14/15

IMPLEMENTATION ***ON TRACK***

ANNUAL REPORT
2014/15

chda
chris hani
development agency

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LIST OF ACRONYMS

CA	Chartered Accountant
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CHDA	Chris Hani Development Agency
CHDM	Chris Hani District Municipality
CHI	Chris Hani Institute
CUT	Central University of Technology
DHET	Department of Higher Education and Training
FCC	Fort Cox College of Agriculture and Forestry
GRAP	Generally Recognised Accounting Practice
NMMU	Nelson Mandela Metropolitan University
NSFAS	National Students Financial Aid Scheme
PPE	Property, Plant & Equipment
SA	South Africa
SAQA	South African Qualifications Authority
SOC	State-Owned Company
TVET	Technical, Vocational Education and Training
UCT	University of Cape Town
UFH	University of Fort Hare
USB	University of Stellenbosch
WSU	Walter Sisulu University

01

INTRODUCTION

ABOUT CHDA

INTRODUCTION

As far back as 2008, the Chris Hani District Municipality developed the Chris Hani Regional Development Strategy 2008 (CHREDS 2008-2013), which proposed the development of an Economic Development Agency to be mandated with specific focus areas in line with the overall strategic objectives of the District Municipality and in respect of prioritised areas of intervention. In 2011 the Chris Hani District Municipality also adopted a “District Developmental Agenda” that seeks to guide development in its area of jurisdiction.

The Chris Hani Development Agency (CHDA) was then established in 2012 by a Council resolution dated 27th March 2012 in terms of the Municipal Systems Amendment Act No. 44 of 2003, Companies Amendment Act, No 3 of 2011 and Municipal Finance Management Act, No. 56 of 2003, with the purpose of assisting the Chris Hani District Municipality in fulfilling its development agenda.

The CHDA has since then positioned itself as a symbol of hope within the Chris Hani District for the realisation of a better and economically sustainable future through genuine development of human capital and leveraging of physical and natural resources and heritage.

The CHDA has adopted the roles of an adviser, facilitator, and enabler for public and private co-operation, an entry point for regional economic development and a one stop service point for investment opportunities.

VISION

THE AGENCY ASPIRES TO BE AN ECONOMIC DEVELOPMENT CATALYST AND CO-ORDINATOR FOR THE REALISATION OF THE ECONOMIC GROWTH OF THE CHRIS HANI REGION

VALUES & GUIDING PRINCIPLES

THE AGENCY STRIVES TO ACT PROFESSIONALLY AT ALL TIMES. TO THIS END, THE AGENCY ADHERES TO THE FOLLOWING GUIDING PRINCIPLES AND VALUES:

- Commitment
- Honesty
- Respect
- Innovation
- Sincerity
- Humanity
- Accountability
- Nurturing
- Innovation

MISSION

THE AGENCY WILL UNLOCK THE ECONOMIC POTENTIAL OF THE REGION BY ACCELERATING IMPLEMENTATION OF IDENTIFIED HIGH IMPACT PRIORITY PROGRAMMES BASED ON THE NATURAL RESOURCES, PEOPLE AND CAPABILITIES WITHIN THE DEVELOPMENT CORRIDORS

The Agency is committed to the realisation of a reduction in both poverty and unemployment in the region through the adoption of the strategy of:

- creating a viable organisation (established administration, processes and governance),
- creating viable agricultural clusters (established agriculture and agro-processing activities and related value chains),
- focusing on partnerships and stakeholder engagement to realise synergies on development initiatives

The outcome to date has been the establishment of the Agency and the development of a comprehensive programming unit within the Agency, fully committed to implementation of economic development initiatives through mainly agriculture and agro-processing, skills development programmes, and investment promotion activities geared towards creating self-sustaining rural economies, jobs, employability of residents in various key sectors, as well as establishment of new business.

Vegetable tunnels at Incucorp, Tsolwana

02 OPENING REMARKS

MAYOR'S FOREWORD
CHAIRPERSON'S STATEMEMT
CHIEF EXECUTIVE OFFICER'S REPORT

MAYOR'S **FOREWORD**

MXOLISI **KOYO**
EXECUTIVE MAYOR
CHRIS HANI DISTRICT MUNICIPALITY

Economic development finance is a strategic and a powerful tool in the fight against poverty, unemployment and inequality within the Chris Hani District Municipality. Successful development agencies throughout South Africa have, depending on their mandates, made significant contributions to economic expansion, sector development, industry renewal, enterprise growth, transformation and inclusive development, among other economic and societal goals. The Chris Hani Development Agency is one example and carries the mandate of economic development within the district.

In 2014/15 the Chris District Municipality continued to lead the economic development through an integrated approach between the Integrated Planning and Economic Development Directorate and the Chris Hani Development Agency. Our economic development programmes and humanitarian initiatives, through the bursary fund amongst others, had deep development impact in the community despite some challenges and this calls for speed in implementation, innovation in conceptualising programmes and efficiency in utilising scarce resources.

Improving the lives of the Chris Hani District Municipality people is ultimately the best long-term solution for dealing with the root causes of problems that affect us here, such as poverty, inequality, and unemployment. On prosperity, driving enterprise development and jobs is critical for supporting the economic expansion and markets of the future for Chris Hani District Municipality business in other areas of South Africa.

We continue to achieve against our commitments. By the end of 2014/15 the Agency had provided agricultural inputs for the harvesting, completed land preparation and planting activities in the 2014/2015 cropping season and planted 800 hectares of maize in the Qamata and Bilatye Irrigation Schemes. A total of 20 learners are currently having their tertiary studies funded by the Mayor's Bursary Fund being administered by the Agency. The students are enrolled for various qualifications in agriculture, mechatronics, engineering, tourism studies and information technology and related fields. For the year under review, a total of R1.1 million expenditure was realised in the provision of student accommodation, school books and stationery, as well as tuition and food stipends to bursary fund participants. Apart from the above the learners were also provided with laptop computers. The Agency has been further tasked to expand the resources available to the youth in order to improve their skills. By supporting programmes and good governance in the district, we are standing up for the values we believe in. Our investment in economic development is helping the Chris Hani District Municipality to stand tall in the Eastern Cape and South Africa.

The Agency continues to scale up and broaden its work on inclusive growth and jobs. Economic development is unequivocally the only way we can end generational poverty and grant dependency for good. We will be making it easier for job-creating entrepreneurs and small businesses in the district to grow their businesses through the development of the agri-parks and other economic means. There are however, many challenges within the communities and other community support structures - some have long historical backgrounds and others may be due to short-sightedness. These are not unique to any place where economic development efforts are being made but need unique area specific solutions. The District Municipality and the Agency are working on sustainable solutions for these challenges.

I must thank the council, particularly the MMC responsible for local economic development and the Board of the Agency for their support and effort in achieving the progress we have made so far. I am particularly humbled by the fact that you have entrusted me with the responsibility to lead. Thank you

CNLR MXOLISI KOYO
EXECUTIVE MAYOR
CHRIS HANI DISTRICT MUNICIPALITY

17 December 2014

CHAIRPERSON'S **STATEMENT**

MLULAMI **MANJEZI**
CHAIRPERSON OF THE BOARD
CHRIS HANI DISTRICT MUNICIPALITY

Economic development at local government level is one of the primary linkages of development between the district municipality and the community, with conflicting expectations and demands for greater efficiencies and agility. The mandate of the Chris Hani Development Agency seeks to balance the stringent legislative expectations with demands of the community for greater efficiencies and agility through facilitating and delivering economic services in order to expand employment, eradicate poverty and reduce inequality within the Chris Hani District Municipality. This called for the development of a long term strategy with clear objectives to guide management and the Agency.

STRATEGY

The Board developed and approved the strategy of the Agency for the next five years 2014 - 2019. The Shareholder and other stakeholders will be able to retrace the achievement of the strategic objectives in the current and future annual reports for the next five years. The Board is aware of the dynamism of the environment within which the Agency operates and has committed to review the strategy on an annual basis in order to ensure that it is adapted accordingly.

The Agency's mandate is to promote economic development and growth through its involvement in preparing, facilitating, funding or delivering impactful development projects and programmes within the Chris Hani District Municipality.

In an effort to remain focused the five year strategic plan identified three strategic goals that is that of a proficient and viable institution, viable and sustainable clusters and partnership building and stakeholder relations. Management have made strides in achieving these goals through, amongst others, achieving an unqualified audit opinion from the auditor general (see pages 58-60), developing impactful projects in primary agriculture and the environment (see pages 14-19) and have engaged the communities and stakeholders through social facilitation programmes and investor conferences (see pages 23-26). The strategic enablers which will assist the Agency in delivering on these goals have been identified and are in the process of being implemented under the watchful eye of the Board.

POLICIES

Since the inception of the organisation the Board has conceptualised and approved several policies to guide decisions and achieve rational outcomes and to assist in both subjective (assist senior management with decisions that must consider the relative merits of a number of factors before making decisions and as a result are often hard to objectively test) and objective (usually operational in nature and can be objectively tested) decision making - in other words these policies merely guide actions toward those that are most likely to achieve a desired outcome. In the current financial year a total of eight polices were developed (see pages 35). All the policies are taken to be living documents and will be reviewed continually. The Board will ensure that these reviews are done systematically and are in the best interest of the organisation.

GOVERNANCE

The Board of Directors of the Agency has a dual mandate firstly, that of being an advisor in the sense that it consults with management regarding the strategic and operational direction of the Agency and secondly, it monitors the Agency performance to ensure that it operates within the approved budget and achieves the set performance targets. The Agency Board in the year under consideration has satisfied both these functions.

The governance structures have been set up and are functional as evidenced by the unqualified audit report and the Chief Executive Officer on a five year performance based contract. The Board has set up three sub-committees that is audit, risk and ethics (the primary purpose of the Audit, Risk and Ethics Committee is to assist the Agency by fulfilling its oversight responsibilities to ensure that the organisation has and maintains effective, efficient and transparent systems of financial, risk management, governance and internal control), human resources and remuneration (the primary purpose of the Human Resources and Remuneration Committee is to assist the Agency by ensuring the human resource and the attendant systems are operating efficiently and optimally) and projects and investment (the focus of the committee is on matters relating to, or having a bearing on the overall financial management and business development performance of the Agency) (see page 30) and it is now in the process of strengthening these committees as the Agency's implementation programme gains momentum. This year, we have included extensive reports from each of the committees to indicate their roles and responsibilities (see page 30).

The board will look to build on this progress during 2015–16. Five meetings were held by the Board in the 2014/15 financial year. I wish to thank all Board Members for the contributions they have made throughout this period of accelerated implementation.

PERFORMANCE

In the year 2014/15 the Agency has improved its performance from the previous financial year and over achieved in almost seventy five percent of its targets. The Board wishes to thank management and staff for this achievement and encourage them to continue with the splendid work they are doing. The major areas of emphasis, amongst others, as the Agency accelerates implementation should be risk management, fund raising and resource mobilisation, ensure that the work being done in the irrigation schemes is fully supported by the communities through extensive and in-depth social mobilisation and ensure fast tracked skills development through the bursary fund.

OUTLOOK

In the district, the Agency will continue to centre its development efforts through facilitating social cohesion and economic development particularly in areas where it is implementing projects. The focus will be mainly in corridor development, irrigation schemes, agri-parks and building strategic partnership. While the Agency understands that the Special Economic Zones have already been identified it will continue to ensure that all the elements that make up these are taken into consideration in facilitating economic development. The Board will in the future be involved in facilitating some of the economic development elements.

MLULAMI MANJEZI
CHAIRPERSON OF THE BOARD
CHRIS HANI DEVELOPMENT AGENCY

17 December 2014

CEO'S **REPORT**

THUKELA **MASHOLOGU**
CHIEF EXECUTIVE OFFICER
CHRIS HANI DEVELOPMENT Agency

Celebrating a **Successful First Year** of **Programme Implementation**

When reviewing the past year, quite a number of highlights indicate that this was a successful year for the Agency. It has been a time of accelerating programme implementation and establishment of a competent operational team that is able and willing to serve the communities of the district. Taking up the helm at CHDA at the end of the 2013/2014 financial year, I was fully conscious of the work ahead and the expectation of the shareholders - Chris Hani District Municipality with its eight Local Municipalities. One of the biggest hurdles I have had to overcome was balancing the establishing an institution that complies with all the legislative transcripts and ensuring efficient and seamless implementation of programmes and projects for the benefit of our communities.

The Agency had notable successes, and a number of challenges, but performance overall was satisfactory, with the realisation of 74% of its performance targets for 2014/2015.

A Clear **Strategic Direction**

This was indeed a very important year for the Agency, as it was the first year of implementing the new 5 year Strategic Plan and kick-starting programme implementation. This year also saw a total review of the Organisational Structure responding to the changing strategic direction, with the advent of new staff and new policies and procedures being implemented, as well as dedicated focus on performance objectives.

Programming and **External Operations**

Whereas our mandate focuses our efforts on agriculture agri-business development and skills development, we geared ourselves up to participate in the entire district economic development landscape with the intention of working hand in hand with the development partners in achieving the Chris Hani Development Agenda through our special projects portfolio.

The programming and external operations for the year focused on the strategic objective of the realisation of viable and sustainable economic clusters. Key performance areas on the programming agenda for the Agency in the year under review were:

- Resuscitation of irrigation schemes
- Establishment of a fully operational mechanisation center
- Movement towards operationalisation of existing grain silos for Qamata
- Building of the relevant skills base in the district through the Agency's administration of the bursary fund, learnership and internship programmes, as well as hosting of career exhibitions
- Investment promotions and SMME development, and creation of new jobs and employment opportunities

THE AGENCY HAD NOTABLE SUCCESSES AND A NUMBER OF CHALLENGES, BUT PERFORMANCE OVERALL WAS SATISFACTORY, WITH THE REALISATION OF 74% OF ITS PERFORMANCE TARGETS FOR 2014/2015.

The success was enabled by the staffing of key positions in the projects unit to drive implementation, namely the appointment of the Executive Manager Operations (EMO) as head of the programming unit. the Project Manager: Irrigation Schemes, Project Manager: Agribusiness Development and Project Officer: Skills Development. These appointments allowed for the formation of a fully-fledged projects unit, to help drive the Agency's development agenda for the year.

In addition, key partnerships with development stakeholders allowed for the synergies required to drive complex agriculturally-driven development programmes and to allow the Agency to access skills and expertise not owned in-house.

In the realisation of these targets the Agency's external operations managed to generate 200 of a targeted 150 jobs, resulting in the job creation from programming objective being exceeded. Unmet performance targets will be moved to the first quarter on next financial period.

Investment Promotion and SMME Development

In the area of investment promotion and SMME development, the Agency met all its set targets for the year under review. The Agency, in partnership with the CHDM and CHCDC, hosted an investor round table conference in December 2014. This event invited various development partners and stakeholders to the district, and informed them on all investment potential and challenges for development in the district. This year, Also in partnership with CHDM, COEGA and other stakeholders, we saw the finalisation of a feasibility study on the proposed special economic zone (SEZ) for the Chris Hani District. Taking the SEZ feasibility to implementation saw the development of two business cases, one for the Queenstown Industrial zone (made of Queendustria and Ezibeleni Industrial Complexes) and the Agripark business plan.

It has become apparent that the Agency cannot solely rely on the Operational Grant from the Chris Hani District Municipality (CHDM) to achieve its goals and objectives. There is thus a secondary focus for innovative sourcing of complementary and co-funding opportunities from other sources that include provincial and national government departments, DFi's and donor organisations within the development space.

In an attempt to raise additional income that will be used to finance both operational and developmental function, the Agency has positioned itself for appointment as Implementing Agent for key strategic developmental projects at an agreed services fee. One project of this caliber is the Lukhanji Waste Buy Back Centers.

Agency Function and Other LED Activities

On the skills development front the Agency is administering the Mayor Bursary fund that sees a total of 20 learners currently having their tertiary studies.

A total of four career exhibitions were held by the Agency in Engcobo, Cofimvaba, Queenstown and Lady Frere in 2014/2015.

In its partnerships with Bigen Africa and Crimson Co., the Agency successfully implemented the Water and Sanitation Learnership and Internship programme. This programme saw a total of 175 youth from the district being trained in plumbing, water purification, reticulation and supervisory skills.

Internal Management

The internal operations for the year focused on the strategic objective of the realisation of a viable and proficient organisation. Key performance areas on the administration and internal operations agenda for the Agency in the year under review were:

- Realisation of a functional board and sub-committee structure
- Attainment of a favourable audit in 2014/2015
- Management of OPEX within budget, and raising of additional non-operational grant funding
- Development of an internal controls and policy environment
- Realisation of a functional internal audit function
- Development and implementation of a comprehensive risk management framework
- Strategy and consistent performance

The Agency had notable successes, and a number of challenges, but performance overall was satisfactory, with the realisation of 80% of its performance targets for 2014/2015.

The success was enabled by the staffing of key positions in the projects unit, namely the appointment of the Chief Finance Officer (CFO) as head of the finance and administration unit, and three additional interns for financial administration assistance. These appointments allowed for the formation of a fully-fledged finance unit, to help drive the Agency's finance, HR and SCM agenda for the year.

In addition, key partnerships with outsourced internal auditors, Mazars, and company secretaries, MMV Attorneys, allowed the Agency to access skills and expertise not owned in-house.

The Agency had an overall satisfactory year in respect of performance and attaining set goals and objectives, especially given that 2014/2015 was the first year the Agency would be reporting on predetermined objectives.

As the Agency progresses with the implementation of projects and programmes, and attains firm project funding and implementation milestones, the setting of measurable targets and the evaluation of performance will become more objective and easily measurable.

THUKELA MASHOLOGU
CHIEF EXECUTIVE OFFICER
CHRIS HANI DEVELOPMENT AGENCY

17 December 2014

Gratitude

I would like to thank the CHDA Board for their leadership and guidance throughout the year. My greatest gratitude goes to the CHDM leadership, for the funding and continued support of our operations.

And, to the CHDA employee team, your commitment and dedication has been monumental for the current achievements of the institution. I thank you in anticipation of your support and commitment to the strategic direction of the organisation and for your continued efforts as CHDA's brand ambassadors.

I therefore look forward to a stimulating and challenging year ahead as we break new ground in rolling out an impressive programmes and projects portfolio. Let us seek to push boundaries, and become a strong force for change in our district towards stimulation of our regional economy.

