Moses Kotane Institute

Research · Innovation · Excellence

ANNUAL REPORT

2020/21

FOREWORD
MEMBER OF THE EXECUTIVE COUNCIL

MR R. R. PILLAY, MPL.

As the Member of Executive Council (MEC) for the Department of Economic Development, Tourism and Environmental Affairs (EDTEA), I am proud of the achievements by the Moses Kotane Institute (MKI). The Moses Kotane Institute has long been identified as a key strategic partner in the province; tasked with conducting research and to strategically lead on innovation, maritime coordination and implementation of activities to respond to the needs of the provincial economy.

The research conducted by the Moses Kotane Institute plays a critical role in assisting the Department of Economic Development, Tourism and Environmental Affairs (EDTEA) in the realisation of its mission which is the attainment of a radically transformed, inclusive and sustainable economy in the province. The year 2020/21 has been marred by global economic activity deceleration, with continued weakness in global trade and investment, high debt and deteriorating credit quality. The situation was further exacerbated by the coronavirus outbreak. Government entities were all required to immediately respond to the dire circumstances caused by the outbreak of COVID-19.

Over the past years, the institute assisted by providing financial support and coordinating various capacity development programmes with an intention of encouraging the culture of entrepreneurship and to ignite economic activity amongst the citizens. This year under review was no different. Although the Institute, like many other government entities, suffered severe budget cuts it still managed to deliver through online capacity development, incubation and accelerator Programmes. The South African government's current efforts have all shifted into prioritizing the digital transformation of every sector, to ensure an inclusive information society and knowledge economy that is based on the needs of the citizens, business, and the public sector.

The KZN Digital Transformation Strategy seeks to accelerate and guide a common, coordinated response to reap the benefits of the current digital revolution. In line with this government priority the Institute continued to establish 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 so that communities in these areas can learn skills to digitise their businesses to function at a global level and also prepare them for 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.

Cannabis remains a key sector for economic growth, and as such the Institute has continued to pave the way for the industrialisation and commercialisation of cannabis to boost the economy in the province. MKI has been tasked with ensuring that the cannabis industry is formalised by building capacity and providing support to emerging/subsistence farmers and entrepreneurs through extensive training programmes. Support included the development of the new cannabis sites, licencing and cannabis specific training in cultivation and South African Health Products Regulatory Authority (SAHPRA) Legal Compliance.

I wish to thank all our strategic partners, the Board of Directors and the Chief Executive, senior executives, officials and all stakeholders who worked tirelessly during the financial year and ensured that the Institute maintained its history of clean audits.

MEC: KwaZulu-Natal Department of Economic Development, Tourism and Environmental Affair

FOREWORD
CHAIRPERSON OF THE BOARD

DR SAKHILE NGCOBO

The last year has been unprecedented to say the least. This is true for all countries, companies and industries – the COVID-19 pandemic has impacted all of us both personally and financially. In the face of the tying circumstances presented by the pandemic, I am pleased to present the Moses Kotane Institute Annual Report 2020/21.

After a promising start with positive performance in the first weeks of the year, our full attention turned to the persistent spread of the COVID-19 pandemic and its impact on the province and its economy. The Board of Directors worked closely with the Executive managers to define and implement measures to protect the business and strengthen the company's resilience while implementing the mandate and promoting good governance.

Throughout 2020, the Institute responded to the economic impacts and operational setbacks from COVID-19 with strong governance and oversight. The Board approved difficult but necessary financial decisions to maintain operations, preserve jobs and lives. Measures such as investing in tools and products that allowed for seamless and conducive remote working conditions for all employees. The Institute made tactical adjustments as needed, such as migrating to digital platforms for service delivery, but the core elements of our business strategy remained essentially unchanged in 2020.

For this reason, on behalf of the MKI Executive Board team I would like to express my sincere gratitude to our stakeholders and partners for continuing to place their trust in us and enabling our successful collaborations. At the same time, I would also like to thank our employees for their exceptional and unwavering commitment, and the tremendous flexibility they have shown during this tumultuous period.

Dr Sakhile Ngcobo
Moses Kotane Institute

STATEMENT FROM THE CHIEF EXECUTIVE OFFICER

DR THANDEKA ELLENSON

The Moses Kotane Institute (MKI) focused on research, advisory role and capacity building. It achieved its targets set out in the beginning of the financial year despite COVID19, and this was achieved through revising the implementation strategy and opting to deliver services digitally to meet the lockdown regulations whilst mitigating the risks that would have been brought by the pandemic in operations. MKI prides itself with collecting primary data, and this area was affected the most by the pandemic, so there was a halt in physical collection of primary data, and we opted for digital primary data collection, and we were able to deliver to our clients. In addition, we have offered the bursaries for research to the KwaZulu-Natal based students, and we have seen some graduating with masters and PhDs during the financial year.

Capacity building is another critical area affected by the pandemic. The entity established the digital centres that provide access to entrepreneurs and youth for either digital skilling opportunities and innovation worker space. During the lockdown, the digital centres were completely closed, however we picked up on digital skilling when regulations were relaxed, and we skilled youth and entrepreneurs on 4IR related skills, including basic digital literacy, digital marketing, web design, 3D printing and design thinking. In addition, we held the digital summit and an innovation competition. We have also capacitated entrepreneurs in the maritime space by offering online enterprise development courses. The courses mostly affected by lockdown include commercial diving, boatbuilding and other water or sea related courses which we were unable to offer, and these were replaced by online courses.

Advisory services that we offer emanate from the research recommendations that shape the direction and the interventions required by the province. We issued commentaries, and advisory reports to this effect. Cannabis as a growing industry in the province has seen the momentum. We received more than two hundred applications from farms who require hemp cultivation permits, and more than ten applications for cannabis licence for medicinal purposes. We have facilitated the submissions of these applications to national departments of agriculture and health respectively. In addition, we have conducted pilot scientific research with the provincial department of agriculture using their research stations.

Our values include ubuntu, professionalism, quality and integrity. This means that good governance remains at the core of our operations. We have achieved a clean audit opinion during the financial year, and we continue to improve our processes while strengthening our controls for good governance.

