ANNUAL FINANCIAL REPORT

For the year ended 31 March 2021

Submitted by

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1. THE 2020/21 YEAR SPECIFIC FUND REVIEW

PROJECT FUNDING

The 2020/21 financial year was unprecedented in the history of the organisation. Project sales for the financial year decreased by 59% in comparison to the previous financial year. This steep decline in project sales is mainly due to the impact of the COVID19 pandemic and lockdown. Due to the nature of our work, the pandemic caused disruptions to a major portion of our operations, with school visits being cancelled and all our training initiatives being meaningfully impacted. Early in our financial year, the uncertainty about the future also caused several funders not to enter new contracts and despite new project proposals being submitted the response and success rate was much slower than in previous years.

Unfortunately, at the same time some significant and impactful projects came to an end. These included the Chris Hani District municipality project (CHDM), Africa Germany Youth Initiative and the Sishen project to name a few.

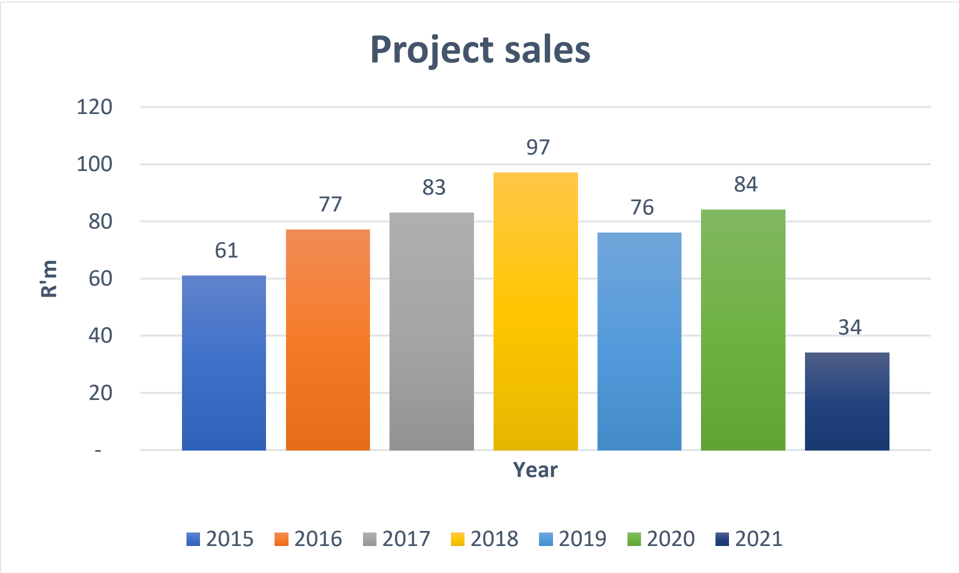

Figure 1: Project sales

TOP 10 PROJECT SALE DURING THE 2020/21 FINANCIAL YEAR

Project Name	Start date	End date	FY Project Sale
Tourism Blue Flag Project 2	01-02-2020	31-03-2022	7,600,933
DEA NRM Training & capacity Development	01-Apr-21	31-May-22	6,323,977
CHDM RURAL Sustainable Villages	01-Oct-18	30-Sep-20	3,217,913
Tourism Green Coast Project	10-Aug-17	30-Jun-20	2,170,048
Africa Germany Youth Initiative Phase 2	01-Jul-18	30-Nov-20	1,876,170
DEA NRM Groen Sebenza	01-Apr-21	31-May-22	1,314,257
Sishen Project	01-Nov-18	31-May-20	658,692
De Beers - Support 10 Schools in the Blouberg Area	01-Jan-20	31-Dec-20	550,082
RMB	01-Jan-20	31-Dec-20	490,344
Glencore - Support 17 Schools in Emalahleni	01-May-20	30-Oct-21	445,127

Figure 2: Top 10 project sale

Figure 2 above shows the high concentration of the projects that the organisation implemented. 60% of these projects came to an end during the financial year. In this top 10 list there are a number of government funded projects which require high administrative support but generate very little income for the organisation, after operational costs.

