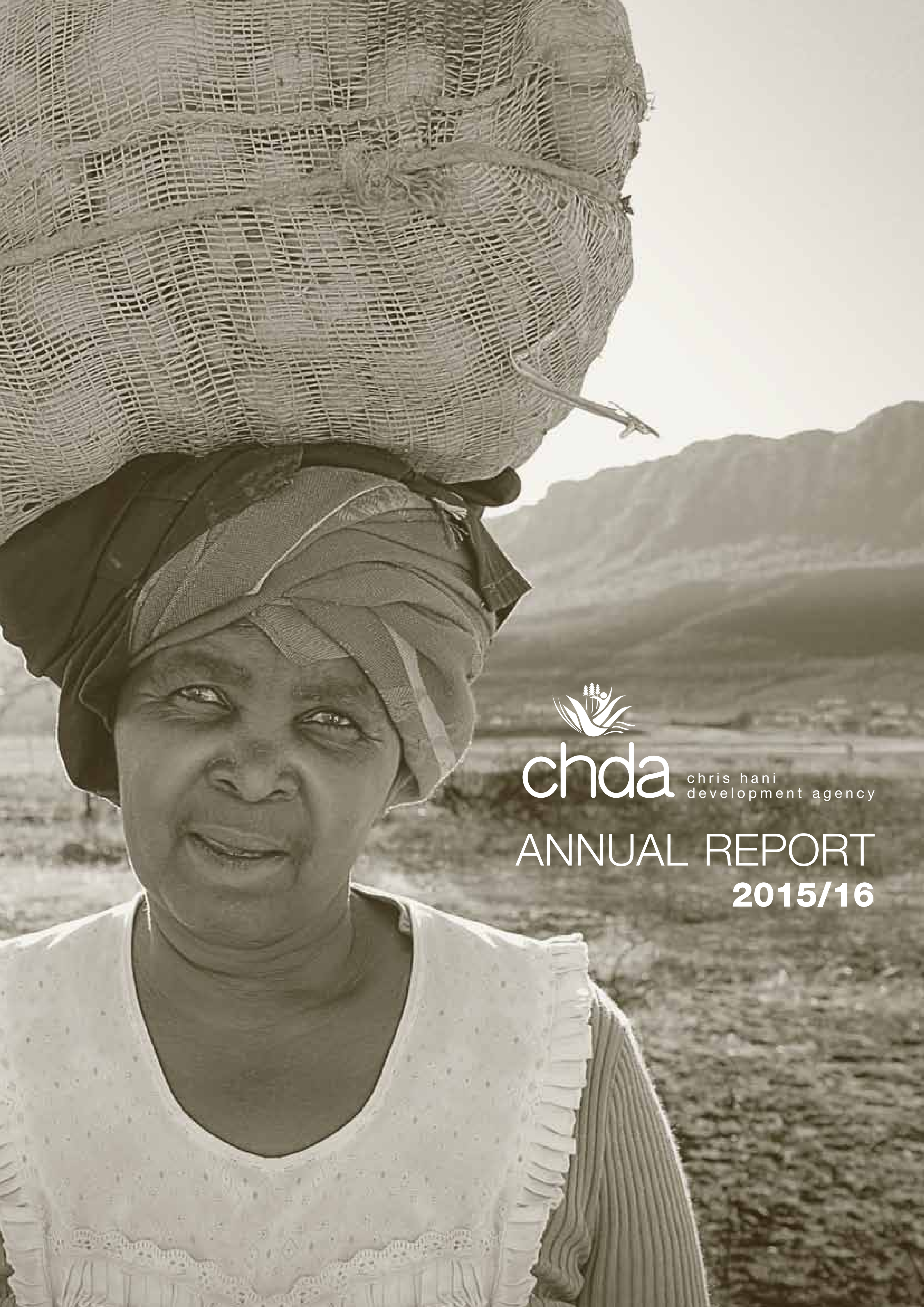

chda chris hani development agency

ANNUAL REPORT 2015/16

CONTACT INFORMATION

REGISTERED NAME
Chris Hani Development Agency SOC Ltd

REGISTERED OFFICE ADDRESS
64 Prince Alfred Street
Queenstown, 5320
Eastern Cape
South Africa

TELEPHONE NUMBER
045 838 2195

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045 838 5944

EMAIL ADDRESS
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WEBSITE ADDRESS
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EXTERNAL AUDITORS
The Auditor General,
South Africa (AGSA)

LIST OF ACRONYMS

CEO	Chief Executive Officer
CFO	Chief Financial Officer
CHDA	Chris Hani Development Agency
CHDM	Chris Hani District Municipality
CHREDS	Chris Hani Regional Economic Development Strategy
CRDP	Comprehensive Rural Development Plan
DFI's	Developmental Finance Institutions
EC	Eastern Cape
ELM	Emalahleni Local Municipality
FET	Further Education and Training College
IDP	Integrated Development Plan
IPAP	Industrial Policy Action Plan
IPED	Integrated Planning and Economic Development
IYLM	Intsika Yethu Local Municipality
LLM	Lukhanji Local Municipality
MFMA	Municipal Finance Management Act, Act No. 56 of 2003
MSA	Municipal Systems Act, Act No. 32 of 2000
MSAA	Municipal Systems Amendment Act, Act No. 44 of 2003
NDP	National Development Plan
PIDS	Provincial Industrial Development Strategy
PFMA	Public Finance Management Act
PGDP	Provincial Growth and Development Plan
SETA	Sectoral Educational and Training Authority
SEZ	Special Economic Zones
SMME	Small Micro and Medium Enterprises

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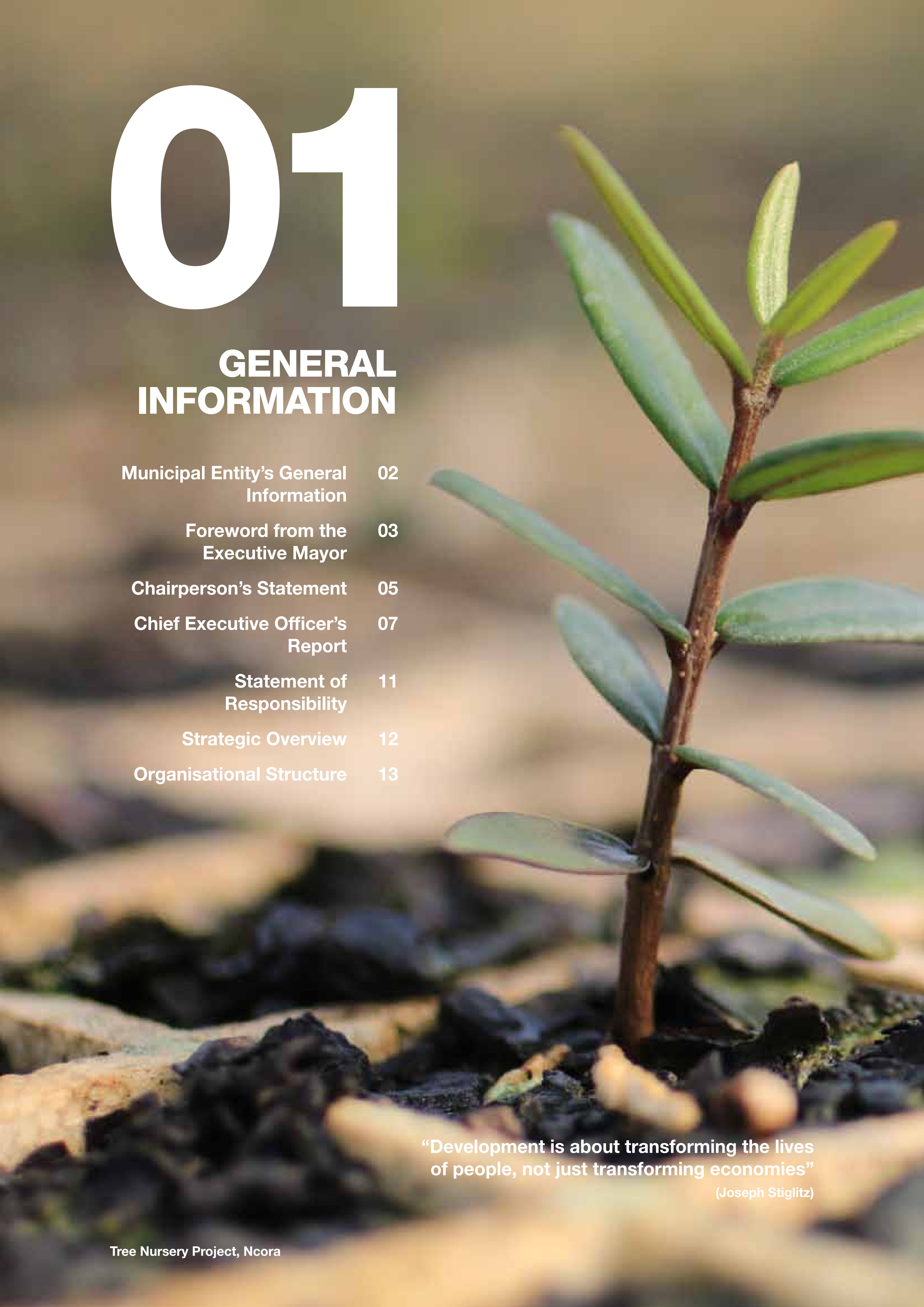


01

GENERAL INFORMATION

"Development is about transforming the lives of people, not just transforming economies"
(Joseph Stiglitz)

Tree Nursery Project, Ncora

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

Company registration number
2012/033437/07

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

Internal Auditor
Sizwe Ntsaluba Gobodo

Chief Executive Officer (CEO)
Mr T Mashologu

Contacts
TEL 045 838 2195
FAX 045 838 5944
EMAIL info@chda.org.za

EXECUTIVE MAYOR'S **FOREWORD**

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 2015/16 the Chris Hani District Municipality continued to lead the economic development initiative through an integrated approach between the Integrated Planning and Economic Development Directorate (IPED) and the Chris Hani Development Agency (CHDA). Our economic development programmes and humanitarian efforts, through the bursary and SMME funds 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 2015/16 the CHDA had provided agricultural input production support to emerging farmers for close to R2 million, completed land preparation, planting and harvesting activities of 425 hectares of maize in the Inxuba Yethemba locality. A total of 22 learners are currently having their tertiary education funded through acceptance into the Mayor's Bursary Fund, which is currently being administered by the agency. The students are enrolled for various qualifications in agriculture, mechatronics, engineering, tourism studies, information technology and related fields. For the year under review, a total of R 1.9 million expenditure was realized 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, resulting in the

CHDA successfully security learnership and internship programmes targeted at Chris Hani District youth. In addition, I am pleased to announce that the Agency was involved in assisting the office of the Executive Mayor in rolling out funding support to SMME's, in the interest of developing local small business and creating employment opportunities. A total of R3.1 million was paid out to local small businesses, for securing of much – needed equipment, machinery, and commercial technologies. 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 making it easier for job-creating entrepreneurs and small businesses in the district to grow their businesses through the development of the agri-parks, industrial 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.

CNLR MXOLISI KOYO
EXECUTIVE MAYOR
CHRIS HANI DISTRICT MUNICIPALITY
17 December 2016

CHAIRPERSON'S STATEMENT

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 clean audit opinion for the very first time from the auditor general (AGSA) (see Section 05 – Financial Information), developing impactful projects in primary agriculture and agri-business development (see Section 02 – Performance Information) and have engaged the communities and stakeholders through social facilitation programmes and a comprehensive partnership and stakeholder engagement programme 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.

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 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 clean audit report, and the Chief Executive Officer and executive team all on five year performance based contracts.

The board has set up three subcommittees looking at audit, risk and ethics, human resources and remuneration and project finance and investment.

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.