I am pleased with the overall performance of the organisation. My gratitude goes to the Department of Economic Development Tourism and Environmental Affairs for their continued support of the entity's vision and mandate. I would like to thank the Board of Directors, the executives of the entity, management, staff and stakeholders for seeing the implementation through strategic and operational initiatives, as well as our dedication to the agenda of growing KwaZulu-Natal.two hundred applications from farms who require hemp cultivation permits, and more than ten applications for cannabis licence for medicinal purposes. We have facilitated the submissions of these applications to national departments of agriculture and health respectively. In addition, we have conducted pilot scientific research with the provincial department of agriculture using their research stations.

Our values include ubuntu, professionalism, quality and integrity. This means that good governance remains at the core of our operations. We have achieved a clean audit opinion during the financial year, and we continue to improve our processes while strengthening our controls for good governance.

I am pleased with the overall performance of the organisation. My gratitude goes to the Department of Economic Development Tourism and Environmental Affairs for their continued support of the entity's vision and mandate. I would like to thank the Board of Directors, the executives of the entity, management, staff and stakeholders for seeing the implementation through strategic and operational initiatives, as well as our dedication to the agenda of growing KwaZulu-Natal.

Dr Thandeka Ellenson
Chief Executive Officer

PART A

1.	Mandate, vision, mission and values	7
2.	Strategic Goals	7-8
3.	Economic policy and strategy	8
4.	Legislation and policy	8-9
5.	High level structure	9-10
6.	Strategic objectives	10-11
7.	Overall performance	11

PART B: PERFORMANCE REPORT

8.	Programme 1: Corporate Administration	14-16
9.	Programme 2: Research and development	16
10.	Programme 3: Innovation and Technology	19
11.	Programme 4: Maritime and Economics	13

PART C: ANNUAL FINANCIAL STATEMENTS **14-62**

Directors and Administration Report	16
Statement of Directors' Responsibility	17
Declaration by the Company Secretary	18
Corporate Governance Statement	19-23
Report of the Audit and Risk Committee	24
Report of the Independent Auditors	25
Report of the Directors	26-27
Statement of Financial Position	28
Statement of Comprehensive Income	29
Statement of Changes in Equity	30
Statement of Cash Flow	31
Notes to the Annual Financial Statements	32

PART A

1.1 Vision

To be an internationally recognised institute driving economic development through research in KwaZulu-Natal.

1.2 Mission

To provide relevant and innovative research supported by expert advice for the realisation of inclusive and sustainable economic growth in KwaZulu-Natal.

1.3 Mandate

To conduct world-class research that respond to the needs of the provincial economy.

1.4 Values

The Moses Kotane Institute subscribes to the following values:

- Ubuntu
- Professionalism
- Quality
- Integrity

2. STRATEGIC OUTCOMES

The Institute revised its strategic goals to align to the new mandate of research during the latter part of the financial year 19/20.

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 pillars:

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

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 on innovation and maritime co-ordination and implementation activities to respond to the needs of the provincial economy.

MKI used the following legislation to deliver its mandate:

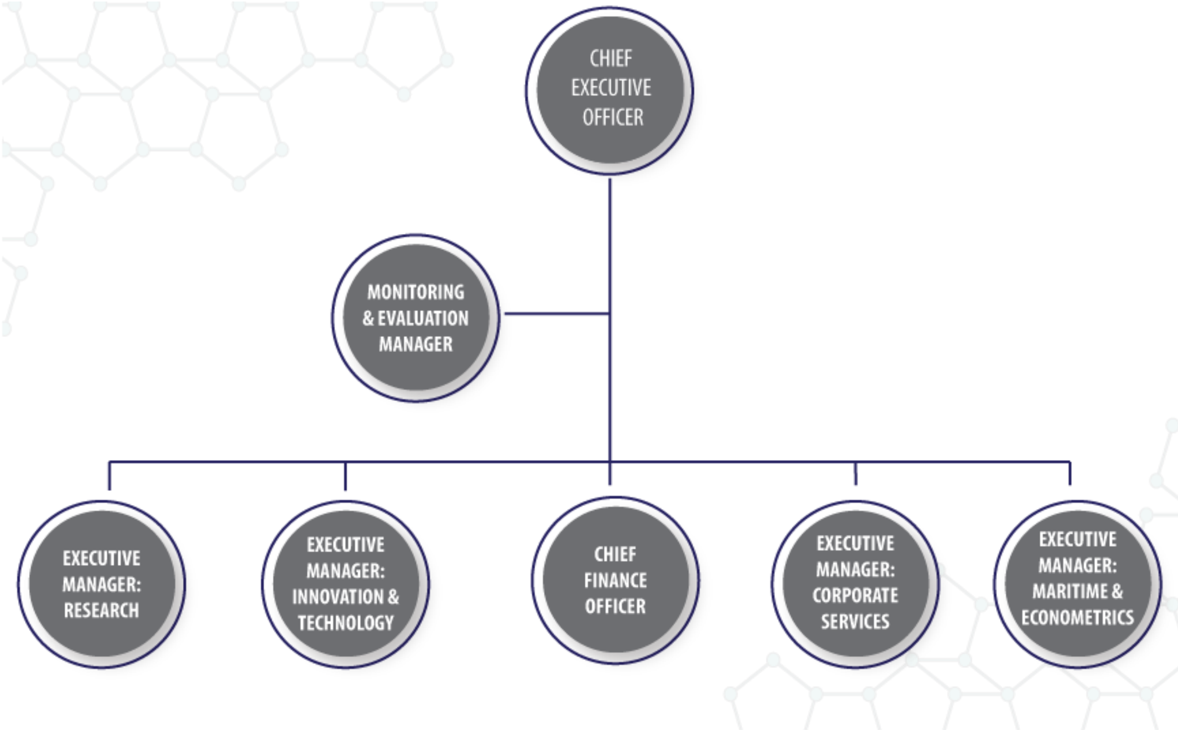
a) Companies Act;
b) Public Financial Management Act;
c) Broad Based Black Economic Empowerment Act;
d) Preferential Procurement Policy Framework Act;
e) Labour Relations Act;
f) Basic Condition of Employment Act;
g) Public Service Act;
h) Small Business Act;
i) Co-operatives Development Act;
j) Manufacturing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

5. HIGH LEVEL STRUCTURE



6. STRATEGIC OBJECTIVES

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

- To provide leadership and strategic direction to MKI.
- To provide effective, efficient and transparent financial management.
- To implement supply chain management practices that support radical economic transformation.
- To provide effective human resources, information technology, administration and monitoring and evaluation services.
- To secure the financial sustainability of MKI.
- To conduct relevant research and make recommendations on policy and interventions.
- To establish and maintain a data repository of relevant research.
- To advise on the effective integration of ICT into government systems.
- To develop a cohort of highly skilled youth through our bursary programmes.
- To advise on the impact of 4IR on current and future economic growth paths within KZN.

