

2023/24 ANNUAL PERFORMANCE REPORT

Objective LED 1: Increase Investment in the GTM economy

Objective LED 2: Create a stable and enabling environment by attracting suitable investors

Programme	KPI Name	Baseline	Annual Target	Revised Target	Actual	Rating	Reason for Deviation	Corrective Measures Taken	Source of Evidence	Reviewer Comment
Tzaneen Farmer Supported	Number of Plant Production Farmers trained	39	60	N/A	125	Target Extremely Well Met	The KPI was over achieved reason being, During information sharing sessions convened SMMEs expressed their desire to be trained to ensure the success of their	None	Certificates of Attendance Training Reports Attendance Registers	Target Extremely well met

2023/24 ANNUAL PERFORMANCE REPORT										
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Programme	KPI Name	Baseline	Annual Target	Revised Target	Actual	Rating	Reason for Deviation	Corrective Measures Taken	Source of Evidence	Reviewer Comment
							business by obtaining knowledge and skills.			
Workplace Skills Development Plan	Number of Workplace Skills Development Plan (WSP) submitted to LG Seta by 30 April	1	1	N/A	1	Target Met	None	None	Proof of Submission Workplace skills Plan	Target Met
Audited Financial Statement	Number of Improved audit opinion obtained from AG	1	1	N/A	1	Target Met	None	None	A-G Audit report	Target Met
Networking Seminars	Number of Networking seminars convened	0	4	N/A	4	Target Met	None	None	Attendance registers, Networking Seminars reports	Target Met

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Programme	KPI Name	Baseline	Annual Target	Revised Target	Actual	Rating	Reason for Deviation	Corrective Measures Taken	Source of Evidence	Reviewer Comment
The key challenges impacting on the ability of the agency to achieve the objectives set in terms of the Local Economic Development KPA are:										
Budget Spent	% Budget Spent	92%	100%	N/A	86%	Target Not Met	The variance was due to a savings on board fees, travel, and accommodation because meetings did not take place due to the expiry of their term	The appointment or extension of board term is the prerogative of council. The disestablishment process is not controlled by management.	Budget vs Actual Reports	Target not Met

2023/24 ANNUAL PERFORMANCE REPORT										
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Programme	KPI Name	Baseline	Annual Target	Revised Target	Actual	Rating	Reason for Deviation	Corrective Measures Taken	Source of Evidence	Reviewer Comment
							of office on 30 September 2023 and was not extended. 2. The variance was due five additional funded positions that were budgeted for and were not filled			

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Programme	KPI Name	Baseline	Annual Target	Revised Target	Actual	Rating	Reason for Deviation	Corrective Measures Taken	Source of Evidence	Reviewer Comment
							pending outcome of the legal opinion on GTEDA 's establishment.			
Board Support	Number of Board Meetings attended	4	2	N/A	1	Target Not Met	The Board term was not renewed by Council (November 2023-April 2024) and therefore scheduled meetings	Only one meeting to deal with the disestablishment issue was held. NB: The Board's term of office is outside the competency of management	Board Quarterly Reports	Target not met

2023/24 ANNUAL PERFORMANCE REPORT										
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Programme	KPI Name	Baseline	Annual Target	Revised Target	Actual	Rating	Reason for Deviation	Corrective Measures Taken	Source of Evidence	Reviewer Comment
							were not convened.			

- a) 86% Budget Spent- Saving on Board fees and budgeted posts that were not filled.
- b) Number of Board meetings attended target not met.

3. SUMMARY OF RESULTS

Colour	Result level	Coding of Results	Number of KPIs
	KPIs with no targets or actuals in the selected period.	KPI Not Yet Measured (not applicable this quarter)	0
	0% <= Actual/Target <= 74.999%	KPI target not met	2
	75.000% <= Actual/Target <= 99.999%	KPI target almost met	0
	Actual meets Target (Actual/Target = 100%)	KPI target achieved	14
	100.001% <= Actual/Target <= 149.999%	KPI target well met	2
	150.000% <= Actual/Target	KPI target extremely well met	7
TOTAL			25

GTEDA accomplished 23 out of 25 KPIs, resulting in 92% annual performance, a 5% increase over last year's performance of 87%.

