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**ABBREVIATION/ ACRONYMS**

<b>AFS</b>	Annual Financial Statements
<b>AGSA</b>	Auditor-General of South Africa
<b>CEO</b>	Chief Executive Officer
<b>COGHSTA</b>	Department of Cooperative Governance, Housing, Settlements and Traditional Affairs
<b>FRC</b>	Finance and Risk Committee
<b>GRAP</b>	Generally Recognised Accounting Principles
<b>GTEDA</b>	Greater Tzaneen Economic Development Agency
<b>GTFCSC</b>	Greater Tzaneen Financial Services Cooperatives
<b>GTM</b>	Greater Tzaneen Municipality
<b>HR &amp; REMCO</b>	Human Resource and Remuneration Committee
<b>IDP</b>	Integrated Development Plan
<b>KPI</b>	Key Performance Indicator
<b>LDA</b>	Limpopo Department of Agriculture
<b>LED</b>	Local Economic Development
<b>MFMA</b>	Municipal Finance Management Act
<b>MSCOA</b>	Municipal Standard Chart of Accounts
<b>MSA</b>	Municipal Systems Act
<b>PA</b>	Personal Assistant
<b>PIC</b>	Project and Investment Committee
<b>PMU</b>	Project Management Unit
<b>SETA</b>	Sectoral Education Training Authority
<b>SDBIP</b>	Service Delivery and Budget Implementation Plan
<b>SMME</b>	Small Medium Micro Enterprise
<b>SALGA</b>	South African Local Government Association
<b>SALGBC</b>	South African Local Government Bargaining Council
<b>SEC</b>	Social and Ethics Committee
<b>SCM</b>	Supply Chain Management

**INTRODUCTION**

It is an honour to submit the Annual Report of the Greater Tzaneen Economic Development Agency (GTEDA) for the period 01<sup>st</sup> July 2018 to 30<sup>th</sup> June 2019, in accordance with Chapter 12 (Section 121) of the Municipal Finance Management Act (MFMA), 2003 (Act No. 56 of 2003).

GTEDA as a Municipal entity is required to prepare an Annual Report in accordance with the Provisions of Section 121 of its founding legislation, the Local Government: Municipal Finance Management Act, Act 56 of 2003 (MFMA) read with Municipal System Act.

In terms of Section 121, the purpose of this Annual Report is:

- a) To provide a record of the activities of GTEDA during the Financial Year 2018/19;
- b) To provide a report on performance against the budget of GTEDA for the same period;  
and
- c) To promote accountability to the local communities of Greater Tzaneen Municipalities for the decisions made throughout the year by GTEDA.

It is through the Annual Report that GTEDA is able to foster transparency and accountability by submitting the following for the Year Ending 30<sup>th</sup> June 2019:

- i. Audited Annual Financial Statements;
- ii. Auditors Report; and
- iii. Annual Performance Report.

**LEGISLATIVE/ REGULATORY FRAMEWORK**

GTEDA as a Municipal Entity wholly owned by GTM, established to implement economic development within the GTM area, derives its legislative mandate first and foremost from Chapter 10 of the *Municipal Finance Management Act, 2006* (Act No. 53 of 2003) and its Regulations read with Chapter 8A of the *Municipal Systems Act, 2000* (Act No 32 of 2000) and its Regulations. GTEDA also ensures compliance, to the extent applicable, to other legislation governing local government including, but not limited to the following:

- The Constitution of the Republic of South Africa, 1996 (Act. 108 of 1996);
- Local Government: Municipal Demarcation Act, 1998 (Act No. 27 of 1998);
- Local Government: Municipal Property Rates Act, 2004 (Act No. 6 of 2004);
- Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998);
- Basic Conditions of Employment Act, 1997 (Act no. 75 of 1997);
- Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003);
- Disaster Management Act, 2002 (Act No. 57 of 2002) and its Regulations;
- Division of Revenue Act, 6 (Act No. 6 of 2012);
- Employment Equity Act, 1998 (Act No. 55 of 1998);
- Intergovernmental Fiscal Relations Act, 1997 (Act No. 97 of 2005);
- Intergovernmental Relations Framework Act, 2005 (Act No. 13 of 2005);
- Companies Act & Regulations 71 of 2008;
- Labour Relations Act, 1995 (Act No. 66 of 1995);
- Municipal Fiscal Powers and Functions Act, 2007 (Act No 12 of 2007);
- National Archives Act of South Africa Act, 1996 (Act No. 43 of 1996);
- Occupational Health and Safety Act, 1993 (Act No. 85 of 1993);
- Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000) and its Regulations;
- Prevention and Combating of Corrupt Activities Act, 2004 (Act No. 12 of 2004);
- Promotion of Access to Information Act, 2000 (Act No. 2 of 2000);
- Promotion of Administration to Justice Act, 2000 (Act No. 3 of 2000);
- Promotion of Equality and Prevention of Unfair Discrimination Act, 2000 (Act No. 4 of 2000);
- Skills Development Act, 1998 (Act No. 97 of 1998);
- Skills Development Levy Act, 1999 Act No. 9 of 1999;
- Traditional Leadership and Governance Framework Act, 2003 (Act No. 41 of 2003);

**CHAPTER 1: STRATEGIC OVERVIEW**

**1.1. VISION**

To be a self-financing Agency that leads in developing an inclusive, thriving and sustainable economy for the people of the Greater Tzaneen Municipal area.

**1.2. MISSION**

We strive to attract investments into the Greater Tzaneen Municipal area, facilitate in innovative and efficient ways, development of an economy that is inclusive, sustainable and resilient. We believe in the potential of our people to drive their own development.

**1.3. VALUES**

We subscribe to the following set of values that guide our actions at all levels and are integrated into our way of working:

- i. Integrity
- ii. Empowerment
- iii. Transparency and accountability
- iv. Innovation and excellence
- v. Partnering

**1.4. STRATEGIC OBJECTIVES**

- i. Support entrepreneurs in accessing investment capital;
- ii. Promote a conducive investment climate in the Greater Tzaneen Municipal area and attract suitable investors;
- iii. Promote entrepreneurship as a career of choice among the youth;
- iv. Provide information, advice and support to businesses to ensure growth and sustainability;
- v. Develop effective partnerships with economic development role-players;
- vi. Develop economic research and analytical capacity of GTEDA;
- vii. Improve organisational skills, systems and processes; and
- viii. Acquire and manage assets and other facilities.

**1.5. CHAIRPERSON'S FOREWORD**

GTEDA as the custodian of economic development in the municipal area, continued to champion the course of SMMEs as of its medium to long-term strategy. The agency has bought into the government's position that SMMEs are the best avenue through which to grow the economy and create jobs. The GTEDA Board has deliberately pursued this strategic path mindful of the fact that the results thereof may be realised beyond its term of office. The agency has started to gain traction in the development of SMMEs from the previously disadvantaged communities. It is our commitment to identify individuals in communities who are already demonstrating commitment to some or other business endeavour in its strategic priority areas and to provide them with support until they grow to become significant players in the economic landscape of Greater Tzaneen. It is our firm belief that this is the route to transformation of the economy of the municipal area and district- that must be at the core of our endeavour. This is reflected in the investment of time and other resources to training of SMMEs and cooperatives.

The Agency cherishes the relationships that it has built over the years with funding and development organisations as well as universities. The relationships are proving to be the catalysts to the realisation of the Agency's objectives. GTEDA has been able to make some strides despite the acute shortage of financial and human resources through leveraging the relationships.

GTEDA must and looks forward to building a vibrant agro-processing industry in Greater Tzaneen that is fed by an equally growing primary agriculture sector through the entry and preliberation of new and emerging farmers in the market. The current training and development efforts should see entrepreneurs reach new levels of growth in the coming year and beyond.

The organisation is proud to have also started generating some income through SETA training funding to augment the grant from the shareholder. The experience gained in this process can only lead to improved revenue for the Agency as it pursuit this strategic objective.

The Board recognises emerging improvements in the relationship with the shareholder that is premised on improved communication following a period of some unexplainable strain. We also appreciate the support we received from the CEO and his team that continues to show untold commitment in the difficult circumstances.

Thank you.

***Mr. MZ Mawasha***

***Chairperson of the Board***

## 1.6. CHIEF EXECUTIVE OFFICER'S OVERVIEW

According to the Constitution of the Republic of South Africa of 1996 section 152(1)(c), one of the objects of local government is to promote social and economic development. Local Economic Development (LED) was mandated to local governments to empower local communities and drive sustainable economic growth and development.

This object is further echoed by Section 153 of the Constitution on developmental duties of municipalities when it says a municipality must-

- a) structure its administration and budgeting and planning processes to give priority to the basic needs of community, and to promote the social and economic development of the community; and
- b) Participate in national and provincial development programmes.

The establishment of the Greater Tzaneen Economic Development Agency (GTEDA) was a wise response by the Greater Tzaneen Municipality (GTM) to promote social and economic development as a constitutional obligation. The Agency is expected to drive Local Economic Development (LED), empower local communities and pursue sustainable economic growth.

The World Bank(2010a) provides a basic definition of local economic development (LED). It says that: *"The purpose of LED is to build up the economic capacity of local area to improve its economic future and the quality of life for all"* (Hague, Hague and Breitbach 2011:6).

The abovementioned definition of LED is in line with the vision of the Agency of been a self-financing Agency that leads in developing an inclusive, thriving and sustainable economy for the people of Greater Tzaneen.

The Agency in the 2018/19 had inter alia, a strong focus on capacitating Small, Micro and Medium Enterprises (SMMEs). The SMMEs are meant to assist the ailing South African Economy which has low growth prospects and high unemployment. The National Development Plan (NDP) envisioned that by 2030 SMMEs will contribute 60-80% to Gross Domestic Product (GDP) increase and generate 90% of the 11 million new jobs in our country. The Agency also focused on establishing new and supporting existing cooperatives which are also meant to play a pivotal role in driving local economic development through groups that have formed themselves into cooperatives.



The above-mentioned statements put the responsibility on local government to assist with the provision of support services, such as training to small businesses or community development organisations. GTM in response, through its LED department and GTEDA provided the much-needed support to our small business sector. GTM council has recently reviewed the LED strategy. GTEDA has a responsibility together with the LED department of GTM to implement the Strategy.

The Agency focus areas are agriculture and agri-business, manufacturing, tourism and heritage promotion, and property development. It was from these focus areas that strategic objectives were formed, and an implementation plan generated with technical descriptions of the key performance indicators. The Agency has performed very well on the key performance areas as will be reported in the performance report and audit report.

It is indeed my greatest pleasure to confirm that GTEDA obtained an unqualified audit opinion on both financial and performance information audited by the Auditor General of South Africa (AGSA). This is the 11<sup>th</sup> consecutive unqualified audit opinion sustained ever since the establishment of the Agency.

My greatest appreciation goes to the Council and staff of GTM the Parent Municipality, Board and staff of GTEDA and our stakeholders.

***Mr. KJ Maphoto***  
***Chief Executive Officer***

**CHAPTER 2: CORPORATE GOVERNANCE**

The Board is committed to ensuring that the Agency is governed appropriately. The Board recognises the responsibility of the Agency to conduct its affairs with prudence, transparency, accountability, fairness and in a socially and environmentally responsible manner.

The Agency complies with the provisions as set out in the code of conduct for directors, referred to in section 93L of the Municipal Systems Act, Code of Corporate Governance Principles and Practices as recommended in Companies Act, the King Report on Governance for South Africa 2009 and King IV of 2016.

**2.1. BOARD GOVERNANCE STRUCTURE**

The general powers of the Board and the directors are conferred in the Memorandum of Incorporation and the Service Level Agreement entered into between the Agency and the Parent Municipality. Terms of reference for the Board are set out in the Board Charter which is reviewed annually.

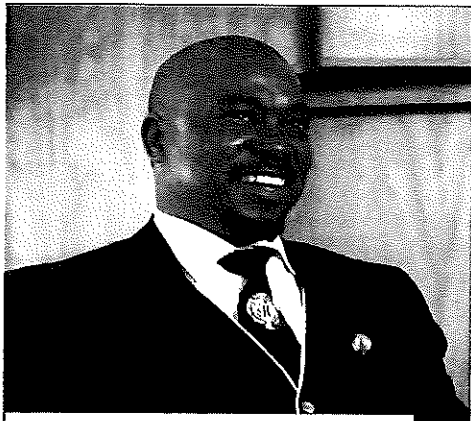
The Charter covers the powers and authority of the Board and provides a clear and concise overview of the responsibilities and accountability of Board members, collectively and individually. It includes the policy and procedures for Nomination and Appointment of Committee. Appointments to the Board are done in a formal and transparent manner and are a matter for the Board as a whole.

To ensure conflicts of interest are avoided Board members annually provide a general disclosure of their personal financial interests in terms of section 75 of the Companies Act 2008, and are required to declare any material personal financial interests that they may have in contracts entered into or in any matters to be discussed at the meetings, as well as any changes to their interests as previously declared.

The Board has adopted a unitary structure and no individual member of the Board has unfettered powers of decision making. The responsibility for running the Board and executive responsibility for the conduct of the business are differentiated in the Board charter. Accordingly, the roles of the Chairperson of the Board and of the Chief Executive Officer are separated respectively.

## **2.2. DIRECTORATE**

For the year under review the Board comprised of seven (7) non-executive Directors (Four Females and Three Males), who are independent as defined by King III. The Parent Municipality's consideration is given to gender and racial diversity, as well as diversity in business, geographic and academic backgrounds, in the process of Directors appointment. The particulars of the directors are set out in the Board of directors' section of this Integrated Annual Report.



**Mr. MZ Mawasha  
Board Chairperson**



**Adv. ES Maake  
Board Deputy Chairperson**



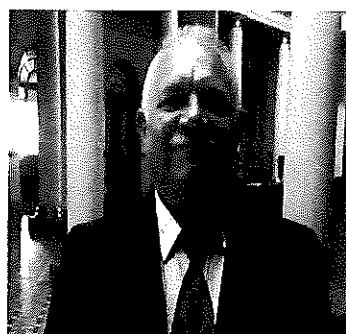
**Mrs. MF Mushwana  
Board Member**



**Ms MJ Makapan  
Board Member**



**Ms MI Moakamela  
Board Member**



**Mr. B Pretorius  
Board Member**



**Ms BL Mathebula  
Board Member**

**2.3. BOARD ASSESSMENT**

The Board is required to assess its performance against the Board Charter on an annual basis. The assessment was done, and it was found that in all material respects the Board complied with these requirements. The Chairperson continued to monitor and manage the participation of the Board's members and considered the development requirements. In addition, during the year under review, the Board independently considered the performance of the Chief Executive Officer.

