

Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Financial Statements: Accounting Policies

1.7 Financial instruments (continued)

Initial recognition

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

The municipal entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

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

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

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

Subsequent measurement of financial assets and financial liabilities

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

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

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

Fair value measurement considerations

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

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

Reclassification

The 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 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.

Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Financial Statements: Accounting Policies

1.7 Financial instruments (continued)

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

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

The 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 entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Financial Statements: Accounting Policies

1.7 Financial instruments (continued)

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

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

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

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

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

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

Financial liabilities

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

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

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

Presentation

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

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

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

Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Financial Statements: Accounting Policies

1.7 Financial instruments (continued)

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

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

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

1.8 Leases

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

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

Operating leases - lessee

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

1.9 Impairment of 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 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 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 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.

Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Financial Statements: Accounting Policies

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

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 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 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 entity estimates the recoverable service amount of that asset.

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.

1.10 Contributed capital

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

1.11 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.12 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.

Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Financial Statements: Accounting Policies

1.12 Revenue from exchange transactions (continued)

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

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

Measurement

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

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 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.

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 entity, and
- The amount of the revenue can be measured reliably.

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

1.13 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an 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 arises when the 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.

Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Financial Statements: Accounting Policies

1.13 Revenue from non-exchange transactions (continued)

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another 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 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 entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

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

When, as a result of a non-exchange transaction, the 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.

1.14 Comparative figures

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

1.15 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.

Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Financial Statements: Accounting Policies

1.16 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.

1.17 Budget information

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 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 2023/07/01 to 2024/06/30.

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.

1.18 Related parties

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

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

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 entity.

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

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

The 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.

Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the entity has not adopted any standards and interpretations that are effective for the current financial year.

2.2 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 July 2024 or later periods:

GRAP 1 (amended): Presentation of Financial Statements (Going Concern)

The Board undertook a project in 2021 to consider the guidance and disclosure requirements on going concern in the relevant Standards of GRAP. As an outcome of this project, the Board agreed to include additional guidance and disclosures on going concern in this Standard. Consequential amendments are also made to the Standard of GRAP on Events After the Reporting Date.

Applicability of going concern in the public sector

An entity prepares its financial statements on a going concern basis unless there is an intention to liquidate the entity, to cease operating, or if there is no realistic alternative but to do so. A liquidation or cessation of an entity's operations will result in the termination of all its functions.

In South Africa, specific legislative requirements need to be followed before a decision is taken to liquidate a public sector entity, to cease or scale back its operations, to transfer some or all of its functions to another entity, or to merge one or more entities. The "intention" to liquidate an entity, to cease or scale back its operations, to transfer some or all of its functions to another entity, or to merge one or more entities needs to be established. This intention can be reflected in a number of ways and may encompass legislation passed in Parliament or a provincial legislature, cabinet decision, ministerial order, a decision made by a municipal council, board, council or equivalent, a regulation or a notice, or other official means.

The liquidation or cessation of a public sector entity's operations is rare, and only in the case of dissolution without any continuation of the entity's operations will the going concern basis cease to apply. When all, or some of the functions of an entity are transferred to another entity, or when a decision is taken to merge one or more entities, the application of the going concern basis remains appropriate. This is because the entity's functions will continue to be provided in a modified form, even though they are executed by another entity.

The Board agreed to include explanatory guidance in this Standard on the application of the going concern assumption by public sector entities.

Where some of an entity's functions are transferred in a transfer of functions, and the remaining functions are discontinued, there are two separate transactions. The Board concluded that management should assess these transactions separately based on the functions transferred, those to be discontinued (if any), and those that may be retained and continued (if any), to determine if preparing the entity's financial statements on a going concern basis remains appropriate.

Disclosure on going concern

The Board's project highlighted a need for specific disclosures on going concern, material uncertainties relating to going concern, and actions taken by management to mitigate these uncertainties. Consideration was also given to the practices, guidance and requirements in other countries and/or from other standard-setting bodies on these matters.

To address the diversity in the information disclosed on going concern, the Board agreed to expand the disclosure requirements in this Standard to ensure that consistent disclosures are provided.

The effective date of these revisions have not yet been set.

The entity expects not to adopt the standard in the near future.

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

Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 104 (as revised): Financial Instruments

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

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

The most significant changes to the Standard affect:

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

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

The entity expects to adopt the revisions for the first time when the Minister sets the effective date for the revisions.

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

Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment

| | 2024 | | | 2023 | | |
|------------------------|---------------------|---|----------------|---------------------|---|----------------|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Furniture and fixtures | 278 781 | (232 806) | 45 975 | 278 781 | (214 190) | 64 591 |
| Office equipment | 30 913 | (30 384) | 529 | 30 913 | (30 128) | 785 |
| IT equipment | 998 071 | (540 155) | 457 916 | 791 915 | (371 269) | 420 646 |
| Total | 1 307 765 | (803 345) | 504 420 | 1 101 609 | (615 587) | 486 022 |

Reconciliation of property, plant and equipment - 2024

| | Opening balance | Additions | Depreciation | Total |
|------------------------|--------------------|----------------|------------------|----------------|
| Furniture and fixtures | 64 591 | - | (18 616) | 45 975 |
| Office equipment | 785 | - | (256) | 529 |
| IT equipment | 420 646 | 206 156 | (168 886) | 457 916 |
| | 486 022 | 206 156 | (187 758) | 504 420 |

Reconciliation of property, plant and equipment - 2023

| | Opening balance | Additions | Depreciation | Write Offs | Total |
|------------------------|--------------------|----------------|------------------|----------------|----------------|
| Furniture and fixtures | 77 377 | 6 852 | (19 546) | (92) | 64 591 |
| Office equipment | 1 120 | - | (284) | (51) | 785 |
| IT equipment | 315 171 | 262 549 | (152 073) | (5 001) | 420 646 |
| | 393 668 | 269 401 | (171 903) | (5 144) | 486 022 |

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 entity.

Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

4. Intangible assets

| | 2024 | | | 2023 | | |
|-------------------------|---------------------|---|----------------|---------------------|---|----------------|
| | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value |
| Computer software | 74 337 | (52 935) | 21 402 | 48 687 | (42 302) | 6 385 |
| Other intangible assets | 45 051 | (43 699) | 1 352 | 45 051 | (43 022) | 2 029 |
| Total | 119 388 | (96 634) | 22 754 | 93 738 | (85 324) | 8 414 |

Reconciliation of intangible assets - 2024

| | Opening balance | Additions | Amortisation | Total |
|-------------------------|--------------------|---------------|-----------------|---------------|
| Computer software | 6 385 | 25 650 | (10 633) | 21 402 |
| Other intangible assets | 2 029 | - | (677) | 1 352 |
| | 8 414 | 25 650 | (11 310) | 22 754 |

Reconciliation of intangible assets - 2023

| | Opening balance | Amortisation | Total |
|-------------------------|--------------------|----------------|--------------|
| Computer software | 8 513 | (2 128) | 6 385 |
| Other intangible assets | 2 705 | (676) | 2 029 |
| | 11 218 | (2 804) | 8 414 |

5. Payables from exchange transactions

| | 2024 | 2023 |
|---------------------------|----------------|----------------|
| Rental and other expenses | 91 515 | 1 335 |
| Accrued leave pay | 231 010 | 168 431 |
| Other payables | 159 377 | 150 355 |
| | 481 902 | 320 121 |

Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|-----------------|------|------|
|-----------------|------|------|

6. Receivables from exchange transactions

| | | |
|-------------------|---------------|---------------|
| Prepayments | 1 619 | 1 946 |
| Rental deposits | 3 386 | 3 386 |
| Bursary repayment | 65 047 | 65 047 |
| | 70 052 | 70 379 |

The bursary repayable by the previous CEO is payable over a remaining period of 43 months at a monthly instalment of R 1 513.

Disclosed as follows

| | | |
|--------------------|---------------|---------------|
| Current assets | 53 423 | 35 693 |
| Non-current assets | 16 629 | 34 786 |
| | 70 052 | 70 379 |

7. Receivables from non-exchange transactions

| | | |
|---|---|---------|
| Discretionary grant receivable from LG SETA | - | 417 600 |
|---|---|---------|

8. VAT receivable

| | | |
|-----|---------|---------|
| VAT | 121 936 | 255 861 |
|-----|---------|---------|

9. Cash and cash equivalents

Cash and cash equivalents consist of:

| | | |
|---------------------------------|------------------|------------------|
| Cash on hand | 176 | 176 |
| Bank balances | 49 318 | 897 892 |
| Other cash and cash equivalents | 4 180 268 | 1 232 439 |
| | 4 229 762 | 2 130 507 |

The entity had the following bank accounts

| Account number / description | Bank statement balances | | | Cash book balances | | |
|--|-------------------------|------------------|------------------|--------------------|------------------|------------------|
| | 30 June 2024 | 30 June 2023 | 30 June 2022 | 30 June 2024 | 30 June 2023 | 30 June 2022 |
| Petty Cash - ABSA Bank | - | - | - | 176 | 176 | 176 |
| Cheque Account ABSA Bank 40-7166-4582 | 48 555 | 69 972 | 27 416 | 48 555 | 69 972 | 27 416 |
| ABSA BANK - 32 day Notice Account 92-2181-3770 | 395 | 376 | 365 | 395 | 376 | 365 |
| ABSA Bank - Depositor Plus Account 92-8795-3029 | 4 179 873 | 1 232 063 | 1 526 944 | 4 179 873 | 1 232 063 | 1 526 944 |
| ABSA BANK - Classic Business Account (SETA) 40-9462-4490 | 763 | 827 920 | 461 766 | 763 | 827 920 | 461 766 |
| Total | 4 229 586 | 2 130 331 | 2 016 491 | 4 229 762 | 2 130 507 | 2 016 667 |

Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|-------------------|-------------------|
| 10. Contributed capital | | |
| Authorised | | |
| 1000 Ordinary shares of R1 each | 1 000 | 1 000 |
| Issued | | |
| Ordinary Shares | 100 | 100 |
| 11. Revenue | | |
| Interest received | 309 828 | 122 249 |
| Government grants & subsidies | 12 585 230 | 10 251 506 |
| Discretionary grant received from Services SETA | - | 148 784 |
| VAT Liability adjustment | - | 1 581 230 |
| Administration and project management fee - Services SETAS | - | 84 996 |
| Grant received - LG SETA | 106 799 | 1 107 398 |
| | 13 001 857 | 13 286 163 |
| The amount included in revenue arising from exchanges of goods or services are as follows: | | |
| Interest received | 309 828 | 122 249 |
| The amount included in revenue arising from non-exchange transactions is as follows: | | |
| Taxation revenue | | |
| Transfer revenue | | |
| Government grants & subsidies | 12 585 230 | 10 251 506 |
| Discretionary grant received from Services SETA | - | 148 784 |
| VAT Liability adjustment | - | 1 581 230 |
| Administration and project management fee - Services SETAS | - | 84 996 |
| Grant received - LG SETA | 106 799 | 1 107 398 |
| | 12 692 029 | 13 173 914 |
| 12. Government grants and subsidies | | |
| Operating grants | | |
| Greater Tzaneen Municipality | 12 585 230 | 10 251 506 |
| 13. Projects costs | | |
| Business support centre | - | 1 150 |
| SMME's support | 737 462 | 459 186 |
| Agricultural Business Incubator | 212 112 | 19 524 |
| Promotional events | 86 004 | 128 102 |
| Waste Management for SMME | 652 870 | 1 160 541 |
| SMME's Registration | 41 250 | 39 000 |
| Tzaneen Farmer Support | 957 575 | 217 670 |
| Information sharing sessions | 87 679 | - |
| Networking sessions | 24 348 | - |
| | 2 799 300 | 2 015 173 |

Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|--|------------------|------------------|
| 14. Employee related costs | | |
| Basic | 3 488 041 | 3 082 265 |
| Other payroll levies (Statutory Levies) | 896 155 | 891 579 |
| Leave pay provision charge | 131 162 | 145 630 |
| Overtime payments | 18 791 | 13 013 |
| 13th Cheques | 151 894 | 143 930 |
| Car allowance | 240 249 | - |
| Housing benefits and allowances | 9 783 | - |
| Group Scheme Funeral Policy | 47 952 | - |
| | 4 984 027 | 4 276 417 |

Compensation of Executive Directors

M.W. Mulaudzi - Acting Chief Executive Officer

| | | |
|-------------------|----------------|----------------|
| Acting Allowance | 233 550 | 280 702 |
| Travelling | 105 182 | 120 468 |
| Performance Bonus | - | 35 436 |
| | 338 732 | 436 606 |

15. Remuneration of board members

| | | |
|------------|---------|---------|
| Board fees | 234 115 | 720 810 |
|------------|---------|---------|

30 June 2024

| | Emoluments | Travel | Statutory Payments | Total |
|---------------------------|----------------|--------------|--------------------|----------------|
| M.Z Mawasha (Chairperson) | 34 414 | - | 13 518 | 47 932 |
| M.F Mushwana | 51 935 | 1 110 | 22 645 | 75 690 |
| M.I Moakamela | 40 970 | - | 13 657 | 54 627 |
| B.L Mathebula | 40 970 | - | 14 896 | 55 866 |
| | 168 289 | 1 110 | 64 716 | 234 115 |

30 June 2023

| | Emoluments | Travel | Statutory Payments | Total |
|---------------------------|----------------|---------------|--------------------|----------------|
| M.Z Mawasha (Chairperson) | 142 061 | 5 201 | 48 369 | 195 631 |
| M.F Mushwana | 169 941 | 7 776 | 51 314 | 229 031 |
| M.I Moakamela | 126 634 | 4 091 | 42 211 | 172 936 |
| B.L Mathebula | 89 388 | 5 270 | 28 554 | 123 212 |
| | 528 024 | 22 338 | 170 448 | 720 810 |

Council extended the current board of GTEDA by period not exceeding three (3) months from 1 July 2023 to 30 September 2023 and was subsequently extended from 1 April to 30 June 2024.

16. Administrative and project management fee from SETA

| | | |
|---|----------|---------------|
| Admin and project management fee - Service SETA | - | 12 084 |
| Admin and project management fee - LG SETA | - | 72 932 |
| | - | 84 996 |

Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

17. Depreciation and amortisation

| | | |
|-------------------------------|----------------|----------------|
| Property, plant and equipment | 187 757 | 171 903 |
| Intangible assets | 11 310 | 2 805 |
| | 199 067 | 174 708 |

18. Auditors' remuneration

| | | |
|---------------------|----------------|----------------|
| External audit fees | 282 123 | 312 274 |
| Internal audit fees | 395 027 | 312 321 |
| | 677 150 | 624 595 |

19. General expenses

| | | |
|-----------------------------------|------------------|------------------|
| Advertising and marketing | 29 411 | 29 891 |
| Auditors fees | Note 18 677 150 | 624 595 |
| Bank charges | 21 565 | 28 307 |
| Bursaries | 226 822 | 254 207 |
| Cleaning expenses | 77 280 | 36 560 |
| Computer expenses | - | 5 910 |
| Consumables | 4 037 | 2 177 |
| Entertainment | 3 562 | 2 402 |
| Insurance | 43 545 | 17 370 |
| Social Inclusion | 21 456 | - |
| IT expenses | 44 850 | 71 993 |
| Printing and stationery | 60 179 | 25 698 |
| Security | 5 630 | 5 199 |
| Seminar and workshops | 55 965 | 89 706 |
| Subscriptions and membership fees | 78 167 | 42 487 |
| Telephone and fax | 203 320 | 148 797 |
| Training | 394 205 | 202 505 |
| Travel - local | 277 676 | 146 941 |
| VAT adjustment | 238 778 | 64 816 |
| Occupational health & safety | 48 300 | - |
| | 2 511 898 | 1 797 561 |

