LOSS)		19,358	(8,916)
Finance income	23	1,949	1,383
Finance cost	24	(278)	(0)
PROFIT/(LOSS) BEFORE TAX		21,029	(7,533)
Income tax	33	(0)	(0)
TOTAL PROFIT / (LOSS) FOR THE PERIOD NET OF TAX		21,029	(7,533)
Other comprehensive income/loss for the year		0	0
TOTAL COMPREHENSIVE INCOME / (DEFICIT)		21,029	(7,533)

MOSES KOTANE INSTITUTE NPC
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2020

	Note	Accumulated Surplus R '000	Total Equity R '000
BALANCE AT 31 MARCH 2018		27,673	27,673
Correction of prior period error	35	4	4
BALANCE AT 01 APRIL 2018 (Restated)		27,677	27,677
Total comprehensive income		(7,533)	(7,533)
BALANCE AT 31 MARCH 2019		20,144	20,144
Change in prior period error	35	38	38
Total comprehensive income		21,029	21,076
BALANCE AT 31 MARCH 2020		41,211	41,258

MOSES KOTANE INSTITUTE NPC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2020

	Note	2020 R '000	2019 R '000
Cash flows from operating activities			
Profit /(Loss)		21,029	(7,533)
Adjustments for –			
Loss on sale of tangible assets	18	96	24
Movement in provision	8	22,403	4,775
Depreciation and amortisation	15	2,662	485
Interest income	23	(1,949)	(1,383)
Interest on fair value	24	98	0
Gains from modification of lease liability	31	(324)	0
Deferred income	12	(1,173)	(13)
Changes in cash from generated activities		42,842	(3,645)
Interest paid	24	(180)	(0)
Interest Income	23	1,949	1,383
Operating surplus before working capital		44,611	(2,262)
(Increase)/decrease in trade and other receivables	3	310	672
(Increase)/decrease in Vat receivable	4	656	(633)
Increase/(decrease) in operating lease		(0)	(69)
Increase/(decrease) in trade and other payables	7	1,821	1,846
Net cash flows from operating activities	25	47,398	(446)
Cash flows from investing activities			
		(1,764)	(182)
Purchase of assets	5	(1,764)	(170)
Purchase of other intangible assets	6	0	(12)
Net cash flows from investing activities.		(1,764)	(182)
Cash flows from financing activities			
Lease liability payments	31	(978)	0
Net cash flows from financing activities		(978)	0
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year	2	22,589	23,217
Cash and cash equivalents at the end of the year	2	67,245	22,589

1 Accounting Policies

1.1 Changes in significant accounting policies

1.1.1 Principal accounting policies

COVID-19 considerations

As noted in the Director's report, the entity has considered the impact of COVID-19 to the annual financial statements. The accounting considerations have been provided for the following:

The COVID-19 pandemic has had a significant impact across the world, adversely affecting the lives of people through service delivery and its employees. Based on the magnitude of the pandemic and its potential impact on the South African economy, management has conducted a review of all possible financial effects the virus could have on the measurement, presentation and disclosure provided.

Consideration of potential impact

Key areas considered are reflected in the table below, including whether they were deemed to have a significant impact on the entity:

COVID-19 Consideration	Assessment	Potential Impact	Note Reference
Events after the reporting period	COVID-19 was assessed as being prevalent in the South African market before 31 March 2020. Recognised assets and liabilities at reporting date are to be presented, measured and disclosed after considering the effect/impact of material or non-material adjusting subsequent events.	Low	32
Going concern	Limited disruption to procurement operations. Strong financial position and funding from the shareholder.	Low	34
Fair value measurement	The entity inherited a business unit, Maritime Excellence from Sharks Board and its fixed assets before reporting date. The entity operated the business for the first time in the 2020 financial year. The entity will assess the fair value of the assets in line with IFRS 13 and considered the impact of COVID-19 on the business unit and the impact on the market value of the assets and its useful life in determining its fair value.	Moderate	5
Expected credit loss assessment	Government granted the business with limited receivables, which are not cash backed or require insurance cover.	Low	N/A

COVID-19 consideration	Assessment	Potential Impact	Note Reference
Impairment assessment	Limited disruption to operations has resulted in non-financial assets being recovered through use in the normal course. Future cash projections still support the carrying value of non-financial assets.	Low	N/A
IFRS 15 revenue from contract with customers	The entity does not have contract with customers as is main revenue is grant income from government.	Low	N/A
Net realisable value of inventories IAS 12 Inventories	No inventories held by entity.	Low	N/A
Recoverability of deferred tax assets under IAS 12 Income Taxes	The entity is income tax exempt and does not recognise deferred tax.	Low	N/A
Remaining useful life and residual value of property, plant and equipment, intangible assets and right-of-use assets under IAS 16 Property, Plant and Equipment, and IAS 38 Intangible Assets and IFRS 16 Leases.	The estimation of the useful lives is based on historic performance as well as expectation about future use and, therefore, requires a degree of judgement to be applied. The depreciation rates represent management's current best estimate of the useful lives of the assets. All properties are accounted for as own use assets and are thus held at cost less depreciation. Limited disruption to operations has resulted in non-financial assets remaining useful recovered through use in the normal course of business.	Low	N/A
Provision for liabilities such as onerous contracts under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.	The nature of the entity's services does not lead to any likely significant onerous contract provisions.	Low	N/A

Initial adoption of IFRS 16 Lease

The standard has an effective date on 01 January 2019 or onwards, which is applicable (effective) on 01 April 2019 for the entity.

IFRS 16 requires that the lessee to recognise new assets and liabilities under an on-balance accounting model.

MKI has applied IFRS 16 using the modified approach and therefore the comparative information has not been restated.

Initial adoption of IFRS 13 defines fair value sets out in a single IFRS a framework for measuring fair value requires disclosures about fair value measurements. IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except for:

- Leasing transactions within the scope of IAS 17 Leases.
- Measurements that have some similarities to fair value but that are not fair value, value in use in IAS 36 *Impairment of Assets*.

IFRS 13, paragraph 9 defines **fair value** "as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

IFRS 13, paragraph 61 states that "an entity shall use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs."

The **three valuation techniques** prescribed by the standard are as follows:

- a) Market Approach** - A valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (similar) assets, liabilities or a group of assets and liabilities, such as a business.
- b) Cost Approach** - A valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).
- c) Income Approach** - Valuation techniques that convert future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount. The fair value measurement is determined based on the value indicated by current market expectations about those future amounts.

In addition to the above techniques, IFRS 13 also outlines a **Fair Value Hierarchy**, when applying the above-mentioned techniques.

Paragraph 72 states that the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).