**2.4. BOARD MEETINGS**

For the period under review the Board met on five (5) occasions (Quarterly) to conduct the normal business of the Agency. Attendance at these meetings is summarized in the table below.

<b>Board Meetings Attendance:</b>			
<b>Initials and Surname</b>	<b>Position Held</b>	<b>Ordinary Meetings</b>	<b>Special Meetings</b>
Mr. MZ Mawasha	Board Chairperson	2 of 4	1 of 1
Adv. ES Maake	Board Deputy Chairperson	3 of 4	1 of 1
Ms MI Moakamela	Board Member	4 of 4	1 of 1
Ms MJ Makapan	Board Member	3 of 4	0 of 1
Mrs. MF Mushwana	Board Member	3 of 4	1 of 1
Mr. B Pretorius	Board Member	3 of 4	1 of 1
Ms BL Mathebula	Board Member	3 of 4	0 of 1

## **2.5. BOARD COMMITTEES**

The Board is assisted to discharge its duties and responsibilities by the following Committees:

- Projects and Investments Committee;
- Finance and Risk Committee;
- Human Resource and Remuneration Committee; and
- Social and Ethics Committee.

The ultimate responsibility for Board duties and responsibilities, however, resides in the Board and it does not abdicate its responsibilities to the Committees.

The Committees operate within formalized terms of reference which have been approved by the Board and which reflect the Agency's application, where appropriate, of the principles embodied in the King Report, the statutory requirements of the Company's Act and relevant legislation.

The terms of reference set out each Committee's purpose, membership requirements, duties, and responsibility. Relevant legislative requirements, such as those incorporated in the Companies Act, are incorporated in the Committee charters.

When appropriate, ad hoc committees are formed to facilitate the achievement of specific short-term objectives. There is full disclosure, transparency and reporting from these Committees to the Board at each Board meeting.

**2.5.1. PROJECTS AND INVESTMENTS COMMITTEE**

For the period under review the Projects and Investments Committee comprised Mr. MZ Mawasha (the Chairperson), Mr. B Pretorius, Ms MJ Makapan and Adv. ES Maake.

For the period under review, the Projects and Investments Committee held four (4) meetings and attendance of the members is reflected in the table below:

<b>Projects and Investments Committee Meetings Attendance:</b>			
<b>Initials and Surname</b>	<b>Position Held</b>	<b>Ordinary Meetings</b>	<b>Special Meetings</b>
Mr. MZ Mawasha	Committee Chairperson	3 of 4	N/A
Mr. B Pretorius	Committee Member	4 of 4	N/A
Ms MJ Makapan	Committee Member	4 of 4	N/A
Adv. ES Maake	Committee Member	2 of 4	N/A

The

Projects and Investments Committee is responsible, but not limited to the following:

- ❖ Performing such other investment and/or fund-raising related functions as may be determined by the Board from time to time;
- ❖ Developing and reviewing the Annual Strategy/Plan with quarterly milestone.
- ❖ Assisting the interface with research programmes;
- ❖ Identifying key information dissemination activities for project results;
- ❖ Ensuring that all economic development opportunities are identified and assessed and assist in balancing conflicting priorities and resources;
- ❖ Ensuring that viable and sustainable economic development opportunities are brought to the attention of potential investors and funders;
- ❖ Ensuring that interested investors are provided with all necessary support to ensure implementation of viable new projects;
- ❖ Developing and reviewing feasibility studies and business plans that may have been commissioned by or presented to GTEDA and packaging these opportunities in various attractive ways that will appeal to potential investors;
- ❖ Reporting on project progress to stakeholders such as the Greater Tzaneen Municipal Council, Oversight Committee/Municipal Public Accounts Committee (MPAC), Auditors, Banks, funders etc.;

- ❖ Assisting with investment promotional events or direct sales calls on target investors; and
- ❖ Ensuring that all necessary support is provided to potential investors in terms of local information, introductions and other actions that will ensure speedy implementation of new projects.

**2.5.2. FINANCE AND RISK COMMITTEE**

For the period under review the Finance and Risk Committee comprised Mrs. MF Mushwana (the Chairperson), Mr. B Pretorius, Ms MI Moakamela and Ms BL Mathebula.

For the period under review, the Finance and Risk Committee held six (6) meetings and attendance of the members is reflected in the table below:

<b>Finance and Risk Committee Meetings Attendance:</b>			
<b>Initials and Surname</b>	<b>Position Held</b>	<b>Ordinary Meetings</b>	<b>Special Meetings</b>
Mrs. MF Mushwana	Committee Chairperson	3 of 4	2 of 2
Ms MI Moakamela	Committee Member	4 of 4	1 of 2
Mr. B Pretorius	Committee Member	4 of 4	0 of 2
Ms BL Mathebula	Committee Member	2 of 4	1 of 2

The Finance and Risk Committee is responsible for the consideration of key financial and operating control risks and in particular assists the Board in the following matters:

- ❖ Monitoring the financial reporting process;
- ❖ Recommending the appointment of an internal auditor, determining the terms of engagement and approving fees for audit and non-audit work undertaken;
- ❖ Monitoring the operation and effectiveness of internal control systems, including information technology controls;
- ❖ Overseeing the internal audit function, monitoring its effectiveness, and reviewing corrective action in relation to findings;
- ❖ Overseeing the implementation and effective operation of a structured risk management process; and



- ❖ Reviewing and recommending to the Board for approval the interim and annual financial statements, the going concern status of the Agency, interim and final dividends and other special payments.

Auditor General of South Africa (AGSA) conduct external audits for the Agency as required by the Municipal Finance Management Act (MFMA). Internal audit resources were provided via a service provision arrangement with Cathu Consulting at the recommendation of Management. The internal auditor does not perform the function or undertake the role of management.

The Finance and Risk Committee discharged the functions assigned and complied in all material respects with its mandate and the responsibilities prescribed to it in the Terms of Reference.

### 2.5.3. HUMAN RESOURCE AND REMUNERATION COMMITTEE

For the period under review the members of Human Resource and Remuneration Committee were Ms MI Moakamela (the Chairperson), Ms. MJ Makapan, Adv. ES Maake and Ms BL Mathebula.

Human Resource and Remuneration Committee held five (5) meetings for the period under review and the attendance detail is reflected in the table below:

<b>Human Resource and Remuneration Committee Meetings Attendance:</b>			
<b>Initials and Surname</b>	<b>Position Held</b>	<b>Ordinary Meetings</b>	<b>Special Meetings</b>
Ms MI Moakamela	Committee Chairperson	4 of 4	1 of 1
Ms. MJ Makapan	Committee Member	3 of 4	1 of 1
Adv. ES Maake	Committee Member	4 of 4	1 of 1
Ms BL Mathebula	Committee Member	2 of 4	0 of 1

The Human Resource and Remuneration Committee assists the Board by overseeing the following matters:

- ❖ Ensuring that the Agency's directors and Chief Executive Officer are competitively rewarded for their individual contributions to the overall performance.
- ❖ Ensures that the remuneration of the Chief Executive Officer is set by a committee of Board members who have no personal interest in the outcomes of their decisions and who will give due regard to the interests of shareholders and to the financial and commercial health of the Agency;
- ❖ Succession planning within the organisation;
- ❖ Reviewing performance assessment of the Chief Executive Officer and entire organisation.
- ❖ Recommending appropriate remuneration packages for employees.
- ❖ Reviewing the composition of the Board committees with respect to skills and experience; and
- ❖ Developing sound corporate governance policies.

Human Resource and Remuneration Committee complies in all material respects with its mandate and the responsibilities prescribed in its charter.

**2.5.4. SOCIAL AND ETHICS COMMITTEE**

For the period under review, members of Social and Ethics Committee were Adv. ES Maake (the Chairperson), Ms MI Moakamela, Mrs. MF Mushwana and Ms BL Mathebula.

Social and Ethics Committee held four (4) meetings for the period under review and the attendance detail is reflected in the table below:

<b>Social and Ethics Committee Meetings Attendance:</b>			
<b>Initials and Surname</b>	<b>Position Held</b>	<b>Ordinary Meetings</b>	<b>Special Meetings</b>
Adv. ES Maake	Committee Chairperson	4 of 4	N/A
Ms MI Moakamela	Committee Member	4 of 4	N/A
Mrs. MF Mushwana	Committee Member	2 of 4	N/A
Ms BL Mathebula	Committee Member	3 of 4	N/A

The Social and Ethics Committee assists the Board in among others the following matters:

- ❖ Monitoring the Agency’s activities with regard to social and economic development, good corporate governance, Compliance to applicable legislation; labour and employment;
- ❖ Drawing matters within its mandate to the attention of the Board as the occasion requires;
- ❖ Ensuring that the Agency’s ethical conduct is adhered to and managed effectively; and
- ❖ Reporting to the Board on a quarterly basis on the matters within its mandate.

The Social and Ethics Committee discharged the functions ascribed to it in terms of the Companies Act. It also complied in all material respects with its mandate and the responsibilities prescribed in its Terms of Reference.

**Keeping abreast of legislative requirements and participation in the regulatory forums**

The Agency relies on the Parent Municipality’s internal legal advisers to be kept abreast of generic and government specific legislative and regulatory developments, both pending and

apparent, and ensure that the Board, management and employees are informed of and, where necessary, trained on these developments and the implementation thereof.

The Agency and its subsidiaries participate in various regulatory forums such as Local Economic Development, District Job Evaluation, Shared Audit Committee, Limpopo Skills Development and any other forums that represent the interests of the Agency or sector of the economy. Care is taken to ensure that proceedings at these forums do not contravene the regulation.

## **2.6. COMPLIANCE WITH CORPORATE GOVERNANCE AND BEST PRACTICE**

During the year under review and in addition to legislative framework, GTEDA ensured that all King IV Principles were applied.

### **Risk Management**

In terms of the Board Charter, the Board is responsible for the governance of risk, which is delegated to the Finance and Risk Committee but without abdicating the Board's responsibility.

Management is responsible for the development and implementation of the risk management plan in accordance with the Board approved policy and framework. The Finance and Risk Committee monitors the risk management process.

Risks are reviewed and prioritised by the Board on a regular basis and are assessed on an ongoing basis as part of normal operational management processes. The following six (6) Strategic Risks were identified and mitigated:

1. Low levels of access by SMMEs for start-up capital and information.
2. Inability to resource the organization (Agency is not self-sustainable 100% dependent on grant from the GTM).
3. Inability to attract investments.
4. Insufficient funds and capacity to do feasibility studies and bankable business plans.
5. Poor participation of youth in entrepreneurship development.
6. Lack of asset base (as reflected on the agency's balance sheet).

### **Internal Audit**

GTEDA has an effective risk-based internal audit function, outsourced to an independent professional firm, whose duties and responsibilities are defined in the Terms of Reference. The Internal audit provides necessary assurance to the Board.

### **Minimizing Conflict of Interest**

The Board operates within the powers conferred on it in the Board Charter; bases deliberations, decisions and actions on strategic objectives and ethical and moral values; considers the legitimate interests of all stakeholders; and aligns its conduct to drive the Agency's mandate accordingly.

The Agency has a Code of Conduct and ethics is communicated internally and externally and the importance of ethical behaviour is emphasized in all of the Agency's engagements. Ethical issues are considered by the Social and Ethics Committee, Shared Audit Committee, and at Board level.

**Social and Environmental Responsibility**

The Board is responsible for economic, social and environmental performance and reporting, and the Agency has credible and well-coordinated programmes in respect of social and environmental issues and stakeholder engagement.

**CHAPTER 3: HUMAN RESOURCE MANAGEMENT AND ADMINISTRATIVE GOVERNANCE**

**3.1. CHIEF EXECUTIVE OFFICER**

GTEDA has a Chief Executive Officer who operates within an approved framework of delegations of authority. He is supported by the Project Manager; Acting Finance and Risk Officer; and Acting HR and Administration Officer, for the day to day management. The Board is kept informed on progress through regular reporting during quarterly meetings, special meetings and other means as may be agreed from time to time.

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**3.2. HUMAN RESOURCE MANAGEMENT**

The Human Resources Management (HRM) Unit falls within the Finance and Administration Division and reports to the Chief Executive Officer (CEO). The Unit continues to ensure that progress on implementation of the organisational objectives is made.

For the year under review, the workforce of GTEDA was constituted as:

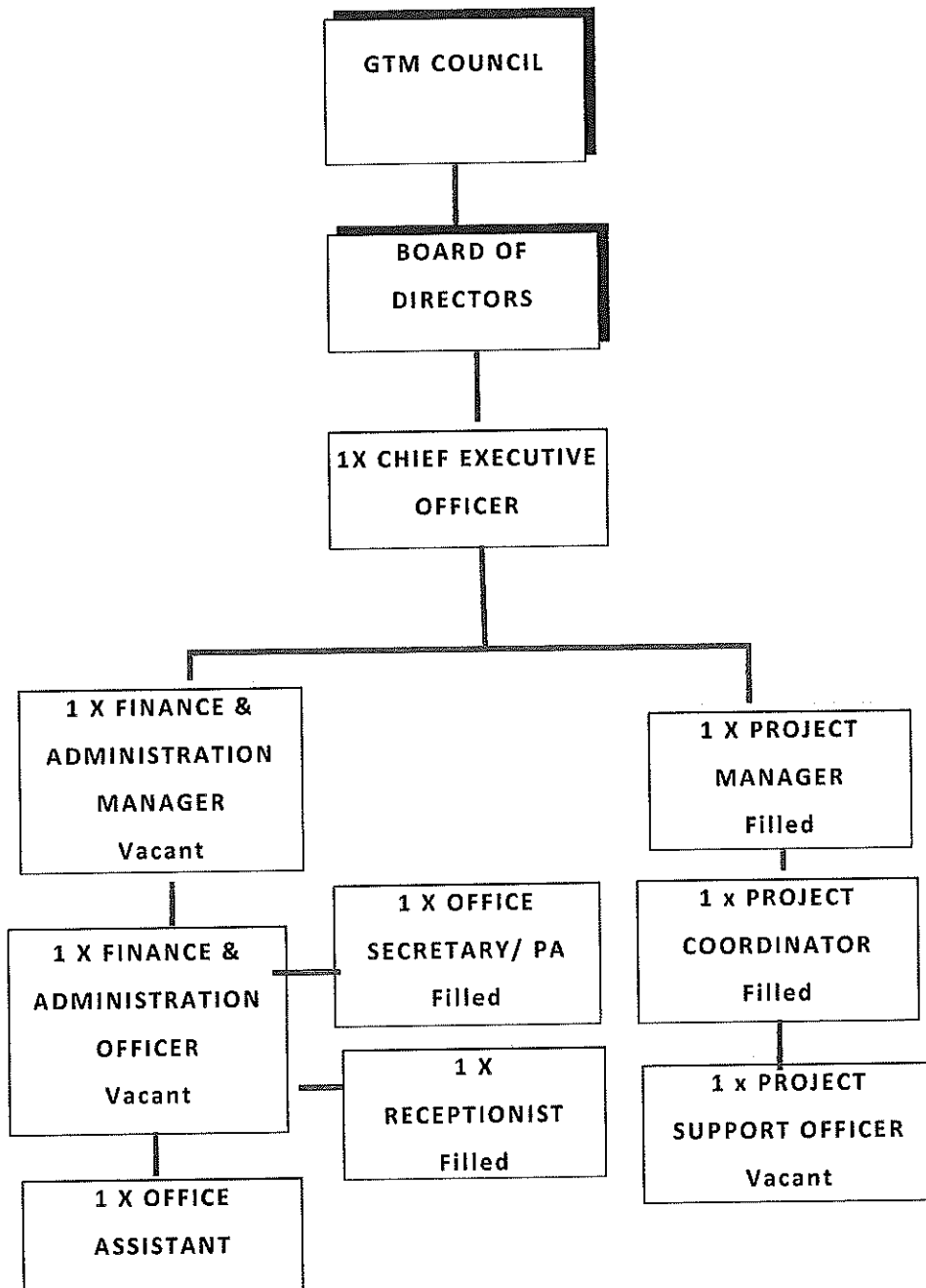
CA= Contract Appointment

Staff Categories	Male					Female					Total
	African	Indian	Coloured	White	Total Male	African	Indian	Coloured	White	Total Female	
Executive Management	1 (CA)	—	—	—	1 (CA)	—	—	—	—	—	1 (CA)
Senior Management	1	—	—	—	1	—	—	—	—	—	1
Middle Management	—	—	—	—	—	3	—	—	—	3	3
Lower Level	—	—	—	—	—	1	—	—	—	1	2
Disabled	—	—	—	—	—	—	—	—	—	—	—
<b>TOTAL</b>	<b>2</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>2</b>	<b>4</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>4</b>	<b>6</b>

The Municipal Systems Act of 2000, Section 67 requires municipalities to develop and adopt appropriate systems and procedures to ensure fair, efficient, effective, and transparent personnel administration in accordance with the Employment Equity Act of 1998. However, the Agency currently does not have an approved Employment Equity Plan due its size, however, to an extent practical, is sensitive to issues of employment equity when making appointments.



3.3. ORGANISATIONAL STRUCTURE



GTEDA strives to ensure that it employs and maintains a staff complement consisting of the highest calibre of individuals who subscribe to its values and are committed to delivering sustainable long-term performance.

We are in the process of organizing and aligning the Agency with the South African Local Government Association (SALGA) TASK Job Evaluation System; and compliance to legislation governing municipalities and their entities. All employees are currently on *'Total Cost to Company'* and the process to review this arrangement to incorporate basic staff benefits has been undertaken with the assistance of the SALGA and other relevant Stakeholders.

GTEDA remain dedicated to quality, excellence and continuous improvement. We balance requests to share information clearly and openly while respecting the security of confidential and personal information entrusted to the Agency.

## 4.1. PROJECT MANAGEMENT

This unit is responsible for the successful implementation of the core business of GTEDA, which is derived from the LED strategy of the Greater Tzaneen Municipality (GTM), key to the daily functions of the PMU is resource mobilization for capacity building of supported businesses and co-operatives, this enables these businesses to access funding and create jobs. GTEDA in partnership with key stakeholders and funders (Industrial Development Corporation, Development Bank of Southern Africa, Services SETA, MICT SETA and Limpopo Economic Development Agency) has managed to implement various projects during the financial year under review and are reflected as follows:

**Table 1: Jobs created per project**

NO	PROJECT NAME	JOBS CREATED
1	Motupa Circuit Library	10
2	Vexospark	10
3	Nkowankowa Industrial Revitalization-Phase 1A	143
4	Makgoba-Dieplaagte Farming Project	10
5	Gteda Hub (Monye-le-shako, Joydave and Upholstery)	15
6	Vexospark	10
	<b>TOTAL JOBS CREATED</b>	<b>198</b>

**Table 2: Investment attracted per project**

<b>NO</b>	<b>PROJECT NAME</b>	<b>PROJECT VALUE</b>
1	<i>Motupa Circuit Library</i>	<i>R 20 Million</i>
2	<i>Vexospark</i>	<i>R 1,4 Million</i>
3	<i>Nkowankowa Industrial -Phase1A</i>	<i>R 23 681 661 Million</i>
4	<i>Makgoba-Dieplaagte Farming Project</i>	<i>R 19 Million</i>
5	<i>Media Information and Communication Technology (MICT SETA)</i>	<i>R 2.8 Million</i>
6	<i>Leather Making</i>	<i>R 1 Million</i>
7	<i>Nkowankowa Industrial Revitalization-Phase 1B</i>	<i>R13 Million</i>
8	<i>Services SETA (10 Existing and 10 new Cooperatives)</i>	<i>R 3 875 000 Million</i>
	<b>TOTAL PROJECTS VALUE</b>	<b>R 85 566 6661.00</b>

**4.1.1. SMME and Co-Operative Development and Support**

At the core of the South African economy is the role played by SMMEs in job creation and economic growth, GTEDA facilitated funding from the Services SETA to capacitate SMMEs and Co-operatives on New Venture Creation training which would assist beneficiaries to identify opportunities and capitalise on them and to operate at full capacity. During the year under review, 185 people have been trained on an accredited New Venture Creation course which will enable them to set-up, run and sustain viable businesses. GTEDA is providing support to 58 SMMEs and 40 Co-operatives, these entities are all registered in GTEDAs internal database and are monitored on a regular basis.

**Table 3: number of people trained**

PLACE/VENUE	# OF LEARNERS	DATES
Nkowankowa - Group 1	21	05-21/11/2018
Lenyenye - Group 1	19	05 - 21 November 2018
Nkowankowa - Group 2	19	05 - 21 November 2018
Lenyenye Group - 2	8	05 - 21 November 2018
Lephepane	25	05 - 21 November 2018
Mokwakwaila	19	05 - 21 November 2018
Tzaneen	19	05 - 21 November 2018
Relela	19	05 - 21 November 2018
Nkowankowa – Group 3	25	15 January – 22 February 2019
Lenyenye – Group 3	19	15 January – 22 February 2019
<b>TOTAL NUMBER OF LEARNERS TRAINED</b>		<b>185</b>

Management through a partnership with Bolobathaba Media Group facilitated funding of **R 2 830 000.00** (Two Million Eight Hundred and Thirty Thousand Rands) from the **Media Information and Communication Technology (MICT) SETA** for 50 learners as per the table below:

**Table 4: Learnership Programmes**

NO	PROGRAMME NAME	FUNDING	NOI LEVEL	DURATION	LEARNERS	STIPEND
1	Music Industry: Sound Technology	R 1 698 000.00	4	12 Months	30	R1 800.00 p/m
2	Film and Television Production Operations	R 1 132 000.00	4	12 Months	20	R1 800.00 p/m

**4.2. SDBIP ANNUAL PERFORMANCE REPORT**

The role of GTEDA’s in the Greater Tzaneen Municipality is to facilitate socio-economic development and investment attraction in order to grow the local economy and stimulate job creation, this function is conducted by the Project Management Unit. The performance results of the financial year under review are presented below as captured under the SDBIP using the GTM online reporting tool called Action Assist.

**Procedure for performance reporting during 2018/19 Financial Year**

GTEDA together with GTM are abreast of technological systems used to accurately and reliably report performance information, the “Action Assist” system is at the epitome of capturing, verifying and auditing performance information of GTEDA to ensure that the correct information is reported, and an unbiased performance of the agency is shared with stakeholders and the community. The actual performance reported on the system, and presented in this report, has been audited by Auditor General South Africa (AGSA) and has been colour coded as follows:

**Coding of Results**

Red	KPI Not Met = 2
Orange	KPI Almost Met= 3
Green2	KPI Met=3
Green2	KPI Well Met= 0
Blue	KPI Extremely Well Met=5

GTEDA 2018/19 ANNUAL PERFORMANCE REPORT

GTEDA 2018/19 ANNUAL REPORT

Ref	Municipal KPA	KPI	Unit of Measurement	Source of Evidence	Annual Target	Overall Performance for Jul 2018		
						Target	Actual	R
D277	Economic Growth	SMME Incubation	Q1: Facilitate business management and marketing training for GTEDA HUB and GT Services Cooperatives (Village Bank) (25%) Q2: Monitor performance of the GTEDA Hub and GT Services Cooperatives (50%) Q3: Monitor performance of the GTEDA Hub and GT Services Cooperatives (75%) Q4: Monitor performance of the GTEDA Hub and GT Services Cooperatives (100%)	Training schedule and Attendance Register Monitoring Report	100%	100%	100%	
D278	Economic Growth	Community Radio station (GTFM)	Q1: Facilitate business management and marketing training for Community Radio station (25%) Q2: Monitor performance of the Community Radio station(50%)	Training schedule and Attendance Register Monitoring Report	100%	100%	80%	0

**GTEDA 2018/19 ANNUAL REPORT**

D279	Economic Growth	Training and development (Cooperatives)	<p>Q3: Monitor performance of the Community Radio station(75%)</p> <p>Q4: Monitor performance of the Community Radio station(100%)</p> <p>Q1: Facilitate opportunity assessment for 20 cooperatives (10 new and 10 existing). Facilitate registration of 10 new cooperatives. Training on How to Access Financial Institutions (50%)</p> <p>Q2: Training on Business and technical skills, Facilitation applications for discretionary grants, and Business plan development (100%)</p> <p>Q3:n/a</p> <p>Q4:n/a</p>	<p>Assessment report</p> <p>Registration certificates</p> <p>Training schedule and Attendance Register</p>	100%	100%	100%
D280	Economic Growth	Training and development (Unemployed learners)	<p>Q1: Induction of learners. Training on Business communications, Professional behaviour, Financing new venture (50%)</p> <p>Q2: Training on Innovation and Creativity, Managing resources and marketing management (100%)</p>	<p>Training schedule and Attendance Register</p> <p>Recruitment report</p> <p>Induction Report</p>	100%	100%	30%



D281	Economic Growth	Makgoba Dieplaagte	Q3: n/a Q4: n/a Q1: Conclude MOU with stakeholders (10%) Q2: Identified SMMEs to be trained (25%) Q3: Participate in project steering committee, training of SMME's completed (60%) Q4: Participate in project steering committee (100%)	MOU with stakeholders Minutes of Steering Committee meetings Attendance Register of trainings	100%	100%	50%	
D282	Economic Growth	Lenyenyé Vexospark (Training centre)	Q1: Physical construction at 50% (50%) Q2: Physical construction at 100% (80%) Q3: Official launch of the project (90%) Q4: Official launch of the project (90%)	Project Progress Reports Monitoring report	100%	100%	80%	0
D283	Economic Growth	Tourism promotion	Q1: Review of the Implementation plan (25%) Q2: Monitor roll out of the implementation plan for Barotswi cultural village (50%) Q3: Monitor roll out of the implementation plan for Barotswi cultural village (75%) Q4: Monitor roll out of the implementation plan for Barotswi cultural village (100%)	Monitoring Reports Revised Implementation Plan for Barotswi Cultural Village	100%	100%	75%	0

**GTEDA 2018/19 ANNUAL REPORT**

D285	Economic Growth	Entrepreneurship career guidance and mentorship	Q1: Identification of schools to partake in the debate competition. Develop roll-out plan (25%) Q2: Induction of participants (50%) Q3: Conduct 18/19 schools entrepreneurship debate competition (75%) Q4: 18/19 Award ceremonies conducted by 30 June (100%)	*Training programme. *Communique with Mentors *18/19 Debate report.	100%	100%	90%	©
D286	Economic Growth	# of SMMEs capacitated through GTEDA	Number	*Training Programme *Assessment Report on the training provided to 15 SMME's Attendance Registers	35	35	82	B
D287	Economic Growth	# of committed investors attracted through GTEDA	Number	Service Level Agreement/ MOU (Makgoba Dieplaagte, Manufacturing and Agro processing)	3	3	3	

D288	Good	MSCOA equipment and programmes	Q1: Not applicable this quarter, Q2: Source quotations. (10%), Q3: Procurement of MSCOA equipment (server, computers) finalised (100%), Q4: Not applicable this quarter	Quotations Invoice	100%	100%	40%
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### Summary of Results

*KPIs with no targets or actuals in the selected period.*

KPI Not Yet Measured	0
KPI Not Met	3
KPI Almost Met	5
KPI Met	4
KPI Well Met	0
KPI Extremely Well Met	1

*0% ≤ Actual/Target ≤= 74.999%  
75.000% ≤= Actual/Target ≤= 99.999%  
Actual meets Target (Actual/Target = 100%)  
100.001% ≤= Actual/Target ≤= 149.999%  
150.000% ≤= Actual/Target*

**Total KPIs 13**

Report generated on 15 December 2019 at 12:51.

### **4.3. 2018/19 EVENTS**

#### **4.3.1. LETABA SHOW EXHIBITION 2018**

Letaba Show Exhibition is an Annual event which serves as a marketing and promotion initiative for SMMEs/businesses within the Municipal area as well as other areas. Letaba Show Exhibition were successfully hosted for the period of 4 days, from 08<sup>th</sup> to 11<sup>th</sup> August 2018 at Letaba Show Ground and over 110 exhibitors attended the event.

GTEDA participates by inviting SMMEs and Co-operatives and exposing them to marketing platforms and the Letaba Show is one of the biggest events in Tzaneen.



