



SENIOR FINANCIAL MANAGERS REPORT

For the year ended 31 March 2022

By

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TABLE OF CONTENTS

	Pg.
1. The 2020/22-year specific fund review	3
2. Extract from audited financial statements	4
2.1. General funds statement of surplus or deficit and other comprehensive income	4
2.1.1. GROUP results year on year comparative	5
2.2. Statement of Financial Position	6
2.3. Summary of changes	7
3. Conclusion	7

1. THE 2020/21 YEAR SPECIFIC FUND REVIEW

PROJECT FUNDING

Project sales for the 2021/22 financial year increased by 38% in comparison to the previous year. The previous year was indicative of the impact of the COVID19 pandemic and national lockdown. In the financial year under review there has been an increase in project sales due to new contracts that were entered into and extensions of already existing projects, Department of Forestry and Fisheries Natural resource management, Groen Sebenza and South32 to name a few. Although there is improvement below, the project sale is still low compared to prior years. (Refer to figure 1: project sales)

For WESSA, the spread of specific funding may be budgeted and received at particular times of the year whilst other income may be irregular in nature. This gives rise to a risk of insufficient funding which has not been forecasted. WESSA is still dependent on funding from corporate and national and local government. Specific funds are required to be utilized for set objectives and consequently, the use of these funds is restricted.

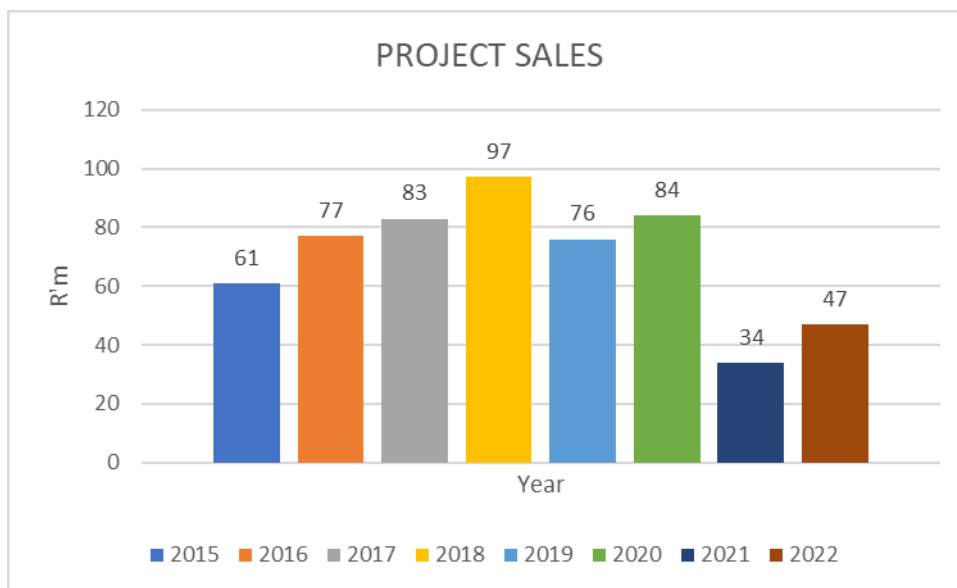


Figure 1: Project sales

TOP 10 PROJECT SALE DURING THE 2020/21 FINANCIAL YEAR

Project Name	Start Date	End Date	FY Project Sale
DEANRM Groen Sebenza	01-Apr-19	30-Nov-22	20 937 372
DEA NRM Training & capacity Development	01-Apr-19	30-Nov-22	16 180 621
Tourism Blue Flag Project 2	01-Feb-20	31-Mar-22	9 804 081
South 32	01-Oct-21	30-Sep-22	2 802 603
NYRI Youth Ambassador Network	11-Feb-21	30-Nov-21	1 702 058
VVOB	01-Feb-21	31-Jan-22	1 374 895
WWF Journalism Training	08-Jan-21	30-Nov-21	937 660
MrP - 20 Schools in Qwa Qwa	01-Apr-21	31-Mar-22	696 479
RMB	01-Jan-21	31-Dec-21	550 435

Figure 2: Top 10 project sale

Figure 2 above shows the high concentration of the projects that the organisation implemented. 50% 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. Total project income to WESSA (including management fees) amounted to R13 473 646.