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	R54,863,000
Adjusted appropriation	R64,255,616 (R67,244,616 roll-over 2019/2020) minus R2,989,000 adjustments
Final appropriation	R119,118,616
Actual amount spent	R85,912,880
Amount committed	**R33,205,736 (2021/2022 roll over)**

7.2 Aim of Voted Funds

Voted funds payable were utilised for the purposes of the Annual Performance Plan as set out. Payments were made towards the programmes and related sub-programmes, as well as third-party agreements.

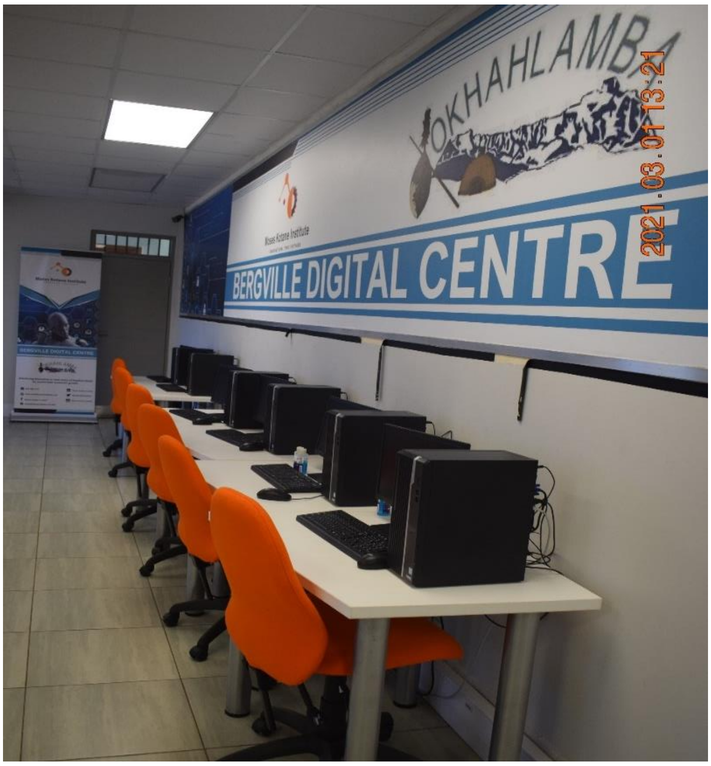
7.3 Overview of Service Delivery 2020/21

The board revised its strategic plan in 2020 to align with the new mandate of research based on the resolution passed by cabinet. The strategy was followed by organisational re-alignment which necessitated establishing a research, econometrics, academic programmes, and these are supported by finance and corporate services units.

7.4 Overview of Organisational Environment for 2020/21

This mandate was a breakthrough for the Institute, as it allowed the Institute to lead in research, innovation and maritime. This was evidenced by the Commercialisation and Beneficiation of Cannabis in KZN and the Maritime workshop. The Institute has been able to establish the Okhahlamba Digital Centre located in Okhahlamba.

The third issue is that now that the company has been reconfigured, and capacity is being sourced, there is a need to expand offices. This necessitated seeking additional office space, and this was found at Westville, 100 metres from the head office of the Institute. The fourth issue is that the company is not legislated. This necessitated commencement of the listing process, with the aim of scheduling the institute as a 3c on Public Finance Management Act (PFMA).



PART B: PERFORMANCE REPORT

8. PROGRAMME 1: CORPORATE ADMINISTRATION

8.1 Office of the Chief Executive Officer

Plans

In terms of the Annual Performance Plan, this office was scheduled to lead the company to achieving 100% of the targets set in the performance plan. Provision of strategic direction and execution of positive communication of the corporate mandate as well as protection of the corporate brand internally and externally. The organisation was able to achieve 100% of the targets, despite the challenges presented by the COVID-19 pandemic.

Achievements

The company managed to achieve the 100% target it had set itself. The Annual Performance Plan for 2020-21 was produced, and it drove implementation of the strategy of the company. TheMKI also established partnerships with tertiary institutions such as Innovate Durban, Dube Trade Port Canna Tissue Site and ARC. MKI has further strengthened its also partnerships with the following municipalities: Kokstad, Okhahlamba, Jozini and Mandeni.

The MKI, once again received a clean audit which demonstrates the organisation’s commitment to constantly reviewing and implementing proper internal controls to manage performance and financial information.

8.2 Corporate Services

The Corporate Services Unit provides support to operations by securing partnerships, establishing and maintaining effective communication within the Institute, shareholder and stakeholders. This unit also employs varied systems and strategies aimed at enhancing brand awareness and increased knowledge about the Institute's programme offerings to raise funds for programme delivery.

This sub-programme houses business development, human resources management and corporate communications. The Business Development Unit provides support to operations by securing partnerships, establishing and maintaining effective communication within the Institute, shareholder and stakeholders. This unit also employs varied systems and strategies aimed at enhancing brand awareness and increased knowledge about the Institute's programme offerings to raise funds for programme delivery. Corporate Services also house human resources administration and staff development, as well as monitoring and evaluation services for the entire Institute.

Plans

This unit had a plan of tracking compliance of human resources policies, number of staff trained, wellness programme implemented, Information Technology update and validation of service delivery reports. Although this unit was strained due to lack of capacity, it managed to achieve its targets. Positively, the company was able to fill most of the vacant posts towards the end of the financial year.

Achievements

The unit achieved 80% of compliance with policies and managed to develop and validate four service delivery reports during the year. MKI conducted the employee wellness programme effectively to ensure that there is room for improvement in staff training.

The achievements were the establishment of eight partnerships. These include Innovate Durban, DTP Canna Tissue Park, ARC, University of Johannesburg, uMdoni, Okhahlamba: Bergville, uPongolo and Inkosi Langalibalele: Amahlubi..

The entity also hosted three stakeholder events: workshop at Mangosuthu University of Technology, a lecture at the University of Zululand and Women in ICT. The entity published four newsletters.

8.3 Finance

This sub-programme houses finance, supply chain management and information technology that the operations of the Institute. The sub-programme provides support in contract management, entity performance monitoring, budgetary and financial reporting, and ensures that systems are running in support of all programmes. It is responsible for the development internal controls to enable effective and efficient financial, supply chain and information technology management processes compliant with the PFMA and policies of the MKI.

