



greater tzaneen economic development agency



2016/17 DRAFT ANNUAL REPORT GREATER TZANEEN ECONOMIC DEVELOPMENT AGENCY

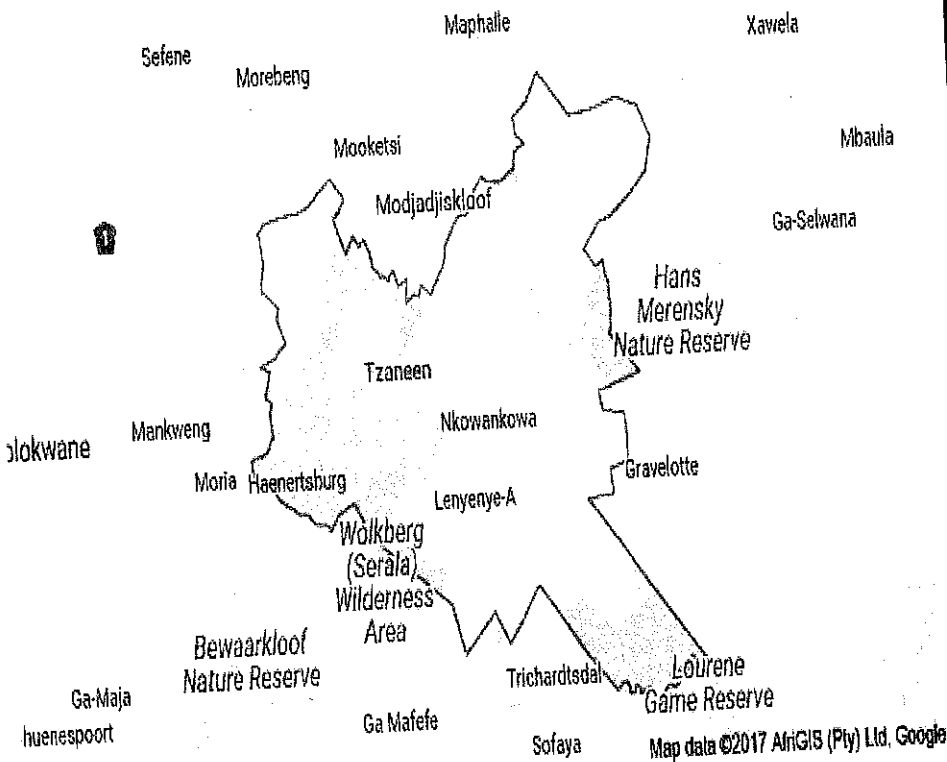
CONTACTS:

TELEPHONE: 015-307 3296

FAX NO: 015 307 4954

EMAIL: info@qteda.co.za

WEBSITE: www.qteda.co.za




Mr. KJ Maphoto

Chief Executive Officer



Mr. MZ Mawasha

Board Chairperson

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ABBREVIATION/ ACRONYMS

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

INTRODUCTION

We are honoured to submit the Annual Report of the Greater Tzaneen Economic Development Agency (GTEDA) for the period 01 July 2016 to 30 June 2017, 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 2016/17;
- 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 transparent governance and accountability by submitting the following for the Year Ending 30 June 2017:

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

LEGISLATIVE/ REGULATORY FRAMEWORK

GTEDA as a Municipal Entity of the 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);
- 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:

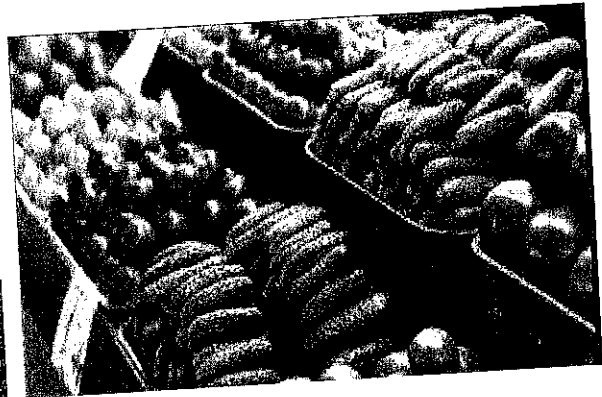
- i. Integrity
- ii. Empowerment
- iii. Transparency and accountability
- iv. Innovation and excellence
- v. Partnering

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. FOCUS AREAS

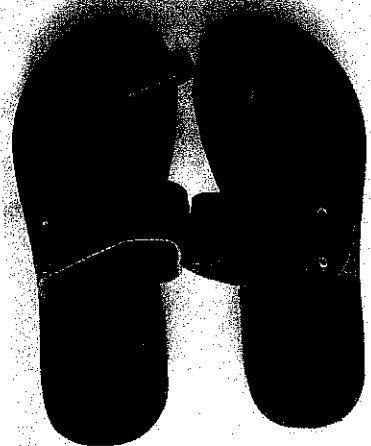
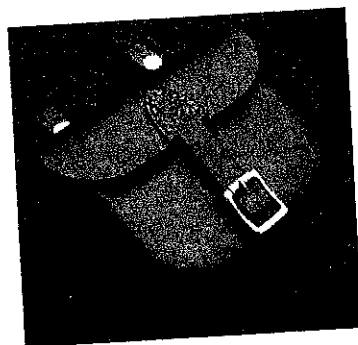
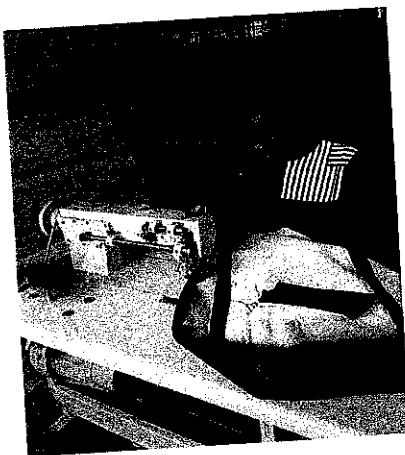
i. Agriculture and Agribusiness



In terms of Agriculture, the Greater Tzaneen Municipal area has a competitive advantage in Agriculture with considerable opportunities for leveraging this sector and finding new entrepreneurs particularly in Agribusiness.



ii. Manufacturing



While manufacturing in Greater Tzaneen contributes 38% of the district economy, it is on the basis of a strong endowment in natural resources that it becomes a strategic sector to target for development.

The Provincial Employment and Growth Strategy has identified that the economic decline in manufacturing in some municipal areas is as a result of insufficient attention given to the potential development contribution of industries.



iii. Tourism and Heritage Conservation



There appears to be general consensus that tourism demand is well below what would be expected from an area with such outstanding natural.

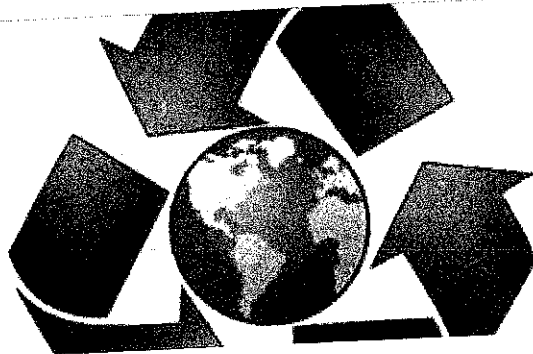
The GTM area has tremendous natural and heritage potential. Tourism is identified in the GTM's IDP as one of the sectors with high economic potential together with Agriculture and Agro-processing. There appears to be general consensus that tourism demand is well below what would be expected from an area with such outstanding natural resources/ endowment.

iv. Property Development

The availability of land in the GTM presents a potential advantage for GTEDA to create partnerships in the development of office parks, shopping centres and residential development. This would also contribute to the self-sustainability of the Agency in the long term.

The development of shopping centres remains an area of high impact in terms of creation of jobs in the GTM area. Four shopping centres have been identified and the private sector has responded well; coming forward with the intention to invest in this sector. The scenic view of the town 'Tzaneen' creates an atmosphere that is conducive for both residential and office space.

v. Green Energy



GTEDA has the potential to play a key role in rolling out the Renewable Energy Economy (REE) programme within the municipal area. Some of the renewable energy supply sources include:

- a) Biogas;
- b) Concentrated solar power;
- c) Landfill gas;
- d) Solar water heaters; and
- e) Solar photovoltaic.

This is in line with Provincial Employment Growth and Development Plan that looks at green economy within the context of "agriculture, manufacturing, construction, installation, and maintenance, as well as scientific and technical, administrative, and service-related activities that contribute substantially to preserving or restoring environmental quality".

1.6. FOREWORD BY CHAIRPERSON

In keeping with our duty to provide strategic direction for the Agency, we as a Board identified five key focus areas within which our endeavours to grow the economy of Greater Tzaneen should largely be premised. We made a major announcement to our clients and stakeholders that greater Tzaneen presents immeasurable opportunities in;

- Agriculture and Agri-processing,
- Manufacturing,
- Tourism and Heritage conservation
- Property development and
- Green energy.

The successful pursuit of these focus areas would make us relevant to national, provincial economic development goals as well as the strategies of our shareholder – the Greater Tzaneen Municipality. We therefore remain steadfastly focused on these and it is pleasing to note some progress emerging from this sharp focus. This report will shed more light thereon. GTEDA has once again amidst all hurdles been able to register humbling progress in all respects.

Shareholder Relations

Shareholder representatives attend Board and Committee meetings; and provide the Board information as much as they represent the aspirations of the Board in Council. We therefore appreciate the support we receive from the Mayor and GTM Council during the previous financial year.

Board

The Board of Directors has been diligent in executing its fiduciary duties remaining intact and convening as is required. It was however sad to receive the resignation of Mr Mike Gardner for health reasons. His massive contribution to Board activities at large is being missed - specifically with regard to the area of tourism. The board lost another member (Mr Mike Gardner,) on voluntary resignation in November 2016. We recognise, and greatly appreciate his invaluable contribution, more specifically in the tourism arena.

I am confident that it is the demonstrated continued commitment of the Board that is helping steer GTEDA towards meeting its strategic objectives – and does so with the utmost transparency and accountability.

Finance

GTEDA has, as has become customary, been able to obtain the 9th unqualified audit opinion from the Auditor-General of South Africa (AGSA). I would like to commend the CEO, his team and indeed the Board for demonstrating the greatest respect of public funds. In the midst of tremendous scarcity in the country and in the world, this should put us in good stead in the eyes of our shareholders, stakeholders and potential investors and partners.

The Board has again, over and above previous audits by AGSA, been able to obtain the ninth unqualified audit opinion. This demonstrated our greatest respect of public funds and our continued commitment to use these resources in an accountable manner.

Opportunities and Challenges

GTEDA still believes that the potential role that could be played by SMMEs in growing our economy should as well not be underestimated. We therefore would and must continue to do all in our power in partnership with our strategic stakeholders to support SMMEs as economic drivers and potential job creators.

As an Agency we work very closely with the GTM Council to ensure that projects as outlined in the IDP are implemented. Council members responsible for local economic development also attend GTEDA Board meetings and strategic planning sessions to provide input.

The most critical challenge faced by the Agency, which limits its capacity to execute its mandate as required, is insufficient funding.

The Agency has an opportunity to acquire assets in order to improve its balance sheet.

We remain hopeful and believe that GTEDA will deliver its mandate and yield positive results.

Acknowledgement

For the strides we have made in the past year, we remain indebted to the:

- Provincial government
- GTM –Council
- GTM-Management
- GTEDA –Board
- GTEDA-Management and staff
- All Stakeholders; and
- Communities at large.



Mr. MZ Mawasha
Chairperson of the Board

1.7. EXECUTIVE SUMMARY/ OVERVIEW BY THE CHIEF EXECUTIVE OFFICER

The 2016/17 would be remembered amongst the most successful years for GTEDA. The revised strategy was a roadmap that ensured the agency makes positive strides from July 2016. This manifested itself in the overall performance increasing from a paltry 32% in the 2015/16 financial year to 79% for the year under review. Details on our performance are contained under the projects management unit report.

Achievements

As indicated above, our performance has improved due to the hard work that management and staff put. We have implemented a number of key projects as reflected in our performance report below.