AUDITED ANNUAL FINANCIAL STATEMENTS AND AGSA AUDIT REPORT: ENDING 30 JUNE 2024



greater tzaneen economic development agency

Greater Tzaneen Economic Development Agency (Pty) Ltd
(Registration number 2007/008144/07)
Annual Financial Statements
for the year ended 30 June 2024

Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2024

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.
Board of Directors	M.Z Mawasha (Chairperson) M.F Mushwana M.I Moakamela B.L Mathebula
Accounting Officer	MR.MW Mulaudzi (Acting)
Parent Municipality Representatives in terms of Section 93D (1) MSA	S Raganya B.M Mathebula
Accountant	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 2420 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	M.P Ramutsheli (Chairperson) L.P.V Malumbete-Baloyi J.N Mpjane K Mosupa M.W Khosa (resignation date - 23 February 2024)

Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2024

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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
IDC	Industrial Development Corporation
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MPAC	Municipal Public Accounts Committee
SARS	South African Revenue Service
SETA	Sector Education and Training Authority
VAT	Value Added Tax

Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2024

Accounting Authority's Responsibility and Approval

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

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

The Annual Financial Statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

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

The Accounting Authority 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.

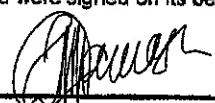
The Accounting Authority have reviewed the Municipal Entity's cash flow forecast for the year to 30 June 2025 and, in light of this review and the current financial position, they are satisfied that the Municipal Entity has or has access to adequate resources to continue in operational existence for 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. Furthermore, the Greater Tzaneen Municipality Council has committed to fund the entity by approving the annual budget for the fiscal year 2024/25.

The Annual Financial Statements set out on pages 6 to 47, which have been prepared on the going concern basis, were approved by the Accounting Authority on 31 August 2024 and were signed on its behalf by:



Mr. M.W. Mulaudzi
Acting Chief Executive Officer



Mr. M.Z. Mawasha
Chairperson of the Board

Report of the auditor-general to Limpopo Provincial Legislature and council on Greater Tzaneen Economic Development Agency (Pty) Ltd

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of Greater Tzaneen Economic Development Agency (Pty) Ltd set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2024, statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget information with actual information for the year then ended 30 June 2024, as well as 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 Greater Tzaneen Municipality as at 30 June 2024 and its financial performance and cash flows for the year then ended in accordance with the requirements of Standards of Generally Recognised Accounting Practice (Standards of GRAP), the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 5 of 2023 (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 responsibilities of the auditor-general 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' International code of ethics for professional accountants (including International Independence Standards) (IESBA code) as well as other 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.

Material uncertainty relating to going concern

6. I draw attention to the matter below. My opinion is not modified in respect of this matter.
7. I draw attention to Note 25 in the financial statements, which describes the resolution passed by the council of the parent municipality to disestablish the entity due to non-compliance issues identified during its establishment. The decision was preceded by detailed investigation reports and recommendations on the legal status of the entity.
8. Subsequent to the disestablishment, all assets, liabilities, rights, and obligations of the entity shall vest in the Council of Greater Tzaneen, employees of the entity will be absorbed by the

parent municipality in accordance with section 197 of the Labour Relations Act (Act 66 of 1995).

9. The disestablishment action plan has been drafted, and the entity is expected to operate normally until 30 June 2025, when the transfer and disestablishment process is set to be completed.

Emphasis of matters

10. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Irregular expenditure

11. As disclosed in note 27 to the financial statements, irregular expenditure of R62 006 that was incurred in the previous years was still under investigation

Other matters

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

Unaudited supplementary schedules

13. 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 schedules and, accordingly, I do not express an opinion on it/ them.