Plans

The plan for this unit was to assist the entity obtain a clean audit opinion, achieve a 70% spending on SMMEs, and pay all valid invoices within 30 days. These are strategic indicators for the province to achieve good and clean governance, as well as to promote local economic development by ensuring that suppliers are included in the economy and are not disadvantaged in terms of their cashflow.

Achievements

The company achieved an unqualified clean audit opinion for the fourth year in a row. The company has made it its mission to pay its service providers within 30 days of submitting valid invoices, and payments are processed every seven days where possible. The allocation and expenditure towards small, micro and medium enterprises was 72% which is an overachievement in the light of the set target of 70%.

In addition to achieving the targets, the entity managed its contracts, provided a strategic direction in terms of budget and ensured that financial reports were compiled monthly and quarterly. Information technology was established, with an in-house capacity to ensure that the company does not rely on service providers.

9. PROGRAMME 2: RESEARCH AND DEVELOPMENT

Research and Development: The sub-programme manages research and development projects on behalf of MKI. The unit is committed to enhancing effective government policy formulation through evidence-based research. The final research agenda for 2019-20 was be determined in consultation with EDTEA and its public entities. Additional resources will be applied in the programme to build internal capacity and development research-based partnerships.

An annual target of 100 bursaries was set out at the beginning of the financial year, and this target was achieved and exceeded in the quarter 2. The unit managed to provide 299 bursaries which reinforces the organisations mission to support the attainment of a radically transformed, inclusive and sustainable economic growth for the province.

The Institute had planned to conduct eight research and development projects. The Institute managed to exceed its target by conducting and completing 21 research projects. The research unit was only established in December 2018, and the incumbents commenced with research projects in January 2019. One of the main research projects which will benefit the KZN community by means of employment was the Commercialisation and beneficiation of Cannabis in the province.

Other research projects which were conducted by the institute, which will contribute to the to the sustainable economic growth of KwaZulu-Natal were the following:

- Impact of COVID-19 on vulnerable groups in KZN;
- Skills in demand business report;
- Bamboo Biomass: An alternative source of renewable energy in KwaZulu-Natal;
- The preparedness of future Industries in KwaZulu-Natal; and
- The impact of waterways pollution in KwaZulu-Natal and their economic activities.

Cannabis emerged as a key sector for economic development in the province and the institute invested it resources and set a target of having two cultivation sites developed in the province, 50 hemp applications processed, and two cannabis workshops conducted. The Research and Development unit managed to meet all three of the above targets. The unit processed 66 hemp applications and developed three cannabis sites.

10. PROGRAMME 3: INNOVATION AND TECHNOLOGY

The innovation and technology programme provides support in an interdisciplinary and applied approach towards innovation interventions for the province. The MKI supports concept of growth of knowledge-based economy. There are limited platforms in KZN for strategic and critical reflection on the key issues for future economic growth, particularly on how to develop and use knowledge to radically transform the existing economic structures.

Plans

The plan for this unit was to enhance the knowledge economy through digital technologies by establishing four digital centres in rural and town areas of the province and run one innovation competition. Furthermore, the unit had planned to host one innovation summit and three innovation dialogues. The plan for the unit was to also capacitate 200 youths on innovation and technology and develop a digital transformation strategy for the province of KwaZulu-Natal.

Achievements

The unit successfully established four digital centres in the following municipalities: Okhahlamba Local Municipality, Greater Kokstad Local Municipality, uMfolozi Local Municipality and uPhongolo Local Municipality. In addition, the establishment of four other digital centres in the following municipalities: Mandeni Local Municipality, Inkosi Langalibalele Local Municipality, eThekwini Metropolitan Municipality (Dube Trade Port) and uMdoni Local Municipality is at various stages of completion.

The unit managed to host two innovation completions: the KZN Service Delivery APP Hackathon and the MKI Innovation Awards to recognise and celebrate innovators with solutions to address specific social and/or economic challenges. With the aim to provide a platform for government, policymakers, practitioners, industry leaders and academics to deliberate and recommend actionable strategies to accelerate digital transformation and innovation in KwaZulu-Natal, the unit held two virtual summits. The Digital Transformation Summit was held on 25 February 2021 and the Digital Economy Summit: Women's Day Event on 14 August 2020, aimed at capacitating women on innovation and technology. The unit also hosted five virtual innovation dialogues. The following are virtual innovation dialogues that were hosted:

- Funding of Research, Development, and Innovation in South Africa;
- Innovation Value Chain: Ideation to Commercialisation;
- The Role of Intellectual Rights (IRR) in a Knowledge-based Economy;
- Higher Education, Research, and Innovation in the post Covid-19; and

- Industrial Sustainability 4.0 Resilience and the Digital Economy.

The Intech unit managed to capacitate 250 youth on Innovation and technology. Finally, the unit was able to successfully develop the KwaZulu-Natal Digital Transformation Strategy 2020-2025.

"The overall Objective of this strategy is to embrace digital technologies and innovation to transform KZN's society and its economy by promoting integration, generating inclusive economic growth, stimulating job creation, erasing the digital divide through benefiting from the digital revolution for socio-economic development."

11. PROGRAMME 4: MARITIME AND ECONOMICS

The Maritime and Economics programme provides provincial government, public agencies and the maritime stakeholders with a range of research, advisory and maritime sector development services that inform policymaking, regulation and growth of KZN's maritime economy.

This programme achieved the following:

In the year 2020-21 the Maritime unit planned to develop and train 25 small to medium-sized enterprises throughout the province of KwaZulu-Natal. While the Covid-19 pandemic did pose a challenge, the unit managed to re-strategise and look into developing innovative solutions to delivering the enterprise development programmes. The Maritime unit managed to achieve its goals through the use of technology which allowed for online/virtual training programmes.

The maritime skills training target for the year was 100, and although there were serious challenges due to Covid-19 the Maritime unit managed to exceed its target. This has been possible through various collaborations with other public and private entities such as the partnership with ABSA on the Small Fisheries development programme.


