Moses Kotane Institute

Research · Innovation · Excellence

ANNUAL REPORT 2021/2022

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FOREWORD BY THE MEMBER OF THE EXECUTIVE COUNCIL

Mr Ravi Pillay, MPL

The National Development Plan encourages all provinces to increase investment in research, development and innovation that supports inclusive growth by enhancing the productivity of existing and emerging enterprises and supporting the development of new industries.

The KwaZulu-Natal Provincial Growth Development Strategy promotes the implementation of recommendations made by the Presidential Commission on the Fourth Industrial Revolution (4IR), which include promoting digital skills development, increasing research expenditures, and commercialising public sector-funded intellectual property and innovation in order to grow the knowledge economy.

Since the province repurposed the Moses Kotane Institute (MKI) to close the gap related to the lack of applied research for the provincial government, we have witnessed different types of dialogue and discussions, particularly around the use of digital technology and the promotion of research for decision-making.

As a result of Covid-19, social unrest from July 2021, and the recent floods, KwaZulu-Natal's unemployment rate increased to 28.7% from 22.3% before the pandemic. The South African unemployment rate skyrocketed from 25% in the 4th quarter of 2019 to 34.9% today. It is disheartening to note that an increase in discouraged job seekers exacerbates the labour market's difficulties.

The research from MKI brought about insights on issues of unemployment, transformation in certain industries, exploration of future industries, gender-based violence, environmental and other socio-economic issues. In addition, we promoted innovation, encouraged the use of digital technologies, and undertook digital skilling as part of implementing the digital transformation strategy for the province. We did this with the awareness that the premium attached to invention and innovation transforms future patterns of production, consumption, the nature of work and the markets, and that research and innovation are therefore critical. We continue to display innovative and visionary leadership by delivering evidence-based research that gives rise to creative ideas, products, and services that will ensure the growth of the provincial economy.

I would like to thank the stakeholders and strategic partners, the Moses Kotane Institute Board of Directors, the Chief Executive Officer, and dedicated officials for their commitment over the last year. I have no doubt that as we migrate from 4IR to 5IR, we shall bring more value to the province through research, development, and innovation.

Mr Ravi Pillay, MPL
MEC for Economic Development, Tourism and Environmental Affairs

CHAIRPERSON'S REMARKS

Board Chairperson, Ms Sphelele Khomo, CA (SA)

The Moses Kotane Institute, as a provincial public entity, supports Government priorities and the National Development Plan (NDP) of achieving faster economic growth, increased investment, and greater labour absorption by focusing on the organization's core mandate and vision, which is to conduct world-class research to support economic development. Toward this end, the institution must ensure that high-quality research is delivered efficiently and cost-effectively to all stakeholders by containing its costs and simultaneously investing in human capital, infrastructure, and systems.

The year of 2021 at MKI was again dampened by the effects of the ongoing Covid-19 pandemic, as well as the lootings that took place in the province during the violent July 2021 unrest. We have endured some of the most challenging years in our lives over the past two years. In the third quarter of 2021, GDP contracted 1.5% as a result of the July unrest, which claimed more than 340 lives. As a result of the violence and looting, the riot set a record for the most expensive riot in history, with an output of R50 billion.

There has never been a time when research has been more important than in the past year. The board resolved to refocus the strategic direction of the Institute and to refine the organization's focus so all of its resources are put into producing valuable research as well as providing data management and analytics as well as statistical services for the province.

A challenge remains in developing ICT infrastructure in rural or previously disadvantaged communities due to the terrain. Therefore, the Moses Kotane Institute has recommitted to bridging the digital divide by ensuring the maintenance of existing infrastructure, as well as the establishment of new digital centres in the area. To enhance the knowledge economy, the Institute continues to partner with public entities and stakeholders in the private sector to build relevant skills that will support a technologically advanced economy.

In steering the strategic direction of the organisation, our focus has been geared towards activities that would be impactful to budding innovators, and that would contribute towards the economic development of the province. The Board has made means with the limited resources it has available. The entity will continue to work with strategic partners in different industries, institutes of higher learning, other state departments and entities, labour, and civil society within the province and beyond to maintain global standards.

Lastly, on behalf of the Board, I would like to extend my gratitude to the shareholder represented by the MEC Ravi Pillay, Board members of the institute, the CEO and the entire

Executive, all staff and all stakeholders and strategic partners for playing an active role in implementing the research mandate of the province.

Ms Sphelele Khomo, CA (SA)
MKI Chairperson of the Board

STATEMENT FROM THE CHIEF EXECUTIVE OFFICER

Dr Thandeka Ellenson,
Chief Executive Officer

The Moses Kotane Institute continues to contribute towards economic growth through developing practical research-based solutions on priority sectors that contribute to the needs of the provincial economy. Practically, we do this by providing research services, economics data and statistical services, coordination of activities related to strategic and priority sectors, evaluation of provincial strategic interventions and knowledge management.

During the past year, conducted research produced several research reports in various sectors, including the information and communications technology, tourism, entrepreneurship, liquor, skills, future industries, manufacturing, maritime, cannabis, rural and township economy, and higher education. We also developed the knowledge repository for the province and coordinated many of the digital skilling activities including 3D printing, digital marketing, digital literacy, cybersecurity, design thinking and enterprise development for emerging, small, and micro businesses.

On governance, the institute bid farewell to the long serving members of the board, who put all effort in ensuring implementation of the mandate and welcomed the new board. The institute takes governance and compliance seriously and adopts an active approach in taking care of governance, compliance, and risk management. The fruit of this approach is the achievement of an unqualified audit opinion (clean audit) for 2021/22. The institute also filled vacant positions and maintained less than five percent vacancy rate.

The outlook for the year 2022/23 is exciting. You will see the Institute providing more statistical data, evaluating, and producing reports on the provincial strategic interventions and commencing with data management services. These activities are critical catalysts for the service delivery and shape the economic development priority perspectives. The institute will also contribute to job creation by employing 1000 unemployed graduates for data collection throughout the province for the entire year. More importantly, all activities will be geared towards the priorities of the sixth administration as outlined in the state of the province address in 2022.

Dr Thandeka Ellenson
Chief Executive Officer

PART A: STRATEGIC OVERVIEW

1. Background

The Moses Kotane Institute-NPC was incorporated on 28 November 2008, however, commenced trading on 1 January 2009. The province believed Moses Kotane Institute would help close the gap between academic and blue-sky research conducted by universities and the applied and action research conducted by the institute. Research contributes evidence and careful thought to public decision making on strategies, policies, and interventions. In a province with a population of over 11 million, it is important that government is guided to make evidence based and informed decisions to uplift the standard of its citizens.

As the entity responsible for implementing the province's vision of the National Development Plan, it provides innovation, research, and development services. This is accomplished through action research and innovation promotion.

2. Mandate

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

3. Vision

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

4. Mission

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

5. Values

The Moses Kotane Institute subscribes to the following values:

- Ubuntu
- Professionalism
- Quality
- Integrity

6. Alignment with Economic Development, Tourism and Environmental Affairs (EDTEA)

EDTEA has 7 programmes. Programme 5 is Economic Planning. The aim for this programme is to provide timeous economic information for policy and strategy information and the identification of spatial economic interventions through gathering of economic data, micro and macroeconomic analyses, and economic modelling.

The sub-programmes are:

- Research and Development
- Policy and Planning
- Monitoring and Evaluation

This is the programme from which research and development mandate of MKI is drawn. MKI reports performance under this programme.

