




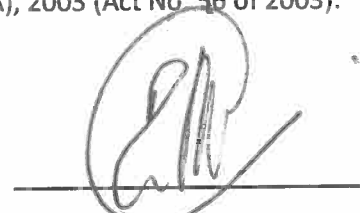
SUBMISSION OF THE 2015/16 ANNUAL REPORT

We are honoured to submit the Annual Report of the Greater Tzaneen Economic Development Agency (GTEDA) for the period 01 July 2015 to 30 June 2016, in accordance with Chapter 12 (Section 121) of the Municipal Finance Management Act (MFMA), 2003 (Act No. 56 of 2003).



Mr. Maphoto
Chief Executive Officer

Date: 17/01/2017



Mr. MZ Mawasha
Board Chairperson

Date: 17/01/2017

The Honourable Mayor

Date: _____

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PART 1: INTRODUCTION

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. .

It 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 2015/16;
- 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:

- i. Annual Financial Statements for the Financial Year ending 30 June 2016;
- ii. Auditors Report for the Financial Year ending 30 June 2016; and
- iii. Annual Performance Report for the Financial Year ending 30 June 2016.

PART 2: STRATEGIC OVERVIEW

OUR VISION

To be the leading catalyst for sustainable economic development in the Greater Tzaneen Municipal area.

MISSION

To implement the local economic development strategy and foster an entrepreneurial culture.

VALUES

Being an institution whose mandate is to serve the people of the Greater Tzaneen Municipality, GTEDA fully subscribes to the values as embodied in the *Batho Pele* Principles.

STRATEGIC OBJECTIVES

- Ensuring Good Governance;
- Organisational/Institutional Development (HRM & Labour Relations);
- Ensuring Financial Viability and Management;
- Economic Development; and
- Research and Innovation.

LEGISLATIVE MANDATE

As a Municipal Entity of the Greater Tzaneen Municipality (GTM), established with the main aim of implementing economic development within the GTM area, the Greater Tzaneen Economic Development Agency (GTEDA) 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;
- 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);
- 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);
- 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);
- White Paper on Local Government;

GLOSSARY

A-G	Auditor-General
AFS	Annual Financial Statements
AGSA	Auditor-General South Africa
ARMC	Audit and Risk Management Committee
BSSC	Business Services Support Centre
CEO	Chief Executive Officer
GTEDA	Greater Tzaneen Economic Development Agency
GTM	Greater Tzaneen Municipality
IDC	Industrial Development Corporation
IDP	Integrated Development Plan
IODSA	Institute of Directors South Africa
LDA	Limpopo Department of Agriculture
MFMA	Municipal Finance Management Act, 2003 (Act No. 56 of 2003)
PwC	PricewaterhouseCoopers
SAIMET	Southern Africa Institute of Management
SETA	Sectoral Education Training Authority
SMME	Small Medium Micro Enterprises



FOREWORD BY THE CHAIRPERSON

The end of the 2015/16 Financial Year marked a major milestone, as the Agency reflected on its operations, impact of projects and the resultant socio-economic impact it made since inception. This introspection was vital to ensure that the Agency is still on track to deliver its mandate as prescribed by communities through the GTM Council. We are very proud that the outcome of this introspection exercise is a carefully crafted 5 years Strategic Plan which has five key focus areas, namely:

- Agriculture and Agro-processing.
- Manufacturing.
- Tourism and Heritage Conservation.
- Property Development.
- Green Energy.

We hope that these expanded focus areas will enable the Agency to identify projects that will yield economic spinoffs geared towards betterment of our communities.

Operations

While GTEDA remains committed as the key instrument of the economic drive and to be an important component of South Africa's economic development equation, what is required for continued operations is a mechanism/strategy to source additional funding. This matter is a subject of ongoing discussions between the Board and the Parent Municipality. Related to this is the need to expedite the required support in project prioritization which will lead to both GTEDA and the economy of the Greater Tzaneen Municipal being sustainable.

Despite the above challenges, we remain particularly proud of the sound governance standing amongst other Economic Development Agencies and we continue to work hard to maintain and surpass the unqualified audit opinion; whilst still realizing the critical need to work even harder, towards self-sustainability.

Governance

Boards are tasked with ensuring an effective governance framework within their respective institutions. Moreover, as Local Government institutions, Municipal Entities operate within an industry that is highly regulated. In line with the latter, GTEDA is committed to continue operating with the utmost transparency and accountability. In the few years of its existence, a number of interventions have been undertaken and implemented as part of the organisation's efforts to achieve greater levels of good governance and accountability to both the shareholder and the community. To ensure that GTEDA is equipped to meet these challenges in a way that is fair and transparent, the organisation is monitored and regularly reviewed by a number of independent bodies.

The Board also plays a vital role in ensuring that GTEDA meets its developmental obligations, while adhering to the strictest standards and operating in a manner that not only benefits the community which the Agency serves, but also serves the Shareholder's interests. To this end, a number of policies have been reviewed.

Attention has been focused on key areas such as Economic Development through key projects, and sound Corporate Governance. Again, relevant policies and procedures have been put in place to ensure that GTEDA now adheres strictly to all requirements and is able to address challenges effectively.

The Board and management are committed to the acceleration of skills development and transformation in the realization of the mandate of GTEDA. The well-established governance structures within the Agency ensure thorough and diligent Board oversight and communication. We believe that despite the significant challenges that still remain, the key strategic issues underlying the operational efficiency, we believe that it is within the power of the Agency, its management, Board and Shareholder, all working in partnership, to put in place the necessary requirements that will set the Agency on a new footing for both financial and developmental success.

Risks, Challenges and Opportunities

GTEDA strives to be a Learning Organisation. We constantly reflect on our development and operational practice in order to improve our effectiveness and outcomes.

There are also a number of system improvements that are required to enhance the efficiency of project development, financial management and risk management in GTEDA. These include more strategic medium term project planning and prioritization and more regular project risk assessment consultations.

The implementation of the new Strategic Plan will require a great deal of commitment from both Board and staff as well as support from the community, sponsors, investors and Council. We hope that through collective effort, we would ensure that the mandate of the Agency is achieved for the benefit of our people.

Acknowledgements

With a sense of appreciation, the Board would like to acknowledge the following:

- The Greater Tzaneen Municipal Council and Executive Committees in their respective portfolios for their resolute support, and for approving GTEDA's 5 year Strategic Plan which will assist the Agency in ensuring meaningful economic development in the Greater Tzaneen Municipal area and beyond.
- Colleagues on the Board for their participation in robust Board deliberations, and dedicating their expertise and time towards the development of the Strategic Plan.
- The Management and staff of GTEDA for their contribution to the organisation's performance and having been instrumental in developing the Strategic Plan.
- The community of the Greater Tzaneen Municipality at large.



Mr MZ Mawasha

Board Chairperson



EXECUTIVE SUMMARY BY THE CHIEF EXECUTIVE OFFICER

An exciting Financial year has gone past in the history of the Greater Tzaneen Economic Development Agency (GTEDA). A new Board was appointed at the beginning of the 2015/2016 Financial Year and we celebrate the efforts of men and women with great capacity to take the Agency forward in the next few years.

We also acknowledge the funding and support from the parent Municipality, Greater Tzaneen Municipality (GTM) as the 100% shareholder of this agency. This consistent support is highly appreciated by our Stakeholders and the Communities we serve.

The Board has now firmly positioned itself to provide strategic leadership to the Agency by establishing various Board Committees that will ensure that the Agency is properly structured to deliver on its mandate.

For the first time in the history of the Agency, a projects and Investment Committee (PIC) has been set up to provide guidance and oversight to the Projects Management Unit and ensure that the Agency's core business is well taken care of.

Achievements

It is also exciting to attach to this Annual Report a report by the Auditor General of South Africa which found our financial and performance information to be a true reflection of what happened in GTEDA during the 2015/2016 financial year. Another Unqualified Audit opinion was granted in this regard, demonstrating GTEDA's ability to manage public funds and as a doorway for investments in the Greater Tzaneen Municipality.

A comprehensive governance training facilitated by Institute of Directors in Southern Africa (IoDSA) has been provided to Board to ensure that it hits the ground running from the onset.

The first priority for Board was to take stock of the past years' performance of the agency, this culminated in a five year Strategic Plan being crafted and approved by Council/shareholder in May 2016. This will ensure that the Agency's mandate is achieved in addressing the local economic development expectations by the shareholder and community at large. In order to effectively implement the Strategic Plan, the Agency had to

review the organogram and ensure it is fully aligned to it; this will result in new divisions being created which could potentially create new jobs as part of expansion.

Our budget received an injection of R842 903.00 from GTM during the midterm budget adjustment to strengthen operations and resuscitate the radio station (GTFM).

Corporate Social Investment

In partnership with National Youth Development Agency (NYDA), the Agency managed to:

- Distribute over 5000 sanitary towels packs to disadvantage teenage girls in rural schools within the district during the Mandela month in July 2015.
- In collaboration with GTM, Bathlabine farms and NYDA, we managed to refurbish, furnish and paint three crèches to ensure that we plant the seeds of education at an early age in the communities that are most in need.

Challenges

Most of our performance targets as set out in the annual performance plan and the Service Delivery and Budget Implementation Plan (SDBIP) were not achieved; this was mainly attributed to key projects that had disputes, hence the development of the Strategic Plan was a corrective measure to address this by identifying new projects and all old projects which were identified in the Integrated Development Plan (IDP) previously were parked and will be monitored closely by management and Board.