Moses Kotane Institute


Moses Kotane Institute
2020 02 04 14:15

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

CONTENT	PAGE
DIRECTORS AND ADMINISTRATION REPORT	2
STATEMENT OF DIRECTORS' RESPONSIBILITY	3
DECLARATION BY THE COMPANY SECRETARY	4
CORPORATE GOVERNANCE STATEMENT	5
REPORT OF THE AUDIT AND RISK COMMITTEE	10
REPORT OF THE AUDITORS	11
REPORT OF THE DIRECTORS	12
STATEMENT OF FINANCIAL POSITION	14
STATEMENT OF COMPREHENSIVE INCOME	15
STATEMENT OF CHANGES IN EQUITY	16
STATEMENT OF CASH FLOW	17
ACCOUNTING POLICIES AND NOTES TO THE ANNUAL FINANCIAL STATEMENTS	18

Date of Incorporation

The Institute was incorporated on 28 November 2008; however, it commenced trading on 1 January 2009.

Nature of Activities

The Moses Kotane Institute-NPC conducts world-class research to meet the needs of the provincial economy and to lead strategically, on innovation and maritime-related issues.

Functional and Reporting Currency

The functional and reporting currency of the Institute is the South African Rand.

Directors

The Directors of the Institute during the period of 31 March 2021 to the date of this report are:

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
Ms M.P. Myeni	01 December 2011	01 January 2018
Mrs S. Khomo, CA (SA)	01 January 2014	01 January 2018
Dr E.V. Nzama	25 February 2011	01 January 2018
Mr S. Naidoo, CA (SA)***	01 April 2018	
Mr S. Hlope***	12 November 2020	

****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.

Acting Company Secretary

The First Corporate Secretaries (Pty) Ltd served as the Company Secretary from 1 September 2018 to 31 August 2020. As from 1 September 2020, Advocate T. Mapipa has been acting as the Company Secretary.

Bankers

First National Bank
2 Kikembe Drive
Umhlanga Rocks, 4320

Auditors

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

The Directors are responsible for the preparation, integrity, and fair presentation of the Annual Financial Statements of Moses Kotane Institute-NPC ("the Institute"), 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 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 on the basis of 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 external auditors during the audit were valid and appropriate.

The external auditors' responsibility is to audit and report on these Annual Financial Statements. The external auditors have audited the Annual Financial Statements for the year ended 31 March 2021.

The Annual Financial Statements for the year ended 31 March 2021 set on pages 14 - 48 were reviewed by the Audit and Risk Committee on 10 May 2021 and subsequently approved by the Board on 14 May 2021.

Directors' Approval of Unaudited Annual Financial Statements for the year ended 31 March 2021

The Annual Financial Statements for the year ended 31 March 2021, as set out on pages 14 – 48 were approved by the Board on 14 May 2021 and are signed on their behalf.

Dr Sakhile G. Ngcobo
Chairman of the Board

Ms. Thandeka Ellenson
Chief Executive Officer

DECLARATION BY ACTING 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.

____
Advocate T. Mapipa
Acting Company Secretary
14 May 2021

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 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, Mr R Pillay. 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	Research, Innovation and Maritime Committee	Human Resources Committee	Social & Ethics Committee
Number of meetings held	4	4	4	4	4	4
Special meetings	3	2	1	0	0	0
Total eetings	7	6	5	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	7	0	0	0	0	4
Prof M.S. Maharaj	7	6	5	4	0	0
Dr I.Z. Machi	4	0	0	4	4	0
Ms M.P. Myeni	7	4	5	4	4	0
Ms S. Khomo, CA (SA)	7	6	5	0	0	4
Dr E.V. Nzama	0	0	0	0	0	0
Mr S. Naidoo (CA)SA***	0	5	0	0	0	0
Mr S. Hlope***	0	2	0	0	0	0
Ms T. Ellenson, CEO	7	6	5	4	4	4

****Independent audit committee members*

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. The 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 three 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 must assess the performance of the internal audit function, and the adequacy of available internal audit resources. During the year under review, HTB Consulting were the internal auditors. 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.

It 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);
- Ms M.P. Myeni (Board member);
- Ms S. Khomo (CA) SA (Board member);
- Mr S. Naidoo (Independent) and
- Mr S Hlope (Independent).

Permanent invitees

- Chief Executive Officer;
- Chief Financial Officer;
- Internal Auditors; and
- 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. The 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 risk also ensure that the necessary controls remain in place and are always effective. 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, the 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; and
- 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, a forensic audit is instituted where necessary to establish the acts 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, considering 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, 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 the 23 March 2020, the Honourable President Cyril Ramaphosa announced that South Africa will be placed on lockdown due to the rapid spread of Covid-19. This lockdown has continued for the past year at various levels. Given the afore-mentioned emergency protocol that has been instituted, it was prudent for the Institute to adjust its procurement timelines to take cognisance of the current set of circumstances under which it finds itself in the country to ensure that procurement processes still follow fair, transparent, equitable, competitive and cost effective measures.

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 entity's 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 must report on the 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 2021. 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.

The Audit and Risk Committee recommended the approval of the enclosed Annual Financial Statements for the period ended 31 March 2021 by the Board.

____

Professor Manoj Maharaj
Chairperson of Audit and Risk Committee

The Directors have the pleasure in presenting their report for the financial period ended 31 March 2021 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-NPC are 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 due to the rapid spread of Covid-19. This lockdown has continued for the past year at various levels. 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 it finds itself under in the country to ensure that procurement processes still follow fair, transparent, equitable, competitive and cost-effective measures.

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, is mandated:

- To conduct world-class research to respond to the needs of the provincial economy; and
- To strategically lead on innovation and maritime-related issues and implementation of activities to respond to the needs of the provincial economy.

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

- Relevant evidence-based action research;
- Expanded innovation support through digital technology; and
- Enhancing the KZN provincial economy through maritime initiatives.

Application of the International Financial Reporting Standard (IFRS)

The Annual Financial Statements for the year ended 31 March 2021 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

There were no material events that occurred after year end.

The entity has performed a going concern review and assessed its liquidity and solvency position. The entity has secured funding for the 2021/22 financial year and projected funding for the next three years through 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 2021, the Institute has a deficit of R18,367 million (2020 surplus of R21,029 million) and that the Institute's assets exceeded its liabilities by R22,845 million (2020 by R41,211 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 several 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 2021/22 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.