The inputs are defined by the standard as follows:

Level 1 inputs - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 inputs - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs - Unobservable inputs for the asset or liability.

1.2 Basis of Preparation

The Annual Financial Statements have been prepared on a going concern and historical basis stated in accordance with the effective International Financial Reporting Standard including any interpretations, guidelines and directives issued by the Accounting Standards Board.

New standards and interpretations not yet effective

At the date of authorisation of the financial statements of MKI, for the year ended 31 March 2020, the following Standards, and interpretations applicable to MKI were in issue but not effective:

- Amendments to IAS 1 Presentation of financial statements period beginning on or after 01 January 2020.
- Amendments to IAS 8 change in accounting policy, change in accounting estimates and errors period beginning on or after 01 January 2020

The impact on the financial statements for MKI cannot be reasonably estimated as at 31 March 2020.

New standards and interpretations effective for the current financial year

Amendments to IFRS9, IAS19 and IAS28 are not applicable to the business of MKI and will therefore have no impact on future financial statements.

The below standards are applicable to MKI.

Standard of IAS
IFRS 1: First -time Adoption of IFRSs
IFRS 7: Financial Instruments – Disclosure
IFRS 8: Operating Segments
IFRS 9: Financial Instruments
IFRS16: Leases
IFRS13: Fair Value Measurement
IAS 1: Presentation of Financial Statements
IAS 7: Statement of Cash Flows
IAS 8: Accounting Policies, Changes in Accounting Estimate and Errors
IAS 10: Events after the Reporting Period
IAS 16: Property, Plant and Equipment
IAS 19: Employee Benefit
IAS 20: Accounting for Government Grants and Disclosure of Government Assistance
IAS 24: Related Party Disclosure
IAS 21: The Effects of Changes in Foreign Currency Rates
IAS 37: Provision, Contingent Liabilities and Contingent Assets
IAS 38: Intangible Assets
SIC 10: Government Assistance

1.3 Currency

The Annual Financial Statements are presented in South African Rands since that is the currency in which most of the entity's transactions are denominated.

1.4 Going Concern Assumption

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

1.5 Significant Areas of Judgement

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. 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 judgments about carrying values.

1.5.1 Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised when all the following conditions are met:

- The entity has a present legal or constructive obligation as a result of a past event.
- It is probable that an outflow of economic benefits will be required to settle the obligation.
- A reliable estimate can be measured.

Provisions are measured at the best estimate of the expenditure required to settle the present obligation at reporting date.

Future events that may affect the amount required to settle the obligation are reflected in the amount of the provision where there is sufficient objective evidence that they will occur.

Contingent liability is recognised when all the following conditions are met:

- A possible obligation that arises from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- A present obligation that arises from past events that is not recognised because:
 - it is not probable that an outflow of economic benefits will be required to settle the obligation; or
 - the amount of the obligation cannot be measured with sufficient reliability.

Contingent asset is recognised when all the following conditions are met:

- Possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

1.5.2 Depreciation and Amortisation

Depreciation and amortisation recognised on property, plant and equipment and intangible assets are determined with reference to the useful lives and residual values of the underlying assets. The useful lives and residual values of assets are based on management's estimation of the asset's condition and expected future use.

In evaluating the condition and use of the asset informs the useful life and residual value. Management also considers the impact of technology and minimum service requirements of the assets.

1.5.3 Estimates

Estimates are informed by historical experience, information currently available to management, assumptions, and other factors that are believed to be reasonable under the circumstances. These estimates are reviewed on a regular basis. Changes in estimates that are not due to errors are processed in the period of review and applied prospectively.

1.5.4 Impairments of Non-financial Assets

In testing for and determining the value-in-use of non-financial assets, management is required to rely on the use of estimates about the asset's ability to continue to generate cash flows. For non-cash generating assets, estimates are made regarding the depreciated replacement cost, restoration cost, or service units of the asset, depending on the nature of the impairment and the availability of information.

1.6 Revenue Recognition

1.6.1 General

Revenue comprises the fair value of consideration received or receivable in the ordinary course of the business. Revenue is recognised when it is probable that economic benefits will flow to MKI and that these benefits can be reliably measured.

1.6.2 Interest Income

Interest refers to revenue that accrued to the Institute directly from interest earned on investments and is recognised in the Statement of Comprehensive Income on the time proportionate basis that considers the effective yield on the investment.

1.6.3 Government Grants

Revenue received from government grants and funding are recognised as revenue when there is reasonable assurance the entity will comply with the conditions attached to the grant. A grant relating to assets may be presented into two ways:

- as a deferred income or
- by deducting the grant from the assets carrying amount.

1.6.4 Deferred Income

When the inflow of cash and assets are deferred and the arrangement constitutes in effect a financing transaction, the fair value of the consideration is the present value of all future receipts determined using the useful life of the assets. The utilised income is recorded as revenue in the income statement.

1.6.5 Other Income

Other income consists of recoveries from unutilised funds from student bursaries, recoveries from staff members. Other income is recognised in the profit and loss in the period where there is high probability of receiving the income.

1.7 Employee Benefits

1.7.1 Short-term Employee Benefits

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

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

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as an accrual in the Statement of Financial Position. The Institute recognises the expected cost of performance and guaranteed (13th cheque) bonuses only when the Institute has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

1.7.2 Defined Contribution Plan

The Institute contributes to the Momentum Pension Fund for all full-time staff eligible and whose membership is also compulsory. The fund is a defined contribution plan. The Institute contributes 7.5% of the pensionable remuneration and the expenses are recognised as expenses. The employees also contribute 7.5% of their pensionable remuneration. The pension fund obligations are paid when due and are terminated when the employee's employment with the Institute is terminated.

1.8 Property, Plant and Equipment

Initial Recognition and measurement

Property, plant and equipment are tangible non-current assets that are held for use in the supply of services, rental to others, or for administrative purposes, and are expected to be used during more than one reporting period. Property plant and equipment consist of land and buildings, computer equipment, furniture and fittings office equipment, and motor vehicles.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity, and
- the cost of the asset can be measured reliably.

Property, plant, and equipment are initially measured at cost.

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

Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost where acquired through exchange transactions. However, when items of property, plant and equipment are acquired through non-exchange transactions, those items are initially measured at their fair values as at the date of acquisition.

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. These major components are depreciated separately over their useful lives.

Subsequent measurement

Items of property, plant and equipment are accounted for at historical cost less accumulated depreciation and accumulated impairment losses. The Institute depreciates its property, plant and equipment over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on industry knowledge.

Subsequent costs are capitalised to the extent that future economic benefits associated with usage will flow to the Institute.