20. Cash generated from operations

| | | |
|--|------------------|----------------|
| Surplus | 1 418 360 | 2 927 009 |
| Adjustments for: | | |
| Depreciation and amortisation | 199 067 | 174 708 |
| VAT liability adjustment | - | (1 581 230) |
| Loss on scrapping of assets | - | 5 144 |
| Bad debts written off | - | 43 596 |
| Changes in working capital: | | |
| Receivables from exchange transactions | 327 | 6 050 |
| VAT Receivable | - | (255 861) |
| Other receivables from non-exchange transactions | 417 600 | (210 707) |
| Payables from exchange transactions | 161 782 | 84 601 |
| SARS payables | 133 925 | (810 069) |
| | 2 331 061 | 383 241 |

Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|-----------------|------|------|
|-----------------|------|------|

21. Taxation

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

22. Commitments

Authorised operating expenditure

Already contracted for but not provided for

| | | |
|------------------------------------|----------------|----------------|
| • Internal Audit | 48 497 | 67 424 |
| • Training Services | - | 162 181 |
| • IT Support | 11 902 | 23 805 |
| • Cellphone Contract | - | 1 399 |
| • Office Rental | 339 968 | 47 548 |
| • Accounting and Taxation | - | 6 100 |
| • MME Digitals | 22 200 | 88 800 |
| • Pansolution | 10 539 | 20 957 |
| • Electronic Communication Network | 5 100 | 10 201 |
| | 438 206 | 428 415 |

Internal Audit:

Tladi & Associates Consulting Inc is an Internal Audit Company appointed for a period of three(3 months) from 1 July 2024 to 30 September 2024 for provision of internal audit services. **Commitment for 3 months**

IT Support:

Bohlabele Computers, is an IT support contract at R 3967.50 p.m. appointed for a period of three (03) months from 01 July 2024 to 30 September 2024. **Commitment for 3 months**

Office Rental:

Tzaneen Steel industry is a contract for office rental at R 52 302.84 for a month (01 July 2024 to 31 July 2024) and R 57 533.12 per month for a period of 05 months from (01 August 2024 to 31 December 2024). **Commitment for 6 months**

MME Computers/Digitals:

MME Computers/Digitals is a company contracted for the rental Copier machine R 5 550.00 per month for a period of twenty four (24) months (01 November 2022 to 31 October 2024). **Commitment period for 04 months**

Electronic Communication Network:

Electronic Communication Network is a company contracted for telephone services R 1 700.00 per month for a period of three (3) months (01 July 2024 to 30 September 2024). **Commitment for 3 months**

Pansolution:

Pansolution is a company contracted for telephone services R 3 512.99 per month for a period of three (03) months (01 July 2024 to 30 September 2024). **Commitment for 3 months**

23. Related parties

Relationships

Controlling entity

Major Stakeholders

Greater Tzaneen Municipality

Chief Executive Officer and Board (Note 14 and 15)

Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

2024

2023

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.

Greater Tzaneen Municipality Audit Committee (Shared).

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

Related party transactions

Grant received from related parties

Greater Tzaneen Municipality

12 585 230

10 251 506

Compensation to Acting Chief Executive Officer: M.W Mulaudzi

Acting allowance

233 550

280 702

Performance Bonus

-

35 436

Travelling

105 182

120 468

338 732

436 606

24. 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 2024

Trade and other payables

Less than 1
year
481 902

Between 1 and
2 years
-

At 30 June 2023

Trade and other payables

Less than 1
year
320 121

Between 1 and
2 years
-

Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

2024

2023

24. Risk management (continued)

Credit risk

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

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

| Financial instrument | 2024 | 2023 |
|--|------------------|------------------|
| Cash and Cash Equivalents | 4 229 762 | 2 130 507 |
| Receivables from exchange transactions | 70 052 | 70 379 |
| Receivables from non exchange transactions | - | 417 600 |
| | 4 299 814 | 2 618 486 |

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.

25. Going concern

The Annual Financial Statements have been prepared on the basis of accounting policies applicable to going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlements of liabilities, contingent obligations and commitments will occur in the normal 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 operation for the Municipal Entity. The current financial position of GTEDA is sound and the Greater Tzaneen Municipal Council has committed to fund the entity by approving the annual budget for the fiscal year 2024/25.

The Council of the parent Municipality passed a resolution on the 27th March 2024, to disestablish GTEDA due to apparent non-compliance issues that arose during the establishment process of the entity. The decision was preceded by detailed investigation reports and recommendations on the legal status of GTEDA. The disestablishment of GTEDA and the dissolution of the Board of Directors was suspended for a period of three months from April 2024 up to June 2024.

On the 27th June 2024, Council further approved the extension to disestablish GTEDA for an additional three months from July 2024 up to September 2024 to allow the Accounting Officer to finalise the disestablishment process.

Subsequent to the disestablishment, all assets, liabilities, rights and obligations of the entity shall vest in the Municipal Council of Greater Tzaneen. GTEDA employees will be absorbed by the parent municipality in accordance with section 197 of the Labour Relation Act (Act 66 of 1995).

To date, the Greater Tzaneen Municipal Council has not taken a resolution to cease operations of GTEDA; this will be determined by the timelines of the disestablishment and the transfer process plan.