- Investment attracted was R2.4 million, of which R1 000 000.00 was funding facilitated for Monye-le-shako through the Department of Rural Development and land Reform
- R1 .4 million has been facilitated through the IDC for the establishment of a Vexospark digital college
- GTM council approved a house which would be renovated for office use by the agency.
- 21 SMMEs have been capacitated
- Facilitated R100 000 funding by Co-operative Banks Development Agency to train Greater Tzaneen Financial Service Co-operative members
- GTEDA received an unqualified Audit opinion from AGSA
- GTEDA in partnership with Inspire SA successfully hosted an investor conference
- GTEDA in partnership with GTM LED unit successfully hosted an Agric Expo and Mayors Golf event wherein funds were raised to assist emerging farmers.

Corporate Social Investment

GTEDA in partnership with CommuneP successfully hosted the youth entrepreneurship and career guidance events whereby debates on "entrepreneurship vs. formal employment" and career exhibitions were held respectively.

Challenges

Our vacancy rate is high and management together with the Board are finalising the job evaluation process to ensure that critical positions are filled in the new financial year. The Agency strives to fully deliver on its Strategic Objectives however, insufficient funding from the parent Municipality remains a deterrent.

Interventions

We continue to support our co-operatives and SMMEs to achieve their goals. We will also continue to invite investors to the GTM and package opportunities to attract investments

We have signed several agreements with transactional advisors who will assist the agency to package economic development opportunities in the area and source funding for such. Plans are in place to work with the shareholder to unlock land and fast track the turnaround time to approve investment proposals.

We will continue to conduct intensive outreach programmes like Road Shows to reach out to our communities and try as much as we can to convert our communities' businesses dreams into reality.

Acknowledgements

GTEDA would not have achieved all the above had it not been for the following who deserve my sincere acknowledgment:

- The Greater Tzaneen Municipality's support in all aspects.
- The tireless and strategic support of GTEDA Board of Directors.
- Management and Staff of GTEDA for their formidable commitment to take GTEDA to greater heights.
- The Greater Tzaneen business, Civil Society Organisation, our Stakeholders and the Community at large.



Mr. KJ Maphoto

Chief Executive Officer

CHAPTER 2: CORPORATE GOVERNANCE

2.1. GOVERNANCE FRAMEWORK

GTEDA is committed to uphold and maintain the highest standards of governance with respect to the management of public resources.

GTEDA recognises that conducting its affairs with integrity will ensure that the public and its parent municipality, the Greater Tzaneen Municipality, have confidence in its work. To that end GTEDA's Board of Directors and executive management team subscribe to the governance principles set out in the code of conduct for directors, referred to in section 93L of the Municipal Systems Act, circular 63 of the MFMA and King IV Report. The Board also actively reviews and enhances the systems of internal control and governance in place to ensure that GTEDA is managed ethically and within prudently determined risk parameters. During the period under review, the Board put in place a system of assessments in compliance with requirements of the Company's Act, MSA and MFMA

Implementation of King IV Report

The Board and Management are committed to the principles of openness, integrity and accountability advocated by the King IV report. In addition, the Social and Ethics Committee performed a compliance check using the principles of King IV.

Corporate Citizenship

The Board is responsible for ensuring that GTEDA protects, enhances and invests in the local economy, community and the natural environment.

Compliance with Laws, Rules and Standards

The Board is responsible for ensuring that the entity complies with applicable laws and adheres to binding rules, codes and standards. The Board is also committed to ensuring that international standards are adhered to.

This is also evidenced by our continuous and consistent positive audit outcomes. Investors and the broader communities need assurance that GTEDA has good governance structures in place to effectively and economically utilise entrusted resources.

2.2. BOARD COMPOSITION

BOARD OF DIRECTORS

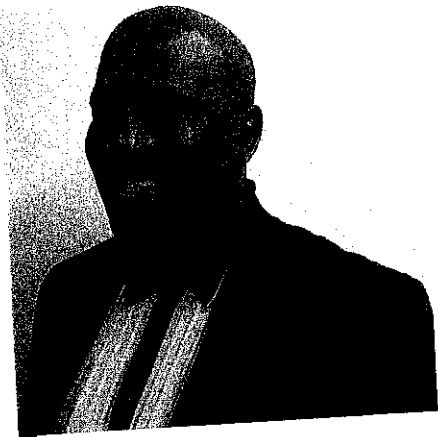
The Board ensures compliance with the requirements of a responsible and accountable Board as recommended in Chapter 2 of the King III Report.

Board Composition: The Board was appointed through a formal process and placed under the leadership of a Chairperson who is an independent non-executive Director. Board Members comprises of individual with different skills and expertise. For the period under review, the Board is comprised of seven (7) Board Members subsequent to three (3) resignations.

BOARD OF DIRECTORS



Mr. MZ Mawasha
Board Chairperson



Adv. ES Maake
Board Deputy Chairperson



Ms MI Moakamela
Board Member



Mr. MV Gardner
Board Member



Ms MJ Makapan
Board Member



Mrs. MF Mushwana
Board Member



Mr. B Pretorius
Board Member



Ms BL Mathebula
Board Member

2.3. BOARD TERM

Directors were appointed on a fixed term of five (5) years, commencing 01 July 2015 ending 30 June 2020.

2.4. BOARD MEETINGS ATTENDANCE

Board Meetings Attendance:			
Initials and Surname	Position Held	Ordinary Meetings	Special Meetings
Mr. MZ Mawasha	Board Chairperson	3 of 4	1 of 1
Adv. ES Maake	Board Deputy Chairperson	4 of 4	1 of 1
Ms MI Moakamela	Board Member	4 of 4	0 of 1
Mr. MV Gardner*	Board Member	1 of 4	0 of 1
Ms MJ Makapan	Board Member	3 of 4	1 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	1 of 1

*Mr. MV Gardner resigned from the Board with effect from 10 November 2016.

2.5. BOARD EVALUATION

GTEDA has approved the annual self-assessment (360°) review process for the Board which was developed and implemented for both the Board and its respective Committees.

2.6. BOARD REMUNERATION

Linked to the responsibilities of HR & REMCO are issues relating to remuneration of the Board of Directors, the CEO, Managers and staff in general. Despite its limited financial resources, GTEDA strives to remunerate its Board of Directors responsibly in line with the National Treasury.

2.7. BOARD COMMITTEES

The Board continued to delegate certain of its duties to Board Committees which were all chaired by independent non-executive directors.

Deliberations of the Committees do not reduce the individual responsibilities and collective duties responsibilities of the Board members in regard to their fiduciary duties and responsibilities; they are to exercise due care and judgment in accordance with their statutory obligations.

The Committees have an independent role operating to oversee and make of the recommendations to Board for its consideration and final approval. However, the Committee does not assume the functions of management, which remain the responsibility of the Chief Executive Officer and other senior management.

2.7.1. PROJECTS AND INVESTMENT COMMITTEE (PIC)

The PIC takes responsibility for the business issues associated with GTEDA projects and for recommending budgetary strategy (project budgeting and accounting), defining and realising benefits, and monitoring risks, quality and timeliness of projects.

For the period under review, attendance of Members of the PIC was recorded as follows:

Initials and Surname	Position Held	Ordinary Meetings
Mr. MZ Mawasha	Chairperson	4 of 4
Adv.ES Maake	Member	4 of 4
Mr. B Pretorius	Member	4 of 4
Ms MJ Makapan	Member	4 of 4
Mr. MV Gardner	Member <i>Resigned</i>	1 of 4

In conclusion, GTEDA is mindful of the fact that there is a need to continue to strive for improvement in the interest of all our Stakeholders, that is mainly, the communities that we serve. The PIC has been established to oversee the identification and implementation of Projects and Investments which informs to a larger extent the core Mandate of the Agency.



Mr. MZ Mawasha
Chairperson: Projects and Investments Committee

2.7.2. FINANCE AND RISK COMMITTEE (FRC)

The Finance and Risk Committee is responsible for ensuring that GTEDA's Internal Audit function is independent and has the necessary resources and standing authority within the Agency to enable Internal Audit to discharge its duties.

From the inception of the financial year, GTEDA has had to employ the Internal Audit (IA) services of the GTM's internal audit division. The IA department reports to GTM's Audit Committee functionally, and to GTM's CFO administratively. The Head of Internal Audit has a direct reporting line to the Chairperson of GTM's Audit Committee. The Finance and Risk Committee's is expected to meet at least four times per annum, but has the authority to call for special additional meetings as and when necessary. The FRC also attends quarterly GTM's Audit Committee meetings.

Five (5) FRC meetings were held during the 2016/2017 financial year. The deliberations of all FRC meetings were reported at all board meetings and the minutes incorporated in the board pack.

For the period under review, attendance of Members of the FRC was recorded as follows:

Initials and Surname	Position Held	Ordinary Meetings	Special Meetings
Mrs. MF Mushwana	Chairperson	4 of 4	1 of 1
Mr. B Pretorius	Member	4 of 4	1 of 1
Ms MI Moakamela	Member	4 of 4	1 of 1
Ms BL Mathebula	Member	1 of 4	0 of 1

The following key activities were conducted:

- Reviewed the effectiveness of internal control systems;
- Considered the risk areas of the Agency's operations covered in the scope of internal and external audits;
- Considered accounting and auditing concerns identified as a result of internal and external audits;
- Assessed the adequacy, reliability and accuracy of financial information provided by management;
- Assessed compliance with applicable legal and regulatory requirements;
- Reviewed the effectiveness of the internal audit function;
- Considered all factors and risks that may affect the integrity of the annual reporting;

- Reviewed and recommended the Annual Report for approval by the Board
- Reviewed the financial statements and reporting for proper and complete disclosure of timely, reliable and consistent information and confirmed that accounting policies used are appropriate;
- Reviewed the expertise, resources and experience of the Agency's finance function;
- Provided a channel of communication between the Board and management, internal auditors, external auditors;
- Received regular reporting from the AG (AG Action Plans) and monitored timely resolutions of issues or concerns by management;
- Ensured that the Risk Register was appropriate to address all significant risks faced by the Agency.

The finance and Risk Committee minutes that there were no material instances brought to its attention. This assumes that no control breakdown occurred in the Agency's procedures and controls functioning, leading to losses or contingencies or uncertainties requiring disclosure in the AFS. Management took the appropriate corrective action on those deficiencies brought to the attention of management as audit queries

Having considered, analysed and reviewed the information provided by management, Internal Audit and External Audit, the Finance and Risk Committee confirms that:

- Throughout the financial year, no material findings were brought to the attention of the committee therefore suggesting that the internal controls of the Agency were effective and appropriate to safeguard the Agency's assets;
- Proper accounting records were maintained, and appropriate policies were applied;
- The financial statements comply, in most material respects, with the relevant provisions of the MFMA and Generally Recommended Accounting Practices (GRAP);
- The external auditors' skills, independence, audit planning as well as overall performance were acceptable.

Annual Financial Statements

The committee recommended the approval of the Annual Financial Statements to the Board after having reviewed them, ensuring that adequate disclosure and fair presentation had been achieved.

Going concern

The Finance and Risk Committee concurs that it is appropriate to prepare the Agency financial statements on a going concern basis, and the Agency has no reason to doubt that it will continue to be a going concern in the year ahead. The Finance and Risk Committee therefore recommends that the financial statements as submitted be approved by the Board.



Mrs. MF Mushwana
Chairperson: Finance and Risk Committee

2.7.3. HUMAN RESOURCE AND REMUENRATION COMMITTEE (HR & REMCO)

The HR & REMCO is comprised entirely of independent Non-Executive Directors and is entrusted with the responsibility to deal with Human Resource responsibilities and determining the broad remuneration policies of the Agency. This includes the determination of the remuneration of Chief Executive Officer, senior management and staff in general. It also proposes fees for Non-Executive directors, which are then tabled for approval by the Council of GTM. The Chief Executive Officer attends Board and Board Committee meetings on invitation and does not attend meetings where his own performance and remuneration is being discussed.

HR & REMCO is charged with the responsibility of identifying suitable candidates for directorships, and make recommendations to the Board which subsequently makes recommendations to the Parent Municipality. In this regard the Committee further advises on the composition of the Board, and the balance between executive and Non-Executive Directors.

The Committee further provides advise to the Board on issues of succession planning, particularly in relation to the Chief Executive Officer and managers reporting directly to him/her and the Board itself.

For the period under review, attendance of Members of the HR & REMCO was recorded as follows:

Initials and Surname	Position Held	Ordinary Meetings	Special Meetings
Ms J Makapan	Chairperson	4 of 4	1 of 1
Adv.ES Maake	Member	4 of 4	1 of 1
Ms MI Moakamela	Member	4 of 4	1 of 1
Ms BL Mathebula	Member	2 of 4	1 of 1

The Committee does not assume the functions of management; however, for the financial year under review it performed the following roles without limitation:

Review of Organisational Strategy and Organisational Structure:

- Review of the Organisational Structure in line with GTEDA Strategy and proper recommendation made to Board and was subsequently approved.