03

PERFORMANCE

PROGRAMMES AND EXTERNAL ACTIVITIES

IRRIGATION SCHEMES,
AGRICULTURAL VALUE CHAIN DEVELOPMENT,
MECHANISATION,
INVESTMENT PROMOTION,
SKILLS DEVELOPMENT PROGRAMMES & AGENCY IMPLEMENTATION SERVICES

INTERNAL ACTIVITIES

FINANCE AND SCM,
ADMINISTRATION / CORPORATE SERVICES

Executive Mayor Cllr. M Koyo climbs aboard harvester at Qamata, Intsika Yethu

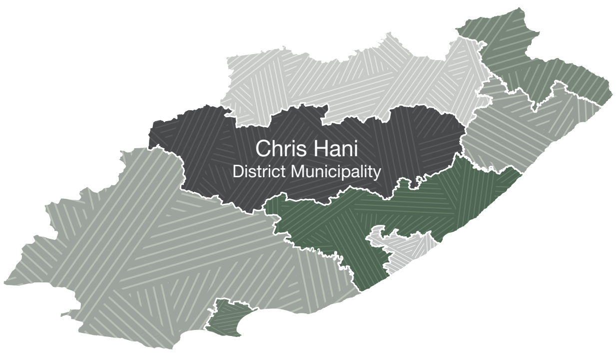
ESTABLISHMENT OF **STRONG PARTNERSHIPS**

The Agency performed well with the help of key development partners in 2014/2015. These partnerships focused on shared vision and performance outcomes between stakeholders, as well as financial and technical expertise in various CHDA programmes.

KICKSTARTING **SUCCESS**

The year was also one for celebration, as it saw the start of a solid programming portfolio going forward, hence the theme of this year's annual report being ''Implementation on track…". The Agency operations were extended to include reach in most of the district's local municipal areas through programming in agriculture and agro-processing, agricultural value chain development, skills development, stakeholder engagement and other LED programmes.

CHRIS HANI
DISTRICT MUNICIPALITY
& THE PROVINCE OF THE EASTERN CAPE



IN ITS PROGRAMMING ROLLOUT, THE AGENCY TOOK ON THE MULTI – FACETED ROLE OF:

The **Agricultural** Enabler

This year saw the Agency positioning itself as a key partner in the resuscitation of irrigation schemes in the district, with a focus on Qamata and Bilatye, and support to Ncorha and Shiloh. Support at the schemes included technical assistance in setting up governance structures and processes, and mobilisation of community groups to create formal institutional arrangements, as well as development of various planning documents and feasibility analyses. In addition, funding was spent on the acquisition of new equipment and implements, and the provision of inputs for agricultural activities to boost production.

In addition to this support, the Agency was hands on in driving mechanisation services for emerging farmers in the district through the mechanisation centre at Qamata.

Lastly, the Agency's agri-business development activities brought about the creation of markets for produce from the Chris Hani District, with various buyers being identified, and offtake agreements being signed.

Supporter of **Local Business**

Most of the Agency's initiatives are geared towards improving communities at a socio-economic level through support of local businesses.

This can be seen from the involvement with small scale produce farmers at the irrigation schemes and surrounding villages, as well as through engaging local suppliers wherever possible in formal supply chain activities on a daily basis. The Agency has formed an association with the Chris Hani Business Forum which is a broader business voice for small business in the district. This partnership seeks to unleash business opportunities and package business proposals to help the thriving small business commerce. Plans are in place to also forge partnerships with other business formation in the district especially the Border Kei Chamber of Commerce that represents established business in the district.

Also, the Agency practices a preferential procurement policy, geared at supporting small businesses, and those owned and managed by women, youth or people with disabilities.

Facilitator of **Skills Development**

CHDA has noted the need to build capacity and knowledge in the field of development. The Agency has been administering the Chris Hani Bursary Fund since 2012/2013 that amounts to R2 million. The programme is currently assisting 20 students from disadvantaged backgrounds from throughout the district in their tertiary studies, ranging from engineering and mechatronics, to agriculture and tourism, as a means of building the skills base and operational capacity in the Chris Hani district. These students are pursuing their studies in the following institutions; Nelson Mandela Metropolitan University (NMMU), University of Cape Town (UCT), University of Stellenbosch (USB), University of Fort Hare (UFH), University of the Western Cape, Walter Sisulu University (WSU), Central University of Technology (CUT), Fort Cox College of Agriculture and Forestry (FCC) and Grootfontein College of Agriculture.

In addition, the Agency has facilitated a learnership and internship programme with Bigen Africa on sanitation, water and plumbing skills. The next year will focus on placement of 175 learners, who have undergone theory and practical training in 2014/2015.

The **Waste Champion**

As an implementer for the Department of Environmental Affairs (DEA), the Agency is involved in the Lukhanji Waste Buy-Back Centre's initiative, which is geared at the creation of waste collection buy-back centres in the district.

This will assist the local municipality in its waste management services, and is envisaged to promote job creation through the establishment of waste collection co-operatives.

PROGRAMMES AND EXTERNAL OPERATIONS

ZOLILE
DUZE

EXECUTIVE MANAGER OPERATIONS

CHRIS HANI DEVELOPMENT Agency

INTRODUCTION

2014/2015 was an important year for the Agency, as it saw the Agency in its first year of programme implementation. It was also a year of changes in the organisation, with the advent of new staff and new policies and procedures being implemented, as well as a new focus on performance objectives. This report section will focus on all Agency external programming and internal management issues for the year 2014/2015.

The programming and external operations for the year focused on the strategic objective of the realisation of viable and sustainable economic clusters.

Key performance areas on the programming agenda for the Agency in the year under review were:

- Resuscitation of irrigation schemes
- Establishment of a fully operational mechanisation centre
- Movement towards operationalisation of existing grain silos for Qamata
- Building of the relevant skills base in the district through the Agency's administration of the Bursary Fund, learnership and internship programmes, as well as hosting of career exhibitions.
- Investment promotions and SMME development, and creation of new jobs and employment opportunities.

The Agency had notable successes and a number of challenges, but performance overall was satisfactory, with the realisation of 74% of its performance targets for 2014/2015.

The success was enabled by the staffing of key positions in the projects unit, namely: the appointment of the Executive Manager Operations (EMO) as head of the programming unit, the PM: Irrigation Schemes and PM: Agri-business Development positions to drive implementation. These appointments allowed for the formation of a fully-fledged projects unit, to help drive the Agency's development agenda for the year.

In addition, key partnerships with development stakeholders allowed for the synergies required to drive complex agriculturally-driven development programmes, and to allow the Agency to access skills and expertise not owned in-house.

In the realisation of these targets the Agency's external operations managed to generate 200 of a targeted 150 jobs, resulting in the job creation from programming objective being exceeded. Unmet performance targets will be moved to the first quarter on next financial period.

ZOLILE DUZE
EXECUTIVE MANAGER OPERATIONS
CHRIS HANI DEVELOPMENT AGENCY

28 October 2015

IRRIGATION SCHEMES

The CHDA has been mandated with the revitalization of the existing irrigation schemes at Qamata, Bilatye, Ncorha and Shiloh. The focus areas of the Agency for the year under review were the irrigation schemes at Qamata and Bilatye, and assisting the other two schemes as and when required.

Key deliverables for the year were:

- The development of a scheme operating model, or institutional framework to guide operational and governing structures at the schemes,
- The development of social charters for irrigation schemes and scheme operations within local communities
- The development of business plans on production and implementation going forward for Qamata and Bilatye
- The development of production plans for Qamata and Bilatye,
- The provision of agricultural inputs for the harvesting, land preparation and planting activities in the 2014/2015 cropping season,
- The Identification of private partnerships for production

In addition to the above, the Agency committed towards the operationalisation of the existing grain silos at Qamata, as part of the irrigation scheme production support provided. The silos would be crucial in the harvesting and storage of grain crops from the irrigation schemes.

Qamata and Bilatye

The Agency assisted the irrigation schemes with the development of their annual production plans, and their annual production of maize. A total of 800 hectares were targeted for planting and all 800 hectares were planted successfully. This was supported by the Agency's support in the land preparation activities prior to planting, as well as the provision of agricultural inputs (seeds, chemicals, fertiliser) during the cropping season, and finally at the harvest preparation at the end of June 2015, totaling over R2,9 million for the year, including repairs and maintenance to irrigation centre pivots.

Maize Crop, Qamata Irrigation Scheme, Qamata

Ncorha and **Shiloh**

Vineyard, Shiloh Irrigation Scheme, Whittlesea

The Agency entered into plans to assist the Shiloh irrigation scheme in expanding its existing vineyard by an additional seven hectares, to a total of 12 hectares, with the intention of establishing a winery in the future.

This would be achieved through assistance with the sourcing of root stock for the wine grape varietals to be planted, as well as equipping the vineyard with the required equipment for expansion. In addition, the Agency committed to assisting with the required equipment and implements for preparation of the vineyard for planting, as well as plant maintenance.

At the end of the year under review, the Agency had procured over R300 000 in root stock, and appointed service providers for the required equipment and implements to the value of over R1,100 000.

The Agency also committed to assisting the two schemes with the development of annual financial statements for 2014/2015, and the development of financial processes and standard procedures.

This would allow for the establishment of baseline financial information on scheme interventions for the Agency, but far greater, afford the two schemes an opportunity to have their operations reviewed, and assisted to be financially accountable and viable going forward. This would put them in a better position for financial support going forward as they would be able to demonstrate their financial management ability.

A provider was appointed in May 2015 for the assignment, but delays from scheme members resulted in the annual financial statements not being finalised by end of the financial year. This target was therefore moved to the following year.

Institutional **Models** and **Social Charters**

For all the schemes above, the Agency developed a comprehensive scheme model or institutional framework to govern all operations.

However, due to late filling of key management personnel positions, the vacant positions of social facilitators could not be filled in the first half of the year for the timely development of social charters on the irrigation schemes identified. SCM processes were started in May 2015, and a timely appointment could not be finalised in time for the charters to be finalised by year end. This target has been moved to 2015/2016 for completion.

However, the partnership with ECRDA enabled the development of social charters for Ncorha irrigation scheme activities.

Establishment of **Key Partnerships**

Key partnerships were successfully established with various private organisations, which all contributed to the success realised at the irrigation scheme intervention during the year under review.

These partnerships were established with the following valuable development stakeholders:

- The Chris Hani District Municipality (CHDM) provided a grant of R2 million towards the expenditure on agricultural input costs
- The Grain Farmers Development Association (GFADA) approved a maize cropping subsidy of R1,6 million of which R966 000 was received and would be utilised for crop insurance and lime in the current financial year, and the balance drawn down in 2015/2016
- Omnia Fertilizer Group came on board and offered emerging grain farmers a R6 million facility to access fertiliser in bulk at wholesale prices, repayable on harvest and sale of produce
- Farmwise partnered with the emerging farmers, and was able to successfully find a market for all grain harvested at the going SAFEX market rate
- MBB Consulting assisted in the review and update of existing business plans to identify revitalisation business plans for the operations at Qamata and Bilatye
- Eastern Cape Rural Development Association (ECRDA) facilitated the development of social charters at Ncorha
- Training of irrigation scheme personnel and co-operatives

Was provided by DRDAR, on a skills exchange partnership Despite the above successes, the irrigation schemes programme did not go without challenges.

Key challenges faced during the year, and expected to continue into the following years are:

- Irrigation infrastructure is old and requires replacement and the current system is not economical
- Access to irrigation water is a problem since farmers have debts with the Department of Water Affairs
- Community buy-in needs to be reinforced through social facilitation

Grain Silos, Qamata

Operationalisation of **Grain Silos**

The grain silos at Qamata were identified as a key factor in the success of CHDA's cropping programme.

An operational plan was developed for the silos at Qamata and the silos were fumigated during the year under review in readiness for the upcoming harvesting period in July 2015.

AGRICULTURAL VALUE CHAIN DEVELOPMENT

In the area of agricultural development, the Agency has focused on the development of key identified sectors, and the development of value chains around them, namely:

- Livestock
- Vegetable production
- Fruit production
- Maize and other grain crops
- Forestry

The development of value chains would assist in the realisation of economic spin-offs from secondary industries arising out of the production of basic agricultural products in the district.

Key deliverables for the year were:

- The development of new partnerships to assist with the creation of new business ventures in the identified agricultural value chains
- The development of new value chains in livestock, crop and vegetable production and forestry

The focus of these deliverables would be that of assisting emerging farmers with intensification of primary production, value addition and market linkages. All value chain initiatives are located within irrigation schemes and outside the scheme environment.

Livestock Initiatives

The beef industry was a focus area for CHDA's initiatives in livestock development for the year under review. Currently, the district has five primary cooperatives involved in beef production and a secondary cooperative responsible for a feedlot and abattoir. NDA, NAMC, DRDAR and DRDLR are currently assisting the feedlot with feed, infrastructure and vet services, and CHCDC is involved in institutional capacity building and governance training for the co-operatives.

The Agency, in partnership with Ikhephu Secondary Co-op, Berlin Beef and the Masisizane Fund, submitted a beef livestock value chain development application to the Jobs Fund for a total funding of R30 million.

The remaining R30 million would be invested by the partners Berlin Beef and the Masisizane Fund, resulting in a total of R60 million being fundraised for livestock development activities in 2015/2016.

This partnership is expected to create a viable market for livestock farmers in the district. In addition, the success of the Jobs Fund application and implementation will result in further assistance to the Sakhisizwe cooperatives operating the feedlot, as well as towards operationalising the currently dormant Cala Abattoir.

In addition, the Agency is currently providing technical support to the Engcobo Local Municipality on the development of a poultry business plan for implementation in 2015/2016.

Key challenges to the success of the beef value chain rollout include lack of proper institutional set-up resulting in conflicts and lack of cohesion between primary cooperative and secondary cooperative, leadership issues, and lack of administrative capacity at secondary cooperative level, operations of the current feedlot, the delays in renovations of Cala Abattoir, and the farmers entering into agreements without involvement of other stakeholders (AST strategic partnership).

There are also dairy activities at Shiloh and Ncorha, in a partnership between the local community members in the secondary cooperative and Amadlelo. The partnership provides land for grazing, and livestock and vet services to ensure optimal production of milk. The partner also assists with the marketing of milk, and proceeds shared by both partners in the trust. The success of these dairy activities will pave the way for the planned resuscitation of the now dormant Dordrecht Cheese Factory in 2015/2016.

Elliot Feedlot, Sakhisizwe LM

Fruit and **Vegetable** Initiatives

Fruit
The fruit value chain development initiatives have included the Agency assisting with the revitalisation and expansion of the existing vineyard at Shiloh in Whittlesea.

The expansion is an additional seven hectares to the existing five hectares, to result in 12 hectares of vineyard being produced. CHDA has provided financial support in the procurement of chardonnay root stock for planting, as well as vineyard equipment and implements and trellising materials.

Plans are underway to develop a business plan in 2015/2016 for a winery at the irrigation scheme.

Also, in a partnership with POMEC, a feasibility study and business plan were developed for pomegranates as a high-value crop opportunity for the district.

However, there may be delays in implementation as studies are still underway on identification of a suitable compatible crop.

Vegetables
There were a number of initiatives in vegetable value chain development in the year under review.

CHDM, in partnership with the CHCDC, is implementing a vegetable value chain initiative called Incucop. This is based on the incubation model of developing small scale or emerging farmers.

To date, 20 tunnels and open field growing initaitives are active at Tendergate and started producing in December 2104.

Currently, there is construction of 30 tunnels at Lower Lufutha at Cala and of a pack-house near Queenstown in partnership with the DTI. Currently, funding is being sourced for the construction of 20 tunnels in Lukhanji LM, and for financing the graduate producers from the incubator at Tendergate.

The Agency assisted with the development of a business plan for the implementation of a butternut project, which was submitted to the Masisizane Fund for funding.

The Agency's partnership with Sakata and Potato SA has resulted in subsidised feasibility studies on potato production in the district and approved donation of seed potato for a 12 hectare area, valued at about R360 000. Planting of the delivered potatoes is planned for Qamata with the assistance of Ntinga Development Agency's machinery.

Grain Crop Initiatives

The Buyambo Red Hub was implemented through ECRDA with the aim of producing sorghum in Lady Frere. A total of 800 hectares of sorghum was planted in November 2014 with an average of one ton/ha harvested.

CHDA as part of the technical committee was requested to assist with market facilitation, which resulted in United Breweries, Tiger Brands, and PSP showing interest in buying of sorghum produce from Buyambo. Through the Agency's facilitation, Border Seed and PSP trades have resulted in sorghum purchases valued at over R700 000.

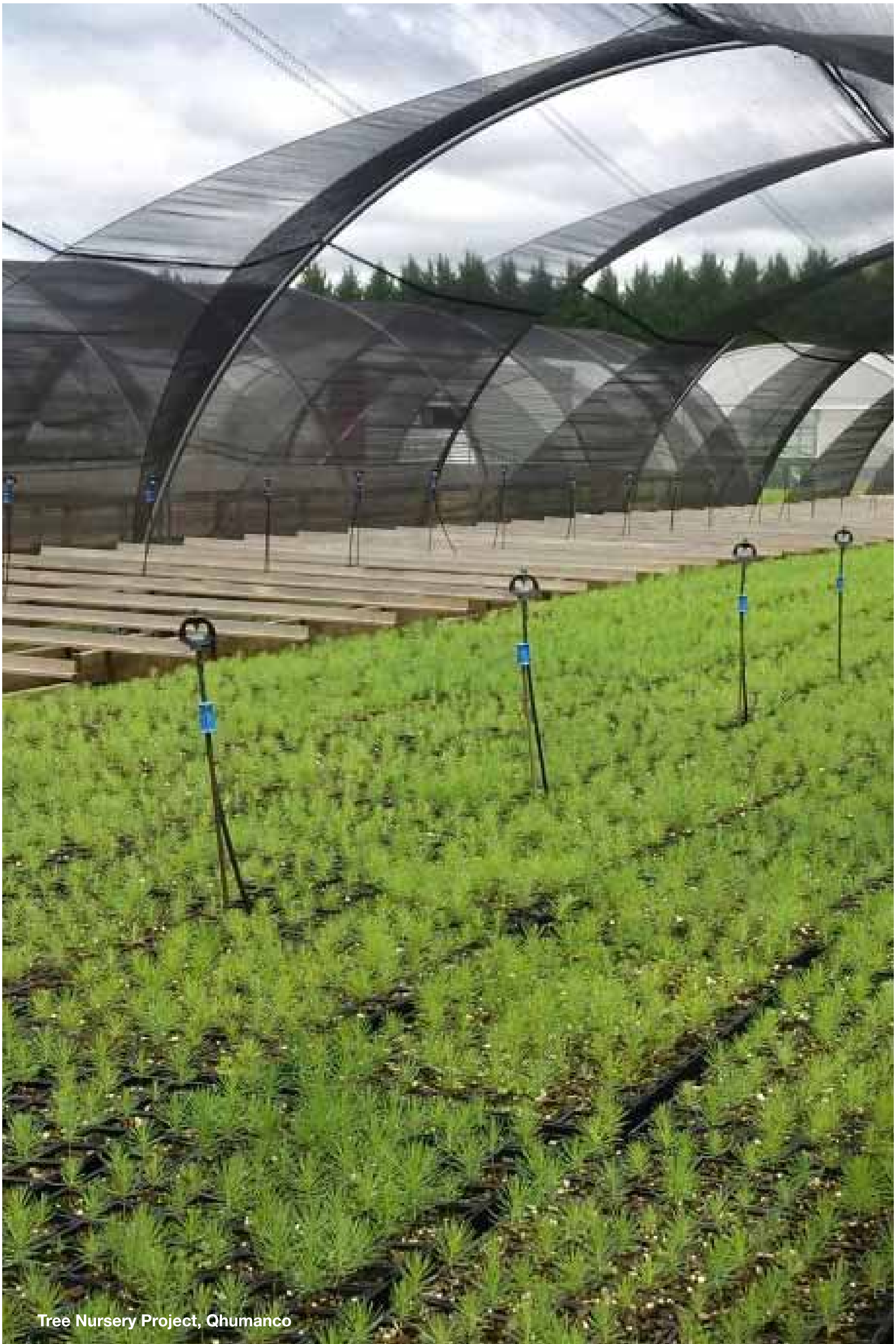
The Agency also assisted with offtake agreements for the sale of the maize crop planted in 2014/2015 to be harvested in 2015/2016. FarmWise would facilitate the sale of maize at the applicable SAFEX rate upon harvest.