Depreciation

The depreciation charge for each period is recognised in the Statement of Comprehensive Income.

Property, plant and equipment are depreciated on the straight-line basis over the expected useful lives to their estimated residual value, on the following bases:

Building	40 years
Computer equipment	3-7 years
Furniture and fittings	10-11 years
Office equipment	5-7 years
Motor Vehicle	5-8 years
Boat Motors	5 years
Diving equipment	19 years
Trailers	10-14 years
Workshop equipment	9 years
Right-of-use Windsor	3 months-2 years
Right-of-use Dube Trade Port	3 years and 3 months
Right-of-use Apex Printers	2 years and 6 months
Springfield Property	2 years

Impairments

The 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 and an impairment loss is charged to the Statement of Comprehensive Income.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Comprehensive Income in the period that the impairment is identified.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Comprehensive Income.

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from the derecognition is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Inherited assets

The fair value of an asset is initially measured using the assumptions that market participants would use when pricing the asset or liability, if market participants act in their economic best interest. A fair value measurement of a non-financial asset considers a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The entity uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets.

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The gains and losses on the of day one on initial recognition at fair value are recognised in profit and loss but for the inherited assets falling under IAS 20 on initial measurement at fair value, the gains and losses will be measured on a systematic basis using the useful life of the asset.

The inherited assets will first be measured at single approach, market value (unadjusted quoted prices), on similar assets

1.9 Intangible Assets

initial recognition and measurement

An intangible asset is an identifiable non-monetary asset without physical substance. Intangibles are non-tangible non-current assets that are held for use for administrative purposes and are expected to be used during more than one period and consist of computer software. The 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 entity and the cost or fair value of the asset can be measured reliably.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity, and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Subsequent measurement

Intangible assets are accounted for at historical cost less accumulated amortisation and impairment losses.

The cost of an intangible asset is amortised over the useful life where that useful life is finite. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Comprehensive Income in the expense category consistent with the function of the intangible asset.

Amortisation and impairment

Amortisation is charged to write off the cost of intangible assets over their estimated useful lives using the straight-line method.

Computer software	3-6 years
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The amortisation period, the amortisation method and residual value for intangible assets with finite useful lives are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Comprehensive Income.

Impairments

The 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 performed at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Comprehensive Income.

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 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 Comprehensive Income.

1.10 Leasing

The entity recognises the right-of-use assets and a lease liability at the lease commencement date. The right-to-use assets are initially measured at amortised cost, which comprises the initial amount of lease liability adjusted for any lease payments made at or before commencement date, plus initial direct cost incurred less the incentives received.

The right-to-use assets are subsequently depreciated using a straight-line method from the commencement date to the earlier of the end of useful life or end of lease term. Right-to-use assets are periodically reduced by impairment losses and adjust for remeasurement of the lease liability if any.

As a practical expedient, the entity elects not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

For a lease modification that is not accounted for as a separate lease, the lease is remeasured by:

- (a) decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. The lessee shall recognise in profit or loss any gain or loss relating to the partial or full termination of the lease.
- (b) making a corresponding adjustment to the right-of-use asset for all other lease modifications.

Lease liability is initially measured at the present value of the lease payments that are not paid at commencement date, discounted using the interest rate implicit in lease.

The lease liability is measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future lease payments due termination options or extension options are planned to be exercised.

The entity has opted not to recognise right-to-use assets and lease liability for lease having a lease term of 12 months or less and lease of low value assets. The entity recognises the lease payments associated with lease an expense on a straight-line basis of the lease term.

The entity recognises a lease liability at the date of initial application for leases previously classified as an operating lease applying IAS 17. The lessee measures that lease liability at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application.

The entity recognises a right-of-use asset at the date of initial application for leases previously classified as an operating lease applying IAS 17. The lessee chooses, on a lease-by-lease basis, to measure that right-of-use asset an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.

The entity elects apply for leases of which the lease term ends within 12 months of the date of initial application. In this case, a lessee shall:

- (i) account for those leases in the same way as short-term leases.

1.11 Cash and Cash Equivalents

Cash and cash equivalents comprise balances with local banks and cash on hand. Cash equivalents are short-term highly liquid investments 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.

1.12 Financial Instruments

A financial asset is defined as any asset that is:

- cash;
- a contractual right;
- to receive cash or another financial asset from another entity; and
- to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is defined as any liability that is:

- a contractual obligation;
- to deliver cash or another financial asset to another entity; and
- to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity.

Classification and measurement

Measurement at initial recognition

The financial assets and liabilities are initially measured at fair value, adjusted to transaction costs.

Financial assets: subsequent measurement

Financial assets are classified and measured at amortised cost when the business model is to hold assets in order to collect contractual cash flows and when they give rise to cash flows that are solely payments of principal and interest on the principal outstanding on specific date.

Financial liabilities: subsequent measurement

Financial liabilities are classified at amortised cost and are also measured at amortised cost.

Derecognition of financial assets and liabilities

An entity shall derecognise a financial asset when, and only when:

- (a) the contractual rights to the cash flows from the financial asset expire, or
- (b) it transfers the financial asset and the transfer qualifies for derecognition.

An entity transfers a financial asset if, and only if, it either:

- (a) transfers the contractual rights to receive the cash flows of the financial asset, or
- (b) retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement that meets the conditions as follows:

When an entity retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), the entity treats the transaction as a transfer of a financial asset if, and only if, all of the following three conditions are met:

- (a) The entity has no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset.
- (b) The entity is prohibited by the terms of the transfer contract from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows.
- (c) The entity has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the entity is not entitled to reinvest such cash flows, except for cash or cash equivalents during the short settlement period from the collection

date to the date of required remittance to the eventual recipients, and interest earned on such investments is passed to the eventual recipients.

When an entity transfers a financial asset, it shall evaluate the extent to which it retains the risks and rewards of ownership of the financial asset. In this case:

- (a) If the entity transfers substantially all the risks and rewards of ownership of the financial asset, the entity shall derecognise the financial asset and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer.
- (b) If the entity retains substantially all the risks and rewards of ownership of the financial asset, the entity shall continue to recognise the financial asset.
- (c) If the entity neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the entity shall determine whether it has retained control of the financial asset.

In this case:

- (i) if the entity has not retained control, it shall derecognise the financial asset and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer.
- (ii) if the entity has retained control, it shall continue to recognise the financial asset to the extent of its continuing involvement in the financial asset.

An entity shall remove a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires.

Reclassification of financial assets and liabilities

Reclassification of financial assets is required when an entity changes its business model for managing the assets. In such cases, the entity is required to reclassify all affected financial assets. Reclassifications of financial assets are accounted for prospectively.

