



IT'S

PARADISE

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Ugu – South Coast Tourism (Pty) Ltd

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DRAFT ANNUAL REPORT

30 June 2018



COAST COUNTRY CULTURE EVENTS EXTREME FAMILY FUNCTIONS GOLF SPORTS



www.tourismsouthcoast.co.za

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1. CHAIRPERSON'S REPORT

I take pride in presenting Ugu South Coast Tourism's (USCT) Annual Report for the 2017/2018 Financial Year ending 30 June 2018. The collective effort of board members, management and staff has again resulted in excellent delivery of performance targets and sustained good governance and has resulted in an Unqualified Audit Opinion.

I thank and congratulate all involved in this achievement and especially thank retiring CEO Justin Mackrory for his commitment to clean and transparent governance and for implementing a sound performance management system. Justin brought fun, order, accolades, professionalism and a high work ethic to the organisation. He remains a special friend in tourism and we wish him well in his future endeavours.

During the difficult year under review, every effort was made to continue growing the number of visitors to our destination. Whilst formal statistics are not yet in, the feeling is that we may have managed to at least maintain existing levels despite the adverse impacts of a struggling economy and water supply outages. However, faced with increased taxes and fuel prices, a definite decline is now evident in the number of domestic tourists visiting the area and their reduced length of stay. In so far as the South Coast's share of international tourism is concerned, now is the time that we better showcase our sunshine golf destination which is world class and can easily compete with preferred destinations in quality, weather and price.

I also take pride in the accolades that USCT received for progress made in expanding the official tourist route guide to promote and grow rural tourism products. Great Drives Out now boasts 9 pages in The Southern Explorer and our next challenge is to ensure the growth and success of registered tour guides that will form the important link between coastal and rural products.

This will be one of the important focus areas of newly appointed CEO, Phelisa Mangcu, who comes with strong experience in both tourism transformation and destination management. This sensitive balance is critical to the success of our brand as is the need to accelerate our entry into meaningful digital marketing. We have every confidence that Phelisa will expertly take us to this next level.

We anticipate further financial constraints and budget cuts within organs of state but trust that our good track record and demonstrated levels of service delivery will be considered and rewarded. The year under review has been difficult and the year ahead will be no easier. However, this will not detract from USCTs commitment to promote and grow all our tourism assets.



JOY CRUTCHFIELD
Board Chairperson

2. REPORT OF THE CHAIRPERSON: AUDIT AND PERFORMANCE AUDIT COMMITTEE

EXTERNAL AUDIT SHARED SERVICES

Members of the Audit Committee:

Mr. Bheki Dladla	-	Member
Mrs. Chantel Elliott	-	Member
Mrs. Bongeka Jojo	-	Member
Mr. Paul Preston	-	Chairperson

The Audit Committee sat on the following dates as an Audit Committee and as a Performance Audit Committee:-

	Audit Committee	Performance Audit
23 August 2017	X	X
5 December 2017	X	X
20 March 2018	X	X
19 June 2018	X	X

1. INTRODUCTION

Ugu South Coast Tourism is a Municipal Entity created in terms of the Municipal Systems Act read with the provisions of the Companies Act 71 of 2008. The Chief Executive Officer is the Accounting Officer and is responsible from managing the financial administration of the Municipal Entity. The Entity answers to its own Board of Directors. The Audit Committee is appointed in terms of Municipal and Company Legislation by the Parent Municipality, Ugu District Municipality, to assist and to advise the CEO, the CFO and the Chairperson of the Board of Directors of the Entity. It is afforded wide powers and obligations in terms of Section 166 read with Section 87 of the Municipal Finance Management Act (MFMA). It considers the Entities performance operational achievements, and its plans. Its Annual Financial Statements and performance information is consolidated with those of Ugu. This report documents the External Audit Committee sitting as a shared service for the Entity for the 2017/2018 financial year.

2. MEMBERS AND MEETINGS OF THE AUDIT COMMITTEE

In terms of the MFMA and the UGU South Coast Tourism (USCT) Audit Committee Charter, the Audit Committee as at the 30 June 2018, included four external independent members, one is a Performance Audit Specialist. None of the members were Directors of the Company. The membership composition of the Audit Committee does not include the Accounting Officer/CEO. The Audit Committee Meets at least four (4) times per annum as per its approved Charter and sat at every meeting separately as a Performance Audit Committee to discharge its responsibilities.

Discussions of an informal nature between the Chairperson, the CEO, and the General Manager: Finnace & HR took place from time to time. These meetings included ongoing assessment of Statutory compliance, calibrations of risk in respect of the Entity and always considered the Entity's financial position.

The Audit Committee also sat as a Performance Audit Committee for performance audits in respect of Section 40, 41, 43 and 46 of the Municipal Systems Act (MSA) to consider the Entities performance measured against its pre-determined objectives, and the IDP and SDBIP by the parent, Ugu District Municipality.

The Chair of the Board of the Entity is invited to all Audit Meetings. The Entity has Board meetings at which the Chair of the Audit Committee is an invitee. The Audit Committee maintains its independence at all times. Members feel comfortable in discussing issues, considering operational strategies and risk, as well as referencing Treasury Circulars, COGTA and the Auditor General directives. The Auditor General and COGTA are invited to every meeting and the committee has discussions with adequate opportunity to consider:-

1. Compliance with legislation;
2. Completeness and Accuracy of Financial Statements and compliance with Treasury Directives concerning expenditure;
3. Performance evaluation of Managers and in terms of predetermined Performance Targets and the Entities and Management and its respective strategic plan;
4. At every meeting, the Entities financial position and its going concern viability;
5. Risk and Fraud;
6. Emerging Risk;
7. A loan advanced to Ugu South Coast Development Agency and repayment and risk;
8. Supply Chain Management, and the supplier's data basis;
9. Compliance with Treasury Circular 68 concerning irregular expenditure deviations, and unauthorised or fruitless and wasteful expenditure.

The Audit Committee members respect and maintain the confidentiality of meetings and the agendas.

The Audit Committee members have carefully reviewed and approved meeting minutes. The Audit Committee members exchange e-mails with the General Manager: Finance & HR, the Chairperson, the CEO and the Audit Chairperson between meetings if issues or concerns arose. An atmosphere of mutual trust and respect exists between the Audit Committee and Management while maintaining a spirit of independence and a willingness of all parties to challenge submissions and reports tabled at meetings. Careful, and almost pedantic, interrogation of compliance with Treasury circulars and the necessary Registers took place at meetings during the financial year. Favourable comment was received by the Auditor General, concerning the integrity and manner of conduct the meetings.

3. AUDIT COMMITTEE'S RESPONSIBILITIES AND FINDINGS

The Audit Committee's responsibilities are outlined in Section 166(2) read with Section 87 of the MFMA. The Internal and External Audit Committee Charters were reviewed by the Audit Committee and recommendations were made to enhance the independence of the Audit Committee in line with King III on Corporate Governance, as well as Statutory compliance in terms of the provisions of the Companies Act 71 of 2008. Related party disclosures were considered at the meeting about the quality and standard of the meetings. In discharging its responsibilities for the year ended 30 June 2018 the Audit Committee completed the following:-

3.1 Audit Committee Meetings

- Reviewed the quality of the financial information, financial statements and other statutory/public and regulatory reporting that was tabled before the Audit Committee;

- Reviewed the draft Annual Financial Statements and the Parent's Consolidated Financial Statements and the draft Performance Audit information and Consolidated Performance prior to submission to the Directors of Ugu-South Coast Tourism and then submitted to the Auditor General and made recommendations on enhancing the quality of disclosure;
- Reviewed the draft Annual Financial Statements and Performance information to ensure they present a balanced credible and understandable assessment of the position, performance and sustainability of the Entity;
- Reviewed the Auditor General's proposed Audit and Management Report in relation to the financial year ended 2018;
- Discussed outcomes and possible reservations arising from the audit, and any matters the Auditor General wished to discuss;
- Reviewed the corrective action (on Annexure "B" of the Auditor General's Management letter) to be undertaken in response to significant internal and Auditor General's audit findings;
- Identified key matters arising in the prior year's Auditor General's management letter and satisfied itself that they were being properly followed up;
- Reviewed the Foundation legislation which establishes the Entity in terms of relevant legislation;
- Reviewed the Entities business plan and detailed Performance Management Plan and mid-year Performance review.
- Identified and then dealt with and tried to ameliorate identified irregular expenditure arising from Africa Bike Week.

3.2 Performance Management

The Audit Committee, sitting as a Performance Audit Committee, considered matters relating to performance management in order to discharge the responsibilities prescribed in terms of Regulation 14(4) of the Local Government: Municipal Planning and Performance Management Regulations, 2001.

These responsibilities included:

- A review of the quarterly reports and mid-year performance review submitted by internal audit.
- Planning and Performance Management Regulations.
- Reviewed the performance management portfolios of evidence and by its testing functionality and compliance with the Municipal Systems Act and the MFMA.
- Focussed on the economy, effectiveness, efficiency, reliability and impact applicable to the Entity's own key performance indicators.
- Considered the application of Sections 40, 41, 43 and 46 of the MSA, with reference to the I.D.P. of the parent municipality (UGU) the Ugu SDBIP and the challenges and solutions of the Entity in this regard and reviewed same prior to submission to the Board and to the Auditor General
- Established that there has been a most satisfactory level of compliance and performance related financial disclosure by the Entity in conjunction with compliance with Sections 40, 41, 43 and 46 of the Local Government: Municipal Systems Act in that the reporting has been found to be consistent with the objectives, indicators and targets in the approved Annual Performance Plan.
- This was noted by the Auditor General which made a largely favourable comments and findings for the year under review. The Auditor General has found that the cause of the consistency is due to adequate review of reports before submission.
- Performance Management in the 4 Quarters and the mid-year Performance review has provided credible information indicating or giving assurance that Performance Management and the Supply Chain Management Regulations are receiving purposeful attention.
- The Audit Committee is reassured by this as the Entity is dependent on UGU as a parent District Municipality for the services of an Internal Auditor for the financial year, and for much of its funding.

- Considered Tax Compliance Certificates and compliance by service providers of the Entities supplier data base.

3.3 Leadership

- 3.3.1 The Entity operates within a satisfactory and harmonious leadership framework. There is a synergy and respect which begins at a political leadership level and Board level which permeates through to an operational level within the Entity.
- 3.3.2 Mrs. Joy Crutchfield, as Chairperson of the Board of the Entity is experienced in Company matters and is technically sound, acts with absolute integrity and is most capable. Mention must be made of the helpful role played by the General Manager: Finance & HR, always helpful and generous, in sharing her detailed knowledge of legislative compliance and in her careful attention to detail.
- 3.3.3 In Financial Management the Entity remains strong, noting that given the nature of Tourism, supply chain requirements are always a challenge and potential risk. There must be constant reference to Section 12 of Supply Chain Regulations. Some issues were raised by the Auditor General in this area, for the year concerned arising from irregular expenditure.
- 3.3.4 The Entity gave special attention to, the area of statutory compliance with Supply Chain Management Regulations, and its own pre-determined objectives and how they are managed and the alignment with the SDBIP. This has been attended to most satisfactorily.
- 3.3.5 The Entity has performed satisfactorily in compliance with Treasury Circulars and in maintaining the correct registers concerning different forms of Irregular Expenditure and potential supply chain deviations. Much attention and assistance was given in these areas by both the Audit Committee and by representatives of the Auditor General and in particular by the Auditor General at meetings. COGTA does not often attend meetings.
- 3.3.6 Consequently, the Auditor General found that the Entity has created measures to improve its performance and its evaluation of its own performance and to manage its own performance evaluation.
- 3.3.7 This resulted in an Unqualified Audit Report but with other matters which is satisfactory.

3.5 Internal Control and Internal Audit

The External Audit Committee is responsible for monitoring and advising in respect of the effective functioning of the Internal Audit activity. Internal Audit reports functionally to the Audit Committee and administratively to the Accounting Officer. The Audit Committee:-

- has direct access to Internal Audit (of UGU) through a reporting relationship thus supporting its independence from management.
- evaluated the performance of internal audit and the independence and effectiveness of the internal auditors.
- understands the scope of internal and external auditor's review of internal control over financial reporting, and obtained reports on significant findings and recommendations, together with management's responses.

- evaluated controls over the overall operational and financial reporting environment and reviewed the effectiveness of the internal controls.
- assessed the adequacy of performance of the internal audit function, and the adequacy of available internal audit resources, and expressed concerns from time to time.
- reviewed the integrity and frequency of corrective action (if any) attended to in response to certain Auditor General's findings raised in the prior year.
- reviewed and approved the Internal Audit Charter, Internal Audit Plans, the Audit Committee Charter and Internal Audit's findings with regard to internal control.
- discussed matters with respect to risk assessment and asset management.
- discussed at length the challenges in performance management and the manner of testing compliance.
- consistently reviewed Supply Chain Management Regulations and Treasury Circulars and the obtaining of declarations from service providers contracting with the Entity, that they are not in the service of the State, and that they are only registered on the Entities data-base.
- Considered the MSCOA preparedness.
- Tested irregular expenditure and compliance with deviations from the procurement process.

3.6 Compliance and Ethics

From a review of various reports and discussions held at Audit Committee meetings the Audit Committee noted that a Fraud Prevention Strategy was in place and a code of conduct for Tourism personnel in terms of the Municipal Systems Act is applied by the Entity. The Audit Committee has reviewed the effectiveness of mechanisms for the identification and reporting of compliance with legislation and also, as set out in the pre-determined Internal Audit Plan and regulations; and the findings of regulatory bodies or audit observations. It must be stated, however, that fraud is very difficult to detect at any level.

3.7 Section 87 (of the MFMA) Management Report

This is required at each Audit Committee meeting from the General Manager: Finnace & HR. It is most helpful in providing a contemporaneous indication of the financial health and state of the Municipality at any given time. The Audit Committee recommended that monthly Section 87 Management reports also be submitted to the Directors during meetings during the year.

3.8 The Consideration of the Auditor General's Report

The Auditor General has tabled its Final Management Report and Audit Finding in respect of the year under review. The Auditor General expressed an Unqualified opinion, but with other matters of importance it must be stated that the A.G, a Chapter 9 Institution in terms of the South Africa's Constitution has been extremely thorough and strict in its audit process and has afforded little if, any leniency, in the year under review, so the audit outcome, in this vigorous context is very good.

3.9 In-year reports submitted in terms of the MFMA

The quarterly performance management reports on predetermined objectives and proof of portfolios of evidence, and their alignment with the budget and SDBIP and, Internal Audit reports and the Annual Performance Reports have been tested by the Audit Committee. The Audit Committee reviewed these reports and was satisfied with the content and quality of these reports prepared in respect of performance management and issued on behalf of the Accounting Officer and management during the year under review and the minutes of the External Audit Committee reflects this.

3.10 Internal Audit Function

During the year under review, an audit plan was prepared based on *inter alia*, the Annual Risk Assessment. The following is a list of areas of audit focus which received Internal Audit and Management's regular attention:

- Ethics
- Asset Management Review
- Bi-annual reviews of Performance Management
- Cash Flow / Going Concern issues
- Financial Discipline Review
- Follow Up Review: Revenue Management
- Information Technology General Controls Review
- Supply Chain Management Discipline
- AG Findings: A-G Management Report & Audit Reports corrective action
- Section 36 and 17(1)(c) of Supply Chain Management Regulations
- Reviewed the Entities Annual and Consolidated Annual Financial Statements
- Fraud Prevention
- Statutory Compliance.
- Risk Management / Risk Register
- Performance Management and alignment with the Parent IDP and SDBIP
- Internal Audit Plan
- Legislative Compliance
- Property, Plant and Equipment
- VAT
- Compliance with Supply Chain Management Regulations
- GRAP
- Asset Register
- Possible misstatement of Assets and in Draft Annual Financial Statements and the concomitant risk
- Treasury Regulations and Directives
- MSCOA preparedness
- Compliance with Performance Regulations of 2001

An annual assessment of the Internal Audit Function has been completed the Audit Committee. The External Audit Committee is satisfied with the performance of the Internal Audit function (a shared function with UGU), and reports that all projects in terms of the approved risk based annual audit plan had been adequately provided to the Audit Committee as required by Law. The plan comprising of the approved projects for the Financial Year 2018 and its current status is reported upon in the Internal Audit Report within the Annual Report under the auspices of the Office of the CEO. The office of Internal audit at UGU has been helpful and reliable and the Audit Committee expresses its appreciation for this.