Forestry Initiatives

CHDM funded a Tree Nursery at Qhumanco Village. The main focus was the production of trees for an afforestation programme planned for the DM and other Districts.

CHDM and CHDA facilitated markets for the tree nursery to supply PG Bison with 260 thousand seedlings and development of a business plan for expansion of the nursery to supply more seedlings.

NDA has approved R250,000 for expansion and the CHCDC is assisting with institutional capacity building and governance training.


Tree Nursery Project, Qhumanco

MECHANISATION CENTRE ACTIVITIES

The mechanisation centre at Qamata was a CHDM programme handed over to the Agency for implementation.

The programme, currently in its first year of operations, achieved all its objectives for the first year:

- Dicla, the technical partner, carried out operations for the year as per the service level agreement
- An operational plan was developed for the centre for the 2014/2015 year, and reviewed and updated for implementation in 2015/2016
- The centre was officially registered as an NPC and a board was appointed by the end of the reporting period. Board activities and training are expected to commence in the new year.

The centre had a budget allocation of just over R3 million and all budget was spent on operations, including salaries and wages for centre staff, safety gear and related items, repairs and maintenance of equipment, purchase of fuel, spares and inventory for the equipment and workshop, and project management fees.

The centre has provided mechanisation and technical support to emerging farmers in the areas of Qamata, Bilatye and Cradock, ranging from the land preparation assistance to the planting and harvesting assistance.

In addition, the operationalisation of the centre resulted in 18 new jobs being created in the appointment of centre artisans and equipment operator staff. All staff are on three year contracts, renewable on performance and achievement of required accreditation levels.

Various training has taken place during the year to develop the trainee artisans and operators towards full capacity. A certification ceremony was held in which all 18 new staff who had undergone training were handed their first certificates.

In addition, the center managed to realise a turnover of R496 441 in its first year of operations. Despite the centre making a positive impact on emerging farmers in the areas of its operation, it is faced with a number of challenges that have to be resolved so that the centre can grow and continue to provide a value add service in future:

- The centre needs renovations, as well as running water and electricity connection. Renovations are expected to be conducted in the next financial period, but delays with the water and electrical connections could delay matters further
- Approved funding if R5 million from IDC was not received in the reporting period as expected, reducing planned expenditure and operational activities planned significantly
- Limited equipment and machinery results in a limited service that can be provided at any one time and excessive pressure on existing equipment. This affects the wear and tear on equipment, as well as earning potential of the centre, as currently most activities are limited to within the irrigation schemes
- Limited administrative staff compared to the complexity of operations resulted in the Agency hiring a contract worker for financial and administrative assistance to the project
- Most activities are still subsidised, and the challenges have a negative impact on the possibility of the centre one day becoming self-sufficient or profitable.

Trainee Certification Ceremony,
Qamata Mechanisation Center

INVESTMENT PROMOTION AND SMME DEVELOPMENT

In the area of investment promotion and SMME development, the Agency met all its set targets for the year under review.

Promotion of Chris Hani as a **Preferred Investor** District

Investor Round Table
The Agency, in partnership with the CHDM and CHCDC, hosted an investor round table conference in December 2014. This event invited various development partners and stakeholders to the district, and informed them on all investment potential and challenges for development in the district.

The conference was accompanied by site visits to various value chain areas of primary production, including the irrigation schemes, livestock and dairy production and facilities in Sakhisizwe, and the dormant Elitheni Coal Mine in Emalahleni Local Municipality.

SEZ and Agriparks
The Agency, in a partnership with CHDM, Coega and other stakeholders, finalised a feasibility study on the proposed special economic zone for the Chris Hani District. This SEZ would assist in the realisation of the district development agenda through its enabling infrastructure for value chains and rural economic clusters throughout the district, leading to economic spinoffs such as job creation, small business development and secondary industries.

A business case was also developed for an agripark in the district, and this was presented to the DTI and DRDAR for consideration.

International Linkages and Learning Opportunities
The CEO travelled to India in a delegation consisting of various development and agricultural stakeholders. The group was attending the 2014 Indo-South African Week held at various locations in India.

The purpose of this visit was to establish international linkages with India on possible production export from the Chris Hani district on required food stuffs, as well as learn about best practice in large scale primary agriculture activities centered on rural communities and food parks.

AGENCY FUNCTION AND OTHER LED ACTIVITIES

It has become apparent that the Agency cannot solely rely on the Operational Grant from the Chris Hani District Municipality (CHDM) to achieve its goals and objectives. There is thus a secondary focus for innovative sourcing of complementary and co-funding opportunities from other sources that include provincial and national government departments, DFi's and donor organisations within the development space.

In an attempt to raise additional income that will be used to finance both operational and developmental function, the Agency has positioned itself for appointment as Implementing Agent for key strategic developmental projects at an agreed services fee. One project of this caliber is the Lukhanji Waste Buy-Back Centres.

Lukhanji Waste Buy-Back Centres:
The Agency was appointed by the DEA as an implementer in establishing five waste buy-back centers for the Lukhanji local municipality.

Sites have been identified at Whittlesea, Ilinge, Ezibeleni, Mlungisi and Lessington.

This programme seeks to provide a waste solution for the local municipality, whilst looking at community involvement at a small business level in the waste value chain. Significant progress has been made to date, with the approval of the submitted feasibility study and business plan by DEA having a potential of funding a total of R30 million into the Lukhanji waste value chain industry.

The activities of the project steering committee have been on track, with good involvement of community members and emerging waste entrepreneurs / cooperatives. The project concept detail and feasibility have been finalised, with detailed designs, and first draft of the business plan submitted to DEA.

However, challenges were experienced resulting in the submission of the final business plan for implementation funding to DEA. The constant review and update of planned sites has required additional planning work, and ongoing amendment of the draft business plan. Further engagement with the Lukhanji LM and key stakeholders is required to ensure no further changes to project sites, so final plan can be submitted.

In addition, the vacant position of PM: Special Projects has resulted in the Agency not meeting its target of identifying additional implementation programmes on LED.

SKILLS DEVELOPMENT PROGRAMMES

The Agency has been tasked with the development of sector-specific skills in the areas of agriculture, engineering, tourism, finance, IT and mining.

Various activities were conducted in the year under review towards the improvement of the district's skills profile:

Bursary Fund

A total of 20 learners are currently having their tertiary studies funded by the Mayor's Bursary Fund being administered by the Agency.

The students are enrolled for various qualifications in agriculture, mechatronics, engineering, tourism studies and IT-related fields.

For the year under review, a total of R1.1 million expenditure was realised in the provision of student accommodation, school books and stationery, as well as tuition and food stipends to bursary fund participants. The learners were also provided with laptop computers and bags for their studies.

A challenge was the limited funding available for meeting the planned new bursary fund intake for the 2015 academic year. Also, less than what was budgeted for was received from the CHDM to fund the programme, resulting in the Agency utilising its own funds to subsidise existing student commitments.

The Agency also did not meet its target of raising additional funding for the bursary fund operations for 2014/2015. A comprehensive funding strategy will be developed for the next financial period to ensure CHDM bursary funds are supplemented for additional support.

Career Exhibitions

A total of four career exhibitions were held by the Agency in Engcobo, Cofimvaba, Queenstown and Lady Frere in 2014/2015.

The focus of career exhibitions is on Grade 12 learners selecting the required areas of study towards filling of scarce skills in the district and on attending accredited institutions.

A total of 2 500 learners were welcomed in Cofimvaba, 1 000 at Queenstown, 2 500 at Engcobo and 3 000 in Lady Frere over each exhibition's three-day event.

This was a solid turnout, accompanied by a total of 15 exhibitors ranging from WSU, Damelin, UFH, Wits University, UCT, NMMU, Boston College, Ikhala FET, KSD FET, the NYDA as well as Saica and other industry professional bodies.

Learnership and Internship Programmes

In its partnerships with Bigen Africa and Crimson Co, the Agency successfully implemented the Water and Sanitation Learnership and Internship programme.

This programme saw a total of 175 youth from the district being trained in plumbing, water purification, reticulation and supervisory skills. The training covered theory and practical training opportunities.

Discussions are at advanced stages with Chris Hani District Municipality Engineering Department, private sector companies and the Department of Public Works for workplace experience and placement for all the learners.

A key challenge for the year was that approved funding from the Construction SETA (CETA) was not received for rollout of learning programmes in the year under review as envisaged.

However, funding applications were submitted to the AgriSETA, and SasSETA.


chda
chris hani
development agency

CHDA offices in Queenstown, Lukhanji

INTERNAL ACTIVITIES

NONTEMBEKO
NOMNGANGA
CHIEF FINANCE OFFICER
CHRIS HANI DEVELOPMENT Agency

The internal operations for the year focused on the strategic objective of the realisation of a viable and proficient organisation. Key performance areas on the administration and internal operations agenda for the Agency in the year under review were:

- Realisation of a functional board and subcommittee structure
- Attainment of a favourable audit in 2014/2015
- Management of OPEX within budget and raising of additional non-operational grant funding
- Development of an internal controls and policy environment
- Realisation of a functional internal audit function
- Development and implementation of a comprehensive risk management framework
- Strategy and consistent performance

The Agency had notable successes and a number of challenges, but performance overall was satisfactory, with the realisation of 80% of its performance targets for 2014/2015.

The success was enabled by the staffing of key positions in the projects unit namely, the appointment of the Chief Finance Officer (CFO) as head of the finance and administration unit and three additional interns for financial administration assistance. These appointments allowed for the formation of a fully-fledged finance unit to help drive the Agency's finance, HR and SCM agenda for the year.

In addition, key partnerships with outsourced internal auditors, Mazars, and company secretaries, MMV Attorneys, allowed the Agency to access skills and expertise not owned inhouse.

Unmet performance targets will be moved to the first quarter of the next financial period.

NONTEMBEKO NOMNGANGA
CHIEF FINANCIAL OFFICER
CHRIS HANI DEVELOPMENT AGENCY

28 October 2015

GOVERNANCE AND OVERSIGHT STRUCTURES

The Agency is governed by its board of directors, as appointed by the parent municipality or shareholder.

The Board subscribed to the values of good corporate governance and recognises the need to conduct the Agency with integrity in accordance with generally accepted corporate practices. The Agency also subscribes to the principles of King III, and is governed by, and complies to:

- Municipal Finance Management Act
- Municipal Systems Act
- Companies Act

During the year under review, the Board of Directors considers that the Agency has complied with the relevant aspects of best practice of corporate governance.

The Board comprises of a majority of non-executive directors, and meets at least quarterly. The chairperson is elected on a three-year basis by the shareholder, and the term of office for each member is three years, which may be renewable for a second term.

Evaluation and Performance

Although individual board members are appointed on a three-year term, performance evaluations of the board as a whole and of individuals should be reviewed on an annual basis. The chairman of the board appraises the performance of the CEO.

The review of the CEO takes place per quarter, but there were no board evaluations conducted for the year under review.

Remuneration Philosophy

The remuneration of non-executive directors is determined by the shareholder, in consultation with the board. No performance rewards are awarded to non-executive directors, with payments limited to sitting and preparation fees, as well as travel reimbursements.

Audit, Risk and Ethics Committee

The Audit, Risk and Ethics committee is an independent advisory committee of the Board and is established to assist the CHDA board to manage the risk and financial affairs of the Agency. The committee therefore supports the board in implementing its oversight responsibility by overseeing and reporting to the board on:

- The quality and integrity of the Agency's AFS
- Compliance with regulatory, legal and tax requirements
- Accounting policies
- Overall risk management
- Independent auditors opinions and measures for improvement
- The performance of the internal audit function

The committee convened on a quarterly basis as required. The committee performed well and conducted all the necessary reviews and approvals for the year under review.

HR and Remunerations Committee

The HR and Remuneration committee assists the board in fulfilling its obligations and oversight responsibility for human resources strategies. To this end the committee advises the board on:

- Ensuring the Agency has an effective organisational structure and competitive human resource and compensation policies and practices
- Ensuring appropriate processes are in place for selection, evaluation, compensation and succession of senior management
- Oversight of the implementation of the Agency's performance management system,
- General administration issues as they affect all staff

The committee convened on a quarterly basis as required. The committee performed well and conducted all the necessary reviews and approvals for the year under review.

Projects and Investment Committee

The PFI committee was established to assist the board in giving effect to the obligations of CHDA in terms of the SLA with the CHDM, or shareholder.

The key deliverable is to promote economic development in the district through the realisation of economic clusters, as aligned to the SDBIP and IDP of the municipality. The committee serves to assist the board in identifying high impact strategic programmes, as well as the programming performance of the Agency in meeting in strategic objectives.

The committee convened on a quarterly basis as required. The committee performed well and conducted all the necessary reviews and approvals for the year under review

Stakeholder engagement Qamata
Bilatye communities, Intsika Yethu

OFFICE OF THE CEO

The 2014/2015 year has been one of much change, as CHDA closed the establishment chapter and began the first year of programming implementation.

The office of the CEO has provided strategic leadership to the Agency for the 2014/2015 financial year, and manages key interaction between Agency shareholders, the CHDM, its governing structure, the board, as well as its external stakeholders and Agency management and staff.

> The office of the CEO is also the key driver of the Agency's stakeholder engagement and communication platforms and fora.

The CEO provides strategic leadership and attends to organisational development, shareholder interaction and mobilisation of resources, as well as positioning CHDA on the national policy agenda. The appointment of the CEO saw strides being made in strengthening governance, which culminated in the establishment of board sub-committees, review of board and sub-committee charters, and the review of general practices, and the policy environment of the Agency.

This also brought about strong emphasis on financial management and reporting, people development, brand positioning, focused stakeholder engagement and effective contract management. Through his leadership, the Agency has successfully managed to implement the strategy and the organogram.

FINANCE

CHDA received a qualified audit opinion in the 2012/2013, and 2013/2014 financial periods. Given this outcome, a strong focus has been put on improving the 2014/2015 audit opinion through:

- Staffing of the finance and administration department
- Improvement of internal processes and controls
- Improvement of risk management systems in the organisation
- Development and implementation of a comprehensive audit action plan and internal audit strategy for the year
- Ongoing reporting to the Agency's audit, risk and ethics committee

Staffing in **Finance** and **Administration**

The year under review saw the appointment of a Chief Financial Officer (CFO), Mrs Nontembeko Nomnganga. Despite arriving towards the end of the first half of the year, the arrival was timely enough to allow for her to ably head up the Finance and Administration unit and implement key changes towards readiness for year-end.

In addition to the CFO, three new intern / contract positions were opened up to assist in the financial administration required for assisting with the realisation of a clean audit.

The three new interns would assist with SCM administration, financial administration and project financial administration respectively.

Improvement of **Internal Controls**

Internal controls were not as developed as required, due to the Agency's stage of maturity.

The year under review saw the approval of the amended SCM Policy, in July 2014, to guide SCM activities for the year given SCM audit report queries in 2012/2013 and 2013/2014.

The last quarter saw the development of new policies to guide operations. These included the development of a Budget Policy, Petty Cash Policy, reviewing of the SCM Policy, Investment Policy and Asset Management Policy. However, the Agency did not manage to develop a comprehensive funding strategy / model / policy to assist in the sourcing of additional funding for Agency programmes, and reduce reliance of CHDM grant monies.

Improvement of **Risk Management** Activities

The year under review saw the Agency at the start of implementing a risk management framework. In addition to policies to help minimise financial and operational risk, a risk register was developed for the Agency's operations every quarter. However, the Agency failed to review and update the register on a monthly basis.

Audit Action Plan and **Internal Audit** Activities

An audit action plan was developed to address audit report items from 2013/2014, and monitored by the audit committee per quarter. At the close of the financial period, the Agency had resolved over 90% of the action plan items, but the remaining items on IT governance remained unresolved and were carried over to the next period.

Mazars, the internal auditors, also implemented their approved audit plan for the year under review. Their contract was extended for another 12 months, until end May 2016.

Supply Chain Management

During the year under review, a total of 16 tenders were issued:

- Nine tenders were appointed before end June 2015
- One tender resulted in no appointment after evaluation and adjudication, and
- Remaining tenders moved to the next financial period for award.

The Finance Manager is currently responsible for SCM, and the short-staffed SCM function has resulted in delays, especially since bid committees were appointed in December 2014, given unfilled vacant management positions. Plans are under way to boost the number of staff in SCM to get the Finance Manager the required assistance. This will help drive expenditure to required levels.

Supplier payments totaled R11.5 million on active awards and contracts.

Despite the improvements in SCM, areas of improvement have been identified in the Agency's processes around contracts management and the performance of bid committees.