MKI has not changed this business model of managing the assets.

Financial liabilities are prohibited from reclassification.

Modification of contractual cashflows

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset in accordance with this Standard, an entity shall recalculate the gross carrying amount of the financial asset and shall recognise a *modification gain or loss* in profit or loss. The gross carrying amount of the financial asset shall be recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets) or, when applicable, the revised effective interest rate calculated.

In some circumstances, the renegotiation or modification of the contractual cash flows of a financial asset can lead to the derecognition of the existing financial asset in accordance with this Standard. When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of the modified financial asset, the modified asset is considered a 'new' financial asset for the purposes of this Standard. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset. This typically means measuring the loss allowance at an amount equal to 12-month expected credit losses until the requirements for the recognition of lifetime expected credit losses are met.

Write-off

An entity shall directly reduce the gross carrying amount of a financial asset when the entity has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. A write-off

constitutes a derecognition event.

Gains and losses

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in profit or loss when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impact to MKI

IFRS 9 was adopted effective on 01 April 2018 and introduced the expected credit loss model for recognising a loss allowance on the trade and other receivables. MKI applies the IFRS 9 simplified approach in measuring expected credit losses for its trade receivables, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due from the date of invoice to the date of payment. Government grants are perceived to have similar low credit risk profiles and are therefore assessed as a collective when calculating the expected loss rate. A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. MKI recognises a loss allowance for expected credit losses on financial assets, most notably, trade and other receivables. The amount of expected credit losses is updated at each reporting date. The company measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from possible default events over the expected life of the receivable.

Impairment

Expected credit losses

Expected credit losses are calculated by: (a) identifying scenarios in which a loan or receivable defaults; (b) estimating the cash shortfall that would be incurred in each scenario if a default were to happen; (c) multiplying that loss by the probability of the default happening; and (d) summing the results of all such possible default events. Because every loan and receivable has at least some probability of defaulting in the future, every loan or receivable has an expected credit loss associated with it from the moment of its origination or acquisition

Recognition and measurement of expected credit losses

MKI makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date. The customer (Government entities) base is not widespread; with a shared credit risk characteristic. The loss allowance is therefore calculated on a collective basis for all trade and other receivables. An impairment gains or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through the use of a loss allowance. The impairment loss is included in operating expenses in profit or loss as a movement in the loss allowance.

Transition

An entity applies the Standard retrospectively, in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, except as specified:

Financial instruments that were derecognised before the date of initial application.

Trade and other receivables

Trade receivables are initially recognised at fair value and, are subsequently measured at amortised cost using the effective interest rate method. Loss allowances are estimated using the expected credit loss model and are reassessed at each reporting date with changes being recognised in profit

or loss.

Trade and other receivables are classified as financial assets at amortised cost.

Trade payables

Trade payables are initially measured at fair value and, are subsequently measured at amortised cost.

Offsetting

Financial assets and financial liabilities are only offset if there is a legal right to offset and there is an intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial risk management

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

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

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

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

1.13 Taxation

The Institute is a public benefit organisation as described by the section 30 of the Income Tax Act No. 58 of 1962 which was formed and incorporated under section 21 of the Companies Act, 1973 (Act No.71 of 2008). The Institute operates on funds derived from government grants. The Institute's receipts and accruals are therefore exempt from income tax in terms of section 10(1) (cN) of the Income Tax Act No. 58 of 1962.

1.14 Related Parties

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

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

Related parties are disclosed in terms of IAS 24.

1.15 Prior Year Comparative

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are also reclassified and restated. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, 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.

1.16 Events after Reporting Date

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

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

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

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

1.17 Foreign Exchange Rate

A foreign currency transaction should be recorded initially at the rate of exchange at the date of the transaction.

At each subsequent balance sheet date:

- Foreign currency monetary amounts should be reported using the closing rate.
- Non-monetary items carried at historical cost should be reported using the exchange rate at the date of transaction.

Exchange differences arising when items are settled or when monetary items are translated at a different rate from those at which they were translated when initially recognised or in previous financial statements are reported in the profit or loss in the period.

2020 **2019**
R'000 **R'000**

2 Cash and Cash Equivalents

Cash and cash equivalents consist of the following:

Cash at bank	12,683	13,706
Call deposits	54,562	8,883
Total cash and cash equivalents	67,245	22,589

The Institute has the following bank accounts:

Current account:

First National Bank, Hillcrest, Account Number 6220 790 1176

Cash book balance at beginning of the year	13,375	11,473
Cash book balance at end of the year	5,222	13,375
Bank statement balance at beginning of the year	13,375	11,473
Bank statement balance at end of the year	5,222	13,375

Deposits on call (Money Market):

First National Bank, Hillcrest, Account Number 6220 790 5194

Cash book balance at beginning of the year	96	8,771
Cash book balance at end of the year	201	96
Bank statement balance at beginning of the year	96	8,771
Bank statement balance at end of the year	201	96

Investment account (7-day interest plus):

First National Bank, Hillcrest, Account Number 7432 271 5374

Cash book balance at beginning of the year	8,787	2,683
Cash book balance at end of the year	54,361	8,787
Bank statement balance at beginning of the year	8,787	2,683
Bank statement balance at end of the year	54,361	8,787

FNB Corporate Cheque Acc:

First National Bank, Hillcrest, Account Number 6260 663 7447

Cash book balance at beginning of the year	171	172
Cash book balance at end of the year	7,300	171
Bank statement balance at beginning of the year	171	172

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Bank statement balance at end of the year	7,300	171
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FNB TETA Corporate Cheque Acc:

First National Bank, Hillcrest, Account Number 6245 477 8435

	2020	2019
Cash book balance at beginning of the year	160	118
Cash book balance at end of the year	161	160
Bank statement balance at beginning of the year	160	118
Bank statement balance at end of the year	161	160

Cash on hand

Total cash and cash equivalents	67,245	22,589
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3 Trade and Other Receivables R'000 R'000

Deposits	13	93
Prepayments	0	67
Trade receivables	0	277
Other receivables	188	3
Accrued Interest earned	7	78
Trade and other receivables	208	518
Trade receivables reconciliation		
Trade receivables	0	277
Less: Loss allowance	0	0
Carrying value of trade receivables	0	277

Based on the historical data, MKI's definition of default is longer than 1 year from the date of invoicing/transaction to the date of payment.

At 31 March 2019 and 31 March 2020, MKI did not consider there to be any significant concentration of credit risk, as MKI have received all payments for the services rendered historically. MKI had a zero-default rate and there was no loss allowance raised for the financial year ending 31 March 2019 and 31 March 2020.