**Joy Dave Trading Enterprise**

**Kwanyela Mandleni Agricultural Cooperative**

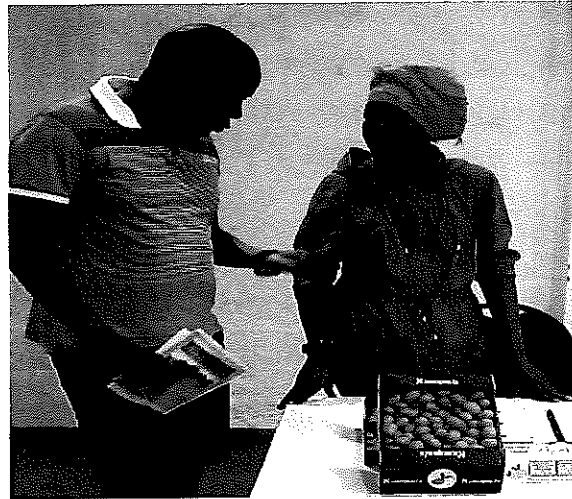
#### **4.3.2. TZANEEN AGRIC EXPO 2018**

The Greater Tzaneen Municipality in partnership with Mopani District Municipality, Greater Tzaneen Economic Development Agency (GTEDA), Department of Agriculture, SEDA and other stakeholders successfully hosted the 5th annual Tzaneen Agric Expo 2018.

The aim of the Expo was to promote sustainable farming and to link farmers with local and international markets.



*GTEDA Exhibition stand*



*Sweet Plaas Trading*



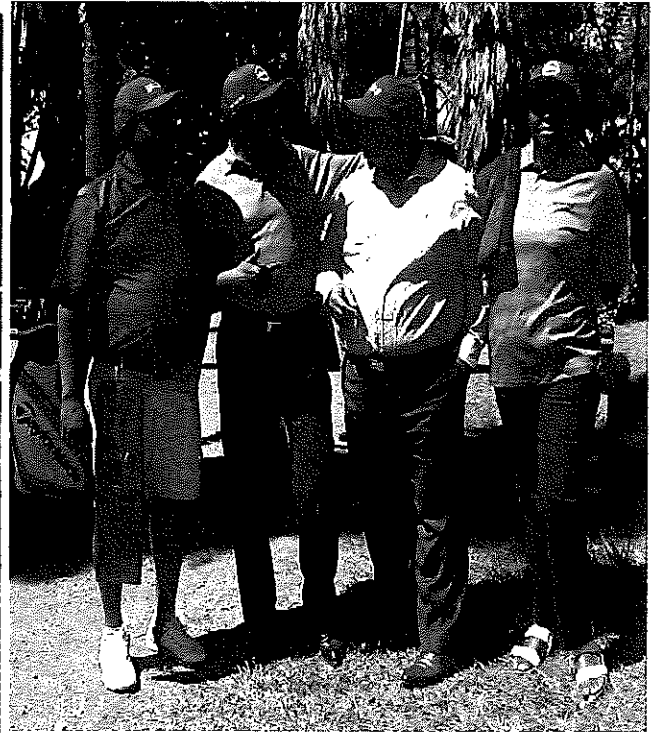
*Tsogang Water and Sanitation; Hlovokani Co-operative; and SAFCOL*

#### **4.3.3. AGRI-GOLF TOURNAMENT**

GTEDA in collaboration with GTM successfully hosted the 3<sup>rd</sup> Annual Agri-Golf Tournament which took place on the 5<sup>th</sup> of October 2018 at the Tzaneen Country Club. GTEDA was among the main participants and sponsors of the event with ABSA being the main sponsor. The aim of the Agri-Golf was to raise funds to support emerging farmers and small businesses to grow and commercialise. The tournament was well supported with over 20 teams of four ball ( $\pm 80$  players) participated representing both public and private sectors.



*Mayor Mangena Maripe officially opening the Golf Tournament*



*GTEDA CEO, GTM Mayor, GTEDA Chairperson and Head of Economic Cluster*

#### **4.3.4. SCHOOL ENTREPRENEURSHIP DEBATE COMPETITION**

The Greater Tzaneen Economic Development Agency (GTEDA) in partnership with CommuneP and The Department of Basic Education successfully hosted 3<sup>rd</sup> annual Debate Competition on the 17 August 2018 at Napscom Secondary School.

The aim of the Debate Competition is to empower the Learners with both Public speaking and writing skills.



#### 4.3.5. NELSON MANDELA INTERNATIONAL DAY

Greater Tzaneen Economic Development Agency (GTEDA) in partnership with Greater Tzaneen Municipality (GTM) and Corporative Governance, Human Settlement and Traditional Affairs (COGHSTA) participated in the Nelson Mandela International Day in Commemoration of Nelson Mandela's birthday on 18 July 2018. The team led by Councillor Tiba, identified Mr. Mokoena, a disabled man who was living in a shack at Rhulani Village, Julesberg (*as seen below*).



The stakeholders facilitated building of a four-roomed house (Two Bedroom, Kitchen, Lounge and a bathroom) for Mr. Mokoena through sponsorship by COGHSTA, other sponsors include GTEDA, Tzaneen Mall, Lifestyle Centre and Tzaneen Crossing.





#### 4.3.6. CAREER GUIDANCE AND DISTRIBUTION OF SANITARY TOWELS

Greater Tzaneen Economic Development Agency (GTEDA) in partnership with The First Hope and Department of Basic Education successfully hosted 3<sup>rd</sup> annual Career Expo 2019 held on 26 April 2019 at Burgersdorp Secondary School. Over 300 learners from Schools within Shiluvana Circuit attended the event.

Representatives from different institutions of higher Learning i.e. University of Johannesburg, University of Limpopo, University of Venda, Capricorn TVET College, Letaba TVET College, Better Best College, Mopani TVET College were invited to address the Grade 12 Learners about career opportunities, qualifications offered by different tertiary institutions as well as bursary opportunities.

First Hope is an ongoing project that has been established in 2018 by a university student from Burgersdorp village. First Hope was established to promote educational programmes as well as to reduce the number girls from dropping out of school due to lack of sanitary towels.





CHALLENGES	RECOMMENDATIONS
<ul style="list-style-type: none"> <li>• Non availability of Municipal assets for attraction of investments.</li> </ul>	<ul style="list-style-type: none"> <li>• Review GTEDA funding model</li> <li>• Allocation of available land and factory sites by GTM to be used by GTEDA to leverage investment attraction.</li> </ul>
<ul style="list-style-type: none"> <li>• Understaffing</li> </ul>	<ul style="list-style-type: none"> <li>• Allocation of funds by GTM in order to hire additional staff for PMU to service all clusters and economic sectors within GTM.</li> </ul>

**2018/19 AUDITED  
FINANCIAL STATEMENTS  
AND AGSA REPORT**



*greater tzaneen economic development agency*

Greater Tzaneen Economic Development Agency (Pty) Ltd  
(Registration number 2007/008144/07)  
Annual Financial Statements  
for the year ended 30 June 2019

# Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2019

## General Information

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<b>Legal form of entity</b>	Municipal Entity
<b>Nature of business and principal activities</b>	Greater Tzaneen Economic Development Agency is an entity established by Greater Tzaneen Municipality to drive economic development and attract investments.
<b>Board of Directors</b>	
Board Chairperson	M.Z Mawasha
Deputy Chairperson	Adv.E.S Maake
Members of the Executive Committee	M.F Mushwana M.J Makapan M.I Moakamela B.J Pretorius B.L Mathebula
<b>Accounting Officer</b>	K.J Maphoto
<b>Parent Municipality Representatives in terms of Section 93D (1) MSA</b>	S Tiba B.M Mathebula
<b>Acting Finance and Risk Officer</b>	M.E. Modiba
<b>Registered office</b>	Office no.63 Cascades Building Sapekoe Drive Tzaneen 0850
<b>Business address</b>	Office no.63 Cascades Building Sapekoe Drive Tzaneen 0850
<b>Postal address</b>	PO Box 2024 Tzaneen 0850
<b>Controlling entity</b>	Greater Tzaneen Municipality
<b>Bankers</b>	ABSA
<b>Website</b>	<a href="http://www.gteda.co.za">www.gteda.co.za</a>
<b>Level of rounding</b>	Rounding to the nearest Rand
<b>Auditors</b>	Auditor General of South Africa (AGSA) Polokwane Office
<b>Audit Committee</b>	S.A.B Ngobeni ( Chairperson) J.M Mabuza N.T Mabunda J.M Mofokeng N.S Hoaeane

# Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2019

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# Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2019

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### Abbreviations

SARS	South African Revenue Service
GRAP	Generally Recognised Accounting Practice
GTEDA	Greater Tzaneen Economic Development Agency (Pty) Ltd
GTM	Greater Tzaneen Municipality
IAS	International Accounting Standards
VAT	Value Added Tax
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
CIGFARO	Chartered Institute of Government Finance Audit and Risk Officers
MFMA	Municipal Finance Management Act
IDC	Industrial Development Corporation
MPAC	Municipal Public Accounts Committees
MEC	Member of the Executive Council
SETA	Sector Education and Training Authority

## Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2019

### Accounting Officer's Responsibilities and Approval

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the annual financial statements fairly present the state of affairs of the Municipal Entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors will be engaged to express an independent opinion on the annual financial statements and will be given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The Accounting Officer acknowledge that he is ultimately responsible for the system of internal financial control established by the Municipal Entity and place considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, the Accounting Officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Municipal Entity and all employees are required to maintain the highest ethical standards in ensuring the Municipal Entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Municipal Entity is on identifying, assessing, managing and monitoring all known forms of risk across the Municipal Entity. While operating risk cannot be fully eliminated, the Municipal Entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Officer are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The Accounting Officer has reviewed the Municipal Entity's cash flow forecast for the year to 30 June 2020 and, in the light of this review and the current financial position, he is satisfied that the Municipal Entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The Municipal Entity is wholly dependent on the Greater Tzaneen Municipality for continued funding of operations. The annual financial statements are prepared on the basis that the Municipal Entity is a going concern and that the Greater Tzaneen Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the Municipal Entity.

The annual financial statements set out on pages 5 to 55, which have been prepared on the going concern basis, were approved by the Accounting Officer on 30 August 2019 and were signed on its behalf by:

  
Mr. K.J. Maphoto  
Chief Executive Officer

  
Mr. M.Z. Mawashu  
Chairperson

# Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2019

## Accounting Officer's Report

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The Accounting Officer submits his report on the annual financial statements of Greater Tzaneen Economic Development Agency for the year ended 30 June 2019.

### 1. Nature of business

Greater Tzaneen Economic Development Agency (Pty) Ltd is a Municipal Entity incorporated in the Republic of South Africa established in terms of the Companies Act by the Greater Tzaneen Municipality (GTM) with the assistance of the Industrial Development Corporation (IDC) in order to project manage urban and rural regeneration of the GTM's territory with a view to promote economic development and investment attraction.

### 2. Review of financial results and activities

The financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standard Board.

Greater Tzaneen Municipality approved and allocated a budget of R 6 835 147 to GTEDA as grant funding for the financial year under review, compared to R 6 254 650 that was allocated for prior year. The overall actual expenditure amounts to R 10 727 501 which is 157% per cent of the budget in terms of spending pattern; the expenditure includes project costs of R3 148 927 as compared to R 724 796 for prior year.

The variance is mainly due to virements that were done through mid-year budget review given that projects are core business. Employee and board member costs amount to R 4 705 825 as compared to R 3 991 990 in the prior year.

The Agency incurred a deficit of R 753 598 as compared to a deficit of R 2 018 332 for prior year, this was mainly due to an increase in personnel expenses because of the approved tariff increases and an increase in general expenses.

### 3. Going concern

We draw attention to the fact that at 30 June 2019, the Municipal Entity had accumulated deficits of R (6 267 033) and that the Municipal Entity's total liabilities exceed its assets by R (6 266 933).

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.

The ability of the Municipal Entity to continue as a going concern is dependent on a number of factors. The most significant of these is that the Accounting Officer continues to procure funding for the ongoing operations for the Municipal Entity. Furthermore, the Greater Tzaneen Municipal Council has committed to fund the Entity by approving a multi - year budget for the coming three fiscal years.

Provision for VAT payable has been made, this is as result of the Municipality not declaring output VAT on grants receivable from its funders i.e the Greater Tzaneen Municipality and Industrial Development Corporation. VAT returns from 2014 to 2017 financial years were reviewed and objections were lodged on the assessments raised by SARS and we are awaiting outcomes from SARS .

### 4. Contributed capital

There were no changes in the authorised or issued share capital of the Municipal Entity during the year under review. The Authorised ordinary shares are 1000 and the issued ordinary shares are 100.

### 5. Subsequent events

The Accounting Officer and Directors are not aware of any matter or circumstance arising since the end of the financial year.



# Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2019

## Accounting Officer's Report

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### 6. Directors

The directors in office at the date of this report are:

M.Z. Mawasha (Chairperson)  
Adv E.S. Maahe (Deputy Chairperson)  
M.F. Mushwana  
M.I. Moakamela  
B.J. Pretorius  
B.L. Mathebula  
M.J. Makapan

### 7. Controlling entity

The Municipal Entity's controlling entity is the Greater Tzaneen Municipality.

### 8. Auditors

Auditor General of South Africa (AGSA) will continue in office for the next financial period.

### 9. Fruitless and wasteful expenditure

Except for the fruitless and wasteful expenditure disclosed in Note 26 to the financial statements, the Chief Executive Officer and directors are not aware of any other fruitless and wasteful expenditure which have been incurred during the year under review.

### 10. Irregular expenditure

Except for the irregular expenditure disclosed in Note 27 to the financial statements, the Chief Executive Officer and Directors are not aware of any irregular expenditure incurred during the year under review.

# Report of the auditor-general to Limpopo provincial legislature and the council of Greater Tzaneen Economic Development Agency

## Report on the audit of the financial statements

### Opinion

1. I have audited the financial statements of the Greater Tzaneen Economic Development Agency set out on pages 1 to 56, which comprise the statement of financial position as at 30 June 2019, the statement of financial performance, statement of changes in net assets, and cash flow statement and the statement of comparison of budget and actual amounts 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 entity as at 30 June 2019, and its financial performance and cash flows for the year then ended in accordance with South African standard of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA), Companies Act, 2008 (Act no. 71 of 2008) and the Division of Revenue Act, 2018 (Act No. 1 of 2018) (DoRA).
3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
4. I am independent of the municipality in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* and, parts 1 and 3 of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (Including International Independence Standards)* (IESBA codes) as well as 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 codes.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my unqualified opinion.

### Emphasis of matter

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

### Restatement of corresponding figures

7. As disclosed in note 24 to the financial statement, the corresponding figures for 30 June 2018 have been restated as an error in the financial statements of the municipal entity at, and for the year ended 30 June 2019.

#### Material uncertainty relating to going concern

8. I draw attention to note 1.3 to the financial statements, which indicates that the municipal entity incurred a net loss of R 753 598 during the year ended 30 June 2019 and, as of that date the municipal entity's current liabilities exceeded its total assets by R 6 606 057. As stated in note 1.3, these events or conditions, along with other matters as set forth in note 1.3, indicate that a material uncertainty exists that may cast significant doubt on the municipal's ability to continue as a going concern.