Based on the above, there is sufficient evidence that the Entity will be able to trade as going concern, the only uncertainty is the actual date at which the Entity will be merged into the structures of Greater Tzaneen Municipality.

Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

| | 2024 | 2023 |
|--|--------------|----------------|
| 26. Fruitless and wasteful expenditure | | |
| Opening Balance | | |
| Less: Fruitless and Wasteful Expenditure written off by Council (24 August 2023) | 329 823 | 329 823 |
| Wasteful Expenditure | (329 823) | - |
| | 2 865 | - |
| | 2 865 | 329 823 |

Fruitless and wasteful expenditure incurred related to penalties and interest fees incurred on late payment of SARS, VAT liability, and for advertising the position of the CEO which was not filled. Subsequently, fruitless and wasteful expenditure of R2 865 was incurred on overpayment of VAT that was overcharged by a supplier.

27. Irregular expenditure

| | | |
|---|---------------|----------------|
| Opening balance | | |
| Unauthorised Board Fees | 294 437 | 87 169 |
| Less: Irregular Expenditure written off by Council (24 August 2023) | - | 207 268 |
| | (232 431) | - |
| | 62 006 | 294 437 |

The irregular Expenditure incurred relates to unauthorised board fees as a result of the current board's term not being extended by the appointing authority. The expenditure was presented to Board, and subsequently was submitted to MPAC for investigation. The investigation is ongoing.

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

28. Deviation from supply chain management regulations

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

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

An amount of R 31 025.00 was procured 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.

Greater Tzaneen Economic Development Agency (Pty) Ltd

(Registration number 2007/008144/07)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

2024

2023

29. Budget differences

Material differences between budget and actual amounts

Explanation of variances between approved and final budget greater than 10%

Statement of Financial Performance

Income

Interest received (100%)

The variance was due to a higher than anticipated interest earned on investment balance.

Grant received – LG SETA (74%)

The variance was due to the actual amount received from LG SETA, which was recorded as receivable income in the prior.

Expenditure

Consulting fees (40.24%)

Underspending was due to less expenditure incurred on legal fees, there were no major legal activities that necessitated spending for the period under review.

Interest expenses (100%)

The entity budgeted for interest expense; however, all expenses were effectively managed and paid on time, hence was no interest being charged.

Repairs and maintenance (33.03%)

Underspending was due to less expenditure incurred on repairs and maintenance for furniture and office equipment, as there were no major items that needed to be repaired.

Remuneration of Board Members (68.83%)

Underspending was due to less expenditure incurred on board-related activities. The board term expired on 30 September 2023 and was subsequently extended from 1 April to June 2024.

30. Events after reporting date

Council passed a resolution on the 27th March 2024, to disestablish GTEDA due to apparent non-compliance issues that arose during the establishment process of the entity. The decision was preceded by detailed investigation reports and recommendations on the legal status of GTEDA.

On 27th June 2024, Council further approved that the disestablishment of GTEDA and dissolution of the Board of Directors be extended for additional three months from July 2024 up to September 2024 to allow the Accounting Officer to finalise the disestablishment process. The Council has not taken a resolution to cease operations of GTEDA; this will be determined by the timelines of the disestablishment and the transfer process plan.

Subsequent to the disestablishment, all assets, liabilities, rights and obligations of the entity shall vest in the Municipal Council of Greater Tzaneen. GTEDA employees will be absorbed by the parent municipality in accordance with section 197 of the Labour Relation Act (Act 66 of 1995).

Greater Tzaneen Economic Development Agency (Pty) Ltd
Appendix B
June 2024

Analysis of property, plant and equipment as at 30 June 2024
Cost/Revaluation Accumulated depreciation

| | Opening Balance Rand | Additions Rand | Disposals Rand | Assets written off Rand | Revaluations Rand | Other changes, movements Rand | Closing Balance Rand | Opening Balance Rand | Disposals Rand | Assets written off Rand | Depreciation Rand | Impairment loss Rand | Closing Balance Rand | Carrying value Rand |
|------------------------------------|----------------------------|-------------------|-------------------|-------------------------------|----------------------|-------------------------------------|----------------------------|----------------------------|-------------------|-------------------------------|----------------------|-------------------------|----------------------------|---------------------------|
| Other assets | | | | | | | | | | | | | | |
| IT equipment | 781 915 | 208 156 | - | - | - | - | 990 071 | (371 265) | - | - | (168 806) | - | (540 151) | 43 915 |
| Furniture and fittings | 278 781 | - | - | - | - | - | 278 781 | (214 160) | - | - | (18 815) | - | (232 896) | 4 975 |
| Office equipment | 30 913 | - | - | - | - | - | 30 913 | (30 129) | - | - | (258) | - | (30 384) | 529 |
| | 1 101 609 | 208 156 | - | - | - | - | 1 309 765 | (615 587) | - | - | (187 758) | - | (803 345) | 50 420 |
| Total property plant and equipment | 1 101 609 | 208 156 | - | - | - | - | 1 309 765 | (615 587) | - | - | (187 758) | - | (803 345) | 50 420 |
| Intangible assets | | | | | | | | | | | | | | |
| Computers software | 48 687 | 25 650 | - | - | - | - | 74 337 | (42 302) | - | - | (10 633) | - | (52 935) | 21 402 |
| Other intangible assets | 45 051 | - | - | - | - | - | 45 051 | (43 022) | - | - | (677) | - | (43 699) | 1 352 |
| | 93 738 | 25 650 | - | - | - | - | 119 388 | (85 324) | - | - | (11 310) | - | (96 634) | 22 754 |
| Total | 1 101 609 | 208 156 | - | - | - | - | 1 309 765 | (615 587) | - | - | (187 758) | - | (803 345) | 50 420 |
| Other assets | 93 738 | 25 650 | - | - | - | - | 119 388 | (85 324) | - | - | (11 310) | - | (96 634) | 22 754 |
| Intangible assets | 1 195 347 | 231 806 | - | - | - | - | 1 427 153 | (700 911) | - | - | (199 068) | - | (699 979) | 521 174 |