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. The purpose of the project, Finance and Investment committee is to apprise the Board on programming performance, as well as advise on high-impact development project selection, implementation and alignment of Agency operations to the service level agreement with the CHDM.

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, as well as equitable and fair remuneration, performance management (see Section 03 – Governance and Section 04 – Human Resources Management) and it is now in the process of strengthening these committees as the Agency's implementation programme gains momentum.

The board will look to build on this progress during 2016/17 financial period.

I wish to thank all board members for the contributions they have made throughout this period of accelerated implementation.

PERFORMANCE

In the year 2015/16 the Agency had notable successes, and some key challenges as compared to the previous financial year, resulting in a solid achievement rate on finance and administration, governance and related functions, helping achieve a clean audit. The Agency's programming unit had some challenges that prevented optimal performance, with a performance rate of 69% of planned targets being realised due to challenges with timely receipt of grant funding, reliance on third party partnerships, and staff shortages in the programming unit. The office of the CEO however made good efforts in developing new partnerships and in stakeholder engagement activities.

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.

RISK MANGEMENT & 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 existing policies approved in previous year were reviewed in an attempt to improve internal controls, and Agency staff trained on these policies. The Board will ensure that these reviews are done systematically and are in the best interest of the organisation.

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 in the new year will be mainly in maximising output of commercial production in the district, increasing commercial participation of emerging farmers, improving mechanisation service delivery, SMME and enterprise development, skills programmes, as well as investment promotion support through the Industrial parks, all whilst maintaining solid administrative and governance processes to maintain the clean audit status, especially with the advert on mSCOA, and readiness for July 2017.

The Board wishes to thank management and staff for a clean audit achievement for the 2015/16 financial period, and wishes to encourage them to continue with the splendid work done by all thus far into the new year going forward.

MLULAMI MANJEZI
CHAIRPERSON OF THE BOARD
CHRIS HANI DEVELOPMENT AGENCY
17 December 2016

CEO'S REPORT

A YEAR OF **ESTABLISHING OUR FOOTPRINT** AS A LEADER IN THE **ECONOMIC DEVELOPMENT LANDSCAPE** OF THE DISTRICT

In order to succeed, organisations need to grow. For us as CHDA, because we are operating in an ever changing political and economic environment that has multiple socio-economic challenges that are moving in an ever quickening pace, stagnation really means going backward.

Since its establishment, the CHDA has continued to demonstrate impressive growth in terms of product offering, geographic spread, number of programmes and improved corporate governance. To recap, the year 2013-14 was geared on agency establishment, with the year 2014-15 geared towards the realisation of organisational stability through improvement in organisational systems, processes, and staffing, with 2015-16 being focused on implementation of identified programmes and projects, as well as a period of learning for future escalation of the programmes and project implementation going forward. This past year has been a learning year for the (CHDA), filled with accomplishments and some disappointments. The agency's operations in 2015-16 were guided by the agency's strategic plan, as well as approved service level agreement with the shareholder, Chris Hani District Municipality (CHDM

The agency had remarkable successes, and a number of challenges, but performance overall was satisfactory, with the realization of 69% of its performance targets for 2015/16.

KEY ACCOMPLISHMENTS AT **DISTRICT AND LOCAL MUNICIPAL AREA** LEVEL

Through its various sub - programmes and corporate interventions, CHDA contributed to major district and local events and economic decisions. In large part, the period of July 2015 to June 2016, geared towards:

- paving the way for the approval of an Agripark for the Chris Hani District Municipality that resulted at Ncora being identified as the Agrihub with 8 other Farmer Producer Support Units identified in different towns;
- the establishment of a large–scale mechanisation center initiative to support farmers in the Inxuba Yethemba through a partnership with DRDLR and Omnia Group,
- the revamping of the Queenindustria industrial park in Queenstown in a partnership with DTI and DBSA, and
- the securing of a R60 million capital injection for local emerging farmers in a large – scale beef livestock value chain initiative with the Jobs Fund, Old Mutual Masisizane Fund and Berlin Beef.

THIS WAS ACHIEVED IN CONJUNCTION WITH VARIOUS OTHER ACHIEVEMENT IN THE SKILLS DEVELOPMENT, SMME DEVELOPMENT AND AGRIBUSINESS / AGRO – PROCESSING ACTIVITIES IN THE CHRIS HANI AREA.

KEY ACCOMPLISHMENTS AT ORGANISATIONAL LEVEL

Through its various sub - programmes in the financial management and administrative processes of operations,

- the agency realised an unqualified audit opinion for 2014-15, whose results were confirmed by the Auditor General in November 2015 July 2015 to June,
- the agency improved in its governing structures and board activities became more formalised, with a recognised company secretary,
- the agency filled the bulk of vacant positions on the approved organogram, resulting in a lower vacancy rate than that of year ended 30 June 2015, and implemented the TASK grading system, and
- through improved systems, processes and procedures, managed to not incur additional irregular expenditure, or unauthorised expenditure in its books, as compared to previous financial periods.

PROGRAMME AND **BUDGET PERFORMANCE**

The status of the operational and programming performance output which is assessed based on the achievement of key performance indicators on all sub-programmes and related projects, shows good progress in 2015-16 as attested to by the overall achievement of 69% of all set performance indicators and targets (51 out of 74 indicators), which were attained on time and within approved target. The remaining 31% (23 out of 74 indicators) are expected to be achieved in 2016-17.

PROGRAMME **PERFORMANCE**

In general, the organisation has shown good progress on achievement of key indicators, with individual programme performance being summarised as follows:

- Programme 3 (Partnerships and Stakeholders) performed the highest, realising 100% of its performance objectives (6 out of 6 indicators achieved),
- Programme 1 (Viable and Proficient Organisation) performed the second highest, realising 72% of its performance objectives (18 out of 25), and
- Programme 2 (Viable Clusters) performed the least, realising 63% of its performance objectives (27 out of 43 indicators).

The indicators not achieved have been taken forward to 2016-17, with basis for non-achievement clearly stated in the detailed performance report, and remedial action plans to remedy non-achievement detailed.

BUDGET PERFORMANCE

The agency had an overall budget of R 69 949 434.00 with which to carry out its objectives for the year, and the bulk of performance indicators were allocated a portion of the overall budget amount. Out of this budget R51 438 415.00 was programme and projects budget that is made of our own funding and 3rd party funding. Overall budget spent was 54% since not all 3rd party funding was realised resulting in the overall organisational achievement rate of 69%.

APPRECIATION

My greatest gratitude and special thanks goes to the CHDM leadership, for the funding and continued support of our operations, CHDA Board for their efforts and support throughout the year. It is because of you, the Agency was able to meet and in some instances exceed the goals we had for last year.

And, to the CHDA employee team, your continued dedication and enthusiasm have not gone unnoticed. I sincerely thank you for your undisguised support and commitment to the strategic direction of the organization.

Let us strive to do more, and turn into a strong force that drive for change in our district towards stimulation of our regional economic growth for the realization of the dreams and aspiration of the regional community at large.

THUKELA MASHOLOGU
CHIEF EXECUTIVE OFFICER
CHRIS HANI DEVELOPMENT AGENCY
17 December 2016

STATEMENT OF
RESPONSIBILITY

PRESENTATION OF THE CHRIS HANI DEVELOPMENT AGENCY ANNUAL REPORT AND STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT 2015/16

THUKELA MASHOLOGU
CHIEF EXECUTIVE OFFICER
CHRIS HANI DEVELOPMENT AGENCY

MLULAMI MANJEZI
CHAIRPERSON OF THE BOARD
CHRIS HANI DEVELOPMENT AGENCY

In terms of the requirements of the municipal Finance Management Act (MFMA) 56 of 2003, the Accounting Authority presents the Annual Report of the Chris Hani Development Agency for the period 1 July 2015 to 30 June 2016, to the Executive Authority, the Chris Hani District Municipality Council.

To the best of our knowledge and belief, we confirm the following:

- All information and amounts disclosed in the annual report are consistent with the annual financial statements and performance report audited by the Auditor General
- The annual report is complete, accurate and free from any omission
- The annual report has been prepared in accordance with reporting guidelines issued by National Treasury
- The accounting authority is responsible for the preparation of the annual financial statements, and the annual financial statements have been prepared in accordance with the accounting standards and reporting standards applicable to the agency
- The accounting authority is responsible for establishing and implementing a system of internal control, that has been designed to provide reasonable assurance as to the integrity and reliability of reported information
- The external auditors have been engaged to express an opinion on the annual financial statements and achievement to predetermined objectives and levels of internal control

In our opinion, the annual report fairly reflects the operations, performance, and financial affairs of the Chris Hani Development Agency for the financial year ended 30 June 2016.

STRATEGIC **OVERVIEW**

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.

CHDA's role is to promote, support and facilitate economic development in the Chris Hani District Municipality's area or jurisdiction, with a focus on agriculture and agro-processing initiatives. The agency seeks to facilitate economic development in its area of operations through realization of economic spinoffs from primary programs and projects, such as job – creation, scarce skills development, new venture creation or SMME development, as well as increases in agricultural value chain activities in support of primary agricultural activities in rural areas, as well as agro-processing and value adding.

The agency's 2014 - 2019 strategy currently involves:

1) Creation of a viable and proficient organization

2) Implementation of high impact local economic development projects

- Creation of viable and sustainable agricultural clusters (resuscitation of irrigation schemes, primary agricultural production, agro-processing and commercial exports from the Chris Hani District localities)
- Development of sector – specific scarce skills (internship, learnerships and a bursary programme for needy youngsters)
- Investment promotion, SMME development and job creation

3) Partnership building and stakeholder engagement for development synergies

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

MISSION

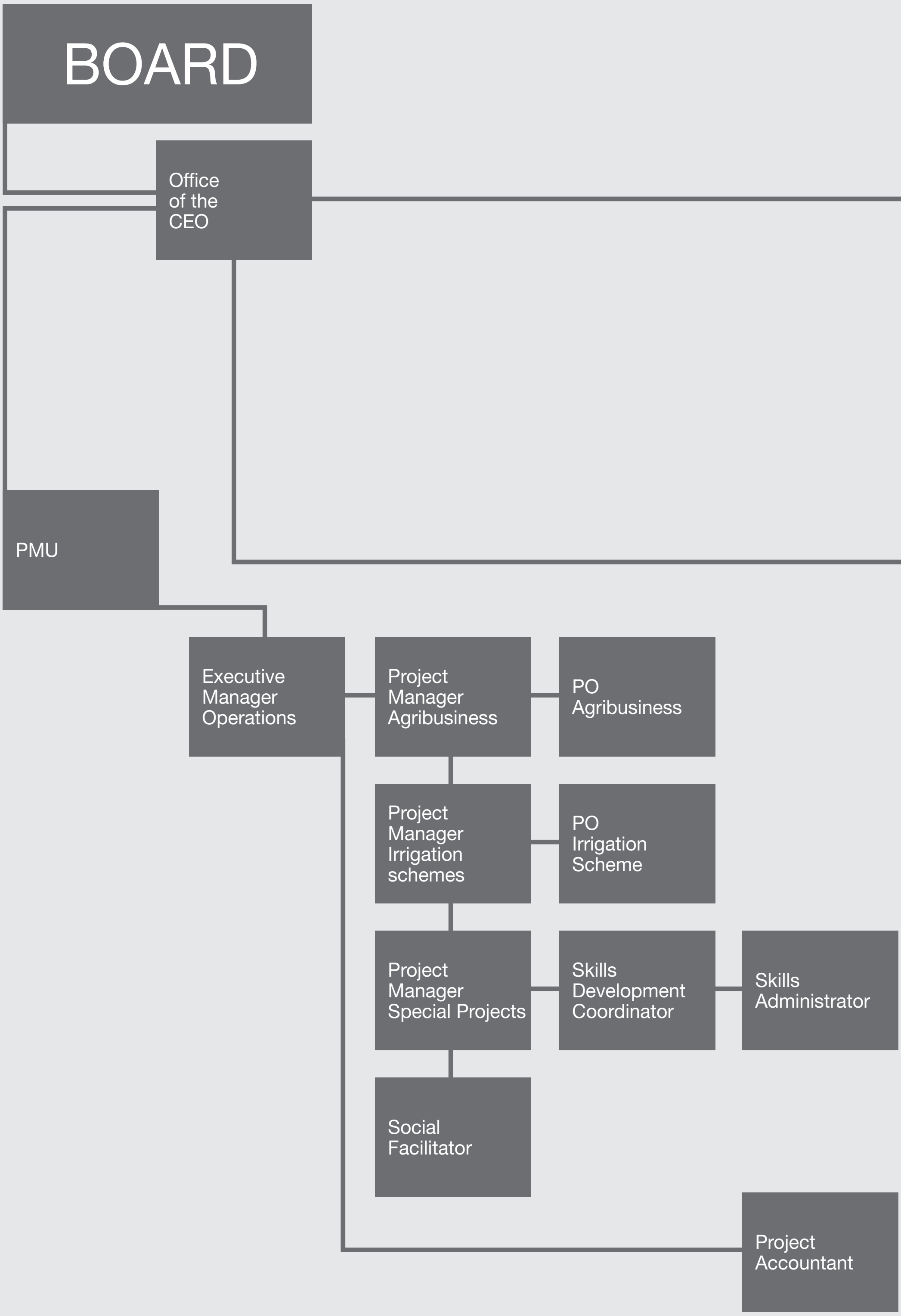
THE AGENCY WILL UNLOCK THE ECONOMIC POTENTIAL OF THE REGION BY ACCELERATING IMPLEMENTATION OF IDENTIFIED HIGH IMPACT PRIORITY PROGRAMMES BASED ON THE NATURAL RESOURCES, PEOPLE AND CAPABILITIES WITHIN THE DEVELOPMENT CORRIDORS