- Overseeing the maintenance of a remuneration philosophy to promote the achievement of the strategic objectives and organisational performance in line with GTEDA's objectives.
- Review of the Human Resources Policies in line with the Strategy, and ensure consistent application throughout GTEDA at all employee levels.

Performance Management

- Ensure that the role and function of the CEO is formalised, and his performance is evaluated against set targets.
- Ensure that GTEDA Performance Management System is performed throughout GTEDA at all employee levels in line with Best Practice.



Ms MJ Makapan

Chairperson: Human Resource and Remuneration Committee

2.6.4. SOCIAL AND ETHICS COMMITTEE (SEC)

The purpose of SEC is to monitor activities with regards to legislation and legal requirements and draw the matters to the attention of the board.

Composition (comprises of prescribed Directors)

The Committee consists of four (4) members of the Board of Directors (including the Chairperson of the Committee) who were nominated by the Board.

Responsibility

- Conforms to a well written and appropriate code of conduct endorsed by the board to ensure good communication device which alerts all employees to ethical standards and guidelines for acceptable behaviour. Such standards promotes ethical decision making and assists in resolving ethical dilemmas that arise.
- Monitors the organisation's activities, having regard to any applicable legislation, other legal requirements or prevailing codes of best practice, with regard to matters relating to:
 1. Social and economic development, including the organisation's standing in terms of the goals and purposes of the Employment Equity Act and the Broad Based Black Economic Empowerment Act.
 2. Good corporate citizenship including the organisation's:
 - (a) Promotion of equality, prevention of unfair discrimination, and reduction of corruption;
 - (b) Contribution to development of the communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed; and
 - (c) Record of the support and funding through employee involvement, sponsorships and donations to non-profit educational, health, charitable and social organisations.
 3. The environment, health and public safety, including the impact of the organisation's activities and of its products or services;
 4. Consumer relationships, including the organisation's advertising, public relations and compliance with consumer protection laws; and
 5. Labour and empowerment including:

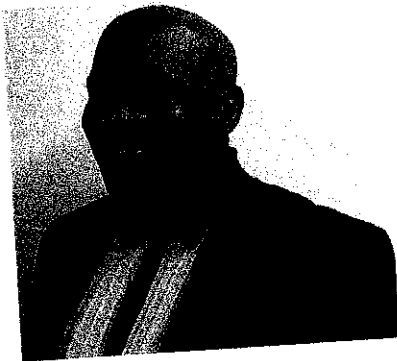
- (a) The Organisation's standing in terms of the International Labour Organization Protocol on decent work and working conditions; and
 - (b) The Organisation's employment relationships and its contribution towards the educational development of its employees.
6. Draw matters within its mandate to the attention of the Board as occasion requires;
 7. Report to Board at the Organisation's quarterly meetings on the matters within its mandate including compliance with the terms of reference; and
 8. Promotes an environment where open communication is expected and protected.

For the period under review, attendance of Members of the SEC was recorded as follows:

Initials and Surname	Position Held	Ordinary Meetings
Adv.ES Maake	Chairperson	4 of 4
Ms MI Moakamela	Member	2 of 4
Ms BL Mathebula	Member	1 of 4
Mrs. MF Mushwana	Member	4 of 4
Mr. MV Gardner	Member <i>Resigned</i>	1 of 4

We continue to strengthen our role in ensuring compliance in both substance and form with the recommendations of the King Report IV and to monitor governance practices throughout the Agency in line with applicable and relevant legislative prescripts. As we continue to grow, we also increase the scope of our legislative mandate

In conclusion, the Committee's activities extends to all relevant operations of GTEDA and is subject to the Board's approved delegation of authority framework.



Adv.ES Maake
Chairperson: Social and Ethics Committee

CHAPTER 3: ADMINISTRATIVE GOVERNANCE

3.1. CHIEF EXECUTIVE OFFICER

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

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 Human Resource Management Unit continues to ensure that progress on implementation of the organisational objectives for the period under review is made.

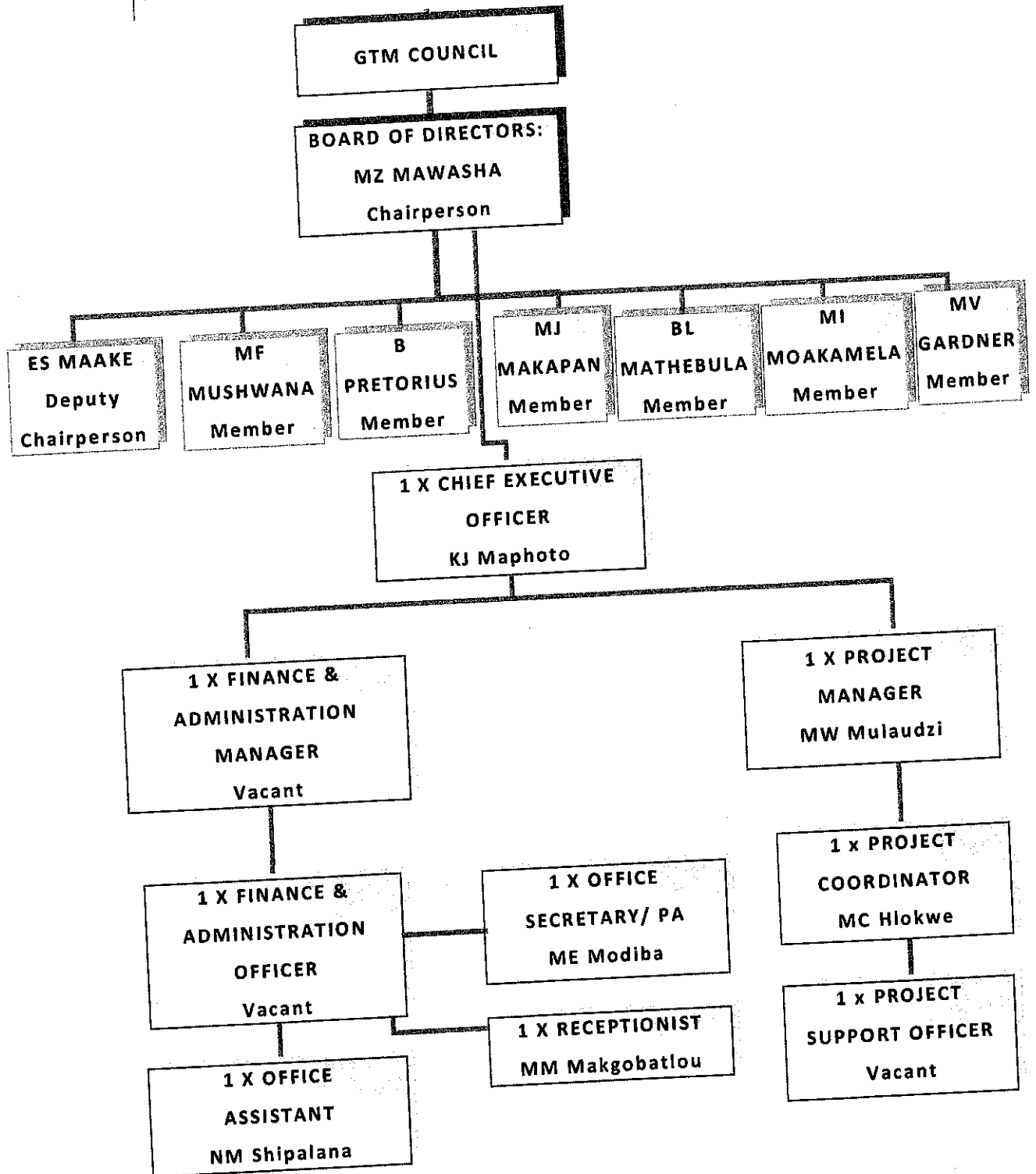
For the year under review, the workforce of GTEDA was constituted as:

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	—	—	—	—	3	3
Middle Management	—	—	—	—	—	2	—	—	—	2	2
Lower Level	—	—	—	—	—	—	—	—	—	—	—
Disabled	—	—	—	—	—	—	—	—	—	—	—
TOTAL											7

*One employee resigned with effect from 01 August 2016

3.2.1. 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 currently reviewing staff benefits with a view to retain and motivate employees.

Employees are paid based on a total cost to company packages and receive an annual 13th Cheque. The CEO qualifies for a performance bonus which is informed by the performance of the Agency.

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.



Ms MM Makgobatlou
Human Resource and Administration Officer (Acting)

3.3. PROJECT MANAGEMENT

At the core of GTEDA's mandate is the Project Management Unit (PMU) which oversees the implementation of strategic objectives of the Agency geared towards resource mobilisation, SMME support and investment attraction in the GTM area.

The PMU ensured that the new strategy is implemented maximally and therefore has turned around the performance of the Agency from a paltry 32% prior year to 79% during the financial year under review. The unit facilitated signing of Memoranda of agreements with strategic partners to fast track resource mobilisation and investment attraction in the GTM area as mandated by council. The unit will continue to tap on the services of experienced Transactional Advisors to package and resource viable and sustainable projects which would yield economic spin-offs.

Key to driving the Agency's mandate is strategically aligned focus areas which have the potential to drive economic development in the GTM area.

3.4. ANNUAL PERFORMANCE

Procedure for Performance Reporting during 2016/17 Financial Year

GTEDA utilises an electronic reporting system (Action Assist) to promote accurate and timeous reporting. The system allows GTEDA to report performance on a monthly basis; by uploading supporting documentation onto the system for validation. The Internal Audit Division utilised the electronic system to audit the performance reported by GTEDA. The actual performance reported on the system, and presented in this report, has been colour coded as follows:

Coding of Results

Red	KPI Not Met
Orange	KPI Almost Met
Green	KPI Met
Green2	KPI Well Met
Blue	KPI Extremely Well Met

GTEDA 2016/17 Performance Report

Year-To-Date As At June 2017

Ref	Dir	Strategic objective	Programme	KPI	Unit of Measurement	Baseline (30 June 2016)	Year-To-Date As At June 2017			Corrective measures	Source of evidence	
							Annual Target	Actual	R			
D208	GTE DA	LED 1	Enterprise Development (SMME support)	# of SMMEs capacitated through GTEDA	Number	4	15	21	G 2	GTFC SMMEs trained by Bankseta and facilitated by GTEDA	None required	*Training Programme *SMME training and development Policy *Assessment Report on the training provided to 15 SMME's *Service Provider Appointment letters

GTEDA 2016/17 Performance Report

Year-To-Date As At June 2017

Ref	Dir	Strategic objective	Programme	KPI	Unit of Measurement	Baseline (30 June 2016)	Year-To-Date As At June 2017			Source of evidence	
							Annual Target	Actual	R		Description
D214	GTE DA	LED 1	Enterprise Development	Agro-processing businesses based on 3 commodities	<p>Q1: Review/ conduct feasibility study on agro-processing. Engagement of stakeholders (25%)</p> <p>Q2: Conduct value propositions and business plans (Agro-processing of Tomato, Mango and Marula). (60%)</p> <p>Q3: Engage potential investors, Sign MOUs/SLA with identified co-ops/farms and investors (80%)</p> <p>Q4: Appoint</p>	New initiative	100%	100%	<p>Potential investors engaged. Transactional advisors facilitated. Agro-processing and other value chains business plans in progress.</p>	None required	<p>* Feasibility study on agro-processing</p> <p>*Minutes of stakeholder engagements</p> <p>*Value propositions & Business Plans</p> <p>*Appointment letters for advisors</p>

GTEDA 2016/17 Performance Report

Year-To-Date As At June 2017

Source of evidence

Ref	Dir	Strategic objective	Programme	KPI	Unit of Measurement	Baseline (30 June 2016)	Year-To-Date As At June 2017			Corrective measures	Source of evidence
							Annual Target	Actual	R		
D215	GTE DA	LED 1	Enterprise Development	Entrepreneurship career guidance and mentorship programme	Q1: Develop an Entrepreneurship career guidance & mentorship project plan in consultation with stakeholders. Develop material/content to be presented. Identify 5	New initiative	100%	100%	Entrepreneurship career guidance and mentorship programme conducted. Debate competition facilitated at 12 schools.	None required	*Entrepreneurship project plan *School Entrepreneurship competition concept document *School Entrepreneurship programme

GTEDA 2016/17 Performance Report

Ref	Dir	Strategic objective	Programme	KPI	Unit of Measurement	Baseline (30 June 2016)	Year-To-Date As At June 2017				Source of evidence	
							Annual Target	Actual	R	Description		Corrective measures
					successful entrepreneurs to motivate and mentor youth. (25%) Q2: Implement the Entrepreneurship career guidance and mentorship programme, Develop a concept document on a school entrepreneurship competition. (50%) Q3: Implement the Entrepreneurship the career guidance programme (60%)					Award ceremony held 2017.		and awards results

GTEDA 2016/17 Performance Report

Year-To-Date As At June 2017

Ref	Dir	Strategic objective	Programme	KPI	Unit of Measurement	Baseline (30 June 2016)	Year-To-Date As At June 2017				Source of evidence	
							Annual Target	Actual	R	Description		Corrective measures
D216	GTE DA	LED 1	Enterprise Development	SMMEs Incubation	Q1: Develop an incubation model, Incubation of Greater Tzaneen Financial Services Cooperative (GTFC) through a diagnostic assessment (25%) Q2: Incubation model finalised,	New initiative	100%	100%		Incubation of GTFC facilitated through Bankseta. Trainings conducted by Bankseta.	None required	*Incubation Model *Community Bank Incubation M&E report *Incubation monthly activity report.