4. EVALUATION OF ANNUAL FINANCIAL STATEMENTS

The Audit Committee has reviewed the credibility of the draft Annual Financial Statements and consolidated draft Annual Financial Statements and the Municipal Entity's draft Performance Management information for the year ended 30 June 2018 prior to same being submitted to the Auditor General on the 31 August 2018. The Committee reviewed the accounting policies and practices and considered in the draft annual financial statements and consolidated draft annual financial statements based on the information provided to the Committee. It also considered the integrity of the said statements in complying in all material respects with the requirements of the MFMA and Treasury Regulations as well as the statements (and the risk of misstatements) in respect of Generally Recognised Accounting Practice (GRAP).

The Committee will interrogate the audited financial statements together with the report of the Auditor General and the related Management letter and Audit finding with management responses and the moderate amount of required corrective action in terms of Section 131 of the MFMA for the previous financial year. It will try to provide the Entity and its Board with an authoritative and credible view of the financial position of the municipality, its efficiency and effectiveness on overall compliance with the MFMA and any other applicable legislation, its performance management, and formally notes the favourable state of the Entities' Financial Position.

5. RESOLUTIONS

The Audit Committee Resolutions during the financial year are shown at Annexure "A", made at Audit Committee meetings for the financial year in question.

6. AUDITOR GENERAL'S AUDIT OUTCOME

The **Unqualified Audit** with other matters of emphasis received by South Coast Tourism, as a Municipal Entity, remains a significant achievement which reflects favourably on the Political Leadership of UGU, the Board of the Entity, the CEO and all its Financial Management, and is still commendable.

7. CONCLUSION

I would like to thank Mrs. Jojo, Mr. Dladla and Mrs. Elliott for making themselves available to serve on this Committee and for the significant contribution that they have made, most especially with their interrogation of the relevant Financial Statements and performance information prior to submission to the Auditor General as an Audit Committee, we rely to a great extent on Mrs. Joy Crutchfield, as Chair of the Board. The General Manager: Finance & HR, Mrs Deborah Ludick and her integrity and knowledge, and reliable in all matters sets a very high standard. The Auditor General is generous in its allocation of time to the Entity.



Mr Paul Preston

Chairperson: UGU District Municipality
Shared Services Audit Committee
For UGU South Coast Tourism
Date: December 2018

ANNEXURE “A”

Date	Type	Discussion	Resolution
23 rd August 2017	Audit & Performance	Draft Annual report and Annual Financial Statements 2016/2017	<p>The Audit Committee then resolved to recommend: The Audit Committee records that it has compiled with Section 166 of the MFMA concerning the draft Annual Financial Statements and Draft Performance Information. Therefore (subject to the suggestions amendments and changes, raised by the Audit Committee and other changes and amendments as re required by the CFO and the Accounting Officer, (if any) that:</p> <ol style="list-style-type: none"> 1. The draft Annual Financial Statements for the 2016/2017 entities Financial Year be forwarded by the Accounting Officer of the Entity, to the Auditor General and the Parent as provided for in terms of Sections 122 read with Section 126 of the MFMA read with Section 166(2)(b) of the MFMA for the 2015/2017 financial year. 2. The Audit Committee directs that they be received by the Auditor General, KwaZulu-Natal and the Parent no later than 31 August 2017; and 3. The draft Annual Performance Report for the 2016/2017 Financial Year as provided for in Section 46 of the Municipal Systems Act be forwarded to the Auditor General and the Parent in terms of Section 46 (2) of the Municipal Systems Act, no later than 31 August 2016; and 4. The Audit Committee directs that they be received by the Auditor General, KwaZulu-Natal no later than 31 August 2017; and 5. The Entity's draft Annual Report as provided for in terms of Chapter 12 of the MFMA be forwarded by 31 August 2017 the Auditor General together with and incorporating the Draft Annual Financial Statements, and Performance Information.
		Risk Register 2017/2018	That the Risk Register 2017/2018 be APPROVED
		Fraud Register 2017/2018	That the Fraud Risk Register be 2017/2018 be APPROVED

		Audit Committee Charter and Internal Audit Charter 2016/2017	It was Resolved That the Committee has reviewed and APPROVES the Internal Audit Charter and the Audit Committee Charter 2017/2018 and RECOMMENDS that the Audit Committee Charter is submitted to the Board of Directors for their approval.
		Internal Audit Plan 2017/2018 and; Operational Plan 2017/2019	That the Internal Audit Plan 2017/2018 and Internal Audit Strategic and Operational Plan 2017-2019 be APPROVED.

3. CEO REPORT

3.1. Mandate

Within our mandate to Ugu District Municipality and our 4 constituent local municipalities, we have during 2017/18 reviewed our Tourism Strategy with local officials, USCT members and our Board.

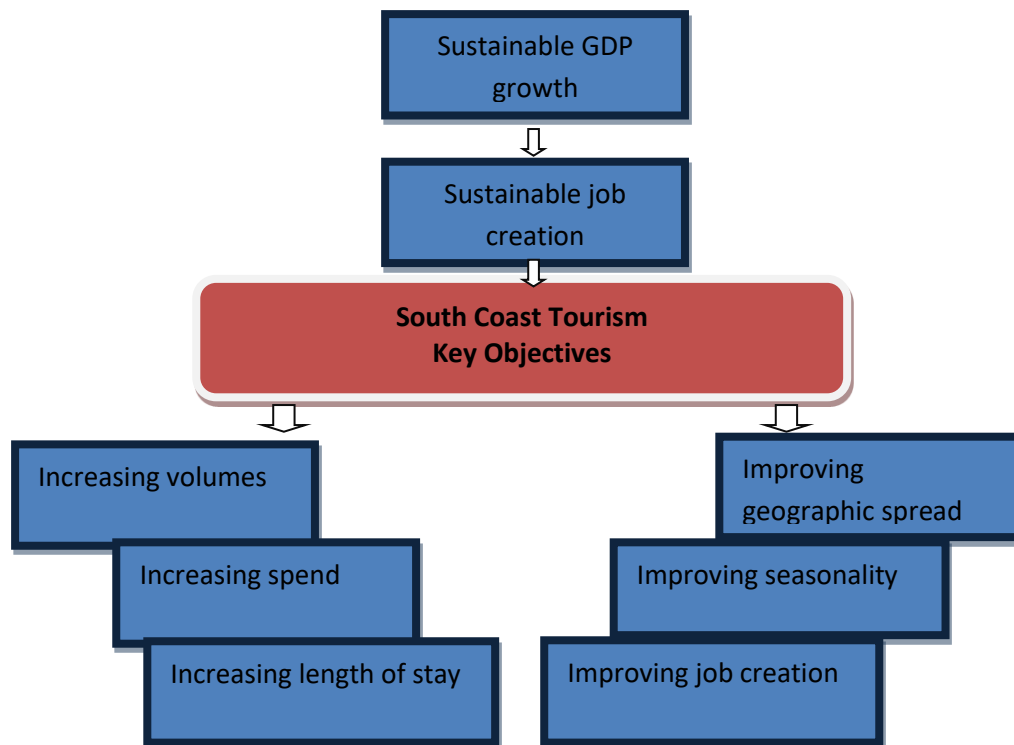
From this process, USCT has again determined each year's Annual Plan within which are factored in each quarter's objectives and targets as approved by Board and reflected in Performance Agreements formalised with senior management.

Furthermore, these resources have acted the basis for oversight as required by Board, Ugu District Municipality Internal Audit, the entity's Audit Committee and the Auditor General.

Principally our mandate and strategic rationales remain unchanged and involving:

- Destination marketing and promotion of attractions, experiences and tourism/leisure related product.
- Event support, presentation and promotion.
- Engagement with tourism stakeholders within the private and public sectors.
- Brand development, profiling and media related publicity and advertising.
- Production and management of marketing collateral.
- Extension of communications via socials media platforms.
- Skills development, capacity building and enterprise support in the context of inclusivity and transformation.
- Development of sustainable livelihoods through transformative actions involving community, product and tourism support infrastructure.

These principles of mandate address the tourism and leisure related outcomes as indicated in the diagram that follows.



Our strategies and objectives are encapsulated in three focus spheres namely operations, development and marketing.

This report thus provides the key highlights within this context and aligned to financial and performance outcomes for the 2017/18 year.

3.2. Highlights

3.2.1. Financial and Operational

Following four consecutive Clean Audits from the Auditor General 2014 - 2017, this financial year has proved to be a significant challenge primarily based on the prescripts and functionality of the new Municipal Standard Chart of Accounts instituted by National Treasury.

Notwithstanding the substantial frustration experienced in implementing and managing this system our administrative personnel can be congratulated for their efforts to ensure that our financial and compliance management is kept to the highest standards possible.

In summation I report that we have:

- Consistently applied budget spend in accordance with our strategy and departmental allocations.

- Achieved or exceeded Strategic Objectives, targets and compliance deadlines in 88% of the targets set in the Annual Plan.
- Maintained our private membership fees at R500 per annum. Of concern however is that members have shown reticence in paying fees due to financial constraints and dissatisfaction at continued water supply outages and subsequent revenue losses.
- Noted from Tourism KwaZulu-Natal Statistical reports our visitor numbers (domestic) have grown from 477 000 (2013) to 656 000 (2017) which over a 5-year period indicates an average annual growth of 7.7%. Whilst this is an encouraging indication it is anticipated that figures for 2018 will reflect consumer desertion and visitor volume reduction due to the multiple water supply issues that have occurred in the destination. Re-establishment of consumer confidence is a major challenge that we will have to tackle for at least the next 3-4 years.
- Concluded all policy and financial reporting directives to Board, Ugu DM, Audit Committee and the Auditor General within required timeframes.
- Continued with staff development in excess of targets through 6 training event programmes.
- Capital expenditure as percentage was less than target due to prudent monitoring of requirements.
- Revenue collection was less than projected (at 100%), primarily as a result of monies due by Tourism KwaZulu-Natal for the sponsorship of the South Coast Bike Fest™, only being received after the financial year end.
- Maintained our 6 Visitor Information Centres (VICs) however review of the effectiveness of some may have to be done part of future cost analysis and possible cost containment requirements.
- Three private satellite information outlets are in existence which going forward it may be a viable option to increase such outlets should USCT reduce the number of its own VICs.
- Developed our personnel via some 6 specialised training events and where possible we have included our interns in that process.
- Met reporting commitments to each of our funding municipalities and including Ugu DM's Portfolio Committee (LED). Of concern however is the lack of DM/LM official's attendance at the CEO/Area Chair meetings which are deemed important in the context of operational collaboration.
- Collectively engaged with all spheres of government at no less than 78 occasions.
- Conducted 8 meetings with the Board of Directors.
- Delays in final approval on the new board size from the parent municipality, has hampered the conversion of the company from a (Pty) Ltd to a State-Owned

Entity. It is anticipated that during the 2018/19 financial year this will be resolved and the new status will result.

- We remain committed to sit on tourism related forums such as the MECs Provincial Tourism and Investment Committee, TKZNs Provincial Tourism Forum, the KZN Community Tourism Association and the KZN Film Commission Forum.
- Maintained the CEO/GMs Forum, Operations Management Meetings, CEO/Area Chairs Meetings and internal Supervisors meetings. This to ensure operational continuity and member related collaboration.
- Retained the number of Area Committees at 12. It is anticipated that during 2018/2019, that the number of rural Area Committees in previously disadvantaged communities increase to three. The new committees being established in Kwa Nzimakwe and Nyandezulu.
- Sustained our relationship with Esayidi TVET College via a Memorandum of Understanding with monies being directed to purchase of department specific laptops as opposed to scholarships.
- Ensured regular Head Office/VIC communication via 209 VIC visits during the year.
- Regenerated rural tourism from the VIC cabin in Umzumbe however the Umdoni LM hinterland unit does require relocation for practical use.
- Assisted Area Committees with usage of their annual allocations for purposes such as storage cabin at TC Robertson Nature Reserve, local promo flyers, beachfront seating, lifeguard stands, rehabilitation of ski boat site at Shelly Beach, beach rehabilitation, festive lights and video for Margate, visitor signage at Ramsgate and Southbroom, Oribi Gorge seating and roadside cleaning and certain local event support.
- Honoured tourism stakeholders via our Annual Tourism Awards Evening during Tourism Month 2017.
- Hosted 7 cluster functions for our members in each municipal area.
- Provided work experience for 11 interns who have been utilised at both Head Office and at our VICs.

Operationally I am satisfied that our administration has again met compliance requirements however there are certain inter department challenges of an HR nature that have required constant monitoring and at times intervention from management.

Although we have maintained a suitable buffer in terms of cash flow, we have to be realistic that such prudence will have to be continued especially when National and Provincial Treasury have introduced budget curbing measures.

Our financial position is by no means precarious but we will need to seek other forms of income over and above that from local government.

3.2.2. Marketing Events and Communications

This financial year was the first with a full-time General Manager.

This unit's performance has been varied which has precipitated protracted monitoring and consultation to ensure that outcomes have a semblance of success.

Our marketing and event objectives indicate that we have Achieved 92% of the annual targets set: (actual outcome versus anticipated target expressed in brackets):

- We exceeded brand application targets to 100% (80%).
- Met our video collection targets and over achieved 188 (140) photo stock levels.
- Enhanced our tourism trade and consumer databases.
- Rolled out the Southern Explorer Route Guide on time and in accordance with distribution agreements.
- Obtained free publicity in various print/online spheres on 284 occasions (280).
- Provided media with releases to selected media on 41 occasions and excluding that related to South Coast Bike Fest.
- Met our radio exposure target of 16 which was an increase from the 2016/17 target.
- Continued with local community radio broadcasts- in isiZulu and English with 33 (30) broadcasts – an almost threefold increase from the previous year.
- Increased our placed paid for domestic adverts in print/online media to 69 (60) from an attainment of 50 in the previous year. Our overseas achievement of 18 (11) was also exceeded.
- Maintained our billboard advertising presence in strategic areas.
- Concluded 2 domestic seasonal campaigns and applied 8 niche marketing campaigns.
- Promoted the destination at 25 (18) different trade, consumer and mass participation opportunities.
- Hosted 12 (6) domestic and international media tours/ trips to the Greater South Coast.
- Met the target tourism trade awareness trips to our destination.
- Did 12 (7) staff familiarisation trips of the destination.
- Communicated with members Newsletters 4(4), News Flashes 26(20), CEO Newsletter 6(6) and a Newsletter for the tourism trade with a database of over 3 000 4(4). We also introduced for the first time a consumer newsletter which we distributed 4 times during the year.

- Maintained tourism research actions for Summer Season, Visitor Perception Studies and Seasonal Snapshot Reports 7 (7)
- Supported a range of events on 34 occasions including international, local and developmental ambits.

The presentation of the second South Coast Bike Fest was again a resounding success and we were supported by Ray Nkonyeni LM and Tourism KwaZulu-Natal – the latter committing to R1 million event support.