2. EXTRACT FROM AUDITED FINANCIAL STATEMENTS

2.1 Group General funds statement of surplus or deficit and other comprehensive income for the year ended 31 March 2022

	Note	2022 R	2021 R
Income	12	30,705,718	32,366,888
Expenditure [^]	13	(33,026,426)	(29,373,234)
(Deficit)/Surplus before impairment		(2,320,708)	2,993,654
Impairment reversal/(expense): Related party loan [^]		476,433	(3,697,431)
Deficit before tax		(1,844,275)	(703,777)
Tax expense	14	-	-
Deficit for the year		(1,844,275)	(703,777)
Other comprehensive income/(loss)		2,767,809	(1,866,762)
Revaluation/(devaluation) of investments to fair value		2,767,809	(1,866,762)
General funds surplus/(deficit) and other comprehensive income/(loss) for the year		923,534	(2,570,539)
Specific funds ^{^^}		-	(24,022)
Total general funds and specific funds surplus/(deficit) and other comprehensive income/(loss) for the year		923,534	(2,594,561)

Figure 3: Group General funds statement of surplus or deficit and other comprehensive income

There has been a significant increase in losses in the Group income and expenditure from 2021 to 2022, mainly due to a 5% decrease in income and a 12% increase in expenditure. The main reasons for the drop in income is due to the bequests and donations received in the previous financial year, with a bequest from the late Mrs van Wyk (of R10.2m) helping the financial affairs significantly. Bequests, donations, and grants income was R953 434 in the 2022 financial year. However, if the income is considered without donations, then there was an increase in income. There was a significant increase in education centre income due to the lift of lockdown restrictions which enabled more school group visits to the education centres.

Salaries this year contributed to 44% of total costs which is an improvement compared to last year's 50%. There has been no provision made for bonuses due to the weak operational results. WESSA is an expertise-based organisation, and it is therefore not unusual for the salary costs to be a significant amount of the total expenditure.

Due to the scrutinization of our accounts receivable, the bad debts provision increased significantly in the financial review. This exercise was undergone to clean our books.

WESSA's income comes from a variety of different sources. The largest contribution of this income comes from funding from National & Local Government and Corporates (Self-Funded sales). Over the year's sources of income from donations and bequest has significantly reduced. The stability of the project sales and income flow varies year on year, depending on allocated funding from the government, as well as funding from corporates.

Finally, the revaluation of investments to fair value positively impacted the total general funds surplus for the year. This is not a cashflow item. The fair value reserve is largely dependent on the performance of the investments WESSA has and this reserve does not arise from WESSA's core operating activities.

2.1.1. GROUP RESULTS YEAR ON YEAR COMPARISON

YEAR ON YEAR COMPARISON					
WESSA GROUP Results					
Financial Year March					
R'					
	AFS 2017/18	AFS 2018/19	AFS 2019/20	AFS 2020/21	AFS 2020/22
Income	47 572 798	50 476 444	48 056 051	32 366 888	30 705 718
Expenditure	(45 418 635)	(50 378 164)	(49 970 429)	(33 070 665)	(32 549 993)
Surplus /(Deficit) before tax	2 154 163	98 280	(1 914 378)	(703 777)	(1 844 275)