7. Strategic Outcomes

The mandate of the Institute is delivered through the following strategic outcomes:

- Relevant evidence-based action research.
- Expanded innovation support through digital technologies.
- Institutional Excellence

8. Strategic Objectives

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

- To provide overall strategic direction, leadership and management, monitoring, and evaluation for MKI.
- To provide effective, efficient, and transparent financial management, with SCM practices that support radical economic transformation and information technology systems that support efficient service delivery.
- To provide human resource and administration, legal, facilities management, digital communication functions.
- To conduct research that responds to the provincial needs, contribute to economic growth and to promote evidence-based decision-making in the public sector.
- To serve as an information platform on strategic sectors in relation to the latest research findings, trends and policies through strategic fora, workshops, published findings and reports.
- To conduct emerging technologies and innovation research that drive provincial economic activities towards the smarter province
- To promote innovation in the province, and to promote technology use in the province leading to development of public sector and citizens

- To provide business intelligence and economic development reports that inform and influence policy and interventions in the province.
- To collect, process, analyse and disseminate provincial socio-economic statistical information, and to maintain statistical records.

9. Economic Policy and Strategy

As part of South Africa's economic policy and strategy, the country is implementing the following pillars to address the challenges of low growth and unemployment:

- National Development Plan (NDP).
- Provincial Growth Development Plan (PDGP);
- Industrial Policy Action Plan (IPAP);

10. 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 (these are not conclusive):

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;

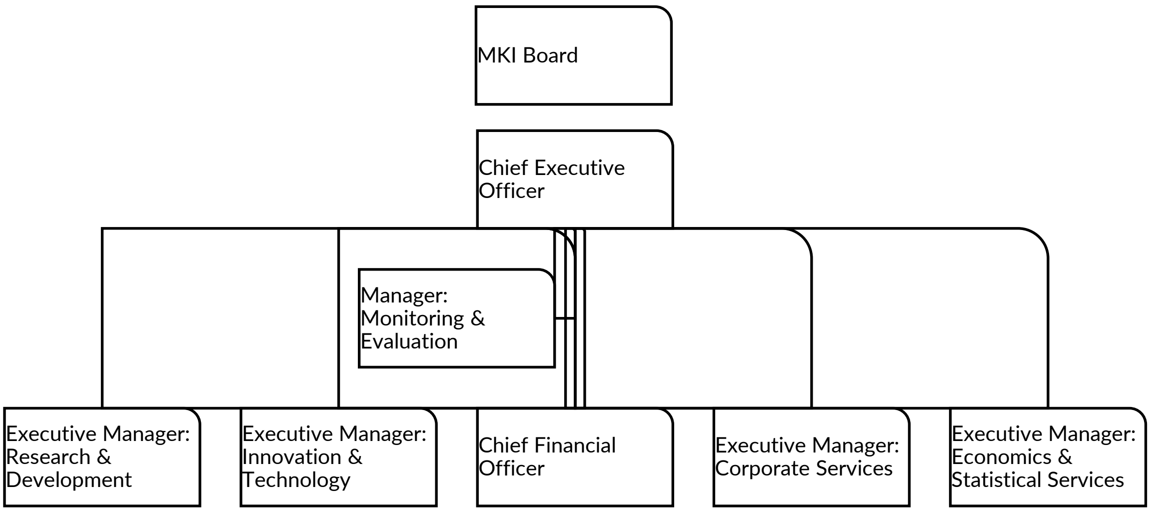
j) New Growth Path;

k) Industrial Policy Action Plans;

l) Provincial Youth Development Strategy; and

m) KZN Integrated Maritime Strategy.

11. High Level Structure



12. Overall performance

Main appropriation	Adjusted appropriation	Actual amount spent	Amount Committed
93 582 000	-	82 942 000	10 640 000
Responsible MEC	MEC for the KwaZulu-Natal Economic Development, Tourism and Environmental Affairs – Mr Ravi Pillay		
Administering Department	KwaZulu-Natal Economic Development, Tourism and Environmental Affairs		
Accounting Authority	Board of Directors through Chairperson Ms Sphelele Khomo		
Accounting Officer	Chief Executive Officer: Dr Thandeka Ellenson		

**The entity had surplus funding at the beginning of the financial year as rollovers*

13. Aim of Voted Funds

A voted allocation of funds payable was intended to be used by MKI for the purposes of its Annual Performance Plan. As part of this process, funds will be utilised based on projected cash flows and agreements with third parties.

14. Overview of Service Delivery

The Moses Kotane Institute conducts research for provincial government to shape strategies and policies and enhance service delivery. The Institute conducted research for government offices including KZN Gaming and Betting, King Cetshwayo District Municipality, ILembe Enteprise, Economic Development Tourism and Environmental Affairs, Department of Rural Development KZN, KZN Tourism, Social Development, KZN Film Commission, Human Resource Development Council to name a few. The entity further achieved all targets as set out in its Annual Performance Plan.

15. Overview of organisational environment for 2021/22

All the KwaZulu-Natal Economic Development, Tourism and Environmental Affairs entities, including Moses Kotane Institute were in the process of rationalisation. The entity was set to be a research agency for the province, and it submitted the Bill and the Business Case for this process. The entity's service offering was unique to that of other entities. Research conducted by the entity is in most cases urgent and conducted for shorter periods for the purposes of provincial decision making. The number of research reports required requires capacity. The entity therefore is unable to hire staff because each project is unique, and thus relies on hiring independent contractors for each and every assignment in instances where capacity is not available internally. The funds are drawn from EDTEA, and in some cases, other entities also transfer to MKI for research.

In terms of the Annual Performance Plan, the company achieved 100% of the targets set in the performance plan. This included 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 on its targets despite the challenges presented by the harsh economic climate, COVID19 pandemic and the July 2022 civil unrest.

PART B: PROGRAMME PERFORMANCE

16. Programme 1: Corporate Services and Administration

The corporate administration programme provides support to other programmes enabling them to conduct world class research into key strategic economic sectors, with a special focus on innovation and technology. The support offered includes providing strategic direction, integration and co-ordination of activities, support on finance and supply chain activities, performance-based monitoring and evaluation, human resource management services, facilities management services, business development and communication services. It is a transversal programme aimed at improving and maintaining the effective and efficient functioning of the operational activities and ensuring good governance.

Summary of performance for programme 1

Strategic Outcome	Performance Indicator	2021/22 Annual Target as per APP	Actual Output 2021/22	Variance	Comments
Institutional Excellence	Number of partnerships established	**3**	**3**	0	Umsunduzi Municipality, ILembe Enteprise, Umfolozi TVET and
	100% annual targets plan achieved	100%	100%	0	Achieved
	Annual audited report compiled	1	1	0	Achieved - second quarter 2021/22
	Clean audit opinion	Clean	Clean	none	Obtained - second quarter 2021/22
	100% payment of valid invoices within 30 days	100%	100%	0	Under verification
	70% procurement spend on BBBEE service providers	70%	85%	0,15	85% percent achievement

Office of the Chief Executive Officer

Plans

According to the Annual Performance Plan, this office was supposed to achieve 100% of the targets set. In addition to providing strategic direction and executing a positive communication of the corporate mandate, the corporate brand must be protected internally and externally. The organisation was able to achieve 100% of the targets, despite the challenges presented by the harsh economic climate stemming from the lingering effects of the Covid-19 pandemic and the 2021 July civil unrest.

Achievements

The organization achieved the 100% target it had set for itself. As part of the 2020-21 Annual Performance Plan, deliberate engagements were conducted to drive the implementation of the strategy. Additionally, the Institute strengthened its partnerships with tertiary institutions and private organizations in the province.

The MKI, once again obtained an unqualified audit opinion (clean audit) which demonstrates the organisation's commitment constantly reviewing and implementing proper internal controls to manage performance and financial information.