- Recruited 39 new members to USCT which was less than the increased target of 100. It is suggested that the state of the economy and disruption of water supply during seasons has led to reticence to become members. We did make personal calls to 176 (175) existing members and approached 155 (150) new member prospects. Clearly the challenge is to translate member prospects into paid up members.

A sampling of events involving USCT's support includes:

- South Coast Bike Fest
- Sardine Festival Programme and comprehensive Seasonal Beach Activations
- Scottburgh Classic Car Show
- Sardine Run Golf Event
- South Coast Fever MTB Series (5 events)
- Portuguese Festival
- Sani 2C and Joburg 2C cycling events
- SA Open Women's Masters Golf
- Lake Eland Quattro Classic
- Matat 2 Pont Enduro
- Southbroom Mixed Classic Golf Event
- KZN Seniors Vets Tennis
- Shelly Mallards Ski Boat Festival
- Lake Eland Enduro
- KZN Open Tennis Tournament
- Margate Bowls Festival

Also, funded and actioned:

- Branded merchandise as handouts for visitors and influencers such as the MEC's Tourism and Investment Committee meeting held in Margate.
- Destination promotion at our main trade or consumer shows such as Getaway Show (Gauteng), Beeld Holiday Show (Gauteng), World Travel Market Africa (Cape Town), Royal Show (Pietermaritzburg), KZN Travel and Leisure Show (Durban),

USCT also continued to highlight spheres of attention such as:

- A new Marketing Application Plan (MAP) for 2017/18 was prepared and in some aspects applied with the major delay being experienced in the application of a website tender which will need urgent attention in the new financial year.
- Continued attention towards main market recruitment which seems to be bearing fruit – in the latter part of 2018 USCT will again be attending the Soweto Wine Festival as part of this process.
- Sustained ad spend to international markets- mainly the UK and European Union.
- Conducting seasonal, member and other surveys. The proposed Holistic LED Tourism Study for tourism/leisure was not achieved due to staff adjustments at Tourism KwaZulu-Natal. It has been suggested that during 2018/19 a Masters Dissertation from UKZN is conducted for this purpose.
- Utilisation of sponsorship arrangements with Cem Air and closer to the end of the financial year with First Group.
- Eco-cultural and adventure tourism which has continued within the Southern Explorer Route Guide which was launched in April/May 2018.
- Re-activated niche and media campaigns either as seasonal and/or activity specific programmes.

Following from our Tourism Strategy Review early in 2018, certain marketing related targets were adjusted and generally most Strategic Objectives were attained and in some aspects in excess of target.

Key to communications, planning will be the requirement to have our website and associated applications introduced and in synergy with similar expectations relating to the Southern Explorer Route Guide.

Going forward we will need to ensure that all aspects of our marketing and events mandate be cognoscente of cost saving considerations and/or return on investment based on actual tourism outcomes, media and publicity exposure and visitor stay value adding.

With the economy being depressed there is an imperative that increased and creative marketing and communications activity takes place to ensure that market share and penetration occurs. More than ever competition between destinations in South Africa, and in particular the domestic market, is profound.

I am confident however that with added collaboration with the private sector and government agencies this can be achieved.

3.2.3. Development

In 2017/2018 we committed to more impetus towards our developmental mandate and in many respects, we have met that obligation. In terms of Achieved or exceeded 67% of the Annual Plan targets set.

Key within this process has been:

- Completion of precinct plans for Kwa Nzimakwe, Nyandezulu, Oribi Gorge-Kwa Nyuzwa- Paddock and Gamalakhe. These plans were completed internally and without extra cost related to consultants. This is a trend we hope will continue. The important aspect of these plans is to ensure that implementation gets further impetus with further successful outcomes.
- Expansion and formal launch of the “Great Drives Out” Brand which is a first for KZN and specific to our rural/hinterland areas.
- Identification of emerging enterprises that form part of this above programme and where possible inclusion in initiatives related to the development of people, product and place.

Developmental actions that have included (actual versus projected targets in brackets):

- Applied 29 (28) district wide schools information sessions in each Local Municipality and 12 (12) schools/tertiary tours of the district;
- Completed a Product Audit of the Umuziwabantu area;
- Conducted 15 (12) Mentorship and skills development initiatives;
- Provided 39 economic opportunities for emerging SMMEs at various events and functions. We have also introduced permanent arrangements for our crafters in Scottburgh at the Blue Marlin Hotel and at the Uvongo Rotary Flea Market;
- Hosted 12 graduates as part of our Tourism Internship programme;
- Sponsored 21 adverts for emerging tourism enterprises in the 2018 edition of the Southern Explorer Route Guide;

The 21st Edition of Southern Explorer Route Guide 9 pages to rural tourism and the new rural tourism brand “Great Drives Out” which was formally launched at the Tourism Indaba 2018 in Durban

- Encouraging emerging tourism practitioner’s representation on each Local Tourism Area Committees (13) has proved to be a challenge, as this is purely voluntary. In 2018/19, 2 new Rural Area Committees are anticipated which should increase the number of emerging practitioner’s participation in local decision-making forums;

- Completed 16 (16) feasibility/viability exercises for rural enterprises;
- Continued with roll out of development projects that include the Umzumbe River Trails, Kwa Xolo Cave Route and the Ntelezi Msani Heritage Project. The former two have funding challenges which will need more attention through Ugu South Coast Development Agency in the new financial year;
- 5 Mentorship programs of emerging practitioners in business development took place.
- Beach assessment reports for all LMs were conducted by Area Committees and send to each applicable LM
- Referred 100% tourism support infrastructure queries to the relevant Local Municipality

Our commitment to developmental/rural events or developmental initiatives have continued substantially to include this sampling:

- Umgobho Wezintombi Maidens Ceremony
- Ingeli Show
- Career Expo Roadshows- at all LMs
- Isivivane Senkosi uShaka Event
- International Tour Guide Celebration at Hoedspruit
- Ugu Film Festival
- SMME Workshops
- Operation Sihlanza Amadolobha Ethu
- Gamalakhe Time Travel
- Life Star Hip Hop Art and Culture Event
- Amakhono Arts Culture and Heritage Festival
- South Coast Lions Show

It is true to say that we have managed to meet developmental expectations in comparison to the previous year however caution needs to be exercised that the initiatives do not stagnate and are vigorously implemented according to directed plans.

It is important that we ensure that substance to implementation and outcomes so that socio-economic benefit does accrue to those that participate in our programmes.

Whilst the indications are that we still maintain a good reputation in terms of our development mandate, 2019 may give rise to further expectations at a local level.

2017/18 has certainly shown noticeable improvement in our mandate but there is still much to be done.

3.3. General

As an organisation overall, we have managed to achieve or bettered 83% of our Strategic Objectives albeit to a lesser extent than in previous years. This may in part be due to adjusted targets but it also gives us a clear need for improved forward planning and execution of programmes within stated timeframes.

At the conclusion of the 2018 financial year, and the past 4 years of CEO Mackrory's tenure, we have managed to tackle what we have said we would even within tough economic environments and valid tourism industry frustration at aspects of local services reliability (e.g. water).

Notwithstanding the above I am convinced that the combination of our commitment with that of other organs of state and the private sector can withstand challenges and provide resilience to sector hurdles.

At the date of writing this report, as the new CEO, the entity's organogram may require review and consideration of restructuring. Rationalisation is presently being undertaken at higher levels of government which could filtrate down to district levels.

Cost cutting and prudent fiscal management will be the order of the day however USCT will in 2019 be moving to new offices within Ugu DM at Oslo Beach which may offset present Head Office rental expenses.

In conclusion I would like to thank the collective of our Mayors, Municipal Managers and Officials at Ugu District Municipality and the Local Municipalities of Umdoni, Umzumbe, Ray Nkonyeni, and Umuziwabantu. Our financial and institutional support is appreciated.

I am also grateful for the advice and direction provided by our Board, Audit Committee and our private sector members who do participate in our initiatives and forum activity.

Our positive outcomes cannot occur without the invaluable contributions made by management colleagues and the entire staff and interns at USCT. As CEO I am more often than not, impressed how so many staff go the extra mile for us often without the knowledge of our publics yet sincerely acknowledged from this office and often our Board.

I conclude this report in the knowledge that USCT has realised significant objectives in fulfilling its mandate for the entire District and may this continue going forward.



PHELISA MANGCU
Chief Executive Officer

4. Key Performance Measures

Due to the implementation of the new Tourism Strategy 2018 – 2023, certain prior year comparatives for Key Performance Indicators have been restated.

S/O #	KPA #	Ugu DM IDP Ref	PROGRAMME	PROJECT	KPI	2017 ANNUAL TARGET	2017 ACTUAL ACHIEVEMENT	ADJUSTED ANNUAL TARGET: 30 June 2018	ACTUAL ACHIEVEMENT	ANNUAL TARGET: ACHIEVED / NOT ACHIEVED	CORRECTIVE MEASURES	PORTFOLIO OF EVIDENCE
Strategic Objective #1: To ensure that the company operations are compliant with all regulatory frameworks												
S/O 1.1	KPA 2: Municipal Transformation & Institutional Development	LED 12	Enterprise Risk Management & Compliance	Comprehensive Risk register	Completed Risk Register by deadline	30-Nov-16	06-Oct-16	31-Oct-17	24-Aug-17	ACHIEVED	NA	Register adopted by Board by date
S/O 1.2			Risk Management Policy	Risk Policy review	Reviewed Risk Management Policy by deadline	30-Oct-16	06-Oct-16	31-Oct-17	05-Oct-17	ACHIEVED	NA	Risk Policy reviewed by Board by date
S/O 1.3			Internal Audit & Auditor General queries	AG & Internal Audit queries resolution	Percentage of AG / Internal Audit queries resolved per quarter	100%	100%	100%	100%	ACHIEVED	NA	Corrective actions summation submissions to Audit Committee
S/O 1.4	KPA 5: Good Governance & Public Participation		In-year Annual Performance Plan Revision - 2018 - 2022 Tourism Strategy	Annual Performance Plan / Organisational Scorecard revision	Revised scorecard by deadline	31-Jan-17	19-Jan-17	31-Dec-17	24-May-18	NOT ACHIEVED	The board have adjusted this target deadline to 31 May in future years	Performance Plan approved by Board by date
S/O 1.5			Performance Management System (IPMS)	Q1 & 3 verbal; Half-year and Annual performance appraisals	Percentage Individual Performance Management Systems implemented for S57 Managers	100%	100%	100%	100%	ACHIEVED	NA	Record of evaluations completed and proof of dates
S/O 1.6			Stakeholder and Area Committees Participation via CEOs Forum	Needs dissemination for 2017/2018 adjusted budget, 2018/2019 budget and annual PMS tools	Number of presentations to CEO Forums	2	2	2	2	ACHIEVED	NA	CEO Forum minutes and dates

S/O #	KPA #	Ugu DM IDP Ref	PROGRAMME	PROJECT	KPI	2017 ANNUAL TARGET	2017 ACTUAL ACHIEVEMENT	ADJUSTED ANNUAL TARGET: 30 June 2018	ACTUAL ACHIEVEMENT	ANNUAL TARGET: ACHIEVED / NOT ACHIEVED	CORRECTIVE MEASURES	PORTFOLIO OF EVIDENCE
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S/O 1.7	KPA 4: Municipal Financial Viability & Management		Annual PMS Tools– Public Accessibility	Annual PMS tools migration to entity's website	Website appearance of in-year review of annual performance plan by deadline	31-Jul-16	29-Jul-16	31-Jul-17	17-Jul-17	ACHIEVED	NA	Annual PMS tools submitted for uploading and proof of date
S/O 1.8			IT and Communication Policy	Policy review	Policy Review by deadline	30-Nov-16	06-Oct-16	31-Dec-17	05-Oct-17	ACHIEVED	NA	IT Policy reviewed by Board by date
S/O 1.9			Municipal Entity Website	Legislated SCM notices publication	Percentage potential notifications actually uploaded to website	100%	100%	100%	100%	ACHIEVED	NA	Instruction record to service provider & evidence of upload
S/O 1.10			S87 Financial Reporting	Monthly financial report production	Number of Monthly reports by deadline	12	12	12	12	ACHIEVED	NA	Reports and proof of submission dates to Parent and Treasury
S/O 1.11			PMS Reporting	Quarterly performance report production	Quarterly reports by deadline	4	4	4	4	ACHIEVED	NA	Report submission to Parent and date
S/O 1.12			Financial Planning	Mid-year adjusted budget review	S88 report produced by deadline	20-Jan-17	19-Jan-17	20-Jan-18	18-Jan-18	ACHIEVED	NA	Board approval of Mid-year budget review report and proof of submission date to Parent
S/O 1.13			Budget Policy	Budget Policy review	Reviewed policy by deadline	31-May-17	23-Mar-17	31-May-18	01-Feb-18	ACHIEVED	NA	Budget policy approved by Board by date

S/O #	KPA #	Ugu DM IDP Ref	PROGRAMME	PROJECT	KPI	2017 ANNUAL TARGET	2017 ACTUAL ACHIEVEMENT	ADJUSTED ANNUAL TARGET: 30 June 2018	ACTUAL ACHIEVEMENT	ANNUAL TARGET: ACHIEVED / NOT ACHIEVED	CORRECTIVE MEASURES	PORTFOLIO OF EVIDENCE
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S/O 1.14			Annual Financial Statements	Annual Financial Statements production	AFS adoption by deadline	31-Dec-16	09-Dec-16	31-Dec-17	08-Dec-17	ACHIEVED	NA	AFS adopted by Board by date
S/O 1.15			Annual Financial Statements	Draft Annual Financial Statements and Annual Performance Report availability to the Auditor General	AFS and Annual PMS report by deadline	31-Aug-16	31-Aug-16	31-Aug-17	31-Aug-17	ACHIEVED	NA	Submission and confirmation from the AG (SA)
S/O 1.16			Audit Compliance	A-G Report	Unqualified Audit Opinion	Unqualified Audit Opinion	AG Audit report: CLEAN AUDIT	Unqualified Audit Opinion	Clean Audit	ACHIEVED	NA	Audit report from the AG (SA)
S/O 1.17			MFMA Compliance	Fruitless and wasteful expenditure	Controlled Fruitless & Wasteful expenditure as a % of Total Expenditure reported to Board	< 1%	< 1%	< 1%	0.2%	ACHIEVED	NA	Board reports, with Register if fruitless & wasteful expenditure - with calculations
S/O 1.18			Budget Planning in terms of the MFMA	Annual Draft Budget	Draft Budget by deadline	25-Mar-17	23-Mar-17	25-Mar-18	01-Feb-18	ACHIEVED	NA	Entity Draft Budget approved by Board and submission to Parent by date
S/O 1.19			Credit Control and Debt Collection Policy	Adopted reviewed Credit Control and Debt Collection policy by 31 May each year	Date of reviewed and approved policy	31-Mar-17	02-Feb-17	31-Mar-18	01-Feb-18	ACHIEVED	NA	Board approved policy by date
S/O 1.20			Supply Chain Management Policy	SCM Policy review	Reviewed SCM Policy by deadline	30-Jun-17	23-Mar-17	30-Jun-18	01-Feb-18	ACHIEVED	NA	Board approved policy by date
S/O 1.21			Treasury Compliance	MSCOA implementation	MSCOA ready for implementation by deadline	30-Jun-17	30-Jun-17	01-Jul-17	01-Jul-17	ACHIEVED	NA	MSCOA live by date