Greater Tzaneen Economic Development Agency (Pty) Ltd
Appendix B
July 2023

Analysis of property, plant and equipment as at 30 June 2023
Cost/Revaluation Accumulated depreciation

| | Opening Balance Rand | Additions Rand | Assets Written-off Rand | Transfers Rand | Reclassification Rand | Other changes, movements Rand | Closing Balance Rand | Opening Balance Rand | Assets Written-off Rand | Reclassification on Rand | Depreciation Rand | Impairment loss Rand | Closing Balance Rand | Carrying value Rand |
|---|----------------------------|-------------------|-------------------------------|-------------------|--------------------------|-------------------------------------|----------------------------|----------------------------|-------------------------------|--------------------------------|----------------------|-------------------------|----------------------------|---------------------------|
| Other assets | | | | | | | | | | | | | | |
| IT equipment | 587 214 | 262 549 | (57 848) | - | - | - | 791 915 | (272 042) | 52 848 | - | (152 073) | - | (371 269) | 420 646 |
| Furniture and fittings | 286 577 | 6 852 | (14 648) | - | - | - | 278 781 | (209 201) | 14 557 | - | (19 546) | - | (214 190) | 64 591 |
| Office equipment | 33 311 | - | (2 395) | - | - | - | 30 913 | (32 191) | 2 347 | - | (254) | - | (30 728) | 715 |
| | 907 102 | 269 401 | (74 894) | - | - | - | 1 101 609 | (513 434) | 69 750 | - | (171 903) | - | (615 587) | 481 022 |
| Total property plant and equipment | 907 102 | 269 401 | (74 894) | - | - | - | 1 101 609 | (513 434) | 69 750 | - | (171 903) | - | (615 587) | 481 022 |
| Intangible assets | | | | | | | | | | | | | | |
| Computers software | 48 687 | - | - | - | - | - | 48 687 | (40 174) | - | - | (2 126) | - | (42 302) | 6 365 |
| Other intangible assets | 45 051 | - | - | - | - | - | 45 051 | (42 346) | - | - | (675) | - | (43 022) | 2 029 |
| | 93 738 | - | - | - | - | - | 93 738 | (82 520) | - | - | (2 804) | - | (85 324) | 844 |
| 60 | | | | | | | | | | | | | | |
| Other assets | 907 102 | 269 401 | (74 894) | - | - | - | 1 101 609 | (513 434) | 69 750 | - | (171 903) | - | (615 587) | 484 022 |
| Intangible assets | 93 738 | - | - | - | - | - | 93 738 | (82 520) | - | - | (2 804) | - | (85 324) | 844 |
| | 1 000 840 | 269 401 | (74 894) | - | - | - | 1 195 347 | (595 954) | 69 750 | - | (174 707) | - | (700 911) | 484 866 |

Greater Tzaneen Economic Development Agency (Pty) Ltd

Appendix C

June 2024

Segmental analysis of property, plant and equipment as at 30 June 2024

| | Cost/Revaluation | | | | Accumulated Depreciation | | | | | |
|---|----------------------------|-------------------|-------------------------------|----------------------------|----------------------------|-------------------------------|-------------------|----------------------|----------------------------|---------------------------|
| | Opening Balance Rand | Additions Rand | Assets written off Rand | Closing Balance Rand | Opening Balance Rand | Assets written off Rand | Transfers Rand | Depreciation Rand | Closing Balance Rand | Carrying value Rand |
| GTEDA | | | | | | | | | | |
| Planning and Development/Economic Development/Plan | 1 101 609 | 206 156 | - | 1 307 765 | (615 587) | - | - | (187 758) | (803 345) | 504 420 |
| | 1 101 609 | 206 156 | - | 1 307 765 | (615 587) | - | - | (187 758) | (803 345) | 504 420 |
| Total | 1 101 609 | 206 156 | - | 1 307 765 | (615 587) | - | - | (187 758) | (803 345) | 504 420 |

Greater Tzaneen Economic Development Agency (Pty) Ltd
Appendix D
June 2024

| 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 |
| GTEDA | | | | | | |
| 13 296 163 | 10 369 154 | 2 927 009 | Planning and Development/Economic Development/Plan | 13 001 857 | 11 583 497 | 1 418 360 |
| 13 296 163 | 10 369 154 | 2 927 009 | | 13 001 857 | 11 583 497 | 1 418 360 |