2. EXTRACT FROM AUDITED FINANCIAL STATEMENTS

2.1 STATEMENT OF COMPREHENSIVE INCOME SUMMARY

	Company		GROUP	
	2021	2020	2021	2020
	R'000	R'000	R'000	R'000
Income	32,151	45,450	32,367	48,056
Expenditure	(33,552)	(46,302)	(33,071)	(49,970)
Deficit before tax	(1,401)	(852)	(704)	(1,914)
Tax	-	-	-	-
Deficit after tax	(1,401)	(852)	(704)	(1,914)
Other comprehensive income				
(Devaluation)/Revaluation of investments to fair value	(1,867)	46	(1,867)	46
Realisation of revaluation reserve	-	1,942	-	1,942
Total general funds deficit and other comprehensive (loss)/income for the year	**(3,268)**	**1,136**	**(2,571)**	**74**

Figure 3: Comprehensive income summary

There has been a 63% reduction in losses in the Group income and expenditure from 2020 to 2021, mainly due to cost savings. The main reasons for the 33% drop in income is, low project income, low education centre income and low course fee income. However, this was offset by a 34% reduction in costs There was also an increase in donations received, with a bequest from the late Mrs van Wyk helping the financial affairs significantly. The financial performance of the education centres was dismal, and the results were significantly below the approved 2020/21 budget, which was prepared prior to the advent of Covid-19. Following the national lockdown an organisational restructure was initiated. In the face of income collapsing and with staff costs being the largest expense, a S189 retrenchment process took place in June 2020. Thirty-three staff were retrenched, twenty-five of whom were from the education centres. This process was devastating for the organisation but crucial and necessary in the circumstances. Fixed deposits were cashed out to enable the funding of these retrenchments. Other cost savings implemented included:

- Pietermaritzburg Office rental terminated which resulted in a saving of R85k per month.
- Cape Town Office rental was terminated which resulted in a saving of R40k per month.
- Bedfordview Office rental was terminated which resulted in a saving of R16k per month.

Salaries this year contributed to 50% of total costs which is an improvement compared to last year's 66%. There has been no provision made for bonuses due to the weak operational results.

Due to the painful efforts of the team, losses versus the post covid budget were R1,6 million better than budgeted.

Finally, the revaluation of investments to fair value negatively impacted the total general funds deficit for the year. This is not a cashflow item.

2.2.1. GROUP RESULTS YEAR ON YEAR COMPARISON

YEAR ON YEAR COMPARISON WESSA GROUP Results Financial Year March R'000											
	AFS 2010/11	**AFS 2011/12**	**AFS 2012/13**	**AFS 2013/14**	**AFS 2014/15**	**AFS 2015/16**	**AFS 2016/17**	**AFS 2017/18**	**AFS 2018/19**	**AFS 2019/20**	**AFS 2020/21**
Income	24,190	49,710	38,982	46,977	46,129	44,650	48,552	47,573	50,476	48,056	32,367
Expenditure	(29,327)	(35,810)	(43,861)	(49,299)	(41,978)	(43,491)	(48,098)	(45,419)	(50,378)	(49,970)	(33,071)
Surplus /(Deficit) before tax	**(5,137)**	**13,900**	**(4,879)**	**(2,322)**	**4,151**	**1,159**	**454**	**2,154**	**98**	**(1,914)**	**(704)**