4 VAT Receivable R'000 R'000

VAT Receivables	292	948
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5 Property, Plant and Equipment

Reconciliation of Carrying Value

	2020			2019		
	Cost	Accumulated Depreciation & Impairment	Carrying Value	Cost	Accumulated Depreciation & Impairment	Carrying Value
	R'000	R'000	R'000	R'000	R'000	R'000
Office buildings	4,350	(1,060)	3,290	4,350	(952)	3,398
Vehicles	931	(325)	606	187	(180)	7
Furniture & fittings	1,714	(689)	1,025	1,259	(584)	675
Office equipment	766	(165)	601	129	(64)	65
Computer equipment	1,649	(499)	1,150	590	(397)	193
Right-of-use (Dube Trade Port lease)	5,551	(158)	5,393	0	(0)	0
Right-of-use (Windsor lease)	1,133	(1,038)	95	0	(0)	0
Right-of-use (Apex Printers)	150	(55)	95	0	(0)	0
Boats Motors	848	(170)	678	0	(0)	0
Diving equipment	2,821	(148)	2,673	0	(0)	0
Trailers	50	(4)	46	0	(0)	0
Workshop equipment	299	(33)	266	0	(0)	0
Springfield Property	984	(492)	492	0	(0)	0
Total	21,246	(4,836)	16,410	6,515	(2,177)	4,338

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Reconciliation of Property, Plant and Equipment –
5.1 2020

	Carrying Value Opening Balance	Additions	Disposals	Transfers	Depreciation	Impairment/ Modification	Revaluation	Correction of Error	Carrying Value Closing Balance
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Office buildings	3,398	0	0	0	(108)	0	0	0	3,290
Vehicles	7	744	0	0	(153)	0	0	8	606
Furniture & fittings	675	522	(15)	0	(159)	0	0	2	1,025
Office equipment	65	677	(1)	0	(140)	0	0	0	601
Computer equipment	193	1,301	(80)	0	(266)	0	0	2	1,150
Right-of-use (Dube Trade Port lease)	0	5,551	0	0	(158)	0	0	0	5,393
Right-of-use (Windsor lease)	0	1,133	0	0	(758)	(280)	0	0	95
Right-of-use (Apex Printers)	0	150	0	0	(55)	0	0	0	95
Boats Motors	0	848	0	0	(170)	0	0	0	678
Diving equipment	0	2,821	0	0	(148)	0	0	0	2,673
Trailers	0	50	0	0	(4)	0	0	0	46
Workshop equipment	0	299	0	0	(33)	0	0	0	266
Springfield Property	0	984	0	0	(492)	0	0	0	492
Total	4,338	15,080	(96)	0	(2,644)	(280)	0	12	16,410

Reconciliation of Property, Plant and Equipment –
5.2 2019

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	Carrying Value Opening Balance	Additions	Disposals	Transfers	Depreciation	Impairment	Revaluation	Prior Year Errors	Carrying Value Closing Balance
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Office buildings	3,507	0	0	0	(109)	0	0	0	3,398
Vehicles	10	0	0	0	(7)	0	0	4	7
Furniture & fittings	820	3	(23)	0	(124)	0	0	(1)	675
Office equipment	37	39	0	0	(12)	0	0	1	65
Computer equipment	195	128	(1)	0	(129)	0	0	0	193
Total	4,569	170	(24)	0	(381)	0	0	4	4,338

6. Intangible Assets

Reconciliation of Carrying Value

	2020			2019		
	Cost	Accumulated Amortisation & Impairment	Carrying Value	Cost	Accumulated Amortisation & Impairment	Carrying Value
	R'000	R'000	R'000	R'000	R'000	R'000
Computer Software	264	(211)	53	264	(210)	54
Total	264	(211)	53	264	(210)	54

6.1 Reconciliation of Intangible Assets – 2020

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	Carrying Value Opening Balance	Additions	Disposals	Transfers	Amortisation	Impairment	Revaluation	Prior Year Errors	Carrying Value Closing Balance
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Computer Software	54	0	0	0	(18)	0	0	17	53
Total	54	0	0	0	(18)	0	0	17	53

6.2 Reconciliation of Intangible Assets – 2019

	Carrying Value Opening Balance	Additions	Disposals	Transfers	Amortisation	Impairment	Revaluation	Prior Year Errors	Carrying Value Closing Balance
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Computer Software	146	12	0	0	(104)	0	0	0	54
Total	146	12	0	0	(104)	0	0	0	54

7 Trade and Other Payables

2020 2019

Trade creditors	2,528	1,393
Other payables and accruals	878	977
Leave pay accrual	1,224	439
Total Trade and Other Payables	4,630	2,809

Other payables and accruals are made up of outstanding expenses at year end and paid after year end.

Leave pay accrual is made up of employees unutilised leave at year end.

8 Current Provisions

8.1 Reconciliation of Movement in

Current Provisions – 2020

	Bonus Provision	Bursary & Research Provisions	Audit Fee Provisions	Total
	R'000	R'000	R'000	R'000
Opening balance		4,428	447	5,486
611				
Amounts utilised for the year (983)		(4,428)	(359)	(5,770)
Amount raised for the year 1,975		25,648	550	28,173
Closing balance	1,603	25,648	638	27,889

8.2 Reconciliation of Movement in Current Provisions – 2019

	Bonus Provisions	Bursary & Research Provisions	Audit Fee Provisions	Total
	R'000	R'000	R'000	R'000
Opening balance				
225		0	486	711
Amounts utilised for the year (514)		0	(473)	(987)
Amount raised for the year 900		4,428	434	5,762
Closing balance	611	4,428	447	5,486

Bonus provision

The bonus provision relates to bonus payable to employees on their birthday month.

Audit fee provision

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Audit fee provision relates to an estimated of audit fees for the 2019/2020 financial year, payable on 31 July 2020 upon completion of the audit.

Bursary and research provision

Bursary provisions related to constructed obligations due to mandate of MKI to fund students until completion of their studies.

9	Deferred Income	R'000	R'000
	Arising from government assets	5,411	0
	Less: Current portion transferred	0	0
	Current unspent conditional grants and receipts	5,411	0

The deferred income arises because of assets and funds received from government and funders to the Institute. The deferred revenue is released to the statement of comprehensive income as an amortisation of the liability.

Sharks Board maritime assets

The entity inherited assets from the Sharks Board Maritime division during 2019/20 financial year. The assets are accounted for at fair value as per IAS 20.