GTEDA 2016/17 Performance Report

Year-To-Date As At June 2017

Source of evidence

Corrective measures

Description

R

Actual

Annual Target

Baseline (30 June 2016)

Unit of Measurement

KPI

Programme

Strategic objective

Dir

Ref

Incubation of Greater Tzaneen Financial Services Cooperative (GTFSC) through board training. (50%)
Q3: Incubation of Greater Tzaneen Financial Services Cooperative (GTFSC) through committees training (75%)
Q4: Incubation of Greater Tzaneen Financial Services Cooperative (GTFSC) through

GTEDA 2016/17 Performance Report

Year-To-Date As At June 2017

Ref	Dir	Strategic objective	Programme	KPI	Unit of Measurement	Baseline (30 June 2016)	Year-To-Date As At June 2017			Source of evidence
							Annual Target	Actual	R	
D217	GTE DA	LED 1	Enterprise Development	Community dialogue / ideas hub	staff training. (100%)	New initiative	100%	100%		*Minutes & Attendance register of community consultation sessions *App letter for service provider *Ideas Hub project dev plan *List of investors in Ideas hub *Radio Station
									Facilitated radio station funding through MDDA. Sponsored an entrepreneurial show. Supported the administrative unit of GTFM with compliance matters and	None required

GTEDA 2016/17 Performance Report

Year-To-Date As At June 2017

Source of evidence
monthly reports on support

Ref	Dir	Strategic objective	Programme	KPI	Unit of Measurement	Baseline (30 June 2016)	Year-To-Date As At June 2017				Source of evidence	
							Annual Target	Actual	R	Description		Corrective measures
					business & implementation plan for GTFM. (50%) Q3: Identify potential partners/funders for Ideas Hub programme. Monitor & support radio station activities (75%) Q4: Sign MOUs/SLAs with potential partners/funders for Ideas Hub programme. Monitor & support							

GTEDA 2016/17 Performance Report

Year-To-Date As At June 2017

Ref	Dir	Strategic objective	Programme	KPI	Unit of Measurement	Baseline (30 June 2016)	Year-To-Date As At June 2017				Source of evidence	
							Annual Target	Actual	R	Description		Corrective measures
					radio station activities. (100%)							
D186	PED	LED 2	Marketing and Investor Targeting	Investment Incentive Policy.	<p>Q 1: Finalise TOR with GTEDA. (25%)</p> <p>Q 2: Consultations with internal and external stakeholders (50%)</p> <p>Q3: Draft Investor Incentive Policy ready for Management consideration (75%)</p> <p>Q 4: Investor Incentive Policy</p>	New initiative	100%	75%	Awaiting comments from stakeholders	Management to submit comments on the Draft Policy	<p>*Minutes of GTM consultations</p> <p>* Incentive Policy Draft & Final Document</p> <p>* Attendance Registers of engagement sessions with stakeholders</p> <p>* Council Resolution</p>	

GTEDA 2016/17 Performance Report

Ref	Dir	Strategic objective	Programme	KPI	Unit of Measurement	Baseline (30 June 2016)	Year-To-Date As At June 2017				Source of evidence	
							Annual Target	Actual	R	Description		Corrective measures
D207	GTE DA	LED 2	Economic Growth and Investment	# of committed investors attracted through GTEDA	submitted to Cluster and Council for approval (100%) Number	0	3	3		Vexospark funded by IDC Motupa library funded by Rand Water foundation Moolman group for Tzaneen market	None required	Investment reports (LADC, MDDA, Premiers Office & SEDA)
D210	GTE DA	LED 2	Marketing and Investor Targeting	Resource mobilisation	Q1: Investors Data base developed & Signed SLAs with funders (25%) Q2: 5 Enterprises	New initiative	100%	100%		Facilitated funding of Monye-le-shako by DRDLR.	None required	*Investor Database Print screen *SLAs/MoUs concluded (x5)

GTEDA 2016/17 Performance Report

Year-To-Date As At June 2017

Ref	Dir	Strategic objective	Programme	KPI	Unit of Measurement	Baseline (30 June 2016)	Year-To-Date As At June 2017			Source of evidence
							Annual Target	Actual	R	
					assisted (50%) Q3: 4 funding applications submitted (75%) Q4: 2 funding applications concluded successfully (100%)					*Enterprise assistance programme & proof of assistance (x5) *4 Funding applications *Signed funding agreements (x2)
D211	GTE DA	LED 2	Marketing and Investor Targeting	Greater Tzaneen Investment Promotion	Q1: Design Audio visual and print promotional material, Appoint service provider, Organise investor conference (30%) Q2: Audio visual and print	New initiative	100%	100%	Investor conference hosted. Agri-expo facilitated. Flee market facilitated.	*Audio visual & print promo material *Appointment letter *Investor conf programme & attendance register

GTEDA 2016/17 Performance Report

Ref	Dir	Strategic objective	Programme	KPI	Unit of Measurement	Baseline (30 June 2016)	Year-To-Date As At June 2017				Source of evidence
							Annual Target	Actual	R	Description	
					promotional material developed. Investor Conference hosted (60%) Q3: Investor Conference Feedback, Exhibit at Tzaneen Agri Expo (80%) *Q4: Exhibit at 2 trade fares/ expo's (100%)						*Investor conf report *Project prioritisation list *Exhibition report & pictures

GTEDA 2016/17 Performance Report

Ref	Dir	Strategic objective	Programme	KPI	Unit of Measurement	Baseline (30 June 2016)	Year-To-Date As At June 2017				Source of evidence
							Annual Target	Actual	R	Description	
D212	GTE DA	LED 2	Marketing and Investor Targeting	Partnerships with economic development role-players (5)	<p>Q1: Conduct research and compile database of potential economic development agencies in SA and abroad. (10%)</p> <p>Q2: Facilitate signing of partnership agreements with identified agencies. (25%)</p> <p>Q3: Facilitate signing of partnership agreements with identified agencies</p>	New initiative	100%	100%	<p>LED forum facilitated.</p> <p>Signed MOUs with</p> <p>*SEDA-joint MOU with GTM.</p> <p>*FABCO.</p> <p>*KJK development and monitoring agency.</p> <p>*GTFSC.</p> <p>*Astir Holdings.</p>	None required	<p>*Research report on investors</p> <p>*Database on development agencies</p> <p>*Partnership agreements (x5)</p>

GTEDA 2016/17 Performance Report

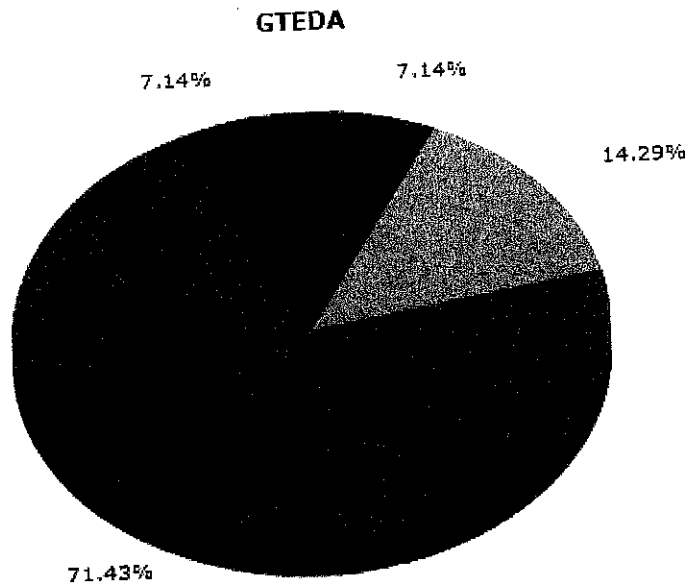
Year-To-Date As At June 2017

Ref	Dir	Strategic objective	Programme	KPI	Unit of Measurement	Baseline (30 June 2016)	Year-To-Date As At June 2017			Source of evidence		
							Annual Target	Actual	R		Description	Corrective measures
D213	GTE DA	LED 2	Marketing and Investor Targeting	Office park development	(50%) Q4: Facilitate the LED forum *5 Partnership agreements finalised (100%)	New initiative	100%	100%		None required	Land development plan done. Utilisation of ERF 89 granted by GTM. Proposals for Vexospark and Jetty 3 approvals in	*Disposal of land proposal & proof of submission to GTM *Council Resolution on GTEDA mandate to develop land *Title deeds *Vacant Land

GTEDA 2016/17 Performance Report

Ref	Dir	Strategic objective	Programme	KPI	Unit of Measurement	Baseline (30 June 2016)	Year-To-Date As At June 2017				Source of evidence	
							Annual Target	Actual	R	Description		Corrective measures
					transfer/ allocation of land. (30%) Q3: Obtain title deeds and commence with land registration processes. Develop plans to utilise land for revenue generation. (50%) Q4: Develop plans to utilise land for revenue generation (100%)					progress.		development plan

The performance of GTEDA is reflected below, reflecting an overall achievement level of 79% a marked improvement from the 32% achieved in 2015/16.



Colour	Key to the Colour Codes	No of KPIs/Projects	% in category
R	KPI Not Met	1	7.14%
⊙	KPI Almost Met	2	14.29%
	KPI Met	10	71.43%
G2	KPI Well Met	1	7.14%
B	KPI Extremely Well Met	0	0
	Total KPIs	14	

PROJECTS

Below is a list of PIC projects per focus areas that were implemented by the Project Management Unit.

Project type	Focus area	Work done	Project Term
Aquaculture (Fish farming for commercial use).	Agriculture and Agro processing	Facilitated an application for funding through the DTI to assist Baltiva (project initiator) to set up an aquaculture project in the GTM area. All compliance requirements have been finalised.	Medium-long term

<i>Tzaneen dam resort Business and leisure resort development.</i>	Tourism and heritage conservation & Property development	Concept plan and proposal presented to GTEDA and GTM council on the proposed project	Medium-long term
<p>GTEDA HUB</p> <ul style="list-style-type: none"> <i>Monye-le-shako- Production of leather based products (shoes, belts and bags).</i> <i>Bus conversion co- operative</i> 	Manufacturing	<ul style="list-style-type: none"> Facilitated R1 000 000 funding from the Department of Rural Development and Land Reform for purchase of materials and machines. 	Medium-long term.
	Manufacturing	<ul style="list-style-type: none"> Facilitated the registration and successful incorporation of the mentioned project into the GTEDA hub, the co-operative covers new and repairs old car and bus seats 	Medium-long term
Project type	Focus area	Work done	Project Term
<ul style="list-style-type: none"> <i>Natural Mystique</i> 	Manufacturing	<ul style="list-style-type: none"> Facilitated the incorporation of the business in the hub, 20 learnership students are trained on a one-year arts and crafts project funded by CATHSSETA. 	Short-medium term
<i>GTFM</i>	Information and communications technology (ICT)	<ul style="list-style-type: none"> Facilitated the resuscitation of the community radio station, AGM, Board election and funding by MDDA. 	Medium-long term



Mr. MW Mulaudzi
Projects Manager

3.5. FINANCIAL MANAGEMENT

We are pleased to present the 2016/17 Audited Annual Financial Statements. The audit opinion presented by the AGSA provides reasonable assurance that the financial statements were presented fairly, in all material respects in accordance with the financial reporting framework.