Corporate Services

Through the Corporate Services Unit, operations are supported by securing partnerships, establishing effective communication within the Institute, as well as with shareholders and stakeholders. To raise funds for programme delivery, this unit uses various systems and strategies to enhance brand awareness and increase knowledge about the Institute's programmes.

This sub-programme houses legal services, 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, staff development, and 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. It also conducted the employee wellness programme effectively to ensure that there is room for improvement in staff training. The achievements were the establishment of three new partnerships, these include Umsunduzi Municipality and iLembe Enteprise.

Figure 1: Ms Perusha Govender (Trade and Investment KZN) facilitating a panel discussion at the Women in Research Dialogue.

Finance

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 procurement on BBBEE service providers, 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 seventh year in a row. The Institute, in line with the PFMA regulations 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 and BBBEEE service providers was 85% 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.

17. PROGRAMME 2: RESEARCH AND DEVELOPMENT

Research and Development programme manages research and development projects on behalf of MKI. The purpose of this program is to conduct research that meets the needs of the province, contributes to economic growth, and promotes evidence-based decision making in the public sector. Through strategic forums, workshops, published findings and reports, it also serves as an information platform on strategic sectors. The programme seeks to enhance effective government policy formulation by using evidence-based research.

Summary of performance for programme 2

Strategic Outcome	Performance Indicator	2021/22 Annual Target as per APP	Actual Output 2021/22	Variance	Comments
Relevant evidence-based research	Number of research reports produced	14	14	0	Notes below***
	Number of students funded through MKI Bursary Scheme per year	150	158	8	8 students could not complete due to COVID19 challenges and had to be re-enrolled
	Number of Cannabis workshops held per year	4	4	0	2 virtual, 1 Mbumbulu and 1 Bergville

Plans

The programme set out to conduct strategic sector research and produce 14 research projects. The programme also aimed at supporting and mentoring MKI funded post-graduate students, cultivating collaborators for current and future projects. Through this mentorship identify and train graduate assistants whose work is critical to a research project or course offering.

Achievements

Furthermore, we hosted four cannabis workshops in various districts in KZN. The workshops were designed to provide farmers with information about cannabis and hemp cultivation. In addition, we formed numerous strategic partnerships with both the private and public sectors. In addition, the unit conducted SMME dialogues with key stakeholders to develop an SMME masterplan. A total of six strategic forums were held and numerous government interventions were conducted. In addition, two research papers were published by the unit.

The institute also conducted the following research projects which contribute to the sustainable economic growth of KwaZulu-Natal:

- Medicinal plant (cannabis) and its prospects and potential for the treatment of Covid-19
- The promotion of products related to rural tourism in KwaZulu-Natal
- The role of men in curbing the scourge of violence against women and children in KwaZulu-Natal
- Challenges facing small-scale sugarcane farmers in KZN after looting
- Assessing unemployment challenges among graduates in KwaZulu-Natal
- The impact of water pollution on KwaZulu-Natal rivers: a case of Palmiet, Umgeni, Umdloti, Umlaas, Umsunduzi and Umkhomazi

- KwaZulu-Natal film festivals and markets study
- Analysis of the informal activities in KwaZulu-Natal and proposed measures to support and promote the sector

Figure 2: The Women in Research panel discussion discussing the research that has been missed in growing the provincial economy. From left to right; Ms Perusha Govender (Trade and Investment KZN), Dr Kunene (House of Hemp), Dr Moyo (DUT).

Figure 3: Prof. Motaung (DUT) at the MKI Women in Research Dialogue.

Overall, female researchers tend to have shorter, less well-paid careers. Their work is underrepresented in high-profile journals, and they are often passed over for promotion. Women are typically given smaller research grants than their male colleagues and, while they represent 33.3% of all researchers, only 12% of members of national science academies are women.

- **UNESCO Report, May 2021**

18. PROGRAMME 3: INNOVATION AND TECHNOLOGY

The Innovation and Technology (InTech) programme provides support through an interdisciplinary and applied approach towards innovation interventions for the province. The MKI supports concept of growth of knowledge-based economy. As part of this program, we conduct emerging technology and innovation research that drives the province's economic activity towards becoming a smarter province, promotes innovation, and promotes technology use in the province so that citizens and the public sector can grow. The limited platforms in KZN for strategic and critical reflection on the key issues for future economic growth, particularly how to develop and use knowledge to radically transform the existing economic structures, present a challenge, but more importantly an opportunity for research.

Summary of performance for programme 3

Strategic Outcome	Performance Indicator	2021/22 Annual Target as per APP	Actual Output 2021/22	Variance	Comments
Expanded innovation support through digital technologies	Number of innovation competitions hosted per year	1	3	2	Held in 3 quarters
	Number of innovation summits hosted per year	1	1	0	Hosted in March 2022 on Research & Innovation
	Number of Innovation dialogues hosted per year	3	6	3	(1) Unleashing KZN innovative ideas through IOT. (2) promoting innovation through space technology, non satellite & AI. (3) climate adaptation & finance & food security. (4) Industrial Innovation - DTI. (5) Drone-eye lecture.
	Number of youth capacitated on innovation and technology	200	311	111	101 design thinking, 102 digital literacy & end user computing L3, 37 3D Printing, 39 Cybersecurity, 32 Intellectual Property

Plans

The Innovation and Technology (InTech) strategic objective included conducting relevant evidence-based action research and promoting expanded innovation support through digital technologies. InTech used its results to advise the KZN government on policy directions and interventions in the area of innovation and technology, as well as to conduct evaluations within government on innovation and technology. The program was able to create awareness of the latest technological trends (hardware, software, etc.) while providing access to digital centres for technology use. During the year under review, the program established new digital centres in deep rural areas of the province and hosted the Innovation and Research Summit. Furthermore, as part of the unit's strategic interventions had a target of hosting 3 innovation dialogues but hosted 6 dialogues as capacitated 311 youth which was way over the target of 200 that was set out at the beginning of the financial year.

Achievements

This sub-programme's exceeded its targets. Despite planning to conduct four studies, the unit completed eight studies and one commentary, including:

- KZN Grassroots Innovation research
- Future Industries to Drive Economic Development in KZN
- Online learning for MKI beneficiaries
- Digital Health Sector Survey

- Public Sector Innovation Barriers and Opportunities
- Drones value chain in KZN
- 5G Installation in KwaZulu Natal
- KZN ICT Infrastructure

The unit successfully established four digital centres in the following municipalities: uKhahlamba 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. There are three new digital centres (MUT, Richmond and Westville are at procurement stage) that are currently under development.

Through its InTech Programme, the Institute managed to host three hackathons, including the EDTEA Website Hackathon, the MKI Data Collection Tool Hackathon, and a Hackathon for the EDTEA Kwande Festival (Music and Video streaming online service). A Digital Transformation Summit took place on March 30, 2022, and a Cybersecurity Awareness event took place on October 29, 2021. Both events were designed to raise awareness of cybersecurity risks and threats, recognize personal responsibility, and acquire defensive skills, as well as maintain continuous learning while responding to new online threats and challenges. In addition, the unit held 13 virtual innovation and technology dialogues. The following are virtual innovation dialogues that were hosted:

- Microsoft Emerging Partner Program workshop (7th April 2021)
- Promoting Innovation through space technology, nano satellites, and artificial intelligence as a solution to socio-economic challenges (28th May 2021)
- Climate Adaption, Finance & Food Security in South Africa (16th of July 2021)
- DTIC Support Programme for Industrial Innovation Workshop (23rd of July 2021)
- KZN Innovation Hub Business case feedback consultation workshop
- (18 November 2021)
- Safety and Security made better through drone monitoring & remote live streaming (3rd December 2021)
- Emerging Technologies in Cannabis processing, by Mr ZL Mbatha, 25th of June 2021
- Issues of Working Remotely and POPIA Compliance, by Ms S Moganedi, 06th August 2021
- Mr Sipho Ngobeni spoke about Data Protection in African region on the 1st of October 2021

- Mr Iraven Pillay presented Ransomware - the pandemic in cyberspace - on the 08th of October 2021
- Ms Zanele Ngwane is focused on Video threat intelligence in cyberspace on the 15th of October 2021
- Mr Carl Uys shared on the integrated space - physical meets cyber - on the 22nd of October 2021

Figure 5: Mr Nkululeko Mthembu, young maritime innovator and entrepreneur.