A going concern issue was raised by Auditor General South Africa (AGSA), this arose due to a VAT shortfall on the grant funding received from GTM which was not provided for, management is working tirelessly with GTM to finalise this matter and we hope it will be resolved amicably by the two organisations.

Interventions

We will continue to forge partnerships with the shareholder and stakeholders to ensure that we give our time and the little resources at our disposal for the benefit of our communities.

We will continue to invite investors to the GTM and package opportunities to attract investments. We will also continue to support our Small Medium Enterprises to achieve

their goals. We will grow the economy and create jobs. We will conduct intensive outreach programmes like Road Shows to reach out to our communities.

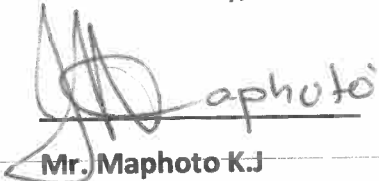
Bring all your business dreams to GTEDA we will help you unpack them and make them real where possible. Our sincere appreciation to the Board of Directors of GTEDA, the Mayor and Council for the progress made.

Acknowledgement

Let me conclude by acknowledging the following:

- 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 and the Community at large.

Yours Faithfully,



Mr. Maphoto K.J

Chief Executive Officer

PART 3: CORPORATE GOVERNANCE

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 III 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 III Report

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

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 considers adherence to binding rules, codes and standards. The Board is also committed to ensuring that international standards are adhered to in this regard.

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 the available resources.

GTEDA continues to comply with applicable laws; we implement best corporate governance standards over and above upholding the principles of transparency, accountability and business integrity in all our dealings with stakeholders.

BOARD OF DIRECTORS

In spite of challenges, we continued to comply with the requirements of a responsible and accountable Board as recommended in Chapter 2 of the King III Report.

Board Composition: For the period under review, the Board comprised of eight (8) Board Members down from the initial Membership of ten (10). The Board is currently considering making request to the shareholder to consider replacement of the two Board members who have resigned from the Board. The proposed appointments will focus on complementing the congruence of current skills composition.

CURRENT BOARD: The Board in the year under review (2015/16) consisted of the following Members:



Mr. MZ Mawasha
Board Chairperson



Adv. ES Maake
Board Deputy Chairperson



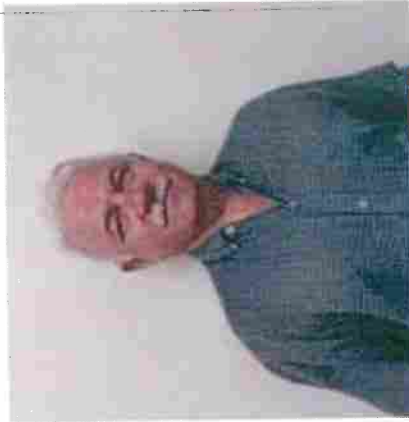
Mr. MV Gardner
Board Member



Mrs. MF Mushwana
Board Member



Ms MI Mookamela
Board Member



Mr. B Pretorius
Board Member



Ms B Mathebula
Board Member



Ms J Makapan
Board Member

Board Term: Directors are appointed on a fixed term of five (5) years

Board Meetings Attendance:

Member	Position Held	Ordinary Meetings	Special Board Meeting
Mr. MZ Mawasha	Chairperson	3 of 4	0 of 1
Adv. ES Maake	Deputy Chairperson	4 of 4	1 of 1
Mr. MV Gardner	Member	4 of 4	1 of 1
Mr. B Pretorius	Member	4 of 4	1 of 1
Mr. SR Monakedi	Member	1 of 4	0 of 1
Ms J Makapan	Member	4 of 4	1 of 1
Ms MI Moakamela	Member	4 of 4	0 of 1
Ms B Mathebula	Member	4 of 4	0 of 1
Mrs. MF Mushwana	Member	4 of 4	1 of 1
Adv. V Baloyi*	In-house Company Secretary	2 of 4	0 of 1

*Adv. V Baloyi resigned from the Board with effect from 31 December 2015

Board Committees

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

- Human Resource and Remuneration Committee (HR & REMCO).
- Finance and Risk Committee (FRC).
- Projects and Investment Committee (PIC).
- Social and Ethics Committee (SEC).

Human Resource and Remuneration 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.

With regards to nominations, 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 also provides advice 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.

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 and staff fairly and responsibly and within financial capabilities.

Within such limitations, GTEDA also 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. However, GTEDA is also aware of the challenges regarding the ability to attract, retain and motivate staff. The Board of Directors are paid a fixed remuneration per sitting whilst staff members are paid a fixed salary, whether appointed on a permanent or contract basis. Full time staff members are also entitled to a 13th cheque. The CEO also qualifies for a performance bonus determined by the performance of the Agency.

Evaluation of the Board and its Committees

GTEDA has an approved annual self-assessment (360 degrees) review process that has been developed for the Board, individual Directors and Board Committees.

Chief Executive Officer

The employment contract of the Chief Executive Officer who operated within an approved framework of delegations of authority ended on 30 June 2015. He was succeeded by the Project Manager as the acting Chief Executive Officer for a period of seven (7) months, who was succeeded by the Finance and Administration Officer as the acting Chief Executive Officer.

The Chief Executive Officer was appointed with effect from 03 May 2016. He was supported by the Finance and Administration Officer and the Projects Manager for the day-to-day management of the Agency. Directors are kept informed of progress through regular reporting during quarterly meetings, special meetings and other means as may be agreed from time to time.

Company Secretary

GTEDA is aware of the mandatory requirement to appoint a Company Secretary and further aware of the need of its Board to assess the qualification, competence and expertise of the Company Secretary; noting further that the Company Secretary should maintain an arms-length relationship with the Board of Directors and most importantly that the Company Secretary should ideally not be a Director. However due to its size and cost implications, subsequent to the resignation of the Company Secretary GTEDA continued to utilise the services of one of its Board Members who provides in-house Company Secretary Services on an interim basis.

In order to continue to maintain best practice in this regard, the Company Secretary does not sign off any documents. The Board is also satisfied that the in-house Company Secretary is competent, suitably qualified and experienced. All Directors have access to the advice and services of the Company Secretary and are entitled to seek independent professional advice at the company's expense should such a need arise. The Board also have unrestricted access to all company information, records, documents and property. The current arrangement with regards to the position of the Company Secretary is currently under review.

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.

Deliberations of the Committee 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 Committee has an independent role operating as an overseer and maker 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.

Finance and Risk Committee (FRC)

The primary function of the FRC is to assist the Board in fulfilling its oversight responsibilities by reviewing: the financial reports and other information provided by GTEDA; the risk management/control and assurance processes; the Entity's process for monitoring compliance with laws and regulations and its own code of business conduct; and the auditing, accounting and financial reporting processes generally. The FRC's primary duties and responsibilities are to:

- Serve as an independent and objective party to monitor the risk management processes necessary for the achievement of GTEDA objectives;
- Review the annual financial statements and other performance reporting to be made public; and
- Provide an open avenue of communication between the external auditors, Accounting Officer, the internal auditors and the Board of Directors.

Social and Ethics Committee (SEC)

The SEC is responsible for reviewing and providing guidance for the organization's Social and Ethical matters. It monitors the organisation's activities, having regard to any relevant 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:
 - Promotion of equality, prevention of unfair discrimination, and reduction of corruption;
 - Contribution to development of the communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed; and
 - 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:
 - The Organisation's standing in terms of the International Labour Organization Protocol on decent work and working conditions; and
 - The Organisation's employment relationships and its contribution towards the educational development of its employees.
6. Report to Board at the Organisation's quarterly meetings on the matters within its mandate.
7. Promote an environment where open communication is expected and protected.

Accountability and Audit

For the year under review, GTEDA operated with an effective and independent Audit Committee. See a full Audit Committee Report under Part 6 of this Report.

GENERAL

In conclusion, we are mindful of the fact that we need to continue to strive to improve in the interest of all our Stakeholders, that is mainly, the communities that we serve. We have established a Projects and Investments Management Committee of the Board to oversee the identification and implementation of Projects and Investments which informs to a larger extent the core of our Mandate as an Agency.