GTM allocated grant funding of R 5, 906,832 to GTEDA for the 2016/17 Financial Year as compared to R 5,563,950 which was allocated in the previous year. Despite challenges faced by the agency in the year under review, these ranged from managing cost increases from the insufficient funding. The Agency strives for a sound financial position and has achieved an unqualified audit opinion.

Financial plans are in place to mitigate significant doubt on the Agency's ability to continue as a going concern; and financial statements are prepared in line with applicable accounting policies.

The Agency remains committed to a thoughtful stewardship of its resources for the years ahead.



Ms ME Modiba

Finance and Risk Officer (Acting)

**AUDITED ANNUAL
FINANCIAL
STATEMENTS AND
AGSA: ENDING 30
JUNE 2017**



greater tzaneen economic development agency

Greater Tzaneen Economic Development Agency (Pty) Ltd
Financial Statements
for the year ended 30 June 2017

Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)
Financial Statements for the year ended 30 June 2017

General Information

Legal form of entity	Municipal Entity
Nature of business and principal activities	Greater Tzaneen Economic development agency is an entity established by Greater Tzaneen Municipality to drive economic development and attract investments.
Executive committee	
Board Chairperson	M.Z Mawasha
Deputy Chairperson	Adv. E.S Maake
Members of the Executive Committee	M.F Mushwana M.V Gardner (resigned on 10 November 2016) M.J Makapan M.I Moakamela B.J Pretorius B.L Mathebula
Chief Executive Officer	K.J. Maphoto
Finance and Risk Officer	M.E. Modiba
Registered office	Office no.63 Cascades building Sapekoe drive Tzaneen 0850
Business address	Office no.63 Cascades building Sapekoe drive Tzaneen 0850
Postal address	PO Box 2024 Tzaneen 0850
Controlling entity	Greater Tzaneen Municipality
Bankers	ABSA
Website	www.gteda.co.za
Level of rounding	Rounding to the nearest Rand
Auditors	Auditor General of South Africa (AGSA) Polokwane Office
Audit committee	S.A. Ngobeni (Chairperson) H.N. Masedi L. Lankalabalela J.M. Mofokeng

Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)
Financial Statements for the year ended 30 June 2017

Index

The reports and statements set out below comprise the financial statements presented to the provincial legislature:

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Statement of Financial Performance	10
Statement of Changes in Net Assets	11
Cash Flow Statement	12
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Greater Tzaneen Economic Development Agency (Pty) Ltd

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Financial Statements for the year ended 30 June 2017

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Abbreviations

SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
ME's	Municipal Entities
MFMA	Municipal Finance Management Act
MSCOA	Municipal Standard Chart of Accounts

Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Financial Statements for the year ended 30 June 2017

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 is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the 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 are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

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

The accounting officer acknowledges that he 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.

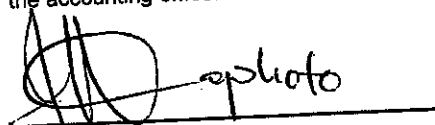
The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial 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 2018 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 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 external auditors are responsible for independently reviewing and reporting on the municipal entity's financial statements. The financial statements have been examined by the municipal entity's external auditors and their report is presented on page 7.

The financial statements set out on pages 5 to 52, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2017 and were signed on its behalf by:



K.J. Maphoto
Chief Executive Officer

Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)
Financial Statements for the year ended 30 June 2017

Chief Executive Officer's Report

The Chief Executive Officer has pleasure in submitting his report on the annual financial statements of Greater Tzaneen Economic development Agency for the year ended 30 June 2017.

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 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.

3. Going concern

The 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. Subsequently a comfort letter was sourced from Greater Tzaneen Municipality as a commitment to fund the entity for the 2017/18 financial year.

4. Contributed capital

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

5. Subsequent events

The chief executive officer is not aware of any matter or circumstance arising since the end of the financial year.

6. Directors

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

Board members
M.Z. Mawasha (Chairperson)
E.S. Maake (Deputy Chairperson)
M.F. Mushwana
M.V. Gardner (Resigned 10 November 2016)
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

The directors are not aware of any fruitless and wasteful expenditure which have been incurred during the year under review.

Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)
Financial Statements for the year ended 30 June 2017

Chief Executive Officer's Report

10. Irregular expenditure

The directors are not aware of any irregular expenditures which have been incurred during the year under review.

11. Financial review

Greater Tzaneen Municipality approved and allocated a budget of R 5 906 832 to GTEDA as grant funding for the financial year under review, compared to R 5 563 950 that was allocated for prior year. The overall expenditure amounts to R 6 089 077 which is 92 per cent of the budget in terms of spending pattern; the expenditure includes Project costs of R 650 835 as compared to R 484 889 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 cost amount to R3 572 468 as compared to R3 645 787, this is due to the appointment of the Chief Executive Officer during the financial year under review. The agency incurred a deficit of R 7 213 as compared to a surplus of R 242 278 for prior year, this was mainly due to allocation of output VAT on grant received.

Report of the Auditor General



The Accounting Officer
Office No. 6
Cascade Building
Sapekoe Drive
Tzaneen
0850

30 November 2017

Reference: 61442REG16-17

Dear Sir

Report of the Auditor-General on the financial statements and other legal and regulatory requirements of Greater Tzaneen Economic Development Agency for the year ended 30 June 2017

1. The above-mentioned report of the Auditor-General is submitted herewith in terms of section 21(1) of the Public Audit Act of South Africa read in conjunction with section 188 of the Constitution of the Republic of South Africa section 121(3) of the Municipal Finance Management Act of South Africa (MFMA)
2. We have not yet received the other information that will be included in the annual report with the audited financial statements and have thus not been able to establish whether there are any inconsistencies between this information and the audited financial statements and the reported performance against pre-determined objectives. You are requested to supply this information as soon as possible. Once this information is received it will be read and should any inconsistencies be identified these will be communicated to you and you will be requested to make the necessary corrections. Should the corrections not be made we will amend and reissue the audit report.
3. In terms of section 121(4) of the MFMA you are required to include the audit report in the municipal entity's annual report to be tabled.
4. Until the annual report is tabled as required by section 127(2) of the MFMA the audit report is not a public document and should therefore be treated as confidential.
5. Prior to printing or copying the annual report which will include the audit report you are required to do the following:
 - Submit the final printer's proof of the annual report to the relevant senior manager of the Auditor-General of South Africa for verification of the audit-related references in the audit report and for confirmation that the financial statements and other information are those documents that have been read and audited. Special care should be taken with the page references in your report, since an incorrect reference could have audit implications.
 - The signature *Auditor-General* in the handwriting of the auditor authorised to sign the audit report at the end of the hard copy of the audit report should be scanned in when preparing to print the report. This signature, as well as the place and date of signing and the Auditor-General of South Africa's logo, should appear at the end of the report, as in

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 ... to ..., which comprise the statement of financial position as at 30 June 2017, and the statement of financial performance, statement of net assets and cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the entity as at 30 June 2017, 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) and Division of Revenue Act of South Africa, 2016 (Act No.3 of 2016) (DORA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
4. I am independent of the municipal entity in accordance with the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code) together with the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matter

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

Restatement of corresponding figures

7. As disclosed in note 24 to the financial statements, the corresponding figures for 30 June 2016 have been restated as a result of an error in the financial statements of the municipal entity at, and for the year ended, 30 June 2017.

Other matter

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

Unaudited supplementary schedules

9. The supplementary information set out on pages XX to XX does not form part of the financial statements and is presented as additional information. I have not audited these schedule(s) and, accordingly, I do not express an opinion thereon

Responsibilities of the accounting officer for the financial statements

10. 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 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.
11. 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 accounting officer either intends to liquidate the municipal entity or to cease operations, or has no realistic alternative but to do so.

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

12. 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 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
13. A further description of my responsibilities for the audit of the financial statements is included in the annexure to the auditor's report.

Report on the audit of the annual performance report

Introduction and scope

14. 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.
15. My procedures address the reported performance information, which must be based on the approved performance planning documents of the municipal entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

16. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the annual performance report of the municipal entity for the year ended 30 June 2017:

Objectives	Pages in the annual performance report
Objective LED 01 – Increased investment in GTM economy	x – x
Objective LED 02 – Create a stable and enabling environment by attracting suitable investors	x – x

17. 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.

18. The material findings in respect of the usefulness and reliability of the selected objectives are as follows:

Objective LED 01 – Increased investment in GTM economy

Indicator

19. The municipal entity did not have an adequate record keeping system to enable reliable reporting on achievement of the indicators listed below. Sufficient appropriate audit evidence could not be provided in some instances. In other cases, the evidence provided did not agree to the reported achievements, which resulted in misstatements of the reported achievements. I was also unable to confirm the reported achievements by alternative means. Consequently, I was unable to determine whether any further adjustments were required to the reported achievements.

Performance indicator	Reported achievement	Audited value
Number of SMMEs capacitated through GTEDA	21	0

20. I did not identify any material findings on the usefulness and reliability of the reported performance information for objective LED 2: Create a stable and enabling environment by attracting suitable investors

Other matter

21. I draw attention to the matter below.

Achievement of planned targets

22. Refer to the annual performance report on page(s) x to x; x to x for information on the achievement of planned targets for the year and explanations provided for the under / overachievement of a significant number of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraph(s) x; x; x of this report.

Report on audit of compliance with legislation

Introduction and scope

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

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

Annual financial statements, performance and annual reports

25. 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 misstatements of liabilities 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.

Internal control deficiencies

26. 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 thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.

Leadership

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

Financial and performance management

28. The annual financial statements and annual performance report contained numerous misstatements mainly due to a lack of financial monitoring and review

Governance

29. Those charged with governance did not provide adequate oversight over the effectiveness of the internal control environment, including financial and performance reporting and compliance with laws and regulations

Andile M. Goniwe
Polokwane

30 November 2017



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected objectives and on the municipal entity's compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in the auditor's report, I also:
 - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipal entity's internal control.
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer.
 - conclude on the appropriateness of the [board of directors, which constitutes the accounting officer's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Greater Tzaneen Economic development Agency ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of the auditor's report. However, future events or conditions may cause a municipal entity to cease to continue as a going concern.
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
 - obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the

consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

Communication with those charged with governance

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

Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)
Financial Statements for the year ended 30 June 2017

Statement of Financial Position as at 30 June 2017

Figures in Rand	Notes	2017	2016 Restated*
Assets			
Current Assets	3	34 318	37 318
Receivables from exchange transactions	4	711 357	1 107 942
Cash and cash equivalents		<u>745 675</u>	<u>1 145 260</u>
Non-Current Assets	5	54 560	65 460
Property, plant and equipment	6	8 063	21 665
Intangible assets		<u>62 623</u>	<u>87 125</u>
		<u>808 298</u>	<u>1 232 385</u>
Total Assets			
Liabilities			
Current Liabilities	7	306 056	347 232
Payables from exchange transactions	8	1 337 099	1 712 797
VAT payable		<u>1 643 155</u>	<u>2 060 029</u>
		<u>1 643 155</u>	<u>2 060 029</u>
		<u>(834 857)</u>	<u>(827 644)</u>
Total Liabilities			
Net Liabilities	9	100	100
Contributed capital		(834 957)	(827 744)
Accumulated deficit		<u>(834 857)</u>	<u>(827 644)</u>
Total Net Liabilities			

* See Note 24

Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Financial Statements for the year ended 30 June 2017

Statement of Financial Performance

Figures in Rand	Notes	2017	2016 Restated*
Revenue			
Revenue from exchange transactions			
Interest received	11	43 887	16 255
Other income		131 145	44 458
Total revenue from exchange transactions		175 032	60 713
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	17	5 906 832	5 563 950
Total revenue	10	6 081 864	5 624 663
Expenditure			
Employee related costs	14	2 764 610	2 687 671
Remuneration of board members	22	807 858	958 116
Consulting fees		249 635	22 099
Depreciation and amortisation	18	32 002	54 010
General Expenses	19	1 100 458	727 407
Lease rentals on operating lease		259 963	323 137
Project costs		650 835	484 889
Repairs and maintenance		223 716	117 248
Social inclusion		-	7 808
Total expenditure		6 089 077	5 382 385
(Deficit) surplus for the year		(7 213)	242 278

* See Note 24

Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)
Financial Statements for the year ended 30 June 2017