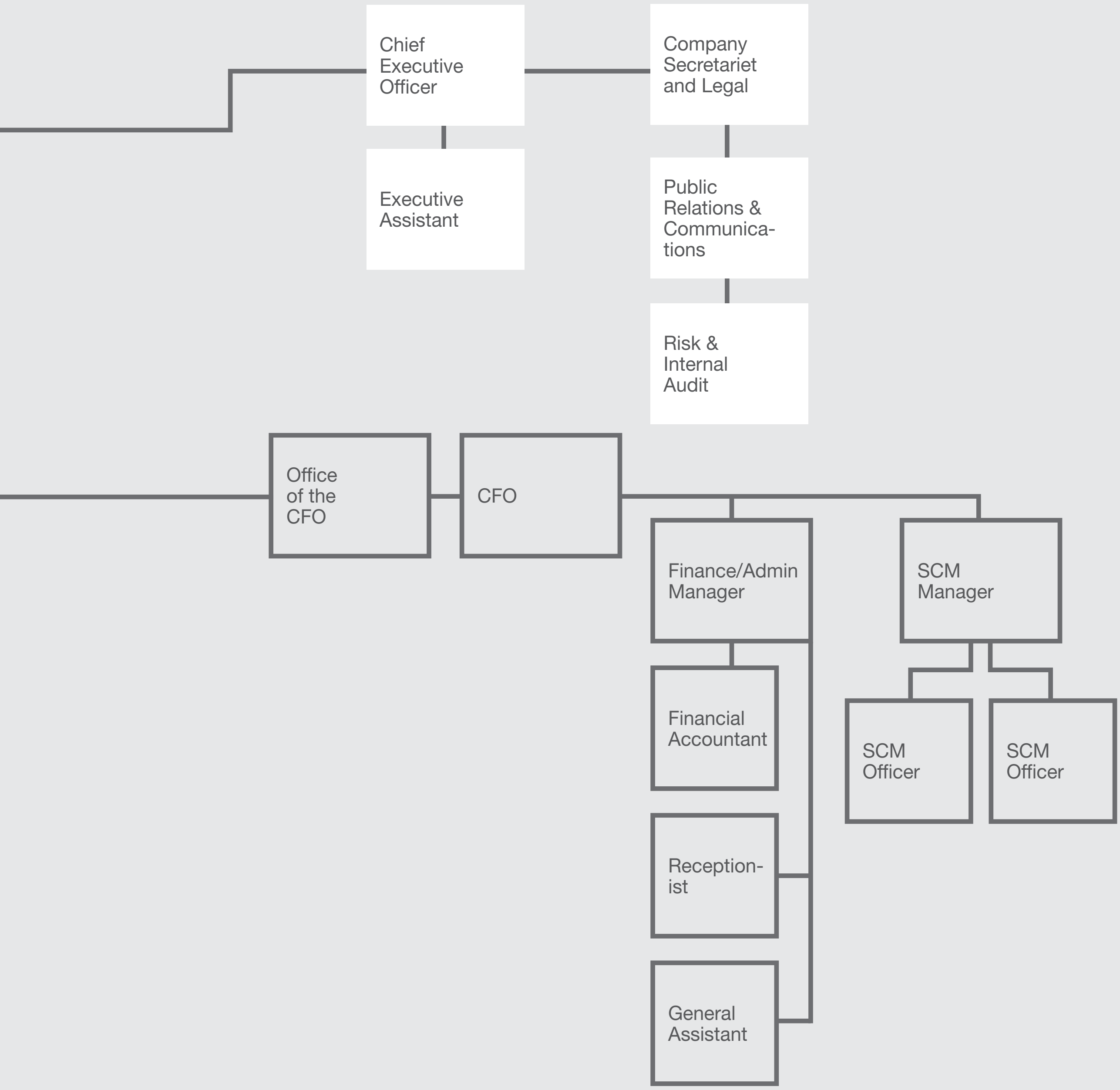
The Agency is committed to the realisation of a reduction in both poverty and unemployment in the region through the adoption of the strategy of:

- 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.

ORGANISATIONAL **STRUCTURE**



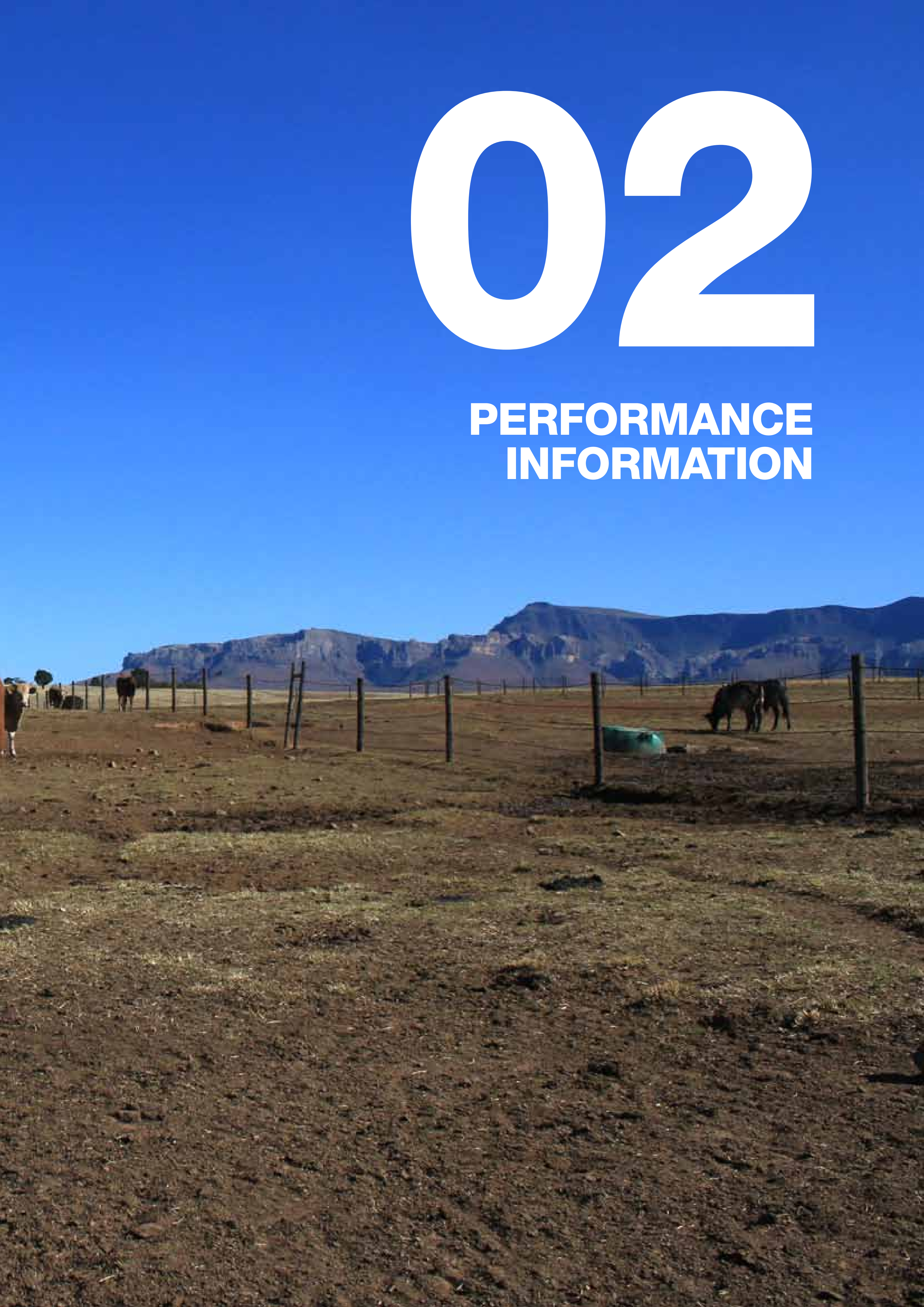

Chief Executive Officer
Company Secretariet and Legal
Executive Assistant
Public Relations & Communica-tions
Risk & Internal Audit
Office of the CFO
CFO
Finance/Admin Manager
SCM Manager
Financial Accountant
SCM Officer
SCM Officer
Reception-ist
General Assistant

"Excellence is never an accident. It is the result of high intention, sincere effort, intelligent direction, skilful execution and the vision to see obstacles as opportunities"
(Anonymous)

Beef Livestock Programme, Elliot

02

PERFORMANCE INFORMATION



The year 2013-14 was geared on agency establishment, with the year 2014-15 geared towards the realisation of organisational stability through improvement in organisational systems, processes, and staffing. The year 2015-16 saw the agency move towards being focused on programming and service delivery, as well as a period of learning for future escalation of the service delivery and project implementation going forward.

2015-16 has been a learning year for the Chris Hani Development Agency (CHDA), filled with accomplishments and some disappointments. The agency's operations in 2015-16 were based on the agency's strategic plan, as well as approved service level agreement with the shareholder, Chris Hani District Municipality (CHDM).

APPROVED **PROGRAMMING**

PROGRAMME 1

To create a viable and proficient organisation

To ensure that all areas of corporate governance are upheld, in an attempt to be accountable to the shareholder, and to conduct the agency with integrity and in accordance with generally accepted good corporate practices by managing the organisation in terms of legislation and best practice. This includes setting a clear strategic direction to inform agency operations

Sub-Programmes / Key Deliverables:
- Good governance and clear strategic direction
- Financial viability
- Attainment of an unqualified audit outcome
- Risk management
- Performance management
- Internal competencies, learning and growth

PROGRAMME 2

To facilitate the establishment of viable and sustainable clusters

To contribute to the economic development of the areas under our jurisdiction, as an implementer, facilitator and enabling partner, through various interventions linked to agriculture and agro - processing, mechanization services, skills development, investment promotion, and SMME development activities

Sub-Programmes / Key Deliverables:
- Resuscitation of irrigation schemes
- Development of agricultural value chains through primary production and agro-processing
- Facilitation of the improvement to existing grain handling capacity of the Chris Hani district
- SMME development and job creation
- Investment promotion and industrial capacity improvement

PROGRAMME 3

To commit to partnership building and stakeholder relations

To effectively communicate key information on agency operations with the public in a reliable, accurate and transparent manner to help build a positive public image and positive stakeholder relations

Sub-Programmes / Key Deliverables:
- Stakeholder engagement
- External communications

PERFORMANCE ASSESSMENT

The annual performance is assessed by measuring the progress made in achieving the expected accomplishments and delivering on the planned outputs. The status of achieved performance is appraised by the extent to which the set performance indicator targets have been achieved, and the related achievement on set milestones on key projects for the year.