Figure 4: MKI conducting research into the participation of local (KZN) previously disadvantaged at the Dusi Canoe Marathon

19. PROGRAMME 4: ECONOMICS AND STATISTICAL SERVICES

The Economics and Statistical Services, formerly known as the Maritime and Economics, provides provincial government, public agencies, and the maritime stakeholders with a range of research, advisory and maritime sector development services that inform policy making, regulations, and the growth of KZN's maritime economy.

Summary of performance for programme 4

Strategic Outcome	Performance Indicator	2021/22 Annual Target as per APP	Actual Output 2021/22	Variance	Comments
Relevant evidence-based research	Number of Maritime advisory reports completed	4	4	0	KIMS advisory reports, Social Unrests: Socioeconomic effects, Ugu District CMT, Logistics & Road Haulers Prelim
	Number of learners trained through maritime initiatives	50	199	149	Passport CMT, Pre-Sea familiarisation, Open water diving training, Skippers
	Number of entrepreneurs participated in the Enterprise Development	15	67	52	67 Small businesses - on digital marketing, lean start-up modules (ideation, marketing, the product, operations, finance, innovation & capstone)
	Number of Economics advisory reports	4	4	0	Stevia economic analysis, impact of COVID19 on SA businesses, KZN protests social unrests, DDA advisory King Cetshwayo Development Agency.
	Number of Business Intelligence report produced	1	1	0	Report produced and presented at the ESIEID Cluster

Plans

A major objective of the program was to produce business intelligence reports that would inform and influence provincial policy and interventions, as well as to collect, process, analyse, and disseminate provincial socioeconomic statistics, as well as to maintain provincial statistical records. Using Enterprise Development programmes, the Institute aimed to train and empower 15 entrepreneurs, and complete four economics advisory and business reports.

Figure 6: MKI conducting diver training in Adventure Valley in Ballitto.

Achievements

In the financial year 2021-22 the Economics and Statistical Services supported 67 Small businesses - on digital marketing, lean start-up modules (ideation, marketing, the product, operations, finance, innovation & capstone), well above the target of 15.

The below economic advisory reports were completed, ensuring 100% of the target was met.

- Stevia economic analysis
- impact of COVID19 on SA businesses
- KZN protests social unrests
- DDA advisory King Cetshwayo Development Agency

The following maritime advisory reports were completed, (again indicating 100% achievement of set target):

- KIMS advisory reports
- Social Unrests: Socioeconomic effects
- Ugu District CMT
- Logistics & Road Haulers Prelims

Through maritime, a total of 199 learners were trained, exceeding the target by 149. This is a clear indication of the Institute's commitment to upskilling youth and ensuring their participation in the provincial economy.

Figure 7: From left to right, Ms Sihle Mzileni (MKI), Ms Sue Singh (MKI) pictured with local (Richards Bay) skippers at the ABSA Small Fisher Development Certification Handover.

AUDITED ANNUAL FINANCIAL STATEMENT 2021-22

AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

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Date of incorporation

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

Nature of activities

The Moses Kotane Institute-NPC is involved in the conduct of world class research to meet the needs of the provincial economic and to strategically lead on innovation and maritime related issues.

Functional and reporting currency

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

Directors

The Directors of the Institute during the period 31 March 2022 and to the date of this report were:

Name	Appointment date	Resignation date	Reappointment date
Dr S. G. Ngcobo (Chair)	25 February 2011	21 August 2021	-
Prof. M. S. Maharaj	25 February 2011	21 August 2021	-
Dr E.V Nzama	25 February 2011	21 August 2021	-
Mrs. S. Khomo, CA (SA) (Chair)*	01 January 2014	21 August 2021	21 August 2021
Dr I. Z. Machi*	25 February 2011	21 August 2021	21 August 2021
Ms. M. P. Myeni*	01 December 2011	21 August 2021	21 August 2021
Mr S. Naidoo, CA (SA)**	01 April 2018	31 March 2022	-
Mr S. Hlope**	12 November 2020	-	-
Appointments			
Mr C.B. Zulu	21 August 2021	-	-
Ms S.K.N. Masango	21 August 2021	-	-
Dr T. D. Khoza	21 August 2021	-	-
Mr M. Clarke	21 August 2021	-	-
Mr T. Cibane (Deputy Chair)	21 August 2021	-	-

**Reappointed*
***Independent audit committee member*

Annual Financial Statements

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

Company Secretary

Ms Sanelisiwe Hildegard Meyiwa served as the Company Secretary from the 1st of August 2021 to 31 March 2022.

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.

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 2022.

The Annual Financial Statements for the year ended 31 March 2022 set on pages 14 - 52 were reviewed by the Audit and Risk Committee on 12 May 2022 and subsequently approved by the Board on 24 May 2021.

Directors’ Approval of Unaudited Annual Financial Statements for the year ended 31 March 2022

The Annual Financial Statements for the year ended 31 March 2022, as set out on pages 14 – 52 were approved by the Board on 24 May 2022 and are signed on their behalf.

Ms S. Khomo
Chairperson of the Board

Dr. Thandeka Ellenson
Chief Executive Officer

DECLARATION BY COMPANY SECRETARY

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

Ms S.H Meyiwa
Company Secretary
24 May 2022

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 met at least once per quarter and ensured 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 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

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
No of meetings held	4	3	3	3	3	3
Special Meetings	2	1	1	0	1	0
Total Meetings	6	4	4	3	4	3

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

Members	Board	Audit & Risk Committe e	Finance Committe e	Research, Innovation and Maritime Committee	Human Resources Committe e	Social & Ethics Committe e
Dr S.G. Ngcobo	2	0	0	0	0	1
Prof M.S. Maharaj	2	2	2	1	0	0
Dr I.Z. Machi	2	0	0	1	1	0
Ms M.P. Myeni	2	2	2	1	1	0
Ms S. Khomo, CA (SA)	2	2	2	0	0	1
Dr E.V. Nzama	0	0	0	0	0	0
Mr S. Naidoo (CA)SA***	0	2	0	0	0	0
Mr S. Hlope***	0	1	0	0	0	0
Ms T. Ellenson, CEO	2	2	2	1	1	1

A new Board was appointed on 21 August 2021. The table below reflects attendance of the Members of the Board and the Chief Executive Officer for the period between 21 August 2021 to 31 March 2022.