Actual versus Budget (Revenue and Expenditure) for the year ended 30 June 2024

| | Current year 2024 Act. Bal. Rand | Current year 2024 Adjusted budget Rand | Variance Rand | Var | Explanation of Significant Variances greater than 10% versus Budget |
|--|---|--|------------------|-------------|--|
| Revenue | | | | | |
| Interest received - investment | 309 828 | - | 309 828 | 100 | Refer to Note 29 of AFS |
| Municipality Grant | 12 585 230 | 12 585 230 | - | - | |
| Other Income | - | - | - | - | |
| Grant received - Service SETA | 106 799 | 417 600 | (310 801) | 74 | Refer to Note 29 of AFS |
| | 13 001 857 | 13 002 830 | (973) | 174 | |
| Expenses | | | | | |
| Interest expense | - | (5 434) | 5 434 | 100.0 | Refer to Note 29 of AFS |
| Employees Costs | (4 984 027) | (5 390 525) | 406 498 | 8.0 | |
| Remuneration of Board members | (234 115) | (750 985) | 516 870 | 69.0 | Refer to Note 29 of AFS |
| Depreciation and Impairment | (199 067) | (200 171) | 1 104 | 1.0 | |
| Lease rentals on operating lease | (674 742) | (727 116) | 52 374 | 7.0 | |
| Consulting fees | (175 923) | (294 399) | 118 476 | 40.0 | Refer to Note 29 of AFS |
| Project cost | (2 799 300) | (2 902 399) | 103 099 | 4.0 | |
| General Expenses | (2 511 898) | (2 442 912) | (68 986) | (3.0) | |
| Repairs and maintenance | (4 425) | (6 607) | 2 182 | 33.0 | Refer to Note 29 of AFS |
| | (11 583 497) | (12 720 548) | 1 137 051 | 259.0 | |
| Net surplus/ (deficit) for the year | 1 418 360 | 282 282 | 1 136 078 | 85.0 | |

Budget Analysis of Capital Expenditure as at 30 June 2024

| Actual Expenditure Rand | Revised Budget Rand | Variance Rand | Variance % | Explanation of significant variances from budget |
|-------------------------------|---------------------------|------------------|---------------|---|
| 231 806 | 282 282 | 50 476 | 18 | Less spent than budgeted for due to planned disestablishment of the entity. |
| 231 806 | 282 282 | 50 476 | 18 | |

GTEDA

Planning and
Development/Economic
Development/Plan

Greater Tzaneen Economic Development Agency (Pty) Ltd

Appendix G1

Budgeted Financial Performance (revenue and expenditure by standard classification) for the year ended 30 June 2024

| | 2024/2023 | | | | 2023/ 2022 | | |
|--|--------------------|---|--------------------------------|-------------------|--|---|--------------------------------|
| | Original Budget | Budget Adjustments (i.l.o. s28 and s31 of the MFMA) | Final adjustments budget | Actual Outcome | Variance of Actual Outcome against Adjustments Budget | Actual Outcome as % of Original Budget | Restated Audited Outcome |
| | Rand | Rand | Rand | Rand | Rand | Rand | Rand |
| Revenue - Functional | | | | | | | |
| Economic and environmental services | 13 002 830 | - | 13 002 830 | 13 001 857 | (973) | 26 % | 13 296 163 |
| Planning and development | 12 585 230 | - | 10 251 506 | 12 585 230 | - | - % | 10 251 506 |
| Grant received - Service SETA, VAT | - | - | - | - | - | - % | 1 815 010 |
| Liability adjustment, Admin and project costs from SETA | 417 600 | - | 417 600 | 106 799 | (310 801) | 26 % | 1 107 398 |
| Grant received - LG SETA (Waste management project & Bursaries) | - | - | - | 309 828 | 309 828 | - % | 122 249 |
| Interest received | - | - | - | - | - | - % | - |
| Total Revenue - Functional | 13 002 830 | - | 13 002 830 | 13 001 857 | (973) | 26 % | 13 296 163 |
| Expenditure - Functional | | | | | | | |
| Economic and environmental services | 12 720 548 | - | 12 720 548 | 11 583 497 | 1 137 051 | 91 % | 10 369 154 |
| Planning and development | 12 720 548 | - | 12 720 548 | 11 583 497 | 1 137 051 | 91 % | 10 369 154 |
| Total Expenditure - Functional | 12 720 548 | - | 12 720 548 | 11 583 497 | 1 137 051 | 91 % | 10 369 154 |
| Surplus/(Deficit) for the year | 282 282 | - | 282 282 | 1 418 360 | 1 136 078 | 65 % | 2 927 009 |

Greater Tzaneen Economic Development Agency (Pty) Ltd
Appendix G2
Budgeted Financial Performance (revenue and expenditure by municipal entity vote)
for the year ended 30 June 2024