	Note	2021 R'000	2020 R'000
ASSETS			
Current Assets		**35,772**	**67,745**
Cash and cash equivalents	2	33,206	67,245
Trade and other receivables	3	682	208
VAT receivable	4	1,884	292
Non-current Assets		**16,606**	**16,463**
Property, plant and equipment	5	12,905	10,827
Right-of- use lease assets	5	3,579	5,583
Intangible assets	6	121	53
TOTAL ASSETS		**52,377**	**84,208**
LIABILITIES			
Current Liabilities		**21,655**	**34,356**
Trade and other payables	7	5,237	4,630
Current provisions	8	14,758	27,889
Lease liabilities	9	1,660	1,837
Non-current Liabilities		**7,878**	**8,641**
Deferred income	10	5,996	5,411
Lease liabilities	9	1,881	3,230
TOTAL LIABILITIES		**29,532**	**42,997**
Net Assets		**22,845**	**41,211**
Accumulated surplus		22,845	41,211

TOTAL NET ASSETS AND LIABILITIES	**52,377**	**84,208**

	Note	2021 R'000	2020 R'000
REVENUE			
Revenue from Government Grants		**47,866**	**88,642**
Government grants and subsidies	11	47,866	88,642
Other Income		**2,733**	**1,944**
Other income	12	2,733	1,944
TOTAL REVENUE		**50,599**	**90,586**
EXPENSES			
Employee related costs	13	(25,270)	(17,308)
Directors' emoluments	14	(7,260)	(7,607)
Depreciation and amortisation expense	15	(4,566)	(2,662)
Auditors' remuneration	16	(748)	(550)
Administration expenses	17	(3,126)	(1,940)
Operating expenses	18	(28,958)	(41,160)
TOTAL EXPENSES		**(69,929)**	**(71,228)**
OPERATING SURPLUS / (DEFICIT)		**(19,329)**	**19,358**
Finance income	20	1,231	1,949
Finance cost	21	(268)	(278)
SURPLUS/(DEFICIT) BEFORE TAX		**(18,367)**	**21,029**
Income tax	22	(0)	(0)
TOTAL SURPLUS / (DEFICIT) FOR THE PERIOD NET OF TAX		**(18,367)**	**21,029**
Other comprehensive income/loss for the year		0	0
TOTAL COMPREHENSIVE SURPLUS / (DEFICIT)		**(18,367)**	**21,029**

	Accumulated Surplus	Total Equity
	R '000	**R '000**
BALANCE AT 1 APRIL 2019	**20,144**	**20,144**
Change in prior period error	38	38
Total comprehensive surplus	21,029	21,076
BALANCE AT 31 MARCH 2020	**41,211**	**41,211**
Total comprehensive deficit	(18,367)	(16,975)
BALANCE AT 31 MARCH 2021	**22,845**	**24,237**

	Note	2021 R '000	2020 R '000
Cash flows from operating activities			
Surplus / (Deficit)		(18,367)	21,029
Adjustments for – Loss on sale of tangible assets	18	236	96
Movement in provision	8	(13,131)	22,403
Depreciation and amortisation	15	4,566	2,662
Interest income	20	(1,231)	(1,949)
Interest on fair value		-	98
Gains from modification of lease liability		-	(324)
Deferred income	10	(809)	(1,173)
Changes in cash from generated activities		**(28,736)**	**42,842**
Interest paid	21	(268)	(180)
Interest income	20	1,231	1,949
Operating surplus before working capital		**(27,773)**	**44,611**
(Increase)/decrease in trade and other receivables	3	(473)	310
(Increase)/decrease in Vat receivable	4	(1,592)	656
Increase/(decrease) in trade and other payables	7	608	1,821
Net cash flows from operating activities	23	**(29,230)**	**47,398**
Cash flows from investing activities		**(4,631)**	**(1,764)**
Purchase of assets	5	(4,599)	(1,764)
Purchase of other intangible assets	6	(32)	0
Net cash flows from investing activities		**(4,631)**	**(1,764)**
Cash flows from financing activities			
Lease liability payments		(177)	(978)
Net cash flows from financing activities		**(177)**	**(978)**
Net increase/(decrease) in cash and cash equivalents		**(34,039)**	**44,656**
Cash and cash equivalents at the beginning of the year	2	67,245	22,589
Cash and cash equivalents at the end of the year	2	**33,206**	**67,245**

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 on the Annual Financial Statements. The accounting considerations have been provided for the following:

The coronavirus (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 2021. 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	N/A
Going concern	Limited disruption to procurement operations. Strong financial position and funding from the shareholder.	Low	N/A
Expected credit loss assessment	Government grant business with limited receivables, which are not cash backed or require insurance cover.	Low	N/A
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 its 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	The estimation of the useful lives is based on historic performance as	Low	N/A

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	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.		
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

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 2021, 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 1 January 2020.
- Amendments to IAS 8 change in accounting policy, change in accounting estimates and errors period beginning on or after 1 January 2020.

The impact on the financial statements for MKI cannot be reasonably estimated as at 31 March 2021.

New standards and interpretations effective for the current financial year

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

There are no material impact on the financial statements of MKI.

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
IFRS 13:	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 Benefits
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

1.2 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.

1.3 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 36 months.

1.4 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.

1.4.1 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; and
- 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.

1.4.2 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.

1.4.3 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.

1.4.4 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.

1.5 Revenue Recognition

1.5.1 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.

1.5.2 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.

1.5.3 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.

1.5.4 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.

1.5.5 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.

1.6 Employee Benefits

1.6.1 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 (13^{th} cheque) bonuses only when the Institute has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

1.6.2 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.

1.7 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 were 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 takes into account 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 valuation 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.

1.8 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

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.

1.9 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. The 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.

1.10 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.

1.11 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 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 Cash Flows

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 with effect from 1 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 tc intention either to settle on a net basis or to realize 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.

1.12 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.

1.13 Related Parties

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

1.14 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.

1.15 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.

1.16 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.