The performance on indicators is monitored on a quarterly basis, and consolidated into an annual performance report at the end of the year, giving an overall account of the performance to predetermined objectives for the year, as set in the planning documents at the start of the year.

The performance assessment is per the process indicated in the agency's PMS policy, which was reviewed and updated during the year to accommodate the treatment of organisational performance information, iro of its collection, collation, consolidation, reporting, and storage.

SUMMARY **PROGRAMME PERFORMANCE**

The status of the operational and programming performance output which is assessed based on the achievement of key performance indicators on all sub-programmes and related projects, shows good progress in 2015-16 as attested to by the overall achievement of 69% of all set performance indicators and targets (51 out of 74 indicators), which were attained on time and within approved target. The remaining 31% (23 out of 74 indicators) are expected to be achieved in 2016-17.

STRATEGIC AREA / PROGRAMME		INDICATORS	ACHIEVED	NOT ACHIEVED	PROGRAMME ACHIEVEMENT	BUDGET	ACTUAL	% BUDGET SPENT
1	Viable Organisation	25	18	7	72%	R 18 297 955.00	R 16 468 188.00	90%
2	Viable Clusters	43	27	16	63%	R 51 438 415.00	R 21 160 967.00	41%
3	Partnerships and Stakeholders	6	6	0	100%	R 213 064.00	R 213 064.00	100%
		74	**51**	**23**		**R 69 949 434.00**	**R 37 842 221.57**	

The highest budget was allocated to programme 2_Viable Clusters, as this constitutes the service delivery area of the agency's operations, next the programme 1_Viable Organisation, and with the least to programme 3_partnerships and stakeholder engagement activities.

This was allowed by the fact that some indicators had no direct budget allocation, and could be achieved without a separate budget being allocated, of which the cost of realising the target was inherent in another indicator's budget (e.g. indicator items relying on staff effort were not budgeted for, but cost of realisation of indicator included in the staffing costs / budget). This was also the case in PMU targets realised through partnerships and collaborative efforts with third parties.

Items not achieved have been taken forward to 2016-17, with basis for non-achievement clearly stated in the detailed performance report, and remedial action plans to remedy non-achievement detailed

The agency had an overall budget of R 69 949 434.00 with which to carry out its objectives for the year, and the bulk of performance indicators were allocated a portion of the overall budget amount. Overall budget spent was 54%, resulting in the overall organisational achievement rate of 69%.

KEY ACCOMPLISHMENTS **AT DISTRICT & LOCAL MUNICIPAL** AREA LEVEL

Through its various sub - programmes and corporate interventions, CHDA contributed to major district and local events and economic decisions. In large part, the period of July 2015 to June 2016, geared towards:

- paving the way for the approval of an Agripark for the Chris Hani area at Ncora,
- the establishment of a large – scale mechanisation center initiative to support farmers in the Inxuba Yethemba through a partnership with DRDLR and Omnia Group,
- the revamping of the Queenindustria industrial park in Queenstown in a partnership with DTI and DBSA, and
- the securing of a R60 million capital injection for local emerging farmers in a large – scale beef livestock value chain initiative with the Jobs Fund, Masisizane Fund and private partners.

This was achieved in conjunction with various smaller achievement in the skills development, SMME development and agribusiness / agro – processing activities in the Chris Hani area.

KEY ACCOMPLISHMENTS **AT ORGANISATIONAL LEVEL**

Through its various sub - programmes in the financial management and administrative processes of operations,

- the agency realised an unqualified audit opinion for 2014-15, and a clean audit in 2015-16
- the agency improved in its governing structures and board activities became more formalised, with a recognised company secretary,
- the agency filled the bulk of vacant positions on the approved organogram, resulting in a lower vacancy rate than that of year ended 30 June 2015, and implemented the TASK grading system, and
- through improved systems, processes and procedures, managed to not incur additional irregular expenditure, or unauthorised expenditure in its books, as compared to previous financial periods.

KEY CONSIDERATIONS

The agency performed well in some instances, with the PMU unit especially having key challenges affecting achievement of performance objectives. A set of key considerations for the future on performance management have been tabled by Management:

- A large factor was the non-receipt of budgeted – for funding, which affected service delivery components, or similarly, the late receipt of funds, resulting in partial achievement of targeted outputs.
- Another challenge that needs to be considered going forward is the lack of a designated individual specifically for strategy and performance management, and current resource allocated to this item is also responsible for other functions. If this is resolved, the general management of performance in the agency is likely to improve by far.
- The agency also needs to look into an M&E framework, to identify long term development objectives that will help in measuring the impact of the agency's interventions and operations as a development agency. A clear Monitoring and Evaluation (M&E) programme will also assist in the development of clear project and programming targets for the agency, which will further add to the development impact of CHDA initiatives, as these M&E indicators will be brought done to project level, and project indicators. Similarly, a clear methodology on project selection, and cash investment / application of development funds that much more linked to sustainable interventions, and measurable long term impact
- A M&E framework is also likely to assist in the agency's implementation of a ''lessons learned" repository, so that CHDA is able to continuously improve its delivery of programming, as well as its implementation of said programmes to highest possible development and economic pay-off

DETAILED PROGRAMME & SUB-PROGRAMME PERFORMANCE

The report of the external auditors did not have material findings or emphasis matters on predetermined objectives, in addition to the Annual Financial Statements and Compliance. This resulted in a clean audit for 2015/16.

PROGRAMME 1

Creation of a Viable and Proficient Organisation

The first programme sits with the Office of the CFO, and for the 2015/16 year focused on the strategic objective of the realisation of a viable and proficient organization, or creating a solid finance and administrative platform for the agency and its operations. Key performance areas on the administration and internal operations agenda for the agency in the year under review were:

Sub-Programmes / Key Deliverables:
- Good governance and clear strategic direction
- Financial viability
- Attainment of an unqualified audit outcome
- Risk management
- Performance management
- Internal competencies, learning and growth

THE OFFICE OF THE CFO HAD NOTABLE SUCCESS IN ITS PROGRAMMING FOR 2015/16, HAVING ACHIEVED 72% OF ITS SET PERFORMANCE TARGETS, USING 90% OF ALLOCATED BUDGET:

PERFORMANCE SUMMARY: STRATEGIC AREA 1 _ VIABLE AND PROFICIENT ORGANISATION	
Number of performance indicators	25
Number of indicators achieved	18
Number of indicators unachieved	7
Overall level of achievement	**72%**
Budgeted expenditure	R 18 297 955.00
Budget spent	R 16 468 189.14
Budget unspent	R 1 829 765.86
Overall budget expended for realisation of indicators	**90%**

Non-performance issues were identified as follows:

PERFORMANCE ISSUE	UNDERLYING REASONS	REMEDIAL ACTION
Board and sub-committee activities	Fewer sittings than planned for the HR_rem committee, The PFI committee was not trained, and Board and sub-committee performance was not reviewed during the year	Calendar to be developed and reviewed quarterly to ensure sittings take PFI training move to first half of 2016-17 Performance reviews planned for end 08/2016
Internal audit activities:	Mazars IA contract ended, and 2 assignments had not been finalized in the audit plan. There was a budget issue, due to ad-hoc assignments commissioned by the ARE committee and board during the year	IA assignments not done have been moved to 2016-17, for implementation in SNG's audit plan
Electronic project monitoring tool	Manual project reporting not yet developed to allow for electronic system. Postponed to next period	Moved to 2016-17
Staff recruitment activities achieving below targeted vacancy rate	Delays in the development of new office space has resulted in emphasis on filling key projects, and senior administrative positions, with less emphasis on junior positions and interns	Moved to 2016-17

A detailed analysis of programme, sub-programme and project level indicators, achievement and budget to actual expenditure allocations are shown in Annexure A: Detailed Performance Report 2015/16.

PROGRAMME 2

Creation of Viable and Sustainable Clusters

The second programme sits with PMU, and for the 2015/16 year focused on the strategic objective of the creation of self-sustaining rural economies or clusters through various development programmes. Key performance areas on the administration and internal operations agenda for the agency in the year under review were:

Sub-Programmes / Key Deliverables:
- Resuscitation of irrigation schemes
- Development of agricultural value chains
- Mechanization to support emerging farmers
- Development of grain handling capacity in the district
- Sector specific scarce skills development
- Investment promotion and enterprise development

THE PMU HAD CHALLENGES IN ITS PROGRAMMING FOR 2015/16, HAVING ACHIEVED 63% OF ITS SET PERFORMANCE TARGETS.

NON-PERFORMANCE ISSUES WERE IDENTIFIED AS FOLLOWS:

PERFORMANCE SUMMARY: STRATEGIC AREA 2 _ VIABLE CLUSTERS		
Number of performance indicators	43	
Number of indicators achieved	27	
Number of indicators unachieved	16	
Overall level of achievement	**62.79%**	
Budgeted expenditure	R 51 438 415.00	
Budget spent	R 21 160 967.56	
Budget unspent	R 30 277 447.44	
Overall budget expended for realisation of indicators	**41.14%**	
Budgeted programming funds received	R 21 498 259.43	**42%**
Budgeted programming funds received and spent	R 21 160 967.56	**98%**
Budgeted programming funds not received	R 29 940 155.57	**58%**

PERFORMANCE ISSUE	UNDERLYING REASONS	REMEDIAL ACTION
IRRIGATION SCHEMES		
SOCIAL CHARTERS	Social instability at irrigation schemes has affected programming initiatives, and possible job creation. The charters cannot be finalized until social issues resolved.	Item moved to 2016-17, and will be focus of social facilitation efforts in the new year
JOB CREATION		
PARTNERSHIPS FOR INFRASTRUCTURE DEVELOPMENT	Also, social unrest has delayed signing of partnership agreement on possible infrastructure upgrades for scheme operations	
VALUE CHAINS		
FEASIBILITY ON CHEESE FACTORY FOR QUEENINDUSTRIA	The feasibility on the cheese factory study has been delayed by the technical partner, who is unable to get commitments for additional funding to match his 50% contribution	To lobby government programmes dealing with dairy value chain development ,or agriculture for financial support to finalise feasibility assessment, and develop business plan in the new year
IKHEPHU BEEF LIVESTOCK PROGRAMME	The delay in receipt of funds from the jobs fund has delayed procurement and placement of weaners by the principal and project partners	Item moved to next year, as weaners will be placed in Spring 2016
JOB CREATION FROM VALUE CHAIN ACTIVITIES	The job creation target is linked to the beef livestock programme, with the partial achievement being gained from 7 jobs created in the fruit programme at Mitford / pomegranites	Item moved to next year, and is achievable upon placement of weaner in September 2016
FORESTRY CLUSTERS TREE NURSERY PROJECT	There was a delay in planting of new trees due to limited space in the nursery after last season's trees were only collected later in the year by the buyer. The existing tunnel infrastructure is limited, and no new plants could be grown	Item has been moved to next year, as buyer has placed order for new eucalyptus trees
MECHANISATION AND GRAIN HANDLING FACILITIES		
JOB CREATION FROM MECHANISATION	The delays in implementation of the Cradock mechanization center and related social issues within the cooperative and farmer has delayed placements of local workers, instead using mechanization staff from Qamata center	Moved to 2016-17, with social facilitation processes allowing for recruitment and selection of staff to the needs of the mechanization center in Cradock
JOB CREATION FROM GRAIN HANDLING ACTIVITIES	The social unrest at Qamata affected the realization of planting activities in 2014-15, and possible harvesting in 2015-16, which would allow job creation for additional silo operators	n/a