ADMIN AND CORPORATE SERVICES

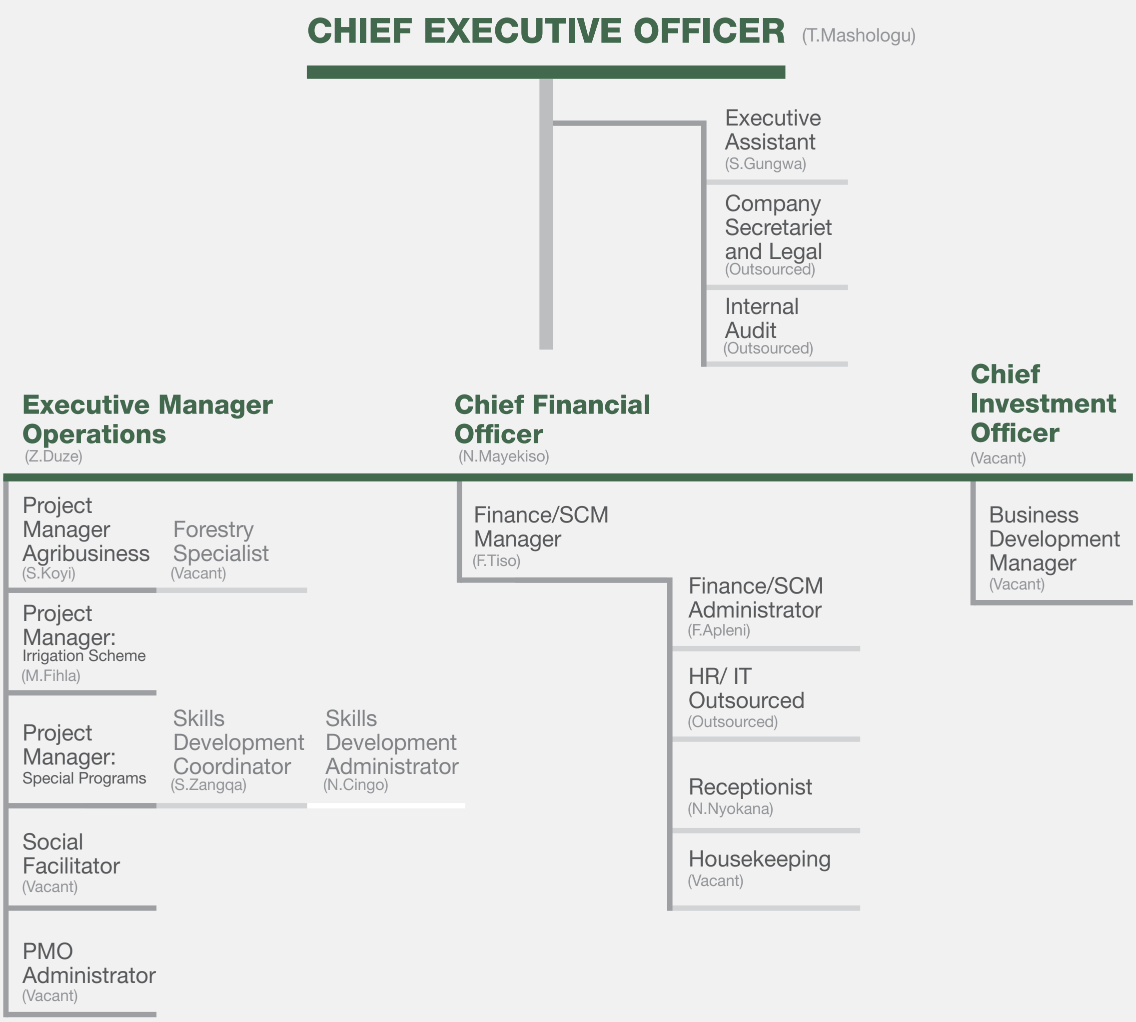
Human Resources

ORGANOGRAM (Position & Vacancies)

The Agency did not conduct a review of its organogram during the year, as focus was on filling vacant positions from the 2013/2014 developed and July 2014 approved organogram.

The EMO and CFO vacant positions were filled, improving the senior management vacancy rate from 50% in 2013/2014 to 75% in 2014/2015. The position of the Chief Investment Officer is a medium term goal for filling upon establishment of programming operations.

However, despite the recruitment of three new interns in finance, and two new project managers, there was an overall regression in the vacancy rate of general staff, with the resignation of three staff members during the year. Two existing staff members moved to new positions, which did not affect the vacancy rate. All reasons for resignation were employees moving to better opportunities.



EMPLOYMENT EQUITY
AS OF 30 JUNE 2016

	African		Coloured/ Indian	White
Level	Male	Female	N/A	N/A
Executive	2	1	0	0
Management	3	1	0	0
Admin / Support	0	4	0	0
	5	6	0	0

STAFF REMUNERATION SUMMARY

	2014-15	2013-14
Salaries & Wages	5 997 259.00	2 850 374.00
Provident Fund Contributions	157 272.00	-
Medical Aid Contributions	36 339.00	-
Leave Pay Expenditure	174 485.00	58 782.00
Statutory Contributions	24 547.00	14 130.00
Provisions for 13th Cheque	-	6 681.00
	6 389 902.00	2 929 967.00

Remuneration and Benefits

The year under review also saw the review of employee packages, with a TASK exercise being conducted by Deloitte. A staff benefit package was approved for implementation. Sanlam was appointed to implement the staff Provident Fund scheme and Discovery Health to run the employer medical aid group scheme.

Skills and Staff Development

The Agency conducted a skills profile on employees in August 2014 to determine training and development needs. However, due to late filling of vacant positions, no staff training or development was conducted in the period under review. However, staff personal development initiatives were conducted, where two administrative support staff members were assisted with UNISA studies on project management and office administration.

Policies

A total of eight new HR and related policies were developed ranging from recruitment, to leave, subsistence and termination of service. This will be implemented in the new financial period 2015/2016.

Communication and Marketing

During the year, CHDA did not manage to communicate Agency information as efficiently as required.

The 2013/2014 annual report and Strategic Framework Handbook were the only documents prepared during the year, and circulated to stakeholders.

This external communication shortfall was enabled by the fact that:

- CHDA did not have a designated PR and communications service provider in its books. An appointment was made to OPENFORM Studio in May 2015
- The Agency website was still not fully operational, and is still being developed for information purposes.

It is envisaged that external communications will be enhanced with the development of an Agency communications plan and launch of new website in 2015/2016.

The website challenges also led to the dissemination of SCM information resulting in various deviations being recorded on non-adherence to SCM on transactions above R30 000.

Internal communications were facilitated through a notice board, internal emails, the development of a shared network drive, and weekly operations meetings for all staff.

Information Technology

Management of the IT platform was outsourced to First Technology Group, until end May 2015. Whilst the IT environment has been fairly stable, management has recognised the need for a comprehensive review of the overall IT situation, taking into account the newly approved strategy and growth for the future.

Also, an IT governance audit was conducted at the end of June 2015, raising key non- compliance issues to be addressed on IT governance in 2015/2016.

During the year, hardware and software was purchased in line with the growth in operations and staff numbers. By keeping abreast of changes in technology, CHDA will ensure that it is suitably positioned from an IT perspective to achieve in the future, and maintain business continuity, and minimise IT risk.

Young girls enjoying a laugh at the maize harvest celebrations, Qamata

Performance Mangement

2014/2015 was the first year in which performance to predetermined objectives was conducted by the Agency. This included the development and approval of an Annual Performance Plan in line with the Agency's strategic objectives, and SLA with CHDM, and the quarterly monitoring of performance in the organisation.

The CHDM assisted the Agency in procuring the services of a consulting firm, StratDev, to assist in the development of a PMS Policy. This policy was approved for implementation by the Board. However, it was noted that the existing policy does not address the issues relating to the collection, collation and compilation of Agency performance information, and will thus be reviewed in next financial period.

Also, the Agency developed performance contracts for all staff for 2014/2015, but quarterly performance was not conducted. Performance for 2014/2015 would be conducted in quarter 1 of 2015/2016. The annual performance report is included as Annexure 1

PERFORMANCE REPORT

AS OF 30 JUNE 2015

The Agency's strategic objectives are aligned to the parent municipality's IDP objectives. These have been secured in a Service Level Agreement (SLA) between the Agency and the CHDM, and have served as the basis of structuring the Agency's Annual Performance Plan (APP) for the year under review.

THESE OVERARCHING STRATEGIC OBJECTIVES ARE:

STRATEGIC OBJECTIVE 1

To create a viable and proficient organisation

Key focus areas

- Good corporate governance
- Fundraising and resource mobilisation for programmes
- Consistent organisational performance

STRATEGIC OBJECTIVE 2

To facilitate the establishment of viable and sustainable clusters

Key focus areas

- Development of agriculture and agro-processing in the district
- Development of support infrastructure and mechanisation services
- Identification and implementation of non-agricultural LED projects
- Building of the appropriate sector-skills base for LED
- Investment promotion and SMME development in the district
- Job creation

STRATEGIC OBJECTIVE 3

To facilitate partnership building and stakeholder relations

Key focus areas

- Engagement with key customers (service delivery beneficiaries) and stakeholders (partners in development)

In the pursuit of realising these strategic objectives, the annual performance plan was crafted to incorporate a total of 47 performance targets, to be informed by an equal number of performance-realisation indicators. Of these 47 targets, 25 were allocated to realisation of strategic objective 1, 19 for objective 2 and three for objective 3.

PERFORMANCE ATTAINED

The Agency had a productive year, under challenging circumstances, and completed most key targets set. This is evidenced from the substantial increase in project expenditure from the prior years as well as the number of fully completed activities / outputs reflected in the attached performance table.

Of the 47 performance targets set, a total of 36 targets were realised. This can be further broken down to 20 of 25 targets met for strategic objective 1 (80%), 14 of 19 targets met for strategic objective 2 (74%) and two of three targets realised for objective 3 (67%).

This resulted in an average performance of 70% overall, with the Agency having mostly met its set targets. This is matched by a 62% total budget expenditure rate (actual / budget amounts).

Unrealised targets for the year have been escalated to the annual performance plan for the 2015/2016 year.

CHALLENGES EXPERIENCED

Planned / set targets not fully attained were often the result of the following:

- Delays in obtaining external funding and contracts
- Change in the objectives of the project and the resulting amendment to planned activities
- Lack of staff in key management positions and late filling of these vacancies
- Low numbers and late filling of vacant positions delayed formal SCM processes and affected project expenditure
- Lack of staff to perform planned activities due to unplanned staff resignations

It should further be appreciated that the Agency's role is that of a facilitator and change management agent. As all Agency projects are performed in partnership with other development role-players and the private sector, the implementation and factors affecting such are often outside the control of the Agency.

MEASUREMENT

As previously mentioned, the Agency's role is that of a facilitator and change management agent. In essence, the Agency aims at influencing other stakeholders and role-players to ensure an inclusive and holistic spatial development of the Chris Hani district area.

The majority of the Agency's contribution to projects is often allocation of internal resources, e.g. grant-funded programming costs, own salaries, use of facilities, traveling, workshops, etc. and the management of external consultants.

The measurement of the aforementioned is often difficult and subjective. However, as part of the Agency's improvements to its performance management systems, measurable indicators were used as far as possible.

The percentage completion as expressed in the attached table was determined after consideration of the objective, outputs, activities (and results thereof) and expenditure incurred versus budget allocated.

CONCLUSION

The Agency had an overall satisfactory year in respect to performance and attaining set goals and objectives, especially given that 2014/2015 was the first year the Agency would be reporting on predetermined objectives.

As the Agency progresses with the implementation of projects and programmes, and attains firm project funding and implementation milestones, the setting of measurable targets and the evaluation of performance will become more objective and easily measurable.

Detailed information on the realisation of performance objectives has been attached in the following summary report pages / Annexure 1.

SO No	Strategic Objective	Focus Area	MO No	Performance Objective	Annual Objective Summary	Number of Perf. Indicators	Number of Perf. Targets
SO-001	To Create a Viable and Proficient Organisation					25	25
	This programme deals with all administrative and support functions of the Agency, inclusive of running / operating costs and overheads	Good Corporate Governance	1,1	Functional Board	Number of board and sub-committee meetings held, and capacitation done	5	5
			1,2	Attainment of Favourable Audit Outcome	Reporting and reduction of items in audit action plan	3	3
			1,3	Manage OPEX Within Budget	Tracking of operational expenditure within budget	1	1
			1,4	Develop Internal Policies and Procedures	Developed HR , SCM and PMS policies, and review of S&T and Delegations	5	5
			1,5	Functional Internal Audit	Implementation of internal audit plan and minimum number of assignments conducted	2	2
			1,6	Risk Management Framework Developed, Implemented and Reported Upon Quarterly	Risks monitored and reported on quarterly	1	1
			1,7	Adopted Institutional Strategy and the Annual Performance Plan	Development of new institutional strategy, review of strategy and development and implementation of APP	4	4
		Fundraising, Capitalisation and Resource Mobilisation	2,1	Rand Value of Funding Leveraged in Addition to Grant Funding Received	R60million in additional funding to be raised in addition to grant funds received	1	1
		Consistent Organisational Performance	3,1	PMS Developed and Implemented	PMS policy developed and organisational and individual performance scorecards developed	3	3

Number of Perf. Targets Exceeded	Number of Perf. Targets Achieved	Number of Perf. Targets Part Achieved	Number of Perf. Targets Not Achieved	Annual Average Perf. %	Approved Budget **ZAR**	Actual Expend. **ZAR**	Actual to Budget %
4	16	2	3		R 13 498 589,87	R 10 723 333,25	79%
3	2	0	0	125%	R 900 027,80	R 885 994,69	98,4%
0	2	1	0	94%	R 844 516,00	R 803 913,12	95,2%
0	0	1	0	77%	R 11 455 471,97	R 8 796 993,35	76,8%
0	4	0	1	80%	R 33 128,10	-	0,0%
1	1	0	0	125%	R 215 446,00	R 215 012,53	99,8%
0	0	0	1	25%	-	-	n/a
0	4	0	0	100%	R 50 000,00	R 21 419,56	42,8%
0	0	0	1	24%	-	-	n/a
0	3	0	0	100%	R -	R -	n/a

SO No	Strategic Objective	Focus Area	MO No	Performance Objective	Annual Objective Summary	Number of Perf. Indicators	Number of Perf. Targets
SO-001	To Create a Viable and Proficient Organisation					25	25
	This programme deals with all administrative and support functions of the Agency, inclusive of running / operating costs and overheads	Good Corporate Governance	1,1	Functional Board	Number of board and sub-committee meetings held, and capacitation done	5	5
			1,2	Attainment of Favourable Audit Outcome	Reporting and reduction of items in audit action plan	3	3
			1,3	Manage OPEX Within Budget	Tracking of operational expenditure within budget	1	1
			1,4	Develop Internal Policies and Procedures	Developed HR , SCM and PMS policies, and review of S&T and Delegations	5	5
			1,5	Functional Internal Audit	Implementation of internal audit plan and minimum number of assignments conducted	2	2
			1,6	Risk Management Framework Developed, Implemented and Reported Upon Quarterly	Risks monitored and reported on quarterly	1	1
			1,7	Adopted Institutional Strategy and the Annual Performance Plan	Development of new institutional strategy, review of strategy and development and implementation of APP	4	4
		Fundraising, Capitalisation and Resource Mobilisation	2,1	Rand Value of Funding Leveraged in Addition to Grant Funding Received	R60million in additional funding to be raised in addition to grant funds received	1	1
		Consistent Organisational Performance	3,1	PMS Developed and Implemented	PMS policy developed and organisational and individual performance scorecards developed	3	3

Annexure 1

Annual Performance Report

Number of Perf. Targets Exceeded	Number of Perf. Targets Achieved	Number of Perf. Targets Part Achieved	Number of Perf. Targets Not Achieved	Annual Average Perf. %	Approved Budget **ZAR**	Actual Expend. **ZAR**	Actual to Budget %
4	16	2	3		R 13 498 589,87	R 10 723 333,25	79%
3	2	0	0	125%	R 900 027,80	R 885 994,69	98,4%
0	2	1	0	94%	R 844 516,00	R 803 913,12	95,2%
0	0	1	0	77%	R 11 455 471,97	R 8 796 993,35	76,8%
0	4	0	1	80%	R 33 128,10	-	0,0%
1	1	0	0	125%	R 215 446,00	R 215 012,53	99,8%
0	0	0	1	25%	-	-	n/a
0	4	0	0	100%	R 50 000,00	R 21 419,56	42,8%
0	0	0	1	24%	-	-	n/a
0	3	0	0	100%	R -	R -	n/a

SO No	Strategic Objective	Focus Area	MO No	Performance Objective	Annual Objective Summary	Number of Perf. Indicators	Number of Perf. Targets
SO-002	To Facilitate the Establishment of Viable and Sustainable Clusters					19	19
	This programme is service delivery oriented. The programme incorporates the Agency's key mandate of agriculture and agro-processing initiatives for local economic development activities. The programme outcome is the creation of rural economies, driven by sustainable and viable agricultural clusters. This item incorpoartes activities such as irrigation schemes operations, agricultural mechanisation services, infrastructure improvements as well as capacitation of emerging agri-businesses to grow the economy of the district.	Development of Agriculture and Agroprocessing in the Chris Hani District	4,1	Irrigation Schemes Resuscitated to be Functional	Setup, planning and technical support initiatives with focus on 2 irrigation schemes Qamata and Bilatye	6	6
			4,2	Number of Sustainable and Viable Enterprises Developed in Structured Partnerships	3 new partnerships developed to assist in creation of new ventures	1	1
			4,3	New Value Chain Identified in Livestock, Crop and Veg Production and Forestry	3 new value chains developed in livestock, crop and vegetable production, and forestry	1	1
		Support Infrastructure Develoment and Mechanisation	5,1	Fully Operational Mechanisation Centre	Maximised operations of the mechanisation centre	4	4
			5,2	Operationalisation of Grain Silos	Operationalisation of Ncora and Qamata grain silos in readiness for harvesting	2	2
		LED Project Implementation	6,1	Implement and Identify LED Projects	Implementtation of the DEA Lukhanji waste project, and identification of 1 additional project	2	2
		Build the Appropriate Sector Skills Base Required for LED	7,1	Proper Administration and Management of the Bursary Fund	Secure funding for the bursary fund from parent municipality and third parties	2	2
			7,2	Skills Development Programmes in Place	Learnerships to be identified and facilitated	1	1
			7,3	Conducting Minimum of 4 Career Expos	4 career expos to be held	1	1
		Investment Promotion and SMME Development	8,1	Identify, Assess and Package Investment Opportunities	3 enterprises identified, assessed and packaged	1	1
			8,2	Promote Chris Hani as a Preferred Investment District	Investor promotion activities and 2 linkages established	3	3
		Job Creation	9,1	Number of New Jobs / retained jobs	150 new jobs	1	1

Number of Perf. Targets Exceeded	Number of Perf. Targets Achieved	Number of Perf. Targets Part Achieved	Number of Perf. Targets Not Achieved	Annual Average Perf. %	Approved Budget **ZAR**	Actual Expend. **ZAR**	Actual to Budget %
2	12	1	4		R 19 716 673,09	R 9 820 622,13	50%
0	5	0	1	83%	R 5 924 583,17	R 3 827 080,97	64,6%
0	1	0	0	100%	-	-	n/a
0	1	0	0	100%	R 73 461,00	R 68 767,00	93,6%
1	3	0	0	125%	R 7 000 000,00	R 3 563 488,42	50,9%
0	2	0	0	100%	-	-	n/a
0	0	1	1	36%	R 1 400 000,00	R 638 311,00	45,6%
0	0	0	2	25%	-	R 811 984,59	-100,0%
1	0	0	0	133%	-	-	n/a
0	1	0	0	100%	R 224 832,92	R 215 855,34	96,0%
1	0	0	0	133%	R 9 796,00	-	0,0%
0	3	0	0	100%	R 5 084 000,00	R 695 134,81	13,7%
1	0	0	0	133%	-	-	0,0%

SO No	Strategic Objective	Focus Area	MO No	Performance Objective	Annual Objective Summary	Number of Perf. Indicators	Number of Perf. Targets
SO-003	To Facilitate Partnership Building and Stakeholder Relations					3	3
	This programme focuses on establishing and maintaining communication channels with external parties or key stakeholders	Customer and Stakeholder	10,1	Map Stakeholders	Stakeholder matrix developed and partnerships entered into	2	2
			10,2	Develop Communications and Branding Strategy	PR and communications strategy	1	1

Number of Perf. Targets Exceeded	Number of Perf. Targets Achieved	Number of Perf. Targets Part Achieved	Number of Perf. Targets Not Achieved	Annual Average Perf. %	Approved Budget **ZAR**	Actual Expend. **ZAR**	Actual to Budget %
0	2	0	1		R 25 000,00	R 19 911,91	80%
0	2	0	0	100%	R 25 000,00	R 19 911,91	79,6%
0	0	0	1	0%	-	-	n/a

Grain silos, Qamata

04

BOARD MEMBERS

BOARD MEMBER PROFILES

Board of Directors

- Provides strategic direction and is the accounting authority as per the Companies Act. The MFMA however stipulates that the CEO is accounting officer.
- Conducts adaptation of the strategic plans, monitoring of operational and management performance, determination of policy and processes to ensure integrity of Agency's risk framework and internal controls
- Approves the Agency's director selection, appointment and evaluation
- Approves the Agency's communication policy
- Operates under an approved board charter that provides guidance to the board in undertaking its duties and responsibilities. The CEO assumes responsibility for the effective management of CHDA and the implementation of strategy, policy and board objectives

There was no board training or capacitation carried out in the year under review.