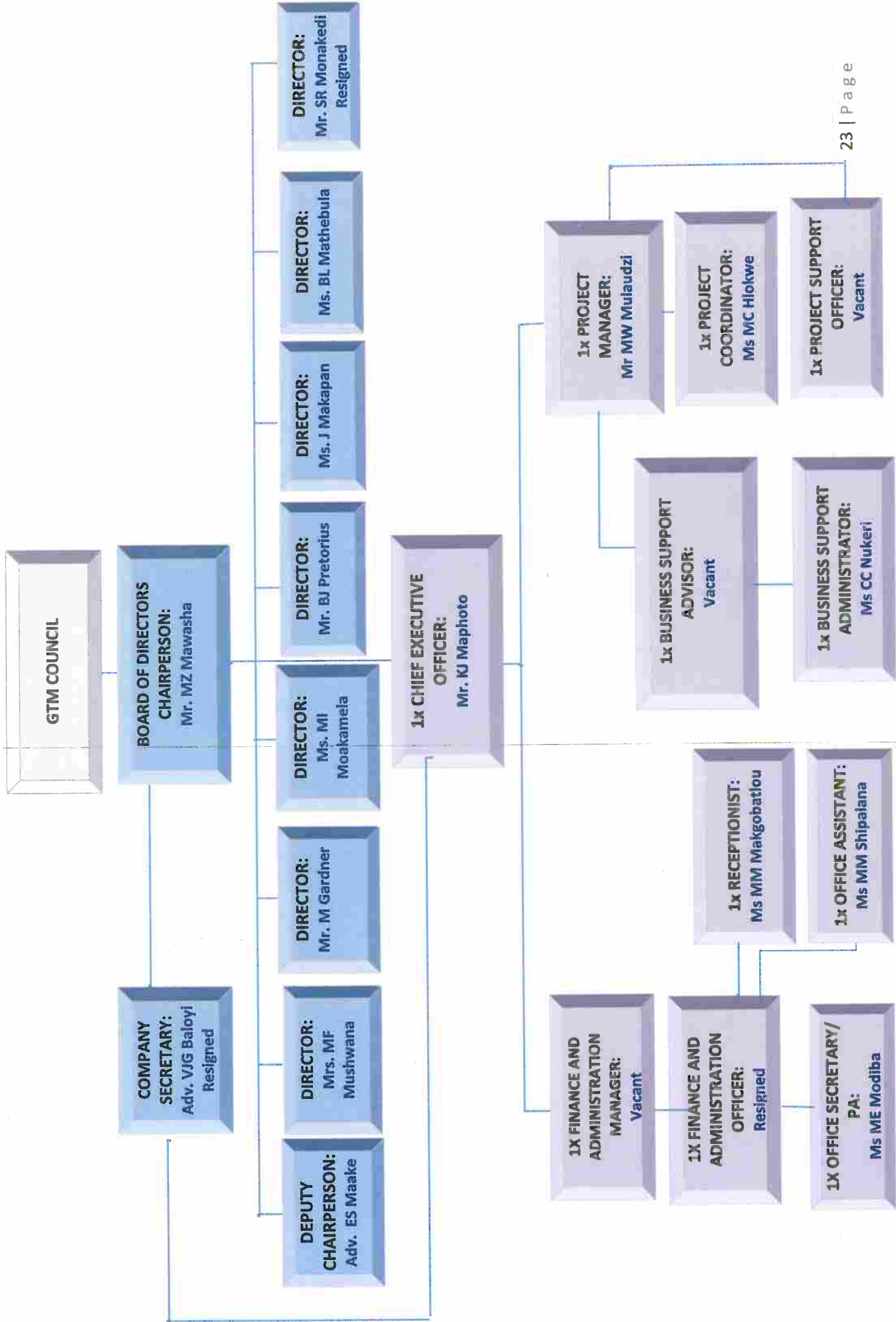
Company Secretary Certificate

In terms of section 88(2)(e) of the Companies Act (2008), I certify that, to the best of my knowledge and belief, the company has lodged and/or filed, for the financial year ended 30 June 2016, all such returns and notices as required and that all such returns and notices are true, correct and up to date.

Adv.ES Maake

Interim Company Secretary

PART 4: ORGANISATIONAL STRUCTURE



For the period under review, GTEDA had an approved organogram with a staff complement of seven (07) under the guidance of the Chief Executive Officer. There was one (1) resignation.

Human Resource Management:

Human Resource Administration: GTEDA currently does not have an approved Employment Equity Plan due to its size, however, the Agency is fully committed to issues of Employment Equity and this is achieved by targeting candidates who will enhance our transformation during our recruitment processes.

The workforce of GTEDA was constituted as follows for the year under review:

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)
Middle Management	1	—	—	—	1	1 (CA)	—	—	—	1	2
Lower Level	—	—	—	—	—	4	—	—	—	4	4
Disabled	—	—	—	—	—	—	—	—	—	—	—
										TOTAL	7

Leave and payroll was handled effectively and efficiently.

Human Resource Development: For the period under review one Employee was offered a bursary to study in the following field:

Course Description	Qualification	Institution
Financial Management	BCom Degree	Lyceum College

Financial Management

GTEDA continued to maintain sound financial management and financial management systems.

PROJECT MANAGEMENT UNIT

Activities that relate/translate to the performance of GTEDA are organised within the following performance areas:

Subsequent to appointment of the new GTEDA Board with effect from 01st July 2016, there was a need to review and develop a strategy that would take the Agency forward.

The Strategic Plan was reviewed in August 2015, in response to unfavorable conditions in the country that affected all sectors of the economy. These conditions directly impact on the prospects of investments in our economy as in many economies of emerging markets. This situation is a result of the uneven economic recovery of many economies following the world economic meltdown, unprecedented demographic shifts and transformations in the labour market.

These international economic factors have contributed to South Africa's triple challenge of poverty, inequality and unemployment which has an effect on its social, political and economic fabric. Greater Tzaneen has its fair share of these afflictions, and like the rest of the country, it has to deal with an influx of foreigners, high unemployment, poverty, community protests etc.

Adapting to an uncertain emerging environment requires higher levels of education, economic flexibility, agility, resilience and innovation. Therefore, the revised plan seeks to recognize these new realities while building on our existing strengths and testing new approaches and exploring possible new partnerships and collaborations.

As such a GTEDA with a clear vision and strategy is more critical than ever. Upon finalization, the Strategic Plan was presented and adopted by the Board on the 26 April 2016 and subsequently an item to Council was written to seek Council approval of the Strategic Plan and project prioritization plan. A Council resolution was granted on the 31 May 2016 paving the way for the Agency to implement the Strategic Plan with effect from 01 July 2016 onwards.

Strategic Focus Areas for 2016 – 2021

▪ 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.

▪ Manufacturing

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

While manufacturing in Greater Tzaneen contributes 38% to 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.

▪ Tourism and Heritage Conservation

Tourism is identified in the Municipality's IDP as one of the sectors with high economic potential within the municipality together with agriculture and agro-processing. The area has tremendous natural and cultural heritage potential. There appears to be general consensus that tourism demand is well below what would be expected from an area with such outstanding natural potential.

▪ Property Development

The development of shopping centres still remains an area of high impact in terms of creation of jobs in the area. Four shopping centres have been identified and the private sector has responded well by coming forward with the intention to invest in this sector. Once the shareholder (GTM) intervenes and resolves the disputes that have put a halt on the project, the municipal area stands to create much needed jobs.

The availability of land to the Municipality presents a potential advantage for GTEDA to create partnerships in the development of office parks and residential

development. This would also contribute to the self-sustainability of the Agency in the long term.

- **Green Energy**

The Provincial Employment Growth and Development Plan 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.

GTEDA can play a key function in rolling out the Renewable Energy Economy (REE) programme within the municipal area.

PART 5: PERFORMANCE

ANNUAL ORGANISATIONAL PERFORMANCE REPORT

ANNUAL PERFORMANCE REPORT-2015-16

Ref	Strategic Objective	Municipal KPA	Pre-determined Objectives	KPI	Unit of Measurement	Baseline / Past Year Performance	Source of Evidence (or) note to Auditor	Annual Target	Target	Actual	R
									0	0	N/A
D247	Effective and Efficient administration	Good Governance and Public Participation	Sound Governance	Audit opinion for GTEDA	Audit opinion	Unqualified	Audit Report	0	0		N/A
D248	Increase financial viability	Good Governance and Public Participation	Budget management	% of GTEDA budget spent	Percentage	Actual Awaited	Monthly financial reports	100%	86%		O
D249	Create a stable economic environment by attracting suitable investors	Local Economic Development	Economic Growth and Investment	# of committed investors attracted through GTEDA	Number	5	Investment reports (LADC, MDDA, Premiers Office & SEDA)	5	0		R

D250	Increased investment in the GTM economy	Local Economic Development	Enterprise Development (SMME support)	# of SMMEs capacitated through GTEDA (1 Per cluster)	Number	12	GTEDA SMME support report	4	4	35	B
D251	Increased investment in the GTM economy	Local Economic Development	Marketing and Investor Targeting	# of jobs created by GTEDA	Number	160	GTEDA monthly project progress reports, Minutes of meetings	200	200	10	R
D253	Increased investment in the GTM economy	Local Economic Development	Agriculture	Livestock improvement - Leather making	Q1: Assist Monye-Le-shako Co-op with developing an operational plan for 15/16. (25%) Q2: Submission of business plan to Dpt Rural Development. (50%) Q3: Funding secured from Dpt of Rural Development (75%) Q4: Monitor the implementation of	Facilitated application of non-financial support (capacity building, branding and marketing) from Department of Trade and Industry's cooperative incentive scheme (awaiting response). Facilitated request of procurement of additional	Operational Plan Business plan & acknowledgement of receipt Funding Agreement Monitoring Reports Progress Reports Minutes of Meetings Draft Exit Plan	100%	100%	100%	G