Members	Board	Audit & Risk Committee	Finance Committee	Research, Innovation and Maritime Committee	Human Resources Committee	Social & Ethics Committee
Ms S. Khomo, CA (SA)	4	0	2	0	0	2
Mr T.J.T. Cibane	4	0	0	0	3	2
Mr M.C. Clark	4	0	0	0	3	2
Dr T.D. Khoza	4	2	0	2	0	0
Dr I.Z. Machi	4	0	0	2	3	0
Ms S.K.N. Masango	4	0	2	2	0	0
Ms M.P. Myeni	4	2	2	0	0	0
Mr C.B. Zulu	4	2	0	2	0	0
Mr S. Naidoo (CA)SA***	0	2	0	0	0	0
Mr S. Hlope***	0	1	0	0	0	0
Ms T. Ellenson, CEO	4	2	2	2	3	2

****Independent audit committee members*

Board committees

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

Audit and Risk Committee

The Audit and Risk Committee comprises of 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 was 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:

- Ms. M.P. Myeni (Board member and chairperson)
- Mr C.B. Zulu (Board member)
- Mr T. D. Khoza (Board member)
- Mr S. Naidoo (Independent)
- Mr S. Hlope (Independent)

Permanent invitees

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

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

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

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

Integrated risk management

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

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

Responsibility for the management of risk resides with line management of the Institute. Those accountable for the management of risks also ensure that the necessary controls 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, 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 program 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 and corporate social responsibility and improving the lives of all in the province of KwaZulu- Natal.

General Review

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

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 2022. 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 2022 by the Board.

Ms M.P. Myeni
Chairperson of Audit and Risk Committee

AUDITORS' REPORT

REPORT OF THE AUDITOR-GENERAL [2021-22]

Moses Kotane Institute NPC

AUDITOR-GENERAL SOUTH AFRICA

Report of the auditor-general to the KwaZulu-Natal Provincial Legislature on Moses Kotane Institute Non-Profit Company

1.1 Report on the audit of the financial statements

1.1.1 Opinion

1. I have audited the financial statements of the Moses Kotane Institute Non-Profit Company (NPC), set out on pages 45 to 86 , which comprise the statement of financial position as at 31 March 2022, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Moses Kotane Institute NPC as at 31 March 2022, and its financial performance and cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, 2008 (Act No.71 of 2008)(Companies Act).

1.1.2 Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.

4. I am independent of the company in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.1.3 Emphasis of matter

6. I draw attention to the matter below. My opinion is not modified in respect of this matter.

1.1.3.1 ***Uncertainty relating to the future outcome of litigations***

7. With reference to note 27 to the financial statements, the entity is the defendant in various legal claims. The entity is opposing these claims, as it believes that the claimants have no basis for making these claims. The ultimate outcome of these matters could not be determined and no provision for any liability that may result was made in the financial statements.

1.1.4 Responsibilities of the accounting authority for the financial statements

8. The board of directors, which constitutes the accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS

and the requirements of the Companies Act, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

9. In preparing the financial statements, the accounting authority is responsible for assessing the Moses Kotane Institute NPC's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

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

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

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

1.2 Performance information reporting

12. The entity is not required to prepare a report on its performance against predetermined objectives, as it does not fall within the ambit of the Public Finance Management Act of South Africa ,1999 (Act No 1 of 1999) and such reporting is not required by the Companies Act.

1.3 Report on the audit of compliance with legislation

1.3.1 Introduction and scope

13. In accordance with the Public Audit Act, 2004 (Act No.25 of 2004)(PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the company's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

14. I did not identify any material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

1.4 Other information

15. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the directors' report, the audit committee's report and the company secretary's certificate, as required by the Companies Act. The other information does not include the financial statements and the auditor's report.

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

17. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

18. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract the auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

1.5 Internal control deficiencies

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

29 July 2022

Pietermaritzburg

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general's responsibility for the audit

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

1.5.1 Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority
- conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the Moses Kotane Institute NPC to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a company to cease operating as a going concern
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

1.5.2 Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

The directors have the pleasure in presenting their report for the financial period ended 31 March 2022 in terms of the Companies Act, 71 of 2008, International Financial Reporting Standards ("IFRS").

General Review

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

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.
- 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
- 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 2022 have been prepared in accordance with the Companies Act and International Financial Reporting Standards.

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 2022/23 financial year and projected funding for the 3 years through Provincial treasury and there have been no changes noted by the entity. Under these conditions, the entity is comfortable that it will be able to continue as a going concern for the foreseeable future.

Going concern

We draw attention to the fact that for the financial year ended 31 March 2022 the Institute has a deficit of R 13,751 million (2021 Deficit of R18,949 million) and that the Institute's assets exceeded its liabilities by R8,563 million (2021 by R22,278 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 realization 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 2022/23 financial year and projected funding for the next 3 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 the future of the entity and the impact of COVID – 19.

All EDTEA entities, including Moses Kotane Institute, are currently in an ongoing rationalisation process.

The directors have the pleasure in presenting their report for the financial period ended 31 March 2022 in terms of the Companies Act, 71 of 2008, International Financial Reporting Standards ("IFRS").

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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.

All EDTEA entities, including Moses Kotane Institute are currently in an ongoing rationalisation process.

	Note	2022 R'000	2021 R'000
ASSETS			
Current assets		**13,939**	**35,108**
Cash and Cash Equivalents	2	10,820	33,206
Trade and Other Receivables	3	35	35
VAT Receivable	4	3,084	1,867
Non-current assets		**14,287**	**16,644**
Property, Plant and Equipment	5	12,517	12,939
Right-of- use lease assets	5	1,695	3,579
Intangible Assets	6	75	126
TOTAL ASSETS		**28,226**	**51,752**
LIABILITIES			
Current liabilities		**15,470**	**22,240**
Trade and Other Payables	7	3,695	5,318
Current Provisions	8	9,886	15,262
Lease liabilities	9	1,889	1,660
Non-current liabilities		**4,193**	**7,234**
Deferred Income	10	4,034	5,209
Lease liabilities	9	159	2,025
TOTAL LIABILITIES		**19,663**	**29,474**
Net assets		**8,563**	**22,278**
Accumulated Surplus		8,563	22,278
TOTAL NET ASSETS AND LIABILITIES		**28,226**	**51,752**

	Note	2022 R'000	2021 R'000
REVENUE			
Revenue from Government Grants		**46,139**	**48,852**
Government Grants and Subsidies	11	46,139	48,852
Other income		**3,463**	**2,353**
Other income	12	3,463	2,353
TOTAL REVENUE		**49,602**	**51,205**
EXPENSES			
Employee Related Costs	13	(24,164)	(25,116)
Directors' and Key Management Remuneration	14	(10,516)	(7,899)
Depreciation and Amortization Expense	15	(4,686)	(4,528)
Auditors' Remuneration	16	(729)	(748)
Administration Expenses	17	(2,178)	(3,275)
Operating Expenses	18	(21,311)	(29,508)
TOTAL EXPENSES		**(63,584)**	**(71,074)**
OPERATING SURPLUS / (DEFICIT)		**(13,982)**	**(19,869)**
Finance Income	20	436	1,231
Finance cost	21	(205)	(311)
SURPLUS/(DEFICIT) BEFORE TAX		**(13,751)**	

		(18,949)
Income Tax 22	(0)	(0)
TOTAL SURPLUS / (DEFICIT) FOR THE PERIOD NET OF TAX	**(13,751)**	**(18,949)**
Other comprehensive income/loss for the year	35	0
TOTAL COMPREHENSIVE SURPLUS / (DEFICIT)	**(13,716)**	**(18,949)**

MOSES KOTANE INSTITUTE NPC
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2022

	Other Comprehensive income	Accumulated Surplus	Total Equity
		R '000	R '000
BALANCE AT 1 APRIL 2020	-	**41,229**	**41,229**
Correction of prior period error		(2)	(2)
Total deficit		(18,948)	(18,949)
BALANCE AT 31 MARCH 2021	**-**	**22,279**	**22,279**
Total deficit for the period		(13,751)	(13,751)
Property plant and equipment revaluation	35	-	35
BALANCE AT 31 MARCH 2022	**35**	**8,528**	**8,563**