		2020 R'000	2019 R'000
10	Government Grants and Subsidies		
	Revenue		
	Other government grants and subsidies		
	EDTEA	87,908	55,776
	External funding		
	LG SETA	734	0
	TETA	0	359
	Total government grants and subsidies	88,642	56,135

11	Public Contributions and Sponsorships		
	Public contributions and Sponsorships	0	190
	Total public contributions and sponsorships	0	190

12	Other Income		
	Other income		
	Deferred income realised income	1173	13
	Sundry income	724	1,981
	Staff recoveries	4	11

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Gains on lease modification	43	0
Total other income	1,944	2,005

13 Employee-related Costs

Employee-related costs - salaries and wages	12,005	3,562
Employee-related costs - contribution for UIF, pensions and medical aid	741	781
Travel, motor car, accommodation, subsistence and other allowances	494	849
Training	1,012	180
Guaranteed bonuses	3,040	804
Other employee related costs	16	19
Total employee-related costs	17,308	6,195

2020
R'000

2019
R'000

Remuneration of the Chief Executive Officer

Annual remuneration	699	676
Performance and other bonuses	97	0
Travel, motor car, accommodation, subsistence and other allowances	520	462
Contribution for UIF, Pensions and medical aid	138	68
Government assistance services	0	558
	1,454	1,764

Remuneration of the Acting Chief Executive Officer

Annual remuneration	1,091	1,069
Performance and other bonuses	87	92
Travel, motor car, accommodation, subsistence and other allowances	280	115
Contribution for UIF, pensions and medical aid	203	94
	1,661	1,370

Remuneration of the Executive Manager: Corporate Services

Annual remuneration	1,060	0
Performance and other bonuses	107	0
Travel, motor car, accommodation, subsistence and other allowances	35	0
Contribution for UIF, pensions and medical aid	208	0
	1,410	0

Remuneration of the Head of Research and Skills Developments

Annual remuneration	1,138	365
Travel, motor car, accommodation, subsistence and other allowances	61	11
Contribution for UIF, pensions and medical aid	225	35
	1,424	411

14 Directors' Emoluments		
Executive Directors		
Salaries	5,949	3,658
Non-executive Directors		
Directors' emoluments	1,499	1,993
External independent Directors	39	50
	1,538	2,043
Directors' other expenses	120	134
Directors' emoluments and other expenses	1,658	2,177
Total directors' emoluments	7,607	5,835

Refer to Appendix A for a breakdown of Directors' emoluments

15 Depreciation and Amortisation Expense	2020	2019
Property, plant, and equipment	2,644	381
Intangible assets	18	104
Total depreciation and amortisation	2,662	485

16 Auditors' Remuneration

External auditors	550	361
Total auditors' remuneration	550	361

17 Administration Expenses

Bank charges	38	24
Electricity	87	53
Insurance	106	130
Interest and penalties	37	4
Rental of office equipment	119	542
Other rentals	345	165
Printing and stationery	104	72
Security services	177	25
Office expenses and consumables	459	123
Communications	468	290
Office restructuring	0	41
Total administration expenses	1,940	1,469

18 Operating Expenses

Cleaning	71	7
Marketing and advertising	1,910	2,185

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Repairs and maintenance	65	0
Event expenses	35	0
Equipment hire	22	0
Staff workshop	30	0
Consulting and professional services	3,081	3,787
Internal auditors	0	264
Facilities	183	174
Meals and refreshments	627	75
Travel and subsistence	3,046	200
Loss on disposal of assets	96	24
Motor vehicle expenses	197	38
Total operating expenses	9,363	6,754

2020	2019
R'000	R'000

19 Bursary Expenses

19.1.1 Sector skills development

Learner materials	0	2,600
Learner tuition	31	3,805
Total sector skills development	31	6,405

19.1.2 Graduate development

Learner tuition	27,597	27,621
Learner materials	162	1,275
Learner living allowance	119	4,500
Total graduate development	27,878	33,396
Total bursary expenses	27,909	39,801

20 Research Expenses

Research development expenses	1,907	5,662
Total sector research development	1,907	5,662

21 Learner Support Expenses

Data collector fees	151	0
Learner stipend allowance	21	684
Learner training expenses	144	0
Total learner support expenses	316	684

22 Donations

Donations	1,666	0
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Total Donation support expenses	1,666	0
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23 Revenue

Bank and deposit interest	1,949	1,383
Total	1,949	1,383

24 Finance costs

Interest on leases	(180)	0
Interest on fair value	(98)	0
Total	(278)	0

25 Cash Flows from Operating Activities	2020	2019
	R'000	R'000

Cash flows from operating activities

Profit/(Loss)	21,029	(7,533)
Adjustments for –		
Loss on sale of tangible assets	96	24
Movement in provision	22,403	4,775
Depreciation and amortisation	2,662	485
Interest Income	(1,949)	(1,383)
Interest on fair value	98	0
Gains from modification of lease liability	(324)	0
Deferred income	(1,173)	(13)
Changes in cash from generated activities	42,842	(3645)
Interest paid	(180)	(0)
Interest Income	1,949	1,383
Operating surplus before working capital	44,611	(2,262)
(Increase)/decrease in trade and other receivables	310	672
(Increase)/decrease in Vat receivable	656	(633)
Increase/(decrease) in operating lease	(0)	(69)
Increase/(decrease) in trade and other payables	1,821	1,846
Net cash flows from operating activities	47,398	(446)

26 Retirement Benefit Information

Defined contribution plan

The Institute contributes to the Momentum Pension Fund for all full-time staff eligible and whose membership is also compulsory. The fund is a defined contribution plan. The Institute contributes 7.5% of the pensionable remuneration. The employees also contribute 7.5% of their pensionable remuneration. The pension fund obligations are paid when due and are terminated when the employee's employment with the Institute is terminated.

27 Risk Management

Maximum Credit Risk Exposure

The Institute's financial instruments consist primarily of deposits with banks, trade accounts receivable and payable. To manage the credit risk that the Institute is exposed to as a result of holding these classes of financial assets, the following steps are generally taken:

- The entity only deposits cash with major banks with high quality credit standing
- The entity limits exposure to any one counter-party.

Allowance for impairment

MKI establishes a loss allowance for impairment that represents its estimate of expected credit losses in respect of trade and other receivables taking into account historic data, current impairment indicators, history of non-payment and an estimate of applicable forward-looking information.

IFRS 9 was adopted effective 01 April 2018 and introduced the expected credit loss model for recognising a loss allowance on the MKI trade and other receivables. MKI applies the IFRS 9 simplified approach in measuring expected credit losses for its trade receivables, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

Government grants have a similar low credit risk. The historical loss rate is calculated on the payment profile of services rendered over the past year whilst looking at the credit losses experienced over the previous two years where MKI have provided such services for reasonability.