#### Responsibilities of 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 SA Standards of GRAP and the requirements of the MFMA, the Companies Act and DoRA, 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 entity'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 entity or to cease operations, or has no realistic alternative but to do so.

#### Auditor-general's responsibilities for the audit of 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 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 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 entity for the year ended 30 June 2018:

<b>Objectives</b>	<b>Pages in annual performance report</b>
Objective 1: Increased investment in the GTM economy	12 – 16

16. I performed procedures to determine whether the reported performance information was properly presented and whether performance 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 objective 1: increased investment in the GTM economy

#### Other matters

18. I draw attention to the matters below.

#### Achievement of planned targets

19. Refer to the annual performance report on page 12 to 16 for information on the achievement of planned targets for the year. This information should be considered in the context of the qualified conclusions expressed on the usefulness and reliability of the reported performance information in paragraph 9 of this report.

#### Adjustment of material misstatements

20. We identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information objective. As management subsequently corrected the misstatements, we did not raise any material findings on the usefulness and reliability of the reported performance information. As management subsequently corrected only some of the misstatements, we raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are included in the basis for qualified conclusions paragraphs.

### Report on the audit of compliance with legislation

#### Introduction and scope

21. 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 entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

22. The material findings in respect of the compliance criteria for the applicable subject matters are as follows:

Annual financial statements, performance and annual reports

23. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA.

Material misstatement of current assets identified by the auditors in the submitted financial statement were subsequently corrected and the supporting records were provided subsequently, resulting in the financial statements receiving an unqualified audit opinion.

Expenditure Management

24. Reasonable steps were not taken to prevent unauthorised expenditure to the amount of R351 828 as disclosed in note 26, as required by section 62(1)(d) of the MFMA.

Payments not made within 30 days of invoice

25. During the audit of overall expenditure, we noted transactions on which the time elapsed between invoice and payment date exceeded a period of 30 days in contravention of section 99(2)(b) of the MFMA.

#### Other information

26. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report which includes the directors' report, the audit committee's report and as required by the Companies Act of South Africa, 2008 (Act No. 71 of 2008) (Companies Act). 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.

27. 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.

28. 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.

#### Internal control deficiencies

29. 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. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the opinion.

30. The accounting officer did not exercise adequate oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

31. The annual financial statements and annual performance report contained numerous misstatements mainly due to a lack of financial monitoring and review. This could be as a result of lack of segregation of duties and internal reviews within the entity.

*Auditor - General*

Polokwane

2 December 2019



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

# Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2019

## Statement of Financial Position as at 30 June 2019

Figures in Rand	Note(s)	2019	2018 Restated*
<b>Assets</b>			
Current Assets			
Receivables from exchange transactions	3	6 475	5 325
Receivables from non-exchange transactions	4	720 000	-
Cash and cash equivalents	5	417 229	565 592
		<b>1 143 704</b>	<b>570 917</b>
Non-Current Assets			
Property, plant and equipment	6	115 692	146 615
Intangible assets	7	-	3 486
		<b>115 692</b>	<b>150 101</b>
<b>Total Assets</b>		<b>1 259 396</b>	<b>721 018</b>
<b>Liabilities</b>			
Current Liabilities			
Payables from exchange transactions	8	690 392	214 269
SARS	9	6 835 937	6 020 084
		<b>7 526 329</b>	<b>6 234 353</b>
<b>Total Liabilities</b>		<b>7 526 329</b>	<b>6 234 353</b>
<b>Net Assets</b>		<b>(6 266 933)</b>	<b>(5 513 335)</b>
Contributed capital			
Accumulated deficit	10	100	100
		<b>(6 267 033)</b>	<b>(5 513 435)</b>
<b>Total Net Assets</b>		<b>(6 266 933)</b>	<b>(5 513 335)</b>

\* See Note 24

# Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2019

## Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Interest received - investment	11	23 230	50 645
<b>Revenue from non-exchange transactions</b>			
<b>Transfer revenue</b>			
Grants and subsidies	15	6 834 783	6 254 650
Discretionary grant received from SETA (Conditional Grant)		2 898 502	-
Administration and project management costs from SETA	29	217 388	-
<b>Total revenue from non-exchange transactions</b>		<b>9 950 673</b>	<b>6 254 650</b>
<b>Total revenue</b>	11	<b>9 973 903</b>	<b>6 305 295</b>
<b>Expenditure</b>			
Employee related costs	14	3 791 601	3 040 834
Remuneration of board members	20	914 224	951 156
Consulting fees		278 380	367 492
Depreciation and amortisation	16	69 020	42 780
General expenses	17	2 015 510	2 683 920
Lease rentals on operating lease		509 839	512 649
Project costs	21	3 148 927	724 796
<b>Total expenditure</b>		<b>10 727 501</b>	<b>8 323 627</b>
<b>Deficit for the year</b>		<b>(753 598)</b>	<b>(2 018 332)</b>

\* See Note 24



# Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2019

## Statement of Changes in Net Assets

Figures in Rand	Note	Contributed capital	Accumulated deficit	Total net assets
Opening balance as previously reported		100	(817 558)	(817 458)
Adjustments				
Prior year adjustments	24	-	(2 677 545)	(2 677 545)
<b>Balance at 01 July 2017 as restated*</b>		<b>100</b>	<b>(3 495 103)</b>	<b>(3 495 003)</b>
Changes in net assets				
Surplus for the year		-	(2 018 332)	(2 018 332)
Total changes		-	(2 018 332)	(2 018 332)
Opening balance as previously reported		100	(1 720 988)	(1 720 888)
Adjustments				
Prior year adjustments	24	-	(3 792 447)	(3 792 447)
<b>Balance at 01 July 2018 as restated*</b>		<b>100</b>	<b>(5 513 435)</b>	<b>(5 513 335)</b>
Changes in net assets				
Surplus for the year		-	(753 598)	(753 598)
Total changes		-	(753 598)	(753 598)
<b>Balance at 30 June 2019</b>		<b>100</b>	<b>(6 267 033)</b>	<b>(6 266 933)</b>
Note			10	

\* See Note 24

# Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2019

## Cash Flow Statement

Figures in Rand	Note(s)	2019	2018 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		(1 150)	28 993
Grants		9 230 673	6 254 650
Interest income		23 230	50 645
		<u>9 252 753</u>	<u>6 334 288</u>
<b>Payments</b>			
Employee costs and board member cost		(4 705 825)	(3 991 990)
Suppliers		(4 660 680)	(2 375 205)
		<u>(9 366 505)</u>	<u>(6 367 195)</u>
<b>Net cash flows from operating activities</b>	12	<u>(113 752)</u>	<u>(32 907)</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	6	<u>(34 611)</u>	<u>(112 858)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u>(148 363)</u>	<u>(145 765)</u>
Cash and cash equivalents at the beginning of the year		565 592	711 357
<b>Cash and cash equivalents at the end of the year</b>	5	<u>417 229</u>	<u>565 592</u>

\* See Note 24

# Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2019

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Virements	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

### Statement of Financial Performance

#### Revenue

##### Revenue from exchange transactions

Interest received - investment	-	-	-	23 230	23 230	
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##### Revenue from non-exchange transactions

##### Transfer revenue

Government grants & subsidies	6 835 147	-	6 835 147	6 834 783	(364)	Appendix E(1)
Income received from SETA (Conditional Grant)	-	-	-	2 898 502	2 898 502	Appendix E(1)
Administration and project management costs from SETA	-	-	-	217 388	217 388	Appendix E(1)

##### Total revenue from non-exchange transactions

6 835 147 - 6 835 147 9 950 673 3 115 526

##### Total revenue

6 835 147 - 6 835 147 9 973 903 3 138 756

#### Expenditure

Employee related costs	(3 498 206)	(410 437)	(3 908 643)	(3 791 601)	117 042	Appendix E(1)
Remuneration of board members	(777 171)	(380 000)	(1 157 171)	(914 224)	242 947	Appendix E(1)
Depreciation and amortisation	(75 087)	-	(75 087)	(69 020)	6 067	Appendix E(1)
Lease rentals on operating lease	(480 459)	(122 000)	(602 459)	(509 839)	92 620	Appendix E(1)
Consulting fees	(168 243)	(165 000)	(333 243)	(278 380)	54 863	Appendix E(1)
Project cost	(1 683 373)	(2 350 941)	(4 034 314)	(3 148 927)	885 387	Appendix E(1)
General Expenses	(1 177 879)	(496 622)	(1 674 501)	(2 015 510)	(341 009)	Appendix E(1)

##### Total expenditure

(7 860 418) (3 925 000) (11 785 418) (10 727 501) 1 057 917

##### Surplus / (Deficit) before taxation

(1 025 271) (3 925 000) (4 950 271) (753 598) 4 196 673

##### Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement

(1 025 271) (3 925 000) (4 950 271) (753 598) 4 196 673

# Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements: Accounting Policies

---

### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual 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.

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 annual financial statements, are disclosed below.

#### 1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the Municipal Entity.

#### 1.2 Rounding

All financial figures have been rounded off to the nearest Rand.

#### 1.3 Going concern assumption

These annual financial statements have been prepared based on the expectation that the Municipal Entity will continue to operate as a going concern for the foreseeable future.

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.

#### 1.4 Significant judgments and sources of estimation uncertainty

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

##### Trade receivables and loans and receivables

The Municipal Entity assesses its trade receivables and loans and 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 judgments 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 and loans and 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.

##### Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the entity for similar financial instruments.

Subsequent to initial measurement, investment property is measured at fair value. The fair value of investment property reflects market conditions at the reporting date, determined by the external valuator.

# Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements: Accounting Policies

---

### 1.4 Significant judgments and sources of estimation uncertainty (continued)

#### Impairment testing

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.

The Municipal Entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. 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. They are significantly affected by a number of factors including production estimates, supply demand, together with economic factors such as exchange rates inflation interest.

### 1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the Municipal Entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and standby equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and standby equipment which can only be used in connection with an item of property, plant and equipment are accounted for a property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

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

# Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements: Accounting Policies

---

### 1.5 Property, plant and equipment (continued)

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	7 - 10 years
Office equipment	Straight line	3 - 5 years
Computer equipment	Straight line	3 - 5 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting 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 is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

### 1.6 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the Municipal Entity or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipal Entity; and
- the cost or fair value of the asset can be measured reliably.

The Municipal Entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Useful life
Website development	5 years

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

# Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements: Accounting Policies

---

### 1.7 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.

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

A derivative is a financial instrument or other contract with all three of the following characteristics:

- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

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 in an arm's length transaction.

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 that are potentially favourable to the entity.

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.

### Classification

The Municipal 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	Category
Receivable from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

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	Category
Payable from exchange transactions	Financial liability measured at amortised cost

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# Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements: Accounting Policies

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### 1.7 Financial Instruments (continued)

#### Initial recognition

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

The Municipal Entity recognises financial assets using trade date accounting.

#### Initial measurement of financial assets and financial liabilities

The Municipal 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 Municipal Entity measures a financial asset and financial liability initially at its fair value.

The Municipal Entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the Municipal Entity analyses a concessionary loan into its component parts and accounts for each component separately. The Municipal Entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

#### Subsequent measurement of financial assets and financial liabilities

The Municipal 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 best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

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 Municipal 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 Municipal 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.



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### 1.7 Financial instruments (continued)

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 Municipal 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.

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 Municipal Entity derecognises financial assets using trade date accounting.

The Municipal Entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the Municipal Entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the Municipal 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.

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### 1.7 Financial Instruments (continued)

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 recognise 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 recognise 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.

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 continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the Municipal 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 Municipal 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 Municipal 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.

Dividends or similar distributions 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.

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### 1.7 Financial instruments (continued)

Distributions to holders of residual interests are recognised by the Municipal Entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the Municipal 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 Municipal Entity does not offset the transferred asset and the associated liability.

### 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.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

#### 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 or liability.

### 1.9 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the Municipal Entity; or
- (b) the number of production or similar units expected to be obtained from the asset by the Municipal Entity.

Criteria developed by the Municipal Entity to distinguish cash-generating assets from non-cash-generating assets are as follow:

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### 1.10 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

#### Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The Municipal Entity assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the Municipal Entity estimates the recoverable service amount of the asset.

#### Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

#### Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the Municipal Entity would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an oversized or overcapacity asset. Oversized assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

#### Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the Municipal Entity recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### Reversal of an impairment loss

The Municipal Entity assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the Municipal Entity estimates the recoverable service amount of that asset.

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### 1.10 Impairment of non-cash-generating assets (continued)

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

### Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

### 1.11 Contributed capital

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

### 1.12 Contingencies

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 23.

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.

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

The Municipal Entity recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgment. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the Municipal Entity for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the Municipal Entity considers that an outflow of economic resources is probable, a Municipal Entity recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

### 1.13 Commitments

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

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### 1.13 Commitments (continued)

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

### 1.14 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.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

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## Notes to the Financial Statements: Accounting Policies

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### 1.14 Revenue from exchange transactions (continued)

#### Interest

Revenue arising from the use by others of entity assets yielding interest is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipal Entity, and
- The amount of the revenue can be measured reliably.

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

### 1.15 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an Municipal Entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the Municipal Entity can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an Municipal Entity either receives value from another Municipal Entity without directly giving approximately equal value in exchange, or gives value to another Municipal Entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting Municipal Entity.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

#### Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the Municipal Entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

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### 1.15 Revenue from non-exchange transactions (continued)

#### Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the Municipal Entity.

When, as a result of a non-exchange transaction, the Municipal Entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

### 1.16 Comparative figures

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

### 1.17 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful 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.

### 1.18 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. 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 Budget information

Municipal Entity 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 Municipal Entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2018-07-01 to 2019-06-30.

The budget for the economic entity includes all the entity's approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

### 1.20 Related parties

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



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### 1.20 Related parties (continued)

Management are those persons responsible for planning, directing and controlling the activities of the Municipal Entity, including those charged with the governance of the Municipal Entity 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 Municipal Entity.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

### 1.21 Events after reporting date

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

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

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

The Municipal Entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

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Figures in Rand

2019

2018

### 2. New standards and interpretations

#### 2.1 Standards and interpretations issued, but not yet effective

The Municipal Entity has not applied the following standards and interpretations, which have been published and are mandatory for the Municipal Entity's accounting periods beginning on or after 01 July 2019 or later periods:

##### GRAP 104 (amended): Financial Instruments

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:

- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

The effective date of the amendment for Municipal Entity is 01 July 2019.