Unaudited disclosure notes

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

Responsibilities of the accounting officer for the financial statements

15. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the requirements of GRAP and the requirements of the MFMA 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.
16. In preparing the financial statements, the accounting officer is responsible for assessing the entity's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipal entity or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the auditor-general for the audit of the financial statements

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

Report on the audit of the annual performance report

19. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance information against predetermined objectives for the selected material performance indicators presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.
20. I selected the following key performance area presented in the annual performance report for the year ended 30 June 2024 for auditing. I selected the key performance areas that measures the entity's performance on its primary mandated functions and that are of significant national, community or public interest.

Key performance area	Page numbers	Purpose
Local economic development	1 - 4	Increased investment in the economy and creating a stable and enabling environment by attracting suitable investors

21. I evaluated the reported performance information for the selected material performance indicators against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the entity's planning and delivery on its mandate and objectives.
22. I performed procedures to test whether:
- the indicators used for planning and reporting on performance can be linked directly to the entity's mandate and the achievement of its planned objectives.
 - the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements.
 - the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated.

- the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents.
- the reported performance information is presented in the annual performance report in the prescribed manner.
- there is adequate supporting evidence for the achievements reported measures taken to improve performance.

23. I performed the procedures to report material findings only; and not to express an assurance opinion or conclusion.

24. I did not identify any material findings on the reported performance information for the selected material indicators.

Other matter

25. I draw attention to the matters below.

Achievement of planned targets

26. The annual performance report includes information on reported achievements against planned targets and provides measures taken to improve performance.

27. The tables that follow provides information on the achievement of planned targets and lists the key service delivery indicators that were not achieved as reported in the annual performance report. The measures taken to improve performance are included in the annual performance report on pages 1 to 4.

KPA: Local economic development

Targets achieved: 92%		
Budget spent :86%		
Key indicators not achieved	Planned target	Reported achievement
% Budget spent	100%	86%
Number of board meetings attended	4	1

28. The annual performance report includes information on reported achievements against planned targets and provides measures taken to improve performance.

Report on compliance with legislation

29. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The Accounting Officer is responsible for the municipal entity's compliance with legislation.
30. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.
31. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the municipal entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.
32. I did not identify any material non-compliance with the selected legislative requirements.

Other information in the annual report

33. The accounting officer is responsible for the other information included in the annual report, which includes the directors' report, the audit committee's report and the company secretary's certificate, as required by the Companies Act 71 of 2008. The other information referred to does not include the financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported on in this auditor's report.
34. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.
35. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

Internal control deficiencies

36. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
37. The board of directors failed to appoint a company secretary in line with board charter and memorandum of incorporation.
38. Vacancies at board level were not filled when vacancies occurred which results in non-compliance with the board charter and the Municipal System Act 32 of 2000 as amended.

39. The entity operated for six months without a board, which contravened the Companies Act 71 of 2008 and its Memorandum of Incorporation.
40. An employee has been acting for 12 months instead of 4 months as per policy, the current year acting period is a continuation of the prior year's acting periods, and this has been recurring without any action taken to remedy the situation.

Auditor-General

Polokwane

30 November 2024



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

The annexure includes the following:

- The auditor-general's responsibility for the audit
- The selected legislative requirements for compliance testing

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

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 development priorities and on the Municipality's compliance with selected requirements in key legislation.

Financial statements

In addition to my responsibility for the audit of the financial statements as described in this 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 municipality's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made
- conclude on the appropriateness of the 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 relating to events or conditions that may cast significant doubt on the ability of the municipality 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 my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's

report. However, future events or conditions may cause a municipality to cease operating as a going concern

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine 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

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.