PERFORMANCE ISSUE	UNDERLYING REASONS	REMEDIAL ACTION
SKILLS DEVELOPMENT		
JOB CREATION FROM CAREER EXPOS	Targets were lost where CHDA opted to partner with a third party to co-host a career exhibition, and casual labourers from unemployed database could not be utilised	n/a
FUNDRAISING FOR SKILLS PROGRAMMES	R500 000 shortfall in funding raised for skills programmes due to lack of commitments received from the private sector approached	Item moved to next year, and additional potential funders (government and private) already approached, and will be followed up on in the first half of the year
INVESTMENT PROMOTION		
INDUSTRIAL PARK REVITALIZATION PROGRAMME	Delays with the contractor in sourcing material for the phase A – security upgrade resulted in a construction lag for the first phase	CHDA not implementer, but social facilitator. It may be possible to revise the indicator in the new year, so that it applies to CHDA's involvement in the project

Other than the items indicated above, the PMU unit has performed well for the year.
Key achievements for 2015-16 were:
- The raising of over R 137 million for the programming portfolio
- The final submission of the Agriparks business plan, with the launch to be held in July 2016 of an Agripark at Ncora
- The development of an optimal operating model for the Queenindustria industrial park, in an effort to work towards gaining an operator license for the future
- Successful recruitment and selection of the second intake of students for the bursary fund, and the securing of 2 learnerships with MICT Seta and the Construction Seta through the department of Public Works

Some indicators were linked to a budget, and third parties, and most budgeted funds were expended, resulting in an overall 42% expenditure rate under this programme for 2015-16, 3% of its objectives. Also, this ratio improves if one looks at the % as a portion of actual funds received, and it improves to 98% expenditure.

PROGRAMME 3

Creation of Partnerships and Stakeholder Relations

The third programme sits with the Office of the CEO, and for the 2015/16 year focused on the strategic objective of the creation of strategic partnerships for development synergies, as well as stakeholder relations. Key performance areas on the administration and internal operations agenda for the agency in the year under review were:

Sub-Programmes / Key Deliverables:
- Stakeholder relations
- Transparent communications

THE OFFICE OF THE CEO WAS SUCCESSFUL IN ITS PROGRAMMING FOR 2015/16, HAVING ACHIEVED 100% OF ITS SET PERFORMANCE TARGETS IN THE PROGRAMME.

THERE WERE NO NON-PERFORMANCE ISSUES WERE IDENTIFIED.

PERFORMANCE SUMMARY: STRATEGIC AREA 3 _ PARTNERSHIPS AND STAKEHOLDERS	
Number of performance indicators	6
Number of indicators achieved	6
Number of indicators unachieved	0
Overall level of achievement	**100%**
Budgeted expenditure	R 213 064.00
Budget spent	R 213 064.87
Budget unspent	R 0.00
Overall budget expended for realisation of indicators	**100%**

Shiloh Vineyard Project, Whittlesea

ANNEXURE A - 01

SO-01	CREATION OF A VIABLE AND PROFICIENT ORGANISATION								
Strategic Objective	Strategic Goals	Description	Ref No.	Key Performance Indicators / KPI's	Output Target / Perf. Metric	Form of Measure	Desired Movement	Reporting Frequency	Latest End Date
To Create a Viable and Proficient Organisation	**Good Corporate Governance and Clear Strategic Direction**	To ensure that all areas of corporate governance are upheld, in an attempt to be accountable to the shareholder, and to conduct the agency with integrity and in accordance with generally accepted good corporate practices by managing the organisation in terms of legislation and best practice. This includes setting aclear strategic direction to inform agency operations	1,1	Minimum required number of board and sub-committee / governance structure events held	4 board, PFI, AC, HR-Rem meetings held	Cumulative	Upwards	Quarterly	Jun-16
			1,2	Board and sub-committee training and capacitation events held	1 board, PFI, AC and HR-Rem training held	Cumulative	Upwards	Quarterly	Jun-16
			1,3	Annual strategic planning and review session held	1 strategy review report	Annual	Upwards	Annual	Jun-16
			1,4	Annual board and sub-committee performance assessments conducted	1 report	Annual	Upwards	Annual	Jun-16
			1,5	AGM held with agency and shareholder	1 AGM held	Annual	Upwards	Annual	Jun-16
	Financial Viability	To ensure that the agency raises additional funding to supplement grant from CHDM. The additional funding will assist in additional programming and project implementation	1,6	Additional funding raised for programme implementation to reduce reliance on operational grant	R134 million raised	Cumulative	Upwards	Quarterly	Jun-16
			1,7	Operational spending to be in line with approved budget in realising of perfromance objectives (R3,105,599.88)	100% budget spent	Cumulative	Upwards	Quarterly	Jun-16

ZAR Budget	Status at 30 June 2016	**ZAR** Actual Expenditure To Date	**%** Budget To Annual For Strategic Goal	Reasons For Non-Achievement / Delays	Planned Remedial Action
R 1 413 654,00	Not Achieved	R 1 407 647,39	99,58%	There were no items to be submitted to the HR_Rem committee in the first quarter	n/a
R 69 411,00	Not Achieved	R 69 409,14	100%	TThe PFI committee was not trained during the last quarter due to lack of budget. The training was to be held as follows: June 2016 – NMMU – Monitoring and Evaluation of Programmes (PFI committee)	To move this item to next financial year, within the first half, when the institution holds the training
R 67 494,00	Achieved	R 67 493,73	100,00%	n/a	n/a
R -	Not Achieved	R -	-	The plan at end of Quarter3 was to identify an external provider to conduct objective assessments, but he timing found as not suitable in providing assessment for the entire financial period of 2015-16. It was decided that assessments be held in Quarter 1 of next financial year for the 2015-16 board and subcommittee activities	"To move this item to next financial year, within the first quarter, so that it provides guidance on board training and development initiatives for 2016-17 Responsible: F. Tiso Date: 30/09/2016"
R -	Achieved	R -	-	n/a	n/a
R -	Achieved	R -	-	n/a	n/a
R 3 635 831,00	Achieved	R 3 587 618,69	98,67%	n/a	n/a

ANNEXURE A - 01

SO-01	CREATION OF A VIABLE AND PROFICIENT ORGANISATION								
Strategic Objective	Strategic Goals	Description	Ref No.	Key Performance Indicators / KPI's	Output Target / Perf. Metric	Form of Measure	Desired Movement	Reporting Frequency	Latest End Date
To Create a Viable and Proficient Organisation	**Unqualified Audit Outcome**	To ensure that the organisation is managed in terms of applicable legislation, compliance and best practice	1,8	AFS and APR submitted within legislated timeframes	AG submission by 31/08/2015	Annual	Upwards	Annual	Jun-16
			1,9	Monthly management accounts submitted to the parent municipality within 7 working days from the start of each month	100% reports to CHDM in due time	Cumulative	Upwards	Quarterly	Jun-16
			1,10	All statutory returns submitted by prescribed dates	100% submission by due dates	Periodic	Upwards	Quarterly	Jun-16
			1,11	Resolution of items in audit action plan in time for next audit period	100% audit report issues resolved	Cumulative	Upwards	Quarterly	Jun-16
	Manage-ment of Risk	To identify strategic, operational and financial risks, and implement mitigation strategies and comply with internal audit plan so as to minimise risks that can result in non-performance, qualified audit outcomes or negative reputation with the public	1,12	Agency risk assessment conducted annually and reviewed per quarter	1 annual and 4 quarterly reports	Cumulative	Upwards	Quarterly	Jun-16
			1,13	Agency insurance policies reviewed and updated on a quarterly basis	4 insurance policy reviews	Cumulative	Upwards	Quarterly	Jun-16
			1,14	Compliance with internal audit plan for the financial year	100% plan implemented	Cumulative	Upwards	Quarterly	Jun-16
			1,15	New policies developed and workshopped with staff	14 policies developed and workshopped in the year	Annual	Upwards	Quarterly	Jun-16

ZAR Budget	Status at 30 June 2016	ZAR Actual Expenditure To Date	% Budget To Annual For Strategic Goal	Reasons For Non-Achievement / Delays	Planned Remedial Action
R 1 022 316,00	Achieved	R 1 022 316,55	100,00%	n/a	n/av
R -	Achieved	R -	-	n/a	n/a
R 700 000,00	Achieved	R 700 000,00	100%	n/a	n/a
R -	Achieved	R -	100%	n/a	n/a
R -	Achieved	R -	100%	n/a	n/a
R 49 357,00	Achieved	R 49 356,78	100,00%	n/a	n/a
R 455 708,00	Not Achieved	R 455 707,60	100,00%	It ws decided that due to budget completion and expiry of Mazars contract, the ITC and AG follow up reviews be moved to the following year, as they had been done within the last 12 months. The new IA firm would proceed with these assignments in their audit plan	To move items to next financail year, within first half, to be incorporated in new IA annual plan Responsible: F Tiso Date: 30/12/2016
R -	Achieved	R -	-	n/a	n/a

ANNEXURE A - 01

SO-01	CREATION OF A VIABLE AND PROFICIENT ORGANISATION								
Strategic Objective	Strategic Goals	Description	Ref No.	Key Performance Indicators / KPI's	Output Target / Perf. Metric	Form of Measure	Desired Movement	Reporting Frequency	Latest End Date
To Create a Viable and Proficient Organisation	**Performance Management**	To create a culture of high performance and service delivery, which includes positioning the agency as one committed to business excellence and staying relevant to its shareholder and development partners for ongoing sustainability	1,16	Annual performance plan aligned with SLA with shareholder developed and approved	1 APP	Annual	Upwards	Bi-annually	Jun-16
			1,17	Annual performance agreements signed for all staff	100% staff have perf. Agreements	Annual	Upwards	Bi-annually	Jun-16
			1,18	Performance to predetermined objectives monitored and reported on quarterly	4 quarterly perfomance reports	Cumula-tive	Upwards	Quarterly	Jun-16
			1,19	Company and individual employee performance assessments conducted half yearly	2 performance assessments per year	Annual	Upwards	Bi-annually	Jun-16
			1,20	Implement electronic project monitoring and reporting tool for projects	1 system implemented	Annual	Upwards	Annual	Jun-16

ZAR Budget	Status at 30 June 2016	ZAR Actual Expenditure To Date	% Budget To Annual For Strategic Goal	Reasons For Non-Achievement / Delays	Planned Remedial Action
R -	Achieved	R -	-	n/a	n/a
R -	Achieved	R -	-	n/a	n/a
R -	Achieved	R -	-	n/a	n/a
R 530 910,00	Achieved	R 513 003,35	96,63%	n/a	Performance assessments on staff to be conducted on a quarterly basis from 2016/17
R -	Not Achieved	R -	-	The manual document management system for storing project information, as well as reporting has not been mastered by the PMU staff. This item was delayed with the hope that the manual system could be perfected, so that when time came for an electronic tool, any reports generates would be accurate, and adequately updated.	To move this item to next financial year, within the first half, Ensure reporting tool is finalised and installed by end of quarter 1 of 2016/17.