	2021 R'000	2020 R'000

2 Cash and Cash Equivalents

Cash and cash equivalents consist of the following:

Cash at bank	7,443	12,682
Call deposits	25,762	54,562
Total cash and cash equivalents	33,206	67,245

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	5,221	13,375
Cash book balance at end of the year	7,442	5,221
Bank statement balance at beginning of the year	5,221	13,375
Bank statement balance at end of the year	7,442	5,221

Deposits on call (Money Market):
First national Bank, Hillcrest, Account Number 6220 790 5194

Cash book balance at beginning of the year	201	96
Cash book balance at end of the year	15,248	201
Bank statement balance at beginning of the year	201	96
Bank statement balance at end of the year	15,248	201

Investment account (7-day interest plus):
First national Bank, Hillcrest, Account Number 7432 271 5374

Cash book balance at beginning of the year	54,361	8,787
Cash book balance at end of the year	10,515	54,361
Bank statement balance at beginning of the year	54,361	8,787
Bank statement balance at end of the year	10,515	54,361

FNB Corporate Cheque Acc:
First national Bank, Hillcrest, Account Number 6260 663 7447

	2021	**2020**
Cash book balance at beginning of the year	7,300	171
Cash book balance at end of the year	1	7,300
Bank statement balance at beginning of the year	7,300	171
Bank statement balance at end of the year	1	7,300

FNB TETA Corporate Cheque Acc:
First national Bank, Hillcrest, Account Number 6245 477 8435

Cash book balance at beginning of the year	161	160
Cash book balance at end of the year	0	161

Bank statement balance at beginning of the year	161	160
Bank statement balance at end of the year	0	161

Cash on hand

Total cash and cash equivalents	**33,206**	**67,245**

3 Trade and Other Receivables

Deposits	13	13
Prepayments	0	0
Trade receivables	0	0
Other receivables	669	188
Accrued Interest earned	0	7
Trade and other receivables	**682**	**208**

Trade receivables reconciliation		
Trade receivables	0	0
Less: Loss Allowance	0	0
Carrying value of trade receivables	**0**	**0**

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

At 31 March 2020 and 31 March 2021, 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 2020 and 31 March 2021.

4 VAT Receivable	R'000	R'000
VAT Receivables	**1,884**	**292**

5 Property, Plant and Equipment

Reconciliation of Carrying Value

	2021			2020		
	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	(1,169)	3,181	4,350	(1,060)	3,290
Vehicles	684	(400)	284	931	(325)	606
Furniture and fittings	3,224	(902)	2,321	1,714	(689)	1,025
Office equipment	816	(318)	498	766	(165)	601
Computer equipment	4,106	(1,258)	2,848	1,649	(499)	1,150
Right-of-use (Dube Trade Port lease)	5,551	(2,007)	3,544	5,551	(158)	5,393
Right-of-use (Windsor lease)	0	0	0	1,133	(1,038)	95
Right-of-use (Apex Printers)	150	(115)	35	150	(55)	95
Boats Motors	1,171	(382)	789	848	(170)	678
Diving equipment	2,821	(297)	2,524	2,821	(148)	2,673
Trailers	49	(7)	43	50	(4)	46
Workshop equipment	322	(67)	255	299	(33)	266
Springfield Property	984	(984)	0	984	(492)	492
Leasehold improvements	222	(62)	160			
Total	**24,454**	**(7,968)**	**16,485**	**21,246**	**(4,836)**	**16,410**

5.1 Reconciliation of Property, Plant and Equipment – 2021

	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	3,290	0	0	0	(109)	0	0	0	3,181
Vehicles	606	0	(246)	0	(75)	0	0	0	284
Furniture and fittings	1,025	1,818	0	0	(522)	0	0	0	2,321
Office equipment	601	0	0	0	(103)	0	0	0	498
Computer equipment	1,150	2,457	0	0	(759)	0	0	0	2,848
Right-of-use (Dube Trade Port lease)	5,393	0	0	0	(1,849)	0	0	0	3,544
Right-of-use (Windsor lease)	95	0	0	0	(95)	0	0	0	(0)
Right-of-use (Apex Printers)	95	0	0	0	(60)	0	0	0	35
Boats Motors	678	324	0	0	(213)	0	0	0	789
Diving equipment	2,673	0	0	0	(148)	0	0	0	2,524
Trailers	46	0	0	0	(4)	0	0	0	42
Workshop equipment	266	23	0	0	(33)	0	0	0	255
Springfield Property	492	0	0	0	(492)	0	0	0	(0)
Leasehold improvements	0	222	0	0	(62)	0	0	0	160
Total	**16,410**	**4,599**	**(246)**	**0**	**(4,524)**	**0**	**0**	**0**	**16,485**

5.2 Reconciliation of Property, Plant and Equipment – 2020

	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	3,398	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**

6 Intangible Assets

Reconciliation of Carrying Value

	2021			2020		
	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	296	(175)	121	264	(211)	53
Total	296	(175)	121	**264**	**(211)**	**53**

6.1 Reconciliation of Intangible Assets – 2021

	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	53	118	(13)	0	(37)	0	0	0	121
Total	**53**	**118**	**(13)**	**0**	**(37)**	**0**	**0**	**0**	**121**

6.2 Reconciliation of Intangible Assets – 2020

	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**

7 Trade and Other Payables

	2021	2020
Trade creditors	2,398	2,528
Other payables and accruals	7,13	878
Leave pay accrual	2,126	1,224
Total Trade and Other Payables	**5,237**	**4,630**

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 – 2021

	Bonus provision (13th Cheque) R'000	Bursary & Research provisions R'000	Audit fee provisions R'000	Total R'000
Opening balance	1,603	25,648	638	27,889
Amounts utilised for the year	(1,603)	(24,205)	(676)	(26,484)
Amount raised for the year	1,429	11,176	748	13,353
Closing balance	**1,429**	**12,618**	**710**	**14,758**

8.2 Reconciliation of Movement in Current Provisions – 2020

	Bonus provisions (13th Cheque) R'000	Bursary & Research Provisions R'000	Audit Fee Provisions R'000	Total R'000
Opening balance 611		4,428	447	5,486
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**

Bonus Provision (13th Cheque)

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

Audit Fee Provision

Audit fee provision relates to an estimated of audit fees for the 2020/2021 financial year, payable 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	Lease Liability	R'000	R'000
	Long term portion	1,881	3,230
	Current portion	1,660	1,837
	Total Lease liability	**3,541**	**5,067**

10	Deferred Income	R'000	R'000
	Arising from government assets	5,411	5,411
	ABSA Development Funding	585	0
	Current unspent conditional grants and receipts	**5,996**	**5,411**

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 2020/21 financial year. The assets are accounted for at fair value as per IAS 20.