I also provide the accounting officer with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Municipal Finance Management Act 56 of 2003	<p>Section 1 - Paragraph (a), (b) & (d) of the definition: irregular expenditure, Section 1 - Definition: service delivery and budget implementation plan, Sections 11(1), 13(2), 14(1), 14(2)(a), 14(2)(b), 15, 24(2)(c)(iv), 29(1), Sections 29(2)(b), 32(2), 32(2)(a), 32(2)(a)(i), Sections 62(1)(f)(ii), 62(1)(f)(iii), 63(1)(a), 63(2)(a), 63(2)(c), 64(2)(b), Sections 64(2)(c), 64(2)(e), 64(2)(f), 64(2)(g), 65(2)(a), 65(2)(b), 65(2)(e), Sections 72(1)(a)(ii), 112(1)(j), 116(2)(b), 116(2)(c)(ii), 117, 122(1), Sections 122(2), 126(1)(a), 126(1)(b), 127(2), 127(5)(a)(i), 127(5)(a)(ii), Sections 129(1), 129(3), 133(1)(a), 133(1)(c)(i), 133(1)(c)(ii), 170,</p>
MFMA: Municipal Supply Chain Management Regulations, 2017	<p>Regulations 5, 12(1)(c), 12(3), 13(b), 13(c), 13(c)(i), 16(a), 17(1)(a), Regulations 17(1)(b), 17(1)(c), 19(a), 21(b), 22(1)(b)(i), 22(2), 27(2)(a), Regulations 27(2)(e), 28(1)(a)(i), 28(1)(a)(ii), 29(1)(a), 29(1)(b), Regulations 29(5)(a)(ii), 29(5)(b)(ii), 32, 36(1), 36(1)(a), 38(1)(c), Regulations 38(1)(d)(ii), 38(1)(e), 38(1)(g)(i), 38(1)(g)(ii), 38(1)(g)(iii), 43, Regulations 44, 46(2)(e), 46(2)(f)</p>
Municipal Systems Act 32 of 2000	<p>Sections 25(1), 26(a), 26(c), 26(h), 26(i), 29(1)(b)(ii), 29(3)(b), 34(a), 34(b), Sections 38(a), 41(1)(a), 41(1)(b), 41(1)(c)(ii), 42, 43(2), 56(a), 57(2)(a), Sections 57(4B), 57(6)(a), 66(1)(a), 66(1)(b), 67(1)(d), 74(1), 93J(1), 96(b)</p> <p>Parent municipality with ME: Sections 93B(a), 93B(b)</p> <p>Parent municipality with shared control of ME: Sections 93C(a)(iv), 93C(a)(v)</p>
MSA: Municipal Planning and performance Management Regulations, 2001	<p>Regulations 2(1)(e), 2(3)(a), 3(3), 3(4)(b), 3(6)(a), 7(1), 8, 9(1)(a), 10(a), Regulations 12(1), 15(1)(a)(i), 15(1)(a)(ii)</p>
MSA: Municipal Performance Regulations for Municipal Managers and Managers directly Accountable to Municipal Managers, 2006	<p>Regulations 2(3)(a), 4(4)(b), 8(1), 8(2), 8(3)</p>

Legislation	Sections or regulations
Preferential Procurement Policy Framework Act 5 of 2000	Sections 2(1)(a), 2(1)(f)
Preferential Procurement Regulations, 2017	Regulations 4(1), 4(2), 5(1), 5(3), 5(6), 5(7), 6(1), 6(2), 6(3), 6(6), 6(8), Regulations 7(1), 7(2), 7(3), 7(6), 7(8), 8(2), 8(5) 9(1), 10(1), 10(2), Regulations 11(1), 11(2)
Preferential Procurement Regulations, 2022	Regulations 4(1), 4(2), 4(3), 4(4), 5(1), 5(2), 5(3), 5(4)
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)

Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2024

Accounting Officer's Report

The Accounting Officer submits his report on the Annual Financial Statements of Greater Tzaneen Economic Development Agency for the year ended 30 June 2024.

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.

Full details of the Financial Position, results of operations and cash flows of the Agency are set out in the Financial Statements.