ANNEXURE A - 01

SO-01	CREATION OF A VIABLE AND PROFICIENT ORGANISATION								
Strategic Objective	Strategic Goals	Description	Ref No.	Key Performance Indicators / KPI's	Output Target / Perf. Metric	Form of Measure	Desired Movement	Reporting Frequency	Latest End Date
To Create a Viable and Proficient Organisation	**Internal Compe-tencies, Learning and growth**	To attract and retain talent, and further develop internal competencies and capabilities and establish a culture of innovation, learning and growth, so as to be on the leading edge of service delivery	1,21	Annual PDP's signed and implemented	50% of employees undergone skills development programme	Cumulative	Upwards	Quarterly	Jun-16
			1,22	Organogram reviewed and aligned to strategic objectives	1 organogram review	Annual	Upwards	Annual	Jun-16
			1,23	Vacancies of key positions filled	0 - 10% vacancy rate	Cumulative	Down-wards	Quarterly	Jun-16
			1,24	New jobs or work opportunities created in agency operations and support activities through internships and contract appointment	10 new jobs	Cumulative	Upwards	Quarterly	Jun-16
			1,25	TASK grading system implemented so as to attract and retain talent in key positions	100% TASK implementation	Periodic	Upwards	Quarterly	Jun-16

ZAR Budget	Status at 30 June 2016	ZAR Actual Expenditure To Date	% Budget To Annual For Strategic Goal	Reasons For Non-Achievement / Delays	Planned Remedial Action
R 235 361,00	Achieved	R 235 357,16	100,00%	n/a	n/a
R -	Achieved	R -	-	n/a	n/a
R 126 090,00	Not Achieved	R 126 089,97	100,00%	"The position of SCM mofficers were delayed, awaiting the start of dudties of the SCM manager after his appoontment in late June 2016. These will be filled in quarter 1 of 2016/17. The PO Agribusiness and project accountant will also be filled in quarter 1 of 2016/17"	To move this item to next financial year, within the first quarter. Responsible: F. Tiso Date: 30/09/2016
	Not Achieved			Theer have not been sufficient operational activity to allow for interns and contract workers beyond the current numbers. Also, the current psace situation is affecting new interns and contract staff from being engaged, as there is no space available in current office.	Due to the space crisis, the 5 remaining positions will be filled on emergency / critical demand basis
R 9 991 823,00	Achieved	R 8 234 188,78	82,41%	n/a	n/a

ANNEXURE A - 02

SO-02	VIABLE CLUSTERS								
Strategic Objective	Strategic Goals	Description	Ref No.	Key Performance Indicators / KPI's	Output Target / Perf. Metric	Form of Measure	Desired Movement	Reporting Frequency	Latest End Date
To Establish Viable and Sustainable Clusters	**Facilitate Re-suscitation of Irrigation Schemes**	To facilitate the resuscitation of existing irrigation schemes in the district so that they are functional and sustainable through the facilitation of governance, infrastructure and revenue improvements	26	Status quo analysis conducted and scheme operating model developed for Qamata, Bilatye, Ncora and Shiloh	4 reports	Cumulative	Upwards	Quarterly	Jun-16
			27	Financial procedure manual manuals developed for Ncora and Shiloh schemes	2 reports	Cumulative	Upwards	Quarterly	Jun-16
			28	Financial accounting software programmes procured for Ncora and Shiloh	2 reports	Cumulative	Upwards	Quarterly	Jun-16
			29	Social charters developed for Qamata, Bilatye, Shiloh and Ikhephu livestock cluster	4 charters	Cumulative	Upwards	Quarterly	Jun-16
			30	New jobs and work opportunities created on irrigation scheme operations and activities	20 jobs craeted	Cumulative	Upwards	Quarterly	Jun-16

ZAR Budget	Status at 30 June 2016	ZAR Actual Expenditure To Date	% Budget To Annual For Strategic Goal	Reasons For Non-Achievement / Delays	Planned Remedial Action
R -	Achieved	R -	-	n/a	n/a
R 200 000,00	Achieved	R 103 428,50	51,71%	n/a	n/a
	Achieved			n/a	n/a
R 700 000,00	Not Achieved	R 248 078,95	35,44%	"Consultants doing the facilitation work could not continue after their first draft produced in December 2015 due to complaints that the farmers on the ground have raised with CHDM and Intsika Yethu LM programmes implementa-tion. The farmers requested political heads of these two institutions to intervene in solving their problems/complaints before the Social Facilitation project can continue. See attendance registers of the meetings and complaints raised by farmers attached	Also, suspension of PM Irrigation SChemes in early 12/2015 to date affected all irrigation scheme operations. PO Irrigation SChemes commenced work on 1 June 2016"
R -	Not Achieved	R -	-	Consultants doing the facilitation work could not continue after their first draft produced in December 2015 due to complaints that the farmers on the ground have raised with CHDM and Intsika Yethu LM programmes implementation. The farmers requested political heads of these two institutions to intervene in solving their problems/complaints before the Social Facilitation project can continue. See attendance registers of the meetings and complaints raised by farmers attached Also, suspension of PM Irrigation SChemes in early 12/2015 to date affected all irrigation scheme operations. PO Irrigation SChemes commenced work on 1 June 2016	To move this item to next financial year, within the first halfr. Social facilitator tasked with assisting to help coordinate stakeholder engagement sessiosn to resolve community complaints with applicable stakeholders. Apointed social facilitator from agency can also actively participate in this additional item to save budegt

ANNEXURE A - 02

SO-02	VIABLE CLUSTERS								
Strategic Objective	Strategic Goals	Description	Ref No.	Key Performance Indicators / KPI's	Output Target / Perf. Metric	Form of Measure	Desired Movement	Reporting Frequency	Latest End Date
To Establish Viable and Sustainable Clusters	**Facilitate Resuscitation of Irrigation Schemes**	To facilitate the resuscitation of existing irrigation schemes in the district so that they are functional and sustainable through the facilitation of governance, infrastructure and revenue improvements	31	External partnerships realised for production support and infrastructure funding activities for irrigation schemes programme	1 partnership agreement	Cumulative	Upwards	Quarterly	Jun-16
			32	Infrastructure and operational support provided for vineyard expansion at Shiloh irrigation scheme	80% budget expended	Cumulative	Upwards	Quarterly	Jun-16
			33	Support provided for renovations and feed for the Bilatye piggery programme (Facilitate the stablish 2500 - piggery facility at Bilatye)	1 piggery housing structure developed	Cumulative	Upwards	Quarterly	Jun-16
			34	Land identified, prepared and planted under irrigation for 2015-16	500ha planted under irrigation	Cumulative	Upwards	Quarterly	Jun-16
			35	Maize harvested at Bilatye and Qamata from 2014-15 production season	500ha harvested	Cumulative	Upwards	Quarterly	Jun-16

ZAR Budget	Status at 30 June 2016	ZAR Actual Expenditure To Date	% Budget To Annual For Strategic Goal	Reasons For Non-Achievement / Delays	Planned Remedial Action
R -	Not Achieved	R -	-	The agreements are targeting partnerships in the irrigation schemes which are currently facining social challenges as a result political heads on CHDM and Intsika Yethu LM are currently addressing Also, suspension of PM Irrigation SChemes in early 12/2015 to date affected all irrigation scheme operations. PO Irrigation SChemes commenced work on 1 June 2016	To move this item to next financial year, within the first halfr. Social facilitator tasked with assisting to help coordinate stakeholder engagement sessiosn to resolve community complaints with applicable stakeholders. Apointed social facilitator from agency can also actively participate in this additional item to save budegt
R 1 300 000,00	Achieved	R 1 263 225,81	97,17%	n/a	n/a
R 600 000,00	Achieved	R 238 108,77	39,68%	n/a	n/a
R 1 576 548,00	Achieved	R 1 141 445,88	72,40%	n/a	n/a
R 1 000 000,00	Not Achieved	R 982 336,00	98,23%	Maize planted was lost due to theft, resulting in a lower than expected harvest area	n/a

ANNEXURE A - 02

SO-02	VIABLE CLUSTERS								
Strategic Objective	Strategic Goals	Description	Ref No.	Key Performance Indicators / KPI's	Output Target / Perf. Metric	Form of Measure	Desired Movement	Reporting Frequency	Latest End Date
To Establish Viable and Sustainable Clusters	**Facilitate Development of Agricul-tural Value Chains**	To stimulate economic activity in primary agriculture and agroprocessing activities from primary production in livestock, forestry, grains, fruit and vegetables	36	Feasibility analysis conducted on operationalisation of a cheese factory in the district	1 feasibility report	Annual	Upwards	Annual	Jun-16
			37	Weaners placed to participate in the implementation of Ikhephu livestock cluster to select farmers to participate in beef linkages programme	1500 weaners placed	Cumula-tive	Upwards	Quarterly	Jun-16
			38	New office infrastructure erected at the Ikhephu livestock cluster to enable participation in beef linkages programme	1 office structure erected	Cumula-tive	Upwards	Quarterly	Jun-16
			39	Feasibility and business plans developed for 2-fruit clusters	2 feasibility reports and 1 business plans	Cumula-tive	Upwards	Quarterly	Jun-16
			40	Pomegranate production initiative established and implemented	30ha of pomegranate planted	Cumula-tive	Upwards	Quarterly	Jun-16
			41	500ha planted in the district as a whole under open-field (non-irrigated) land	500ha planted under dryland	Cumula-tive	Upwards	Quarterly	Jun-16

ZAR Budget	Status at 30 June 2016	**ZAR** Actual Expenditure To Date	**%** Budget To Annual For Strategic Goal	Reasons For Non-Achievement / Delays	Planned Remedial Action
R -	Not Achieved	R -	-	Feasibility report in draft stage, not approved as final due to challenges of technical partners / principals not being able to secure government support by way of a match on their investment	To move item to next year, and fianlise feasibility report in the first quarter. A business plan may have to be developed to raise the additional capital required from government through other channells, eg IDT, IDC, JobsFund, etc
R 2 012 259,00	Not Achieved	R 10 448,54	0,52%	There was a delay in having the MOU signed with all the key stakeholders and CHDA. This resulted in delays in finalising farm assessment questionnaires to be used in identifying farmers to participate in the programme. Farm assessments were completed at the end of April 2016, but delays in getting the funding from the Jobs Fund resulted in delays in all operations. It was agreed that all placements of young cattle be finalised in the Spring, when optimal temperatures allow in the Elliot region	To be moved to the first quarter of next year. The funding will be drawn down to allow for placing of livestock in success-ful farms identified. It was agreed that if not all farmers assessed were able to participate in the programme, replacement farmers would be identified in other areas to make the targetted number of place-ments for the programme
R 200 000,00	Not Achieved	R 200 484,00	100,24%	This item was added to the APP during the adjustment process in Feb2016. The delays was due to having limited budget, and an attempt to revise exist-ing office designs to be within a cost effective range, for the signing of a funding agreement. The cost was revised from an estimated R600k to R200484.00, and agreemet signed in quarter4. the transfer was done in June2016, and the month would not be sufficient to allow for complete strcture by end June 2016	To be moved to the first quarter of next year. The office structure will be complete by the end of the first quarter, per building estimated timelines, so that at time of placements in Spring, the office is ready for operation
R -	Achieved	R -	-	n/a	n/a
R 500 000,00	Achieved	R 259 662,81	51,93%	n/a	n/a
R 3 223 509,00	Achieved	R 1 155 715,39	35,85%	n/a	n/a