The Municipal Entity does not envisage the adoption of the amendment until such time as it becomes applicable to the Entity's operations.

The impact of this standard is currently being assessed.

##### Guideline: Guideline on the Application of Materiality to Financial Statements

The objective of this guideline: The objective of this Guideline is to provide guidance that will assist entities to apply the concept of materiality when preparing financial statements in accordance with Standards of GRAP. The Guideline aims to assist entities in achieving the overall financial reporting objective. The Guideline outlines a process that may be considered by entities when applying materiality to the preparation of financial statements. The process was developed based on concepts outlined in Discussion Paper 9 on Materiality – Reducing Complexity and Improving Reporting, while also clarifying existing principles from the Conceptual Framework for General Purpose Financial Reporting and other relevant Standards of GRAP. The Guideline includes examples and case studies to illustrate how an entity may apply the principles in the Guideline, based on specific facts presented.

It covers: Definition and characteristics of materiality, Role of materiality in the financial statements, Identifying the users of financial statements and their information needs, Assessing whether information is material, Applying materiality in preparing the financial statements, and Appendixes with References to the Conceptual Framework for General Purpose Financial Reporting and the Standards of GRAP & References to pronouncements used in the Guideline.

The effective date of the guideline is not yet set by the Minister of Finance.

The Municipal Entity does not envisage the adoption of the guideline until such time as it becomes applicable to the entity's operations.

The impact of this standard is currently being assessed.

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### 2. New standards and interpretations (continued)

#### GRAP 1 (amended): Presentation of Financial Statements

Amendments to this Standard of GRAP, are primarily drawn from the IASB's Amendments to IAS 1.

Summary of amendments are:

#### Materiality and aggregation

The amendments clarify that:

- information should not be obscured by aggregating or by providing immaterial information;
- materiality considerations apply to all parts of the financial statements; and
- even when a Standard of GRAP requires a specific disclosure, materiality considerations apply.

#### Statement of financial position and statement of financial performance

The amendments clarify that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

#### Notes structure

The amendments add examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order listed in GRAP 1.

#### Disclosure of accounting policies

Remove guidance and examples with regards to the identification of significant accounting policies that were perceived as being potentially unhelpful.

An Municipal Entity applies judgement based on past experience and current facts and circumstances.

The effective date of this amendment is for years beginning on or after 01 April 2020.

It is unlikely that the amendment will have a material impact on the entity's annual financial statements.

#### GRAP 34: Separate Financial Statements

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

It furthermore covers Definitions, Preparation of separate financial statements, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The Municipal Entity does not envisage the adoption of the standard until such time as it becomes applicable to the Municipal Entity's operations.

The impact of this standard is currently being assessed.

#### GRAP 37: Joint Arrangements

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

To meet this objective, the Standard defines joint control and requires an entity that is a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement.

# Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

It furthermore covers Definitions, Joint arrangements, Financial statements and parties to a joint arrangement, Separate financial statements, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The Municipal Entity does not envisage the adoption of the standard until such time as it becomes applicable to the Municipal Entity's operations.

It is unlikely that the standard will have a material impact on the Municipal Entity's annual financial statements.

#### GRAP 38: Disclosure of Interests in Other Entities

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

- the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- the effects of those interests on its financial position, financial performance and cash flows.

It furthermore covers Definitions, Disclosing information about interests in other entities, Significant judgments and assumptions, Investment entity status, Interests in controlled entities, Interests in joint arrangements and associates, Interests in structured entities that are not consolidated, Non-qualitative ownership interests, Controlling interests acquired with the intention of disposal, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The Municipal Entity does not envisage the adoption of the standard until such time as it becomes applicable to the Municipal Entity's operations.

The impact of this standard is currently being assessed.

#### GRAP 110 (as amended 2016): Living and Non-living Resources

The objective of this Standard is to prescribe the:

- recognition, measurement, presentation and disclosure requirements for living resources; and
- disclosure requirements for non-living resources

It furthermore covers Definitions, Recognition, Measurement, Depreciation, Impairment, Compensation for impairment, Transfers, Derecognition, Disclosure, Transitional provisions and Effective date.

Amendments to the Standard of GRAP on Living and Non-living Resources resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23; and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when a living resource is revalued; To clarify acceptable methods of depreciating assets; and To define a bearer plant and include bearer plants within the scope of GRAP 17 or GRAP 110, while the produce growing on bearer plants will remain within the scope of GRAP 27

The effective date of the standard is for years beginning on or after 01 April 2020.

The Municipal Entity does not envisage the adoption of the standard until such time as it becomes applicable to the Municipal Entity's operations.

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# Greater Tzaneen Economic Development Agency (Pty) Ltd

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### 2. New standards and interpretations (continued)

It is unlikely that the standard will have a material impact on the Municipal Entity's annual financial statements.

#### **IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue**

The amendments to this Interpretation of the Standard of GRAP clarifies that the entity should also consider other factors in assessing the probability of future economic benefits or service potential to the entity. Entities are also uncertain of the extent to which factors, other than the uncertainty about the collectability of revenue, should be considered when determining the probability of the inflow of future economic benefits or service potential on initial recognition of revenue. For example, in providing certain goods or services, or when charging non-exchange revenue, the amount of revenue charged may be reduced or otherwise modified under certain circumstances. These circumstances include, for example, where the entity grants early settlement discounts, rebates or similar reductions based on the satisfaction of certain criteria, or as a result of adjustments to revenue already recognised following the outcome of any review, appeal or objection process.

The consensus is that on initial recognition of revenue, an entity considers the revenue it is entitled to, following its obligation to collect all revenue due to it in terms of legislation or similar means. In addition, an entity considers other factors that will impact the probable inflow of future economic benefits or service potential, based on past experience and current facts and circumstances that exist on initial recognition.

An entity applies judgement based on past experience and current facts and circumstances.

The effective date of the amendment is for years beginning on or after 01 April 2020.

The Municipal Entity does not envisage the adoption of the amendment until such time as it becomes applicable to the entity's operations.

It is unlikely that the standard will have a material impact on the Municipal Entity's annual financial statements.

#### **GRAP 18 (as amended 2016): Segment Reporting**

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

Amendments to the Standard of GRAP on Segment Reporting resulted from editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP.

The most significant changes to the Standard are:

- General improvements: An appendix with illustrative segment disclosures has been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the standard is for years beginning on or after 01 April 2019

The Municipal Entity does not envisage the adoption of the standard until such time as it becomes applicable to the Municipal Entity's operations.

The impact of this standard is currently being assessed.

#### **GRAP 20: Related parties**

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

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## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is not yet set by the Minister of Finance.

The Municipal Entity does not envisage the adoption of the standard until such time as it becomes applicable to the Entity's operations.

It is unlikely that the standard will have a material impact on the entity's annual financial statements.

# Greater Tzaneen Economic Development Agency (Pty) Ltd

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## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

#### GRAP 32: Service Concession Arrangements: Grantor

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The entity does not envisage the adoption of the standard until such time as it becomes applicable to the entity's operations.

It is unlikely that the standard will have a material impact on the entity's annual financial statements.

#### IGRAP 19: Liabilities to Pay Levies

This Interpretation of the Standards of GRAP provides guidance on the accounting for levies in the financial statements of the entity that is paying the levy. It clarifies when entities need to recognise a liability to pay a levy that is accounted for in accordance with GRAP 19.

To clarify the accounting for a liability to pay a levy, this Interpretation of the Standards of GRAP addresses the following issues:

- What is the obligating event that gives rise to the recognition of a liability to pay a levy?
- Does economic compulsion to continue to operate in a future period create a constructive obligation to pay a levy that will be triggered by operating in that future period?
- Does the going concern assumption imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period?
- Does the recognition of a liability to pay a levy arise at a point in time or does it, in some circumstances, arise progressively over time?
- What is the obligating event that gives rise to the recognition of a liability to pay a levy that is triggered if a minimum threshold is reached?

Consensus reached in this interpretation:

- The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation;
- An entity does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period;
- The preparation of financial statements under the going concern assumption does not imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period;
- The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time;
- If an obligation to pay a levy is triggered when a minimum threshold is reached, the accounting for the liability that arises from that obligation shall be consistent with the principles established in this Interpretation of the Standards of GRAP; and
- An entity shall recognise an asset, in accordance with the relevant Standard of GRAP, if it has prepaid a levy but does not yet have a present obligation to pay that levy.

The effective date of the interpretation is not yet set by the Minister of Finance.

The entity does not envisage the adoption of the interpretation until such time as it becomes applicable to the entity's operations.

It is unlikely that the interpretation will have a material impact on the Municipal Entity's annual financial statements.

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## Notes to the Annual Financial Statements

Figures in Rand 2019      2018

### 3. Receivables from exchange transactions

Prepayments	3 089	1 939
Rental deposits	3 386	3 386
	<b>6 475</b>	<b>5 325</b>

### 4. Receivables from non-exchange transactions

Discretionary grant receivable from SETA	720 000	-
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### 5. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	178	178
Bank balances	415 796	206 220
Other cash and cash equivalents	1 255	359 194
	<b>417 229</b>	<b>565 592</b>

The entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
Petty Cash - ABSA BANK - Cheque Account 40-7166-4582	-	-	-	178	178	178
ABSA BANK -Cheque Account 40-7166-4582	93 850	206 220	646 331	93 850	206 220	646 331
ABSA BANK - 32day Notice Account 92-2181-3770	356	348	340	356	348	340
ABSA BANK - Depositor Plus Account 92-8795-3029	898	358 845	64 508	898	358 846	64 508
ABSA Bank - Classic Business Account (SETA) 40-9462-4490	321 947	-	-	321 947	-	-
<b>Total</b>	<b>417 051</b>	<b>565 413</b>	<b>711 179</b>	<b>417 229</b>	<b>565 592</b>	<b>711 357</b>

### 6. Property, plant and equipment

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	183 960	(163 446)	20 514	171 732	(147 207)	24 525
Office equipment	37 278	(27 240)	10 038	45 324	(38 810)	6 514
IT equipment	245 776	(160 636)	85 140	257 333	(141 757)	115 576
<b>Total</b>	<b>467 014</b>	<b>(351 322)</b>	<b>115 692</b>	<b>474 389</b>	<b>(327 774)</b>	<b>146 615</b>



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## Notes to the Annual Financial Statements

Figures in Rand 2019 2018

### 6. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	24 525	12 232	(16 243)	20 514
Office equipment	6 514	7 879	(4 355)	10 038
IT equipment	115 576	14 500	(44 936)	85 140
	<b>146 615</b>	<b>34 611</b>	<b>(65 534)</b>	<b>115 692</b>

#### Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	43 794	-	(19 269)	24 525
Office equipment	3 355	5 216	(2 057)	6 514
IT equipment	24 812	107 642	(16 878)	115 576
	<b>71 961</b>	<b>112 858</b>	<b>(38 204)</b>	<b>146 615</b>

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the Municipal Entity.

### 7. Intangible assets

	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	48 687	(48 687)	-	48 687	(45 201)	3 486
Website	45 051	(45 051)	-	45 051	(45 051)	-
<b>Total</b>	<b>93 738</b>	<b>(93 738)</b>	<b>-</b>	<b>93 738</b>	<b>(90 252)</b>	<b>3 486</b>

#### Reconciliation of intangible assets - 2019

	Opening balance	Amortisation	Total
Computer software	3 486	(3 486)	-

#### Reconciliation of intangible assets - 2018

	Opening balance	Amortisation	Total
Computer software	8 063	(4 577)	3 486

### 8. Payables from exchange transactions

Rental and other expenses	42 233	65 947
Accrued leave pay	45 598	39 005
Other payables	106 627	109 317
Accrued Audit fee	495 934	-
	<b>690 392</b>	<b>214 269</b>

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## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>9. SARS</b>		
VAT and interest	6 835 937	6 020 084
The VAT payable consists of assessments issued by SARS, provision for interest and VAT payable on the grant received from Greater Tzaneen Municipality.		
<b>10. Contributed capital</b>		
<b>Authorised</b>		
1 000 Ordinary shares of R1 each	1 000	1 000
<b>Issued</b>		
Ordinary Shares	100	100
<b>11. Revenue</b>		
Interest received - investment	23 230	50 645
Government grants & subsidies	6 834 783	6 254 650
Discretionary grant received from SETA	2 898 502	-
Administration and project management costs from SETA	217 388	-
	<b>9 973 903</b>	<b>6 305 295</b>
The amount included in revenue arising from exchanges of goods or services are as follows:		
Interest received - investment	23 230	50 645
The amount included in revenue arising from non-exchange transactions is as follows:		
<b>Taxation revenue</b>		
<b>Transfer revenue</b>		
Government grants & subsidies	6 834 783	6 254 650
Discretionary grant received from SETA	2 898 502	-
Administration and project management costs from SETA	217 388	-
	<b>9 950 673</b>	<b>6 254 650</b>
<b>12. Cash used in operations</b>		
Deficit	(753 598)	(2 018 332)
<b>Adjustments for:</b>		
Depreciation and amortisation	69 020	42 780
<b>Changes in working capital:</b>		
Receivables from exchange transactions	(1 150)	28 993
Other receivables from non-exchange transactions	(720 000)	-
Payables from exchange transactions	476 123	(91 788)
VAT	815 853	2 005 440
	<b>(113 752)</b>	<b>(32 907)</b>
<b>13. Taxation</b>		
The entity is exempt from income tax in terms of Section S10(1)(cA)(ii) of the Income Tax Act.		

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## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>14. Employee related costs</b>		
Basic	2 600 905	2 257 860
Bonus	51 488	37 431
Other payroll levies ( Statutory Levies)	839 682	487 971
Leave pay provision charge	56 092	94 115
Travel and accommodation	112 238	59 691
Overtime payments	15 218	6 702
13th Cheques	115 978	97 064
	<b>3 791 601</b>	<b>3 040 834</b>
<b>Compensation of Executive Directors</b>		
<b>K.J. Maphoto - Chief Executive Officer</b>		
Annual Remuneration	700 834	689 766
Performance Bonuses	51 488	37 431
Travelling	113 418	91 989
	<b>865 740</b>	<b>819 186</b>
<b>15. Government grants and subsidies</b>		
<b>Operating grants</b>		
Greater Tzaneen Municipality	6 834 783	6 254 650
<b>16. Depreciation and amortisation</b>		
Property, plant and equipment	65 534	38 203
Intangible assets	3 486	4 577
	<b>69 020</b>	<b>42 780</b>

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## Notes to the Annual Financial Statements

Figures in Rand		2019	2018
<b>17. General expenses</b>			
Advertising and marketing		70 926	132 430
Auditors fees	Note 18	838 767	347 327
Bank charges		41 844	37 077
Cleaning		-	4 400
Consumables		1 023	3 398
Entertainment		9 637	7 323
Fines and penalties: SARS		351 828	274 531
Insurance		16 243	16 111
IT expenses		77 380	40 695
Postage and courier		595	211
Printing and stationery		32 469	18 300
Security (alarm for municipal entity property)		4 281	4 636
Seminar and workshops		67 604	32 094
Subscriptions and membership fees		25 280	28 475
Telephone and fax		155 230	153 844
Training		-	63 128
Travel - local		235 185	327 914
Social inclusion		-	3 241
VAT adjustment #		(17 250)	1 075 068
First aid		112	-
Statutory payments		104 356	113 717
		<b>2 015 510</b>	<b>2 683 920</b>

# The VAT adjustment relates to the correction of the VAT liability account. Provision has been made for the assessments raised by SARS, accrued interest and any journals passed by SARS on the account.