3. Going concern

We draw attention to the fact that at 30 June 2024, the entity had accumulated a surplus of R 4 466 922 (2023: surplus R3 048 562)

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

The ability of the Municipal Entity to continue as a going concern is dependent on a number of factors. The most significant of these is that the Accounting Officer continues to procure funding for the ongoing operations of the Municipal Entity. Furthermore, the Greater Tzaneen Municipality Council has committed to fund the entity by approving the annual budget for the fiscal year 2024/25.

Refer to note 25 of Annual Financial Statements disclosing Going Concern.

4. Contributed capital

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

5. Accounting Officer

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

M.Z. Mawasha (Chairperson)
M.F. Mushwana
M.I. Moakamela
B.L. Mathebula

6. Controlling entity

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

7. Auditors

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

8. Fruitless and wasteful expenditure

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

Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2024

Accounting Officer's Report

9. Irregular expenditure

The Acting Chief Executive Officer and directors are not aware of any other irregular expenditure transactions than those reported in note 27 to the annual financial statements.

10. Events after reporting date

The Acting Chief Executive Officer and directors are not aware of any events after reporting date than those reported in note 30 to the annual financial statements.



Mr. M.W. Mulaudzi
Acting Chief Executive Officer

Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Position as at 30 June 2024

Figures in Rand	Note(s)	2024	2023
Assets			
Current Assets			
Receivables from exchange transactions	6	53 423	35 593
Receivables from non-exchange transactions	7	-	417 600
VAT receivable	8	121 936	255 861
Cash and cash equivalents	9	4 229 762	2 130 507
		4 405 121	2 839 561
Non-Current Assets			
Property, plant and equipment	3	504 420	486 022
Intangible assets	4	22 754	8 414
Receivables from exchange transactions	6	16 629	34 786
		543 803	529 222
Total Assets		4 948 924	3 368 783
Liabilities			
Current Liabilities			
Payables from exchange transactions	5	481 902	320 121
Total Liabilities		481 902	320 121
Net Assets		4 467 022	3 048 662
Contributed capital		100	100
Accumulated surplus/(deficit)	10	4 466 922	3 048 562
Total Net Assets		4 467 022	3 048 662

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Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023
Revenue			
Revenue from exchange transactions			
Interest received - investment	11	309 828	122 249
Revenue from non-exchange transactions			
Transfer revenue			
Grants and subsidies	12	12 585 230	10 251 506
Discretionary grant received from Services SETA (conditional grant)		-	148 784
VAT Liability adjustment		-	1 581 230
Administration and project management costs from Services SETAS	16	-	84 996
Grant received - LG SETA		106 799	1 107 398
Total revenue from non-exchange transactions		12 692 029	13 173 914
Total revenue	11	13 001 857	13 296 163
Expenditure			
Employee related costs	14	4 984 027	4 276 417
Remuneration of board members	15	234 115	720 810
Consulting fees		175 923	634 011
Depreciation and amortisation	17	199 067	174 708
General expenses	19	2 511 898	1 797 561
Lease rentals on operating lease		674 742	701 734
Project costs	13	2 799 300	2 015 173
Bad Debts written off		-	43 596
Repairs and maintenance		4 425	-
Loss on scrapping of assets		-	5 144
Total expenditure		11 583 497	10 369 154
Surplus for the year		1 418 360	2 927 009

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Annual Financial Statements for the year ended 30 June 2024

Statement of Changes in Net Assets

Figures in Rand	Note	Contributed capital	Accumulated surplus	Total net assets
Balance at 01 July 2022		100	121 553	121 653
Changes in net assets				
Surplus for the year		-	2 927 009	2 927 009
Total changes		-	2 927 009	2 927 009
Balance at 01 July 2023		100	3 048 562	3 048 662
Changes in net assets				
Surplus for the year		-	1 418 360	1 418 360
Total changes		-	1 418 360	1 418 360
Balance at 30 June 2024		100	4 466 922	4 467 022
Note(s)	10			

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Annual Financial Statements for the year ended 30 June 2024