S/O #	KPA #	Ugu DM IDP Ref	PROGRAMME	PROJECT	KPI	2017 ANNUAL TARGET	2017 ACTUAL ACHIEVEMENT	ADJUSTED ANNUAL TARGET: 30 June 2018	ACTUAL ACHIEVEMENT	ANNUAL TARGET: ACHIEVED / NOT ACHIEVED	CORRECTIVE MEASURES	PORTFOLIO OF EVIDENCE
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S/O 1.22			Expenditure Management	Expenditure Management: Op. Task	Percentage of annual Op. Task expenditure spent	NA	NA	90%	85%	NOT ACHIEVED	Management are happy with the saving of this operational expenditure due to cost cutting measures	Quarterly calculation report
S/O 1.23			Expenditure Management	Expenditure Management: Capital	Percentage of annual capital expenditure spent	NA	NA	90%	62%	NOT ACHIEVED	Careful annual monitoring of requirements	Quarterly calculation report
S/O 1.24			Revenue Management	Revenue Management: Grant income	Percentage of Grant Revenue received	NA	NA	100%	100%	ACHIEVED	NA	Quarterly calculation report
S/O 1.25			Revenue Management	Revenue Management: Other revenue	Percentage of Other revenue received	NA	NA	95%	65%	NOT ACHIEVED	This is due to outstanding SCBF funding received in July 2018	Quarterly calculation report
S/O 1.26			Expenditure Management	Expenditure Management: Board fees paid	Board fees paid on 25th of each month	NA	NA	12 monthly payments	12 monthly payments	ACHIEVED	NA	Salary reports
S/O 1.27			Expenditure Management	Expenditure Management: S57 Salaries paid	S57 Salaries paid on 25th of each month	NA	NA	12 monthly payments	12 monthly payments	ACHIEVED	NA	Salary reports
S/O 1.28			Expenditure Management	Expenditure Management: Staff Salaries paid	Staff Salaries paid by 25th of each month	NA	NA	12 monthly payments	12 monthly payments	ACHIEVED	NA	Salary reports

Strategic Objective #2: To capacitate the Company in terms of personnel in accordance with the organisational organogram

S/O #	KPA #	Ugu DM IDP Ref	PROGRAMME	PROJECT	KPI	2017 ANNUAL TARGET	2017 ACTUAL ACHIEVEMENT	ADJUSTED ANNUAL TARGET: 30 June 2018	ACTUAL ACHIEVEMENT	ANNUAL TARGET: ACHIEVED / NOT ACHIEVED	CORRECTIVE MEASURES	PORTFOLIO OF EVIDENCE
S/O 2.0	KPA 2: Municipal Transformation & Institutional Development	LED 12	Recruitment	Appointments of personnel	Number of appointments made	3	3	1	1	ACHIEVED	NA	Signed Contracts
Strategic Objective #3: Sustain and develop operations of district wide Visitor Information Centres (VIC's)												
S/O 3.1	KPA 2: Municipal Transformation & Institutional Development	LED 12	Visitor Information Centres	VICs Operations	Visitor Information Centres maintained (6)	11	11	6	6	ACHIEVED	NA	Monthly VIC Office reports summarised and tabled to Board
S/O 3.2			Satellite VIC's	Satellite VIC's operations	Number of Satellite VIC's maintained as Op. Task	NA	NA	6	2	NOT ACHIEVED	BOD approved to remove this as a Target 24.05.2018	Monthly report summarised and tabled to Board
S/O 3.3			New developmental Community Tourism Office's at strategic geographic sites	Community Tourism Offices operational	Number of new satellite CTO's (Umzumbe / Vulamehlo-Umdoni)	NA	NA	2	1	NOT ACHIEVED	To be finalised by 31. 12.2018	On-site inspections and report by Manager
Strategic Objective #4: Provide staff development.												
S/O 4.1	KPA 2: Municipal Transformation & Institutional Development	LED 12	Staff development	Short course attendance	Number of training courses	Project & KPI adjusted for 2018 year, therefore no comparatives included		5	6	ACHIEVED	NA	Training registration documents
Strategic Objective # 5: To contribute to the growth in the District tourism economy through visitor volume growth and the application of a Marketing Action Plan (MAP)												
S/O5.1	KPA 3: Local Economic Development	LED 12	Application of marketing actions	Marketing Action Programme (MAP)	Review of 2016/2017 MAP	NA	NA	NA for 2017/2018				

S/O #	KPA #	Ugu DM IDP Ref	PROGRAMME	PROJECT	KPI	2017 ANNUAL TARGET	2017 ACTUAL ACHIEVEMENT	ADJUSTED ANNUAL TARGET: 30 June 2018	ACTUAL ACHIEVEMENT	ANNUAL TARGET: ACHIEVED / NOT ACHIEVED	CORRECTIVE MEASURES	PORTFOLIO OF EVIDENCE
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S/O5.2			South Coast brand & slogans consistency	Brand manual for USCT including the SC Brand	Base manual by deadline	NA	NA	NA 2017/2018				
S/O 5.3			Brand application	Branded Collateral	% Annual Budget spent	Project & KPI adjusted for 2018 year, therefore no comparatives included		80%	100%	ACHIEVED	NA	Quarterly calculation report
S/O 5.4			Official tourism guide	Southern Explorer Route Guide	Annual application by deadline	1	1	30-Apr-18	29-Mar-18	ACHIEVED	NA	Southern Explorer Route Guide by deadline
S/O 5.5			Visual library	Image library development	Number of images	50	75	140	188	ACHIEVED	Acceptable over achievement due to opportunities arising at no additional cost	Annual image portfolio
S/O 5.6			Visual library	Video library development	Number of videos	6	6	15	15	ACHIEVED	NA	Annual video portfolio
S/O 5.7			Tourism Databases	Database library	Updated database library by deadline	30-Jun-17	20-Jun-17	30-Jun-18	18-Jun-18	ACHIEVED	NA	Database portfolio with dates
S/O 5.8			Publication distribution	Southern Explorer Distribution agreement	SEA Distribution Agreement by deadline	30-Jun-17	08-May-17	30-Jun-18	17-May-18	ACHIEVED	NA	Final agreement and proof of date
S/O 5.9			Free media editorial	Free media editorial	Free media exposure through channels	45	179	280	284	ACHIEVED	NA	Evidence of exposure received

S/O #	KPA #	Ugu DM IDP Ref	PROGRAMME	PROJECT	KPI	2017 ANNUAL TARGET	2017 ACTUAL ACHIEVEMENT	ADJUSTED ANNUAL TARGET: 30 June 2018	ACTUAL ACHIEVEMENT	ANNUAL TARGET: ACHIEVED / NOT ACHIEVED	CORRECTIVE MEASURES	PORTFOLIO OF EVIDENCE
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S/O5.10			Free media editorial	Free media produced	Press releases produced internally for various channels	64	68	40	41	ACHIEVED	NA	Copy of release with date / Emailed out to relevant database(s)
S/O 5.11			Free and paid TV / Video and or Live streaming exposure – generic and niche	TV and or Video livestreaming	Number of broadcasts	8	17	20	32	ACHIEVED	Acceptable over achievement due to opportunities arising at no additional cost	Confirmation / Notification schedule
S/O 5.12			Free and Paid Radio exposure – generic and niche	Radio coverage	Record of Broadcast	12	12	16	16	ACHIEVED	Acceptable over achievement due to opportunities arising at no additional cost	Confirmation-Email communication / Notification schedule
S/O 5.13			Local community radio – multi lingual	Community radio coverage	Local community radio broadcasts per year	12	12	30	33	ACHIEVED	Acceptable over achievement due to opportunities arising at no additional cost	Confirmation / Notification schedule
S/O5.14			Domestic market: Application of a Strategic Advertising Campaign	Print and online media	Number of inserts or activations	37	50	60	69	ACHIEVED	Acceptable over achievement due to opportunities arising at no additional cost	Publication/ Electronic insert or activation

S/O #	KPA #	Ugu DM IDP Ref	PROGRAMME	PROJECT	KPI	2017 ANNUAL TARGET	2017 ACTUAL ACHIEVEMENT	ADJUSTED ANNUAL TARGET: 30 June 2018	ACTUAL ACHIEVEMENT	ANNUAL TARGET: ACHIEVED / NOT ACHIEVED	CORRECTIVE MEASURES	PORTFOLIO OF EVIDENCE
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S/O 5.15			Overseas market & International media exposure	Print and online media	Number of inserts or activations	13	23	11	18	ACHIEVED	Acceptable over achievement due to opportunities arising at no additional cost	Publication/ Electronic insert
S/O 5.16			Billboard type or specific marketing tools	Use of bill boards and similar tools	Number of billboards utilised	8	11	7	8	ACHIEVED	Acceptable over achievement due to opportunities arising at no additional cost	Photograph and supplier confirmation of installation
S/O 5.17			Marketing Campaigns	Annual Strategic Seasonal Campaigns	Number of annual seasonal campaigns	2	2	2	2	ACHIEVED	NA	Campaign report
S/O 5.18			Marketing Campaigns	Niche Marketing Campaigns	Number of niche marketing campaigns	NA	NA	8	8	ACHIEVED	NA	Campaign report
S/O 5.19			Tourism Consumer, Trade, Niche Mass Participation Events	Participation at events	Number of events	17	22	18	25	ACHIEVED	Acceptable over achievement due to opportunities arising at no additional cost	Participation report
S/O 5.20			Media Familiarisation Trips	Trips facilitation for Local & International Media	Number of trips	10	17	6	12	ACHIEVED	Acceptable over achievement due to opportunities arising at no additional cost	Participation report / Email correspondence
S/O 5.21			Tour Operators / Wholesalers Familiarisation Trips	Trip facilitation	Number of trips	4	5	4	4	ACHIEVED	NA	Participation report / Email correspondence
S/O 5.22			Staff Familiarisation Trips	Destination awareness for tourism staff	Number of trips	4	5	7	12	ACHIEVED	Acceptable over achievement due to opportunities arising at no additional cost	Trip itinerary and participation register

S/O #	KPA #	Ugu DM IDP Ref	PROGRAMME	PROJECT	KPI	2017 ANNUAL TARGET	2017 ACTUAL ACHIEVEMENT	ADJUSTED ANNUAL TARGET: 30 June 2018	ACTUAL ACHIEVEMENT	ANNUAL TARGET: ACHIEVED / NOT ACHIEVED	CORRECTIVE MEASURES	PORTFOLIO OF EVIDENCE
S/O5.23			Newsletters	Members newsletters	Newsletters released with dates	4	4	4	4	ACHIEVED	NA	Copy of Newsletter and Email instruction
S/O5.24			Newsletters	Members & Industry News Flashes	Number of news flashes	20	30	20	26	ACHIEVED	Acceptable over achievement due to opportunities arising at no additional cost	Copy of News flash and Email instruction
S/O5.25			Newsletters	CEO Report to members	Number of CEO reports released with dates	4	6	6	6	ACHIEVED	NA	Copy of CEO Report & Email instruction
S/O 5.26			Newsletters	Tourism trade newsletters distributed	Number of Trade Newsletters released with dates	4	4	4	4	ACHIEVED	NA	Copy of Trade letter and Email instruction
S/O 5.27			Distribution of Newsletters	Consumer Newsletters	Number of Consumer Newsletters	NA	NA	4	4	ACHIEVED	NA	Copy of Newsletter and Email instruction
S/O5.28			Sponsorships	Sponsorship Agreements & Other Marketing Sponsorships	Number of sponsorship agreements	1	1	2	2	ACHIEVED	NA	Physical document
S/O5.29			Summer Season Performance	Research Report	Report by deadline	31-Mar-17	02-Feb-17	31-Mar-18	30-Mar-18	ACHIEVED	NA	Report tabled at Board and submission date
S/O5.30			Visitor Perception Study (Consumer Survey)	Research Report	Report by deadline	End Dec 2016 and End June 2017	29 Nov 2016 and 28 June 2017	End Dec 2017 and End June 2018	8-Dec-17 & 1-Feb-18	ACHIEVED	NA	Report tabled at Board and submission date
S/O5.31			Seasonal Status Quo Snapshots	Snapshot Reports	Reports by deadlines	4	4	4	4	ACHIEVED	NA	Snapshot reports

S/O #	KPA #	Ugu DM IDP Ref	PROGRAMME	PROJECT	KPI	2017 ANNUAL TARGET	2017 ACTUAL ACHIEVEMENT	ADJUSTED ANNUAL TARGET: 30 June 2018	ACTUAL ACHIEVEMENT	ANNUAL TARGET: ACHIEVED / NOT ACHIEVED	CORRECTIVE MEASURES	PORTFOLIO OF EVIDENCE
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S/O5.32			Tourism product audit	Tourism Product Audit	Concluded product audit by deadline	NA	NA	NA for 2017/2018				
S/O 5.33			Holistic South Coast LED Tourism Study	Completed study	1 Completed LED Study by deadline	NA	NA	30-Jun-18	-	NOT ACHIEVED	TKZN not able to assist with the facilitation of this request	Completed LED study and date
S/O 5.34			Website	Relaunch of Website	Launch of new website by deadline	NA	NA	30-Jun-18	-	NOT ACHIEVED	Corrective measures and PMS monitoring	New website go live date & email confirmation
S/O 5.35			Website	Website Content	New optimised content	NA	NA	200	134	NOT ACHIEVED	Corrective measures and PMS monitoring	Articles with dates
S/O 5.36			Website	Maintained website content	Updated content by date	NA	NA	NA for 2017/2018				
S/O 5.37			Social Media marketing	Social media content	Quarterly social media content calendar	NA	NA	4	4	ACHIEVED	NA	Quarterly social media content calendars / reports with dates
S/O 5.38			Search Engine Optimisation	Search Engine Optimisation onsite & offsite	Number of primary keywords to optimise for (SEO)	NA	NA	100	117	ACHIEVED	Acceptable over achievement arising at no additional cost	Primary keyword list for optimisation
S/O 5.39			Information Kiosks	Kiosk application	Number of installed kiosks	6	6	NA for 2017/2018				

Strategic Objective #6: Utilise Events as a Conduit for Profiling the South Coast and Contribution to Visitor Growth Volume

S/O #	KPA #	Ugu DM IDP Ref	PROGRAMME	PROJECT	KPI	2017 ANNUAL TARGET	2017 ACTUAL ACHIEVEMENT	ADJUSTED ANNUAL TARGET: 30 June 2018	ACTUAL ACHIEVEMENT	ANNUAL TARGET: ACHIEVED / NOT ACHIEVED	CORRECTIVE MEASURES	PORTFOLIO OF EVIDENCE
S/O6.1	KPA 3: Local Economic Development	LED12	In Season Events	Seasonal Beach Event support	Number of holiday beach activations	4	4	4	4	ACHIEVED	NA	Co-ordinator Closeout report
S/O6.2			Internationally oriented events	Individual events support	Number of events	4	4	4	4	ACHIEVED	NA	Closeout report
S/O6.3			South African oriented events	Individual events support	Number of events	4	7	11	11	ACHIEVED	NA	Closeout report
S/O6.4			Ugu District Tourism oriented events	Individual events support	Number of events	6	6	8	8	ACHIEVED	NA	Closeout report
S/O6.5			Developmental events support	Ad hoc support	Number of events supported	10	18	7	7	ACHIEVED	NA	Closeout report
S/O6.7			Event concept planning	Concept Descriptions Feasibility and Recommendation	Number of concepts by deadline	2 Concepts by 30 June 2017	9 December 2016 (1) and 25 May 2017 (2)	2 Concepts by 30 June 2018	24 October 2017 (1) and 29 May 2018 (2)	ACHIEVED	NA	Concept and proof of date
Strategic Objective # 7: Establish and Sustain Stakeholder Communications												
S/O 7.1	KPA 3: Local Economic Development	LED 12	Hosting of Board Meetings between DM and LM officials and the private sector	Board Meetings	Number of meetings	6	9	6	8	ACHIEVED	NA	Minutes
S/O 7.2			AGM With UDM as sole shareholder	Board Annual General Meeting	AGM by deadline	30-Apr-17	13-May-17	30-Jun-18	27-Jun-18	ACHIEVED	NA	Agenda and prior year minutes
S/O 7.3			CEO / Area Committee Chairs Forum	Forum meetings	Number of meetings	6	6	6	6	ACHIEVED	NA	Minutes
S/O 7.4			Area Committee compliance	Collation of AGM records	Area Committee record packs by deadline	Project & KPI adjusted for 2018 year, therefore no comparative included		31-Mar-18	26-Feb-18	ACHIEVED	NA	Physical documents