23. DIRECTORS' EMOLUMENTS

NON-EXECUTIVE - 2015	Board fees	Committees fees	Total
Mr M Sigabi	50 231	-	50 231
Mr S Dzengwa	43 000	-	43 000
Mr M Manjezi	74 000	-	74 000
Ms N Ntsubane	52 000	-	52 000
Dr C Beck-Reinhardt	20 188	-	20 188
Ms N Sikeyi	37 000	-	37 000
Mr S Ngqwala	65 000	-	65 000
	341 419	-	415 419

BACK ROW: Mr Mafuza Sigabi, Mrs Nokulunga Skeyi, Mr Simphiwe Dzengwa, Mr Singa Ngqwala
FRONT ROW: Ms Ursula Ntsubane, Mr Mlulani Manjezi (Chairman), Ms Vuyelwa Hlehliso (Chairperson: Audit, Risk and Ethics committee), Mr Thukela Mashologu (CEO)

ABSENT: Dr. Claudia Beck-Reinhardt

MR MLULAMI MANJEZI
CHAIRPERSON

Mr Manjezi is a certified director with the Institute of Directors of South Africa (IOD SA). He holds a Master's Degree in Business Leadership from UNISA, and has participated in the Programme for Sustainable Leadership from Cambridge University. He completed his junior commerce degree at the University of Fort Hare.

Mr Manjezi is currently the Chairman of the DZ Group (Pty) Ltd, a consulting, trading and investment group. Previously, he was Divisional Executive of the Rural Development Partnerships Division (RDPD) within the Development Fund (DF), which is a wholly owned subsidiary of the Development Bank of Southern Africa (DBSA), where he also held several executive positions over a period of 22 years.

He is previously the Chairman of the Advisory Management Board of Agriculture and Rural Development Research Institute (ARDRI) of the University of Fort Hare as well as a board member of the Masisizane Fund, an institute of the Old Mutual Group. He is currently Chairman of the Chris Hani Development Agency's board. He was also an investment committee member of the African Rural Enterprise Development (AREED) Initiative, an organization that is suppworted by the United Nation Foundation and the United Nations Environmental Programme. Mr Manjezi is currently the acting CEO of the Municipal Demarcation Board.

DR. CLAUDIA BECK-REINHARDT
MEMBER

Born in Konstanz, Germany, Dr Beck-Reinhardt holds a Doctorate (PHD) in Public Policy and Management, with a focus on Regional and Local Economics. She has permanent residency status in South Africa based on scarce skills resources.

She has vast experience gained in Germany and South Africa through formal work, voluntary work and self-employment activities.

Dr Beck-Reinhardt has been working at the Government Technical Advisory Center (GTAC) of National Treasury's Economic Development and International Relations portfolio as a senior technical advisor since January 2011, and prior to this assignment was based at the Eastern Cape Socio - Economic Consultative Council (ECSECC).

Her work has been focused on the conceptualisation and implementation of projects geared towards the provision of support to SMME's and the linking of post - schooling competency development with the labour market in South Africa.

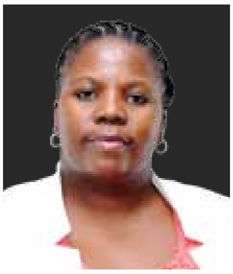
MRS URSULA NTSUBANE
MEMBER

Mrs Ntsubane is currently the CEO of Crossover Finance, and organisation funded to facilitate the access to funding for emerging contractors. Prior to this assignment, Ms Ntsubane was the CEO of the Construction Industry Development Board (CIDB). Over the course of her career she has worked on complex infrastructure development projects in the Built Environment, and later strategic focus on the transformation of the construction industry through contractor development and government capacitation on infrastructure delivery.

In the past, as Executive Director of Economic Development within Ekurhuleni Municipality, her major focus was growing the local economy through investment in economic infrastructure in partnership with the private sector and various stakeholders.

Whilst with the Johannesburg Development Agency, Mrs Ntsubane directed multi-million rand complex economic infrastructure projects, leading teams of project managers, civil and structural engineers, architects, quantity surveyors, and a range of diverse professions.

Ms. Ntsubane holds a Master's degree in Development Planning from the University of the Witwatersrand (WITS), and a junior degree in Social Sciences from the University of Natal.



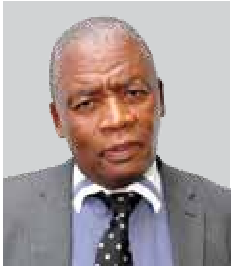
MS NOKULUNGA SKEYI
MEMBER

Ms Skeyi hails from Cala in the Chris Hani District, and is currently the Provincial Manager of the National Development Agency (NDA) in the Eastern Cape. She has been working in the sphere of community development, with a strong focus on livelihood development for the past fifteen years across the Eastern Cape Province, of which the past thirteen were spent working at the NDA.

Ms Skeyi has extensive experience in designing, implementing and supporting development across the province with municipalities, NGOs, cooperatives and community institutions, having gained initial experience in participatory development approaches in working with CALUSA, a development organisation in her home town of Cala.

She holds an Honour's degree in Development Studies with UNISA, and is currently pursuing a Master's degree in Development Studies at Nelson Mandela Metropolitan University (NMMU). She also completed a Management Development Programme and Advanced Project Management Programme at Rhodes University.

Nokulunga has participated in various European Union project monitoring missions and is exceptionally passionate about cooperative development.



MR SINGA NGQWALA
MEMBER

Mr Ngqwala is currently retired, after many years spent in the public sector finance, and its oversight role.

He occupied the Office of the Auditor General for the Eastern Cape during 1999 and 2014, occupied the office of Chief Director for the EC Department of Treasury, and was seconded in various establishment and oversight roles. Early in his career, he worked for the Transkei Development Corporation KPMG, as well as Butterworth Municipality in roles ranging from article clerk to assistant town treasurer. He has also occupied positions in education.

Mr Ngqwala holds an Honour's degree in Accounting (BCompt) and is currently a member of the Institute of Accounting Technicians of Southern Africa, the Black Management Forum and ABASA, and sits on various finance and audit committee structures in and around the Eastern Cape Province.

MR MAFUZA SIGABI
MEMBER

After obtaining his Matric Certificate, Mr Sigabi developed his political career while working in various sectors.

In 1976 Mr Sigabi participated in union activities and attempted to establish a branch of SAAWU at Goodhope Textiles. He was actively involved in non-racial sport in administrative and political matters under the auspices of KADRU (King and Districts Rugby Union); in the formation of the Sada Resident's Association, affiliated to the UDF in 1987; and, while in the employ of the SACC, assisted with the establishment of UDF units and ANC branches in Queenstown, Molteno, Burgersdorp and Aliwal North.

Mr Sigabi became Chairperson of the Sada Resident's Association in 1988 and Secretary of the UDF Queenstown Unit in 1989. In 1990 he became Chairperson of the first branch of the ANC in Sada where he formed branches in Whittlesea and Queenstown. Mr Sigabi served as Regional Executive Committee member of the ANC-Border Region; in the Local Government Negotiating Fora in Queenstown and Whittlesea; in the Provincial Negotiating Team that achieved the establishment of new District Councils and Transitional Rural Councils in terms of Proclamation R20 of 1995; and as Provincial Executive Committee Member of the ANC - Eastern Cape, serving on the Local Government and Peace and Stability Sub- Committees.

In 1995 he was appointed as Chairperson of Stormberg District Council until 2000, and in 1997 was involved in negotiations for the establishment of the Eastern Cape Local Government Association (SALGA), serving as Deputy Chairperson.

In 2000, Mr Sigabi was elected as the first Executive Mayor for the Chris Hani District Municipality, where he served for 10 years.

MR SIMPHIWE DZENGWA
MEMBER

Mr Simphiwe Dzengwa was born and grew up in Zwelitsha, in the Eastern Cape. He holds a Master's Degree in Public Administration - MPA (Financial Management) from the Florida Atlantic University in the USA and a Master's Degree in Business Administration (MBA) from Rhodes University. He attained his junior and honours degrees from the University of the Western Cape. He is a registered member of the Institute of Directors and has served in various Boards and Audit Committees.

From an early age Mr Dzengwa was involved in various leadership positions in student, youth and community structures. This laid a solid foundation for his character and further engagements in his adult and professional life. He has worked extensively in the area of government finances and management and generally considers himself a developmental activist.

Mr Dzengwa has extensive experience in government having worked with all the three spheres mainly in the areas of finance, policy development, capacity building, project management, monitoring and evaluation, research and innovation, and others. He has also worked in senior managerial roles within the private sector and has led various initiatives both nationally and internationally.

Mr Dzengwa's experience achieved from the private sector, government sector and self-employment includes:

- The role of Regional Manager at DBSA's Development Fund
- The role of Chief Director for Municipal Finances and Performance Management at the Department of Provincial and Local Government
- Head of Innovate Eastern Cape, having been appointed by DEDEAT under the auspices of the ELIDZ to set up and operationalise the Innovation Hub as the overall champion and coordinator of all Eastern Cape innovation initiatives.
- Currently, Mr Dzengwa is the Executive Director: Municipal Finance at SALGA

05

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

GENERAL INFORMATION

Country of incorporation and domicile
South Africa

Legal form of entity
Municipal Entity - State Owned Company

Nature of business and principal activities
Carry out the promotion and implementation of the local economic development initiatives and investment promotion in Chris Hani District

Chief Executive Officer (CEO)
Mr T Masholoqu

Chief Finance Officer (CFO)
Mrs N Nomnganga

Registered office
64 Prince Alfred Street
Queenstown
5320

Business address
64 Prince Alfred Street
Queenstown
5320

Postal address
64 Prince Alfred Street
Queenstown
5320

Bankers
First National Bank

Auditors
Auditor-General of South Africa

Company registration number
2012/033437/07

Legislation
These financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, No.56 of 2003.

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DIRECTORS' RESPONSIBILITIES AND APPROVAL

FOR THE YEAR ENDED 30 JUNE 2015

The directors are required by the Municipal Finance Management Act (Act No.56 of 2003), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the directors to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the year then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with 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 judgements and estimates.

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

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

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

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

Although the directors are primarily responsible for the financial affairs of the entity, they are supported by the entity's external auditors.

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

The annual financial statements set out on pages 63 to 92, which have been prepared on the going concern basis, were approved by the directors on 30 November 2015 and were signed on its behalf by:

Mr Thukela Mashologu
Accounting Office

Mr Mlulami Manjezi
Chairperson of the Board

REPORT OF THE **INDEPENDENT AUDITORS**

FOR THE YEAR ENDED **30 JUNE 2015**

REPORT OF THE AUDITOR-GENERAL TO THE EASTERN CAPE PROVINCIAL LEGISLATURE AND THE COUNCIL OF CHRIS HANI DISTRICT MUNICIPALITY ON THE CHRIS HANI DEVELOPMENT AGENCY SOC (UD)

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the Chris Hani Development Agency SOC (Ltd) set out on pages 63 to 92, which comprise the statement of financial position as at 30 June 2015, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA), and the Companies Act of South Africa, 2008 (Act No. 71 of 2008), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-general's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the municipal entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipal entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Chris Hani Development Agency SOC (Ltd) as at 30 June 2015 and its financial performance and cash flows for the year then ended, in accordance with SA standards of GRAP and the requirements of the MFMA, and the Companies Act of South Africa.

Emphasis of matters

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

Restatement of corresponding figures

8. As disclosed in notes 35 and 36 to the financial statements, the corresponding figures for 30 June 2014 have been restated as a result of an error discovered during 2014-15 in the financial statements of the municipal entity at, and for the year ended, 30 June 2014.

Fruitless and wasteful expenditure

9. As disclosed in note 21 to the financial statements, fruitless and wasteful expenditure amounting to R257 218 was incurred by the municipal entity during the year ended 30 June 2015. This is as a result of interest and penalties incurred on late payments.

Irregular expenditure

10. As disclosed in note 22 to the financial statements, irregular expenditure amounting to R1,54 million was incurred by the municipal entity during the year ended 30 June 2015. This is as a result of non-compliance with required procurement processes.

REPORT OF THE **INDEPENDENT AUDITORS**

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

Other reports required by the Companies Act
12. As part of our audit of the financial statements for the year ended 30 June 2015, I have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports I have not identified material inconsistencies between the reports and the audited financial statements. I have not audited the reports and accordingly do not express an opinion on them.

Unaudited disclosure notes
13. In terms of section 125(2)(e) of the MFMA, the entity is required to disclose particulars of non-compliance with this legislation. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion thereon.

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

Predetermined objectives
15. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the development objective 2: To facilitate the establishment of viable and sustainable clusters on pages 43 to 44 presented in the annual performance report of the municipal entity for the year ended 30 June 2015.

16. I evaluated the reported performance information against the overall criteria of usefulness and reliability.

17. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned development priorities. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for managing programme performance information (FMPPI).

18. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

19. I did not identify material findings on the usefulness and reliability of the reported performance information for development objective 2: To facilitate the establishment of viable and sustainable clusters.

Additional matter
20. Although I identified no material findings on the usefulness and reliability of the reported performance information for the selected development objectives, I draw attention to the following matter:

Achievement of planned targets
21. Refer to the annual performance report on pages 37 to 38 and pages 39 to 46 for information on the achievement of the planned targets for the year.

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

Strategic planning and performance management
23. The performance of the municipality entity was not assessed during the first half of the financial year, taking into account the targets set in the service level agreement with the parent municipality, as required by section 88(1)(a) of the MFMA.

24. Effective, efficient and transparent systems of risk management and internal controls with respect to performance information and management was not maintained as required by section 95(c)(i) of the MFMA.

REPORT OF THE
INDEPENDENT AUDITORS

Annual financial statements
25. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements of current assets, liabilities, revenue, expenditure and cash flow statement identified by the auditors in the submitted financial statements were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

26. The annual return for the year 2014-15 was not filed with the Commissioner of the Companies and Intellectual Property Commission, as required by section 33 of the Companies Act and prescribed in Companies Regulations 30(1).

Expenditure management
27. Reasonable steps were not taken to prevent irregular expenditure, as required by section 95(d) of the MFMA.

Internal control
28. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.

Leadership
29. The financial statements submitted for auditing were subject to material amendments. This was as a result of effective steps not being implemented and monitored during the year to avoid amendments to the financial statements. There was still inadequate oversight to ensure consistent implementation and monitoring of controls over compliance with laws and regulations.

Financial and performance management
30. The finance section is not fully established and as a result the controls identified were not adequate for the preparation of regular, accurate and complete financial reports. Material misstatements were identified in the financial statements that were submitted for audit.

31. The entity did not have systems in place throughout the financial year to monitor compliance with all the applicable legislation, as a result non-compliance with laws and regulations was not prevented. In addition, inadequate steps were taken to prevent and detect the incurrence of irregular and fruitless and wasteful expenditure.

Governance
32. The municipal entity still had material adjustments to the financial statements submitted for audit as well as material non-compliance findings. This was as a result of management not adequately implementing all recommendations of the internal audit unit and the audit committee.

Auditor-General

EAST LONDON
30 November 2015

AUDITOR-GENERAL
SOUTH AFRICA

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2015

In terms of section 30 of the Companies Act No. 71 of 2008 as amended and sections 122(1)(2)(3) and 126(2)(3)of the Municipal Finance Management Act No 56. of 2003, the following report is submitted for the year ended 30 June 2015.

1. GENERAL REVIEW

There has been no material change in the nature or conduct of the company's business during the year under review.

The financial statements adequately disclose the results of the operations for the year under review and the state of the company's affairs at 30 June 2015.

There has been no material fact or occurrence since the end of the year under review on which we consider it necessary to report.

2. NATURE OF BUSINESS

The company has been formed as a local economic development Agency of the Chris Hani District Municipality to develop and promote economic growth in the Chris Hani District.

3. SHARE CAPITAL/CONTRIBUTIONS FROM OWNERS

1 000 ordinary shares with a par value of R1 each are held wholly by the Chris Hani District Municipality.

4. DIVIDENDS

No dividends have been proposed or declared during the period under review, nor are any recommended.