Based on the historical data, MKI's definition of default is longer than one year from the date of invoicing or transaction to the date of payment. Trade and other receivables are impaired when there is no reasonable expectation of recovery. Indicators that there are no reasonable expectation of recovery includes, uneconomical to collect, the debtor is untraceable.

At 31 March 2020 and 31 March 2019, MKI did not consider there to be any significant concentration of credit risk, as MKI have received all payments for the services rendered historically. MKI had a zero-default rate and there is no loss allowance raised for the financial year ending 31 March 2020 and 31 March 2019. There is no loss allowance raised from receivables already derecognised before date of initial application.

Financial instruments are carried at amortised cost.

27.1 Financial Assets carried at Amortised Cost

The financial assets carried at amortised cost expose the entity to credit risk. The value of the maximum exposure to credit risk are as follows for each of classes of financial assets at amortised cost:

	2020	2019
	R'000	R'000
Cash and cash equivalents	67,245	22,589
Trade and other receivables	208	518

27.2 Financial Liabilities at Amortised Cost

The financial liabilities carried at amortised cost expose the entity to credit risk. The value of the maximum exposure to credit risk are as follows for each of classes of financial liability at amortised cost:

	R'000	R'000
Trade and other payables	4,630	2,809

27.3 Foreign Currency Risk Management

Although the entity's funds that are placed with this financial institution may be subject to currency risk does not affect cash flows of the entity as majority of our liabilities are Rand denominated.

There is no foreign currency denominated monetary assets and liabilities as at the reporting date.

27.4 Liquidity risk

The entity's exposure to liquidity risk is very minimal as it is funded by the Department of Economic Development, Tourism and Environmental Affairs (EDTEA). The annual budgets are approved at the beginning of each fiscal year and draw downs are requested at the beginning of each quarter. Cash flows are monitored monthly against budgets and adjustments are made where necessary. Risk management assessments are conducted bi-annually to assist with identifying any possible cash flows, liquidity or other risks.

R'000

2020

	Not later than one month	Later than one month and not later than three months	Later than three months and not later than one year	Later than one year and not later than five years
Trade and other payables		-	4,630	

2019

	Not later than one month	Later than one month and not later than three months	Later than three months and not later than one year	Later than one year and not later than five years
Trade and other payables	2,370	-	439	

27.5 Interest Rate Risk

Although the entity's funds are subject to interest rate risk, these funds are placed with reputable financial institutions. The entity does not hedge any of its funds but monitors the fluctuations in interest rates and obtains advice from bank officials on a regular basis. Although the Rand has fluctuated in the recent months, the risks arising out of the decline in the Rand have not been passed onto entity.

27.6 Credit Risk Management

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The entity does not have huge debtors' book, as a result, its exposure to credit risk is minimal. The items indicated under trade and other receivables refer to external funding, prior years and sponsorship donations in the current year. The cash and cash equivalent are deposits which are placed with highly reputable financial institutions. The deposits comprise of grants received from the Department of Economic Development, Tourism and Environmental Affairs (EDTEA) and these grants are deposited as draw downs. The entity limits its exposure by dealing with well-established financial institutions.

28 Related Party Transactions

The following related party transaction was incurred during the period under review:

- Department of Economic Development, Tourism and Environmental Affairs
- Dube Trade Port
- Sharks Board

Transactions with related parties are conducted on an arm's length basis and on the same payment terms as those transacted with third parties. None of the balances are secured. The Institute therefore has a related party relationship with its sole shareholder. Also, in addition, the Department of Economic Development, Tourism and Environmental Affairs has seconded Mr Ranveer Persad as the Acting Chief Executive Officer prior year and 5 months prior year and MKI has seconded the CEO of MKI to the Department as an acting HOD.

The transactions with Directors are included in note 13 and 14.

28.1 Transactions with related parties

2020
R'000

2019
R'000

The following transactions were carried out by the Institute with related parties:

Department Grant

Grant funding received - EDTEA	87,568	55,131
Government assistance - EDTEA	0	558
Acting allowance Recoveries - EDTEA	340	87
	87,908	55,776

The following outstanding balance were carried out by the Institute with related parties:

Acting allowance recoveries	0	87
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Dube Trade Port

MKI entered into a lease agreement with Dube Trade Port for a lease for a period of over three years.

Expenses for the year

Dube Trade Port – premises rental	R'000	R'000
	(142)	0
Total	(142)	0

Sharks Board

Assets were transferred to MKI from Sharks Board during the 2020 financial year as part of the transfer of the MCOE business unit. The assets were transferred at no consideration and MKI has a right of use to Springfield. The assets have been fair valued and

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disclosed by MKI. Sharks board and MKI are members of the EDTEA.

Sharks Board	2020	2019
Inherited Assets at fair value	5,501	0
Springfield Property at fair value	984	0
Total	6,485	0
Expenses		
Service expenses	343	0

29 Change in Estimate

MKI has reassessed the useful life of property, plant and equipment which resulted in certain following assets categories remaining useful lives to change on average. The effect of the change in accounting estimate has resulted in the decrease in depreciation. The effect on future periods could not reasonably be determined.

Assets Categories	Initial Useful Life	Revised Useful Life	Increase/(Decrease) In Depreciation R'000
Computer Equipment	3 years	7 years	(12)
Motor Vehicle	5 years	8 years	(1)
Computer Software	3 years	6 years	(14)
Furniture & Fittings	10 years	11 years	(1)
Total			(28)

30 Contingent Liabilities

Legal proceedings

The entity is involved in a number of legal proceedings and has a contingent liability of disputed claims (in litigation) amounting to R9,253,698 for the year under review. Litigations are civil and contractual in nature.

Of the above, the entity has counter claims, (in litigation) amounting to R1,828,722 for the year under review.

We humbly submit that the merits of the cases should not be disclosed at the matters are pending before the courts.