S/O #	KPA #	Ugu DM IDP Ref	PROGRAMME	PROJECT	KPI	2017 ANNUAL TARGET	2017 ACTUAL ACHIEVEMENT	ADJUSTED ANNUAL TARGET: 30 June 2018	ACTUAL ACHIEVEMENT	ANNUAL TARGET: ACHIEVED / NOT ACHIEVED	CORRECTIVE MEASURES	PORTFOLIO OF EVIDENCE
S/O 7.5			Area Committee Cluster Functions	Member engagements	Number of functions	6	9	6	7	ACHIEVED	NA	Function record
S/O 7.6			Op. Task management meetings	In-year monitoring of operations through operational meetings with staff	Number of meetings	6	6	6	6	ACHIEVED	NA	Operation notes and presentations / minutes
S/O 7.7			CEO Tourism Presentations to DM and LM Councils	Cohesion with political principals	Number of meetings	5	5	5	6	ACHIEVED	NA	DM & LM Agendas and presentations
S/O 7.8			DM / LM / USCDA officials' engagement	Inter institutional cohesion	Number of engagements	28	48	28	42	ACHIEVED	NA	Contact record
S/O 7.9			Provincial / DM / LM LED & IDP Forum meetings	Inter-sectoral cohesion	Number of meetings	8	26	25	36	ACHIEVED	NA	Attendance register / Contact record
S/O 7.10			VIC Visitation	Head office / VIC ops cohesion	Number of visits	120	213	175	209	ACHIEVED	NA	Contact record
S/O 7.11			New member prospects	Membership recruitment	Number of calls on prospective members	120	124	150	155	ACHIEVED	NA	Call log
S/O 7.12			Direct Calls to existing members	Member satisfaction and relations	Number of calls	150	191	175	176	ACHIEVED	NA	Call log
S/O 7.13			Recruitment of new members	Confirmation of New Paid Up Members	Number of new members	50	50	100	39	NOT ACHIEVED	Hesitancy of the private sector due to difficult financial times and water challenges faced by Ugu DM	New members list
Strategic Objective #8: Ensure Effective Awareness of Social-Economic Conditions through Tourism												

S/O #	KPA #	Ugu DM IDP Ref	PROGRAMME	PROJECT	KPI	2017 ANNUAL TARGET	2017 ACTUAL ACHIEVEMENT	ADJUSTED ANNUAL TARGET: 30 June 2018	ACTUAL ACHIEVEMENT	ANNUAL TARGET: ACHIEVED / NOT ACHIEVED	CORRECTIVE MEASURES	PORTFOLIO OF EVIDENCE
S/O 8.1	KPA 3: Local Economic Development	LED 12	District wide programmes	District Tourism Awareness Programme (TAP)	TAP completed by deadline	NA	NA	NA	NA	NA	NA	NA 2017/2018
S/O 8.2			District wide programmes	Schools information Sessions	Number of school sessions in LMs	24	25	28	29	ACHIEVED	NA	Record of Presentations / Principal sign- off
S/O 8.3			District wide programmes	School and/or tertiary tours within the South Coast	Number of tours	6	8	12	12	ACHIEVED	NA	Record of tours / Attendance registers
S/O 8.4			District wide programmes	Updated presentations to prospective tourism practitioners	Number of presentations	6	9	10	12	ACHIEVED	Acceptable over achievement	Record of Presentations / Attendance registers
Strategic Objective #9: Capacitate People for Sustaining Livelihoods Through Tourism												
S/O 9.1	KPA 3: Local Economic Development	LED 12	Emergent tourism practitioners	Mentorship and skills development	Number of training events	6	12	16	15	NOT ACHIEVED	Additional mentorship to be co-ordinated in 2018/2019	Record of Engagement
S/O 9.2			Emergent businesses	Emerging enterprise participation at events - facilitation	Number of events	3	19	39	39	ACHIEVED	NA	Record of promotion
S/O 9.3			Graduates for the tourism sector	Mentorship / placement of graduates	Number of graduates placed	75	81	12	12	ACHIEVED	NA	Record of Graduates placed
S/O 9.4			Emergent businesses within Southern Explorer	Free advertising for emerging tourism practitioners	Number of adverts	20	21	20	21	ACHIEVED	NA	Record of Placement
S/O 9.5			South Coast Tourism Empowerment Protocol	Adoption of Protocol	NA 2015/2016	30-Jun-17	27-Jun-17	NA for 2017/2018				

S/O #	KPA #	Ugu DM IDP Ref	PROGRAMME	PROJECT	KPI	2017 ANNUAL TARGET	2017 ACTUAL ACHIEVEMENT	ADJUSTED ANNUAL TARGET: 30 June 2018	ACTUAL ACHIEVEMENT	ANNUAL TARGET: ACHIEVED / NOT ACHIEVED	CORRECTIVE MEASURES	PORTFOLIO OF EVIDENCE
S/O 9.6			Tourism Scholarship	Annual Tourism Scholarship awarded to TVET student	Annual Tourism Scholarship awarded to top TVET student	NA	NA	1	1	ACHIEVED	NA	Record of annual scholarship awarded
Strategic Objective #10: Ensure participation in tourism management and ownership of tourism products by local communities												
S/O 10.1	KPA 5: Good Governance & Public Participation	LED 12	Emerging practitioner’s representation on Tourism Area Committees	Emerging Practitioners participation on Area Committees	2 Emerging Practitioners representation on each Area Committee	11	11	22	13	NOT ACHIEVED	Encourage emerging tourism products to participate in the Area Committees	Record of Emerging Practitioner representation on Area Committee per attendance register
S/O 10.2			Emergent products and services (mainly hinterland) within each LM	Feasibility/ viability template utilisation	Number of templates completed	12	16	16	16	ACHIEVED	NA	Hard copies of template completed
S/O 10.3			Emergent products and services within Tourism	Annual Products and Services Audit	Annual Audit by deadline	12	12	30-Jun-18	-	NOT ACHIEVED	Management to keep schedules of emerging suppliers utilised to enable report to be formulated	Annual Emergent Product & Services report and date.
S/O 10.4			Emerging product support	Mentorship of Emerging Tourism Businesses by membership	Number of Emerging Tourism Businesses in Mentorship	NA	NA	4	5	ACHIEVED	Acceptable over achievement	Mentorship progress report to Board
Strategic Objective #11: Develop unique and sustainable tourism products and events												
S/O 11.1	KPA 3: Local Economic Development	LED 12	Product development	Umzumbe River Trails	Number of project progress reports to Board	N/A	NA	4	5	ACHIEVED	NA	Project progress report to Board

S/O #	KPA #	Ugu DM IDP Ref	PROGRAMME	PROJECT	KPI	2017 ANNUAL TARGET	2017 ACTUAL ACHIEVEMENT	ADJUSTED ANNUAL TARGET: 30 June 2018	ACTUAL ACHIEVEMENT	ANNUAL TARGET: ACHIEVED / NOT ACHIEVED	CORRECTIVE MEASURES	PORTFOLIO OF EVIDENCE
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S/O 11.2			Product development	KwaXolo Caves	Number of project progress reports to Board	4	6	4	5	ACHIEVED	NA	Project progress report to Board
S/O 11.3			Product development	Ntelezi Msani Heritage Project	Number of progress reports to Board	4	6	4	3	NOT ACHIEVED	Careful annual monitoring of reporting requirements	Project progress report to Board
S/O 11.4			Product development	Area Tourism Development Plan: Kwa Nzimakwe	Completed plan by deadline	4	6	31-Oct-17	29-Dec-17	NOT ACHIEVED	Target deadline was not met; however, the Project was completed 29 December 2017	Completed plan by date
S/O 11.4.1			Product development	Implementation Plan: Kwa Nzimakwe Development Plan	Number of progress reports to Board	NA	NA	2	1	NOT ACHIEVED	Due to delay in deadline for completing the Plan, the implementation reports were also running in arrears	Project progress report to Board
S/O 11.5			Product Development	Area Tourism Development Plan: Nyandezulu	Completed plan by deadline	4	6	31-Oct-17	30-Nov-17	NOT ACHIEVED	Target deadline was not met; however, the Project was completed 30 November 2017	Completed plan by date
S/O 11.5.1			Product development	Implementation Plan: Nyandezulu Development Plan	Number of progress reports to Board	NA	NA	2	1	NOT ACHIEVED	Due to delay in deadline for completing the Plan, the implementation reports were also running in arrears	Project progress report to Board

S/O #	KPA #	Ugu DM IDP Ref	PROGRAMME	PROJECT	KPI	2017 ANNUAL TARGET	2017 ACTUAL ACHIEVEMENT	ADJUSTED ANNUAL TARGET: 30 June 2018	ACTUAL ACHIEVEMENT	ANNUAL TARGET: ACHIEVED / NOT ACHIEVED	CORRECTIVE MEASURES	PORTFOLIO OF EVIDENCE
S/O 11.6			Product Development	Area Tourism Development Plan: Oribi/Paddock/Ezinqoleni corridor	Completed plan by deadline	4	6	31-Mar-18	27-Mar-18	ACHIEVED	NA	Completed plan by date
S/O 11.6.1			Product development	Implementation Plan: Oribi/Paddock/Ezinq corridor Development Plan	Number of progress reports to Board	NA	NA	1	1	ACHIEVED	NA	Project progress report to Board
S/O 11.7			Product Development	Area Tourism Development Plan: Gamalakhe	Completed plan by deadline	4	6	31-Mar-18	27-Mar-18	ACHIEVED	NA	Completed plan by date
S/O 11.7.1			Product development	Implementation Plan: Gamalakhe	Number of progress reports to Board	NA	NA	1	1	ACHIEVED	NA	Project progress report to Board
S/O 11.8			Product Audit	Product Audit Umuziwabantu	Product Audit by date	NA	NA	31-Dec-17	27-Mar-18	NOT ACHIEVED	Target deadline was not met; however, the Project was completed 27 March 2018	Product report by date
Strategic Objective #12: Ensure that DM/LM coastal management / development projects are activated												
S/O 12.1	KPA 3: Local Economic Development	LED 12	Beach product development and upgrades	Oversight contribution to beach upgrades	CEO's collation of Annual status quo reports for 3 LMs with beaches by deadline	30-Jun-17	30-Jun-17	30-Jun-18	20-Jun-18	ACHIEVED	NA	Record of Status Quo Reports from DM/LMs and Communication with DM/LMs and other facilitating agencies
Strategic Objective #13 Create an enabling environment for tourism investment												

S/O #	KPA #	Ugu DM IDP Ref	PROGRAMME	PROJECT	KPI	2017 ANNUAL TARGET	2017 ACTUAL ACHIEVEMENT	ADJUSTED ANNUAL TARGET: 30 June 2018	ACTUAL ACHIEVEMENT	ANNUAL TARGET: ACHIEVED / NOT ACHIEVED	CORRECTIVE MEASURES	PORTFOLIO OF EVIDENCE
S/O 13.1	KPA 5: Good Governance & Public Participation	LED 12	Institutional partnerships	Maintain & publicise portfolio of investment	Portfolio of prospective investment opportunities referred to relevant stakeholder	NA	NA	4	4	ACHIEVED	NA	Record of portfolio of investment maintained and publicised
Strategic Objective #14: Ensure that tourism support infrastructure is adequately provided and/or maintained												
S/O 14.1	KPA 3: Local Economic Development	LED 12	Partnership with stakeholders	Tourism support infrastructure	Percentage of ad hoc requests for tourism support infrastructure that are taken to conclusion	80%	100%	80%	100%	ACHIEVED	NA	Record of requests and facilitation assistance

5. Report of the Auditor General to the KwaZulu-Natal Provincial Legislature and the Council on Ugu-South Coast Tourism (Pty) Ltd

Auditor-General of South Africa

Ugu South Coast Tourism (Pty) Ltd

Audit report 2017-18

Report of the auditor-general to the KwaZulu-Natal Provincial Legislature and the council on Ugu South Coast Tourism (Pty) Ltd

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Ugu South Coast Tourism (Pty) Ltd set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2018, the statement of financial performance, statement of changes in equity, statement of cash flows and statement of comparison of budget information with actual information for the year then ended, as well as the 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 Ugu South Coast Tourism (Pty) Ltd as at 30 June 2018, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP), the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Companies Act of South Africa, 2008 (Act No. 71 of 2008) (Companies Act).

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 this auditor's report.
4. I am independent of the municipal entity in accordance with the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other matters

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

Unaudited disclosure notes

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

Unaudited supplementary schedules

8. The supplementary information set out on pages XX to XX does not form part of the financial statements and is presented as additional information. We have not audited these schedules and, accordingly, we do not express an opinion on them.

Responsibilities of the accounting officer for the financial statements

9. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the MFMA and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
10. In preparing the financial statements, the accounting officer is responsible for assessing the Ugu South Coast Tourism's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipal entity or to cease operations, or has no realistic alternative but to do so.

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

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

Report on the audit of the annual performance report

Introduction and scope

13. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
14. My procedures address the reported performance information, which must be based on the approved performance planning documents of the municipal entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning

documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

15. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the annual performance report of the municipal entity for the year ended 30 June 2018:

Objectives	Pages in the annual performance report
S/O 3: Sustain and develop operations of district wide Visitor Information Centres (VIC's)	x – x
S/O 5: To contribute to the growth in the District tourism economy through visitor volume growth and the application of a Marketing Action Plan (MAP)	x – x
S/O 6: Utilise Events as a Conduit for Profiling the South Coast and Contribution to Visitor Growth Volume	x – x

16. I performed procedures to determine whether the reported performance information was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
17. I did not raise any material findings on the usefulness and reliability of the reported performance information for the objectives presented in the table above.

Other matter

18. I draw attention to the matter below.

Achievement of planned targets

19. The annual performance report on pages ... to ... includes information on the achievement of planned targets for the year.

Report on the audit of compliance with legislation

Introduction and scope

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

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

Expenditure management

22. Reasonable steps were not taken to prevent irregular expenditure of R539 066, as disclosed in note 31 to the annual financial statements, as required by section 95(d) of the MFMA. The majority of the irregular expenditure was due to the municipal entity awarding quotations to suppliers whose tax matters were not in order at the time of the award.

Procurement and contract management

23. Some of the quotations were accepted from bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by municipal supply chain management regulation 13(c).

Other information

24. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report which includes the director's report, the audit committee's report and the company secretary's certificate as required by the Companies Act of South Africa. The other information does not include the financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported in this auditor's report.

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

26. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected Objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

27. If, based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact. I have nothing to report in this regard.

Internal control deficiencies

28. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.

29. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for findings on compliance with legislation included in this report.

30. Management did not adequately implement checklists to ensure compliance with the relevant supply chain management regulations.

Auditor - General

Pietermaritzburg

30 November 2018



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 the procedures performed on reported performance information for selected objectives and on the municipal entity's compliance with respect to the selected subject matters.

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 municipal entity's internal control
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer
 - conclude on the appropriateness of the accounting officer's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Ugu South Coast Tourism's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a municipal entity to cease continuing as a going concern
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication with those charged with governance

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

6. Annual Financial Statements: 30 June 2018



Ugu-South Coast Tourism (Pty) Ltd
(Registration number 2009/003419/07)
Financial statements
for the year ended 30 June 2018

Ugu-South Coast Tourism (Pty) Ltd

Financial Statements for the year ended 30 June 2018

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Published

30 August 2018

Chief Executive Officer's Certificate

I am responsible for the preparation of these annual financial statements in terms of Section 124(1) of the Municipal Finance Management Act (Act No 56 of 2003), and which I have signed on behalf of the municipal entity.