		2021 R'000	2020 R'000
11	**Government Grants and Subsidies**		
	Revenue		
	Other government grants and subsidies		
	EDTEA	47,866	87,908
	External funding		
	LG SETA	-	734
	Total government grants and subsidies	**47,866**	**88,642**

		2021 R'000	2020 R'000
12	**Other Income**		
	Other income		
	Deferred income realised income	-	1,173
	Sundry income	2,733	724
	Staff recoveries	-	4
	Gains on lease modification	-	43
	Total other income	**2,733**	**1,944**

		2021 R'000	2020 R'000
13	**Employee Related Costs**		
	Employee related costs − salaries and wages	21,377	12,005
	Employee related costs − contribution for UIF, pensions and medical aid	254	741
	Travel, motor car, accommodation, subsistence, and other allowances	645	494
	Training	65	1,012
	Guaranteed bonuses	2,928	3,040
	Other employee related costs	-	16
	Total employee related costs	**25,270**	**17,308**

Remuneration of the Chief Executive Officer		
Annual remuneration	768	699
Performance and other bonuses	95	97
Travel, motor car, accommodation, subsistence and other allowances	520	520
Contribution for UIF, pensions and medical aid	138	138
	1,521	**1,454**

Remuneration of the Executive Manager: Corporate Services		
Annual remuneration	1,145	1,060
Performance and other bonuses	107	107
Travel, motor car, accommodation, subsistence and other allowances	35	35
	1,495	**1,410**

Remuneration of the Executive Manager: Research and Development	**R'000**	**R'000**
Annual remuneration	965	1,138
Travel, motor car, accommodation, subsistence and other allowances	61	61
Contribution for UIF, Pensions and Medical Aid	225	225
	1,251	**1,424**

Remuneration of the Executive Manager: Maritime and Econometrics		
Annual remuneration	965	1,138
Travel, motor car, accommodation, subsistence and other allowances	61	61
Contribution for UIF, pensions and medical aid	225	225
	1,251	**1,424**

14 Directors' Emoluments

Executive Managers		
Salaries	**5,518**	**5,949**
Non-executive Directors		
Directors emoluments	1,639	1,499
External independent Directors	43	39
	1,682	**1,538**
Directors' other expenses	60	120
Directors emoluments and other expenses	**1,742**	**1,658**
Total Emoluments	**7,260**	**7,607**

15 Depriciation and Amortisation Expense

	2021	**2020**
Property, plant, and equipment	4,525	2,644
Intangible assets	42	18
Total Depreciation and Amortisation	**4,566**	**2,662**

16 Auditors' Remuneration

External auditors	748	550
Total Auditors' Remuneration	**748**	**550**

	2021	**2020**
	R'000	**R'000**

17 Administration Expenses

Bank charges		36	38
Electricity		394	87
Insurance		186	106
Interest and penalties		255	37
Rental of office equipment		24	119
Other rentals		178	345
Printing and stationery		69	104
Security services		422	177
Office expenses and consumables		587	459
Communications		937	468
Office restructuring		38	0
Total Administration Expenses		**3,126**	**1,940**

18 Operating Expenses

Cleaning		156	71
Advertising		920	1,910
Repairs and maintenance		116	65
Event expenses		742	35
Equipment hire		-	22
Staff workshop		-	30
Consulting and professional services		3,159	3,081
Learner support expenses		824	316
Computer set-up costs		-	1,666
Facilities		192	183
Meals and refreshments		204	627
Travel and subsistence		3,945	3,046
Loss on disposal of assets		236	96
Motor vehicle expenses		54	197
Bursary expenses	19	15,093	27,909
Research and development expenses		3,318	1,907
Total Operating Expenses		**28,958**	**41,161**

19 Bursary Expenses

19.1.1	**Skills Development**		
	Learner materials	-	-
	Learner tuition	-	31
	Total Skills Development	**-**	**31**

		2021	**2020**
		R'000	**R'000**
19.1.2	**Postgraduate Bursaries**		
	Learner tuition	14,869	27,597

Learner materials	224	162
Learner living allowance	-	119
Total Postgraduate Bursaries	**15,093**	**27,878**
Total Bursary Expenses	**15,093**	**27,909**

20 Interest Income

Bank and deposit Interest	1,238	1,949
Total	**1,238**	**1,949**

21 Finance Costs

Interest on leases	(268)	(180)
Interest on fair value	-	(98)
Total	**(268)**	**(278)**

22 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.

23 Cash Flows from Operating Activities

Cash flows from operating activities		
Surplus/(Deficit)	(18,367)	21,029
Adjustments for – Loss on sale of tangible assets	236	96
Movement in provision	(13,131)	22,403
Depreciation and amortisation	4,566	2,662
Interest income	(1,231)	(1,949)
Interest on fair value	-	98
Gains from modification of lease liability	-	(324)
Deferred income	(809)	(1,173)
Changes in cash from generated activities	**(28,736)**	**42,842**
Interest paid	(268)	(180)
Interest Income	1,231	1,949
Operating surplus before working capital	**(27,773)**	**44,611**
(Increase)/decrease in trade and other receivables	(473)	310
(Increase)/decrease in Vat receivable	(1,592)	656
Increase/(decrease) in trade and other payables	608	1,821
Net cash flows from operating activities	**(29,230)**	**47,398**

24. 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.

25. 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 with effect from 1 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 2021 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 is no loss allowance raised for the financial year ending 31 March 2021 and 31 March 2020. There is no loss allowance raised from receivables already derecognised before date of initial application.

Financial instruments are carried at amortised cost.

25.1 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:

	2021 R'000	2020 R'000

Cash and cash equivalents	33,206	67,245
Trade and other receivables	682	208

25.2 Financial liabilities at Amortised Cost

The financial liabilities carried at amortized 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 amortized cost:

	R'000	R'000
Trade and other payables	5,237	4,630

25.3 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.

25.4 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

2021	**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		-	5,237	

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	

25.5 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.

25.6 Credit Risk Management

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.

26 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; and
- 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.

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

26.1	Transactions with Related Parties	2021	2020
		R'000	**R'000**
	The following transactions were carried out by the Institute with related parties:		
	Department Grant		
	Grant funding received – EDTEA	47,866	87,568
	Government assistance – EDTEA	0	0
	Acting allowance Recoveries – EDTEA	0	340
		47,866	**87,908**

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	(1,849)	(142)
Total	**(1,849)**	**(142)**

27 Consequence Management

The Institute ensures that any staff transgressions are dealt with according to the company's disciplinary code of conduct. Each case is adjudicated by its merits and any losses to the institute are recovered from the transgressors through a formal process. In certain instances, transgressors may be dismissed after the disciplinary process has taken place.