Figure 4: 10-year comparison

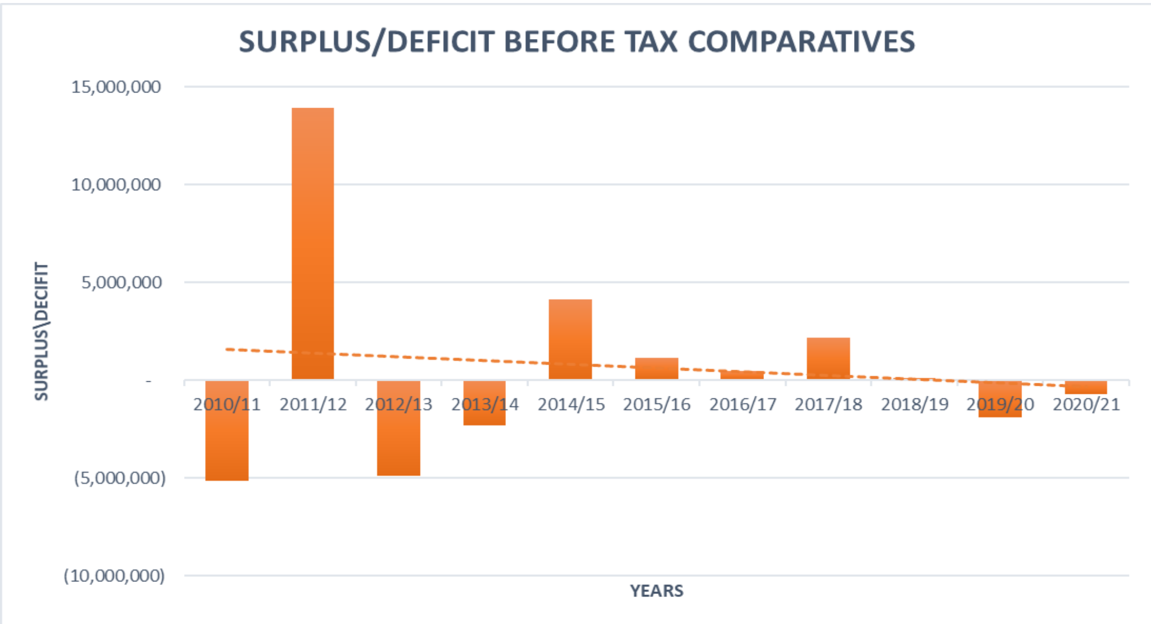

Figure 5: Surplus/deficit before tax comparatives

2.2 STATEMENT OF FINANCIAL POSITION

STATEMENT OF FINANCIAL POSITION

		Company		Group	
			Restated		Restated
		2021	2020	2021	2020
	Notes	R	R	R	R
Assets					
Non-current assets		29,395,611	32,859,168	34,906,401	38,693,524
Property, plant and equipment	4	1,254,850	2,157,307	6,582,268	7,805,291
Right-of-use Asset	5	-	694,338	-	694,338
Biological assets	6	-	-	107,000	110,000
Goodwill		-	-	82,151	82,151
Investment in subsidiaries	7	5,779	5,779	-	-
Other investments	8	28,134,982	30,001,744	28,134,982	30,001,744
Current assets		47,769,934	55,116,980	43,516,343	49,218,718
Current loan receivable	9	-	2,277,114	53,250	2,277,114
Accounts receivable	10	11,762,142	6,549,175	7,769,943	7,255,589
Loans to subsidiaries	7	320,640	6,612,692	-	-
Fixed Deposit		-	11,357,177	-	11,357,177
Bank balances and cash	3	35,687,152	28,320,822	35,693,150	28,328,838
		77,165,545	87,976,148	78,422,744	87,912,242
Funds and Liabilities					
Funds and reserve		58,128,108	61,680,781	59,781,631	62,636,632
General and specific funds		29,952,769	31,641,240	31,606,292	32,597,091
Non distributable reserve		13,962,500	13,962,500	13,962,500	13,962,500
Other reserve		84,330	81,770	84,330	81,770
Fair value reserve		14,128,509	15,995,271	14,128,509	15,995,271
Current liabilities		19,037,437	26,295,367	18,641,113	25,275,610
Funds received in advance	11	13,131,790	18,953,432	13,131,790	18,953,432
Lease liability	13	24,675	783,257	24,675	783,257
Current loan payable	9	-	9,929	-	9,929
Loans from subsidiaries	7	1,194,682	1,195,089	-	-
Accounts payable	12	3,826,737	2,975,780	4,476,471	3,000,488
Provisions	14	859,553	2,377,880	859,553	2,377,880
Current Tax payable		-	-	148,624	150,624
		77,165,545	87,976,148	78,422,744	87,912,242

WESSA GROUP RATIO ANALYSIS

RATIO TYPE	RATIO	INTERPRETATION
Current ratio	2.33 : 1	Indicates the WESSA GROUP's ability to cover its short-term debt that is due within a year, therefore, it can cover its short-term debt.
Cash ratio	1.91 : 1	This liquidity ratio shows WESSA's ability to cover its short-term obligations using only cash and cash equivalents. At present the WESSA GROUP possesses enough cash and cash equivalents to pay off its current liabilities.