Statement of Changes in Net Assets

	Note	Contributed capital	Accumulated surplus/ (deficit)	Total net assets
Figures in Rand				
Balance at 01 July 2015		100	(1 070 022)	(1 069 922)
Changes in net assets		-	242 278	242 278
Surplus for the year		-	242 278	242 278
Total changes		100	(950 419)	(950 319)
Opening balance as previously reported		-	122 675	122 675
Adjustments	24	-	122 675	122 675
Prior year adjustments		100	(827 744)	(827 644)
Restated* Balance at 01 July 2016 as restated*		-	(7 213)	(7 213)
Changes in net assets		-	(7 213)	(7 213)
Deficit for the year		-	(7 213)	(7 213)
Total changes		100	(834 957)	(834 857)
Balance at 30 June 2017				
Note				

9

* See Note 24

Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)
Financial Statements for the year ended 30 June 2017

Cash Flow Statement

Figures in Rand

	Note(s)	2017	2016 Restated*
Cash flows from operating activities			
Receipts		134 145	225 984
Sale of goods and services		5 906 832	5 563 950
Grants		43 887	16 255
Interest income		6 084 864	5 806 189
Payments		(3 572 468)	(3 645 786)
Employee costs		(2 901 482)	(1 479 598)
Suppliers		(6 473 950)	(5 125 384)
	12	(389 086)	680 805
Net cash flows from operating activities			
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(7 499)	-
		(396 585)	680 805
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		1 107 942	427 138
Cash and cash equivalents at the end of the year	4	711 357	1 107 943

* See Note 24

Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Interest received (trading)	-	-	-	43 887	43 887	Note 26
Other income	-	-	-	131 145	131 145	Note 26
Total revenue from exchange transactions	-	-	-	175 032	175 032	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	6 735 000	-	6 735 000	5 906 832	(828 168)	Note 26
Total revenue	6 735 000	-	6 735 000	6 081 864	(653 136)	
Expenditure						
Personnel	(4 602 306)	507 574	(4 094 732)	(2 764 610)	1 330 122	Note 26
Remuneration of board members	-	-	-	(807 858)	(807 858)	
Depreciation and amortisation	(109 091)	30 000	(79 091)	(32 002)	47 089	Note 26
Finance costs	(22 578)	12 578	(10 000)	-	10 000	Note 26
Lease rentals on operating lease	(312 145)	35 639	(276 506)	(259 963)	16 543	Note 26
Consulting fees	(435 000)	(179 500)	(614 500)	(249 635)	364 865	
Repairs and maintenance	(111 683)	(108 117)	(219 800)	(223 716)	(3 916)	
Project cost	(400 000)	(222 816)	(622 816)	(650 835)	(28 019)	
General Expenses	(780 982)	(170 272)	(951 254)	(1 100 458)	(149 204)	Note 26
Total expenditure	(6 773 785)	(94 914)	(6 868 699)	(6 089 077)	779 622	
Operating deficit	(38 785)	(94 914)	(133 699)	(7 213)	126 486	
Capital expenditure	(235 000)	-	(235 000)	(7 499)	227 501	Note 26
Deficit before taxation	(273 785)	(94 914)	(368 699)	(14 712)	353 987	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(273 785)	(94 914)	(368 699)	(14 712)	353 987	

Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements: Accounting Policies

1. Presentation of Financial Statements

The 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 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 financial statements, are disclosed below.

1.1 Presentation currency

These 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 financial statements have been prepared based on the expectation that the municipal entity will continue to operate as a going concern for at least the next 12 months.

1.4 Significant judgments and sources of estimation uncertainty

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

Financial Statements for the year ended 30 June 2017

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 as 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)
Financial Statements for the year ended 30 June 2017

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
Office equipment	Straight line	3
Computer equipment	Straight line	3

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	Years
Website development	5

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).

1.7 Financial instruments

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

Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)
Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements: Accounting Policies

1.7 Financial instruments (continued)

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 municipal 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, a municipal 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 municipal 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 municipal entity; or
- a contractual right to:
 - receive cash or another financial asset from another municipal entity; or
 - exchange financial assets or financial liabilities with another municipal entity under conditions that are potentially favourable to the municipal entity.

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

- deliver cash or another financial asset to another municipal entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the municipal 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
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

The municipal 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
Payables from exchange transactions	Financial liability measured at amortised cost

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

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

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

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

If a transfer does not result in derecognition because the municipal entity has retained substantially all the risks and rewards of ownership of the transferred asset, the municipal entity continues to recognise the transferred asset in its entirety and recognises 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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Notes to the Financial Statements: Accounting Policies

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 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting municipal entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting municipal entity's own creditors (even in liquidation) and cannot be paid to the reporting municipal entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting municipal entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- a municipal entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipal entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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1.12 Employee benefits (continued)

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipal entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the municipal entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

1.13 Contingencies

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 15.

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.

1.14 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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.

1.15 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.

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1.15 Revenue from exchange transactions (continued)

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 .

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.

1.16 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.

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1.16 Revenue from non-exchange transactions (continued)

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.

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.

1.17 Comparative figures

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

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1.18 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.

1.19 Budget information

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

General purpose financial reporting by 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 2016/07/01 to 2017/06/30.

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

The 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.

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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Notes to the Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipal entity's accounting periods beginning on or after 01 July 2017 or later periods but are not yet effective or relevant to its operations:

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 35: Consolidated Financial Statements

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

To meet this objective, the Standard:

- requires an entity (the controlling entity) that controls one or more other entities (controlled entities) to present consolidated financial statements;
- defines the principle of control, and establishes control as the basis for consolidation;
- sets out how to apply the principle of control to identify whether an entity controls another entity and therefore must consolidate that entity;
- sets out the accounting requirements for the preparation of consolidated financial statements; and
- defines an investment entity and sets out an exception to consolidating particular controlled entities of an investment entity.

It furthermore covers Definitions, Control, Accounting requirements, Investment entities: Fair value requirement, 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 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.

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Notes to the Financial Statements

2. New standards and interpretations (continued)

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.

IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land

This interpretation of the Standards of GRAP applies to the initial recognition and derecognition of land in an entity's financial statements. It also considers joint control of land by more than one entity.

When an entity concludes that it controls the land after applying the principles in this Interpretation of the Standards of GRAP, it applies the applicable Standard of GRAP, i.e. the Standard of GRAP on Inventories, Investment Property (GRAP 16), Property, Plant and Equipment (GRAP 17) or Heritage Assets. As this Interpretation of the Standards of GRAP does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, the entity applies the applicable Standard of GRAP to account for the land once control of the land has been determined. An entity also applies the applicable Standards of GRAP to the derecognition of land when it concludes that it does not control the land after applying the principles in this Interpretation of the Standards of GRAP.

In accordance with the principles in the Standards of GRAP, buildings and other structures on the land are accounted for separately. These assets are accounted for separately as the future economic benefits or service potential embodied in the land differs from those included in buildings and other structures. The recognition and derecognition of buildings and other structures are not addressed in this Interpretation of the Standards of GRAP.

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

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

The impact of this interpretation is currently being assessed.

GRAP 17 (as amended 2016): Property, Plant and Equipment

Amendments to the Standard of GRAP on Property, Plant and Equipment 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 (paragraph .12); 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 an item of property, plant, and equipment is revalued; To clarify acceptable methods of depreciating assets; To align terminology in GRAP 17 with that in IPSAS 17. The term "specialist military equipment" in IPSAS 17 was replaced with the term "weapon systems" and provides a description of what it comprises in accordance with Government Finance Statistics terminology; and To define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27.

The effective date of the amendment is for years beginning on or after 01 April 2018.

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

The impact of this amendment is currently being assessed.

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2. New standards and interpretations (continued)

GRAP 18 (as amended 2016): Segment Reporting

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 amendment is for years beginning on or after 01 April 2018

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 amendment is currently being assessed.

GRAP 21 (as amended 2016): Impairment of non-cash-generating assets

Amendments to the Standard of GRAP on Impairment of Non-cash Generating Assets resulted from changes made to IPSAS 21 on Impairment of Non-Cash-Generating Assets (IPSAS 21) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

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

The impact of this amendment is currently being assessed.

GRAP 26 (as amended 2016): Impairment of cash-generating assets

Amendments Changes to the Standard of GRAP on Impairment of Cash Generating Assets resulted from changes made to IPSAS 26 on Impairment of Cash-Generating Assets (IPSAS 26) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

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

The impact of this amendment is currently being assessed.

GRAP 31 (as amended 2016): Intangible Assets

Amendments to the Standard of GRAP on Intangible Assets resulted from 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 31 on Intangible Assets (IPSAS 31) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015.

The most significant changes to the Standard are:

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2. New standards and interpretations (continued)

- General improvements: To add 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 (paragraph .12); 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 an item of intangible assets is revalued; and To clarify acceptable methods of depreciating assets

The effective date of the amendment is for years beginning on or after 01 April 2018.

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

The impact of this amendment is currently being assessed.

GRAP 106 (as amended 2016): Transfers of functions between entities not under common control

Amendments to the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control resulted from changes made to IFRS 3 on Business Combinations (IFRS 3) as a result of the IASB's amendments on Annual Improvements to IFRSs 2010 – 2012 Cycle issued in December 2013.

The most significant changes to the Standard are:

- IASB amendments: To require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting period.

The effective date of the amendment is for years beginning on or after 01 April 2018.

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 amendment will have a material impact on the municipal entity's financial statements.

Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities

Historically, public entities have prepared financial statements in accordance with generally recognised accounting practice, unless the Accounting Standards Board (the Board) approved the application of generally accepted accounting practice for that entity. "Generally accepted accounting practice" has been taken to mean Statements of Generally Accepted Accounting Practice (Statements of GAAP), or for certain entities, International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board. Since Statements of GAAP have been withdrawn from 1 December 2012, public entities will be required to apply another reporting framework in the future.

The purpose of this Directive is to prescribe the criteria to be applied by public entities in selecting and applying an appropriate reporting framework.

The effective date of the standard is for years beginning on or after 01 April 2018.

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.

IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

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2. New standards and interpretations (continued)

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

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

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

The impact of this interpretation is currently being assessed.

3. Receivables from exchange transactions

Rental deposits	3 386	3 386
Leave pay receivables	30 932	33 932
	34 318	37 318

4. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	178	7 759
Bank balances	646 331	1 097 912
Short term investments	64 848	2 271
	711 357	1 107 942

The municipal entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2017	30 June 2016	30 June 2015	30 June 2017	30 June 2016	30 June 2015
Petty cash	-	-	-	178	7 759	7 085
ABSA BANK - Cheque Account - 40-7166-4582	646 331	1 097 912	184 318	646 331	1 097 912	184 318
ABSA BANK - 32 Day notice Account - 92-2181-3770	340	325	323	340	325	323
ABSA BANK - Depositor Plus Account - 92-8795-3029	64 508	1 946	235 412	64 508	1 946	235 412
Total	711 179	1 100 183	420 053	711 357	1 107 942	427 138

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Figures In Rand

5. Property, plant and equipment

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	171 732	(122 923)	48 809	171 732	(110 844)	60 888
Office equipment	40 108	(40 107)	1	40 108	(37 098)	3 010
IT equipment	149 690	(143 940)	5 750	142 191	(140 629)	1 562
Total	361 530	(306 970)	54 560	354 031	(288 571)	65 460

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	60 888	-	(12 079)	48 809
Office equipment	3 010	-	(3 009)	1
Computer equipment	1 562	7 499	(3 311)	5 750
	65 460	7 499	(18 399)	54 560

Reconciliation of property, plant and equipment - 2016

	Opening balance	Depreciation	Total
Furniture and fixtures	86 208	(25 320)	60 888
Office equipment	7 942	(4 932)	3 010
Computer equipment	5 811	(4 249)	1 562
	99 961	(34 501)	65 460

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.