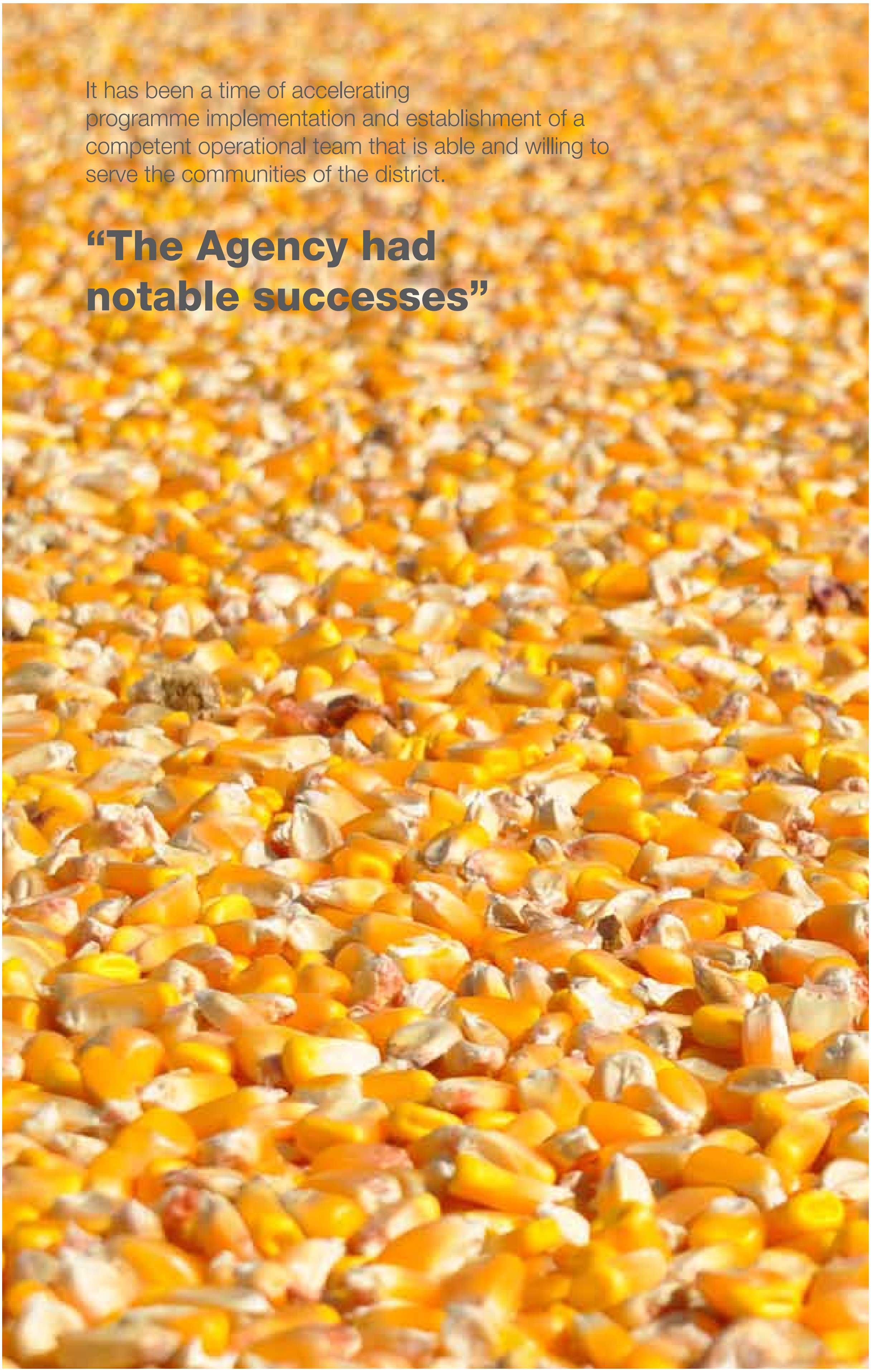
5. BOARD OF DIRECTORS

The directors of the entity during the year and to the date of this report are as follows:

Name	Nationality
Mr M Sigabi	South African
Mr S Dzengwa	South African
Mr M Manjezi (chairman)	South African
Ms N Ntsubane	South African
Dr C Beck-Reinhardt	German (permanent resident status)
Ms N Sikeyi	South African
Mr T Mashologu	South African
Mr S Ngqwala	South African

It has been a time of accelerating programme implementation and establishment of a competent operational team that is able and willing to serve the communities of the district.

“The Agency had notable successes”



STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015

	Notes	2015 ZAR	2014 ZAR Restated*
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3	4 588 687	2 714 805
Trade and other receivables from non-exchange transactions	4	3 877 154	2 116 976
		8 465 841	4 831 781
NON-CURRENT ASSETS			
Property, plant and equipment	5	260 553	300 332
Intangible assets	6	123 451	90 460
		384 004	390 792
TOTAL ASSETS		8 849 845	5 222 573
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables from non-exchange transactions	7	-	1 217 152
Trade and other payables from exchange transactions	8	382 906	509 277
VAT payable	9	3 255 455	1 854 214
Unspent conditional grants and receipts	10	1 132 142	1 263 158
		4 770 503	4 843 801
TOTAL LIABILITIES		4 770 503	4 843 801
NET ASSETS		4 079 342	378 772
Contributions from owner	11	1 000	1 000
Accumulated surplus		4 078 342	377 772
TOTAL NET ASSETS		4 079 342	378 772

STATEMENT OF FINANCIAL PERFORMANCE
AS AT 30 JUNE 2015

	Notes	2015 ZAR	2014 ZAR Restated*
REVENUE			
REVENUE FROM EXCHANGE TRANSACTIONS			
Agency services		9 892 165	-
Tender fees		32 550	6 850
Interest received - investment		308 045	124 667
TOTAL REVENUE FROM EXCHANGE TRANSACTIONS		10 232 760	131 517
REVENUE FROM NON-EXCHANGE TRANSACTIONS			
Transfer revenue			
CHDM Operational grant	12	15 000 000	9 307 559
TOTAL REVENUE	13	25 232 760	9 439 076
EXPENDITURE			
Employee costs	14	(6 389 902)	(2 927 951)
Depreciation and amortisation	15	(179 519)	(126 346)
Impairment loss	16	(78 359)	-
Interests and Penalties	17	(247 932)	(290 498)
Lease rentals on operating lease		(305 532)	(284 920)
Repairs and maintenance		(56 817)	(2 650)
Project costs	18	(10 865 942)	(2 230 669)
General Expenses	19	(3 408 187)	(2 479 228)
TOTAL EXPENDITURE		(21 532 190)	(8 344 278)
OPERATING SURPLUS		3 700 570	1 094 798
SURPLUS FOR THE YEAR		3 700 570	1 094 798

STATEMENT OF CHANGES IN NET ASSETS
AS AT 30 JUNE 2015

	Contributions from owner ZAR	Accumulated surplus ZAR	Total net assets ZAR
Opening balance as previously reported	1 000	(715 646)	(714 638)
ADJUSTMENTS			
Prior year adjustments	-	(1 380)	(1 380)
BALANCE AT 01 JULY 2013 AS RESTATED*	1 000	(717 026)	(716 026)
Changes in net assets			
Surplus for the year	-	1 094 798	1 094 798
Total changes	-	1 094 798	1 094 798
Opening balance as previously reported	1 000	1 094 798	1 094 798
Adjustments			
Prior year adjustments	-	(1 270 459)	(1 270 459)
BALANCE AT 01 JULY 2014 AS RESTATED*	1 000	377 772	377 772
CHANGES IN NET ASSETS			
Surplus for the year	-	3 700 570	3 700 570
Total changes	-	3 700 570	3 700 570
BALANCE AT 30 JUNE 2015	1 000	4 078 342	4 078 342
Note	11		

CASH FLOW STATEMENT
AS AT 30 JUNE 2015

	Note(s)	2015 ZAR	2014 Restated* ZAR
CASH FLOWS FROM OPERATING ACTIVITIES			
RECEIPTS			
Grants		15 000 000	9 307 559
Interest income		308 045	124 667
Other receipts		8 164 537	174 030
		23 472 582	9 606 256
PAYMENTS			
Employee costs		(6 261 367)	(2 869 169)
Suppliers		(14 916 670)	(3 925 371)
Interests and Penalties		(247 932)	(290 498)
		(21 425 969)	(7 085 038)
NET CASH FLOWS FROM OPERATING ACTIVITIES	20	2 046 613	2 521 218
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	(92 114)	(107 616)
Purchase of other intangible assets	6	(80 618)	(83 691)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(172 732)	(191 307)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		1 873 882	2 328 552
Cash and cash equivalents at the beginning of the year		2 714 805	386 253
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	3	4 588 687	2 714 805

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

BUDGET ON CASH BASIS

	Approved budget ZAR
STATEMENT OF FINANCIAL PERFORMANCE	
REVENUE	
REVENUE FROM EXCHANGE TRANSACTIONS	
Agency services	17 999 583
Tender fees	-
Interest received - investment	-
TOTAL REVENUE FROM EXCHANGE TRANSACTIONS	17 999 583
REVENUE FROM NON-EXCHANGE TRANSACTIONS	
Transfer revenue	
CHDM Operational grant	15 000 000
TOTAL REVENUE	32 999 583
EXPENDITURE	
Personnel	(10 226 500)
Depreciation and amortisation	-
Impairment loss	-
Interests and Penalties	(5 000)
Lease rentals on operating lease	(326 700)
Repairs and maintenance	(19 000)
Project costs	(16 605 187)
General Expenses	(6 028 788)
TOTAL EXPENDITURE	(33 211 175)
SURPLUS / (DEFICIT) BEFORE TAXATION	(211 592)
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(211 592)**
STATEMENT OF FINANCIAL POSITION	
ASSETS	
Non-Current Assets	
Property, plant and equipment	102 000
Intangible assets	85 000
TOTAL ASSETS	**187 000**
NET ASSETS	**187 000**
NET ASSETS	
RESERVES	
Accumulated surplus	187 000

Adjustments ZAR	Final Budget ZAR	Actual amounts on comparable basis ZAR	Difference between final budget and actual ZAR	Reference ZAR
-	17 999 583	9 892 165	(8 107 418)	35.1
-	-	32 550	32 550	35.2
248 817	248 817	308 045	59 228	35.3
248 817	18 248 400	10 232 760	(8 015 640)	
-	15 000 000	15 000 000	-	
248 817	33 248 400	25 232 760	(8 015 640)	
3 463 047	(6 763 453)	(6 389 902)	373 551	35.4
-	-	(179 519)	(179 519)	35.5
-	-	(78 359)	(78 356)	35.5
(248 315)	(253 315)	(247 932)	5 383	
(59 277)	(385 977)	(305 532)	80 445	
(47 761)	(66 761)	(56 817)	9 944	
(3 516 056)	(20 121 243)	(10 865 942)	9 255 301	35.6
2 617 492	(3 411 296)	(3 408 186)	3 110	
2 209 130	(31 002 045)	(21 532 189)	9 469 856	
2 457 947	2 246 355	3 700 571	1 454 216	
2 457 947	**2 246 355**	**3 700 571**	**1 454 216**	
1 675 700	1 777 700	92 114	(1 685 586)	35.7
51 000	136 000	80 618	(55 382)	
1 726 700	**1 913 700**	**172 732**	**(1 740 968)**	
1 726 700	**1 913 700**	**172 732**	**(1 740 968)**	
1 726 700	1 913 700	172 732	(1 740 968)	

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 No.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. They are presented in South African Rand.

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

These accounting policies are consistent with the previous period.

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

The amounts in the annual financial statements are rounded to the nearest Rand, unless stated otherwise.

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 at least the next 12 months.

1.4 Comparative information

Current year comparatives (Budget)

Budget information in accordance with GRAP 1 and 24, has been provided in a separate disclosure note to these annual financial statements.

Prior year comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

The presentation and classification of items in the current year is consistent with prior periods.

1.5 Significant judgements and estimates

The use of judgment, estimates and assumptions is inherent to the process of preparing annual financial statements. These judgements, estimates and assumptions affect the amounts presented in the annual financial statements. Uncertainties about these estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of the relevant asset or liability in future periods.

Judgements

In the process of applying these accounting policies, management has made the following judgements that may have a significant effect on the amounts recognised in the financial statements.

1.5 Significant judgements and estimates (continued)

Estimates

Estimates are informed by historical experience, information currently available to management, assumptions, and other factors that are believed to be reasonable under the circumstances. These estimates are reviewed on a regular basis. Changes in estimates that are not due to errors are processed in the period of the review and applied prospectively.

In the process of applying the entity's accounting policies the following estimates, were made:

Depreciation and amortisation

Depreciation and amortisation recognised on property, plant and equipment and intangible assets are determined with reference to the useful lives and residual values of the underlying items. The useful lives and residual values of assets are based on management's estimation of the asset's condition, expected condition at the end of the period of use, its current use, expected future use and the entity's expectations about the availability of finance to replace the asset at the end of its useful life. In evaluating how the condition and use of the asset informs the useful life and residual value management considers the impact of technology and minimum service requirements of the assets.

Effective interest rate

The entity uses an appropriate interest rate, taking into account guidance provided in the standards, and applying professional judgement to the specific circumstances, to discount future cash flows. The entity used the prime interest rate where required.

1.6 Financial instruments

Initial recognition

The entity recognises a financial asset or a financial liability in its Statement of Financial Position when, and only when, the entity becomes a party to the contractual provisions of the instrument. This is achieved through the application of trade date accounting.

Upon initial recognition the entity classifies financial instruments or their component parts as financial liabilities, financial assets or residual interests in conformity with the substance of the contractual arrangement and to the extent that the instrument satisfies the definitions of a financial liability, a financial asset or a residual interest.

Financial instruments are evaluated, based on their terms, to determine if those instruments contain both liability and residual interest components (i.e. to assess if the instruments are compound financial instruments). To the extent that an instrument is in fact a compound instrument, the components are classified separately as financial liabilities and residual interests as the case may be.

Initial measurement

When a financial instrument is recognised, the entity measures it initially at its fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability

1.6 Financial instruments (continued)
Subsequent measurement

Subsequent to initial recognition, financial assets and financial liabilities are measured at fair value, amortised cost or cost. All financial assets and financial liabilities are measured after initial recognition using the following categories:
a) Financial instruments at fair value
• Derivatives.
• Compound instruments that are designated at fair value i.e. an instrument that includes a derivative and a non- derivative host contract.
• Instruments held for trading.
• Non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition.
• An investment in a residual interest for which fair value can be measured reliably.
• Financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

b) Financial instruments at amortised cost.

Non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that the entity designates at fair value at initial recognition or are held for trading.

c) Financial instruments at cost.

Investments in residual interests, which do not have quoted market prices and for which fair value cannot be determined reliably.

The entity assesses which instruments should be subsequently measured at fair value, amortised cost or cost, based on the definitions of financial instruments at fair value, financial instruments at amortised cost or financial instruments at cost as set out above.

Concessionary loans

The part of the concessionary loan that is a social benefit or non-exchange revenue is determined as the difference between the fair value of the loan and the loan proceeds, either paid or received.

After initial recognition, an entity measures concessionary loans in accordance with the subsequent measurement criteria set out for all financial instruments.

Trade and other receivables

Trade and other receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition and subsequently stated at amortised cost, less provision for impairment. All trade and other receivables are assessed at least annually for possible impairment. Impairments of trade and other receivables are determined in accordance with the accounting policy for impairments. Impairment adjustments are made through the use of an allowance account.

Bad debts are written off in the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the reporting date are classified as current. Interest is charged on overdue accounts.

Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost.

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks.

Trade and other payables

Trade payables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition and are subsequently measured at amortised cost using the effective interest rate method.

Derecognition

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:
• the rights to receive cash flows from the asset have expired;
• the entity retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
• the entity has transferred its rights to receive cash flows from the asset and either
  - has transferred substantially all the risks and rewards of the asset, or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the entity has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the entity's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the entity could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the entity's continuing involvement is the amount of the transferred asset that the entity may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

A financial asset is derecognised at trade date, when:

The cash flows from the asset expire, are settled or waived;

a) Significant risks and rewards are transferred to another party; or

b) Despite having retained significant risks and rewards, the entity has transferred control of the asset to another entity.

A financial liability is derecognised when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where the terms of an existing financial liability are modified, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:
• A gain or loss on a financial asset or financial liability classified as at fair value through surplus or deficit is recognised in surplus or deficit;
• For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

Offsetting

The entity does not offset financial assets and financial liabilities in the Statement of Financial Position unless a legal right of set-off exists and the parties intend to settle on a net basis.

Impairments
All financial assets measured at amortised cost, or cost, are subject to an impairment review. The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

For financial assets held at amortised cost:

The entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If the entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment.

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 (such as an improvement in the debtor's credit rating), the previously recognised impairment loss shall be reversed either directly or by adjusting an allowance account. The reversal shall 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.

<u>For financial assets held at cost:</u>

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.

Policies relating to specific financial instruments

Investments at amortised cost

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks are categorised as financial instruments at amortised cost and are subsequently measured at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

Investments at fair value

Investments, which represent investments in residual interest for which fair value can be measured reliably, are subsequently measured at fair value.
Gains and losses in the fair value of such investments are recognised in the Statement of Financial Performance.

Investments at cost

Investments at cost, which represent investments in residual interest for which there is no quoted market price and for which fair value cannot be measured reliably, are subsequently measured at cost.

1.7 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 reporting 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 or fair value 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 at which the asset is recognised. The cost also includes the estimated costs of dismantling and removing the asset and restoring the site on which it is operated.

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 assets, or a combination of assets 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, its deemed cost is the carrying amount of the asset(s) given up.

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

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.
Where the entity replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequent expenditure including major spare parts and servicing equipment qualify as property, plant and equipment if the recognition criteria are met.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciable amount is determined after taking into account an asset's' residual value, where applicable.

The assets' residual values, useful lives and depreciation methods are reviewed at each financial year-end and adjusted prospectively, if appropriate.

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

Item	Average useful life
Furniture and fittings	6 years
Office equipment	3 years
Computer equipment	3 years

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

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous 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.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use or disposal of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Impairments

The entity tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance.

Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.8 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.

An intangible asset is an identifiable non-monetary asset without physical substance. 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;
- the cost or fair value of the asset can be measured reliably.

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.

Where an intangible asset 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 is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are initially recognised at cost.

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

The cost of an intangible asset is amortised over the useful life where that useful life is finite. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Financial Performance in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life assumption continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in Statement of Financial Performance in the expense category consistent with the function of the intangible asset. During the period of development, the asset is tested for impairment annually.

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

Item	Useful life
Intangible assets	3 years

The amortisation period, the amortisation method and residual value for intangible assets with finite useful lives are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

1.9 Provisions

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

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

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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

Provisions are not recognised for future operating deficits.

1.10 Impairments

The entity tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is performed at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance

Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Measurement

An asset's recoverable amount (or recoverable service amount) is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use. This recoverable amount (or recoverable service amount) is determined for individual assets, unless those individual assets are part of a larger cash generating unit, in which case the recoverable amount (or recoverable service amount) is determined for the whole cash generating unit.

An asset is part of a cash generating unit where that asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

In determining the recoverable amount (or recoverable service amount) of an asset the entity evaluates the assets to determine whether the assets are cash generating assets or non-cash generating assets.

For cash generating assets the value in use is determined as a function of the discounted future cash flows from the asset. Where the asset is a non-cash generating asset the value in use is determined through one of the following approaches:

• Depreciated replacement cost approach – The current replacement cost of the asset is used as the basis for this
value. This current replacement cost is depreciated for a period equal to the period that the asset has been in use so that the final depreciated replacement cost is representative of the age of the asset.

• Restoration cost approach - Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment.

• Service units approach - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state.