I certify that the salaries, allowances and benefits of board as disclosed in note 14 of these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act, 1998 (Act No. 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with this Act.



Chief Executive Officer

Bankers

Absa Bank
KZN Private Sector

Email

admin@TourismSouthCoast.co.za

Auditors

Auditor General SA

Website

www.tourismsouthcoast.co.za

Ugu-South Coast Tourism (Pty) Ltd

Financial Statements for the year ended 30 June 2018

Directors' Report

The directors present their report, which forms part of the audited annual financial statements of the Ugu-South Coast Tourism (Pty) Ltd for the year ended 30 June 2018.

1. Review of activities

Main business and operations

Ugu-South Coast Tourism (Pty) Ltd was registered in terms of Section 86C of the Local Government: Municipal Systems Act 32 of 2000. The entity started operations on 1 July 2009 when it took over all assets, liabilities and all responsibilities and functions of Hibiscus Coast Tourism Association.

The company carries on the business of tourism development and promoting the Ugu district as a tourism destination.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003). The standards and pronouncements that form the GRAP Reporting Framework for the 2011 financial period are set out in Directive 5 and the supplements thereto Issued by the Accounting Standards Board (ASB) on 11 March 2009 and on 20 January 2012, and as updated.

The operating results and state of affairs of the company are fully set out in the attached financial statements and do not in our opinion require any further comment.

Address

16 Bisset Street
Port Shepstone
4241

Postal address

P.O. Box 570
Port Shepstone
4240

2. Events after the reporting period

The directors are not aware of any material matter or circumstance arising since the end of the financial year that requires attention.

3. Authorised and issued share capital

There were no changes in the authorised or issued share capital of the company during the year under review.

4. Directors

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

	Board & AGM	Committee meetings	PMS Reviews	Strategic Planning Workshop	No. of meetings attended
Elizabeth Joy Crutchfield	8	6	5	3	22
Howard Russell Kelly	7	-	2	2	11
Colin John Davenport	8	-	2	-	10
Joan Harris	5	-	-	2	7
Paul Timothy Jeffreys	6	-	-	3	9
Wutu Victor Mzulwini	8	-	-	2	10
Zama Patrick Ngubane	7	-	-	-	7
Mxolisi Buhlebezwe Wilson Xolo (Appointed 5 October 2017)	5	-	-	-	5
Sazi Darius Mbhele	3	-	-	-	3
Xolani Saeed Luthuli (Removed 13 April 2018)	-	-	-	-	-
Maxwell Sihle Mbili	1	-	-	-	1
Nokuthula Cecilia Zondani	2	-	2	-	4

Ugu-South Coast Tourism (Pty) Ltd

Financial Statements for the year ended 30 June 2018

Directors' Report

There were changes in the directorship during the year.

5. Secretary

The secretary is Deborah Lee Ludick, and remains in office.

6. Controlling entity

The controlling entity of the company is Ugu District Municipality, which owns all the issued share capital.

7. Auditors

Auditor-General will continue in office for the ensuing year.

8. Corporate governance

The board and management are committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, they support the highest standards of corporate governance and the ongoing development of best practice.

9. Expression of appreciation

We are grateful to the directors, the Audit Committee and the General Manager: Finance & HR for the support extended during the financial year. A special word of thanks to all staff who assisted with the collation of year-end information necessary for the compilation of these annual financial statements.

10. Approval of the financial statements

The financial statements set out on pages 4 to 41, which have been prepared on the going concern basis, were approved by the board of directors on 30 August 2018, and are signed on their behalf by:



Chairperson

Ugu-South Coast Tourism (Pty) Ltd

Financial Statements for the year ended 30 June 2018

Statement of Financial Position

Figures in Rand	Note(s)	2018	2017
Assets			
Non-Current Assets			
Property, plant and equipment	2	1 050 451	1 194 750
Intangible assets	3	32 798	32 536
		1 083 249	1 227 286
Current Assets			
Receivables from non exchange transactions	4	570 000	836 413
Receivables from exchange transactions	5	6 465 032	5 017 425
Cash and cash equivalents	6	7 353 747	7 451 264
		14 388 779	13 305 102
Total Assets		15 472 028	14 532 388
Equity and Liabilities			
Equity			
Share capital	7	100	100
Retained income		13 994 447	13 265 613
		13 994 547	13 265 713
Liabilities			
Current Liabilities			
Operating lease liabilities	8	42 881	50 201
Payables from exchange transactions	9	812 358	755 966
Provisions	10	622 242	460 508
		1 477 481	1 266 675
Total Equity and Liabilities		15 472 028	14 532 388

Ugu-South Coast Tourism (Pty) Ltd

Financial Statements for the year ended 30 June 2018

Statement of Financial Performance

Figures in Rand	Note(s)	2018	2017
Revenue			
Revenue from non exchange transactions			
Municipal grants	11	16 332 742	14 929 911
Revenue from exchange transactions			
Branding costs recovered		-	2 856
Commissions and sales		187 106	179 169
Events		3 395 159	2 214 808
Information kiosk advertising		-	23 210
Interest received	12	591 888	724 624
Membership subscriptions		258 027	165 226
		4 432 180	3 309 893
Expenses (Refer to page 6)		(20 036 088)	(21 559 084)
Surplus (loss) for the year		728 834	(3 319 280)
Total comprehensive income (loss) for the year		728 834	(3 319 280)

Ugu-South Coast Tourism (Pty) Ltd

Financial Statements for the year ended 30 June 2018

Statement of Financial Performance

Figures in Rand	Note(s)	2018	2017
Operating expenses			
Accounting and secretarial fees		-	450
Advertising		1 799 582	1 940 367
Annual event support		6 324 695	7 788 638
Area committee projects		266 090	342 145
Audit Committee and shared services		78 829	83 604
Auditors' remuneration	13	351 345	260 874
Bad debts - cancelled membership		48 526	17 731
Bank charges		83 295	66 170
Beach entertainment programme		496 685	473 034
Conferences		16 510	50 423
Depreciation, amortisation and impairments	2, 3	215 217	200 307
Development training projects	16	422 978	273 295
Directors' remuneration	14	506 787	180 525
Electricity and water		111 363	103 362
Employee costs	15	6 560 595	5 541 096
Fines and penalties		260	428
Insurance		72 946	85 309
Legal fees		14 291	21 052
Loss on scrapping of assets		44 135	10 392
Media educationals		65 903	94 762
Membership expenses		62 490	63 733
Motor vehicle expenses		30 511	30 868
Office cleaning and refreshments		71 494	73 156
Postage		10	164
Printing and stationery		84 143	88 207
Professional fees		63 552	60 526
Promotional items		257 091	231 006
Rental - Equipment		17 955	19 252
Rental - Offices		588 320	546 283
Repairs and maintenance		50 531	117 105
Security		45 588	39 297
Shows and exhibitions		336 163	489 109
Signage		66 050	5 790
Special projects	17	151 521	1 517 362
Staff and student training	18	337 415	322 432
Subscriptions and membership		14 587	22 134
Telephone, fax and internet		215 881	210 548
Travel reimbursement		126 690	96 538
Uniforms		36 064	47 760
Webhosting		-	43 850
		20 036 088	21 559 084

Ugu-South Coast Tourism (Pty) Ltd

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Statement of Changes in Equity

	Share capital	Retained income	Total equity
Figures in Rand			
Balance at 1 July 2016	100	16 584 893	16 584 993
Changes in equity			
Total deficit for the year	-	(3 319 280)	(3 319 280)
Total changes	-	(3 319 280)	(3 319 280)
Balance at 1 July 2017	100	13 265 613	13 265 713
Changes in equity			
Total profit for the year	-	728 834	728 834
Total changes	-	728 834	728 834
Balance at 30 June 2018	100	13 994 447	13 994 547
Note(s)			

Ugu-South Coast Tourism (Pty) Ltd

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Statement of Cash Flows

Figures in Rand	Note(s)	2018	2017
Cash flows from operating activities			
Cash receipts from customers	20	18 943 314	12 298 148
Cash paid to suppliers and employees		(19 517 384)	(21 067 121)
Cash used in operations	19	(574 070)	(8 768 973)
Interest income		591 888	724 624
Net cash from operating activities		17 818	(8 044 349)
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(102 879)	(228 296)
Purchase of other intangible assets	3	(12 456)	(18 860)
Net cash from investing activities		(115 335)	(247 156)
Total cash movement for the year		(97 517)	(8 291 505)
Cash at the beginning of the year		7 451 264	15 742 769
Total cash at end of the year	6	7 353 747	7 451 264

Ugu-South Coast Tourism (Pty) Ltd

Financial Statements for the year ended 30 June 2018

Accounting Policies

1. Presentation of Financial Statements

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003), and the standards and pronouncements that form the GRAP Reporting Framework Issued by the Accounting Standards Board (ASB), as updated.

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

The Accounting Framework of the municipal entity is as follows (Listed below are only the relevant GRAP standards):

- GRAP 1 Presentation of Financial Statements
- GRAP 2 Cash Flow Statements
- GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors
- GRAP 5 Borrowing Costs
- GRAP 9 Revenue from Exchange Transactions
- GRAP 13 Leases
- GRAP 14 Events After the Reporting Date
- GRAP 17 Property, Plant and Equipment
- GRAP 19 Provisions, Contingent Liabilities and Contingent Assets
- GRAP 21 Impairment of Non cash-generating Assets
- GRAP 23 Revenue from Non-exchange Transactions
- GRAP 24 Presentation of Budget Information in Financial Statements
- GRAP 25 Employee Benefits
- GRAP 102 Intangible Assets
- GRAP 104 Financial Instruments

The following GRAP standards were approved by the Accounting Standards Board (APB) but are not yet effective. The entity has not early adopted any of the standards.

- GRAP 20 Related Party Disclosures
- GRAP 32 Service Concession Arrangements: Grantor
- GRAP 108 Statutory Receivables
- GRAP 109 Accounting by Principals and Agents

1.1 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

Ugu-South Coast Tourism (Pty) Ltd

Financial Statements for the year ended 30 June 2018

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Trade receivables

The economic entity assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for doubtful debts

On debtors, an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Impairment testing

The company reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is only tested for impairment when there is an indicator of impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 10 - Provisions.

Useful lives of property, plant and equipment

The economic entity's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

1.2 Going concern assumption

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

1.3 Offsetting

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

1.4 Property, plant and equipment

Property, plant and equipment are tangible items that:

- are held for use for administrative purposes; and
- are expected to be used during more than one period.

Ugu-South Coast Tourism (Pty) Ltd

Financial Statements for the year ended 30 June 2018

Accounting Policies

1.4 Property, plant and equipment (continued)

Costs include costs incurred initially to acquire 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.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Depreciation is provided using the straight-line method to write down the cost, less estimated residual value over the useful life of the property, plant and equipment, which are as follows:

Item	Average useful life
Furniture and fixtures	5 - 10 years
Motor vehicles	5 years
Computer equipment	3 - 10 years
Container	15 years
Signage	15 years

The residual value, depreciation method and the useful life of each asset are reviewed at each annual reporting period if there are indicators present that there is a change from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item and have significantly different patterns of consumption of economical benefits is depreciated separately over its useful life.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss in the period.

1.5 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance.

Intangible assets are initially recognised at cost.

If the company is unable to make a reliable estimate of the useful life of an intangible assets, the life will be presumed to be 10 years.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting period date if there are indicators present that there is a change from the previous estimate.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	3 - 10 years

Ugu-South Coast Tourism (Pty) Ltd

Financial Statements for the year ended 30 June 2018

Accounting Policies

1.6 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

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.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties.

A financial asset is:

- cash
- a residual interest of another entity, or
- a contractual right to:
- receive cash or another financial asset from another entity; or
- exchange financial assets or financial liabilities with another entity under conditions which are potentially favourable to the entity

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

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

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.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Ugu-South Coast Tourism (Pty) Ltd

Financial Statements for the year ended 30 June 2018

Accounting Policies

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unissued capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives
- combined instruments that are designated at fair value
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
- non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class

Trade receivables from exchange transactions
Trade receivables from non-exchange transactions
Bank, cash and cash equivalents
Long-term receivables
Current portion of long-term receivables

Category

Financial asset measured at fair value
Financial asset measured at fair value
Financial asset measured at amortised cost
Financial asset measured at fair value
Financial asset measured at fair value

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class

Trade payables from exchange transactions
Trade payables from non-exchange transactions
Retentions
Accrued leave pay
Accrual for staff bonus
Government grants and subsidies

Category

Financial liability measured at fair value
Financial liability measured at fair value
Financial liability measured at fair value
Financial liability measured at fair value
Financial liability measured at fair value
Financial liability measured at fair value

Ugu-South Coast Tourism (Pty) Ltd

Financial Statements for the year ended 30 June 2018

Accounting Policies

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

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

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Ugu-South Coast Tourism (Pty) Ltd

Financial Statements for the year ended 30 June 2018

Accounting Policies

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly or by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset;
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognises either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognises the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

Ugu-South Coast Tourism (Pty) Ltd

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Accounting Policies

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognises a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset and the associated liability, nor the revenue and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.7 Value added tax

Value added tax on revenue and expenditure transactions are recorded in the books of the economic entity on the accrual basis of accounting.

The municipal entity is registered with SARS for Vat on the invoice basis in accordance with Section 15(2)(a) of the Value Added Tax Act, No. 81 of 1991.

1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

1.9 Impairment of assets

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

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

Ugu-South Coast Tourism (Pty) Ltd

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Accounting Policies

1.9 Impairment of assets (continued)

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

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

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount (selling price less costs to complete and sell, in the case of inventories), but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset (or group of assets) in prior years. A reversal of impairment is recognised immediately in profit or loss.

1.10 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are classified as equity.

1.11 Provisions

Provisions are recognised when:

- the municipal entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Ugu-South Coast Tourism (Pty) Ltd

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Accounting Policies

1.12 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipal entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipal entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipal entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipal entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipal entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Ugu-South Coast Tourism (Pty) Ltd

Financial Statements for the year ended 30 June 2018

Accounting Policies

1.13 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality entity; and
- the amount of the revenue can be measured reliably
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipal entity assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remits grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality entity; and
- the amount of the revenue can be measured reliably
- to the extent that there has been compliance with any restrictions associated with the grant.

Ugu-South Coast Tourism (Pty) Ltd

Financial Statements for the year ended 30 June 2018

Accounting Policies

1.14 Employee costs

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Remuneration to employees is recognised in the statement of financial performance as the services are rendered, except for non-accumulating benefits which are only recognised when 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 a provision in the statement of financial position.

The company recognises the expected cost of performance bonuses when the company has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

1.15 Related parties

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

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipalities and municipal entities.

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Chief Executive Officer and all other managers reporting directly to him or as designated by him, and the directors.

1.16 Events after reporting date

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

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

1.17 Commitments

All items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Ugu-South Coast Tourism (Pty) Ltd

Financial Statements for the year ended 30 June 2018

Accounting Policies

1.18 Irregular expenditure

Irregular expenditure as defined in chapter 1 of the Municipal Finance Management Act (Act No 56 of 2003) in relation to a municipality or municipal entity -

- Expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, the requirement of this Act, and which has not been condoned in terms of section 170
- Expenditure incurred in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act (Act No.32 of 2000)
- Expenditure incurred in contravention of, or that is not in accordance with, a requirement of the Public Office Bearers Act (Act No. 20 of 1998)
- Expenditure incurred in contravention of, or that is not in accordance, a requirement of the Supply Chain Management Policy or any Municipal By-Laws giving effect to such policy, and which has not been condoned in terms of such policy or By-law, but excludes expenditure which falls within the definition of unauthorised expenditure

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.19 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the statement of financial performance. If the expenditure is not condoned by the board of directors, it is treated as an asset until it is recovered or written off as irrecoverable.