Cash Flow Statement

Figures in Rand	Note(s)	2024	2023
Cash flows from operating activities			
Receipts			
Grants and movement in trade and other receivables		13 243 881	11 132 166
Interest income		309 828	122 249
		<u>13 553 709</u>	<u>11 254 415</u>
Payments			
Employee costs and board member costs		(5 218 142)	(4 997 227)
Suppliers and movement in trade and other payables		(6 004 506)	(5 873 947)
		<u>(11 222 648)</u>	<u>(10 871 174)</u>
Net cash flows from operating activities	20	<u>2 331 061</u>	<u>383 241</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(206 156)	(269 401)
Purchase of other intangible assets	4	(25 650)	-
Net cash flows from investing activities		<u>(231 806)</u>	<u>(269 401)</u>
Net increase/(decrease) in cash and cash equivalents		2 099 255	113 840
Cash and cash equivalents at the beginning of the year		2 130 507	2 016 667
Cash and cash equivalents at the end of the year	9	<u>4 229 762</u>	<u>2 130 507</u>

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Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Interest received - investment	-	-	-	309 828	309 828	Appendix E(1)
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Revenue from non-exchange transactions

Transfer revenue

Government grants & subsidies	12 585 230	-	12 585 230	12 585 230	-	Appendix E(1)
Grant received - LG SETA	417 600	-	417 600	106 799	(310 801)	Appendix E(1)
Total revenue from non-exchange transactions	13 002 830	-	13 002 830	12 692 029	(310 801)	
Total revenue	13 002 830	-	13 002 830	13 001 857	(973)	

Expenditure

Employee related cost	(7 669 109)	2 278 584	(5 390 525)	(4 984 027)	406 498	Appendix E(1)
Remuneration of board members	(750 985)	-	(750 985)	(234 115)	516 870	Appendix E(1)
Depreciation and amortisation	(105 171)	(95 000)	(200 171)	(199 067)	1 104	Appendix E(1)
Interest expenses	(5 434)	-	(5 434)	-	5 434	Appendix E(1)
Lease rentals on operating lease	(717 116)	(10 000)	(727 116)	(674 742)	52 374	Appendix E(1)
Consulting fees	(450 593)	156 194	(294 399)	(175 923)	118 476	Appendix E(1)
Project costs	(1 425 003)	(1 477 396)	(2 902 399)	(2 799 300)	103 099	Appendix E(1)
General Expenses	(1 590 530)	(852 382)	(2 442 912)	(2 511 898)	(68 986)	Appendix E(1)
Repairs and maintenance	(6 607)	-	(6 607)	(4 425)	2 182	Appendix E(1)
Total expenditure	(12 720 548)	-	(12 720 548)	(11 583 497)	1 137 051	
Surplus before taxation	282 282	-	282 282	1 418 360	1 136 078	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	282 282	-	282 282	1 418 360	1 136 078	

Refer to Note 29 for variances above 10%

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Annual Financial Statements for the year ended 30 June 2024

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 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 entity will continue to operate as a going concern for the foreseeable future.

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

1.4 Significant judgments and sources of estimation uncertainty

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

Trade receivables and loans and receivables

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

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

Fair value estimation

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

Greater Tzaneen Economic Development Agency (Pty) Ltd

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Annual Financial Statements for the year ended 30 June 2024

Notes to the Financial Statements: Accounting Policies

1.4 Significant judgments and sources of estimation uncertainty (continued)

Impairment testing

The 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 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.

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

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Annual Financial Statements for the year ended 30 June 2024

Notes to the Financial Statements: Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

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

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

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

1.6 Intangible assets

An asset is identifiable if it either:

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

The 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
Computer Software	5 years

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

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Annual Financial Statements for the year ended 30 June 2024

Notes to the Financial Statements: Accounting Policies

1.7 Financial instruments

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

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

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

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

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

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

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

A financial asset is:

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

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

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

Classification

The 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

Receivable from exchange transactions
Cash and cash equivalents

Category

Financial asset measured at amortised cost
Financial asset measured at amortised cost

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

Class

Payables from exchange transactions

Category

Financial liability measured at amortised cost