D254	Increased investment in the GTM economy	Local Economic Development	Agriculture	Livestock improvement - Tannery	Q1: Registration as cooperative finalised. Revised concept plan finalised. Development of Business operation Plan. Compile monthly and quarterly reports. (25%) Q2: Monitor implementation of Operational Plan. Procurement of a service provider for development of a business plan (development of TOR, advert and appointment) Compile monthly and quarterly reports. (50%) Q3: Monitor	Registration Certificate.Revised Concept Document.Busines s Operational Plan.Business Plan.Signed funding Agreement.Monthly and quarterly Board Reports.	100%	100%	70%	R
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					<p>implementation of Operational Plan. Business plan Developed. Identify Potential investor/ funder/ partner. Compile monthly and quarterly reports. (75%) Q4: Monitor implementation of Operational Plan. Compile monthly and quarterly reports. (100%)</p>						
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D255	Increased investment in the GTM economy	Local Economic Development	Agriculture	Support to farms: Makgoba Tea Estates	Q1: Engage MAMCO on future support role by GTEDA in the deal signed with ZZ2. Development of an MOU that clarifies the role of GTEDA in the new company. Compile monthly and quarterly reports. (40%) Q2: Support initiatives identified by the agreement between GTEDA & MAMCO. Compile monthly and quarterly reports. (60%) Q3: Support initiatives identified by the agreement	Heads of Agreement signed between Makgoba Community and ZZ2. Operating company registered with directors from Makgoba community and ZZ2 who will play an oversight role.	Minutes and Attendance registers. Signed Agreement. Monthly and quarterly Board Reports.	100%	100%	80%	O
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D256	Increased investment in the GTM economy	Local Economic Development	Agriculture	Support to farms: Batlhabine Farms	Q1: Investment agreement signed. Operational Plan Developed. List of potential investors completed. Monthly steering committee meetings conducted monthly and quarterly reports. (70%) Q2: Monitor implementation of Operational Plan and adherence to Investment agreement. Monthly steering committee conducted monthly and quarterly reports. (80%) Q3: Monitor	Facilitated signing of an investment agreement between owners of the farm and Maresteth trading enterprises to operate Leeways farm	Signed Investment Agreement. List of potential investors and Attendance registers of Steering committee meetings. Monthly and Quarterly Board Reports.	100%	100%	100%
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D257	Increased investment in	Local Economic Development	Agriculture	Support to farms: Tours	Q1: Re-open stakeholder	GTEDA's involvement on	TOR:Established Procurement	100%	100%	90%	0
<p>implementation of Operational Plan and adherence to Investment agreement. Monthly steering committee conducted Compile monthly and quarterly reports. (90%) Q4: Monitor implementation of Operational Plan and adherence to Investment agreement. Monthly steering committee conducted Compile monthly and quarterly reports. (100%)</p>											

	the GTM economy			Farm	<p>engagements. Compile monthly and quarterly reports. (25%) Q2: Facilitate stakeholder engagements. Compile monthly and quarterly reports. (50%) Q3: TOR for procurement of investor/partner completed. Compile monthly and quarterly reports. (75%) Q4: Start procurement process. Set-up procurement committees. Compile monthly and quarterly reports. (100%)</p>	<p>these farms was put on hold due to ongoing disputes. Monthly and quarterly reports compiled.</p>	<p>Committees. Minutes and Attendance registers. Monthly and Quarterly Board Reports.</p>		
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D258	Increased investment in the GTM economy	Local Economic Development	Enterprise Development (SMME support)	Nwamitwa Shopping Centre	Q1: Facilitate GTM Council intervention to resolve disputes. Compile monthly and quarterly reports. (25%) Q2: Disputes resolved. Compile monthly and quarterly reports. (50%) Q3: Procurement of Developers. Stakeholder consultations. Compile monthly and quarterly reports. (75%) Q4: Appointment of Developer. Compile monthly and quarterly reports. (100%)	the project was put on hold by the Valoyi Tribal Authority and no progress has been registered.	TORAdvertAppointment letterMinutes and Attendance Registers	100%	100%	90%	0
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D259	Increased investment in the GTM economy	Local Economic Development	Enterprise Development (SMME support)	Morutji Shopping Centre	Q1: Facilitate approval by Modjadji Traditional Authority. Engaging Director General at National level. Compile monthly and quarterly reports. (25%) Q2: Facilitate establishment of a Task team. Facilitate stakeholder agreements. Procurement of Developers. Compile monthly and quarterly reports. (50%) Q3: Task team established.	Facilitated a meeting between GTM Mayor and Morutji development committee to discuss a way forward regarding this project, a delegation will be sent to Modjadji Royal Authority to negotiate final approval.	Established Task Team. Appointment letter for developer Proposed Agreement. Facilitation Report Minutes and Attendance Registers	100%	100%	90%	O
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D260	Increased investment in the GTM economy	Local Economic Development	Enterprise Development (SMME support)	Dan/Bindzulani Shopping Centre	Facilitate stakeholder agreements. Procurement of Developers. Compile monthly and quarterly reports. (75%) Q4: Stakeholder consultations and proposed agreement. Compile monthly and quarterly reports. (100%)	Q1: Engage LEDA, Mhlava Tribal Authority and GTM for common approach. Compile monthly and quarterly reports. (25%) Q2: Facilitate an	No progress registered this quarter due to stakeholders' failure to meet.	Signed Agreement. Implementation Plan. Facilitation Report. Minutes and Attendance Registers	100%	100%	90%	0
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D261	Increased investment in the GTM economy	Local Economic Development	Enterprise Development (SMME support)	Mokgwathi Shopping Centre	Q1: Facilitate approval by Modjadji Traditional Authority. Engaging Director General at National level. Compile monthly and quarterly reports. (25%) Q2: Facilitate establishment of a Task team. Facilitate stakeholder agreements. Procurement of Developers. Compile monthly and quarterly reports. (50%) Q3: Task team established.	Facilitated a meeting between GTM Mayor and Mokgwathi development committee to discuss a way forward regarding this project, a delegation will be sent to Modjadji Royal Authority to negotiate final approval.	Modjadji TA letter of consent Established Task Team.Signed MOU.Facilitation Report.Minutes and Attendance Registers	100%	100%	90%	O
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	<p>Facilitate stakeholder agreements. Procurement of Developers. Compile monthly and quarterly reports. (75%) Q4: Stakeholder consultations and memorandum of understanding signed. Compile monthly and quarterly reports. (100%)</p>						
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D262	Increased investment in the GTM economy	Local Economic Development	Enterprise Development (SMME support)	Village Bank	Q1: Assist in development of Operational Plan. Facilitate Board Induction. Attend Executive Committee (monthly) & mass (quarterly) meetings Compile monthly and quarterly reports. (70%) Q2: Monitor implementation of Operational Plan. Attend Executive Committee (monthly) & mass (quarterly) meetings Compile monthly and quarterly reports. (80%) Q3: Monitor implementation of	Facilitated applications for an office and non-financial support from Department of Public works and Limpopo Economic Development Agency (awaiting response). Facilitated acquiring of interns from BankSETA who will provide HR, Admin and Finance services to ensure smooth operations. Facilitated a site visit to Kuvhanganyani in Venda to learn best practices.	Operational Plan. Board Induction Report. Exco & Mass meeting minutes Monthly and Quarterly Board Reports.	100%	100%	100%	G
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D263	Increased investment in the GTM economy	Local Economic Development	Enterprise Development (SMME support)	Community Radio Station (current affairs & entertainment)	Operational Plan. Attend Executive Committee (monthly) & mass (quarterly) meetings Compile monthly and quarterly reports. (90%) Q4: Monitor implementation of Operational Plan. Attend Executive Committee (monthly) & mass (quarterly) meetings Compile monthly and quarterly reports. (100%)	Facilitated payment of rent and salaries with funding from GTM. Provided	AGM Report. Newly Appointed Board members. Monitoring Reports. Strategic	100%	100%	90%	0
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Induction. Compile monthly and quarterly reports. (40%) Q2: Facilitate a Strategic Planning session. Operational Plan developed. Compile monthly and quarterly reports. (80%) Q3: Monitor implementation of Operational Plan. Compile monthly and quarterly reports. (90%) Q4: Monitor implementation of Operational Plan. Compile monthly and quarterly reports. (100%)																																												
administrative support. Monthly and quarterly reports compiled.																																												
Planning Report. Operational Plan. Monthly and quarterly Board Reports.																																												

D264	Increased investment in the GTM economy	Local Economic Development	Enterprise Development (SMME support)	Ideas Hub (Research & Innovation centre)	Q1: Engage relevant stakeholders (Fire, Env Health, LED, Solid Waste Divisions) in the planning of the pilot Biomass project (30%) Q2: Procure a partner for the Sustainable energy (Biomass) pilot project. Compile monthly and quarterly reports. (60%) Q3: Develop Operational Plan. Compile monthly and quarterly reports. (80%) Q4: Installation of equipment completed at Old	Stage one of the upgrading of the blog process has been concluded/completed. Monthly and quarterly reports compiled.	Attendance register & minutes of stakeholder meetings AdvertAp pointment letter (partner). Operational Plan. Monthly and Quarterly Board Reports.	100%	100%	100%	6
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D265	Increased investment in the GTM economy	Local Economic Development	Tourism	Tzaneen Dam	Checkers Hawkers Esplanades Compile monthly and quarterly reports. (100%) Q1: Support the development of a Resource Management Plan (RMP) in partnership with Department of Water Affairs. Compile monthly and quarterly reports. (40%) Q2: Facilitate agreement between GTM and Water Affairs. Compile monthly and quarterly reports. (60%) Q3: Facilitate	Facilitated a progress update meeting with Department of Water and Sanitation. Planned site visit to Tlokwe Municipality in July 2014)	Resource Management Plan. Minutes and Attendance Registers. Signed agreement (GTM and Water Affairs). Monthly and quarterly Board Reports.	100%	100%	100%	
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	KPI Extremely Well Met	1
Total KPIs		18

PART 6: FINANCIAL STATEMENTS

Finance and Risk Officer's Report

The Finance and Risk Officer is responsible for three functional areas, i.e. Finance, Supply Chain Management, and Risk Management. These functional areas supported the functioning of GTEDA and satisfactorily achieved some of the targets set for the year and ensured that GTEDA was in a sound financial position and achieved an unqualified audit opinion as at 30 June 2016.

Greater Tzaneen Municipality (GTM) approved and allocated a budget of R 5,563,950 to GTEDA as grant funding for the financial year under review compared to the previous years, whereby 60% was received from Industrial Development Corporation (IDC) and 40% from GTM. Of the total allocated budget as stated above, 81% was spent on Operating overheads and 18.2% on administrative overheads.

Directors are responsible for the presentation, integrity, and fair presentation of the financial statement, which have been prepared in accordance with GRAP, and include amounts based on judgements and estimates made by management.

~~The directors have no reason to believe that the entity will not be a going concern in the foreseeable future and have prepared the financial statement accordingly.~~

As a municipal entity, GTEDA is audited by the Auditor General. The audit opinion presented by AGSA, provide reasonable assurance, that the financial statements are presented fairly, in all material respects, and/or give a true and fair view in accordance with the financial reporting framework.

GTEDA is making a concerted effort toward a clean audit in the next financial year.



Ms ME Modiba

Finance and Risk Officer



**GREATER TZANEEN ECONOMIC DEVELOPMENT
AGENCY (PTY) LTD
(Registration No. 2007/008144/07)**

**AUDITED
ANNUAL FINANCIAL STATEMENTS
30 JUNE 2016**

ANNUAL FINANCIAL STATEMENTS 30 JUNE 2016

The following reports and statements are presented to the shareholders:

Index	Pages
Accounting Authority's Responsibility Statement	2
Independent Auditor's Report	3 - 4
Accounting Authority's Report	5
Statement of Financial Position	6
Statement of Financial Performance	7
Statement of Changes in Net Assets	8
Cash Flow Statement	9
Statement of Comparison of Budget and Actual	10
Notes to the Annual Financial Statements	11-28
Detailed Statement of Financial Performance	29- 30

ACCOUNTING AUTHORITY'S RESPONSIBILITY STATEMENT FOR THE YEAR ENDED 30 JUNE 2016

The members are required by the Municipal Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the members to ensure that the annual financial statements fairly present the state of affairs of the 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 annual financial statements and were given unrestricted access to all financial records and related data.

The annual 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 Standards Board.

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

The members acknowledge that they are ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the members to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include 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 entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the 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 members are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The members have reviewed the entity's cash flow forecast for the year to 30 June 2016 and, in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

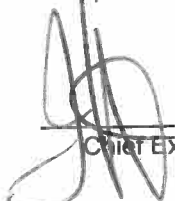
The entity is wholly dependent on the Greater Tzaneen Municipality and the Industrial Development Corporation for continued funding of operations. The annual financial statements are prepared on the basis that the entity is a going concern and that the Greater Tzaneen Municipality has neither the intention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

The Board is responsible for the financial affairs of the entity.

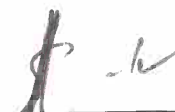
The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements.

Approval of the annual financial statements

The annual financial statements set out on pages 2 to 30, which have been prepared on the going concern basis, were approved by the Board on 31 August 2016 and were signed on its behalf by:



Chief Executive Officer



Chairperson of the Board

GREATER TZANEEN ECONOMIC DEVELOPMENT AGENCY (PTY) LTD

ACCOUNTING AUTHORITY'S REPORT FOR THE YEAR ENDED 30 JUNE 2016

The accounting authority which comprises of the Board of Directors have pleasure in submitting their report together with the audited annual financial statements for the year ended 30 June 2016.

General review

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 promoting economic and tourism development.

Financial results

The results of the company for the year under review are fully set out in the attached financial statements and require no further comment.

Post balance sheet events

The new Board of directors was appointed with effect from 01 July 2015.

No other material fact or circumstance, which requires comment, has occurred between the reporting date and the date of this report.

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 entity to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the entity.

Share capital

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

Directors and Company Secretary

The accounting authority of the company during the accounting period and up to the date of this report were as follows:

VJG Baloyi	(Company Secretary - Resigned 31 December 2015)
MV Gardner	
MF Mushwana	
New Board Members:	Appointed 01 July 2015
MZ Mawasha	(Chairperson)
ES Maake	
SR Monakedi	(Resigned 30 October 2015)
MI Moakamela	
BJ Pretorius	
BL Mathebula	
MJ Makapan	

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

Report on the financial statements

Introduction

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 2016, the statement of financial performance, statement of changes in net assets, and statement of cash flows and the statement of comparison of budget information with actual information for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standard of Generally Recognised Accounting Practice (SA standard of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, (Act No.56 of 2003) (MFMA) and Division of Revenue Act of South Africa, 2015 (Act No.1 of 2015) (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.

Auditor-general's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the

appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Greater Tzaneen Economic development Agency as at 30 June 2016 and its financial performance and cash flows for the year then ended, in accordance with SA Standards of GRAP and the requirements of the MFMA and DoRA

Emphasis of matter

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

Fruitless and wasteful expenditure

8. As disclosed in note 22 to the financial statements, fruitless and wasteful expenditure to the amount of R12 403 was incurred in the current year as the entity incurred expenditure that could have been prevented if due care was taken. This is due to interest on late settlement of accounts

Additional matter

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

Unaudited supplementary schedules

10. 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

Report on other legal and regulatory requirements

11. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives of selected development objectives presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

12. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information of the following selected development objectives presented in the annual performance report of the municipal entity for the year ended 30 June 2016:
 - Objective 1: Increase financial viability on pages x to x
 - Objective 2: Increased investment in GTM economy on pages x to x
 - Objective 3: Create a stable economic environment by attracting suitable investors on pages x to x
13. I evaluated the usefulness of the reported performance information to determine whether it was consistent with the planned objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information* (FMPPI).
14. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
15. The material findings in respect of the selected objectives are as follows:

Objective 3: Increased Investment in GTM Economy

Reliability of reported performance information

16. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure reliable reporting of actual achievements against planned objectives, indicators and targets. The reported achievements against planned targets of 80% indicators were not reliable when compared to the evidence provided.
17. I did not identify any material findings on the usefulness and the reliability of the reported performance information for the following objectives:
 - Increase financial viability
 - Create a stable economic environment by attracting suitable investors.

Additional matters

18. I draw attention to the following matters:

Achievement of planned targets

19. Refer to the annual performance report on pages x to x; x to x for information on the achievement of the planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs x; x; x of this report.

Unaudited supplementary information

20. The supplementary information set out on pages x to x does not form part of the annual performance report and is presented as additional information. I have not audited these schedule(s) and, accordingly, I do not report on them.

Compliance with legislation

21. I performed procedures to obtain evidence that the municipal entity had complied with applicable legislation regarding financial matters, financial management and other related matters. My material findings on compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

Strategic planning and performance management

22. The performance management system and related controls were inadequate as it did not describe and represent the processes of performance monitoring, measurement, review, reporting and how it is conducted, organised and managed, as required by sections 38 of the MSA and regulation 7 of the *Municipal planning and performance management regulations*.

Financial statements, performance and annual reports

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

Material misstatements of VAT output identified by the auditors in the submitted financial statement were subsequently corrected and the supporting records were provided subsequently, resulting in the financial statements receiving an unqualified audit opinion

Expenditure management

24. VAT returns was not submitted in terms of section (28)(1)(a) of the Value Added Tax, 1991 (Act No 89 of 1991)
25. Reasonable steps were not taken to prevent fruitless and wasteful expenditure, as required by section 95(d) of the MFMA.

Consequence management

26. Fruitless and wasteful expenditure was not always recovered from the liable person, as required by section 102(1) of the MFMA

Internal control

27. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. 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

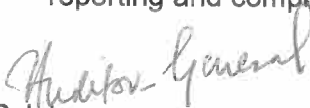
28. The accounting officer did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

Financial and performance management

29. The annual financial statements and annual performance report contained numerous misstatements mainly due to a lack of monitoring and review.
30. The accounting officer did not review and monitor compliance with applicable legislation

Governance

31. There were no internal audit during the year to follow up on the implementation of external audit recommendations to address the audit findings
32. 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


Polokwane

30 November 2016



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

GREATER TZANEEN ECONOMIC DEVELOPMENT AGENCY (PTY) LTD

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2016

	Notes	2016 R	2015 R
ASSETS			
Current Assets			
Receivables from non-exchange transactions	6	37,318	3,386
Cash and cash equivalents	7	1,107,940	427,138
Non-Current Assets			
Property, plant and equipment	5.1.1	65,460	99,961
Intangible assets	5.1.2	21,665	41,175
Total Assets		<u>1,232,385</u>	<u>571,659</u>
LIABILITIES			
Current Liabilities			
Payables from exchange transactions	9	2,182,703	1,641,581
Net Assets			
Contributions from owner	8	100	100
Accumulated surplus		(950,419)	(1,070,021)
Total Liabilities		<u>1,232,385</u>	<u>571,659</u>

GREATER TZANEEN ECONOMIC DEVELOPMENT AGENCY (PTY) LTD

STATEMENT OF FINANCIAL PERFORMANCE FOR THE PERIOD ENDED 30 JUNE 2016

	Notes	2016 R	2015 R
Revenue			
Revenue from non-exchange transactions	10	5,563,950	4,824,561
Revenue from exchange transactions	19	60,713	34,415
Total Revenue		<u>5,624,663</u>	<u>4,858,976</u>
Expenses			
Operating expenses	23	4,467,726	5,183,894
Administrative expenses	24	1,037,335	466,589
Total Expenses		<u>5,505,061</u>	<u>5,650,484</u>
Net surplus (deficit) for the period		119,602	(791,507)
Taxation	14	-	-
Net surplus from operations		<u>119,602</u>	<u>(791,507)</u>

GREATER TZANEEN ECONOMIC DEVELOPMENT AGENCY (PTY) LTD

STATEMENT OF CHANGES IN NET ASSETS FOR THE PERIOD ENDED 30 JUNE 2016

	Contributions from owner R	Accumulated surplus R	Total R
Balance at 01 July 2014	100	(181,403)	(181,303)
Net deficit for the period		(791,507)	(791,507)
Prior year error		(97,111)	(97,111)
Balance at 30 June 2015	<u>100</u>	<u>(1,070,021)</u>	<u>(1,069,921)</u>
Net deficit for the period		119,602	119,602
Balance at 30 June 2016	<u>100</u>	<u>(950,419)</u>	<u>(950,319)</u>

Note

7

GREATER TZANEEN ECONOMIC DEVELOPMENT AGENCY (PTY) LTD

CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 JUNE 2016

	Note	2016 R	2015 R
Net cash utilised in operating activities		680,803	(126,830)
Cash receipts from government grants and others		5,590,731	1,451,291
Cash paid to suppliers and employees		(4,897,525)	(1,539,001)
Cash generated utilised from operating activities	15.1	693,205	(87,710)
Investment income			
Interest and penalties		(12,403)	(39,119)
Cash flows from investing activities		-	(1,980)
Purchase of Property, plant and equipment		-	(1,980)
Intangible assets		-	-
Net Increase (decrease) in cash and cash equivalents		680,803	(128,810)
Cash and cash equivalents at beginning of period		427,137	555,947
Cash and cash equivalents at end of period		1,107,940	427,137

GREATER TZANEEN ECONOMIC DEVELOPMENT AGENCY (PTY) LTD

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED
30 JUNE 2016

	Approved budget	Adjustment s	Adjusted Budget	Actual	*Variance: Approved budget and actual	Comments
	R 2016	R 2016	R 2016	R 2016	R 2016	R 2016
Revenue						
Revenue from non-exchange transactions	5,500,000	842,903	6,342,903	5,563,950	778,953	GTM Grant fund paid in tranches
Revenue from exchange transactio	-	-	-	60,713	(60,713)	Interest received and Cash Sales
Total revenue	5,500,000	842,903	6,342,903	5,624,663	718,240	
Expenses						
Personnel cost	3,559,969	(321,396)	3,238,573	2,653,519	585,055	Vacant posts & CEO Post budgeted@7% Project delay due to late receipt of grant funds
Operating expenses	1,482,807	463,909	1,946,715	1,760,197	186,518	Project delay due to late receipt of grant funds
Administrative expenses	395,224	659,474	1,054,698	1,037,335	17,363	Project delay due to late receipt of grant funds
Non-cash items	62,000	40,916	102,916	54,010	48,906	Depreciation accounted @ Yr End
Net surplus (deficit) for the perio	-	-	-	119,602	(119,602)	
Note	13					

1. General Information

Greater Tzaneen Economic Development Agency (GTEDA) is a municipality entity (registered as a (PTY) LTD company) with the Greater Tzaneen Municipality (GTM) as its Parent municipality. GTEDA's registered address is Cascades Building, Tzaneen, Limpopo Province. GTEDA has been established by the GTM with the assistance of the Industrial Development Corporation (IDC) to project manage urban and rural regeneration of the GTM's territory with a view to promoting economic and tourism development.

2. Basis of preparation and accounting policies

Presentation of annual financial statements

The financial statements are presented in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP), and including any interpretations, guidelines and directives issued by the Accounting Standards Board, as well as the Municipal Finance Management Act (MFMA), Municipal Systems Act (MSA) and the Companies Act of South Africa.

The preparation of financial statements in conformity with GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the relevant notes.

The financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. These financial statements are presented in South African Rands. The following are the principal accounting policies used by the entity which are consistent with those of the previous year.

2.1 Property, plant and equipment

Property, plant and equipment are tangible assets that:

- (a) are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- (b) 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:

- (a) it is probable that future economic benefits associated with the item will flow to the entity; and
- (b) the cost of the item can be measured reliably.

Items of property plant and equipment are initially recognised at cost, being the cash price equivalent at the recognition date.

Expenditure on additions and improvements to property, plant and equipment is capitalised as the expenditure is incurred.

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.

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 an item of property, plant and equipment and costs incurred subsequently to add to, or to replace a 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.

Subsequent to initial measurement property, plant and equipment are depreciated on a straight-line basis over their expected useful lives to one South African Rand values if they are still in use.

2. Basis of preparation and accounting policies (Continued)

Depreciation is charged to profit or loss so as to allocate the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The following rates are used for the depreciation of property, plant and equipment:

	Years
Computer equipment	3
Office equipment	3
Furniture and fittings	7

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

Gains or losses on disposal are calculated by deducting the carrying value from the proceeds on the date of disposal and are included in surplus/deficit.

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

2.2 Intangible asset

An intangible asset is recognised when:

- (a) it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- (b) the cost or fair value of the asset can be measured reliably.

An intangible arising from development is recognised when:

- (a) there is an intention to complete and use it;
- (b) it will generate probable future economic benefits;
- (c) the cost of the asset can be measured reliably; and
- (d) the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets amortisation is provided on a straight-line basis over their expected useful lives to their estimated residual value. The amortisation period, residual value, and the amortisation method of intangible assets 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 policy. The useful lives of intangible assets have been assessed as follows:

	Years
Website development	5

Intangible assets are de-recognised on disposal, or when no future economic benefits are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, and the carrying amount of the intangible asset. Such difference is recognised in surplus/deficit when the intangible asset is derecognised.

2.3 Operating Leases

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 liability.

2. Basis of preparation and accounting policies (Continued)

2.4 Revenue from non-exchange transaction

Revenue from grant contributions/ non-exchange transactions are recognised when economic benefits or service potential associated with the transaction will flow to the entity, the grant or revenue can be measured reliably and all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment when such items of property, plant and equipment is brought into use. Where grant contributions have been received but the Agency has not met the condition, a liability is recognised.

2.5 Revenue from exchange transaction

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

An exchange transaction is one in which the 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.

Sale of goods

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

- (a) the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- (b) the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (c) the amount of revenue can be measured reliably;
- (d) it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- (e) 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:

- (a) the amount of revenue can be measured reliably;
- (b) it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- (c) the stage of completion of the transaction at the reporting date can be measured reliably; and
- (d) 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 services performed to date as a percentage of total services to be performed.

2.6 Investment income

Investment Income is recognised on a time-proportion basis using the effective interest method.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

2.7 Financial instruments

Financial instruments as stated on the statement of financial position include cash and bank balances, investments, receivables, trade creditors.

Classification

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

- (a) Trade and other receivables (Financial asset measured at amortised cost); and
- (b) Cash and cash equivalents (Financial asset measured at amortised cost).

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

- (a) Trade and other payables (Financial liability measured at amortised cost); and

Initial recognition

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

Initial measurement

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

Subsequent measurement

The entity measures all financial asset and financial liability after initial recognition using the following category:

- (a) Financial instruments at amortised cost.

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

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 or maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

2.8 Cash flows

The cash flow statements can only be prepared in accordance with the direct method.

For the purposes of the cash flow statement, cash includes cash on hand, deposits held on call with banks, investments in money market instruments, and bank overdrafts.

2. Basis of preparation and accounting policies (Continued)

2.9 Income tax

Current taxes

Current taxes are measured at the amount expected to be paid to South African Revenue Service , using the tax rate and tax laws that have been enacted by the reporting date. An entity will recognise an asset in respect of taxes when the taxable event occurs and the asset recognition criteria have been met.

Deferred taxes

Deferred taxes is accounted for under the statement of financial position using the liability method, in terms of which:

Deferred tax is measured using the tax rate that is expected to apply to the period when the liability is settled (or the asset is recovered), based on the tax rate and tax laws that have been enacted or substantively enacted by reporting date. In addition, the measurement of deferred tax reflects the tax consequences that would follow from the expected manner of recovery or settlement of the relevant assets and liabilities.

Deferred tax assets

Deferred tax assets are recognised only when it is probable that sufficient taxable income will be available in future against which the asset can be recovered; and are reviewed at each reporting date, and,if necessary, impairment write-downs or reversals are recognised.

2.10 Value added tax

The entity accounts for Value Added Tax on the invoice basis.

2.11 Provisions and contingencies

Provisions

A provision is recognised if, as a result of a past event, the entity has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation

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

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

A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognised for future operating deficits.

Contingencies

A contingent assets and contingent liabilities are not recognised. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable, whereas a contingent liability are disclosed when economic benefit or service potential is to be rendered by an external goods or service provider.

2. Basis of preparation and accounting policies (Continued)

2.12 Impairment of assets

Cash-generating assets are those assets held by the entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Recognition and measurement

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired. The recoverable amount of an asset is the higher of its fair value less cost to sell and the value in use.

Impairment of non-cash-generating assets

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

Recognition and measurement

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired. Recoverable service amount is the higher of a non-cash generating asset's fair value less cash to sell and its value in use.

The present value of the remaining service potential of a non-cash-generating asset is determined using one of the following approaches:

- (a) Depreciation replacement approach
- (b) Restoration cost approach
- (c) Service units approach

2.13 Employee benefits

Short term employee benefits

The cost of all short term employee benefits is recognised in the statement of financial performance during the period in which the employee renders the related service.

The provisions for employee entitlements to wages, salaries, annual and sick leave represent the amount which the entity has a present obligation to pay as a result of the employee's services.

2.14 Related Parties

The 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.

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

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

2.15 Budget Information

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

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

The annual financial statements and the budget are not on the same basis of accounting. The actual financial statement information is therefore presented on a comparable basis to the budget information. The comparison and the reconciliation between the statement of financial performance and the budget for the reporting period have been included in the Statement of comparison of budget and actual amounts.

3. Significant management judgements in applying the accounting policies

In the process of applying the entity's accounting policies management has made the following judgements which have significantly affected the amounts recognised in the financial statements:

(a) Depreciation

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

Trade and other receivables

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

4. New standard and interpretations

Standard and interpretations issued

The entity has adopted all the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning 01 July 2014 or later periods:

Standard/ Interpretation:	Effective date	Expected impact
GRAP 1: Presentation of Financial Statements	01 April 2015	Impact material
GRAP 3: Accounting Policies, Change in Accounting Estimates and Errors	01 April 2015	Impact material
GRAP 9: Revenue from Exchange Transactions	01 April 2015	Impact material
GRAP 12: Inventories	01 April 2015	Impact not material
GRAP 13: Leases	01 April 2015	Impact material
GRAP 16: Investment Property	01 April 2015	Impact not material
GRAP 17: Property, Plant and Equipment	01 April 2015	Impact material
GRAP 18: Segment Reporting	01 April 2015	Impact not material
GRAP 20: Related Parties	01 April 2015	Impact not material
GRAP 25: Employee benefits.	01 April 2015	Impact material
GRAP 31: Intangible Assets (Replaces GRAP 102)	01 April 2015	Impact not material
GRAP 106: Transfers of Functions Between Entities Not Under Common Control	01 April 2015	Impact not material
GRAP 107: Mergers	01 April 2015	Impact not material
IGRAP1: Applying the probability test on initial recognition of revenue	01 April 2015	Impact not material
IGRAP 16: Intangible Assets - Website Costs	01 April 2015	Impact not material

5.1. Non -Current Assets

5.1.1 Property, plant and equipment

	2016			2015		
	Cost / valuation	Accumulated depreciation / impairment	Carrying value	Cost / valuation	Accumulated depreciation / impairment	Carrying value
	R	R	R	R	R	R
Computer equipment	142,191	(140,629)	1,563	142,191	(136,380)	5,811
Office equipment	40,108	(37,098)	3,010	40,108	(32,166)	7,942
Furniture & fittings	171,732	(110,844)	60,888	171,732	(85,524)	86,208
	<u>354,031</u>	<u>(288,571)</u>	<u>65,460</u>	<u>354,031</u>	<u>(254,070)</u>	<u>99,961</u>

The carrying amounts for 2016 can be reconciled as follows:

	Carrying value at beginning of year	Additions	Revaluations	Disposals	Depreciation / impairment	Carrying value at end of year
	R	R	R	R	R	R
Computer equipment	5,811	-	-	-	(4,248)	1,563
Office equipment	7,942	-	-	-	(4,932)	3,010
Furniture & fittings	86,208	-	-	-	(25,321)	60,888
	<u>99,961</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(34,501)</u>	<u>65,460</u>

The gross carrying value amount of full depreciated property, plant and equipment that are still in use at year end.

No property, plant and equipment was pledged as security.

5.1.2 Intangible assets

	2016			2015		
	Cost / valuation	Amortization / impairment	Carrying value	Cost / valuation	Amortization / impairment	Carrying value
	R	R	R	R	R	R
Website	45,051	(44,626)	425	45,051	(38,293)	6,758
Computer Software	48,687	(27,447)	21,240	48,687	(14,270)	34,417
	<u>93,738</u>	<u>(72,073)</u>	<u>21,665</u>	<u>93,738</u>	<u>(52,563)</u>	<u>41,175</u>

The carrying amounts for 2016 can be reconciled as follows:

	Carrying value at beginning of year	Additions	Revaluations	Disposals	Amortization / impairment	Carrying value at end of year
	R	R	R	R	R	R
Website	6,758	-	-	-	(6,332)	425
Computer Software	34,417	-	-	-	(13,177)	21,240
	<u>41,175</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(19,509)</u>	<u>21,665</u>

The gross carrying value amount of full depreciated intangible assets that are still in use at year end.

	2016 R	2015 R
6. Receivables from exchange transactions		
Rental deposits	3,386	3,386
Leave pay receivable	33,932	-
	<u>37,318</u>	<u>3,386</u>

The ageing analysis of trade receivables are as follows:

Up to 3 months	33,932	-
3 months and older	3,386	3,386
	<u>37,318</u>	<u>3,386</u>

The VAT Receivable outstanding for 1 month prior year and 12 months current financial year.

7. Cash and cash equivalents

Bank and cash balances at year end comprise:

Petty cash	7,758	7,085
Bank balances	1,097,912	184,318
Short term investments	2,271	235,735
	<u>1,107,941</u>	<u>427,138</u>

The business cheque account and the short term investments accounts are all held with ABSA bank:

	O/B date	O/B amount	C/B date	C/B amount
Cheque account number - 40 7166 4582	01/07/2015	184,318	30/06/2016	1,097,912
32 day notice account number - 92 2181 3770	01/07/2015	323	30/06/2016	325
Depositor plus accounts number - 92 8795 3029	01/07/2015	235,412	30/06/2016	1,946

GREATER TZANEEN ECONOMIC DEVELOPMENT AGENCY (PTY) LTD

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

	2016 R	2015 R
8. Share capital		
<i>Share capital</i>		
<i>Authorised</i>		
1000 Ordinary shares of R1 each	1,000	1,000
<i>Issued</i>		
100 Ordinary shares of R1 each at end of year	100	100
9. Payables from exchange transactions		
Bank Overdrawn/payable	-	-
Leave pay accrual	132,330	268,766
VAT payables	1,712,797	1,132,349
Accrued statutory payment	97,111	-
Other payables	240,466	240,466
	<u>2,182,703</u>	<u>1,641,581</u>
10. Revenue from non-exchange transactions		
Greater Tzaneen Municipality	5,563,950	2,192,982
Industrial Development Corporation Limited	-	2,631,579
	<u>5,563,950</u>	<u>4,824,561</u>
11. Contingent liability		
11.1. 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 favour of GTEDA by CCMA.		
No provision has been made based on the substantive evidence at hand, the probability of the case being in GTEDA's favour is high. There is anticipated Labour Court case.		
11.2. Provision for VAT payable has been made, as a result of the entity not declaring output VAT on grants received from its funders i.e. the Greater Tzaneen municipality (GTM) and Industrial Development Corporation (IDC).		
Penalties and Interest might be payable to SARS as a result of resubmission of VAT returns; however no provision has been made based on the fact that GTEDA is still in negotiations with SARS and this cannot be measured reliably.		
12. Operating lease commitments		
Property		
Payable in one year	263,796	263,796
Payable in 2 - 5 years	263,796	527,592
	<u>527,592</u>	<u>791,388</u>
Equipment		
Payable in one year	-	36,422
Payable in 2 - 5 years	-	72,844
	<u>-</u>	<u>109,266</u>

	2016 R	2015 R
13. Deficit from operations		
Deficit from operations is arrived at after taking into account the following:		
Revenue		
Revenue from:	5,614,136	4,858,976
- Non-exchange transactions/ grants	5,563,950	4,824,561
- Exchange transactions/ services rendered	50,186	34,415
Expenses		
Auditor's remuneration	177,752	238,263
- Audit fees	177,752	238,263
- Other services	-	-
Depreciation of property, plant and equipment	54,010	87,245
Directors' fees	1,004,838	599,688
- Fees for services	756,160	340,251
- Other expenses	248,678	259,438
Operating lease charges	323,137	333,235
- Property rentals	323,137	197,543
- Office equipment	-	135,692
Employee costs	2,851,940	3,237,200
- Salaries and wages	2,621,922	2,996,351
- Leave payout	218,167	201,609
- Training costs	11,850	39,240
Average number of employees	7	9

	2016 R	2015 R
14. Taxation		
Major component of the tax expense:		
Prior Period	-	-
Current Period	-	-
	<u>-</u>	<u>-</u>
 Tax Rate Reconciliation:		
	2016	2015
Standard rate of company taxation	28.00%	28.00%
<i>Increase/ (reduction) in effective rate as a result of:</i>		
- Exempt income and expenditure	-28.00%	-28.00%
Effective rate of taxation for the year	<u>0.00%</u>	<u>0.00%</u>

Greater Tzaneen Economic Development Agency receives the majority of its income from grants which are exempt from income tax, the entity has applied for a tax exemption certificate from SARS. The entity provided for tax on the income that is not considered by management to be exempt.

15. Notes to the cash flow statement

15.1 Reconciliation of net deficit before taxation to cashflows from operations

Deficit before taxation	119,602	(791,507)
Adjustments for :		
Depreciation	54,010	87,245
Penalties and Interest	12,403	39,119
Operating profit before working capital changes	<u>186,015</u>	<u>(665,143)</u>
Working capital changes		
Increase in payables from exchange transactions	541,122	577,433
Cash generated from operations	<u>693,205</u>	<u>(87,710)</u>

GREATER TZANEEN ECONOMIC DEVELOPMENT AGENCY (PTY) LTD

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

	2016 R	2015 R
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16. Related Parties

16.1 Identity of related parties

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

The major stakeholder is Limpopo Economic Development Agency (LEDA), the former Limpopo Agri-Business Development Corporation (LADC) and a strategic partner in the Makgoba Tea Estates.

The Board of Directors comprises of directors as listed in the directors report and its committees, namely the Finance and Risk committee, HR committee and Project,Investment committee and Social and ethics committee. There are no entities that are related to the directors of the Board.

16.2 Transactions with the related parties were as follows:

Grant received: GTM	5,563,950	2,500,000
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16.3 Compensation paid to the Executive Director

Name	2016			2015		
	Remuneration R	Emolument R	Total R	Remuneration R	Emoluments R	Total R
KJ Maphoto (CEO)/ Acting	308,623	42,000	350,623	775,136	115,963	891,099

16.4 Compensation paid to the Board of Directors

Name	2016			2015		
	Remuneration R	Emoluments R	Total R	Remuneration R	Emoluments R	Total R
KM Motshekga	-	-	-	3,500	4,321	7,821
MC Msimanga	-	-	-	63,500	75,905	139,405
VJG Baloyi ((Resigned))	57,971	27,401	85,372	93,375	83,518	176,893
MV Gardner	78,052	8,659	86,711	34,700	6,294	40,994
MF Mushwana	93,661	18,552	112,212	74,750	10,693	85,443
MZ Mawasha (Chair)	106,116	21,978	128,093	-	-	-
ES Maake	126,288	50,565	176,853	-	-	-
J Makapan	52,259	23,689	75,948	-	-	-
MI Moakamela	84,012	23,899	107,911	-	-	-
BL Mathebula	43,232	24,928	68,160	-	-	-
BJ Pretorious	88,836	9,942	98,778	-	-	-
SR Monakedi (Resigned)	17,408	669	18,077	-	-	-
	<u>747,834</u>	<u>210,281</u>	<u>958,116</u>	<u>269,825</u>	<u>180,731</u>	<u>450,556</u>

	2016 R	2015 R
17. Commitments		
17.1 Authorised capital and operating expenditure		
Internal Audit	58,560	77,500
Annual report development	43,860	36,000
IT Support	30,000	13,090
Security Services	-	4,560
Cell phone contract	7,000	62,000
	<u>139,420</u>	<u>193,150</u>

IT Support:

Bohlabelo Computers, this is an IT support contract at R 2 500 p.m. appointed for a period of twelve (12) months from 01/02/2016 to 31/06/2017.

Security Sysyts:

Letaba Alarms, this is an contract for security systems at R 380.00 p.m. appointed for a period longer than five (5) years from 01/04/2012 to until GTEDA cancels the contract.

Cell phone Contract:

Vodacom contracts for the following officials, this is cell phone contracts at R 3998.00 p.m. appointed for a period of twenty four (24) months:

Chief Executive Officer	22/09/2014 to 21/09/2016	R	24,000
Project Manager	01/11/2014 to 31/10/2016	R	24,000

18. Financial risk management

Trade and other receivables at the reporting date comprise of VAT receivables and other prepayments.

The accounting authority consider that the carrying amount of trade and other receivables approximates their fair value.

Credit risk

The company's principal financial assets are bank balances and cash, trade and other receivables and investments, which represent the company's maximum exposure to credit risk in relation to financial assets.

The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

The credit risk on liquid funds and non-derivative financial instruments is limited because the counterparties are banks with high credit ratings.

The company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

Cash and cash equivalents	1,107,941	427,138
	<u>1,107,941</u>	<u>427,138</u>

The maximum exposure to credit risk for trade and other receivables at the reporting date by type of customers was:

	2016 R	2015 R
18. Financial risk management (Continued)		
Rental deposits	3,386	3,386
	<u>3,386</u>	<u>3,386</u>

Impairment losses

At the reporting date, none of the receivables from exchange transactions were past due. No impairment loss was recognised in the current period under review.

Liquidity risk

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

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

Payables from exchange transactions (2 - 5 years)	2,182,703	1,641,581
	<u>2,182,703</u>	<u>1,641,581</u>

The maximum exposure to liquidity exposure for trade and other payables at the reporting date by type of creditor was:

Employees leave pay (2 - 5years)	2,182,703	1,641,581
	<u>2,182,703</u>	<u>1,641,581</u>

Currency risk

Exposure to currency risk

The company did not have any exposure to foreign currency risk for the period under review.

Interest rate risk

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

19. Revenue from exchange transactions

Interest received	16,255	33,121
Other Cash Sales	10,526	-
Other Income	33,932	-
Sundry income	-	1,294
	<u>60,713</u>	<u>34,415</u>

Interest received relates to income received from third party as a result of grant funding held in an investment account.

20. Employee related costs

CEO's costs

CEO's Remuneration/salary	308,623	731,273
Performance bonus	-	43,862
Other expenses	42,000	115,963
	<u>350,623</u>	<u>891,098</u>

Staff costs

Basic (Salaries and Wages)	1,320,081	1,378,135
Performance bonus	-	-
Statutory payments (PAYE, UIF and SDL)	659,267	755,012
Leave pay	218,167	171,654
Overtime	53,781	41,687
13th cheque	93,598	109,845
	<u>2,344,896</u>	<u>2,456,334</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

	2016 R	2015 R
21. Directors Fees		
Board fees	589,360	168,778
Board travel	180,412	74,378
Board meals	16,535	16,620
Board accomodation	40,151	34,195
Statutory payments (25% tax deductible)	166,800	98,850
Secretariat Support	11,580	23,625
	<u>1,004,838</u>	<u>416,446</u>
22. Fruitless and wasteful expenditure		
Opening balance	39,119	-
Fruitless and wasteful expenditure	12,403	39,119
Fruitless and wasteful expenditure awaiting condonement	<u>51,522</u>	<u>39,119</u>
Penalties and interest due to late payment of statutory payments.		
23. Operating expenses		
Accommodation	20,263	12,119
Cellphone expenses	84,674	68,604
Personnel cost	2,653,519	3,231,469
Bursaries	15,450	30,930
Cleaning	331	198
Consulting fees	22,100	62,587
Copier rental	-	32,355
Courier and postage	522	531
Depreciation	54,010	87,245
Entertainment expenses	1,557	12,183
External audit	177,752	238,263
First aid kit	780	
Internal audit	154,891	169,181
Insurance	15,092	12,046
Marketing and promotions	-	53,175
Office refreshments	479	1,824
Office rental	323,137	233,626
Penalties and interest	12,403	39,119
Printing and stationary	15,972	11,142
Projects cost	486,525	454,822
Repairs and maintenance	143,776	122,119
Security	6,345	6,814
Seminars and workshops	-	4,340
Staff Training	11,850	34,900
Recruitment cost	99,878	60,724
Subscriptions (IoD, LED & Local)	23,048	27,190
Subsistance	10,929	9,275
Telephone and Fax	87,574	76,903
Local Travel - Land	44,868	90,211
	<u>4,467,725</u>	<u>5,183,894</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

	2016 R	2015 R
24. Administration Expenses		
Bank charges	15,427	7,722
Annual report development	-	37,200
Organisational design and policy review	-	-
Directors fees and expenses	1,004,838	416,446
Website Management	9,262	-
Social inclusion	7,808	5,221
	<u>1,037,335</u>	<u>466,589</u>

25. Prior year error

During 2016, it was noted that the expense relating to statutory payment (EMP201) for June 2015 by an amount R 97 111.00 was recorded as part of expense for 2016 financial year, the amount was included in the personel cost expense 2015, the corrected amount was corrected in current year by debiting the retained earning amount with the correct amount.

In 2015 the entity reported the following :

	2016	2015
Personel cost		3 231 469
		(97,111)
Restated amount	<u>3,134,358</u>	

The effect of the error has resulted in an overstatement of equity R 97 111

GREATER TZANEEN ECONOMIC DEVELOPMENT AGENCY (PTY) LTD

DETAILED STATEMENT OF FINANCIAL PERFORMANCE 30 JUNE 2016

		2016 R	2015 R
Revenue		5,624,663	4,858,976
Grant contributions		5,563,950	4,824,561
Other Cash Sales		10,526	-
Other Income		33,932	-
Sundry Income (SETA)		-	1,294
Other Revenue - Investments Income	11	16,255	33,121
Total income		5,624,663	4,858,976
Operating expenses		4,467,726	5,183,894
Accommodation		20,263	12,119
Cellphone expenses		84,674	68,604
Personnel cost		2,653,519	3,231,469
Bursaries		15,450	30,930
Cleaning		331	198
Consulting fees		22,100	62,587
Copier rental			32,355
Courier and postage		522	531
Depreciation		54,010	87,245
Entertainment expenses		1,557	12,183
External audit		177,752	238,263
First aid kit		780	-
Internal audit		154,891	169,181
Insurance		15,092	12,046
Marketing and promotions		-	53,175
Office refreshments		479	1,824
Office rental		323,127	233,626
Penalties and interest		12,403	39,119
Printing and stationary		15,972	11,142
Projects cost		486,525	454,822
Repairs and maintenance		143,776	122,119
Security		6,345	6,814
Seminars and workshops		-	4,340
Staff training		11,850	34,900
Recruitment cost		99,878	60,724
Subscriptions (IoD, LED & Local)		23,048	27,190
Subsistence		10,929	9,275
Telephone and Fax		87,574	76,903
Travel - Land		44,868	90,211

GREATER TZANEEN ECONOMIC DEVELOPMENT AGENCY (PTY) LTD

DETAILED STATEMENT OF FINANCIAL PERFORMANCE 30 JUNE 2016

		2016	2015
		R	R
Administration Expenses		1,037,335	466,589
Bank charges		15,427	7,722
Annual report development		-	37,200
Directors fees and expenses	21	1,004,838	416,446
Website Management		9,262	-
Social inclusion		7,808	5,221
Surplus(Deficit) before taxation		119,602	(791,507)
Taxation		-	-
Normal taxation		-	-
Net Surplus (deficit) for the period		119,602	(791,507)