| 2024/2023 | | | | | | | | 2023/ 2022 |
|---|---|--|--------------|-------------------|--|--|--------------------------------|---------------|
| Original Budget | Budget Adjustments (L.C. 528 and 531 of the MFMA) | Virement (L.O. Council approved policy) | Final Budget | Actual Outcome | Variance of Actual Outcome against Adjustments Budget | Actual Outcome as % of Final Budget | Restated Audited Outcome | |
| Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | |
| Revenue by Vote | | | | | | | | |
| Economic and environmental services interest received | 12 595 230 | - | 12 595 230 | 12 595 230 | - | - % | 10 251 564 | |
| | - | - | - | 309 828 | 309 828 | - % | 122 249 | |
| VAT Liability adjustment | - | - | - | - | - | - % | 1 581 230 | |
| Grant received - LG SETA (Waste management project & Bursaries) | 417 600 | - | 417 600 | 106 799 | (310 801) | 25 % | 1 107 396 | |
| Admin and project management costs from SETA. Grant received - service SETA | - | - | - | - | - | - % | 233 780 | |
| Total Revenue by Vote | 13 002 830 | - | 13 002 830 | 13 419 457 | (973) | 25.00 % | 13 296 163 | |
| Expenditure by Vote to be appropriated | | | | | | | | |
| Economic and environmental services | 12 720 548 | - | 12 720 548 | 11 583 497 | 1 137 051 | 91.00 % | 10 369 154 | |
| Total Expenditure by Vote | 12 720 548 | - | 12 720 548 | 11 583 497 | 1 137 051 | 91.00 % | 10 369 154 | |
| Surplus(Deficit) for the year | 282 282 | - | 282 282 | 1 834 960 | 1 136 076 | 65.00 % | 2 927 009 | |

Greater Tzaneen Economic Development Agency (Pty) Ltd
Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2024

| | 2024/2023 | | | | 2023/ 2022 | |
|--|-----------------|--------------|----------------|--|-------------------------------------|--------------------------|
| | Original Budget | Final budget | Actual Outcome | Variance of Actual Outcome against Adjustments Budget Rand | Actual Outcome as % of Final Budget | Restated Audited Outcome |
| | Rand | Rand | Rand | | Rand | Rand |
| Revenue By Source | | | | | | |
| Municipal Grant | 12 585 230 | 12 585 230 | 12 585 230 | - | - % | 10 251 506 |
| VAT liability adjustment | - | - | - | - | - % | 1 581 230 |
| Interest received | - | - | 309 828 | 309 828 | - % | 122 249 |
| Administration and project management costs from SETA, Grant received - Service SETA | - | - | - | - | - % | 233 780 |
| Grant received - LG SETA (Waste management project & bursaries) | 417 600 | 417 600 | 106 799 | (310 801) | 26 % | 1 107 398 |
| Total Revenue (excluding capital transfers and contributions) | 13 002 830 | 13 002 830 | 13 001 857 | (973) | 26 % | 13 296 163 |
| Expenditure By Type | | | | | | |
| Employee related costs | 5 390 525 | 5 390 525 | 4 984 027 | (406 498) | 92 % | 4 276 417 |
| Remuneration of Board | 750 985 | 750 985 | 234 115 | (516 870) | 31 % | 720 810 |
| Lease rental and Operating lease | 727 116 | 727 116 | 674 742 | (52 374) | 93 % | 701 734 |
| General expenditure | 2 442 912 | 2 442 912 | 2 511 898 | 68 986 | (103)% | 1 846 301 |
| Project Costs | 2 902 399 | 2 902 399 | 2 799 300 | (103 099) | 96 % | 2 015 173 |
| Consulting fee | 294 399 | 294 399 | 175 623 | (118 476) | 60 % | 634 011 |
| Depreciation | 200 171 | 200 171 | 199 067 | (1 104) | 99 % | 174 708 |
| Interest expense | 5 434 | 5 434 | - | (5 434) | - % | - |
| Repairs and maintenance | 6 607 | 6 607 | 4 425 | (2 182) | 67 % | - |
| Total Expenditure | 12 720 548 | 12 720 548 | 11 583 497 | (1 137 051) | 435 % | 10 369 154 |
| Surplus/(Deficit) | 282 282 | 282 282 | 1 418 360 | (1 136 078) | 409 % | 2 927 009 |
| Surplus/(Deficit) after capital transfers & contributions | 282 282 | 282 282 | 1 418 360 | (1 136 078) | 409 % | 2 927 009 |
| Surplus/(Deficit) after taxation | 282 282 | 282 282 | 1 418 360 | (1 136 078) | 409 % | 2 927 009 |
| Surplus/(Deficit) attributable to municipality | 282 282 | 282 282 | 1 418 360 | (1 136 078) | 409 % | 2 927 009 |
| Surplus/(Deficit) for the year | 282 282 | 282 282 | 1 418 360 | (1 136 078) | 409 % | 2 927 009 |

Greater Tzaneen Economic Development Agency (Pty) Ltd
Appendix G4
Budgeted Capital Expenditure by vote, standard classification and funding
for the year ended 30 June 2024

| | 2024/2023 | | | 2023/ 2022 | | |
|--|-----------------|--------------|----------------|---|--|--------------------------|
| | Original Budget | Final Budget | Actual Outcome | Variance of Actual Outcome against Adjustments Budget | Actual Outcome as % of Original Budget | Restated Audited Outcome |
| | Rand | Rand | Rand | Rand | Rand | Rand |
| Capital expenditure - Vote | | | | | | |
| Multi-year expenditure | | | | | | |
| GTEDA | 282 282 | 282 282 | 231 806 | (50 476) | 18 % | 268 840 |
| Capital multi-year expenditure sub-total | 282 282 | 282 282 | 231 806 | (50 476) | 18 % | 268 840 |
| Single-year expenditure | | | | | | |
| Total Capital Expenditure - Vote | 282 282 | 282 282 | 231 806 | (50 476) | 18 % | 268 840 |
| Capital Expenditure - Functional | | | | | | |
| Funded by: | | | | | | |