ANNEXURE A - 02

SO-02	VIABLE CLUSTERS								
Strategic Objective	Strategic Goals	Description	Ref No.	Key Performance Indicators / KPI's	Output Target / Perf. Metric	Form of Measure	Desired Movement	Reporting Frequency	Latest End Date
To Establish Viable and Sustainable Clusters	**Facilitate Development of Agricultural Value Chains**	To stimulate economic activity in primary agriculture and agroprocessing activities from primary production in livestock, forestry, grains, fruit and vegetables	42	Production support at Vusisizwe tree nursery in Intsika Yethu	250000 trees produced	Cumulative	Upwards	Quarterly	Jun-16
			43	New jobs and work opportunities created in implementation of fruit and livestock value chain programmes	100 new jobs	Cumulative	Upwards	Quarterly	Jun-16
			44	Facilitation / brokering of sale agreements entered into for the sale of local agricultural produce	5 signed offtake / sale agreements	Cumulative	Upwards	Quarterly	Jun-16
	Facilitate Development of Fully Operational Mechanisation Centers	To provide mechanisation support to emerging and commercial farmers in the distriict in an attempt to ensure primary production is maximised	45	Mechanisation support infrastructure and equipment improvements as identified in the infrastructure implrovement plan	80% improvement in farming infrastructure	Cumulative	Upwards	Quarterly	Jun-16
			46	Establish and implement an effective board for the Qamata Mechanisation center (appoint, induct, train and hold board meetings)	Proof of board related activities	Cumulative	Upwards	Quarterly	Jun-16
			47	New jobs and work opportunites created in implementation of mechanisation activities	30 new jobs	Cumulative	Upwards	Quarterly	Jun-16
			48	Additional mechanisation center established and operational, in addition to center based in Qamata	1 new mechanisation center established	Annual	Upwards	Annual	Jun-16
			49	Implementation of approved mechanisation operations in the district	80% budget expended	Cumulative	Upwards	Quarterly	Jun-16

ZAR Budget	Status at 30 June 2016	ZAR Actual Expenditure To Date	% Budget To Annual For Strategic Goal	Reasons For Non-Achievement / Delays	Planned Remedial Action
R 138 306,00	Not Achieved	R 138 305,20	100,00%	Late sale of last years stock resulted in delays in this years planting due to lack of space in the tunnels.	To move item to next year, and finalise before end of quarter 2. The agreements signed by Hans Merensky to buy eucalyptus trees not yet planted will allow for the shortfall to be planted after 07/2016
R -	Not Achieved	R -	-	This target was set with the beef livestock item in mind, hcih would employ the bulk of people in the implementation of placement of 1500 cattle / weaners in the beef programme. The beef programme has been delayed by the development of SLA between the parties, the transfer of funds from the Jobs Fund to the project, and the finalisation of farm assessments from the identified emerging farmers expected to participate in the programme	To move item to next year, within quarter 1, where all weaners will be placed as farm assessments con-cluded by end June 2016, for placement in September 2016
R -	Achieved	R -	-	n/a	n/a
R 3 500 000,00	Achieved	R 3 215 998,00	91,89%	n/a	n/a
R -	Not Achieved	R -	-	The QMC board sat for the first time in the second quarter, after being established. No meeting was scheduled for quarter 4, so as to commnce harvesting operations in Cradock in the first quarter of 2016-17, which would be allowing for clear and comprehensive reporting of activities	To move item to next financial year, within the first half of the year.
R -	Not Achieved	R -	0	The item was not realised as the new mechanisation center in Cradock has not yet employed any new staff, as the Qamaat mechanisation center staff was seconded to the Cradock operations since 10/2015 to save costs whilst awaiting transfer of funding from the DRDLR. The Qamata staff would have been a waste, as there were no cropping programmes in qamata during the period due to the drought, exceot for potatoes needing only 2 remaining employees	To move item to next financial year, within the first half of the year.
R -	Achieved	R -	-	n/a	n/a
R 9 417 900,00	Achieved	R 5 720 478,47	60,74%	n/a	n/a

ANNEXURE A - 02

SO-02	VIABLE CLUSTERS								
Strategic Objective	Strategic Goals	Description	Ref No.	Key Performance Indicators / KPI's	Output Target / Perf. Metric	Form of Measure	Desired Movement	Reporting Frequency	Latest End Date
To Establish Viable and Sustainable Clusters	**Facilitate Develop-ment of Grain Handling Facilities in the District**	To develop grain handling facilities to support grain production in the district, with a focus on existing infrastructure at Qamata and Ncora	50	New jobs and work opportunities created in implementation of grain handling facilities	5 jobs created	Cumulative	Upwards	Quarterly	Jun-16
			51	Improvements to existing silo capacity through refurbishment and provision of operational support	80% budget expended	Cumulative	Upwards	Quarterly	Jun-16
	Facilitate Develop-ment of Sector Specific Scarece Skills in the District	To participate in the development of scarce skills in the district through various education, skills and learnership programmes	52	Fundraising for bursary programme implementation	R2.5 million raised	Cumulative	Upwards	Quarterly	Jun-16
			53	New students recruited into bursary programme in intake conducted for 2015-16	22 new students	Annual	Upwards	Annual	Jun-16
			54	Rollout of bursary programme for academic year 2015-16	80% bursary fund on behalf of beneficiaries	Cumulative	Upwards	Quarterly	Jun-16
			55	Learnership programmes identified and implemented	1 learnership	Annual	Upwards	Annual	Jun-16
			56	New jobs and work opportunities created in the implementation of career exhibitions	20 new jobs	Cumulative	Upwards	Quarterly	Jun-16
			57	Internship and learnership opportunities facilitated for unemployed graduates in the district	40 new jobs	Cumulative	Upwards	Quarterly	Jun-16
			58	Host career exhibitions in the district 2015-16	4 career expos	Cumulative	Upwards	Quarterly	Jun-16

ZAR Budget	Status at 30 June 2016	ZAR Actual Expenditure To Date	% Budget To Annual For Strategic Goal	Reasons For Non-Achievement / Delays	Planned Remedial Action
R 100 000,00	Not Achieved	R 68 416,66	68,42%	The item was not realised due to there not being additiona, employment at the silos in Qamata due to no planting of maize happening due to the drought. There was no maize planted in 2014/15 and 2015/16, and silo operators were operational in the maize storage and extraction from the 2013/14 planting season harvested in July 2015	Not possible - limited operations due to drought and no plant-ing in qamata during 2015/16 and 2014/15
R 100 000,00	Achieved	R 94 594,95	94,59%	The item was not realised at the silos in Qamata due to no planting of maize happening due to the drought. There was no maize planted in 2014/15 and 2015/16, and silo operators were operational in the maize storage and extraction from the 2013/14 planting season harvested in July 2015	Not possible - limited operations due to drought and no plant-ing in qamata during 2015/16 and 2014/15
R -	Not Achieved	R -	-	The additional R500k has been requested from private sector companies who have skills devel-opment interests, but no responses have been received to date – third party reliant	To move item to next financail year, within the first half. Follow up on applications made in first half of the year to raise remaining R500k, or identify alternate potential funders
R 2 000 000,00	Achieved	R 1 957 165,47	97,86%	n/a	n/a
	Achieved			Monies received in 01/2016, with start of academic year. Most ursary costs in first half of the year were low as most paid before 06/2015	n/a
R 2 805,00	Achieved	R 2 805,00	100,00%	n/a	n/a
R -	Not Achieved	R -	-	Fourth expo held was indirect participation / co-hosting so no jobs could be craeted	n/a
R -	Achieved	R -	-	n/a	n/a
R 131 123,00	Achieved	R 130 571,83	99,58%	n/a	n/a

ANNEXURE A - 02

SO-02	VIABLE CLUSTERS								
Strategic Objective	Strategic Goals	Description	Ref No.	Key Performance Indicators / KPI's	Output Target / Perf. Metric	Form of Measure	Desired Movement	Reporting Frequency	Latest End Date
To Establish Viable and Sustainable Clusters	**Facilitate Funding Mobilisation and Agency Function on non-Agricultural LED Pro-grammes**	To implement development initiatives targeted to socially and economically vulnerable groups to increase their employability and self-reliance and to support the local population by assisting to develop skills to enhance entrepreneurial activity	59	Business plan on Lukhanji waste buy-backs submitted to DEA	1 b/plan developed and submitted	Annual	Upwards	Annual	Jun-16
			60	New LED programmes identified for implementation, or 1 enterprises identified for operational support	1 new LED projects identified	Annual	Upwards	Annual	Jun-16
			61	Phase 2 implementation of Lukhanji waste project	25% spent on approved implementation budget	Cumulative	Upwards	Quarterly	Jun-16
			62	250 new jobs or work opportunities created in the implementation of non-agricultural programmes	250 new jobs	Cumulative	Upwards	Quarterly	Jun-16
	Facilitate Investment Promo-tion and Enterprise Develop-ment in the District	To promote Chris Hani district as a preferred investment destination through the establishment of an industrial - friendly environemnt and one condusive to establishment and thriving of small enterprises	63	Investment promotion material developed on district investment opportunities	1 investor brochure developed	Cumulative	Upwards	Quarterly	Jun-16
			64	Investment promotion event hosted on showcasing districts investment potential	1 event held	Annual	Upwards	Annual	Jun-16
			65	10 - 20 jobs and work opportunities created in implementation of investor promotion events	10 jobs created	Cumulative	Upwards	Quarterly	Jun-16
			66	Agriparks Business Approved by DRDLR and monitor implementation	1 b/plan and 2 Progress Reports.	Cumulative	Upwards	Quarterly	Jun-16
			67	Proposed optimal operational model for industrial park at Queenindustria developed	1 report	Annual	Upwards	Annual	Jun-16
			68	Facilitate infrastructure upgrade to existing Queendustria structures identified towards operationalisation of industrial parks	25% change in infrastructure baseline data	Cumulative	Upwards	Quarterly	Jun-16

ZAR Budget	Status at 30 June 2016	ZAR Actual Expenditure To Date	% Budget To Annual For Strategic Goal	Reasons For Non-Achievement / Delays	Planned Remedial Action
R -	Achieved	R -	0	Lukhanji LM has delayed the process with constant changes to waste sistes, etc, resultin in revisions to the bsuiness plan and deisgns	n/a
R 4 385 965,00	Achieved	R 3 125 082,95	71,25%	n/a	n/a
R 10 497 500,00	Not Achieved	R 1 012 534,38	9,65%	Lukhanji LM has delayed the process with constant changes to waste sistes, etc, resultin in revisions to the bsuiness plan and deisgns	n/a
R 5 652 500,00	Not Achieved	R -	0,00%	The target was anticipated to incorporate estimated number of jobs to be created oer DEA EPIP job-creation targets after business plan approval. No approval by 30 june 2016, and no implementation, so no jobs could be facilitated by year end	To be moved to next financail year, within the first half of the year. It is expected that the DEA business plan will be approved by 30/09/2016, so implementation should commence by start of the second quaeter 2016/17.
R 200 000,00	Achieved	R 10 087,50	5,04%	n/a	n/a
R 500 000,00	Achieved	R -	0,00%	Item was scheduled for the last quarter of the financail year, but due to envisaged changes to council and possibly CHDA's programming after the LG elections, it was decided that the event be held later in the year, after any possible changes to operating mandate and strategic direction are finalised after quarter 1	To move item to next year, within the first half. Appointment of new council, and possible changes to CHDM and CHDA strategy may impact focus of investor event. Responsible: T. Masholognu Date: 30/12/2016
R -	Achieved	R -	-	n/a	n/a
R 3 000 000,00	Not Achieved	R 81 992,50	2,73%	Delays in approval of business plan subject to initial plan being put under review whilst CSIR appointed to conduct feasibility, etc. The implementation aspect moved to 07/2016, after launch	To move item to next financail year, where implementation of the agripark business plan will be monitored through the steering committee which CHDA sits on
R 500 000,00	Achieved	R -	0,00%	n/a	n/a
R -	Not Achieved	R -	-	Delays from the cntractor due to design issues, and materials delivery from supplier affected project progress significantly.	To move item to next financail year, within the first quarter. The proposed remedial actions by the PSC must be honoured, to allow for 100% completion of phase A (=25% progress on programme) by due date