2.3 SUMMARY OF CHANGES

Description	Significant Changes: ⬆ Increase ⬇ Decrease	2021	2020	Comments
Salaries	⬇	17,778,015	32,395,422	June retrenchments and resignation of CEO & CFO
Revaluation of shares	⬇	(1,866,762)	46,050	Share price decreased
General reserves	⬇	31,606,292	32,597,091	Deficit for the year caused movement.
Funds received in advance	⬇	13,131,790	18,953,432	Decrease in project funds
Accounts receivable	⬆	7,769,943	7,255,589	Includes funds expected from funders and schools (schools couldn't visit due to lock down restrictions and schools ban)
Fixed deposit	⬇	-	11,357,177	Withdrawn to fund June 2020 retrenchments

3. PRIOR PERIOD ERRORS

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

23 PRIOR PERIOD ERRORS

During the current year, it was identified that call account balances were erroneously overstated in the prior year and operating expenses relating to the branches were understated.

Certain items of non-cash nature had erroneously been classified as cash items on the 2020 Statement of Cash Flows.

During the year, it was identified that Other reserves that were distributed in the prior year were not accurately recorded in the financial statements, resulting in an overstatement of Other reserves and understatement of General and specific funds.

The correction of errors results in adjustments as follows:

	Company		Group	
	2021	2020	2021	2020
	R	R	R	R
Statement of Financial Position				
Decrease in Bank balances and cash	-	(586,384)	-	(586,384)
Decrease in Other reserves	-	4,429,954	-	4,429,954
Increase in General and specific funds	-	(3,843,570)	-	(3,843,570)
Net decrease in Funds and reserve	-	586,384	-	586,384
General Funds Statement of Surplus or Deficit and Other Comprehensive Income				
Increase in Administration and office expenses	-	586,384	-	586,384
Increase in Deficit/Decrease in General and surplus funds for the year	-	586,384	-	586,384
Statement of Cash Flows				
Increase in Impairment of loan	-	2,395,699	-	2,395,699
Increase in Other non-cash items	-	470,154	-	470,154
Decrease in Cash utilised by operations	-	2,865,853	-	2,865,853
Decrease in Increase in loan receivable	-	(2,746,721)	-	(2,746,721)
Increase in Acquisition of property, plant and equipment	-	(72,518)	-	(72,518)
Decrease in Proceeds on withdrawal of investments	-	(46,614)	-	(46,614)
Decrease in Cash inflow from investing activities	-	(2,865,853)	-	(2,865,853)

In accordance with IAS 1.40A, an entity is required to disclose the Statement of Financial Position for three periods if the retrospective application, retrospective restatement or the reclassification has a material effect on the information in the Statement of Financial Position at the beginning of the preceding period. As there has been no effect on the Statement of Financial Position at the beginning of the preceding period, a third period is therefore not required to be disclosed.

- Statement of financial position errors:
  - R586 384: An incorrect journal was processed in 2020 which resulted in the expenses being understated. This affected the statement of financial position as well as the general funds statement.
  - R4 429 954: Other reserves were distributed to membership to fund the membership model in a previous year. These were not recorded accordingly in the statement of changes in funds and reserves. This meant a reduction of the other distributable reserves of R4 429 954, this amount was transferred to the general and specific funds reserve in the prior period.
  - R3 843 570: There was an increase in the general and specific funds because of the two adjustments above.

- Statement of cash flows errors:
  - Non-cash items were classified as cash items, this error needed to be adjusted for, so the statement is presented without error.

4. CONCLUSION

The 2020/2021 year was one of the most challenging and painful in WESSA's recent history. Following significant changes to the board of directors and the executive management, together with the appointment of new auditors (Moore Midlands), the audit for this period took far longer than expected. This was in part due to the thoroughness of the audit but was also exacerbated due to the complexities and impact of remote working.

The results show, however, that despite a significant collapse in revenue we have managed to weather the initial storm. This was achieved on the one hand through painful staff reductions and cost containment, and on the other hand, by an enormously fortuitous and gracious bequest from the late Mrs van Wyk. With the fresh eyes and support of the new board and management, together with input from our new auditors, we are confident that WESSA will be better equipped to remerge with a leaner structure and with focussed purpose and positivity.

Unfortunately for the new team the current year continues to prove challenging with the ongoing pandemic impacting heavily on anticipated revenue flows. As such the management continues to steer a very tight ship.

During the current year the society has also embarked on a comprehensive strategic review. WESSA recognises the importance of remaining relevant, resilient, and adaptable in these uncertain times. An important outcome of the strategic review is to find ways to improve our financial sustainability. In the meanwhile, we maintain a steady focus on cost containment while actively promoting income generating projects to ensure cash flow and sustainability.