6. Intangible assets

	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	48 687	(40 624)	8 063	48 687	(27 447)	21 240
Website	45 051	(45 051)	-	45 051	(44 626)	425
Total	93 738	(85 675)	8 063	93 738	(72 073)	21 665

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6. Intangible assets (continued)

Reconciliation of intangible assets - 2017

	Opening balance	Amortisation	Total
Computer software	21 240	(13 177)	8 063
Website	425	(425)	-
	21 665	(13 602)	8 063

Reconciliation of intangible assets - 2016

	Opening balance	Amortisation	Total
Computer software	34 417	(13 177)	21 240
Website	6 757	(6 332)	425
	41 174	(19 509)	21 665

7. Payables from exchange transactions

Accrued leave pay	183 470	132 330
Accrued statutory payment	-	97 111
Other payables	117 791	117 791
Rental and other expenses	4 795	-
	306 056	347 232

8. VAT payable

VAT payable	1 337 099	1 712 797
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9. Contributed capital

Authorised		
1000 Ordinary shares R1 each	1 000	1 000
Issued		
Ordinary	100	100

10. Revenue

Interest received	43 887	16 255
Other Cash Sales	131 145	44 458
Government grants & subsidies	5 906 832	5 563 950
	6 081 864	5 624 663

The amount included in revenue arising from exchanges of goods or services are as follows:

Interest received	43 887	16 255
Other Cash Sales	131 145	44 458
	175 032	60 713

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Figures in Rand	2017	2016
10. Revenue (continued)		
The amount included in revenue arising from non-exchange transactions is as follows:		
Transfer revenue	5 906 832	5 563 950
Government grants & subsidies		
11. Other income		
Advertising airtime	131 145	10 526
Leave pay receivable	-	33 932
	131 145	44 458
12. Cash (used in) generated from operations		
(Deficit) surplus	(7 213)	242 278
Adjustments for:	32 002	54 010
Depreciation and amortisation		
Changes in working capital:	3 000	(33 932)
Receivables from exchange transactions	(41 177)	(44 210)
Payables from exchange transactions	(375 698)	462 659
VAT	(389 086)	680 805
13. Taxation		
Reconciliation of the tax expense		
The entity is exempt from income tax in terms of Section S10(1)(cA)(ii) of the Income Tax Act.		
14. Employee related costs		
Basic	1 938 615	1 637 030
Other payroll levies	637 003	646 697
Leave pay provision charge	57 418	218 167
Travel and accommodation	40 918	26 818
Overtime payments	2 136	53 781
13th Cheques	88 520	93 598
Secretariat support	-	11 580
	2 764 610	2 687 671

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Notes to the Financial Statements

Figures in Rand	2017	2016
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15. Contingencies

Mr A. Mushwana vs GTEDA

Mr A. Mushwana was suspended with pay, thereafter dismissed with effect from 18 May 2015 as imposed by the presiding officer after having followed due disciplinary hearing processes; and the case was awarded in the favour of GTEDA by CCMA.

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

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 might be payable to SARS as a result of resubmission of VAT returns, subsequently, no provision had been made based on the fact that GTEDA is still in negotiations with SARS and this cannot be measured reliably.

16. 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:

	Less than 1 year	Between 1 and 2 years
At 30 June 2017		
Payables from exchange transactions	1 643 155	-
At 30 June 2016		
Payables from exchange transactions	2 060 029	-

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 counterparty.

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.

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.

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Figures in Rand	2017	2016
17. Government grants and subsidies		
Operating grants		
Greater Tzaneen Municipality	5 906 832	5 563 950
18. Depreciation and amortisation		
Property, plant and equipment	18 399	34 501
Intangible assets	13 603	19 509
	32 002	54 010
19. General expenses		
Advertising	75 046	-
Auditors fees	Note 20 258 080	224 174
Bank charges	29 595	15 427
Cleaning	-	331
Consumables	15 283	15 929
Entertainment	10 972	1 557
Fines and penalties	16 503	12 403
Insurance	15 992	15 092
IT expenses	43 750	35 790
Postage and courier	757	522
Printing and stationery	32 333	15 972
Security (alarm for municipal entity property)	5 156	6 345
Seminar and workshops	13 916	-
Subscriptions and membership fees	22 832	23 048
Telephone and fax	145 627	172 249
Training	28 981	11 850
Travel - local	187 224	76 060
Uniforms	-	99 878
First aid	-	780
Statutory payments	198 411	-
	1 100 458	727 407
20. Auditors' fees		
External audit fees	231 772	177 752
Internal audit fees	26 308	46 422
	258 080	224 174
21. Related parties		
Relationships		
Controlling entity	Greater Tzaneen Municipality	
Major stakeholder	Chief Executive Officer and Board	
Related party transactions		
Grant received from Greater Tzaneen Municipality		
Greater Tzaneen Municipality	5 906 832	5 563 950

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Figures in Rand

22. Remuneration of board members

Board fees	807 858	958 116	
30 June 2017	Emoluments	Travelling allowance	Total
M.Z Mawasha	139 705	22 674	162 379
Adv E.S Maake	162 976	52 383	215 359
M.F Mushwana	58 267	9 973	68 240
M.V Gardner	17 720	1 297	19 017
M.J Makapan	49 314	58 809	108 123
M.I Moakamela	62 098	19 318	81 416
B.J Pretorius	79 318	3 379	82 697
B.L Mathebula	40 678	29 949	70 627
	610 076	197 782	807 858
30 June 2016	Emoluments	Travelling allowance	Total
V.J.G Baloyi (Resigned)	57 971	27 401	85 372
M.V Gardner	78 052	8 659	86 711
M.F Mushwana	93 661	18 552	112 213
M.Z Mawasa (Chair)	106 116	21 978	128 094
E.S Maake	126 288	50 565	176 853
J Makapan	52 259	23 689	75 948
M.I Moakamela	84 012	23 899	107 911
B.L Mathebula	43 232	24 928	68 160
B.J Pretorius	88 836	9 942	98 778
S.R Monakedi (Resigned)	17 408	668	18 076
	747 835	210 281	958 116

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23. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for:		
• Internal Audit	65 265	58 560
• Annual report development	65 000	43 860
• IT support	27 360	30 000
• Tzaneen Steel Industry	354 817	-
• Cell phone	68 820	7 000
• Panasonic - Copier Rental	167 790	-
	749 052	139 420

Cathu Consulting is an Internal Audit Company appointed for a period not exceeding three months for provision of internal audit services.

PMR is a company appointed for a period not exceeding three months for printing of the 2015/16 annual report.

Bohlabeo Computers is an IT support contract at R 3 420 per month for a period of 12 months from 01/02/2017 to 21/02/2018.

Vodacom contracts for the following officials, these are cell phones contracted for 24 months:
Chief Executive Officer (21/09/2016 to 31/09/2018) R 2 220 p.m.
Project Manager (31/10/2016 to 31/10/2018) R 2 220 p.m.

Tzaneen Steel Industry is a company (The Lessor) for office rental at R 29 568 per month for a period of one year (1/08/2017 to 31/07/2018)

Panasonic is a company contracted for the rental of copier machine at R 4 794 per month for a period of three years (1/06/2017 to 30/06/2020)

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.

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Figures in Rand 2017 2016

24. Prior period errors

Statement of Financial Position 2016

The correction of the errors are as follows:

R 122 674 **Accounts payable**

2016/06/30 Correction of prior year accruals R 122 675

R 122 674 **Accumulated Surplus**

2016/06/30 Correction of prior year R 122 675

Statement of Financial Position

	2016 Previously reported	Correction of error	2016 Restated
Current Assets			
Receivables from exchange transactions	37 318	-	37 318
Cash and cash equivalents	1 107 942	-	1 107 942
Non-Current Assets			
Property, plant and equipment	65 460	-	65 460
Intangible assets	21 665	-	21 665
Liabilities			
Current Liabilities			
Payables from exchange transactions	469 908	(122 676)	347 232
VAT payable	1 712 797	-	1 712 797
Contributed capital	100	-	100
Accumulated deficit	(950 420)	(122 676)	(827 744)

Statement of Financial Performance

R 12 571 **Employee costs**

2016/06/30 Correction of prior year accrual R 12 571

R 108 468 **General expenses**

2016/06/30 Correction of prior year accrual R 108 407

R 1 636 **Project costs**

2016/06/30 Correction of prior year accrual R 1 636

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24. Prior period errors (continued)

Statement of Financial Performance	2016 Previously reported	Correction of 2016 error	Restated
Revenue			
Revenue from exchange transactions			
Other income	44 458	-	44 458
Interest received - investment	16 255	-	16 255
Transfer revenue			
Government grants & subsidies	5 563 950	-	5 563 950
Expenditure			
Employee costs	(2 700 241)	12 570	(2 687 671)
Consulting fees	(22 100)	1	(22 099)
Remuneration of board members	(958 116)	-	(958 116)
Depreciation and amortisation	(54 010)	-	(54 010)
General expenses	(835 876)	108 469	(727 407)
Lease rentals on operating lease	(323 137)	-	(323 137)
Project costs	(486 525)	1 636	(484 889)
Repairs and maintenance	(117 248)	-	(117 248)
Social inclusion	(7 808)	-	(7 808)
Surplus/(loss) for the year	119 602	122 676	242 278

Cash Flow Statement

Cash Flow Statement	2016 Previously reported	Correction of 2016 error	Restated
Cash flow from operating activities			
Receipts			
Sale of goods and services	10 527	215 457	225 984
Grants	5 563 950	-	5 563 950
Interest income	16 255	-	16 255
Payments			
Employee costs	(3 658 357)	12 571	(3 645 786)
Suppliers	(1 251 570)	(228 028)	(1 479 598)
Cash flow from investing activities			
	680 805	-	680 805

25. Fruitless and wasteful expenditure

Opening balances	51 522	39 119
Fruitless and wasteful expenditure	16 503	12 403
Fruitless and wasteful expenditure awaiting condonement	68 025	51 522

The report was referred to the finance and risk committee for comments after which it will be finalized.

Once the process is concluded the matter will be resolved by the Board.

Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand

26. Budget differences

Material differences between budget and actual amounts

Revenue

Interest received

The variance is due to Interest earned on higher investment balance than anticipated.

Grants received

The variance is due to allocation of output VAT on grant received.

Other income

Cash sales generated from advertising airtime on the Radio Station (GTFM) project.

Expenditure

Employee related costs

Overtime: The lower than anticipated spending is due to the fact that only two employees qualified for overtime as per the reviewed overtime policy.

Performance bonus: Performance bonus for the CEO is pending performance assessment outcome.

Remuneration of directors: The lower than anticipated spending is due to the Company Secretary's post which has been vacant and resignation of one board member.

Depreciation

The lower than anticipated spending is due to underspending on purchasing of office equipment for MSCOA compatibility.

General expenditure

Information technology: The lower than anticipated spending is due to a delay in upgrading of the IT system for implementation of MSCOA.

Entertainment public: The higher than anticipated spending is due to entertainment of potential investors and funders as per GTEDA's mandate.

Training: The lower than anticipated spending is due to employees been offered study bursaries to enhance employee's qualifications.

Accounting costs: The lower than anticipated spending is due to some of the accounting services being performed internally rather than outsourcing.

Bursaries: The lower than anticipated spending is due to subjects exemptions that were granted to employees from previous studies.

Finance cost

The variance is due to non-spending on SARS interest and penalties.

Capital expenditure

The underspending is due to the delay in the implementation of MSCOA, subsequently MSCOA equipment was not purchased.

Changes from the approved budget to the final budget

The variance between the approved and final budget is due to virements approved by the directors.