The decision as to which approach to use is dependent on the nature of the identified impairment.

In assessing value-in-use for cash-generating assets, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, other fair value indicators are used.

Impairment losses of continuing operations are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset. An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Entity makes an estimate of the assets or cash-generating unit's recoverable amount.

Reversal of impairment losses

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

1.11 Employee benefits

Short-term employee benefits

Short term employee benefits encompasses all those benefits that become payable in the short term, i.e. within a financial year or within 12 months after the financial year. Therefore, short term employee benefits include remuneration, compensated absences and bonuses.

Short term employee benefits are recognised in the Statement of Financial Performance as services are rendered, except for non-accumulating benefits, which are recognised when the specific event occurs. These short term employee benefits are measured at their undiscounted costs in the period the employee renders the related service or the specific event occurs.

Defined contribution plans

Contributions made towards the fund are recognised as an expense in the Statement of Financial Performance in the period that such contributions become payable. This contribution expense is measured at the undiscounted amount of the contribution paid or payable to the fund. A liability is recognised to the extent that any of the contributions have not yet been paid. Conversely an asset is recognised to the extent that any contributions have been paid in advance.

1.12 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.

The entity as lessee

Recognition

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the entity through the lease agreement. Assets subject to finance leases are recognised in the Statement of Financial Position at the inception of the lease, as is the corresponding finance lease liability.

Assets subject to operating leases, i.e. those leases where substantially all of the risks and rewards of ownership are not transferred to the lessee through the lease, are not recognised in the Statement of Financial Position. The operating lease expense is recognised over the course of the lease arrangement.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date; namely whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005, in accordance with the transitional requirements of iGRAP 3.

Measurement

Assets subject to a finance lease, as recognised in the Statement of Financial Position, are measured (at initial recognition) at the lower of the fair value of the assets and the present value of the future minimum lease payments. Subsequent to initial recognition these capitalised assets are depreciated over the contract term.

The finance lease liability recognised at initial recognition is measured at the present value of the future minimum lease payments. Subsequent to initial recognition this liability is carried at amortised cost, with the lease payments being set off against the capital and accrued interest. The allocation of the lease payments between the capital and interest portion of the liability is effected through the application of the effective interest method.

The finance charges resulting from the finance lease are expensed, through the Statement of Financial Performance, as they accrue. The finance cost accrual is determined using the effective interest method.

The lease expense recognised for operating leases is charged to the Statement of Financial Performance on a straight-line basis over the term of the relevant lease. To the extent that the straight-lined lease payments differ from the actual lease payments the difference is recognised in the Statement of Financial Position as either lease payments in advance (operating lease asset) or lease payments payable (operating lease liability) as the case may be. This resulting asset and / or liability is measured as the undiscounted difference between the straight-line lease payments and the contractual lease payments.

Derecognition

The finance lease liabilities are derecognised when the entity's obligation to settle the liability is extinguished. The assets capitalised under the finance lease are derecognised when the entity no longer expects any economic benefits or service potential to flow from the asset.

The operating lease liability is derecognised when the entity's obligation to settle the liability is extinguished. The operating lease asset is derecognised when the entity no longer anticipates economic benefits to flow from the asset.

The entity as lessor

Recognition

For those leases that meet the definition of a finance lease, where the entity is the lessor, the entity derecognises the asset subject to the lease at the inception of the lease. Along with the derecognition of the asset the entity recognises a finance lease receivable. Finance lease income is allocated to between the finance lease receivable and finance income using the effective interest rate method and the resulting finance income is recognised in the Statement of Financial Performance as it accrues.

For those leases classified as operating leases the asset subject to the lease is not derecognised and no lease receivable is recognised at the inception of the lease. Lease payments received under an operating lease are recognised as income, in the Statement of Financial Performance, in the period that the income accrues.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date; namely, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of GRAP 3.

Measurement

Finance lease receivables are recognised at an amount equal to the entity's net investment in the lease. This net investment in the lease is calculated as the sum of the minimum future lease payments and unguaranteed residual value discounted over the lease term at the rate implicit in the lease.

Rental Income from operating leases is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined lease payments and the contractual lease payments are recognised as either an operating lease asset or operating lease liability. An operating lease liability is raised to the extent that lease payments are received in advance (i.e. the straight-line lease payments are more than the contractual lease payments). The operating lease asset and / or operating lease liability are measured as the undiscounted difference between the straight-line lease receipts and the contractual lease receipts.

Derecognition

Finance lease receivables are derecognised when the entity's right to the underlying cash flows expire or when the entity no longer expects economic benefits to flow from the finance lease receivable.

Operating lease liabilities are derecognised when the entity's obligation to provide economic benefits or service potential under the lease agreement expires. Operating lease assets are derecognised when the entity's right to the underlying cash flows expire or the entity no longer expects economic benefits to flow from the operating lease asset.

1.13 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrues to the entity directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable, excluding indirect taxes, rebates and discounts.

Recognition

Revenue from exchange transactions is only recognised once all of the following criteria have been satisfied:

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

Revenue arising out of situations where the entity acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the entity as compensation for executing the agreed services.

Measurement

Revenue from exchange transactions is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

Expenditure from exchange transactions

Expenses directly associated with the generation of exchange revenue are recognised in the same period as the revenues are recognised, rather than in the period in which the expenses are incurred.

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.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest income

Revenue arising from the use by others of entity assets yielding interest or similar distributions 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.

1.14 Revenue from non-exchange transactions

Non-exchange transactions are transactions that are not exchange transactions.

Revenue from non-exchange transaction arises when the 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.

Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Measurement

An asset that is recognised as a result of a non-exchange transaction is recognised at its fair value at the date of the transfer. Consequently, revenue arising from a non-exchange transaction is measured at the fair value of the asset received, less the amount of any liabilities that are also recognised due to conditions that must still be satisfied.

Where there are conditions attached to a grant, transfer or donation that gave rise to a liability at initial recognition, that liability is transferred to revenue as and when the conditions attached to the grant are met.

Grants without any conditions attached are recognised as revenue in full when the asset is recognised, at an amount equalling the fair value of the asset received.

Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor.

Exchange revenue

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset and there is not a corresponding liability in respect of related conditions.

Expenditure relating to non-exchange transactions

Expenses directly associated with the generation of non-exchange revenue are recognised in the same period as the revenues are recognised, rather than in the period in which the expenses are incurred.

1.15 Translation of foreign currencies

Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the rate of exchange ruling on the date of the transaction. Exchange differences arising on the settlement of creditors or on reporting of creditors at rates different from those at which they were initially recorded are expensed.

Transactions in foreign currency are accounted for at the spot rate of the exchange ruling on the date of the transaction.

Gains and losses arising on the translation are dealt with in the Statement of Financial Performance in the year in which they occur.

1.16 Surplus/Deficit

Gains and Losses

Gains and losses arising from fair value adjustments on investments and loans, and from the disposal of assets, are presented separately from other revenue in the Statement of Financial Performance.

Income, expenditure, gains and losses are recognised in surplus or deficit except for the exceptional cases where recognition directly in net assets is specifically allowed or required by a Standard of GRAP.

1.17 Value Added Tax

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

1.18 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government or organ of state and expenditure in the form of a grant that is not permitted. Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as income in the Statement of Financial Performance.

1.19 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (No.56 of 2003), the Municipal Systems Act (No.32 of 2000), and the Public Office Bearers Act (No. 20 of 1998) or is in contravention of the entity's supply chain management policies. 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.

1.20 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful 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.

1.21 Recovery of unauthorised, irregular, fruitless and wasteful expenditure

The recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, and is recognised when the recovery thereof from the responsible officials is probable. The recovery of unauthorised, irregular, fruitless and wasteful expenditure is treated as other income.

1.22 Post-reporting events

Events after the 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 is indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity will adjust the amounts 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 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.

1.23 Related parties

The entity has processes and controls in place to aid in the identification of related parties. A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. Related party relationships where control exists are disclosed regardless of whether any transactions took place between the parties during the reporting period.

Where transactions occurred between the entity any one or more related parties, and those transactions were not within:

- normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances; and
- terms and conditions within the normal operating parameters established by the reporting entity's legal mandate.

Further details about those transactions are disclosed in the notes to the financial statements. Information about such transactions is disclosed in the financial statements.

1.24 Budget information

The annual budget figures have been presented in accordance with the GRAP reporting framework. A separate statement of comparison of budget and actual amounts, which forms part of the annual financial statements has been prepared. The comparison of budget and actual amount will be presented on the same accounting basis, same classification basis and for the same entity and period as for the approved budget. The budget of the entity is taken for a stakeholder consultative process as part of the parent municipality and upon approval the approved budget is made publicly available.

Material differences in terms of the basis or timing have been disclosed in the notes to the annual financial statements. The most recent approved budget by Council is the final budget for the purpose of comparison with the actual amounts.

2.New standards and interpretations

2.1 STANDARDS AND INTERPRETATIONS EFFECTIVE AND ADOPTED IN THE CURRENT YEAR

The entity did not adopt any standards or interpretations in the current 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 2015 or later periods:

Standard/ Interpretation:	**Effective date: Years beginning on or after**
GRAP 109: Accounting by Principals and Agents	No effective date has been determined by the Minister of Finance.
GRAP 18: Segment Reporting	01 April 2015
GRAP 105: Transfers of functions between entities under common control	01 April 2015
GRAP 106: Transfers of functions between entities not under common control	01 April 2015
GRAP 107: Mergers	01 April 2015
GRAP 20: Related parties	01 April 2016
GRAP32: Service Concession Arrangements: Grantor	01 April 2016
GRAP108: Statutory Receivables	01 April 2016
IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2016

The aggregate impact of the above standards and interpretations will not be material.

2.3 STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE OR RELEVANT

The following standards and interpretations have been published and are mandatory for the entity's accounting periods beginning on or after 01 July 2015 or later periods but are not relevant to its operations:

Standard/ Interpretation:	**Effective date: Years beginning on or after**
IGRAP 11: Consolidation – Special purpose entities	01 April 2015
IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2015
GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2015
GRAP 7 (as revised 2010): Investments in Associates	01 April 2015
GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2015

The aggregate impact of the initial application of the statements and interpretations on the entity's annual financial statements is expected not to be material.

3. CASH AND CASH EQUIVALENTS

	2015 ZAR	2014 ZAR
CASH AND CASH EQUIVALENTS CONSIST OF		
Cash on hand	2 700	5 002
Bank balances	3 773 141	2 527 131
Saving accounts	812 846	182 672
	4 588 687	2 714 805

THE ENTITY HAD THE FOLLOWING BANK ACCOUNTS

ACCOUNT NUMBER / DESCRIPTION	BANK STATEMENT BALANCES			CASH BOOK BALANCES		
	30 June 2015	30 June 2014	30 June 2013	30 June 2015	30 June 2014	30 June 2013
FNB MAIN 62363654156	594 403	98 920	135 637	594 403	98 920	135 637
FNB SKILLS 62396085899	1 180	970 702	157 019	1 180	970 702	157 019
FNB INV 623 789 429 18	812 846	182 672	90 341	812 846	182 672	90 341
FNB DEA 62457856296	1 527 332	1 457 633	-	1 527 332	1 457 636	-
FNB CRED 8812712910085001	-	(125)	(125)	-	(125)	(125)
FNB CALL 62541851574	1 650 226	-	-	1 650 226	-	-
TOTAL	4 585 987	2 709 802	382 872	4 585 987	2 709 805	382 872

4. TRADE AND OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Operational Grant Receivable (CHDM)	1 479 331	2 015 877
Project fund debtors	2 371 729	-
Other receivables	3 351	-
Prepayments	-	77 356
Deposits	22 743	23 743
	3 877 154	2 116 976

5. PROPERTY, PLANT AND EQUIPMENT

	2015			2014		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Computer equipment	296 440	(193 308)	103 132	240 566	(105 843)	134 723
Furniture and fittings	223 248	(88 828)	134 420	199 111	(54 327)	144 784
Office equipment	36 750	(13 749)	23 001	24 760	(3 935)	20 825
TOTAL	556 438	(295 885)	260 553	464 437	(164 105)	300 332

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 2015

	Opening balance	Additions	Disposals	Depreciation	**Total**
Computer equipment	134 723	55 928	-	(87 518)	103 133
Furniture and fittings	144 784	24 137	-	(34 501)	134 420
Office equipment	20 825	12 049	-	(9 873)	23 001
	300 332	92 114	-	(131 892)	260 554

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 2014

	Opening balance	Additions	Disposals	Depreciation	Total
Computer equipment	141 889	75 278	(12 884)	(69 560)	134 723
Furniture and fittings	169 178	12 178	(3 799)	(32 773)	144 784
Office equipment	3 802	20 160	-	(3 137)	20 825
	314 869	107 616	(16 683)	(105 470)	300 332

PLEDGED AS SECURITY

None of the entity’s property, plant and equipment is pledged as security.

A register containing the information required by section 63 of the Municipal Finance Management Act No. 56 of 2003 is available for inspection at the registered office of the entity.

6. INTANGIBLE ASSETS

	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Intangible assets	194 309	(70 858)	123 451	113 691	(23 231)	90 460

RECONCILIATION OF INTANGIBLE ASSETS - 2015

	Opening balance	Additions	Amortisation	Total
Intangible assets	90 460	80 618	(47 627)	123 451

RECONCILIATION OF INTANGIBLE ASSETS - 2014

	Opening balance	Additions	Amortisation	Total
Intangible assets	27 644	83 691	(20 875)	90 460

PLEDGED AS SECURITY

None of the entity’s intangible assets is pledged as security.

7. Trade and other payables from non-exchange transactions

	2015 ZAR	2014 ZAR
CHDM: Skills Fund	-	42 018
CHDA Liability to Skills Fund	-	246 450
Liability to educational institutions	-	928 684
	-	1 217 152

8. Trade and other payables from exchange transaction

	2015 ZAR	2014 ZAR
Trade payables	126 343	270 469
Other payables	-	20 174
Leave pay accrual	225 123	100 539
Payroll payables	16 429	101 313
Provision for Workmens compensation	5 967	2 016
Lease payable	9 041	8 085
Provision for 13th Cheque	-	6 681
	382 906	509 277

9. VAT payable

	2015 ZAR	2014 ZAR
VAT payable	3 255 455	1 854 214

As at 30 June 2015 all VAT returns for the current reporting period were submitted to SARS.

10. Unspent conditional grants and receipts

UNSPENT CONDITIONAL GRANTS AND RECEIPTS COMPRISES OF:

	2015 ZAR	2014 ZAR
UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
Grain Farmers Development Association	477 362	-
Chris Hani District Municipality - Irrigation Schemes	29 933	-
Department of Environmental Affairs - Waste Management Programme	624 847	1 263 158
	1 132 142	1 263 158

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the entity has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note for reconciliation of grants from National/Provincial Government.
These amounts are invested in a ring-fenced investment until utilised.

11. Contributions from owner

	2015 ZAR	2014 ZAR
AUTHORISED		
1 000 Ordinary shares of par value of R1 each	1 000	1 000
ISSUED		
1 000 Ordinary shares of par value of R1 each	1 000	1 000

12. Government grants and subsidies

	2015 ZAR	2014 ZAR
CHDM Operating grant	15 000 000	9 307 559

CONDITIONAL AND UNCONDITIONAL

Included in above are the following grants and subsidies received:

GRAIN FARMERS DEVELOPMENT ASSOCIATION

Current-year receipts	966 000	-
Conditions met - transferred to revenue	(488 638)	-
	477 362	-

Conditions still to be met - remaining liabilities (see note 10).

CHRIS HANI DISTRICT MUNICIPALITY - IRRIGATION SCHEMES

Current-year receipts	2 983 583	-
Conditions met - transferred to revenue	(2 953 650)	-
	29 933	-

Conditions still to be met - remaining liabilities (see note 10).

DEPARTMENT OF ENVIRONMENTAL AFFAIRS - WASTE MANAGEMENT PROGRAMME

Balance unspent at beginning of year	1 263 158	-
Current-year receipts	-	1 263 158
Conditions met - transferred to revenue	(638 311)	-
	624 847	1 263 158

Conditions still to be met - remaining liabilities (see note 10).

13. Revenue

	2015 ZAR	2014 ZAR
Agency services	9 892 165	-
Tender fees	32 550	6 850
Interest received - investment	308 045	124 667
CHDM Operational grant	15 000 000	9 307 559
	25 232 760	9 439 076

THE AMOUNT INCLUDED IN REVENUE ARISING FROM EXCHANGES OF GOODS OR SERVICES ARE AS FOLLOWS:

Agency services	9 892 165	-
Tender fees	32 550	6 850
Interest received - investment	308 045	124 667
	10 232 760	131 517

THE AMOUNT INCLUDED IN REVENUE ARISING FROM NON-EXCHANGE TRANSACTIONS IS AS FOLLOWS:

Taxation revenue

Transfer revenue

CHDM Operational grant	15 000 000	9 307 559

14. Employee Costs

	2015 ZAR	2014 ZAR
Salaries and wages - CTC	5 997 259	2 850 374
Medical aid - company contributions	36 339	-
Statutory - UIF levies	20 595	12 114
WCA	3 952	2 016
Leave pay expense	174 485	58 782
Defined contribution plans	157 272	-
Provision for 13th cheque expense	-	6 681
	6 389 902	2 929 967

REMUNERATION OF CHIEF FINANCE OFFICER

Annual Remuneration including social contributions	626 542	-

REMUNERATION OF THE CHIEF EXECUTIVE OFFICER

Annual Remuneration including social contributions	1 204 057	137 134
Allowances	-	36 666
	1 204 057	173 800

REMUNERATION OF CHIEF OPERATIONS OFFICER

Annual Remuneration including social contributions	566 908	627 692
Bonus	-	52 308
	566 908	680 000

15. Depreciation and amortisation

	2015 ZAR	2014 ZAR
Property, plant and equipment	179 519	126 346

16. Impairment of assets

	2015 ZAR	2014 ZAR
IMPAIRMENT LOSS		
Other receivables from non-exchange revenue	78 356	-

Impairment loss was due to prepayments that could not be traceable as it relates to previous financial year and existance cannot be established and deposits that were overstated.]