### 18. Auditors' remuneration

External audit fees	786 593	179 499
Internal audit fees	52 174	167 828
	<b>838 767</b>	<b>347 327</b>

### 19. Related parties

#### Relationships

Controlling entity	Greater Tzaneen Municipality
Major stakeholders	Chief Executive Officer and Board ( Note 14 and 19)

#### Identity of related parties

The parent shareholder is Greater Tzaneen Municipality (GTM) and the ultimate controlling party is Greater Tzaneen Municipality (GTM).

The Board of Directors comprises of directors as listed in the directors report and its committees, namely the Finance and Risk Committee, HR Committee and Project, Investment Committee and Social and Ethics Committee.

Greater Tzaneen Municipality Audit Committee ( Shared).

There are no entities that are related to the directors of the Board.

#### Related party transactions

##### Grant received from related parties

Greater Tzaneen Municipality	6 834 783	6 254 650
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## Notes to the Annual Financial Statements

Figures in Rand	2019	2018	
<b>20. Remuneration of board members</b>			
Board fees	914 224	951 156	
<b>30 June 2019</b>			
	Emoluments	Travelling allowance	Total
M.Z Mawasha (Chairperson)	138 105	28 469	166 574
Adv E.S Maake	146 601	33 037	179 638
M.F Mushwana	89 388	12 713	102 101
M.J Makapan	74 491	76 430	150 921
M.I Moakamela	81 939	23 268	105 207
B.J Pretorius	78 215	36 212	114 427
B.L Mathebula	63 317	32 039	95 356
	<b>672 056</b>	<b>242 168</b>	<b>914 224</b>
<b>30 June 2018</b>			
	Emoluments	Travelling allowance	Total
M.Z Mawasha (Chairperson)	165 849	34 560	200 409
Adv E.S Maake	147 402	41 088	188 490
M.F Mushwana	82 676	14 149	96 825
M.J Makapan	70 436	102 202	172 638
M.I Moakamela	75 998	19 850	95 848
B.J Pretorius	106 545	3 447	109 992
B.L Mathebula	48 287	38 667	86 954
	<b>697 193</b>	<b>253 963</b>	<b>951 156</b>
<b>21. Project costs</b>			
Business support centre	3 132 036	606 887	
Livestock (Leather Making)	7 313	67 951	
Radio Station (GTFM)	9 579	49 958	
	<b>3 148 928</b>	<b>724 796</b>	
<b>22. Commitments</b>			
<b>Authorised capital expenditure</b>			
<b>Already contracted for but not provided for</b>			
• Internal Audit	73 099	125 731	
• IT support	44 170	23 940	
• Cellphone	52 118	22 200	
• Panasonic -copier rental	52 734	110 262	
• Office lease / rental	36 092	-	
	<b>258 213</b>	<b>282 133</b>	

Cathu Consulting is an Internal Audit Company re-appointed for a period of two years from 07 January 2018 to 31 January 2020 for provision of internal audit services and the commitment amount is R 73 099.42.

Bohlabelo Computers is an IT support contract at R 6 310 per month for a period of 12 months from 01/02/2019 to 31/01/2020.

Vodacom cellular phone contract for the following official, contracted for 24 months:  
Project Manager (29/04/2019 to 30/05/2021). R 2 369 p.m.

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### 22. Commitments (continued)

Panasonic is a company contracted for the rental of copier machine at R 4 794 per month for a period of three years (01/06/2017 to 30/05/2020)

Tzaneen Steel is an office rental contract at R36 092 per month for a period of 12 months (1/08/2018 to 31/07/2019).

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

### 23. Contingencies

#### **Mushwana vs GTEDA in the High Court of SA**

**Case No: JR142/16**

Mr A. Mushwana was dismissed with effect from 18 May 2015 as a sanction of the disciplinary hearing. Subsequently, Mr A Mushwana approached the Labour court of South Africa pleading for arbitration sanction following the outcomes of the disciplinary hearing Mr. A Mushwana further requested for reasons for dismissal from the Labour court to prepare for an appeal since 2017. The case is continuing and the potential extend of the liability cannot be determined at this stage.

Subsequently, Mr A. Mushwana proceeded the matter to the High Court in terms of the provisions of section 145 of the Labour Relations Act 66 of 1995, for an order to review and set aside the CCMA ruling awarded in favour of GTEDA. The potential extent of the liability cannot be determined at this stage.

#### **Mushwana vs GTEDA in the Tzaneen Magistrate Court**

**Case No: 2834/15**

Subsequent to Mr. A Mushwana's dismissal, he approached the Court for the Subdistrict of Tzaneen pleading for compensation for his alleged bonus. An agreement was reached with legal representatives of the employee with his concern, a settlement amount was agreed us.

The contingent liability is R 103 000.

#### **Output VAT on Grants**

Provision for VAT payable has been made. This is a result of the Entity not declaring output VAT on grants received from its funders i.e. the Greater Tzaneen Municipality and Industrial Development Corporation.

Penalties and interest have been accrued.

# Greater Tzaneen Economic Development Agency (Pty) Ltd

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## Notes to the Annual Financial Statements

Figures in Rand 2019      2018

### 24. Prior year adjustments

#### Statement of Financial Position:

The correction of the errors are as follows:

#### For 2018:

#### R177      Cash and cash equivalents

2018/06/30      Interest was not accrued for R168 on the ABSA Depositor Plus Account and R9 on the 32 day Notice Account.

#### R3 752 614      VAT Liability

2018/06/30      The VAT liability for 2018 was understated with the SARS assessments raised and not previously accounted for in the books, the amount of R2 677 545 relates to 2017 financial year and the amount of R1 075 068 relates to the 2018 financial year.

#### R40 010      Current liabilities

2018/06/30      Expenses for operating lease rentals for Panasonic payment, not previously accrued, now corrected.

#### 2017

#### R2 677 545      VAT Liability

2017/06/30      The VAT liability for 2017 was understated with the SARS assessment raised and was not previously accounted for in the books.

Statement of Financial Position	2018 Previously reported	Correction of error	2018 Restated
<b>Current Assets</b>			
Receivables from exchange transactions	5 325	-	5 325
Cash and cash equivalents	565 415	177	565 592
<b>Non-Current Assets</b>			
Property, plant and equipment	146 615	-	146 615
Intangible assets	3 486	-	3 486
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	(174 259)	(40 010)	(214 269)
VAT payable	(2 267 470)	(3 752 614)	(6 020 084)
Contributed capital	(100)	-	(100)
<b>Accumulated deficit</b>	<b>(1 720 988)</b>	<b>(3 792 447)</b>	<b>(5 513 435)</b>

# Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand

2019

2018

### 24. Prior year adjustments (continued)

#### Statement of Financial Performance

##### For 2018:

##### R177      Accrued interest

2018/06/30      Interest was not accrued for R168 on the ABSA Depositor Plus Account and R9 on the 32 day Notice Account

##### R 1 079 468      General Expenses

2018/06/30      General expense was overstated with R4400 that was taken to boards remuneration and the amount of R1 075 068 relates to VAT adjustments.

##### R207 310      Lease rentals on operating lease

Repairs and maintenance with an amount of R167 300 have been reclassified to Lease rentals on operating lease. Accrual for Panasonic lease rental for R40 010 was not accrued in the prior year and now corrected.

##### For 2017

##### R2 677 545      General expense

2017/06/30      General expense was understated with the amount of R2 677 545 that relates to vat adjustments.

#### Statement of Financial Performance

	2018 Previously reported	Correction of error	2018 Restated
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Interest received	50 468	177	50 645
<b>Transfer revenue</b>			
Government grants & subsidies	6 254 650	-	6 254 650
<b>Expenditure</b>			
Employee costs	(3 040 834)	-	(3 040 834)
Remuneration of Board	(955 556)	4 400	(951 156)
Consulting fee	(367 492)	-	(367 492)
Depreciation and amortisation	(42 780)	-	(42 780)
General expenses	(1 604 452)	(1 079 468)	(2 683 920)
Lease rentals on operating lease	(305 339)	(207 310)	(512 649)
Project costs	(724 796)	-	(724 796)
Repairs and maintenance	(167 300)	167 300	-
<b>Surplus/(loss) for the year</b>	<b>(903 431)</b>	<b>(1 114 901)</b>	<b>(2 018 332)</b>



# Greater Tzaneen Economic Development Agency (Pty) Ltd

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## Notes to the Annual Financial Statements

Figures in Rand	2019	2018	
<b>24. Prior year adjustments (continued)</b>			
<b>Cash Flow Statement</b>	2018 Previously reported	Correction of error	2018 Restated
<b>Cash flow from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services	28 993	-	28 993
Grants	6 254 650	-	6 254 650
Interest income	50 468	177	50 645
<b>Payments</b>			
Employee costs	(4 000 790)	8 800	(3 991 990)
Suppliers	(2 366 405)	(8 800)	(2 375 205)
<b>Cash flow from investing activities</b>			
Purchase of property, plant and equipment	(112 858)	-	(112 858)
Cash and cash equivalents at beginning of the year	711 357	-	711 357
<b>Cash and cash equivalents at the end of the year</b>	<b>565 415</b>	<b>177</b>	<b>565 592</b>
<b>Statement of Financial Position</b>	2017 Previously reported	Correction of error	2017 Restated
<b>Current Assets</b>			
Receivables from exchange transactions	34 318	-	34 318
Cash and cash equivalents	711 357	-	711 357
<b>Non-Current Assets</b>			
Property, plant and equipment	71 961	-	71 961
Intangible assets	8 063	-	8 063
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	(306 058)	-	(306 058)
VAT payable	(1 337 099)	(2 677 545)	(4 014 644)
Contributed capital	(100)	-	(100)
<b>Accumulated surplus / (deficit)</b>	<b>(817 558)</b>	<b>(2 677 545)</b>	<b>(3 495 103)</b>
<b>Statement of Financial Performance</b>	2017 Previously reported	Correction of error	2017 Restated
<b>Revenue from exchange transactions</b>			
Interest received	43 887	-	43 887
Other income	131 145	-	131 145
<b>Revenue from non-exchange transactions</b>			
Transfer revenue	-	-	-
Grants and subsidies	5 906 832	-	5 906 832
<b>Expenditure</b>			
Employee related costs	(2 764 610)	-	(2 764 610)
Remuneration of board members	(807 858)	-	(807 858)
Consulting fees	(249 634)	-	(249 634)
Depreciation and amortisation	(43 065)	-	(43 065)
General expenses	(1 100 460)	(2 677 545)	(3 778 005)
Lease rentals on operating lease	(259 963)	-	(259 963)
Project costs	(650 835)	-	(650 835)
Repairs and maintenance	(223 716)	-	(223 716)
Total Expenditure	(6 100 140)	-	(6 100 140)
<b>(Deficit) / surplus for the year</b>	<b>(18 277)</b>	<b>(2 677 545)</b>	<b>(2 695 822)</b>

# Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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### 25. Risk management

#### Financial risk management

##### Liquidity risk

The Municipal Entity manages liquidity risk through proper management of working capital, capital expenditure and actual forecasted cash flow and its cash management policy. Adequate reserves and liquid resources are also maintained.

The carrying amount of the financial liabilities represents the liquidity exposure. The maximum exposure to liquidity exposure at the reporting date was:

At 30 June 2019	Less than 1 year	Between 1 and 2 years
Trade and other payables	7 526 329	-
At 30 June 2018	Less than 1 year	Between 1 and 2 years
Trade and other payables	6 234 353	-

##### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The Municipal Entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial instrument	2019	2018
Cash and cash equivalents	417 229	565 592

##### Market risk

##### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates.

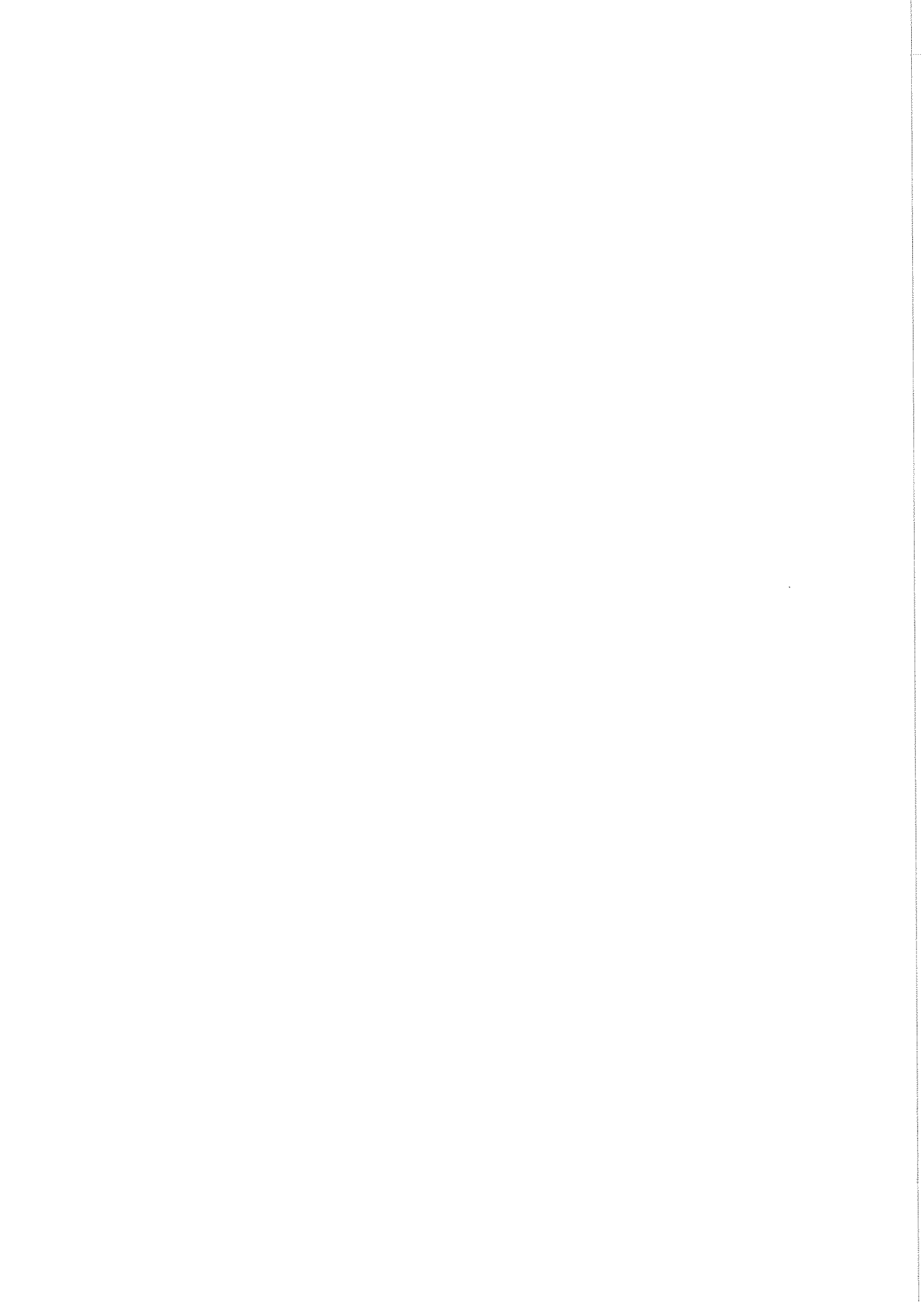
As the Municipal Entity has no significant interest-bearing assets, the Municipal Entity's income and operating cash flows are substantially independent of changes in market interest rates.