	Note	2022 R '000	2021 R '000
Cash flows from operating activities			
Cash generated from operations		(18,687)	(28,600)
Interest Income	20	436	1,231
Interest paid		(205)	(311)
Net cash flows from operating activities	22	**(18,456)**	**(27,680)**
Cash flows from investing activities		**(2,293)**	**(4,871)**
Purchase of Assets	5	(2,293)	(4,753)
Purchase of Other Intangible Assets	6	-	(118)
Net cash flows from investing activities.		**(2,293)**	**(4,871)**
Cash flows from financing activities			
Payment of principal portion of lease liabilities		(1,637)	(1,488)
Net cash flows from financing activities		**(1,637)**	**(1,488)**
Net increase/(decrease) in cash and cash equivalents		**(22,386)**	**(34,039)**
Cash and cash equivalents at the beginning of the year	2	33,206	67,245
Cash and cash equivalents at the end of the year	2	**10,820**	**33,206**

1 Accounting Policies

1.1 Changes in significant accounting policies

1.1.1 Principal accounting policies

COVID-19 considerations

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

The 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	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 is main revenue is grant income from government.	Low	N/A
Net realisable value of inventories IAS 12 Inventories	No inventories held by entity	Low	N/A

Recoverability of deferred tax assets under IAS 12 Income Taxes	The entity is income tax exempt and does not recognise deferred tax.	Low	N/A
Remaining useful life and residual value of property, plant and equipment, intangible assets and right-of-use assets under IAS 16 Property, Plant and Equipment, and IAS 38 Intangible Assets and IFRS 16 Leases,	The estimation of the useful lives is based on historic performance as well as expectation about future use and, therefore, requires a degree of judgement to be applied. The depreciation rates represent management's current best estimate of the useful lives of the assets. All properties are accounted for as own use assets and are thus held at cost less depreciation. Limited disruption to operations has resulted in non-financial assets remaining useful recovered through use in the normal course of business.	Low	N/A
Provision for liabilities such as onerous contracts under IAS 37 Provisions, Contingent Liabilities and Contingent Assets	The nature of the entity`s services does not lead to any likely significant onerous contract provisions.	Low	N/A

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 2022, there were no Standards, and interpretations applicable to MKI which were in issue but not effective.

New standards and interpretations effective for the current financial year

At the date of authorisation of the financial statements of MKI, for the year ended 31 March 2022, there were no Standards, and interpretations applicable to MKI which were in issue but not effective.

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 Benefit
IAS 20: Accounting for Government Grants and Disclosure of Government Assistance
IAS 24: Related party Disclosure
IAS 21: The effects of changes in Foreign Currency rates
IAS 37 : Provision, Contingent Liabilities and Contingent Assets
IAS 38: Intangible Assets
SIC 10: Government Assistance

1.2 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. 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 realization 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 2022/23 financial year and projected funding for the next 3 years.

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

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

1.6.2 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 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 recognizes 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. 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;
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;
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 change this business model of managing the assets.

Financial liabilities are prohibited from reclassification.

Modification of contractual cashflows

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

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

Write-off

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

Gains and losses

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

Impact to MKI

IFRS 9 was adopted effective 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 to offset and ther intention either to settle on a net basis or to realize the asset and settle the liability simultanec

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 organization 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.

The institute is also a registered vat vendor in accordance to Value Added Tax Act (VAT Act).

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.

	2022 R'000	2021 R'000
2 *Cash and Cash Equivalents*		
Cash and cash equivalents consist of the following:		
Cash at bank	4,135	7,443
Call deposits	6,685	25,762
Total Cash and cash Equivalents	10,820	33,206

The changes in cash and cash equivalents were due to operational requirements and are documented under
The Institute has the following bank accounts:

Current account:
First national Bank, Hillcrest, Account Number 6220 790 1176

	2022 R'000	2021 R'000
Cash book balance at beginning of the year	7,442	5,221
Cash book balance at end of the year	4,065	7,442
Bank statement balance at beginning of the year	7,442	5,221
Bank statement balance at end of the year	4,065	7,442

Deposits on call (Money Market):

First national Bank, Hillcrest, Account Number 6220 790 5194

Cash book balance at beginning of the year	15,248	201
Cash book balance at end of the year	4,436	15,248
Bank statement balance at beginning of the year	15,248	201
Bank statement balance at end of the year	4,436	15,248

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

Cash book balance at beginning of the year	10,515	54,361
Cash book balance at end of the year	2,248	10,515
Bank statement balance at beginning of the year	10,515	54,361
Bank statement balance at end of the year	2,248	10,515

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

	2021	**2020**
Cash book balance at beginning of the year	1	7,300
Cash book balance at end of the year	50	1
Bank statement balance at beginning of the year	1	7,300
Bank statement balance at end of the year	50	1

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	19	161
Bank statement balance at beginning of the year	161	160
Bank statement balance at end of the year	19	161

Cash on hand

Total cash and cash equivalents	**10,820**	**33,206**

3 *Trade and Other Receivables*

Deposits	13	13
Prepayments	0	0
Trade receivables	0	0
Other receivables	22	22
Accrued Interest earned	0	7
Trade and other receivables	**35**	**35**

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 1 year from the date of invoicing/transaction to the date of payment.

At 31 March 2021 and 31 March 2022, 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 2021 and 31 March 2022.

4 VAT Receivable	**R`000**	**R`000**
VAT Receivables	**3,084**	**1,867**

5 Property, Plant and Equipment

Reconciliation of Carrying Value

	2022			2021		
	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	(1,278)	3,072	4,350	(1,169)	3,181
Vehicles	719	(485)	234	684	(379)	305
Furniture & Fittings	3,965	(1,238)	2,727	3,224	(902)	2,322
Office Equipment	817	(479)	338	816	(318)	498
Computer Equipment	5,658	(2,748)	2,910	4,105	(1,244)	2,860
Right-of-use (Dube Trade port lease)	5,551	(3,856)	1,695	5,551	(2,007)	3,544
Right-of-use (Apex printers)	150	(150)	0	150	(115)	35
Boats Motors	1,172	(617)	555	1,171	(382)	789
Diving Equipment	2,821	(448)	2,373	2,820	(296)	2,524
Trailers	50	(11)	39	50	(7)	43
Workshop Equipment	322	(103)	219	324	(68)	256
Springfield Property	984	(984)	0	984	(984)	0
Leasehold improvements	224	(174)	50	223	(62)	161
Total	**26,783**	**(12,571)**	**14,212**	**24,453**	**(7,935)**	**16,518**

5.1 Reconciliation of Property, Plant and Equipment – 2022

	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	3,181	0	0	0	(109)	0	0	0	3,072
Vehicles	305	0	0	0	(106)	0	35	0	234
Furniture & Fittings	2,322	740	0	0	(336)	0	0	0	2,726
Office Equipment	498	0	0	0	(160)	0	0	0	338
Computer Equipment	2,861	1,553	0	0	(1,503)	0	0	0	2,911
Right-of-use (Dube Trade port lease)	3,544	0	0	0	(1,849)	0	0	0	1,695
Right-of-use (Windsor lease)	(0)	0	0	0	0	0	0	0	(0)
Right-of-use (Apex printers)	35	0	0	0	(35)	0	0	0	0
Boats Motors	789	0	0	0	(234)	0	0	0	555
Diving Equipment	2,524	0	0	0	(151)	0	0	0	2,373
Trailers	43	0	0	0	(4)	0	0	0	39
Workshop Equipment	256	0	0	0	(36)	0	0	0	220
Springfield Property	(0)	0	0	0	(0)	0	0	0	(0)
Leasehold improvements	161	0	0	0	(112)	0	0	0	49
Total	**16,519**	**2,293**	**0**	**0**	**(4,635)**	**0**	**35**	**0**	**14,212**