1.20 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted for; expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state; and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). If the expenditure is not condoned by the board of directors, it is treated as an asset until it is recovered or written off as irrecoverable.

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Ugu-South Coast Tourism (Pty) Ltd

Financial Statements for the year ended 30 June 2018

Accounting Policies

1.21 Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes 25 and 27.

1.22 Budget information

Municipalities and municipal entities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipalities and municipal entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget covers the fiscal period from 1 July 2017 to 30 June 2018.

The Statement of comparative and actual information has been included in the financial statements as the recommended disclosure when the financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.23 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

Ugu-South Coast Tourism (Pty) Ltd

Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements

Figures in Rand 2018 2017

2. Property, plant and equipment

	2018			2017		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Furniture and fixtures	722 488	(425 251)	297 237	699 254	(366 547)	332 707
Motor vehicles	346 487	(143 805)	202 682	346 487	(75 072)	271 415
Computer equipment	218 261	(95 775)	122 486	205 579	(81 612)	123 967
Container	121 659	(40 206)	81 453	121 659	(32 105)	89 554
Signage	395 388	(48 795)	346 593	402 375	(25 268)	377 107
Total	1 804 283	(753 832)	1 050 451	1 775 354	(580 604)	1 194 750

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Depreciation	Accumulated depreciation reversal	Total
Furniture and fixtures	332 707	44 933	(11 052)	(69 286)	(65)	297 237
Motor vehicles	271 415	-	-	(68 783)	50	202 682
Computer equipment	123 967	38 246	(5 711)	(34 016)	-	122 486
Container	89 554	-	-	(8 101)	-	81 453
Signage	377 107	19 700	(24 213)	(25 998)	(3)	346 593
	1 194 750	102 879	(40 976)	(206 184)	(18)	1 050 451

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	337 634	68 747	(8 716)	(64 958)	332 707
Motor vehicles	340 712	-	-	(69 297)	271 415
Computer equipment	91 733	62 270	(1 445)	(28 591)	123 967
Container	97 665	-	-	(8 111)	89 554
Signage	300 978	97 279	-	(21 150)	377 107
	1 168 722	228 296	(10 161)	(192 107)	1 194 750

A register containing the information required by Regulation 25(3) of the Companies Regulations, 2011 is available for inspection at the registered office of the company.

3. Intangible assets

	2018			2017		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Website and software	57 067	(24 269)	32 798	58 667	(26 131)	32 536

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Disposals	Amortisation	Accumulated amortisation reversal	Total
Website and software	32 536	12 456	(3 159)	(9 033)	(2)	32 798

Ugu-South Coast Tourism (Pty) Ltd

Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements

Figures in Rand	2018	2017
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3. Intangible assets (continued)

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Disposals	Amortisation	Total
Website and software	22 106	18 860	(230)	(8 200)	32 536

4. Receivables from non exchange transactions

Municipalities

Ray Nkonyeni Municipality	570 000	836 413
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Current

0 - 30 days	-	266 413
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Past due

91 - 120 days	570 000	570 000
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570 000 836 413

5. Receivables from exchange transactions

Trade and other receivables

Ugu South Coast Development Agency	4 194 548	4 138 607
Other debtors	1 792 283	285 444
Accrued interest	30 990	26 502
Accounts prepaid	305 302	345 642
Deposits	52 648	50 320
Vat	89 261	170 910
	6 465 032	5 017 425

Current

0 - 30 days	1 241 681	823 883
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Past due

31 - 60 days	53 465	48 402
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61 - 90 days	865 660	-
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91 - 120 days	135 220	4 138 607
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+ 120 days	4 169 006	6 533
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6 465 032 5 017 425

Vat is payable on the invoice basis. When an invoice is raised an amount of Vat is payable to SARS.

No interest is payable to SARS if the vat is paid over timeously, but interest for late payments is charged according to SARS policies.

The average credit period for grants and subsidies is dependent on the municipality involved and the nature of the claim. No interest is charged on outstanding government grants and subsidies. The subsidies is payable to the entity based on agreements between the municipal entity and the relevant municipalities. The loan to Ugu South Coast Development Agency SOC is repayable within the next operating cycle and attracts interest at bank call rates.

The directors are of the opinion that the carrying value of debtors approximate their fair values.

The fair value of debtors was determined after considering the standard terms and conditions of agreements entered into between the municipal entity and municipalities / provincial departments as well as other debtors. The current payment ratios of other debtors were also taken into account for fair value determination.

Ugu-South Coast Tourism (Pty) Ltd

Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements

Figures in Rand	2018	2017
6. Cash and cash equivalents		
Cash and cash equivalents		
Cash	4 317	4 928
Cash at bank	7 349 430	7 446 336
	7 353 747	7 451 264

Bank accounts

Absa Bank - KZN Public Sector Branch, Account No: 407 403 6586	175 809	1 223 818
Absa Bank - KZN Public Sector Branch, Account No: 923 286 9178	7 057 568	4 627 029
Absa Bank - KZN Public Sector Branch, Account No: 409 052 1454	71 888	1 554 515
Absa - Rent guarantee	44 165	40 974
	7 349 430	7 446 336

Interest on overdrawn current accounts are charged at the banker's prime rate plus two percent per annum. Interest is earned at different rates per annum on favourable balances.

The directors are of the opinion that the carrying value of Cash and cash equivalents recorded at amortised cost in the financial statements approximate their fair values.

The fair value of Cash and cash equivalents was determined after considering the standard terms and conditions of agreements entered into between the entity and financial institutions.

Absa Bank - KZN Public Sector Branch, Account No: 407 403 6586

Bank statement balance at beginning of year	1 214 338	274 351
Cash book balance at beginning of year	1 223 818	283 445
Bank statement balance at end of year	163 429	1 214 338
Cash book balance at end of year	175 809	1 223 818

Absa Bank - KZN Public Sector Branch, Account No: 92 3286 9178

Bank statement balance at beginning of year	4 627 029	15 414 065
Cash book balance at beginning of year	4 627 029	15 414 065
Bank statement balance at end of year	7 057 568	4 627 029
Cash book balance at end of year	7 057 568	4 627 029

Absa Bank, KZN Public Sector Branch, Account No: 4090 5214 54

Bank statement balance at beginning of year	1 554 515	-
Cash book balance at beginning of year	1 554 515	-
Bank statement balance at end of year	71 888	1 554 515
Cash book balance at end of year	71 888	1 554 515

Absa Rental Guarantee, Account No: 20 6967 8591*

Bank statement balance at beginning of year	40 974	38 334
Cash book balance at beginning of year	38 334	38 334
Bank statement balance at end of year	44 165	40 974
Cash book balance at end of year	44 165	40 974

* The Guarantee held by ABSA Bank is ceded to JHI Properties (Pty) Ltd, for a rental deposit for the Tourism Office in Shelly Centre. It is a 5 year lease which expires 31 October 2019. However, the guarantee is in place until 31 January 2020 (3 months after end of the lease).

The average interest rate on the total cash at bank is 5.36% p.a. (2017 - 4.21% p.a.)

For the purposes of the statement of financial position and the cash flow statement, Cash and cash equivalents include cash on hand, cash at banks and Investments in money market Instruments, net of outstanding bank overdrafts.

Ugu-South Coast Tourism (Pty) Ltd

Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements

Figures in Rand	2018	2017
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7. Share capital

Authorised

100 ordinary shares	100	100
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Issued

100 ordinary shares	100	100
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8. Operating lease liabilities

Operating leases are recognised on the straightline basis as per the requirements of GRAP 13. In respect of non-cancellable operating leases the following liabilities have been recognised:

Operating leases

Balance at beginning of year	50 201	49 783
Operating lease expenses recorded	(558 493)	(522 345)
Operating lease payments - straightlined	551 173	522 763
	42 881	50 201

This committed expenditure relates to the lease of property and the lease of equipment and will be financed by available bank facilities and retained surpluses.

The minimum commitment in respect of leases is as follows:

Minimum lease payments due

Due within one year	260 324	376 367
Thereafter	84 838	345 162
	345 162	721 529

All commitments are disclosed including Vat as the entities are Vat registered.

9. Payables from exchange transactions

Trade payables	657 497	550 498
Accrued expense	153 911	205 468
Other payables	950	-
	812 358	755 966

The average credit period on purchases is 30 days from the receipt of the invoice. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the entity deals with. The entity has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

0 - 30 days	778 089	727 726
31 - 60 days	29 773	10 000
61 - 90 days	-	18 240
91 - 120 days	4 496	-
	812 358	755 966

Ugu-South Coast Tourism (Pty) Ltd

Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements

Figures in Rand 2018 2017

10. Provisions

Reconciliation of provisions - 2018	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
Provision of leave	251 460	387 379	(322 273)	-	316 566
Provision for performance bonuses	209 048	322 780	(226 152)	-	305 676
	460 508	710 159	(548 425)	-	622 242

Reconciliation of provisions - 2017	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
Provision of leave	167 468	293 031	(209 039)	-	251 460
Provision for performance bonuses	153 000	270 248	(214 200)	-	209 048
	320 468	563 279	(423 239)	-	460 508

11. Revenue from non exchange transactions

Municipal grants

Ugu District Municipality	12 522 014	11 925 733
Ray Nkonyeni Municipality	1 906 524	1 798 608
Umdoni Municipality	1 093 760	441 000
Umzumbe Municipality	452 800	427 170
Umuziwabantu Municipality	357 644	337 400
	16 332 742	14 929 911

12. Interest received

Absa Bank - KZN Public Sector Branch, Account No: 407 403 6586	61 522	63 019
Absa Bank - KZN Public Sector Branch, Account No: 923 286 9178	297 197	500 897
Absa Bank - KZN Public Sector Branch, Account No: 409 052 1454	32 364	17 072
Absa - Rent guarantee	3 053	2 882
Ugu South Coast Development Agency	194 547	138 607
Other	3 205	2 147
	591 888	724 624

13. Auditor's remuneration

Audit fees	351 345	260 874
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Ugu-South Coast Tourism (Pty) Ltd

Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements

Figures in Rand	2018	2017
14. Directors' remuneration		
For services as directors		
Ms EJ Crutchfield	144 879	41 500
Mr. HR Kelly	87 751	35 275
Mr. PT Jeffreys	54 962	14 525
Ms J Harris	52 886	22 825
Mr ZP Ngubane	48 477	29 050
Mr C Davenport	59 357	18 675
Mr WV Mzulwini	58 475	18 675
	506 787	180 525

In terms of Section 124(1) of the Municipal Finance Management Act (Act No 56 of 2003), the Accounting Officer certifies that the salaries, allowances and benefits of the directors as disclosed in this note of these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act, 1998 (Act No. 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with this Act. Municipal Managers appointed as directors by the municipalities are not remunerated by the entity.

Ugu-South Coast Tourism (Pty) Ltd

Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements

Figures in Rand	2018	2017
15. Employee costs		
Employee related costs - Salaries and wages	5 305 467	4 336 330
Employee related costs - Contributions for UIF, pension funds and medical aids	427 520	402 373
Other allowances	87 128	60 367
Overtime payments	179 074	188 052
Performance bonuses	322 780	270 248
Annual bonuses	173 520	167 035
Leave encashed	-	17 700
Long Service Award	-	15 000
Provision for leave	65 106	83 991
	6 560 595	5 541 096

The average number of employees for the year was 17.

Included in employee costs are the following amounts paid to 57 employees of the company:

Chief Executive Officer

Basic	1 041 299	981 894
Performance bonus	137 465	130 200
Employee related costs - Contributions for UIF and SDL	13 697	12 905
Cellphone allowance	21 097	19 804
	1 213 558	1 144 803

General Manager: Finance and Human Resources

Basic	671 806	633 480
Performance bonus	88 687	84 000
Employee related costs - Contributions for UIF and SDL	9 168	8 738
Long service	-	5 000
Cellphone allowance	20 716	19 534
	790 377	750 752

General Manager: Development (Appointed: 1 April 2017)

Basic	671 806	158 370
Employee related costs - Contributions for UIF and SDL	8 492	2 006
Cellphone allowance	15 271	3 600
	695 569	163 976

General Manager: Marketing and Events (Appointed: 1 January 2017)

Basic	671 806	316 740
Employee related costs - Contributions for UIF and SDL	8 107	5 196
Cellphone allowance	15 271	7 200
	695 184	329 136

16. Development training projects

SMME training and development	300 994	128 434
Schools project	121 984	144 861
	422 978	273 295

Ugu-South Coast Tourism (Pty) Ltd

Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements

Figures in Rand	2018	2017
17. Special projects		
Ntelezi Msani Heritage Project	-	8 862
KwaXolo Cave Route	16 778	1 000 000
Research reports	12 921	-
Umzumbe River Trails	71 668	500 000
Hides	-	8 500
Kwa Nzimakwe Development Plan	19 686	-
Oribi / Paddock Development Plan	191	-
Nyandazulu Development Plan	30 277	-
	151 521	1 517 362
18. Staff and student training		
Student cadets	313 249	293 220
Staff training	24 166	29 212
	337 415	322 432
19. Cash used in operations		
Surplus (loss) before taxation	728 834	(3 319 280)
Adjustments for:		
Depreciation and amortisation	215 217	200 307
Interest received	(591 888)	(724 624)
Movements in operating lease assets and accruals	(7 320)	418
Loss on disposal of fixed assets	44 135	10 391
Changes in working capital:		
Receivables from exchange transactions	(1 447 587)	(4 362 888)
Receivables from non exchange transactions	266 413	(836 413)
Payables from exchange transactions	56 392	123 071
Provisions	161 734	140 045
	(574 070)	(8 768 973)
20. Cash receipts from customers		
Municipal grants	16 332 742	14 929 911
Commissions and sales	187 106	179 169
Events	3 395 159	2 214 808
Information kiosk advertising	-	23 210
Membership subscriptions	209 481	147 495
Branding costs recovered	-	2 856
	20 124 488	17 497 449
Movements in receivables	(1 181 174)	(5 199 301)
	18 943 314	12 298 148
21. Taxation		

No provision for taxation is made as the company has no taxable income. The grants received from the municipalities are exempt from taxation in terms of Section 10 (1) (a) of the South African Income Tax Act.

Ugu-South Coast Tourism (Pty) Ltd

Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements

Figures in Rand	2018	2017
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22. Financial instruments

Classification

Financial assets

In accordance with GRAP 104 the financial assets of the entity are classified as follows:

Financial asset	Classification		
Trade debtors			
Other debtors	Loans and receivables	6 465 032	5 017 424
Other debtors			
Municipalities	Loans and receivables	570 000	836 413
Bank, cash and cash equivalents			
Bank balances	Available for sale	7 349 430	7 446 336
Cash floats and advances	Available for sale	300	300
Other cash equivalents	Available for sale	4 017	4 628
		14 388 779	13 305 101

Summary of financial assets

Loans and receivables			
Trade debtors	Sundry debtors	6 465 032	5 017 424
Municipalities	Other debtors	570 000	836 413
Available for sale			
Bank balances and cash	Bank balances	7 349 430	7 446 336
Bank balances and cash	Cash floats and advances	300	300
Bank balances and cash	Other cash equivalents	4 017	4 628
		14 388 779	13 305 101

Financial liabilities

In accordance with GRAP 104 the financial liabilities of the entity are classified as follows:

Financial liabilities	Classification		
Creditors			
Trade creditors	Financial liabilities	657 497	550 498
Other creditors	Financial liabilities	154 861	205 468
		812 358	755 966

Summary of financial liabilities

Financial liabilities at amortised cost			
Creditors	Trade creditors	657 497	550 498
Creditors	Other creditors	154 861	205 468
		812 358	755 966

Fair value

The fair values of financial assets and financial liabilities are determined as follows:

The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices.