Figure 4: 5-year comparison

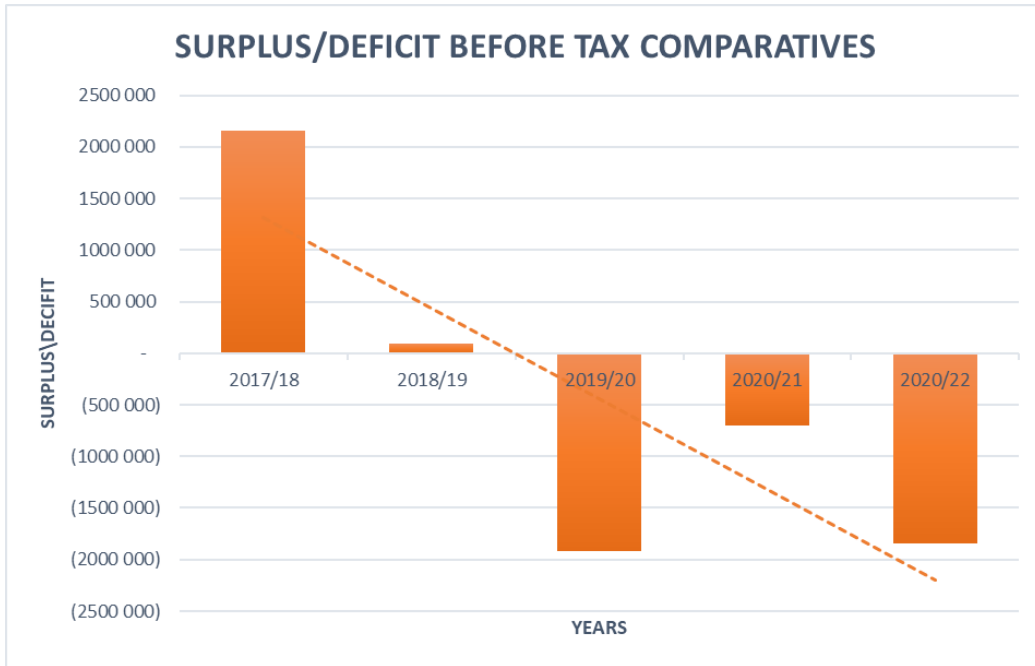


Figure 5: Surplus/deficit before tax comparatives

2.2 STATEMENT OF FINANCIAL POSITION

WESSA SFM REPORT

Notes	2022 R	2021 R
ASSETS		
Non-current assets		
	37,309,415	34,906,401
Property, plant and equipment	3 6,136,473	6,582,268
Biological assets	4 188,000	107,000
Goodwill	82,151	82,151
Other investments (listed shares)	5 30,902,791	28,134,982
Current assets		
	38,403,998	43,516,343
Trade and other receivables	6 5,587,628	7,769,943
Related party loan	7 -	53,250
Cash and cash equivalents	8 32,816,370	35,693,150
Total assets	75,713,413	78,422,744
FUNDS AND LIABILITIES		
Non-distributable reserve	13,962,500	13,962,500
Fair value reserve	16,896,318	14,128,509
Other reserves	84,330	84,330
General and specific funds	29,762,017	31,606,292
Total funds and reserves	60,705,165	59,781,631
Current liabilities		
	15,008,248	18,641,113
Funds received in advance	9 9,214,065	13,131,790
Lease liability	10 -	24,675
Current tax liability	148,624	148,624
Trade and other payables^	11 5,645,559	5,336,024
Total liabilities	15,008,248	18,641,113
Total equity and liabilities	75,713,413	78,422,744

Figure 6: Group Statement of financial position

2.3 SUMMARY OF CHANGES











Description	 Increase	Significant Changes		Comments
		 Decrease		
		2021	2022	
Salaries		17 778 015	14 422 009	2 senior management positions and more junior positions were not filled for several months of the year, and some were not replaced at all after resignations.
Revaluation of shares		(1 866 762)	2 767 809	Share price increased.
General reserves		31 606 292	29 762 017	Deficit for the year caused movement.
Funds received in advance		13 131 790	9 214 065	Decrease in specific funds.
Accounts receivable		7 769 943	5 587 628	Decrease mainly due to write off of irrecoverable accounts.
Bad debts		(2 465 761)	(7 663 774)	Provision for credit losses of R4,2m and a write off of irrecoverable accounts of R3,3m.
Auditors' remuneration		(85 000)	(698 813)	2021 had an over provision for audit fees which reduced the net effect.
Cash and cash equivalents		35 693 150	32 816 370	Due to the negative financial results cash flows were depleted. WESSA manages its funds according to specific mandates.

Figure 7: Summary of changes

3. CONCLUSION

Although the comprehensive deficit for the year amounts is more than the prior year, operationally there was an improvement. The increase in deficit is mainly attributable to the increase in bad debts, decrease in income in comparison to prior year (due to high donations income) and a provision for a water bill charged to Umgeni Valley which is currently being disputed.

WESSA has a high reliance on income derived from project funding which fluctuates regularly, and it is imperative that WESSA has enough reserves to continue operations. To do so, it is important for WESSA to establish a viable operating reserve to maintain sufficient cash reserves and financial flexibility to continue operations. The new Fundraising and Investment Board committee has met, this committee and the Fundraising/Business Development Manager that will be appointed early in 2023 will be crucial to improving cash flow.