5.2 Reconciliation of Property, Plant and Equipment – 2021

	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	3,290	0	0	0	(109)	0	0	0	3,181
Vehicles	606	0	(168)	0	(133)	0	0	0	305
Furniture & Fittings	1,025	1,569	(9)	0	(263)	0	0	0	2,322
Office Equipment	601	51	0	0	(154)	0	0	0	498
Computer Equipment	1,150	2,636	(50)	0	(875)	0	0	0	2,861
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	(149)	0	0	0	2,524
Trailers	46	0	0	0	(3)	0	0	0	43

Workshop Equipment	266	25	0	0	(35)	0	0	0	256
Springfield Property	492	0	0	0	(492)	0	0	0	(0)
Leasehold improvements	0	223	0	0	(62)	0	0	0	161
Total	**16,410**	**4,828**	**(227)**	**0**	**(4,492)**	**0**	**0**	**0**	**16,518**

6 Intangible Assets

Reconciliation of Carrying Value

	2022			2021		
	Cost	Accumulated Amortization & Impairment	Carrying Value	Cost	Accumulated Amortization & Impairment	Carrying Value
	R'000	R'000	R'000	R'000	R'000	R'000
Computer Software	296	(220)	75	296	(170)	126
Total	296	(220)	75	296	(170)	126

6.1 Reconciliation of Intangible Assets – 2022

	Carrying Value Opening Balance	Additions	Disposals	Transfers	Amortization	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	126	0	0	0	(51)	0	0	0	75
Total	**126**	**0**	**0**	**0**	**(51)**	**0**	**0**	**0**	**75**

6.2 Reconciliation of Intangible Assets – 2021

	Carrying Value Opening Balance	Additions	Disposals	Transfers	Amortization	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	(9)	0	(36)	0	0	0	126
Total	**53**	**118**	**(9)**	**0**	**(36)**	**0**	**0**	**0**	**126**

7 *Trade and Other Payables*

	2022	2021
Trade creditors	1,357	2,588
Other payables and accruals	1,215	1,021
Leave pay accrual	1,123	1,709

Total Trade and Other Payables	**3,695**	**5,318**

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 – 2022

	Bonus provision (13th Cheque) R'000	Bursary & Research provisions R'000	Audit fee provisions R'000	Total R'000
Opening balance	1,429	13,123	710	15,262
Amounts utilised for the year	(1,606)	(13,123)	(665)	(15,394)

Amount raised for the year	738	8,534	746	10,018
Closing balance	**561**	**8,534**	**791**	**9,886**

8.2 Reconciliation of Movement in Current Provisions – 2021

	Bonus provisions (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	(1,435)	(27,899)	(676)	(30,010)

Amount raised for the year	1,261	15,374	748	17,383
Closing balance	**1,429**	**13,123**	**710**	**15,262**

Bonus provision (13th Cheque)

The bonus provision relates to bonus payable to employees on their birthday month. Due to the different payment dates a provision is raised.

Audit fee provision

Audit fee provision relates to an estimated of audit fees for the 2020/2021/2022 financial year, payable upon completion of the audit. Due to the Uncertainty of the payment date a provision has been created

Bursary & Research provision

Bursary provisions related to constructed obligations due to mandate of MKI to fund students until completion of their studies. Due to the uncertainty of the payment date a provision has been created .

9 Lease liability

	R`000	R`000
Long term portion	159	2,025
Current portion	1,889	1,659
Total Lease liability	**2,048**	**3,685**

10 Deferred Income

	R`000	R`000
Arising from government assets	4,034	4,695
ABSA Development Funding	-	514
Current unspent conditional grants and receipts	**4,034**	**5,209**

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.

		2022 R'000	2021 R'000
11	**Government Grants and Subsidies**		
	Revenue		
	Other government grants and subsidies		
	EDTEA	45,125	47,866
	External funding		
	LGSETA	-	-
	ABSA	1,014	986
	Total Government Grants and Subsidies	**46,139**	**48,852**
12	**Other Income**		
	Other income		
	Deferred income realised	661	788
	Sundry income	2,802	1,522
	Staff recoveries	-	-
	Gains on lease modification	-	43
	Total Other Income	**3,463**	**2,353**
13	**Employee Related Costs**		
	Employee related costs - Salaries and Wages	19,908	20,855
	Employee related costs - contribution for UIF, Pensions and Medical Aid	727	2,243
	Travel, motor car, accommodation, subsistence, and other allowances	254	645
	Training	235	65
	Guaranteed bonuses	3,041	1,308
	Other employee related costs	-	-
	Total Employee Related Costs	**24,164**	**25,116**
14	**Directors' and Key Management Remuneration**		
	Remuneration of the Chief Executive Officer		
	Annual Remuneration	1,189	1,139
	Performance and other bonuses	99	91
	Travel, motor car, accommodation, subsistence and other allowances	201	240
	Contribution for UIF, Pensions and Medical Aid	89	84
		1,579	**1,554**

Remuneration of the Executive Manager: Corporate Services

	2022 R'000	2021 R'000
Annual Remuneration	1,330	1,280
Performance and other bonuses	110	107
Travel, motor car, accommodation, subsistence and other allowances	-	38
Contribution for UIF, Pensions and Medical Aid	111	106
	1,552	**1,531**

Remuneration of the Executive Manager: Research and Development

Annual Remuneration	1,196	1,152
Travel, motor car, accommodation, subsistence and other allowances	-	36
Contribution for UIF, Pensions and Medical Aid	101	99
	1,298	**1,287**

Remuneration of the Executive Manager: Innovation

Annual Remuneration	1,121	970
Travel, motor car, accommodation, subsistence and other allowances	93	307
Contribution for UIF, Pensions and Medical Aid	84	84
	1,298	**1,361**

Remuneration of the Chief Financial officer

Annual Remuneration	1,208	96
Travel, motor car, accommodation, subsistence and other allowances	-	3
Contribution for UIF, Pensions and Medical Aid	90	7
	1,298	**106**

Remuneration of the Executive Manager: Maritime and Econometrics

Annual Remuneration	1,110	267
Travel, motor car, accommodation, subsistence and other allowances	-	25
Contribution for UIF, Pensions and Medical Aid	101	24
	1,298	**316**

Salaries and other related costs		
Salaries	**8,323**	**6,157**
Non-executive Directors		
Directors emoluments	2,124	1,679
External independent Directors	69	44
	2,193	**1,723**
Directors' other expenses	-	19
Directors Emoluments and Other Expenses	**2,194**	**1,742**
Total Emoluments	**10,516**	**7,899**

15 Depreciation and Amortisation Expense

	2022	**2021**
Property, plant, and equipment	4,635	4,492
Intangible assets	51	36
Total Depreciation and Amortisation	**4,686**	**4,528**

16 Auditors' Remuneration

	2022 R'000	**2021 R'000**
External auditors	729	748
Total Auditors' Remuneration	**729**	**748**

17 Administration Expenses

Bad Debt Written off	0	149
Bank charges	25	36
Electricity	337	394
Insurance	241	186
Interest and penalties	254	255
Rental of office equipment	37	24
Rental	0	178
Printing and stationery	74	69
Security services	127	422
Office expenses and consumables	102	587
Telephone and internet data	972	937
Moving expense	8	37

Total Administration Expenses		**2,177**	**3,275**

18 Operating Expenses

Cleaning		10	156
Advertising		1,578	920
Repairs and maintenance		-	116
Award expenses		1,248	742
Equipment Hire		-	-
Digital centre Setup		-	-
Consulting and professional services		1,441	3,194
Learner Support expenses		1,941	824
Donation costs		-	-
Municipal rates and levies		188	192
Meals and refreshments		274	193
Travel and subsistence		2,495	3,964
Loss on disposal of assets		0	236
Motor vehicle expenses		76	55
Bursary expenses	19	8,784	15,598
Research and development expenses		2,398	3,318
Total Operating Expenses		**21,311**	**29,508**