31 Significant change in accounting policy

31.1 Leases

Right of use assets

	Apex Printers	Windsor	Dube Port	Total
Balance at inception	0	0	0	0
Additions	150	1,133	5,551	6,834
Depreciation	(55)	(758)	(158)	(971)
Contract modification	0	(280)	0	(280)

Balance at 31 March 2020	95	95	5,393	5,583
Right of use - lease liability				
Contractual undiscounted cash flows				
Lease than one year	72	43	1,722	1,837
Two to five years	23	0	3,207	3,230
More than five years	0	0	0	0
Total	95	43	4,929	5,067

Lease liability included in the financial statements at 31 March 2020

R'000

	Apex Printers	Windsor	Dube Port	Total
Balance at inception	0	0	0	0
Additions	150	1,048	5,013	6,211
Interest for the year	15	107	58	180
Lease modification	(0)	(324)	0	(324)
Payment for the year	(70)	(630)	(142)	(842)
Lease contract modification payment	0	(158)	0	(158)
Total	95	43	4,929	5,067
Current	72	43	1,722	1,837
Non – current	23	0	3,207	3,230
Total	95	43	4,929	5,067

Amounts recognised in profit and loss

Interest on lease liabilities		(180)	(180)
Gains on modification of lease liability		(324)	(324)
Expenses relating to short term lease		(177)	(177)

Amount recognised in the statement of cashflow

Cashflow for lease		6,400	6,400
Capital portion payment		(820)	(820)
Finance cost		(180)	(180)

31.2 Inherited Assets

Description

Non-recurring fair value measurement

	Quoted price in active market Level 1	Significant other observable inputs Level 2	Significant other unobservable inputs Level 3
Office equipment	190	0	0
Furniture and fittings	396	0	0
Computer equipment	153	0	0
Diving equipment	2,821	0	0
Boats	848	0	0
Trailers	50	0	0
Motor vehicles	744	0	0
Workshop equipment	299	0	0
Springfield property	984	0	0

TOTAL	6,485	0	0
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The assets are measured at fair value as determined by an unadjusted quoted price in an active market for identified assets Level 1 on similar assets.

The fair value measurement is a result of inherited assets from a sister entity, Sharks Board. The assets are measured at fair value in terms of IAS 20 government grants.

No gains and losses have been recognised in the statement of comprehensive income as the entity recognised the assets at fair value using IAS 20 and the measurement of fair value is not non-recurring in terms of IFRS 13 permitting the measurement in line with IAS 20.

32 Events after the Reporting Date

Subsequent to year end, the full impact of the novel coronavirus (COVID-19) was unleashed globally. In South Africa, with effect from midnight on 26 March 2020, President Cyril Ramaphosa initiated a nation-wide lockdown for a period of 21 days, which was later extended to 30 April 2020. Certain sectors of the economy are being returned in a phased manner from 01 May 2020.

The entity considers this to be a non-adjusting post balance sheet event and accordingly the financial effects of COVID-19 have not been reflected in the entity financial statements at 31 March 2020.

As the situation continues to evolve with changes in government regulations and evolving business and consumer reactions thereto, as at the date these financial statements, the directors of the entity considered that the financial effects of COVID-19 on the financial statements cannot be reasonably estimated for future financial periods.

There is still no clarity on the duration and manner in which the national lockdown will be lifted. It is difficult to determine the impact that this will have on the already weakened service delivery environment thereafter.

The entity has performed a going concern review and assessed its liquidity and solvency position. The entity has secured funding for the 2020/21 financial year and projected funding for the three years through Provincial Treasury and there have been no changes noted by the entity. Under these conditions, the entity is comfortable that it will be able to continue as a going concern for the foreseeable future.

33 Income Tax

The Institute operates on funds derived from government grants. The Institute's receipts and accruals are therefore exempt from income tax in terms of section 10(1) (cN) of the Income Tax Act No. 58 of 1962.

34 Going Concern

The Institute will be a going concern in the years ahead and as such, it adopts the going concern basis in preparing the annual financial statements. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments that will occur is dependent on a number of factors. The most significant of these is that the Board continues to procure funding from the KwaZulu-Natal Department of Economic Development, Tourism and Environmental Affairs and has secured funding for the 2020/21 financial year and projected funding for the next three years.

Nothing has come to the attention of the Directors to indicate that the Institute will not remain a going concern.

35 Correction of an Error

The nature of error:	2020	2019
Accumulated depreciation		
Accumulated depreciation	30	4
Net effect on Statement of change in equity	<u>30</u>	<u>4</u>
Operating lease		
Operating lease liability	8	0
Net effect on Statement of change in equity	<u>8</u>	<u>0</u>

Prior year expenses have been restated, refer to Reclassification Note 36.

36 Reclassification

Due to errors in presentation and disclosure in prior year annual financial statements, expenses have been disclosed according to their function and not their nature in accordance with IAS 1, the error has been corrected in the current year.

The reclassification has no financial effect on the financial statements, it is purely a presentation and disclosure adjustment.

This results in enhanced transparency of expense items disclosed in the statement of profit, loss and other comprehensive income and notes to the financial statement.

The figures below depict the presentation, disclosure effect of the reclassification adjustment.

Income Statement	2019
	R'000
Employee-related costs	9,853
Less: Reallocated to Directors' emoluments	(3,658)
Employee Related Costs	6,195
Directors' emoluments	2,177
Add: Reallocated from employee-related costs	3,658
Directors' Emoluments	5,835
Administration expenses	3,374
Less: Reallocated to operating expenses	(1,905)
Administration Expenses	1,469
Operating expenses	4,849
Add: Reallocated from administration expenses	1,905
Operating Expenses	6,754
Skills Development & STEM expenses	46,147
Less: Reallocated to bursary expenses	(39,801)
Less: Reallocated to research expenses	(5,662)
Less: Reallocated to learner support expenses	(684)
Skills Development & STEM Expenses	0
Bursary expenses	0

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Add: Reallocated from skills development & STEM expenses	39,801
Bursary Expenses	39,801
Research expenses	0
Add: Reallocated from skills development & STEM expenses	5,662
Learner support expenses	0
Add: Reallocated from skills development & STEM expenses	684
Learner Support Expenses	684

E Details of Director's Emoluments
R The supplementary Information

	2020				2019
	R'000				R'000
	Salaries	Bonuses	Other	Total	
Executive Directors	3,988	291	1,670	5,949	3,545
Mr R. Persad (ACEO)	0	0	0	0	558
Dr S. Buthelezi (Executive: R&D)	1,138	0	286	1,424	411
Mr S. Sibande (CEO)	699	97	658	1,454	1,206
Adv. T. Mapipa (Executive: Corporate)	1,060	107	243	1,410	0
Ms T. P. Ellenson (ACEO)	1,091	87	483	1,661	1,370
Non-Executive Directors	1,538	0	0	1,538	2,089
Prof M. S. Maharaj	222	0	0	222	310
Dr I. Z. Machi	202	0	0	202	281
Dr S. G. Ngcobo (Chairman)	399	0	0	399	661
Dr E. V. Nzama	0	0	0	0	0
Ms M. P. Myeni	414	0	0	414	497
MR S. Naidoo	39	0	0	39	53
Mrs S. B. Khomo (CA) SA	262	0	0	262	285
Mr B. H. Gutshwa	0	0	0	0	2

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