The directors are of the opinion that the carrying value of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values. The fair value of financial assets and financial liabilities were determined after considering the standard terms and conditions of agreements entered into between the entity and other parties as well as the the current payment ratio's of the entity's debtors.

Ugu-South Coast Tourism (Pty) Ltd

Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements

Figures in Rand	2018	2017
<i>Capital risk management</i>		
The entity manages its capital to ensure that the entity will be able to continue as a going concern while delivering sustainable services to customers through the optimisation of the debt and equity balance.		
The capital structure of the entity consists of debt, which includes the bank, cash and cash equivalents and equity, comprising funds, reserves and accumulated surplus as disclosed in the notes and the statement of changes in net assets.		
<i>Gearing ratio</i>		
In terms of the entity's five year financial plan, financial benchmarks, year-on-year in respect of the debt-to-equity ratio, is reflected at 95,0%, reducing 90,0%. This aggressive ratio is as a result of the development challenges faced by the entity. The rate of borrowing is well below market related rates.		
The gearing ratio at the year-end was as follows:		
Operating lease liabilities	42 881	50 201
Payables from exchange transactions	812 358	755 966
Provisions	622 242	460 508
	1 477 481	1 266 675
Equity	13 994 547	13 265 713
Net debt to equity percentage	10,56 %	9,55

Debt is defined as long and short term liabilities, as detailed in the notes.

Equity includes all funds and reserves of the entity, disclosed as net assets in the statement of financial position.

Financial risk management objectives

Due to the largely non-trading nature of activities and the way in which they are financed, the municipal entity is not exposed to the degree of financial risk faced by other business entities. Financial instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IASs mainly apply. Generally, financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the entity in undertaking its activities.

The chief executive officer monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by management on a continuous basis, and annually by external auditors. The entity does not enter into or trade financial instruments for speculative purposes.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity Instrument are disclosed in the accounting policies to the financial statements.

Market risk

The entity's activities expose it primarily to the financial risks of changes in interest rate. No formal policy exists to hedge volatilities in the interest rate market.

Foreign currency risk management

The entity's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

Ugu-South Coast Tourism (Pty) Ltd

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Notes to the Financial Statements

Figures in Rand	2018	2017
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Interest rate risk management

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The entity limits its counterparty exposures from its bank and cash balances by only dealing with well-established financial institutions of high credit standing.

The entity has limited exposure to interest rate risk as the entity does not borrow funds.

Interest rate sensitivity analysis

The entity had no floating rate long-term financial instruments at year-end requiring an interest rate sensitivity analysis.

Effective interest rates and repricing analysis

In accordance with IFRS 7.40 the following tables indicate the average effective interest rates of income earning financial assets and interest bearing financial liabilities at the reporting date and the periods in which they mature or, if earlier, reprice:

30 June 2018	Average effective rate	6 months or less	6 - 60 months	More than 5 years	Total
Bank and cash resources	-	7 353 747	-	-	7 353 747

Other price risks

The entity is not exposed to equity price risks arising from equity investments as the entity does not trade these investments.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board, which has built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk by maintaining adequate banking facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity and interest risk tables

The entity ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts. There is no credit line overdraft facility available. Interest payable is linked to the prime interest rate.

The following tables detail the entity's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the entity can be required to pay. The table includes both interest and principal cash flows.

30 June 2017	Average effective rate	6 months or less	6 - 60 months	More than 5 years	Total
Non interest bearing	-	1 266 675	-	-	1 266 675
Variable interest rate instruments	-	-	-	-	-
	-	1 266 675	-	-	1 266 675

The following table details the entity's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the entity anticipates that the cash flow will occur in a different period.

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30 June 2018	Average effective rate	6 months or less	6 - 60 months	More than 5 years	Total	
Non interest bearing	-	1 477 481	-	-	-	1 477 481
Variable interest rate instruments	-	-	-	-	-	-
	-	1 477 481	-	-	-	1 477 481

The entity expects to meet its obligations from operating cash flows and proceeds of maturing financial assets. The entity expects to maintain current debt to equity ratio. This will be achieved through increased service tariff charges and the increased use of unsecured bank loan facilities.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the entity. The entity has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The entity uses other publicly available financial information and its own trading records to assess its major customers. The entity's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate cash deposits at banks, accounts receivables and other debtors.

The entity limits its counterparty exposures from its cash deposit operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing.

Trade debtors comprise of a large number of customers, dispersed across different industries and geographical areas within the jurisdiction of the entity. Debtors are presented net of a provision for impairment.

Other debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The entity defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

Trade debtors	6 465 032	5 017 424
Other debtors	570 000	836 413
Bank, cash and cash equivalent	7 353 747	7 451 264
	14 388 779	13 305 101

Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Other debtors

Group 1	7 035 032	5 853 837
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Bank balances

Absa Bank	7 277 542	7 446 336
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Credit quality of grouping

Group 1 - High certainty of timely payment. Liquidity factors are strong and the risk of non-payment is small.

Group 2 - Reasonable certainty of timely payment. Liquidity factors are sound, although ongoing funding needs may enlarge financing requirement. The risk of non-payment is small.

Group 3 - Satisfactory liquidity factors and other factors which qualify the entity as investment grade. However, the risk factors of non-payment are larger.

None of the financial assets that are fully performing have been re-negotiated in the reporting year.

Ugu-South Coast Tourism (Pty) Ltd

Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements

Figures in Rand	2018	2017
23. Additional disclosure in terms of the Municipal Finance Management Act		
PAYE, UIF and SDL		
Current year payroll deductions and company's contributions	1 414 820	914 678
Amount paid - current year	(1 413 871)	(914 678)
Balance unpaid (included in creditors)	949	-
Pension and medical aid deductions		
Current year payroll deductions and company's contributions	335 658	326 739
Amount paid - current year	(335 658)	(326 739)
Balance unpaid (included in creditors)	-	-
Audit fees		
Opening balance	-	20 982
Current year's audit fee	351 345	260 874
Amount paid - current year	(281 856)	(281 856)
Balance unpaid (included in creditors)	69 489	-

Vat

All Vat returns have been submitted by the due date throughout the year.

Non-Compliance with Chapter 11 of the Municipal Finance Management Act

No known matters existed at reporting date.

24. Related party transactions

Interest of related parties

Directors and/or management of the entity have relationships with businesses as indicated below:

Related Person	Designation	Related Party Relationship
HR Kelly	Director	50% partner in Riverbend Farm
HR Kelly	Member	33% shareholder of Top Croc CC
PT Jeffreys	Director	100% membership in Wild Five Adventures CC
PT Jeffreys	Director	50% shareholder of Innovative Marketing (Pty) Ltd
J Harris	Proprietor	Sole proprietor of One plus 1 Events
Ugu District Municipality	Shareholder	100% shareholding in the company
Municipalities per note 11	District and local municipalities	Sponsoring municipalities
Ugu South Coast Development Agency		Common control
SOC		
Silver Solutions 2963 t/a Maxidor		50% of the company is owned by the spouse of the GM: Finance & HR
Ms OTN Zondi		Ms OTN Zondi is the GM: Development of USCT and supplied the printed material for training

Compensation of related parties

Compensation of key management personnel and directors is set out in notes 14 and 15 of these financial statements.

Purchases from related parties

The entity did not buy goods from any companies which can be considered to be related parties.

Ugu-South Coast Tourism (Pty) Ltd

Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements

Figures in Rand	2018	2017
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Other related party transactions

The entity has an Information Office situated at Riverbend Crocodile Farm. Payments to the amount of R16 614 (2017 - R13 373) for rental as well as educational tours which were conducted at the farm.

The entity utilised Wild 5 Adventures CC for the use of their facilities for familiarisation trips. Payment of R450 (2017 - R8 778) was made.

The entity utilised Innovative Marketing (Pty) Ltd for various advert design and advertising via various electronic media platforms. Payment of R79 377 (2017 - R48 875) was made.

The entity utilised One plus 1 events, to co-ordinate various events in Scottburgh. Payment of R27 500 (2017 - R30 000) was made.

The entity utilised the services of Silver Solutions t/a Maxidor to secure windows and replace security gate lock. The amount of R2 690 (2017 - Nil) was made.

The entity paid a grant in the amount of R570 000 (2017 - R570 000) to Ugu South Coast Development Agency towards the Multi Trails Network, and an amount of R1 140 000 (2017 - Nil) towards the development of KwaXolo Cave Route.

The entity purchased training material from Ms OTN Zondi for staff and SMME Customer Service Training. The amount of R4 350 (2017- Nil) was made.

Grants as set out in note 11 were received from related parties.

2017

The entity paid an amount of R1 887 to Top Croc CC t/a Outlook Trading Post as part of a media tour.

The entity paid an amount of R570 000 to Ugu South Coast Development Agency towards the Umzumbe River Trails and R1 140 000 toward the KwaXolo Cave Route projects.

The entity entered into a Memorandum of Understanding with Ugu South Coast Development Agency providing a loan in the amount of R4 000 000 in financing the purchase of the land identified as a catalytic project: Ifafa Industrial Park.

The entity paid an amount of R30 000 towards the Isivivane Senkosi Ushaka Heritage event held at Umzumbe - Ward 15.

25. Contingent assets

The directors have not identified any contingent assets.

26. Events after the reporting period

No events having financial implications requiring disclosure occurred subsequent to the reporting date.

27. Contingent liabilities

The directors have not identified any contingent liabilities.

28. In-kind donations and assistance

The company has an agreement with Cemair for 14 return tickets Margate to Johannesburg to the value of R50 000 in return for mentioning them and their services in the company's advertisements and press releases that are relevant to their services.

Ugu-South Coast Tourism (Pty) Ltd

Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements

Figures in Rand	2018	2017
29. Commitments		
Commitments for expenditure		
All commitments	470 749	1 626 857
	470 749	1 626 857
Due within one year	470 749	1 287 124
Thereafter	-	339 733
	470 749	1 626 857

All commitments are disclosed including Vat.

The entity was party to the following contracts during the financial year:

- **Wozani Africa : Beach Contract**

The entity has a 3 year service level agreement with Wozani Africa Events for the management and coordination of seasonal beach activations and events . The remaining financial commitment for the contract by Ugu-South Coast Tourism is approximately R339 733 (2017 - R905 954). The agreement concludes in January 2019.

- **Southern Explorer Association**

The entity had a 3 year service level agreement which concluded in May 2018. There is no further commitment (2017 - R600 774).

- **eHowzit**

The entity has a one year agreement with eHowzit - for electronic video and web promotion. The remaining financial commitment is R52 266 (2017 - R48 879).

- **Events support (2018/2019)**

The entity has committed funding support to the following events:

- Lions South Coast Show R20 000 (2017 - R 17 500)
- Ingeli Show R25 000 (2017 - R25 000)
- South Coast MTB Series R25 000 (2017 - R 25 000)
- Christmas in July R2 500 (2017 - Nil)
- Margate Round Table - Sardine Portuguese Festival R6 250 (2017 - Nil)
- Shelly Beach SkiBoat Festival (2017 - R3 750)

30. Fruitless and wasteful expenditure

To the best of the directors' knowledge, instances of note indicating that fruitless and wasteful expenditure was incurred during the year under review.

Reconciliation of fruitless and wasteful expenditure

Opening balance	462	2 228
Late payment fee	295	-
Penalty on Vehicle Licence fee	-	83
Traffic fine	-	379
Written off by the board	(757)	(2 228)
Written off by the Board - 24 August 2017	-	462

Ugu-South Coast Tourism (Pty) Ltd

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Figures in Rand	2018	2017
31. Irregular expenditure		
Reconciliation of Irregular expenditure		
Opening balance	72 190	-
Supply from a service provider without a tax clearance certificate	359 126	72 190
Supplier declaration not signed	638 488	-
Written off by the board	(530 738)	-
Written off by the Board :	539 066	72 190
Section 36 Deviations		
Opening balance	292 077	348 580
Three quotations not received due to services contracted by a sole supplier	3 407	836
Three quotations not received due to it being impractical to get three quotes	1 146 650	1 829 949
Emergency	1 782	-
Approved / condoned by the board	(1 289 860)	(1 887 288)
To be approved / condoned by the Board :	154 056	292 077
32. Unauthorised expenditure		
Reconciliation of unauthorised expenditure		
Opening balance	-	-
Written off by the board	-	-
	-	-

Ugu-South Coast Tourism (Pty) Ltd

Registration number 2009/003419/07

Financial statements for the year ended 30 June 2018

Financial Ratios

	Change	2018	2017
Profitability ratios			
Surplus over grants	-120 %	4,46 %	(22,23)%
Surplus over total income	-119 %	3,51 %	(18,20)%
Return on equity	-121 %	5,21 %	(25,02)%
Liquidity ratio			
Current ratio	-7 %	9,74	10,50
Activity ratios			
Trade and other receivables (in days)	14	131	117
Trade payable period (in days)	5	22	17
Total asset turnover	6 %	1,34	1,26
Solvency ratio			
Total assets to total liabilities	-9 %	10,47	11,47

Ugu-South Coast Tourism (Pty) Ltd

Financial Statements for the year ended 30 June 2018

Comparison of Budget and Actual Income and Expenditure

Figures in Rand	Approved budget	2018 Adjustments	Final Budget	Actual Amounts on comparable basis	Difference between final budget and Actual	Reference
Budget on Accrual basis						
Revenue from non exchange transactions						
Municipal grants	16 144 056	188 685	16 332 741	16 332 742	1	Refer to Appendix E1
	16 144 056	188 685	16 332 741	16 332 742	1	-
Revenue from exchange transactions						
Commissions and sales	208 790	(9 779)	199 011	187 106	(11 905)	-
Events	4 266 667	(1 450 416)	2 816 251	3 395 159	578 908	Refer to Appendix E1
Information kiosks advertising	50 000	(32 000)	18 000	-	(18 000)	Refer to Appendix E1
Interest received	612 854	32 000	644 854	591 888	(52 966)	Refer to Appendix E1
Membership subscriptions	251 272	5 671	256 943	258 027	1 084	-
Sales	-	-	-	-	-	-
	5 389 583	(1 454 524)	3 935 059	4 432 180	497 121	-
Total income	21 533 639	(1 265 839)	20 267 800	20 764 922	497 122	-
Expenses						
Auditor's remuneration	293 600	77 807	371 407	351 345	20 062	Refer to Appendix E1
Depreciation and amortisation	224 700	-	224 700	215 217	9 483	-
Directors' remuneration	632 121	31 206	663 327	515 441	147 886	Refer to Appendix E1
Development expenditure	3 716 847	29 314	3 746 161	2 225 771	1 520 390	Refer to Appendix E1
Employee costs	6 968 802	4 856	6 973 658	6 560 594	413 065	Refer to Appendix E1
Marketing expenditure	7 983 513	(827 555)	7 155 958	8 113 714	(957 756)	Refer to Appendix E1
Repairs and maintenance	123 506	(32 838)	90 668	50 531	40 137	Refer to Appendix E1
Other expenses	2 431 153	(50 765)	2 380 388	2 003 474	376 914	Refer to Appendix E1
Total expenses	22 374 241	(767 974)	21 606 267	20 036 087	1 570 180	-
Surplus (deficit)	(840 602)	(497 865)	(1 338 467)	728 835		-