19 Bursary expenses

		2022 R'000	2021 R'000
19.1.1	**Skills Development**		
	Learner materials	-	-
	Learner tuition	-	31
	Total Skills Development	**-**	**31**
19.1.2	**Postgraduate Bursaries**		
	Learner tuition	8,784	15,374
	Learner materials	-	224
	Learner living allowance	-	-
	Total Postgraduate Bursaries	**8,784**	**15,598**
	Total bursary expenses	**8,784**	**15,598**

20. Interest income

Bank and deposit Interest	436	1,231
Total	**436**	**1,231**

21. Finance costs

	-	
Interest on leases	(205)	(311)
Interest on fair value	-	-
Total	**(205)**	**(311)**

22. Cash Flows from Operating Activities

Cash flows from operating activities		
Surplus /(Deficit)	(13,751)	(18,949)
Adjustments for –		
Loss on sale of tangible assets	-	236
Movement in provision	(5,376)	(12,627)
Depreciation and amortisation	2,751	2,304
Depreciation of Right of use asset	1,884	2,004
Amortisation of Intangible assets	51	220
Gains from modification of lease liability	-	(829)
Interest Income	(436)	(1,231)
Interest paid	205	311
Bad debt written off	-	149
Changes in cash from generated activities	**(14,672)**	**(28,412)**
Operating surplus before working capital		
(Increase)/decrease in trade and other receivables	-	24
(Increase)/decrease in Vat receivable	(1,217)	(1,575)
Increase/(decrease) in Deferred income	(1,175)	514
Increase/(decrease) in trade and other payables	(1,623)	849
Cash generated from operations	**(18,687)**	**(28,600)**

23. 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.

Defined Contribution Liability	R 338,781
Defined Contribution Expense	R 2,303,071

MKI committed to ensure that the liability was paid within the next 12 months and the liability was subsequently paid on the 7th April 2022

24. Risk Management

Maximum credit risk exposure

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

•The entity only deposits cash with major banks with high quality credit standing

•The entity limits exposure to any one counter-party.

Allowance for impairment

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

IFRS 9 was adopted effective 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 2 years where MKI have provided such services for reasonability.

Based on the historical data, MKI`s definition of default is longer than 1 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 2021/22 and 31 March 2020/21, 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 2021/22 and 31 March 2020/21. 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 Amortized Cost

The financial assets 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 assets at amortized cost:

	2022 R'000	2021 R'000
Cash and cash equivalents	10,820	33,206
Trade and other receivables	35	35

25.2 Financial liabilities at Amortized 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	2,572	3,609
Lease Liabilities	2,048	3,685

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. It should be noted that the prior year has been adjusted to exclude the leave pay provision.

R`000

2022	**Not later than one month**	**Later than one month and not later than three months**	**Later than three months and not later than one year**	**Later than one year and not later than five years**
Trade and other payables	2,572	-	-	-
Lease liabilities	157	314	1,418	159

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	3,609	-	-	-
Lease liabilities	138	276	1,245	2,025

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 transactions and balances were incurred during the period under review:

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

Department of Economic Development, Tourism and Environmental Affairs is the oversight authority and provides the grants to Moses Kotane Insititute

Dube Trade Port is a sister entity that falls under the Department of Economic Development, Tourism and Environmental Affairs. Moses Kotane Institute rents office space from Dube trade Port.

Sharks Board is a sister entity that falls under the Department of Economic Development, Tourism and Environmental Affairs. Moses Kotane Institute had no transactions with them during the current year.

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 14.

26.1 Transactions with related parties	2022	2021

	R`000	R`000
The following transactions were carried out by the Institute with related parties:		
Department Grant		
Grant funding received – EDTEA	45,124	47,866
	45,124	**47,866**

Sharks Board

Assets were transferred to MKI from Sharks Board during the 2021 financial year as part of the transfer of the MCOE business unit. The assets were transferred at no consideration. The assets have been fair valued and disclosed by the Moses Kotane Institute. Sharks board and Moses Kotane Institute are members of the Department of Economic Development, Tourism and Environmental Affairs.

Sharks Board	**2022**	**2021**
Inherited Assets at fair value	-	75
Total	**-**	**75**
Creditors		
Expenses		
Service expenses	-	561

27 Contingent liabilities and Contingent assets

Contingent Liabilities

The entity is involved in several legal proceedings and has a contingent liability of disputed claims (in litigation) for the year under review. Litigations are civil and contractual in nature.

The Moses Kotane Institute (NPC) is the defendant on the following matters:

	2022 R'000	2021 R'000
a) H&P IT Empowerment (Pty) Ltd	4,174	4,174
b) AEC (PMO)	2,637	2,637
c) Mr Vilakazi	1,588	1,588
d) Mr Mzimela	4,722	4,700
e) Mr Hlatywayo	313	-

a) H&P IT Empowerment (Pty) Ltd – Case arose because of a training service contract that was not fulfilled. The training related to Municipal Finance and IT Learner Support. The summons was issued in November 2019 and no further correspondence has been received since then.
b) AEC (PMO) – Contract has been terminated before the completion of the term. Summons received in June 2020 and there has been no further correspondence
c) Mr Vilakazi – Matter arose due to a contractual dispute. The matter is pending in court. The Certificate of Trial Readiness is being awaited from the plaintiff's legal representative. A trial date can then be issued.
d) Mr Mzimela – Matter arose due to a dispute recruitment. The matter is currently pending at court.
e) Mr Hlatywayo – Mr Hlatywayo was an employee that was dismissed following a disciplinary hearing. He then referred the matter to the CCMA on the grounds of unfair dismissal. The matter will proceed on a date to be set by the CCMA.

	2022	**2021**
	R'000	**R'000**
Contingent Assets		
The Moses Kotane Institute (NPC) is the plaintiff on the following matter:		
a) Estate late S Mpungose	R2,089,037	R2,089,037

a) Estate late S Mpungose - Mr S Mpungose was an ex-employee off the entity. Charges were brought against him, but he subsequently passed on. The claims have now transferred to his estate. The matter is currently at the high court.

Details of Director's emoluments Unaudited supplementary information

	2022				2021
	R'000				R'000
	Salaries	Bonuses	Other	Total	
Executive Managers	**7,154**	**209**	**957**	**8,323**	**6,156**
Dr S. Buthelezi	1,196	-	101	1,298	1,288
Adv. T. Mapipa	1,330	110	111	1,552	1,532
Dr L. D. Dlamini	1,110	-	188	1,298	316
Mr. D Govender	1,208	-	90	1,298	-
Mr. V Mhlongo	1,121	-	177	1,298	-
Dr T. P. Ellenson (CEO)	1,189	99	290	1,579	1,553
Non-Executive Directors	**2,124**	**-**	**-**	**2,124**	**1,724**
Prof M. S. Maharaj	216	-	-	299	299
Dr I. Z. Machi	222	-	-	204	204
Dr S. G. Ngcobo (Chairman)	342	-	-	530	530
Ms M. P. Myeni	308	-	-	424	424
Mrs S. Khomo (CA) SA	445	-	-	223	223
Ms. S Masango	74	-	-	74	-
Mr. B Zulu	103	-	-	103	-
Mr. T Cibane	207	-	-	207	-
Mr. C Clark	113	-	-	113	-
Dr, D Khoza	90	-	-	90	-

Details of Directors' service contracts:

No Directors have service contracts with notice periods in excess of one year and with provisions for pre-determined compensation on termination of the contracts exceeding one year's salary and benefits in kind.