Appendix B

Analysis of property, plant and equipment as at 30 June 2017
Accumulated depreciation

Cost/Revaluation

	Opening Balance		Additions		Disposals		Transfers		Revaluations		Closing Balance		Opening Balance		Disposals		Transfers		Revaluations		Depreciation		Impairment loss		Closing Balance		Carrying value		
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	
Other assets																													
Computer Equipment	142 191											149 690	(140 629)															5 790	
Furniture & Fixings	171 732										171 732	(110 844)																48 809	
Office Equipment	40 108										40 108	(37 098)																1	
	364 031										361 530	(288 571)																64 560	
Intangible assets																													
Computers - software	48 687										48 687	(27 447)																8 063	
Websites	45 051										45 051	(44 626)																-	
	93 738										93 738	(72 073)																8 063	
Total																													
Other assets	364 031										361 530	(288 571)																54 560	
Intangible assets	93 738										93 738	(72 073)																8 063	
	447 769										455 268	(360 644)																62 623	

Appendix B

Analysis of property, plant and equipment as at 30 June 2016
Cost/Revaluation

	Accumulated depreciation													
	Operating Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Closing Balance Rand	Operating Balance Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Other assets														
Computer Equipment	142 191	-	-	-	-	142 191	(136 380)	-	-	-	(4 249)	-	(140 629)	1 562
Furniture & Fittings	171 732	-	-	-	-	171 732	(86 524)	-	-	-	(25 320)	-	(110 844)	60 888
Office Equipment	40 108	-	-	-	-	40 108	(32 166)	-	-	-	(4 932)	-	(37 098)	3 010
	354 031	-	-	-	-	354 031	(254 070)	-	-	-	(34 501)	-	(288 571)	65 460
Intangible assets														
Computers - software	48 687	-	-	-	-	48 687	(14 270)	-	-	-	(13 177)	-	(27 447)	21 240
Websites	45 051	-	-	-	-	45 051	(38 294)	-	-	-	(6 332)	-	(44 626)	425
	93 738	-	-	-	-	93 738	(52 564)	-	-	-	(19 509)	-	(72 073)	21 665
Total														
Other assets	354 031	-	-	-	-	354 031	(254 070)	-	-	-	(34 501)	-	(288 571)	65 460
Intangible assets	93 738	-	-	-	-	93 738	(52 564)	-	-	-	(19 509)	-	(72 073)	21 665
	447 769	-	-	-	-	447 769	(306 634)	-	-	-	(54 010)	-	(360 644)	87 125

Appendix C

Segmental analysis of property, plant and equipment as at 30 June 2017
Accumulated Depreciation
Cost/Revaluation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
Municipal entity														
Planning and Development/Economic Development/Plan	447 769	7 499	-	-	-	-	455 268	(360 644)	-	-	(32 001)	-	(392 645)	62 623
	447 769	7 499	-	-	-	-	455 268	(360 644)	-	-	(32 001)	-	(392 645)	62 623
Total														
Municipal entity	447 769	7 499	-	-	-	-	455 268	(360 644)	-	-	(32 001)	-	(392 645)	62 623
	447 769	7 499	-	-	-	-	455 268	(360 644)	-	-	(32 001)	-	(392 645)	62 623

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
			Municipal entity			
5 624 663	5 382 385	242 278	Planning and Development/Economic Development/Plan	6 081 864	6 089 077	(7 213)
5 624 663	5 382 385	242 278		6 081 864	6 089 077	(7 213)
5 624 663	5 382 385	242 278	Municipal entity	6 081 864	6 089 077	(7 213)
5 624 663	5 382 385	242 278	Total	6 081 864	6 089 077	(7 213)

Appendix E(1)

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2017

	Current year 2017 Act. Bal.	Current year 2017 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Interest received (trading)	43 887	-	43 887	100.0	Due to interest earned for the year from our investment account
Grants received	5 906 832	6 735 000	(828 168)	(12.3)	The variance is due to allocation of output VAT on grant received.
Other income	131 145	-	131 145	100.0	The higher than anticipated revenue was due to cash sales generated from advertising airtime on the Radio station project
	6 081 864	6 735 000	(653 136)	(9.7)	
Expenses					
Personnel	(2 764 610)	(4 094 732)	1 330 122	(32.5)	
Remuneration of councillors	(807 858)	-	(807 858)	-	
Depreciation	(32 002)	(79 091)	47 089	(59.5)	Lower than anticipated spending is due to underspending on purchasing of office equipment for MSCOA compatibility.
Finance costs	-	(10 000)	10 000	(100.0)	This is due to non-spending on SARS interest and penalties
Consulting fees	(249 635)	(614 500)	364 865	(59.4)	
Repairs and maintenance - General	(223 716)	(219 800)	(3 916)	1.8	
General Expenses	(1 100 458)	(951 254)	(149 204)	15.7	
Project cost	(650 835)	(622 816)	(28 019)	4.5	
Lease rental on operating leases	(259 963)	(276 506)	16 543	(6.0)	
	(6 089 077)	(6 868 699)	779 622	(11.4)	
Net surplus/ (deficit) for the year	(7 213)	(133 699)	126 486	(94.6)	

Appendix E(2)

Budget Analysis of Capital Expenditure as at 30 June 2017

	Actual expenditure Rand	Revised Budget Rand	Variance Rand	Variance %	Explanation of significant variances from budget
Municipal entity					
Planning and Development/Economic Development/Plan	7 499	235 000	227 501	97	This is due delay in implementation of MSCOA, subsequently, the MASCOA equipment was not purchased.
	7 499	235 000	227 501	97	

**Appendix G1
Budgeted Financial Performance (revenue and expenditure by standard classification)
for the year ended 30 June 2017**

		2016/2017				2015/2016								
Original Budget	Budget Adjustments (L.O. 528 and s31 of the MFMA)	Final budget adjustments	Shifting of funds (L.O. s31 of the MFMA)	Warrant (L.O. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
6 735 000	-	6 735 000	-	-	6 735 000	6 081 864	-	(653 136)	90 %	90 %	-	-	-	6 624 663
6 735 000	-	6 735 000	-	-	6 735 000	6 081 864	-	(653 136)	90 %	90 %	-	-	-	5 624 663
6 735 000	-	6 735 000	-	-	6 735 000	6 081 864	-	(653 136)	90 %	90 %	-	-	-	5 624 663
Revenue - Standard														
Economic and environmental services														
6 773 785	94 914	6 868 699	-	-	6 868 699	6 089 077	-	(779 622)	89 %	90 %	-	-	-	5 382 385
6 773 785	94 914	6 868 699	-	-	6 868 699	6 089 077	-	(779 622)	89 %	90 %	-	-	-	5 382 385
6 773 785	94 914	6 868 699	-	-	6 868 699	6 089 077	-	(779 622)	89 %	90 %	-	-	-	5 382 385
(38 785)	(94 914)	(133 699)	-	-	(133 699)	(7 213)	-	126 486	5 %	19 %	-	-	-	242 276
Expenditure - Standard														
Economic and environmental services														
6 773 785	94 914	6 868 699	-	-	6 868 699	6 089 077	-	(779 622)	89 %	90 %	-	-	-	5 382 385
6 773 785	94 914	6 868 699	-	-	6 868 699	6 089 077	-	(779 622)	89 %	90 %	-	-	-	5 382 385
6 773 785	94 914	6 868 699	-	-	6 868 699	6 089 077	-	(779 622)	89 %	90 %	-	-	-	5 382 385
(38 785)	(94 914)	(133 699)	-	-	(133 699)	(7 213)	-	126 486	5 %	19 %	-	-	-	242 276

**Appendix G2
Budgeted Financial Performance (revenue and expenditure by municipal vote)
for the year ended 30 June 2017**

	2016/2017				2015/2016								
	Original Budget	Final adjustments budget	Virement (i.e. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Reported unauthorised expenditure	Actual Outcome as % of Original Budget	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	%	Rand	%	Rand	Rand	Rand
Revenue by Vote													
GTEDA	6 735 000	6 735 000	-	6 735 000	6 081 864	(653 136)	(653 136)	90 %	90 %	90 %			5 624 663
Total Revenue by Vote	6 735 000	6 735 000	-	6 735 000	6 081 864	(653 136)	(653 136)	90 %	90 %	90 %			5 624 663
Expenditure by Vote to be appropriated													
GTEDA	6 868 699	6 868 699	-	6 868 699	6 089 077	(779 622)	(779 622)	89 %	89 %	89 %			5 382 385
Total Expenditure by Vote	6 868 699	6 868 699	-	6 868 699	6 089 077	(779 622)	(779 622)	89 %	89 %	89 %			5 382 385
Surplus(Deficit) for the year	(133 699)	(133 699)		(133 699)	(7 213)	128 486	128 486	5 %	5 %	5 %			242 278

Appendix G3 Budgeted Financial Performance (revenue and expenditure) for the year ended 30 June 2017

2015/2016

2016/2017

	Original Budget	Budget Adjustments (i.e. s28 and s31 of the MFMA)	Final budget	Shifting of funds (i.e. s31 of the MFMA)	Virement (i.e. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	%	%	Rand	Rand	Rand	Rand
Revenue By Source															
Municipal grants	6 735 000	-	6 735 000	-	-	6 735 000	5 906 832	(828 168)	(828 168)	88 %	88 %	-	-	-	5 963 950
Interest earned - external investments	-	-	-	-	-	-	43 887	43 887	43 887	DIV/D %	DIV/D %	-	-	-	16 255
Other revenue	-	-	-	-	-	-	131 145	131 145	131 145	DIV/D %	DIV/D %	-	-	-	44 458
Total Revenue (excluding capital transfers and contributions)	6 735 000	-	6 735 000	-	-	6 735 000	6 081 864	(653 136)	(653 136)	90 %	90 %	-	-	-	5 624 663
Expenditure By Type															
Employee related costs	4 602 306	(507 574)	4 094 732	-	-	4 094 732	3 572 468	(522 264)	(522 264)	87 %	78 %	-	-	-	3 645 787
Administration	108 091	(30 000)	79 091	-	-	79 091	32 002	(47 089)	(47 089)	40 %	29 %	-	-	-	7 808
Depreciation & asset impairment	22 578	(12 578)	10 000	-	-	10 000	-	(10 000)	(10 000)	-	-	-	-	-	54 010
Finance charges	312 145	(35 639)	276 506	-	-	276 506	289 963	(16 543)	(16 543)	94 %	83 %	-	-	-	323 137
Lease rentals on operating lease	780 882	170 272	951 254	-	-	951 254	1 100 468	149 204	149 204	116 %	141 %	-	-	-	727 406
Other expenditure	400 600	222 816	622 816	-	-	622 816	650 835	28 019	28 019	104 %	163 %	-	-	-	484 869
Project costs	435 000	179 500	614 500	-	-	614 500	249 635	(364 865)	(364 865)	41 %	57 %	-	-	-	22 100
Consulting fees	111 663	108 117	219 800	-	-	219 800	223 716	3 916	3 916	102 %	200 %	-	-	-	117 248
Repairs and maintenance	6 773 765	(94 914)	6 688 899	-	-	6 688 899	6 089 077	(779 822)	(779 822)	89 %	90 %	-	-	-	5 382 385
Total Expenditure	(38 765)	(94 914)	(133 699)	-	-	(133 699)	(7 213)	126 486	126 486	5 %	19 %	-	-	-	242 278
Surplus/(Deficit)	(38 765)	(94 914)	(133 699)	-	-	(133 699)	(7 213)	126 486	126 486	5 %	19 %	-	-	-	242 278
Surplus/(Deficit) after capital transfers & contributions	(38 765)	(94 914)	(133 699)	-	-	(133 699)	(7 213)	126 486	126 486	5 %	19 %	-	-	-	242 278
Surplus/(Deficit) after taxation	(38 765)	(94 914)	(133 699)	-	-	(133 699)	(7 213)	126 486	126 486	5 %	19 %	-	-	-	242 278
Surplus/(Deficit) attributable to the municipal entity	(38 765)	(94 914)	(133 699)	-	-	(133 699)	(7 213)	126 486	126 486	5 %	19 %	-	-	-	242 278
Surplus/(Deficit) for the year	(38 765)	(94 914)	(133 699)	-	-	(133 699)	(7 213)	126 486	126 486	5 %	19 %	-	-	-	242 278

**Appendix G4
Budgeted Capital Expenditure by vote, standard classification and funding
for the year ended 30 June 2017**

2015/2016

2016/2017

	Original Budget		Budget Adjustments (L.O. s28 and s31 of the MFMA)		Final adjustments budget		Shifting of funds (L.O. s31 of the MFMA)		Virement (L.O. Council approved policy)		Final Budget		Actual Outcome		Unauthorised expenditure		Variance of Actual Outcome against Adjustments		Actual Outcome as % of Final Budget		Actual Outcome as % of Original Budget		Reported unauthorised expenditure		Expenditure authorised in terms of section 32 of MFMA		Balance to be recovered		Resiated Audited Outcome			
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand		
Capital expenditure - Vote Multi-year expenditure																																
GTEDA	235 000	-	235 000	-	-	-	-	-	-	-	235 000	7 499	-	(227 501)	3 %	3 %	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Capital multi-year expenditure sub-total	235 000	-	235 000	-	-	-	-	-	-	-	235 000	7 499	-	(227 501)	3 %	3 %	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Single-year expenditure																																
Total Capital Expenditure - Vote	235 000	-	235 000	-	-	-	-	-	-	-	235 000	7 499	-	(227 501)	3 %	3 %	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Capital Expenditure - Standard																																
Funded by:																																
Greater Tzaneen Municipality	235 000	-	235 000	-	-	-	-	-	-	-	235 000	7 499	-	(227 501)	3 %	3 %	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Transfers recognised - capital	235 000	-	235 000	-	-	-	-	-	-	-	235 000	7 499	-	(227 501)	3 %	3 %	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total Capital Funding	235 000	-	235 000	-	-	-	-	-	-	-	235 000	7 499	-	(227 501)	3 %	3 %	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-