### 26. Fruitless and wasteful expenditure

Opening balance	342 556	68 025
Fruitless and wasteful expenditure - Condoned (28 March 2019)	(342 556)	-
Penalties and interest: SARS ( VAT )	351 828	274 531
<b>Fruitless and wasteful expenditure awaiting condonement</b>	<b>351 828</b>	<b>342 556</b>

The Fruitless and Wasteful Expenditure Report was referred to the Finance and Risk Committee for investigation, was escalated to MPAC, and subsequently the expenditure was condoned by the Board.

A fruitless and wasteful register containing the details of all the transactions supporting the fruitless and wasteful balance is available at the registered address of GTEDA.





# Greater Tzaneen Economic Development Agency (Pty) Ltd

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## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>27. Irregular expenditure</b>		
Opening balance	76 658	13 480
Add: Irregular Expenditure - current year	-	63 178
Irregular expenditure - Condoned on 28 March 2019	(76 658)	-
	<u>-</u>	<u>76 658</u>

The Irregular Expenditure Report was referred to the Finance and Risk Committee for investigation, was escalated to MPAC, and subsequently the expenditure was condoned by the Board.

A irregular expenditure register containing the details of all the transactions supporting the irregular expenditure balance is available at the registered address of GTEDA.

### 28. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the Accounting Officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the Accounting Officer and includes a note to the annual financial statements.

An amount of R 73 250 were procured for accounting services during the financial year under review and the process followed in procuring those services deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the Accounting Officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

### 29. Administration and project management costs from SETA

Admin and project management costs ( SETA)	<u>217 388</u>	-
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In terms of paragraph 8 of the SETA Offer To Contract of the Grant Regulations and the Services SETA's Discretionary Grant Policy a maximum of 7.5% of the amount of grant funding may be used/allocated towards administration and project management costs ("administration costs").

Greater Tzaneen Economic Development Agency (Pty) Ltd  
Appendix B

Analysis of property, plant and equipment as at 30 June 2019  
Cost/Revaluation Accumulated depreciation

	Opening Balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Closing Balance	Opening Balance	Disposals	Transfers	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Other assets</b>														
Computer equipment	257 333	14 500	(26 057)	-	-	-	245 776	(141 757)	26 057	-	(44 936)	-	(160 636)	85 140
Furniture and fittings	171 732	12 232	(4)	-	-	-	183 960	(147 207)	4	-	(16 243)	-	(163 448)	20 514
Office equipment	45 324	7 879	(15 925)	-	-	-	37 278	(38 810)	15 925	-	(4 355)	-	(27 240)	10 038
	474 389	34 611	(41 986)	-	-	-	467 014	(327 774)	41 986	-	(55 534)	-	(351 322)	115 692
<b>Total property plant and equipment</b>	474 389	34 611	(41 986)	-	-	-	467 014	(327 774)	41 986	-	(55 534)	-	(351 322)	115 692
<b>Intangible assets</b>														
Computers - software	48 687	-	-	-	-	-	48 687	(45 201)	-	-	(3 486)	-	(48 687)	-
Website	45 051	-	-	-	-	-	45 051	(45 051)	-	-	-	-	(45 051)	-
	93 738	-	-	-	-	-	93 738	(90 252)	-	-	(3 486)	-	(93 738)	-
<b>Total</b>														
Other assets	474 389	34 611	(41 986)	-	-	-	467 014	(327 774)	41 986	-	(55 534)	-	(351 322)	115 692
Intangible assets	93 738	-	-	-	-	-	93 738	(90 252)	-	-	(3 486)	-	(93 738)	-
	568 127	34 611	(41 986)	-	-	-	560 752	(418 026)	41 986	-	(69 020)	-	(445 060)	115 692

**Greater Tzaneen Economic Development Agency (Pty) Ltd**  
**Appendix B**

**Analysis of property, plant and equipment as at 30 June 2018**  
**Accumulated depreciation**

	Opening Balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Closing Balance	Opening Balance	Disposals	Transfers	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Other assets</b>														
Computer equipment	179 519	107 642	-	-	-	(29 828)	257 333	(154 707)	-	28 828	(16 878)	-	(141 757)	115 576
Furniture and fittings	166 457	-	-	-	-	5 275	171 732	(122 864)	-	(5 274)	(19 268)	-	(147 207)	24 525
Office equipment	40 108	5 216	-	-	-	-	45 324	(36 753)	-	-	(2 057)	-	(38 810)	6 514
	<b>366 084</b>	<b>112 858</b>	-	-	-	<b>(24 553)</b>	<b>474 389</b>	<b>(314 124)</b>	-	<b>24 554</b>	<b>(38 204)</b>	-	<b>(327 774)</b>	<b>146 615</b>
<b>Total property plant and equipment</b>	<b>366 084</b>	<b>112 858</b>	-	-	-	<b>(24 553)</b>	<b>474 389</b>	<b>(314 124)</b>	-	<b>24 554</b>	<b>(38 204)</b>	-	<b>(327 774)</b>	<b>146 615</b>
<b>Intangible assets</b>														
Computers - software	48 687	-	-	-	-	-	48 687	(40 624)	-	-	(4 577)	-	(45 201)	3 486
Website	45 051	-	-	-	-	-	45 051	(45 051)	-	-	-	-	(45 051)	-
	<b>93 738</b>	-	-	-	-	-	<b>93 738</b>	<b>(85 675)</b>	-	-	<b>(4 577)</b>	-	<b>(80 252)</b>	<b>3 486</b>
<b>Total</b>														
Other assets	366 084	112 858	-	-	-	(24 553)	474 389	(314 124)	-	24 554	(38 204)	-	(327 774)	146 615
Intangible assets	93 738	-	-	-	-	-	93 738	(85 675)	-	-	(4 577)	-	(80 252)	3 486
	<b>479 822</b>	<b>112 858</b>	-	-	-	<b>(24 553)</b>	<b>568 127</b>	<b>(399 799)</b>	-	<b>24 554</b>	<b>(42 781)</b>	-	<b>(418 026)</b>	<b>160 101</b>

Greater Tzaneen Economic Development Agency (Pty) Ltd  
 Appendix C

Segmental analysis of property, plant and equipment as at 30 June 2019

	Cost/Revaluation				Accumulated Depreciation					Carrying value Rand
	Opening Balance Rand	Additions Rand	Disposals Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Closing Balance Rand	
GTEDA										
Planning and Development/Economic Development/Plan	474 389	34 611	(41 986)	467 014	(327 774)	41 986	-	(65 534)	(351 322)	115 692
	<b>474 389</b>	<b>34 611</b>	<b>(41 986)</b>	<b>467 014</b>	<b>(327 774)</b>	<b>41 986</b>	<b>-</b>	<b>(65 534)</b>	<b>(351 322)</b>	<b>115 692</b>
Total	<b>474 389</b>	<b>34 611</b>	<b>(41 986)</b>	<b>467 014</b>	<b>(327 774)</b>	<b>41 986</b>	<b>-</b>	<b>(65 534)</b>	<b>(351 322)</b>	<b>115 692</b>



Greater Tzaneen Economic Development Agency (Pty) Ltd  
 Appendix D

**Segmental Statement of Financial Performance for the year ended**  
**Prior Year** **Current Year**

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
<b>GTEDA</b>						
6 305 295	8 323 627	(2 018 332)	Planning and Development/Economic Development/Plan	9 973 903	10 727 501	(753 598)
<b>6 305 295</b>	<b>8 323 627</b>	<b>(2 018 332)</b>		<b>9 973 903</b>	<b>10 727 501</b>	<b>(753 598)</b>

**Greater Tzaneen Economic Development Agency (Pty) Ltd**  
**Appendix E(1)**

**Actual versus Budget (Revenue and Expenditure) for the year ended 30 June 2019**

	Current year 2019 Act. Bal.	Current year 2019 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
<b>Revenue</b>					
Interest received (trading)	23 230	-	23 230	100	Variance is due to interest earned on higher investment balance than anticipated.
Grants Received	6 834 783	6 835 147	(364)	100	
Income received from SETA (Conditional Grant)	2 898 502	-	2 898 502	100	SETA grant was approved on 05 March 2018 and the first payment was received or provided in the current year.
Administration and project management costs from SETA	217 388	-	217 388	100	7.5% administration and management fee grant funding.
	<b>9 973 903</b>	<b>6 835 147</b>	<b>3 138 756</b>	<b>100</b>	
<b>Expenses</b>					
Project Cost	(3 148 927)	(4 034 314)	885 387	(21.9)	Due to service SETA projects.
Employees Costs	(3 791 601)	(3 908 643)	117 042	(3.0)	
Remuneration of Board members	(914 224)	(1 157 171)	242 947	(21.0)	Reduced number of board committee meetings.
Lease rental and operating lease	(509 839)	(602 459)	92 620	(15.4)	Maintanace of the Printing machine was reduced.
Depreciation and impairment	(69 020)	(75 087)	6 067	(8.1)	
Consulting fees	(278 380)	(333 243)	54 863	(16.5)	Reduced number of Court appeals.
General Expenses	(2 015 510)	(1 674 501)	(341 009)	20.4	Due to service SETA projects, but was disclosed seperately in the annual financial statements.
	-	-	-	-	
Net surplus/ (deficit) for the year	(10 727 501)	(11 785 418)	1 057 917	(9.0)	
	<b>(753 598)</b>	<b>(4 950 271)</b>	<b>4 196 673</b>	<b>(84.8)</b>	

Greater Tzaneen Economic Development Agency (Pty) Ltd  
Appendix E(2)

Budget Analysis of Capital Expenditure as at 30 June  
2019

	Actual Expenditure Rand	Revised Budget Rand	Variance Rand	Variance %	Explanation of significant variances from budget
<b>GTEDA</b>					
Planning and Development/Economic Development/Plan	34 611	235 000	200 389	85	Variance is due to delay in implementation of MSCOA, compatible equipment was not purchased
	<b>34 611</b>	<b>235 000</b>	<b>200 389</b>	<b>85</b>	

**Greater Tzaneen Economic Development Agency (Pty) Ltd**  
**Appendix G1**  
**Budgeted Financial Performance (revenue and expenditure by standard classification)**  
**for the year ended 30 June 2019**

	2019/2018		2018/ 2017			
	Budget Adjustments (i.e. s28 and s31 of the MFRMA)	Final adjustments and budget	Actual Outcome	Variance of Actual Outcome against Adjustments	Actual Outcome as % of Original Budget	Restated Audited Outcome
Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Revenue - Functional</b>						
Economic and environmental services	6 835 147	6 835 147	6 834 783	364	100 %	6 254 650
Planning and development	6 835 147	6 835 147	6 834 783	364	100 %	6 254 650
Income received from SETA	-	-	2 898 502	(2 898 502)	100 %	-
Administration and project management costs from SETA	-	-	217 388	(217 388)	100 %	-
Income received from SETA	-	-	2 681 114	(2 681 114)	100 %	-
Interest received	-	-	23 230	(23 230)	100 %	50 845
Interest received	-	-	23 230	(23 230)	100 %	50 845
<b>Total Revenue - Functional</b>	<b>6 835 147</b>	<b>6 835 147</b>	<b>9 973 903</b>	<b>(3 138 756)</b>	<b>146 %</b>	<b>6 305 295</b>
<b>Expenditure - Functional</b>						
Economic and environmental services	7 860 418	3 925 000	11 785 418	1 057 917	136 %	8 323 627
Planning and development	7 860 418	3 925 000	10 727 501	1 057 917	136 %	8 323 627
<b>Total Expenditure - Functional</b>	<b>7 860 418</b>	<b>3 925 000</b>	<b>10 727 501</b>	<b>1 057 917</b>	<b>136 %</b>	<b>8 323 627</b>
<b>Surplus/(Deficit) for the year</b>	<b>(1 025 271)</b>	<b>(3 925 000)</b>	<b>(4 950 271)</b>	<b>(4 196 673)</b>	<b>74 %</b>	<b>(2 018 332)</b>

Greater Tzaneen Economic Development Agency (Pty) Ltd  
 Appendix G4  
 Budgeted Capital Expenditure by vote, standard classification and funding  
 for the year ended 30 June 2019

	2019/2018		2018/ 2017			
	Original Budget	Final Budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand
Capital expenditure - Vote Multi-year expenditure						
GTEDA	235 000	235 000	34 611	(200 389)	15 %	112 658
Capital multi-year expenditure sub-total	235 000	235 000	34 611	(200 389)	15 %	112 658
Single-year expenditure						
Total Capital Expenditure - Vote	235 000	235 000	34 611	(200 389)	15 %	112 658

Capital Expenditure - Functional  
 Funded by:

