



greater tzaneen economic development agency



2017/18 ANNUAL REPORT GREATER TZANEEN ECONOMIC DEVELOPMENT AGENCY

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Chief Executive Officer

Mr. MZ Mawasha
Board Chairperson

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ABBREVIATION/ ACRONYMS

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

INTRODUCTION

It is an honour to submit the Annual Report of the Greater Tzaneen Economic Development Agency (GTEDA) for the period 01st July 2017 to 30th June 2018, in accordance with Chapter 12 (Section 121) of the Municipal Finance Management Act (MFMA), 2003 (Act No. 56 of 2003).

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

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

- a) To provide a record of the activities of GTEDA during the Financial Year 2017/18;
- b) To provide a report on performance against the budget of GTEDA for the same period; and
- c) To promote accountability to the local communities of Greater Tzaneen Municipalities for the decisions made throughout the year by GTEDA.

It is through the Annual Report that GTEDA is able to foster transparent governance and accountability by submitting the following for the Year Ending 30th June 2018:

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

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

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

1.1. VISION

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

1.2. MISSION

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

1.3. VALUES

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

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

1.4. STRATEGIC OBJECTIVES

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

1.5. FOCUS AREAS

Agriculture and Agribusiness



Agriculture and agribusiness are the main economic drivers in the municipal area, the Greater Tzaneen Municipal area offers a plethora of agricultural opportunities for both commercial and emerging farmers. GTEDA supports 19 SMMEs and 23 Co-operatives in this focus area and this constitutes 52% of all SMMEs and Co-operatives supported by GTEDA.

GTEDA would continue to develop business plans and apply funding for emerging businesses as this sector is key to economic growth and job creation in the area.

Manufacturing

While manufacturing in Greater Tzaneen contributes 38% of the district economy, GTEDA supports 21 SMMEs and 8 Co-operatives in this sector which represents 37% of all supported businesses. GTEDA has a strategy to increase the number of manufacturing businesses in the area to stimulate the economy especially in the rural outskirts of the municipal area.



Tourism and Heritage Conservation

Together with Greater Tzaneen Tourism Association, GTEDA is on the verge of establishing tourism routes in the GTM area and routes that would link visitors in the GTM area and other key tourism attraction areas like the Kruger National Park. This would ensure that the tourism and hospitality industry in the area is boosted and businesses would generate much needed revenue.

Property Development

During the 2017-18 financial year, GTEDA worked with the Motupa Circuit Education Development Program, Department of Arts, Sports and Culture and GTM to secure funding for the construction of a state-of-the-art Library and Science centre at Moleketla village, the project will go a long way to uplift the level of education in the Bolobedu South and neighbouring villages.

In partnership with the Industrial Development Corporation and GTM, GTEDA has secured funds to construct a digital college known as Vexospark at Lenyenye township. GTEDA believes in empowering and upskilling communities in order to increase the level of entrepreneurial activities, this results in local people running their economy and create jobs and wealth for themselves.



i. SMME and Co-operative development and support

GTEDA strategy is to develop and support SMMEs and Co-operatives, National statistics indicate that these types of businesses are the biggest generators of much needed jobs. GTEDA received funding from the Services SETA to capacitate SMMEs and Co-operatives on New Venture Creation training which would assist beneficiaries to identify opportunities and capitalise on them and to

operate at full capacity. The Department of Small Business Development pledged support and commitment to assist GTEDA and other stakeholders to support SMMEs with both financial and non-financial support.

1.6. CHAIRPERSON'S FOREWORD

The Greater Tzaneen Economic Development Agency (GTEDA) has once again proved to be an integral and strategic special purpose vehicle of the Greater Tzaneen Municipality (GTM). This 11-year-old organisation has undergone common challenges experienced by successful organisations and for that



reason the agency has reviewed its strategic objectives during the 2016-17 financial year in order to address mandate creep and declining performance. These efforts that were taken by the Board ensured that the agency is steered towards addressing the local economic development challenges inherent in the area and that manifest itself in the improved performance especially in the area of Co-operative and SMME support. The partnership with a key institution like the Services SETA would go a long way in ensuring that Co-operatives and SMMEs receive much needed technical and business skills required to run successful business ventures.

Stabilizing board and shareholder relations

The Board and committees convened as scheduled and ensured that critical issues are tackled timeously, and resolutions are implemented on time. We continue to value the support and inputs of shareholder representatives in our Board and committee meetings and the leadership of the Mayor Councillor Maripe Mangena in showing undying support and interest in the affairs of the agency, as the Board, we would ensure that we work towards realising the aspirations of Council in changing the economic development of our municipal area. The review and approval of the LED strategy by Council and assignment of catalytic projects to GTEDA (Viz, Agribusiness Incubator, Tzaneen farmer facility and Waste management) would attract much needed economic stimulation and activity in the area and we hope that through the support of Council these projects are doable.

Strengthening governance structures

The Projects and Investment Committee (PIC), was set up to assist the Agency to refocus resources on its core business by improving spending and efficiencies in project management. Through the interventions of this committee, various projects have either made progress or have been relocated to more fitting departments within the

municipality, thus bringing more focus and applying Agency resources to core mandate areas. The Auditor General South Africa (AGSA) has for the first time audited the performance of core business of the agency and has made recommendations which would further improve implementation of the projects. The work of this committee continues.

Finance and Risk

For 10 years running, AGSA has awarded the agency an unqualified audit opinion, this would once again go a long way to improve public confidence and investor confidence in the affairs of the agency, as Board, we are proud to have a CEO and team that diligently use and protect our public funds. Project implementation and specifically procurement processes are always under pressure and pose a high level of risk, even in this environment, the Agency was able to sustain its proud legacy. The going concern is once more a risk for the agency as outlined in the audited report, Board and Council need to sit together and come with a permanent solution to mitigate this risk, one such way would be for GTM to allocate strategic assets which the agency could use to attract investments and improve its balance sheet.

Capacity building

Management organised a governance training workshop facilitated by Institute of Directors in Southern Africa (IoDSA) to keep Board abreast of governance trends and best practices in the industry.

Through the organisational review process, the Board identified several areas that required additional capacity and support in order to strengthen the delivery capacity of the Agency. The organisational structure has been reviewed and adopted by Board, we would ensure that key positions are budgeted for and filled to ensure the agency is well resourced to meet its objectives.

The year ahead

The 2017/18 Financial Year has been a year of recalibration, consolidation and repositioning. The year ahead should benefit from all the ground work covered in 2017/18 by showing improved project completion rates and a measurable socio-economic impact. Work would begin in earnest for the implementation of the identified

Council projects which would officially be included in the 2019/20 Service Delivery Budget and Implementation Plan (SDBIP) and Integrated Development Plan (IDP).

Acknowledgement

Once more, the agency remains beholden to the support it receives from all stakeholders, I therefore on behalf of the Board, acknowledge the following:

- Greater Tzaneen Municipality Council and Management
- GTEDA management and staff
- Communities at large
- Services SETA
- Dithoriso Phepho Hlweko skills development facilitators
- Co-operatives and SMMEs
- Service providers
- Funding agencies

Mr. MZ Mawasha

Chairperson of the Board

1.7. CHIEF EXECUTIVE OFFICER'S OVERVIEW

The 2017/18 financial year has come and gone, and it is time for the Agency to take stock, the pinnacle of the year was the approval by Council of three major projects (Agribusiness Incubator, Tzaneen Farmer facility and Waste management support systems for SMMES). which would change the economic outlook of the Greater Tzaneen Municipality by stimulating business activity, creating jobs and new businesses thereby contributing towards the growth of the area. Details on our performance are contained under the project management unit report.



Achievements

Our dedicated and tireless efforts have once again yielded results that would go a long way to transform the economic landscape of the people of the Greater Tzaneen Municipal area, GTEDA once again implemented the following projects with funding and support from stakeholders:

- The Services SETA to capacitate 20 Co-operatives and 40 SMMEs on New Venture Creation, this would enable beneficiaries to register, properly run businesses, apply funding and keep records of financials for audit and funding purposes.
- Through our initiatives, 93 SMMEs have received financial management training from Liberty Life.
- Service SETA approved funding to train 100 unemployed youth on New Venture Creation, this would enable them to start business ventures and boost economic activities in the rural outskirts of our Municipality.
- Funding has been facilitated through the IDC for the establishment of a Vexospark digital college in Lenyenye and Council has approved all plans to commence with construction.
- 40 SMMEs have been registered with CIPC.
- In partnership with the DTI, DBSA and LEDA, 15 SMMEs and 115 labourers have benefitted from the rehabilitation of the Nkowankowa Industrial Park.
- GTEDA received an unqualified Audit opinion from AGSA

- GTEDA in partnership with GTM LED unit successfully hosted the 5th edition of the Agric Expo and Mayors Golf event wherein funds were raised to assist emerging farmers.

Corporate Social Investment

GTEDA's partnership with CommuneP is growing in leaps and bounds and the two institutions have once again, successfully hosted the third edition of the youth entrepreneurship and career guidance events.

This year's topic was "My South Africa, my beloved country" and learners were given an opportunity to explore and express themselves about things that make them feel "Proudly South African", they also debated about their vision of a better South Africa and things they are doing to make the country a beloved one.

Challenges

The Agency strives to fully deliver on its Strategic Objectives however, insufficient funding from the parent Municipality remains a deterrent. We are hopeful that with the finalisation of the LED strategy and prioritised Council projects, an allocation would be done to address this predicament.

The Organisation Structure was reviewed in line with the Strategy and adopted by Board. In support of the Organisational Structure, the job evaluation process is underway and as such to date all critical positions including in the core business unit are not yet filled, management is working tirelessly with the support of the Job Evaluation Committee to fast track the process in order to start with the implementation process.

Interventions

The approved organisational structure would ensure that the organogram of GTEDA talks to its mandate and that resources (Human and Financial) are deployed strategically to ensure value for money for the shareholder and the community at large.

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

Acknowledgements

Our sincere gratitude to all and sundry for ensuring that GTEDA remain on course and focused to improve the economic fortunes of our people, the following deserve my sincere acknowledgment:

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

Mr. KJ Maphoto

Chief Executive Officer

CHAPTER 2: CORPORATE GOVERNANCE

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

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

2.1. BOARD GOVERNANCE STRUCTURE

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

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

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

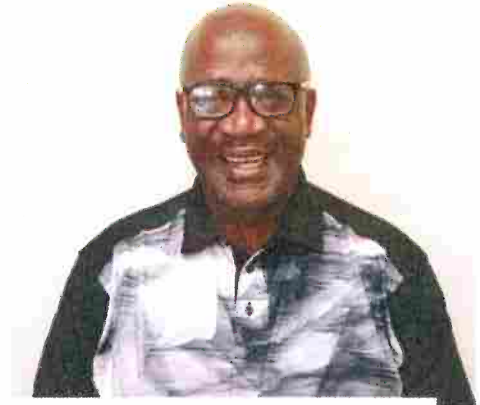
The Board has adopted a unitary structure and no individual member of the Board has unfettered powers of decision making. The responsibility for running the Board and executive responsibility for the conduct of the business are differentiated in the Board charter. Accordingly, the roles of the Chairperson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

2.2. DIRECTORATE

During the year under review the Board comprised of seven (7) non-executive Directors (Four Female and Three Male), who are independent as defined by King III. The Parent Municipality's consideration is given to gender and racial diversity, as well as diversity in business, geographic and academic backgrounds, in the process of Directors appointment. Tailored induction programmes are run to familiarise newly appointed directors with the Agency's operations. The particulars of the directors are set out in the Board of directors' section of this Integrated Annual Report.



**Mr. MZ Mawasha
Board Chairperson**



**Adv. ES Maake
Board Deputy Chairperson**



**Mrs. MF Mushwana
Board Member**



**Ms MJ Makapan
Board Member**



**Ms MI Moakamela
Board Member**



**Mr. B Pretorius
Board Member**



**Ms BL Mathebula
Board Member**

2.3. BOARD ASSESSMENT

The Board is required to assess the Board performance against its charter requirements on an annual basis. The assessment was done, and it was found that in all material respects the Board complied with these requirements. The Chairperson continued to monitor and manage the participation of the Board’s members and considered the development requirements.

In addition, during the year under review, the Board independently considered the performance of the Chief Executive Officer. The Chief Executive Officer did not participate in the Board’s discussions regarding his own performance.

2.4. BOARD MEETINGS

For the period under review the Board met formally on four (4) occasions (Quarterly) to conduct the normal business of the Agency. Attendance at these meetings is summarised in the table below.

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

2.5. BOARD COMMITTEES

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

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

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

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

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

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

2.5.1. PROJECTS AND INVESTMENTS COMMITTEE

For the period under review the Projects and Investments Committee comprised Matome Mawasha (the Chairperson), Ben Pretorius, Juliana Makapa and Sello Maake.

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

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

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

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

- ❖ Reporting on project progress to stakeholders such as the Greater Tzaneen Municipal Council, Oversight Committee/Municipal Public Accounts Committee (MPAC), Auditors, Banks, funders e.t.c;
- ❖ Assisting with investment promotional events or direct sales calls on target investors; and
- ❖ Ensuring that all necessary support is provided to potential investors in terms of local information, introductions and other actions that will ensure speedy implementation of new projects.

Mr. MZ Mawasha

Chairperson: Projects and Investments Committee

2.5.2. FINANCE AND RISK COMMITTEE

For the period under review the Finance and Risk Committee comprised Mopo Mushwana (the Chairperson), Ben Pretorius, Maite Moakamela and Bongani Mathebula.

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

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

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

- ❖ Monitoring the financial reporting process;
- ❖ Recommending the appointment of an independent registered auditor, determining the terms of engagement and approving fees for audit and non-audit work undertaken;
- ❖ Monitoring the operation and effectiveness of internal control systems, including information technology controls;
- ❖ Overseeing the internal audit function, monitoring its effectiveness, and reviewing corrective action in relation to findings;
- ❖ Overseeing the implementation and effective operation of a structured risk management process; and
- ❖ Reviewing and recommending to the Board for approval the interim and annual financial statements, the going concern status of the Agency, interim and final dividends and other special payments.

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

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

Mrs. MF Mushwana

Chairperson: Finance and Risk Committee

2.5.3. HUMAN RESOURCE AND REMUNERATION COMMITTEE

For the period under review the members of Human Resource and Remuneration Committee were Juliana Makapan (the Chairperson), Maite Moakamela, Bongani Mathebula and Sello Maake.

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

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

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

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

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

Ms MJ Makapan

Chairperson: Human Resource and Remuneration Committee

2.5.4. SOCIAL AND ETHICS COMMITTEE

For the period under review, members of Social and Ethics Committee were Sello Maake (the Chairperson), Maite Moakamela, Bongani Mathebula and Mopo Mushwana.

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

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

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

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

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

Keeping abreast of legislative requirements and participation in the regulatory forums

The Agency relies on the Parent Municipality’s internal legal advisers to be kept abreast of generic and government specific legislative and regulatory developments, both pending and apparent, and ensure that the Board, management and employees are

informed of and, where necessary, trained on these developments and the implementation thereof.

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

Adv.ES Maake

Chairperson: Social and Ethics Committee

2.6. COMPLIANCE TO CORPORATE GOVERNANCE

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

Risk Management

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

Management has responsibility for the risk management plan in accordance with the Board approved policy and framework. The Finance and Risk Committee monitors the risk management process.

Risks are reviewed and prioritised by the Board on a regular basis and risks are assessed on an ongoing basis as part of normal operational management processes.

Internal Audit

GTEDA has an effective risk-based internal audit function, outsourced to an independent professional firm, whose duties and responsibilities are defined in the Terms of Reference. The need for and requirements that need to be met in order to obtain this assurance are being evaluated.

Minimising Conflict of Interest

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

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

Social and Environmental Responsibility

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

CHAPTER 3: HUMAN RESOURCE MANAGEMENT AND ADMINISTRATIVE GOVERNANCE

3.1. CHIEF EXECUTIVE OFFICER

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

3.2. HUMAN RESOURCE MANAGEMENT

The Human Resources Management (HRM) unit falls within the Finance and Administration Division and reports to the Chief Executive Officer (CEO).

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

Human Resource Development: For the period under review, however, the following Skills Development Trainings following fields:

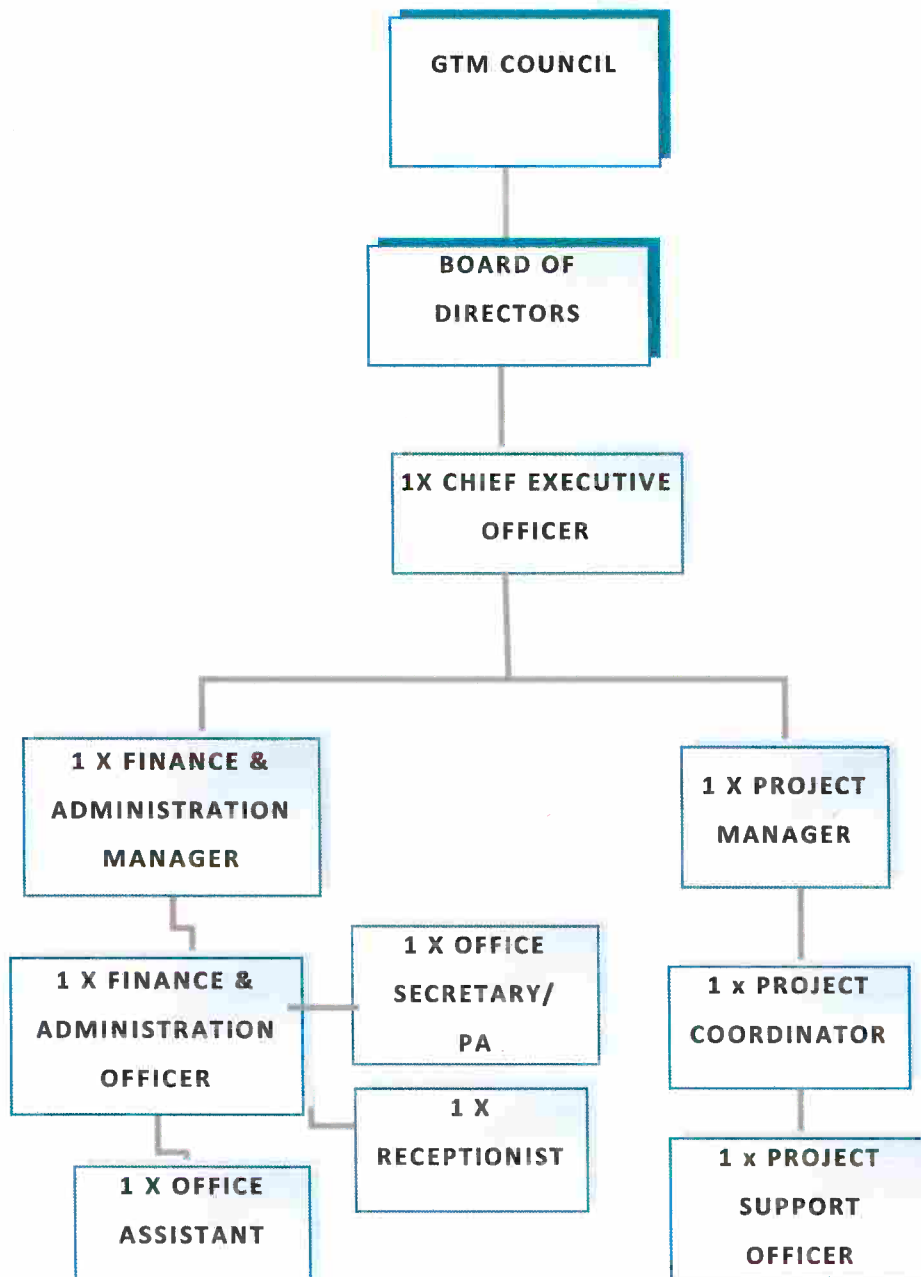
Description	Institution
Insight to King IV Corporate Governance	IODSA
Performance Development Planning and Performance Management Masterclass	ABS International
Public Sector Project Management	Tyilo Training & Concierge Services

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

CA= Contract Appointment

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

3.3. ORGANISATIONAL STRUCTURE



GTEDA strives to ensure that it employs and maintains a staff complement consisting of the highest calibre of individuals who subscribe to its values and are committed to delivering sustainable long-term performance. We are currently reviewing staff benefits with a view to retain and motivate employees.

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

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

4.1. PROJECT MANAGEMENT

The Project Management Unit is responsible for the successful implementation of the core business of GTEDA, which is derived from the LED strategy of the Greater Tzaneen Municipality (GTM), therefore the Agency is responsible for resource mobilisation, SMME and Co-operatives support and investment attraction in the GTM area.

Management is working hard to refine the Key Performance Indicators (KPIs) to ensure that they are “SMART” and could be interpreted and understood by any person who has interest in the performance of the agency. The 2017-18 financial year showed a slight decline in the performance due to two key projects (Tzaneen dam resort and Motupa Library) that never took off ground due to factors beyond GTEDA’s control, management would ensure the projects are fast tracked to ensure full implementation and benefits to communities.

Procedure for performance reporting during 2017/18 Financial Year

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

Coding of Results

Red	KPI Not Met = 1
Orange	KPI Almost Met= 3
Green	KPI Met=2
Green2	KPI Well Met= 2
Blue	KPI Extremely Well Met=1

4.2. ANNUAL PERFORMANCE REPORT

Ref	Directorate	Pre-determined Objectives	KPI	Unit of Measurement	Baseline	Performance Standard	Source of Evidence	Annual Target	Overall Performance for Jul 2017 to Jun 2018		
									Target	Actual	R
D226	GTEDA	Economic Growth and Investment	# of committed investors attracted through GTEDA	Number	3		Investment reports (Transactional advisors, MDDA, Private investors)	3	3		G
D227	GTEDA	Enterprise Development (SMME support)	# of SMMEs capacitated through GTEDA	Number	21		*Training Programme *SMME training and development Policy *Assessment Report on the training provided to 15 SMME's *Service Provider Appointment letters	30	45		B

D228	GTEDA	Information management	MSCOA equipment and programmes	Q1: Not applicable this quarter, Q2: Source quotations. (10%), Q3: Procurement of MSCOA equipment finalised (100%), Q4: Not applicable this quarter	New project	Q3: Procurement of MSCOA equipment finalised (100%),	Quotations Invoice	100%	100%	50%	R
D229	GTEDA	Marketing and Investor Targeting	Support SMME's in accessing investment capital	Q1 : Investors/funders Data base developed by 30 September 2017. (25%) Q2 :4 Business plans developed and Funding applications submitted per annum. (50%) Q3 : Do follow-ups to facilitate Successful funding	New initiative	Q3 : Do follow-ups to facilitate Successful funding applications (75%)	*SMME database *Business Plans *Copies of funding applications. *Approved applications. Reports.	100%	100%	91%	D

D230	GTEDA	Marketing and Investor Targeting	# of Agri-park Project Steering Committee meetings	Number	applications (75%) Q4 : Funding commitment received for 4 applications (100%)	New initiative	*Identify potential partners / funders for establishment of an Ideas Hub programme. *Monitor and support radio station activities (75%)	Agri-Park meeting schedule Steering Committee Minutes Agri park progress reports	4	4	3	0
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GTEDA 2017/18 ANNUAL REPORT

D231	GTEDA	Enterprise Development	Entrepreneurship career guidance and mentorship	<p>Q1: Entrepreneurship training programme for 16/17 debate winners developed by 30 September 2017. (25%)</p> <p>Q2: 3 Youths (16/17 debate winners) mentored on entrepreneurship to establish mini-businesses by 31 December 2017. (50%)</p> <p>Q3: Conduct 17/18 schools entrepreneurship debate competition (75%)</p> <p>Q4: 17/18 Award ceremonies conducted by 30</p>	New initiative	<p>Q3: Conduct 17/18 schools entrepreneurship debate competition (75%)</p>	<p>*Training programme. *Communicues with Mentors *17/18 Debate report.</p>	100%	100%	91%	0
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D232	GTEDA	Enterprise Development	# of SMME Incubation reports submitted to the Board	Number	New initiative	Incubation Reports on Village Bank, Leather Making Project & GTFM	4	4	5	G2
				June 2018. (100%)						

D233	GTEDA	Marketing and Investor Targeting	Tzaneen Dam Resort Facilitation	<p>Q1 : Facilitate item to council on Tzaneen dam resort approval (25%)</p> <p>Q2 : Provide project management services for the Tzaneen dam resort development. Generate monthly progress reports (50%)</p> <p>Q3 : Provide project management services for the Tzaneen dam resort development. Generate monthly progress reports (75%)</p>	<p>Q3 : Provide project management services for the Tzaneen dam resort development. Generate monthly progress reports (75%)</p>	<p>Council Item Monthly Project Progress Reports</p>	100%	100%	91%
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generate monthly progress reports (100%)	

D234	GTEDA	Enterprise Development	Library Project Support at Khwekhwe High School	<p>Q1: Provide PM services for the Motupa library development and Submit quarterly PM reports to stakeholders (25%)</p> <p>Q2: Provide PM services for the Motupa library development and Submit quarterly PM reports to stakeholders (50)</p> <p>Q3: Provide PM services for the Motupa library development and Submit quarterly PM reports to stakeholders (75)</p> <p>Q4: Provide PM services for the</p>	New initiative	<p>Q3: Provide project management services for the Motupa library development and Submit quarterly project management reports to stakeholders (75%)</p>	Project Management Reports. Minutes of meetings with Stakeholders	100%	100%	91%
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							Motupa library development and Submit quarterly PM reports to stakeholders (100%)					

D235	GTEDA	Enterprise Development	Coordination of Entrepreneurs to the Nkowanikwa Industrial Park	Q1: Compile data base of ideal/suitable entrepreneurs for LEDA to utilise on the Nkowanikwa industrial project. (25%) Q2: Facilitate and monitor the utilisation of local labour and SMME's in the renovation of the factories (50%) Q3 : Facilitate and monitor the utilisation of local labour and SMME's in the renovation of the factories (75%) Q4 : Facilitate and monitor the utilisation of local	New initiative	Q3: Facilitate and monitor the utilisation of local labour and SMME's in the renovation of the factories (75%)	*Database of entrepreneurs *Reports on local re-investment and jobcreation	100%	100%	100%	G
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5.1. AUDIT COMMITTEE REPORT 2017/18

We are pleased to present our report for the financial year ended 30 June 2018.

1. Audit Committee Responsibility

The Audit Committee reports that it has complied with its responsibilities arising from Section 166 of the Municipal Finance Management Act and Circular 65 issued by National Treasury. The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, and it has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein, except that we have not reviewed changes in accounting policies and practices.

2. Audit Committee members and attendance

The Audit Committee, consisting of independent outside members, meets at least four times per annum as per its approved terms of reference, although additional special meetings may be called as the need arises.

3. The Effectiveness of Internal Control

Our review of the internal control environment revealed that there has been a room for improvement in the system of internal control of the entity and reducing qualification issues of previous year. Furthermore, there are several deficiencies in the system of internal control and/or deviations there were reported by the internal auditors and the Auditor-General. However, the Audit Committee notes management's commitment and action plan to correct deficiencies.

4. In-Year Management and Monthly/Quarterly Report

The entity does have an effective monthly and quarterly reporting system to the Council as required by the Municipal Finance Management Act (MFMA).

5. Performance Management

The AC reviewed functionality of the performance management system and it appears to be functional, however there is a room for improvement in so far as achievement of planned targets is concerned and submission of portfolio of evidence timeously.

6. Risk Management

The AC is of the opinion that entity's risk management appears to be effective for the better of the year and material respect, and the entity did implement a comprehensive risk management strategy and related policies. Management has no sound and effective approach has been followed in developing strategic risk management plans and there is a sense of appreciation of the impact of the entity's risk management framework on the control environment.

7. Compliance with laws and regulations

A number of non-compliance with the enabling laws and regulations were revealed by Audit Committee, AGSA, and Internal Audit during the year. Thus, there is a room for improvement in so far as establishing an effective system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.

8. Internal Audit

The AC is satisfied with the effectiveness of Internal Audit and commend Management and Council for capacitating this unit. The above conclusion is based on:

- Timeous approval the internal audit charter, strategic and operational plans, internal audit activities, staffing (including competence and qualifications), and organisational structure of the Internal Audit Unit;
- Satisfactorily implementation of the approved the annual internal audit plan and all major changes to the plan.

- There were no unjustified restrictions or limitations on work of the internal audit.
- Compliance with the IIA's international standards for the professional practice by Internal Auditing unit
- Partial implementation of remedial action plan on internal audit findings by management.

9. External Audit

The AC did review the Auditor-General's proposed audit scope and approach, including coordination of audit effort with internal audit in respect of 2016/17 financial year. Furthermore, the AC evaluated management responses to the reports or findings of the Auditor-General on quarterly basis.

10. Progress in implementation of AGSA findings from prior year

AGSA recommendations were not fully implemented by management at the time of this report. There is a room for improvement in this regard and the AC recommended to the entity to prioritise the implementation of recommendations by AGSA.

11. Progress on implementations of Internal audit recommendations

A material number of Internal audit recommendations were implemented by management. There is a room for improvement in this regard and thus, AC recommended to entity to prioritise the implementation of recommendations by Internal Audit.

12. Implementations of Audit Committee Recommendations by management

A material number of Audit committee recommendations to management were implemented. There is a room for improvement in this regard and thus, AC recommended to entity to fast track the implementation of recommendations by Audit Committee.

13. Conclusion

The Audit Committee wishes to acknowledge the commitment from Council, management and staff of the entity. The stability in terms of the political and administrative leadership of the entity has contributed to these improvements report above. We would also like to thank the Executive Mayor for his support, Councillors, senior management for their efforts and internal audit for their contribution.

A handwritten signature in black ink, consisting of the letters 'SAB' in a stylized, bold font, enclosed within an oval shape.

SAB Ngobeni (Mr)

Chairperson of the Audit Committee

Greater Tzaneen Economic Development Agency

31 August 2018



greater tzaneen economic development agency

**Greater Tzaneen Economic Development Agency (Pty) Ltd
Annual Financial Statements
for the year ended 30 June 2018**

Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2018

General Information

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

Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2018

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Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2018

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GRAP	Generally Recognised Accounting Practice
GTEDA	Greater Tzaneen Economic Development Agency (Pty) Ltd
GTM	Greater Tzaneen Municipality
IAS	International Accounting Standards
CIGFARO	Chartered Institute of Government Finance Audit and Risk Officers
IPSAS	International Public Sector Accounting Standards
IDC	Industrial Development Corporation
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act

Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2018

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The Chief Executive Officer has reviewed the municipal entity's cash flow forecast for the year to 30 June 2019 and, in the light of this review and the current financial position, he is satisfied that the municipal entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

The annual financial statements set out on pages 5 to 56, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2018 and were signed on its behalf by:

Mr. K.J. Maphoto
Chief Executive Officer

Mr. M.Z. Mawasha
Chairperson of the Board

Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2018

Chief Executive Officer's Report

The Chief Executive Officer submits his report on the annual financial statements of Greater Tzaneen Economic Development Agency for the year ended 30 June 2018.

1. Nature of business

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

2. Review of financial results and activities

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

Greater Tzaneen Municipality approved and allocated a budget of R7 145 835 to GTEDA as grant funding for the financial year under review, compared to R6 734 701 that was allocated for prior year. The overall actual expenditure amounts to R7 208 547 which is 91.30% per cent of the budget in terms of spending pattern; the expenditure includes project costs of R724 796 as compared to R650 836 for prior year.

The variance is mainly due to virements that were done through mid-year budget review given that projects are core business. Employee and board member costs amount to R3 996 390 as compared to R3 572 468 in the prior year.

The agency incurred a deficit of R903 429 as compared to a deficit of R18 276 for prior year, this was mainly due to an increase in personnel expenses because of the approved tariff increases and an increase in general expenses.

3. Going concern

We draw attention to the fact that at 30 June 2018, the municipal entity had accumulated deficits of R (1 720 986) and that the municipal entity's total liabilities exceed its assets by R (1 720 886).

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipal entity to continue as a going concern is dependent on a number of factors. The most significant of these is that the Chief Executive Officer continues to procure funding for the ongoing operations for the municipal entity. Subsequently a comfort letter was sourced from Greater Tzaneen Municipality as a commitment to fund the entity for the coming three fiscal years.

4. Contributed capital

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

5. Subsequent events

The Chief Executive Officer and directors are not aware of any matter or circumstance arising since the end of the financial year.

6. Directors

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

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

Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2018

Chief Executive Officer's Report

7. Controlling entity

The municipal entity's controlling entity is the Greater Tzaneen Municipality.

8. Auditors

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

9. Fruitless and wasteful expenditure

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

10. Irregular expenditure

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



AUDITOR-GENERAL
SOUTH AFRICA

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

30 November 2018

Reference: 61442REG17-18

Dear Sir

Report of the Auditor-General on the financial statements and other legal and regulatory requirements of Greater Tzaneen Economic Development Agency for the year ended 30 June 2018

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

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

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Greater Tzaneen Economic Development Agency set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2017, and the statement of financial performance, statement of net assets and cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the entity as at 30 June 2017, and its financial performance and cash flows for the year then ended in accordance with South African standard of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and Division of Revenue Act of South Africa, 2017 (Act No.3 of 2017) (DORA).

Basis for opinion

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

Emphasis of matter

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

Restatement of corresponding figures

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

Other matter

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

Unaudited supplementary schedules

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

Unaudited disclosure notes

10. In terms of section 125(2)(e) of the MFMA, the municipality is required to disclose particulars of non-compliance with the MFMA. The disclosure requirements did not form part of the audit of the financial statements and accordingly I do not express an opinion thereon.

Responsibilities of the accounting authority for the financial statements

11. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with SA Standards of GRAP and the requirements of the MFMA and DORA and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
12. In preparing the financial statements, the accounting officer is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting officer either intends to liquidate the municipal entity or to cease operations, or has no realistic alternative but to do so.

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

13. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
14. A further description of my responsibilities for the audit of the financial statements is included in the annexure to the auditor's report.

Report on the audit of the annual performance report

Introduction and scope

15. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.

16. My procedures address the reported performance information, which must be based on the approved performance planning documents of the municipal entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
17. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the annual performance report of the municipal entity for the year ended 30 June 2017:

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

18. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
19. The material findings in respect of the usefulness and reliability of the selected objectives are as follows:

Objective LED 01 – Increased investment in GTM economy

Indicator

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

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

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

Other matter

22. I draw attention to the matter below.

Achievement of planned targets

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

Report on audit of compliance with legislation

Introduction and scope

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

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

Annual financial statements, performance and annual reports

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

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

Internal control deficiencies

27. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.

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

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

30. 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

Auditor - General

Polokwane

30 November 2018



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general's responsibility for the audit

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

Financial statements

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

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

Communication with those charged with governance

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

Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2018

Statement of Financial Position as at 30 June 2018

Figures in Rand	Note(s)	2018	2017 Restated*
Assets			
Current Assets			
Receivables from exchange transactions	3	5 325	34 318
Cash and cash equivalents	4	565 414	711 356
		570 739	745 674
Non-Current Assets			
Property, plant and equipment	5	146 615	71 961
Intangible assets	6	3 486	8 063
		150 101	80 024
Total Assets		720 840	825 698
Liabilities			
Current Liabilities			
Payables from exchange transactions	7	174 255	306 056
VAT payable	8	2 267 471	1 337 099
		2 441 726	1 643 155
Total Liabilities		2 441 726	1 643 155
Net Assets		(1 720 886)	(817 457)
Contributed capital	9	100	100
Accumulated surplus / (deficit)		(1 720 986)	(817 557)
Total Net Liabilities		(1 720 886)	(817 457)

* See Note 24

Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2018

Statement of Financial Performance

Figures in Rand	Note(s)	2018	2017 Restated*
Revenue			
Revenue from exchange transactions			
Interest received		50 468	43 887
Other income	11	-	131 145
Total revenue from exchange transactions		50 468	175 032
Revenue from non-exchange transactions			
Transfer revenue			
Grants and subsidies	15	6 254 650	5 906 832
Total revenue	10	6 305 118	6 081 864
Expenditure			
Employee related costs	14	3 040 834	2 764 610
Remuneration of board members	20	955 556	807 858
Consulting fees		367 492	249 634
Depreciation and amortisation	16	42 780	43 065
General Expenses	17	1 604 450	1 100 458
Lease rentals on operating lease		305 339	259 963
Project costs	21	724 796	650 836
Repairs and maintenance		167 300	223 716
Total expenditure		7 208 547	6 100 140
Deficit for the year		(903 429)	(18 276)

* See Note 24

Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2018

Statement of Changes in Net Assets

	Note	Contributed capital	Accumulated surplus / (deficit)	Total net assets
Figures in Rand				
Opening balance as previously reported		100	(827 744)	(827 644)
Adjustments				
Prior year adjustments	24	-	28 463	28 463
Balance at 01 July 2016 as restated*		100	(799 281)	(799 181)
Changes in net assets				
Deficit for the year		-	(18 276)	(18 276)
Total changes		-	(18 276)	(18 276)
Opening balance as previously reported		100	(834 957)	(834 857)
Adjustments				
Prior year adjustments	24	-	17 400	17 400
Restated* Balance at 01 July 2017 as restated*		100	(817 557)	(817 457)
Changes in net assets				
Deficit for the year		-	(903 429)	(903 429)
Total changes		-	(903 429)	(903 429)
Balance at 30 June 2018		100	(1 720 986)	(1 720 886)

Note(s)

9

* See Note 24

Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2018

Cash Flow Statement

Figures in Rand	Note(s)	2018	2017 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		28 993	134 145
Grants		6 254 650	5 906 832
Interest income		50 468	43 887
		<u>6 334 111</u>	<u>6 084 864</u>
Payments			
Employee costs		(4 000 790)	(3 572 468)
Suppliers		(2 366 405)	(2 901 482)
		<u>(6 367 195)</u>	<u>(6 473 950)</u>
Net cash flows from operating activities	12	<u>(33 084)</u>	<u>(389 086)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	5	<u>(112 858)</u>	<u>(7 499)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(145 942)</u>	<u>(396 585)</u>
Cash and cash equivalents at the beginning of the year		711 356	1 107 941
Cash and cash equivalents at the end of the year	4	<u>565 414</u>	<u>711 356</u>

* See Note 24

Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Virements	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Interest received (trading)	-	-	-	50 468	50 468	Appendix E(1)
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	7 145 835	-	7 145 835	6 254 650	(891 185)	Appendix E(1)
Total revenue	7 145 835	-	7 145 835	6 305 118	(840 717)	
Expenditure						
Employee related costs	(3 597 681)	323 943	(3 273 738)	(3 040 834)	232 904	
Remuneration of board members	(1 024 024)	68 616	(955 408)	(955 556)	(148)	
Depreciation and amortisation	(83 836)	18 000	(65 836)	(42 780)	23 056	Appendix E(1)
Lease rentals on operating lease	(293 096)	-	(293 096)	(305 339)	(12 243)	
Consulting fees	(95 400)	(132 520)	(227 920)	(367 492)	(139 572)	Appendix E(1)
Repairs and maintenance	(213 908)	50 661	(163 247)	(167 300)	(4 053)	
Project cost	(663 689)	-	(663 689)	(724 796)	(61 107)	
General Expenses	(1 896 012)	(354 699)	(2 250 711)	(1 604 450)	646 261	Appendix E(1)
Total expenditure	(7 867 646)	(25 999)	(7 893 645)	(7 208 547)	685 098	
Surplus / (Deficit) before taxation	(721 811)	(25 999)	(747 810)	(903 429)	(155 619)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(721 811)	(25 999)	(747 810)	(903 429)	(155 619)	

Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements: Accounting Policies

1. Presentation of Annual Financial Statements

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

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

1.1 Presentation currency

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

1.2 Rounding

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

1.3 Going concern assumption

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

We draw attention to the fact that at 30 June 2018, the municipal entity had accumulated deficits of R (1 720 986) and that the municipal entity's total liabilities exceed its assets by R (1 720 886).

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipal entity to continue as a going concern is dependent on a number of factors. The most significant of these is that the Chief Executive Officer continues to procure funding for the ongoing operations for the municipal entity. Subsequently a comfort letter was sourced from Greater Tzaneen Municipality as a commitment to fund the entity for the coming three fiscal years.

1.4 Significant judgments and sources of estimation uncertainty

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

Trade receivables and loans and receivables

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

The impairment for trade receivables and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements: Accounting Policies

1.4 Significant judgments and sources of estimation uncertainty (continued)

Fair value estimation

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

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

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The municipal entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including production estimates, supply demand, together with economic factors such as exchange rates inflation interest.

1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements: Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

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

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

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

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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

1.6 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Useful life
Website development	5 years

Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements: Accounting Policies

1.6 Intangible assets (continued)

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

1.7 Financial instruments

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

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

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

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

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

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

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

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

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements: Accounting Policies

1.7 Financial instruments (continued)

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 the notes thereto:

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

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost

Initial recognition

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

The municipal entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

The municipal entity measures a financial asset and financial liability initially at its fair value.

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

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

Subsequent measurement of financial assets and financial liabilities

The municipal entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

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

Greater Tzaneen Economic Development Agency (Pty) Ltd

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Annual Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements: Accounting Policies

1.7 Financial Instruments (continued)

Fair value measurement considerations

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

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The municipal entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the municipal entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Greater Tzaneen Economic Development Agency (Pty) Ltd

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Annual Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements: Accounting Policies

1.7 Financial instruments (continued)

Impairment and uncollectibility of financial assets

The municipal entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets

The municipal entity derecognises financial assets using trade date accounting.

The municipal entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipal entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipal entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipal entity:
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

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

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

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1.7 Financial instruments (continued)

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

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

If a transfer does not result in derecognition because the municipal entity has retained substantially all the risks and rewards of ownership of the transferred asset, the municipal entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the municipal entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The municipal entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another municipal entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

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

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the municipal entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the municipal entity does not offset the transferred asset and the associated liability.

1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

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1.8 Leases (continued)

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

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.9 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

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

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1.10 Impairment of non-cash-generating assets

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

Identification

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

1.11 Contributed capital

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

1.12 Contingencies

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

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

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

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

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

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

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

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

1.13 Commitments

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

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1.13 Commitments (continued)

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.14 Revenue from exchange transactions

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

An exchange transaction is one in which the municipal entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

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

- the municipal entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipal entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipal entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipal entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

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

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1.14 Revenue from exchange transactions (continued)

Interest

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

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

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

1.15 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

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

Recognition

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

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

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Notes to the Financial Statements: Accounting Policies

1.15 Revenue from non-exchange transactions (continued)

Measurement

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

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

1.16 Comparative figures

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

1.17 Fruitless and wasteful expenditure

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.18 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.19 Budget information

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

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

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

The approved budget covers the fiscal period from 2017/07/01 to 2018/06/30.

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

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

1.20 Related parties

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

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1.20 Related parties (continued)

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

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipal entity.

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

1.21 Events after reporting date

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

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

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

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

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2. New standards and interpretations

2.1 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipal entity's accounting periods beginning on or after 01 July 2018 or later periods but are not yet effective or relevant to its operations:

GRAP 34: Separate Financial Statements

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

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

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

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

The impact of this standard is currently being assessed.

GRAP 35: Consolidated Financial Statements

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

To meet this objective, the Standard:

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

It furthermore covers Definitions, Control, Accounting requirements, Investment entities: Fair value requirement, Transitional provisions and Effective date.

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

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

The impact of this standard is currently being assessed.

GRAP 36: Investments in Associates and Joint Ventures

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

It furthermore covers Definitions, Significant influence, Equity method, Application of the equity method, Separate financial statements, Transitional provisions and Effective date.

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

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

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

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2. New standards and interpretations (continued)

GRAP 37: Joint Arrangements

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

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

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

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

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

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

GRAP 38: Disclosure of Interests in Other Entities

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

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

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

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

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

The impact of this standard is currently being assessed.

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

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

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

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

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

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2. New standards and interpretations (continued)

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

The impact of this interpretation is currently being assessed.

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

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

The most significant changes to the Standard are:

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

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

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

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

GRAP 20: Related parties

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

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

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

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

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

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

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2. New standards and interpretations (continued)

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

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

The standard elaborates on the definitions and identification of:

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

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

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

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

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

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

GRAP 109: Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

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

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

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

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2. New standards and interpretations (continued)

GRAP 32: Service Concession Arrangements: Grantor

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

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

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

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

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

GRAP 108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

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

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

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

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

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

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

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

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

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

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

The impact of this interpretation is currently being assessed.

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2. New standards and interpretations (continued)

IGRAP19 Liabilities to pay levies

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

This Interpretation addresses the recognition of a liability to pay a levy if that liability is within the scope of GRAP 19. It also addresses the recognition of a liability to pay a levy whose timing and amount is certain. The measurement of a liability to pay a levy is not addressed in this Interpretation, instead an entity refers to GRAP 19.

This Interpretation does not address the accounting for the costs that arise from recognising a liability to pay a levy. Entities should apply other Standards of GRAP to decide whether the recognition of a liability to pay a levy gives rise to an asset or an expense.

Items that may be considered levies within the scope of this Interpretation are referred to as levies or some other term in legislation or similar means, for example, taxes (including non-refundable purchase taxes), fees (including licence fees), concessions, tolls, duties, royalties, tariffs, payments, charges, etc. An entity should assess, based on the substance of the transaction rather than the legal form, whether the item is a levy as defined in this Interpretation.

In determining whether a liability to pay a levy imposed by government meets the definition of a levy in this Interpretation, an entity assesses whether the levy is a non-exchange or exchange transaction by considering whether there has been a direct exchange of approximately equal value. This assessment requires judgement, and a detailed consideration of the legislation or similar means as well as the specific facts and circumstances of the levy being paid. Such an assessment is made irrespective of whether an entity makes a payment directly to the government or to a third party acting on behalf of government. For instance, when the levy is payable to a collecting agent, the levy may be a non-exchange transaction even though there has not been a direct exchange between the entity and government.

An entity shall recognise an asset, in accordance with the relevant Standard of GRAP, if it has prepaid a levy but does not yet have a present obligation to pay that levy.

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

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

The impact of this standard is currently being assessed.

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3. Receivables from exchange transactions

Prepayments	1 939	-
Rental deposits	3 386	3 386
Leave pay receivables	-	30 932
Total	5 325	34 318

4. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	177	177
Bank balances	206 220	646 331
Short term investments	359 017	64 848
Total	565 414	711 356

The municipal entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2018	30 June 2017	30 June 2016	30 June 2018	30 June 2017	30 June 2016
Petty cash - ABSA BANK - Cheque Account - 40-7166-4582	-	-	-	178	178	7 759
ABSA BANK - Cheque Account - 40-7166-4582	206 220	646 331	1 097 912	206 220	646 331	1 097 912
ABSA BANK - 32 Day Notice Account - 92-2181-3770	349	340	325	349	340	325
ABSA BANK - Depositor Plus Account - 92-8795-3029	358 845	64 508	1 946	358 845	64 508	1 946
Total	565 414	711 179	1 100 183	565 592	711 357	1 107 942

5. Property, plant and equipment

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	171 732	(147 207)	24 525	171 733	(127 939)	43 794
Office equipment	45 324	(38 810)	6 514	40 108	(36 753)	3 355
IT equipment	257 333	(141 757)	115 576	149 690	(124 878)	24 812
Total	474 389	(327 774)	146 615	361 531	(289 570)	71 961

Reconciliation of property, plant and equipment - 2018

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

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5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	63 061	-	(19 267)	43 794
Office equipment	6 267	-	(2 912)	3 355
Computer equipment	24 596	7 499	(7 283)	24 812
	93 924	7 499	(29 462)	71 961

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

6. Intangible assets

	2018			2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	48 687	(45 201)	3 486	48 687	(40 624)	8 063
Website	45 051	(45 051)	-	45 051	(45 051)	-
Total	93 738	(90 252)	3 486	93 738	(85 675)	8 063

Reconciliation of intangible assets - 2018

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

Reconciliation of intangible assets - 2017

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

7. Payables from exchange transactions

	2018 R	2017 R
Accrued leave pay	39 005	183 470
Other payables	109 313	117 792
Rental and other expenses	25 937	4 794
	174 255	306 056

8. VAT payable

VAT payable	2 267 471	1 337 099
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Figures in Rand	2018	2017
9. Contributed capital		
Authorised		
1000 Ordinary shares R1 each	1 000	1 000
Issued		
Ordinary	100	100
10. Revenue		
Interest received	50 468	43 887
Other Cash Sales	-	131 145
Government grants & subsidies	6 254 650	5 906 832
	6 305 118	6 081 864
The amount included in revenue arising from exchanges of goods or services are as follows:		
Interest received	50 468	43 887
Other Cash Sales	-	131 145
	50 468	175 032
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Transfer revenue		
Government grants & subsidies	6 254 650	5 906 832
11. Other income		
Advertising airtime	-	131 145
12. Cash used in operations		
Deficit	(903 429)	(18 276)
Adjustments for:		
Depreciation and amortisation	42 780	43 065
Changes in working capital:		
Receivables from exchange transactions	28 993	3 000
Payables from exchange transactions	(131 798)	(41 177)
Value Added Tax (VAT)	930 370	(375 698)
	(33 084)	(389 086)
13. Taxation		

The entity is exempt from income tax in terms of Section S10(1)(cA)(ii) of the Income Tax Act.

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14. Employee related costs		
Basic	2 257 860	1 938 615
Bonus	37 431	-
Other payroll levies	487 972	637 002
Leave pay provision charge	94 115	57 418
Travel and accommodation	59 690	40 919
Overtime payments	6 702	2 136
13th Cheques	97 064	88 520
	3 040 834	2 764 610
Compensation of Executive Directors		
K.J. Maphoto - Chief Executive Officer		
Annual Remuneration	689 766	775 136
Performance Bonuses	37 431	-
Travelling	91 989	115 963
	819 186	891 099
15. Grants and subsidies		
Operating grants		
Greater Tzaneen Municipality	6 254 650	5 906 832
16. Depreciation and amortisation		
Property, plant and equipment	38 203	29 462
Intangible assets	4 577	13 603
	42 780	43 065
17. General expenses		
Advertising and marketing	132 430	75 046
Auditors fees	Note 18 347 327	258 080
Bank charges	37 077	29 595
Consumables	3 398	15 283
Entertainment	7 323	10 972
Fines and penalties: SARS	274 531	16 503
Insurance	16 111	15 992
IT expenses	40 695	43 750
Postage and courier	211	757
Printing and stationery	18 300	32 333
Security (alarm for municipal entity property)	4 636	5 156
Seminar and workshops	32 094	13 916
Subscriptions and membership fees	28 475	22 832
Telephone and fax	153 844	145 627
Training	63 128	28 981
Travel - local	327 914	187 224
Social inclusion	3 241	-
Statutory payments	113 715	198 411
	1 604 450	1 100 458

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18. Auditors' fees

External audit fees	179 499	231 772
Internal audit fees	167 828	26 308
	347 327	258 080

19. Related parties

Relationships

Controlling entity

Greater Tzaneen Municipality

Major stakeholders

Chief Executive Officer and Board

Identity of related parties

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

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

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

Related party transactions

Grants received from related parties

Greater Tzaneen Municipality	6 254 650	5 906 832
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20. Remuneration of board members

Board fees	955 556	807 858
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30 June 2018

	Emoluments	Travelling allowance	Total
M.Z Mawasha (Chairperson)	165 849	35 189	201 038
Adv E.S Maake	147 402	41 717	189 119
M.F Mushwana	82 676	14 778	97 454
M.J Makapan	70 436	102 831	173 267
M.I Moakameia	75 998	20 479	96 477
B.J Pretorius	106 545	4 076	110 621
B.L Mathebula	48 287	39 293	87 580
	697 193	258 363	955 556

30 June 2017

	Emoluments	Travelling allowance	Total
M.Z Mawasha (Chairperson)	139 705	22 674	162 379
Adv E.S Maake	162 976	52 383	215 359
M.F Mushwana	58 267	9 973	68 240
M.V Gardner (Resigned)	17 720	1 297	19 017
M.J Makapan	49 314	58 809	108 123
M.I Moakameia	62 098	19 318	81 416
B.L Mathebula	40 678	29 949	70 627
B.J Pretorius	79 318	3 379	82 697
	610 076	197 782	807 858

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21. Project costs

Project expenses	724 796	650 836
Projects breakdown		
Business Support Centre	606 887	351 682
Livestock (Leather Making)	67 951	45 459
Radio Station (GTFM)	49 958	243 620
Sapekoe Tea Estate	-	10 074
	724 796	650 835

22. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Internal Audit	125 731	65 265
• Annual report development	-	65 000
• IT support	23 940	27 360
• Tzaneen Steel Industry	-	354 817
• Cellphone	22 200	68 820
• Panasonic - copier rental	110 262	167 790
	282 133	749 052

Cathu Consulting is an Internal Audit Company re-appointed for a period not exceeding two years for provision of internal audit services.

Bohlabelo Computers is an IT support contract at R 3 420 per month for a period of 12 months from 01/02/2018 to 31/01/2019.

Vodacom contracts for the following officials, these are cellphones contracted for 24 months:

Project Manager (29/04/2017 to 30/04/2019).

R 2 220 p.m.

Panasonic is a company contracted for the rental of copier machine at R 4 794 per month for a period of three years (1/06/2017 to 30/05/2020)

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

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23. Contingencies

Mushwana vs GTEDA in the High Court of SA **Case No: JR142/16**

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 the CCMA.

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

Mushwana vs GTEDA in the Tzaneen Magistrate Court **Case No: 2834/15**

Mr. A Mushwana, after being dismissed on 18 May 2015, approached the Magistrate Court for the Subdistrict of Tzaneen. He is pleading for compensation for his alleged bonus and Pay as You Earn (PAYE) which he alleges was not paid to the South African Revenue Service (SARS).

The contingent liability is R120 000.

Labour R100 000.

Output VAT on Grants

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

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

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24. Prior year adjustments

Statement of Financial Position:

The correction of the errors are as follows:

For 2017:

R 17 400 Property, plant and equipment

2017/06/30 R7 154 Correction of prior year accumulated depreciation understated.
2017/06/30 R24 554 Correction of prior year cost of assets previously understated.

R 17 400 Accumulated Surplus

2017/06/30 Prior year assets corrections: accumulated depreciation understated with R7 154 and cost of assets understated with R24 554.

For 2016:

R 28 463 Property, plant and equipment

2016/06/30 R28 463 Correction of prior year accumulated depreciation overstated.

R 28 463 Accumulated Surplus

2016/06/30 R28 463 Correction of prior year accumulated depreciation overstated.

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Figures in Rand 2018 2017

24. Prior year adjustments (continued)

Statement of Financial Position

	2017 Previously reported	Correction of error	2017 Restated
Current Assets			
Receivables from exchange transactions	34 318	-	34 318
Cash and cash equivalents	711 357	1	711 358
Non-Current Assets			
Property, plant and equipment	54 560	17 400	71 960
Intangible assets	8 063	-	8 063
Liabilities			
Current Liabilities			
Payables from exchange transactions	306 056	-	306 056
VAT payable	1 337 099	-	1 337 099
Contributed capital	100	-	100
Accumulated deficit	(834 957)	17 401	(817 556)

Statement of Financial Performance

For 2017:

R 11 063 Depreciation

2017/06/30 Correction of prior year depreciation understated with R11 063.

For 2016:

R 28 463 Depreciation

2016/06/30 Correction of prior year depreciation overstated with R28 463.

Statement of Financial Performance

	2017 Previously reported	Correction of error	2017 Restated
Revenue			
Revenue from exchange transactions			
Other income	131 145	-	131 145
Interest received - investment	43 887	-	43 887
Transfer revenue			
Government grants & subsidies	5 906 832	-	5 906 832
Expenditure			
Employee costs	(2 764 610)	-	(2 764 610)
Consulting fees	(249 635)	1	(249 634)
Remuneration of board members	(807 858)	-	(807 858)
Depreciation and amortisation	(32 002)	(11 063)	(43 065)
General expenses	(1 100 458)	-	(1 100 458)
Lease rentals on operating lease	(259 963)	-	(259 963)
Project costs	(650 835)	(1)	(650 836)
Repairs and maintenance	(223 716)	-	(223 716)
Surplus/(loss) for the year	(7 213)	(11 063)	(18 276)

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24. Prior year adjustments (continued)

Statement of Financial Position	2016 Previously reported	Correction of error	2016 Restated
Current Assets			
Receivables from exchange transactions	37 318	-	37 318
Cash and cash equivalents	1 107 942	-	1 107 942
Non-Current Assets			
Property, plant and equipment	65 460	28 463	93 923
Intangible assets	21 665	-	21 665
Liabilities			
Current Liabilities			
Payables from exchange transactions	(347 232)	-	(347 232)
VAT payable	(1 712 797)	-	(1 712 797)
Contributed capital	(100)	-	(100)
Accumulated surplus / (deficit)	(827 744)	28 463	(799 281)
Statement of Financial Performance			
	2016 Previously reported	Correction of error	2016 Restated
Revenue from exchange transactions			
Interest received	16 255	-	16 255
Other income	44 458	-	44 458
Revenue from non-exchange transactions			
Transfer revenue			
Grants and subsidies	5 563 950	-	5 563 950
Expenditure			
Employee related costs	(2 687 671)	-	(2 687 671)
Remuneration of board members	(958 116)	-	(958 116)
Consulting fees	(22 099)	-	(22 099)
Depreciation and amortisation	(54 010)	28 463	(25 547)
General expenses	(735 216)	-	(735 216)
Lease rentals on operating lease	(323 137)	-	(323 137)
Project costs	(484 889)	-	(484 889)
Repairs and maintenance	(117 248)	-	(117 248)
Total expenditure	(6 100 140)	-	(6 100 140)
(Deficit) / surplus for the year	242 277	28 463	270 740

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25. Risk management

Financial risk management

Liquidity risk

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

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

At 30 June 2018	Less than 1 year	Between 1 and 2 years
Trade and other payables	2 441 726	-
At 30 June 2017	Less than 1 year	Between 1 and 2 years
Trade and other payables	1 643 155	-

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipal entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty.

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

Market risk

Interest rate risk

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

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

26. Fruitless and wasteful expenditure

Opening balance	68 025	51 522
Penalties and interest: SARS	274 531	16 503
Fruitless and wasteful expenditure awaiting condonement	342 556	68 025

The Fruitless and Wasteful Expenditure Report was referred to the Finance and Risk Committee for investigation, once the process is concluded the matter will be resolved by the Board.

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

Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

27. Irregular expenditure

Opening balance	13 480	-
Add: Irregular Expenditure - current year	63 178	13 480
	76 658	13 480

28. Deviation from supply chain management regulations

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

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

An amount of R61 700 were procured for accounting services from KPMG during the financial year under review and the process followed in procuring those services deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

Appendix B

Analysis of property, plant and equipment as at 30 June 2018
 Cost/Revaluation Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Reclassifying journals Rand	Revaluations Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Reclassifying journals Rand	Revaluations Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Other assets														
Computer Equipment	179 519	107 642	-	(29 828)	-	257 333	(154 707)	-	29 828	-	(16 878)	-	(141 757)	115 576
Furniture & Fittings	166 457	-	-	5 275	-	171 732	(122 664)	-	(5 275)	-	(19 268)	-	(147 207)	24 525
Office Equipment	40 106	5 999	-	-	-	46 107	(36 753)	-	-	-	(2 057)	-	(38 810)	7 297
	366 084	113 641	-	(24 553)	-	475 172	(314 124)	-	24 553	-	(38 203)	-	(327 774)	147 398
Intangible assets														
Computers - software	48 687	-	-	-	-	48 687	(40 624)	-	-	-	(4 577)	-	(45 201)	3 486
Website	45 051	-	-	-	-	45 051	(45 051)	-	-	-	-	-	(45 051)	-
	93 738	-	-	-	-	93 738	(85 675)	-	-	-	(4 577)	-	(90 252)	3 486
Total														
Other assets	366 084	113 641	-	(24 553)	-	475 172	(314 124)	-	24 553	-	(38 203)	-	(327 774)	147 398
Intangible assets	93 738	-	-	-	-	93 738	(85 675)	-	-	-	(4 577)	-	(90 252)	3 486
	479 822	113 641	-	(24 553)	-	568 910	(399 799)	-	24 553	-	(42 780)	-	(418 026)	150 884

Appendix C

Segmental analysis of property, plant and equipment as at 30 June 2018
 Cost/Revaluation
 Accumulated Depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Reclassifying journals Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Reclassifying journals Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
Municipal entity														
Planning and Development/Economic Development/Plan	386 084	113 641	-	(24 553)	-	-	475 172	(314 124)	-	24 553	(38 203)	-	(327 774)	147 398
Total	386 084	113 641	-	(24 553)	-	-	475 172	(314 124)	-	24 553	(38 203)	-	(327 774)	147 398
Municipal entity														
	386 084	113 641	-	(24 553)	-	-	475 172	(314 124)	-	24 553	(38 203)	-	(327 774)	147 398
	386 084	113 641	-	(24 553)	-	-	475 172	(314 124)	-	24 553	(38 203)	-	(327 774)	147 398

Appendix D

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

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
Municipal entity						
6 081 864	6 100 140	(18 276)	Planning and Development/Economic Development/Plan	6 305 118	7 208 549	(903 431)
6 081 864	6 100 140	(18 276)		6 305 118	7 208 549	(903 431)
6 081 864	6 100 140	(18 276)	Municipal entity	6 305 118	7 208 549	(903 431)
6 081 864	6 100 140	(18 276)	Total	6 305 118	7 208 549	(903 431)

Appendix E(1)

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2018

	Current year 2018 Act. Bal.	Current year 2018 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Interest received (trading)	50 468	-	50 468	100.0	The variance is due to interest earned on higher investment balance than anticipated.
Grants received	6 254 650	7 145 835	(891 185)	(12.5)	The variance is due to allocation of output vat on grant received.
	6 305 118	7 145 835	(840 717)	(11.8)	
Expenses					
Personnel Remuneration of councillors	(3 045 234) (955 556)	(3 273 738) (955 408)	228 504 (148)	(7.0) -	
Depreciation	(42 780)	(65 836)	23 056	(35.0)	The variance is due to under-spending on purchasing of ICT infrastructure for MSCOA implementation.
Consulting fees	(367 494)	(227 920)	(139 574)	61.2	The variance is due to legal fees on litigation between Mr. M Mushwana and GTEDA.
Repairs and maintenance - General	(167 300)	(163 247)	(4 053)	2.5	
General Expenses	(1 600 050)	(2 250 711)	650 661	(28.9)	Lower than anticipated spending is due to underspending on Audit Fees and Bank Charges.
Project cost	(724 796)	(663 689)	(61 107)	9.2	
Lease rental on operating leases	(305 339)	(293 096)	(12 243)	4.2	
	(7 208 549)	(7 893 645)	685 096	(8.7)	
Net surplus/ (deficit) for the year	(903 431)	(747 810)	(155 621)	20.8	

Appendix E(2)

Budget Analysis of Capital Expenditure as at 30 June 2018

	Actual expenditure Rand	Revised Budget Rand	Variance Rand	Variance %	Explanation of significant variances from budget
Municipal entity					
Planning and Development/Economic Development/Plan	113 641	235 000	121 359	52	This is due delay in implementation of MSCOA, subsequently, the MSCOA equipment was not purchased.
	113 641	235 000	121 359	52	

**Appendix G1
Budgeted Financial Performance (revenue and expenditure by standard classification)
for the year ended 30 June 2018**

2018/2017

2017/2016

Revenue - Standard

	Original Budget	Budget Adjustments (i.L.O. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.L.O. s31 of the MFMA)	Virement (i.L.O. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Economic and environmental services	7 145 835	-	7 145 835	-	-	7 145 835	6 254 650	-	(891 185)	88 %	88 %	-	-	-	5 906 832
Planning and development	7 145 835	-	7 145 835	-	-	7 145 835	6 254 650	-	(891 185)	88 %	88 %	-	-	-	5 906 832
Other	-	-	-	-	-	-	50 468	-	50 468	DIV/O %	DIV/O %	-	-	-	-
Interest received	-	-	-	-	-	-	50 468	-	50 468	DIV/O %	DIV/O %	-	-	-	175 032
Total Revenue - Standard	7 145 835	-	7 145 835	-	-	7 145 835	6 305 118	-	(840 717)	88 %	88 %	-	-	-	6 081 864

Expenditure - Standard

Economic and environmental services	7 867 646	-	7 867 646	-	25 999	7 893 645	7 208 549	-	(685 096)	91 %	92 %	-	-	-	6 100 140
Planning and development	7 867 646	-	7 867 646	-	25 999	7 893 645	7 208 549	-	(685 096)	91 %	92 %	-	-	-	6 100 140
Total Expenditure - Standard	7 867 646	-	7 867 646	-	25 999	7 893 645	7 208 549	-	(685 096)	91 %	92 %	-	-	-	6 100 140
Surplus/(Deficit) for the year	(721 811)	-	(721 811)	-	25 999	(747 810)	(903 431)	-	(155 621)	121 %	125 %	-	-	-	(18 276)

Appendix G2
Budgeted Financial Performance (revenue and expenditure by municipal vote)
for the year ended 30 June 2018

	2018/2017							2017/2016					
	Original Budget	Final adjustments budget	Virement (i.e. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue by Vote													
GTEDA	7 145 835	7 145 835		7 145 835	6 305 118		(840 717)	88 %	88 %				6 081 864
Total Revenue by Vote	7 145 835	7 145 835		7 145 835	6 305 118		(840 717)	88 %	88 %				6 081 864
Expenditure by Vote to be appropriated													
GTEDA	7 867 646	7 867 646	25 999	7 893 645	7 208 549	-	(685 096)	91 %	92 %	-	-	-	6 100 140
Total Expenditure by Vote	7 867 646	7 867 646	25 999	7 893 645	7 208 549	-	(685 096)	91 %	92 %	-	-	-	6 100 140
Surplus/(Deficit) for the year	(721 811)	(721 811)	25 999	(747 810)	(903 431)		(155 621)	121 %	125 %				(18 276)

**Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2018**

2017/2018

2016/2017

	Original Budget	Budget Adjustments (I.L.O. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (I.L.O. s31 of the MFMA)	Virement (I.L.O. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue By Source															
Municipal grants	7 145 835	-	7 145 835	-	-	7 145 835	6 254 650	-	(891 185)	88 %	88 %	-	-	-	5 906 832
Interest earned - external investments	-	-	-	-	-	-	50 468	-	50 468	DIV/0 %	DIV/0 %	-	-	-	43 887
Total Revenue (excluding capital transfers and contributions)	7 145 835	-	7 145 835	-	-	7 145 835	6 305 118	-	(840 717)	88 %	88 %	-	-	-	6 081 864
Expenditure By Type															
Employee related costs	4 621 705	-	4 621 705	-	(392 599)	4 229 146	4 000 790	-	(228 356)	95 %	87 %	-	-	-	3 572 469
Depreciation & asset impairment	83 836	-	83 836	-	(18 000)	65 836	42 780	-	(23 056)	65 %	51 %	-	-	-	43 065
Lease rentals on operating lease	293 096	-	293 096	-	-	293 096	305 339	-	12 243	104 %	104 %	-	-	-	259 963
Other expenditure	1 896 012	-	1 896 012	-	354 699	2 250 711	1 600 050	-	(650 661)	71 %	84 %	-	-	-	1 100 458
Project costs	663 689	-	663 689	-	-	663 689	724 796	-	81 107	109 %	109 %	-	-	-	650 636
Consulting fees	95 400	-	95 400	-	132 520	227 920	367 494	-	139 574	161 %	369 %	-	-	-	249 635
Repairs and maintenance	213 908	-	213 908	-	(50 661)	163 247	167 300	-	4 053	102 %	78 %	-	-	-	223 716
Total Expenditure	7 867 646	-	7 867 646	-	25 999	7 893 645	7 208 549	-	(685 096)	91 %	92 %	-	-	-	6 100 140
Surplus/(Deficit)	(721 811)	-	(721 811)	-	(25 999)	(747 810)	(903 431)	-	(155 621)	121 %	125 %	-	-	-	(18 276)
Surplus/(Deficit) after capital transfers & contributions	(721 811)	-	(721 811)	-	(25 999)	(747 810)	(903 431)	-	(155 621)	121 %	125 %	-	-	-	(18 276)
Surplus/(Deficit) after taxation	(721 811)	-	(721 811)	-	(25 999)	(747 810)	(903 431)	-	(155 621)	121 %	125 %	-	-	-	(18 276)
Surplus/(Deficit) attributable to the municipal entity	(721 811)	-	(721 811)	-	(25 999)	(747 810)	(903 431)	-	(155 621)	121 %	125 %	-	-	-	(18 276)
Surplus/(Deficit) for the year	(721 811)	-	(721 811)	-	(25 999)	(747 810)	(903 431)	-	(1 112 406)	121 %	125 %	-	-	-	(18 276)

**Appendix G4
Budgeted Capital Expenditure by vote, standard classification and funding
for the year ended 30 June 2018**

2017/2018

2016/2017

	Original Budget	Budget Adjustments (i.e. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.e. s31 of the MFMA)	Virement (i.e. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Capital expenditure - Vote															
Multi-year expenditure															
GTEDA	235 000	-	235 000	-	-	235 000	113 641	-	(121 359)	48 %	48 %	-	-	-	7 499
Capital multi-year expenditure sub-total	235 000	-	235 000	-	-	235 000	113 641	-	(121 359)	48 %	48 %	-	-	-	7 499
Single-year expenditure															
Total Capital Expenditure - Vote	235 000	-	235 000	-	-	235 000	113 641	-	(121 359)	48 %	48 %	-	-	-	14 998
Capital Expenditure - Standard															
Funded by:															
Greater Tzaneen Municipality	235 000	-	235 000	-	-	235 000	113 641	-	(121 359)	48 %	48 %	-	-	-	7 499
Transfers recognised - capital	235 000	-	235 000	-	-	235 000	113 641	-	(121 359)	48 %	48 %	-	-	-	7 499
Total Capital Funding	235 000	-	235 000	-	-	235 000	113 641	-	(121 359)	48 %	48 %	-	-	-	7 499