[Disclose the following information for the aggregate impairment losses and the aggregate reversals of impairment losses recognised during the period for which no information has otherwise been disclosed:]

The main classes of assets affected by impairment losses are:

The main classes of assets affected by reversals of impairment losses are:

The main events and circumstances that led to the recognition of these impairment losses are as follows:

The main events and circumstances that led to the reversals of these impairment losses are as follows:

17. Interests and Penalties

	2015 ZAR	2014 ZAR
South African Revenue Services (SARS)	247 932	290 498

18. Project costs

	2015 ZAR	2014 ZAR
Annual Report	147 723	22 547
Career Exhibitions	215 855	64 449
Consulting	-	53 257
Strategic Projects	13 273	-
Corporate research	199 981	15 000
CHDA - Irrigation Schemes Expenditure	316 382	-
CHDA - Crop Production Expenditure	35 750	11 211
CHDA - Forestry Development Expenditure	33 017	-
Other Events and Programmes - SEZ	614 559	-
Investment Conference	-	1 662 572
CHDA - Livestock Development Expenditure	-	1 511
Planning Activities - Phase 1	638 311	152 861
Strategic Planning and Review	21 420	108 227
CHDM - Mechanisation centre expenditure	2 000 090	1 760
GFADA - Maize subsidy expenditure	488 644	-
Skills Facilitation	-	1 274
Stakeholder Engagement	19 912	136 000
CHDM - Irrigation schemes expenditure	2 953 651	-
IDC - Mechanisation centre expenditure	1 563 398	-
CHDM - Bursary fund expenditure	1 107 566	-
NPC - Mechanisation centre own funds expenditure	496 411	-
	10 865 943	2 230 669

19. General expenses

	2015 ZAR	2014 ZAR
Accounting fees	297 357	323 906
Advertising	75 113	29 000
Auditors remuneration	721 568	470 627
Bank charges	19 617	8 614
Cleaning	6 595	7 638
Consulting and professional fees	32 304	149 693
Donations	-	3 799
Entertainment	1 986	-
Insurance	25 984	20 535
Conferences and seminars	20 105	-
IT expenses	108 063	61 620
Postage and courier	6 591	1 776
Printing and stationery	170 894	80 632
Security	30 420	5 925
Software expenses	38 029	44 701
Staff welfare	18 440	5 210
Subscriptions and membership fees	1 321	1 008
Telephone and fax	10 404	-
Travel - local	532 809	319 129
Travel - overseas	80 576	-
Write Off	32 051	12 884
Electricity	25 425	18 125
Rates	-	1 898
Other Board expenses	404 766	237 805
Board Fees	480 228	285 678
Staff Gifts and Welfare	598	1 350
Staff Training and Development	8 777	4 235
Recruitment costs	231 919	324 038
HR/Payroll services	26 247	56 814
Other expenses	-	2 591
	3 408 187	2 479 231

20. Cash generated from operations

	2015 ZAR	2014 ZAR
Surplus	3 700 571	1 094 798
ADJUSTMENTS FOR:		
Depreciation and amortisation	179 519	126 346
Impairment deficit	78 359	-
Disposal of Assets	-	16 663
CHANGES IN WORKING CAPITAL:		
Trade and other receivables from non-exchange transactions	(1 838 538)	(1 095 978)
Trade and other payables from exchange transactions	(126 371)	100 796
VAT	1 401 241	1 155 301
Trade and other payables from non-exchange transactions	(1 217 152)	(139 866)
Unspent conditional grants and receipts	(131 016)	1 263 158
	2 046 613	2 521 218

21. FRUITLESS AND WASTEFUL EXPENDITURE

	2015 ZAR	2014 ZAR
Opening balance	33 575	13 508
Fruitless and wasteful expenditure	257 218	96 916
Less: Amounts resolved	-	(76 849)
Less: Amounts writtern off	(290 793)	-
Fruitless and wasteful expenditure awaiting resolution	-	33 575
ANALYSIS OF AMOUNT WRITTERN OFF		
- Current	290 793	33 575
- Capital	-	-
	290 793	33 575

ANALYSIS OF CURRENT YEARS'S FRUITLESS AND WASTEFUL EXPENDITURE

Interest and penalties incurred on late payment	247 932
Booking fees resulting from cancellation of flight N/A tickets	9 286
	257 218

The above fruitless and wasteful expenditure has been incurred due to the non-submission and/or the late submission of returns for payroll levies as a result of the lack of internal control and capacity during the reporting period. The booking fees are for re-bookings made as a result of no- shows and cancellations of flight tickets.

22. IRREGULAR EXPENDITURE

	2015 ZAR	2014 ZAR
Opening balance	5 940 463	1 985 761
Add: Irregular Expenditure - current year	1 547 417	3 954 702
Less: Prior year amounts written off	(5 940 463)	-
Less: Current year amounts written off	(1 547 417)	-
	-	5 940 463

DETAILS OF IRREGULAR EXPENDITURE – CURRENT YEAR

Non compliance with SCM procedures	130 285
Bid processes not followed	1 287 718
Procurement processes not followed	129 414
	1 547 417

DETAILS OF IRREGULAR EXPENDITURE WRITTEN OFF

Previous Years		5 940 463
Current Year	Text 2	1 547 417
		7 487 880

23. DIRECTORS' EMOLUMENTS

		2015 ZAR	2014 ZAR
NON-EXECUTIVE - 2015	**Board fees**	**Committees fees**	**Total**
Mr M Sigabi	50 231	-	50 231
Mr S Dzengwa	43 000	-	43 000
Mr M Manjezi	74 000	-	74 000
Ms N Ntsubane	52 000	-	52 000
Dr C Beck-Reinhardt	20 188	-	20 188
Ms N Sikeyi	37 000	-	37 000
Mr S Ngqwala	65 000	-	65 000
L Galada	-	19 000	19 000
V Hleliso	-	73 000	73 000
J Mbawuli	-	28 000	28 000
G Rasmeni	-	18 808	18 808
	341 419	138 808	480 227

The rates paid to the board are in line with the rates approved by the Parent Municipality (Chris Hani District Municipality). No other allowances were paid to board members.

24. AUDIT FEE ACCRUAL

	2015 ZAR	2014 ZAR
	506 556	470 627
Internal audit	215 013	-
Current year audit fees	(721 569)	(470 627)
	-	-

25. PAYE & UIF DEDUCTIONS

Opening balance	84 884	17 031
Current year payroll deductions	1 576 801	554 492
Amount paid - current year	(1 582 425)	(469 608)
Amount paid - prior year	(84 884)	(17 031)
PAYE & UIF payable (receivable)	**(5 624)**	**84 884**

26. PERFORMANCE BONUSES

There we no performance bonuses due nor paid by the entity during the reporting period because there we no assessments done.

27. SUPPLY CHAIN MANAGEMENT/ NON-COMPLIANCE WITH MFMA

Non-compliance paragraph/s:

- A supplier was used beyond the contract period and beyond contract scope (Section 116(3) of MFMA).
- The implementation of the SCM Policy was not reviewed annually (Supply Chain Management Regulation 3(1)(b)).
- A member of a bid evaluation committee was a member of a bid adjudication committee (Supply Chain Management Regulation 29 (4)).
- Winning Bidder did not submit proof that Municipal rates are not in arrears (Supply Chain Management Regulation 38(1)(d)(i)).
- No declaration of interests or Tax Certificates (Section 44 Supply Chain Management Regulations)

28. RELATED PARTIES

		2015 ZAR	2014 ZAR
Relationships	Chris Hani District Municipality - CHDM		
Parent municipality	Chris Hani Co-Operative Development Centre		
Related entities	Mayibuye Trust		

All members of the board of directors and key management personnel of the entity are considered related parties

RELATED PARTY BALANCES

Amounts included in Trade receivable (Trade Payable) regarding related parties	2015	2014
Grant Receivable - CHDM	429 331	2 015 877
Skills Fund Receivable (Liability) - CHDM	811 985	(42 020)
CHDA Liability to Skills Fund - CHDM	-	(246 450
	1 241 316	1 727 407

RELATED PARTY TRANSACTIONS

	2015	2014
Income received from /(expenses paid to) related parties Operational Grant - CHDM	15 000 000	9 307 559
CHDM Irrigation Schemes	4 983 583	-
	19 983 583	9 307 559

Related party transactions with Mayibuye Trust and Chris Hani Co-operative Development Centre were at arm’s length thus according to GRAP 20.33, are exempt from the disclosure requirement of related party transactions per GRAP 20.27, and thus have not been disclosed.

29. EVENTS AFTER THE REPORTING DATE

There are no known events after the reporting date.

30. Commitments

AUTHORISED CAPITAL EXPENDITURE

Already approved and contracted		
Capital expenditure	5 469 868	-
Total capital commitments		
Already approved and contracted	5 469 868	-

AUTHORISED OPERATIONAL EXPENDITURE

Already approved and contracted		
Operational expenditure	299 225	1 903 965
Total operational commitments		
Already approved and contracted	299 225	1 903 965

TOTAL COMMITMENTS

Total commitments		
Authorised capital expenditure	5 469 868	-
Authorised operational expenditure	299 225	1 903 965
	5 769 093	1 903 965

OPERATING LEASES - AS LESSEE (EXPENSE)

Minimum lease payments due		
within one year	331 865	302 750
in second to fifth year inclusive	38 232	64 097
	370 097	366 847

Operating lease payments represent rentals payable by the entity for office buildings and for printers. Leases are negotiated for term of five years for the printers and three years for the office buildings.

Rentals for office buildings have an escalation clause of 8% per annum over a period of 3 years, whereas rentals for printers have an escalation clause of 10% per annum over a period of five years.

A new lease agreement for office buildings has been concluded with AL2 Property Trust from 1 July 2015 to 30 June 2016 with no escalation clause.

31. Medical Aid contributions

The entity paid medical aid contributions of R36 339 (2014: R nil) during the reporting period.

32. Risk management

LIQUIDITY RISK

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities as well as negotiating trance transfers timely from the parent municipality.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

At 30 June 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables (due no later than in one month)	376 940	-	-	-

At 30 June 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables (due no later than in one month)	3 574 153	-	-	-

CREDIT RISK

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

FINANCIAL ASSETS EXPOSED TO CREDIT RISK AT YEAR END WERE AS FOLLOWS:	2015 **ZAR**	2014 **ZAR**
Financial instrument		
Trade debtors	2 829 808	2 116 976
Cash and cash equivalents	4 585 715	2 714 805

33. Reconciliation of statement of budget surplus with net cash generated from operating, investing and financing activities

	2015 ZAR	2014 ZAR
Reconciliation of budget surplus/deficit with the net cash generated from operating, investing and financing activities:		
OPERATING ACTIVITIES		
Actual amount as presented in the budget statement	2 246 355	2 521 218
Timing differences	(199 742)	-
Net cash flows from operating activities	2 046 613	2 521 218
INVESTING ACTIVITIES		
Actual amount as presented in the budget statement	(1 913 700)	(191 307)
Timing differences	1 740 968	-
Net cash flows from investing activities	(172 732)	(191 307)
Net cash generated from operating, investing and financing activities	1 873 881	2 329 911

34. Budget differences

MATERIAL DIFFERENCES BETWEEN BUDGET AND ACTUAL AMOUNTS

34.1 The Agency anticipated to receive funds as per the agreement signed with different stakeholders but not all the funders honoured the promises. IDC promised to fund mechanisation centre R5 million but they only finalised the funding process in June 2015 and funds were only transferred in July 2015

34.2 Tender fees were not budgeted for as the income was realised only when there were tenders advertised and sold

34.3 Interest income budgeted for is less than the actual amount received. This is due to the favourable interest earned from the banks

34.4 The underspending is due to resignations and vacancies not filled during the financial year

34.5 Depreciation and Impairment were not budgeted for in the current financial year

34.6 Under expenditure on project cost is due to funders not honouring their commitments and on some of the programs it is late appointment of service providers resulting outstanding commitments

34.7 Under expenditure on PPE was due to delays in procurement of vehicles and property for office use. The funds will be rolled over to 2014/15 financial year

35. Prior period errors

In the previous financial years, intangible assets were overstated by R812. The amount was discovered after inspecting the fixed asset register. The amount was adjusted retrospectively.

The lease straightlined amount was erroneously calculated in the previous financial years. The error was discovered in the current year and management decided to correct the error retrospectively.

In the previous financial year, an amount of R1 263 158 was recognised as revenue from Agency services. The amount was supposed to have been recognised as unspent conditional grants and receipts. The management has decided to correct the error retrospectively.

Some of the general expenses were understated in the previous financial year. The expenses were identified and therefore the error corrected.

35. Prior period errors (Continued)

THE CORRECTION OF THE ERRORS RESULT IN ADJUSTMENTS AS FOLLOWS:	2015 ZAR	2014 ZAR
STATEMENT OF FINANCIAL POSITION	-	
Decrease in intangible assets	-	(812)
Increase in lease payables	-	(3 093)
Increase in unspent conditional grants and receipts	-	(1 263 158)
Increase in Provision for Workmes Compensation	-	(2016)
Net effect on opening accumulated surplus	-	(1 269 079)

STATEMENT OF FINANCIAL PERFORMANCE		
Decrease in Agency fees	-	(1 263 158)
Increase in depreciation and amortisation	-	(812)
Decrease in lease rentals on operating leases	-	1 478
Increase in general expenses	-	(4 571)
Increase of Employee Related Costs		(2016)
Net effect on surplus/deficit for the year	-	(1 269 079)

36. Comparative figures

	2015 ZAR	2014 ZAR
Certain comparative figures have been reclassified.		
The effects of the reclassification are as follows:		
STATEMENT OF FINANCIAL PERFORMANCE		
IT support costs	-	(67 853)
Postage and courier	-	1 776
Security	-	5 925
Software expenses	-	44 701
Electricity	-	18 125
Rates	-	1 898
General expenses	-	(4 572)

37. Contingent Liabilities

The entity might be liable for interests and penalties on workmen's compensation with the Department of Labour which the entity has not submitted ever since its inception in 2013. The entity is still in the registration process with department of labour. The potential financial effect would be approximately R 798.00 from interest and penalties.

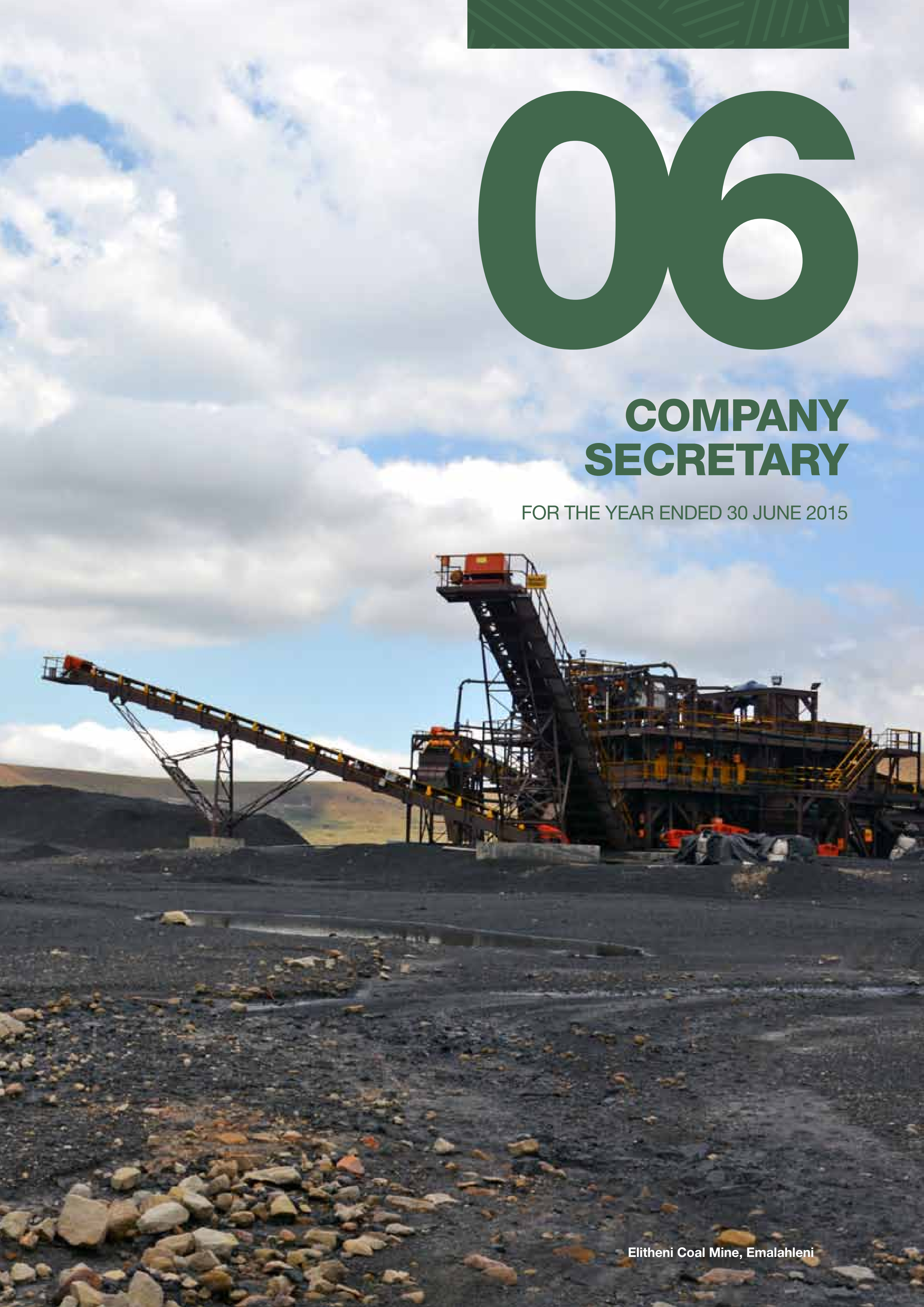
38. Deviation from SCM processes

	2015 ZAR	2014 ZAR
SUPPLY CHAIN MANAGEMENT REGULATIONS		
In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the CEO and noted by board. The expenses incurred as listed hereunder have been condoned by the board and detailed reasons have been furnished to the board.		
INCIDENT		
CHDA Website was not functional	1 080 487	-
Sole Supplier	462 881	
Other Exceptional Cases	3 466 009	
	5 009 377	

06

COMPANY SECRETARY

FOR THE YEAR ENDED 30 JUNE 2015



Elitheni Coal Mine, Emalahleni

REPORT OF THE COMPANY SECRETARY

FOR THE YEAR ENDED **30 JUNE 2015**

DECLARATION BY THE COMPANY SECRETARY

Section 88(2)e of the Companies act 71 of 2008 requires a company secretary to certify whether the company has filed required returns and notices in terms of the Act, and whether all such returns and notices appear to be true, correct, and up to date.

I hereby confirm, in my capacity as company secretary of the Chris Hani Development Agency (CHDA) that for the financial year 2014/2015, the company did not file the required returns and notices in terms of the Companies Act with CIPC. As a result, I am unable to confirm the accuracy and correctness of any such declarations.

MRS **UNATHI MKIZE**

COMPANY SECRETARY

CHRIS HANI DEVELOPMENT Agency

Unathi Mkize, Company Secretary
Chris Hani Development Agency
28 October 2015

NOTES

CONTACT INFORMATION

REGISTERED NAME
Chris Hani Development
Agency SOC Ltd

REGISTERED
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South Africa

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EXTERNAL AUDITORS
The Auditor General,
South Africa (AGSA)

chda chris hani development agency