ANNEXURE A - 03

SO-03	PARTNERSHIP BUILDING AND STAKEHOLDER RELATIONS								
Strategic Objective	Strategic Goals	Description	Ref No.	Key Performance Indicators / KPI's	Output Target / Perf. Metric	Form of Measure	Desired Movement	Reporting Frequency	Latest End Date
To Commit to Partnership Building and Stakeholder Relations	**Stakeholder Engagement**	To identify and enter into meaningful and value adding partnerships for exploiting of synergies and combined efforts in carrying out our development mandate	69	Agency stakeholder matrix developed annually and reviewed and updated quarterly	5 Stakeholder Matrix Reports	Cumulative	Upwards	Quarterly	Jun-16
			70	Agency partnerships based on clearly defined institutional arrangements - MOU's, teaming and partnership agreements	100% agreements on all partnerships	Cumulative	Upwards	Quarterly	Jun-16
			71	Agency to participate in a minimum of 3 relevant district, provincial and national stakeholder forums and platforms per quarter	12 activities	Cumulative	Upwards	Quarterly	Jun-16
	External Communications and Transparency to the Public	To effectively communicate key information on agency operations with the public in a reliable, accurate and transparent manner to help build a positive public image and positive stakeholder relations	72	Agency communications and branding strategy developed to promote the agency and share information with stakeholders and the general public	1 strategy	Annual	Upwards	Annual	Jun-16
			73	Agency website developed and published to promote the agency and share information with stakeholders and the general public	1 functional website	Annual	Upwards	Annual	Jun-16
			74	Annual report of previous year distributed to stakeholders and the general public	1 final edition annual report	Annual	Upwards	Annual	Jun-16

ZAR Budget	Status at 30 June 2016	ZAR Actual Expenditure To Date	% Budget To Annual For Strategic Goal	Reasons For Non-Achievement / Delays	Planned Remedial Action
R -	Achieved	R -	0,00%	n/a	n/a
R -	Achieved	R -	0,00%	n/a	n/a
R 11 187,00	Achieved	R 11 187,37	100,00%	n/a	n/a
R 81 338,00	Achieved	R 81 338,50	100,00%	n/a	n/a
R 37 000,00	Achieved	R 37 000,00	100,00%	n/a	n/a
R 83 539,00	Achieved	R 83 539,00	100,00%	n/a	n/a

03 GOVERNANCE

"Good corporate governance –
it's about being proper to prosper"
(Toba Beta)

CHDA office, Queenstown

Corporate governance embodies processes and systems by which municipal entities are directed, controlled and held to account. In addition to legislative requirements based on the applicable enabling legislation, and the Companies Act, corporate governance with regard to the CHDA is applied through the prescripts of the Municipal Finance Management Act (MFMA) and run in tandem with the principles contained in the King III Report on Corporate Governance.

THE **ACCOUNTING AUTHORITY / BOARD OF DIRECTORS**

INTRODUCTION

The Board of Directors (Board) of CHDA represents the organisation's system of corporate governance, and is ultimately responsible for the performance and affairs of the agency.

Good governance is regarded as critical to the success of the CHDA, and the Board is unreservedly committed to applying the fundamental principles of good governance in every way. This involved ensuring transparency, integrity, accountability and responsibility in all dealings by, and on behalf, of the CHDA.

The Board embraces the principles of good governance as set out in the King Code of Governance for South Africa 2009 and the King Code of Governance Principles (collectively known as King III), and seeks to comply in all applicable aspects to the MFMA, as well as national Treasury regulations, as amended.

The current Board assumed office in early 2014. The Board comprises 8 members, who were appointed by the Shareholder, the Chris Hani District Municipality (CHDM), who are all skilled in various disciplines, and stem from multiple background, thus bringing an eclectic and highly skilled mix of experience, and required levels of technical expertise.

THE **BOARD CHARTER**

The CHDA Board Charter defines the governance parameters within which the Board exists, sets out specific responsibilities to be discharged by the Board collectively, as well as certain roles and responsibilities incumbent upon the directors as individuals. The Board Charter further serves to ensure that all members of the board, agency management and staff, and other stakeholders are aware of the duties and responsibilities of the Board, as well as the basis upon which it interacts with Management in order to give effect to its obligations to the shareholder.

The Board Charter sets out the board governance principles and parameters within which the board operates, and constitutes an integral part of setting out the composition and meeting procedures for the Board.

COMPOSITION OF THE BOARD

The Board is appointed by the shareholder, the Chris Hani District Municipality (CHDM), and comprises of 8 Non-Executive Directors. In determining the optimum composition of the Board, the shareholder sought to ensure that it collectively contains the skills, experience and mix of personalities appropriate to the strategic direction of the CHDA as necessary to secure its sound performance.

The Board is led by an independent non-executive Chairperson who, inter alia, presides over meetings of the Board, and who is responsible for ensuring the integrity and effectiveness of the Board governance process. The role of the Chairperson is regarded as critical to good governance. In ensuring this role is fulfilled, the Chairperson relies on the technical expertise of the Company Secretary.

The Chief Executive Officer (CEO), Chief Financial Officer (CFO) and Executive Manager of Operations (EMO) are executive members of the Board.

Irrespective of a director's special expertise or knowledge all members of the Board recognise that they are collectively responsible to the shareholder for the performance of the CHDA.

BOARD **SUB-COMMITTEES**

The effectiveness of the Board is assured by the work of three (3) duly appointed sub-committees, which assist the Board with its performance of tasks in order to comply with the principles of good governance, and ensure adequate levels of oversight over key CHDA operations.

1) AUDIT, RISK & ETHICS COMMITTEE

The audit, risk and ethics (ARE) committee is an independent advisory committee of the Board and is established to assist CHDA board to manage 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 Annual Financial Statements and Performance Report
- Compliance with regulatory, legal and tax requirements
- Implementation of accounting policies Overall risk management
- Independent auditors opinions and measures for improvement, and
- The performance of the internal audit function and systems of internal control

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

2) HR & 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 organizational 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, and
- General administration issues as they affect all staff

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

3) PROJECT, FINANCE & INVESTMENT COMMITTEE

The PFI committee was established to assist the board in giving effect to the obligations of the CHDA in terms of the mandate and service level agreement (SLA) as entered into with the CHDM, or shareholder.

The key deliverable is to promote service delivery and programing performance in line with the strategy of the CHDA, as aligned to the SDBIP and IDP of the CHDM. 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 convenes on a quarterly basis as required. The committee performed well and conducted all the necessary reviews and approvals for the year under review.

Sadly, 2015/16 saw the agency lose one of its PFI committee members. Mrs T Hobongwana joined the agency as an independent member of the PFI committee in the first quarter, but tragically passed away immediately there-after. The agency Board, Executive and Staff wish to pass their deepest condolences to her family and loved ones once again.

Back (Left to right): Zolile Duze (EMO), Tshililo Ramabulana (Board), Mafuza Sigabi (Board)
Middle (Left to right): Singa Ngqwala (Board), Simphiwe Dzengwa (Board), Mlulami Manjezi (Board Chairperson), Jackson Mbawuli (Audit Committee Chairperson), Thukela Mashologu (CEO)
Front: (Left to right) Unathi Mkize (Company Secretary), Nokulunga Skeyi (Board), Ursula Ntsubane (Board), Nontembeko Nomnganga (CFO)

Absent: Vuyelwa Matsiliza (Board)

RESPONSIBILITIES OF THE **BOARD OF DIRECTORS**

The Board's role is to effectively represent, and promote the interests of, shareholders (CHDM) with a view to adding long-term value to the development impact outcomes of the CHDA and the community. The board of directors' key purpose therefore is to determine the organisational strategy, and consequently its performance, as well as ensure adequate levels of control, where it is ensured that Management actions strategic decisions effectively and according to the laws and applicable prescripts, and legitimate expectations of stakeholders.

During the year, the Board did all that was necessary to ensure that its role, as expressed in the Board Charter, was fulfilled:

1) The Board acted as the focal point for, and custodian of, corporate governance by managing its relationships with management and the shareholder;

2) The Board appreciated that strategic risk, performance and sustainability are inseparable, and gave effect to this by:

- Contributing to and approving the corporate performance plan as aligned to the corporate strategy;
- Satisfying it that the strategy and operational plans do not give risks that have not been thoroughly assessed by management;
- Identifying key performance and risk areas, and monitoring the agency's performance against agreed objectives (including the assessment of the evaluation of the performance of executive management in terms of defined objectives) ensuring that the strategy will result in sustainable outcomes;
- Providing effective leadership based on an ethical foundation;
- Ensuring that the agency's ethics are managed effectively;
- Retaining full and effective control over the agency, and monitoring Management's implementation of the strategic plans and financial objectives as defined by the Board;
- Defining levels of delegation of authority to Board sub-committees and management and continually monitoring the exercise of delegated powers;
- Ensuring that a comprehensive system of policies and procedures is in place and that appropriate governance structures exist to ensure the smooth, efficient and prudent stewardship of the agency and its business;
- Ensuring compliance by the agency with all relevant laws and regulations, audit and accounting principles, the approved code of conduct, and such other principles as may have been established by the Board from time to time;
- Ensuring that the agency has an effective and independent Audit and Risk Committee and that there is an effective risk-based system of internal audit;
- Being responsible for information Communication Technology (ICT) governance;
- Being responsible for the governance of risk and regularly reviewing and evaluating the risks to the agency and ensuring the existence of comprehensive, appropriate internal controls to mitigate against such risks;
  - Acting in the best interests of the agency by ensuring that individual directors: adhere to legal standards of conduct;
  - Are permitted to take independent advice in connection with their duties following an agreed procedure;
  - Disclose real or perceived conflicts to the Board and dealing with them accordingly;

- Exercising objective judgement on the business affairs of the agency, independent from management but with sufficient management information to enable a proper and informed
- Ensuring that the agency is and is seen to be a responsible corporate citizen by having regard to not only the financial aspects of the business of the agency but also the impact that the business operations have on the environment and the society within which it operates;
- Identifying and monitoring non-financial aspects relevant to the business of the agency
- Ensuring the integrity of the agency's Annual Report;
- Evaluating the performance of the Chief Executive Officer;
- Together with the CEO evaluating the performance of the Board Secretary; and
- Reviewing and evaluating the adequacy of the Board Charter.

In terms of the Board's oversight function, the Board Chairperson and the Chief Executive Officer held bilateral meetings at least once each quarter.

BOARD REMUNERATION

The composition of the Board reflects a variety of skills and experience that are required to govern the CHDA, and provides the much needed strategic direction to take the entity to the next level. Amongst these skills are: Accounting, Auditing and Municipal and Development Finance, Strategy, Human Resources Management, Agricultural Economics, Economic Development, Performance Management and Risk Management,. Some of the members have to take time from their own private practices and full – time employment in key positions, in order to support the agency, and this comes at a cost that cannot easily be matched at times. Failure to recognise this fact through narrowing the gap between revenue streams might compromise the quality of Board members that the CHDA is capable of attracting. The Board thus comprises of highly committed members who are capable of engaging meaningfully with the activities of the agency at a strategic level and provide the necessary guidance to management.

DIRECTORS' EMOLUMENTS

NON-EXECUTIVE - 2016	Directors' fees	Total
Mr M Sigabi	89 000	89 000
Mr S Dzengwa	62 000	62 000
Mr M Manjezi	134 000	134 000
Ms N Ntsubane	97 500	97 500
Ms N Skeyi	88 500	88 500
Mr S Ngqwala	60 000	60 000
Mr Ramabulana	25 000	25 000
Ms Matsiliza	5 000	5 000
	561 000	561 000

NON-EXECUTIVE - 2015	Directors' 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 Skeyi	37 000	37 000
Mr S Ngqwala	65 000	65 000
	341 419	341 419

BOARD AND COMMITTEE ATTENDANCES

	BRD	ARE	HRR	PFI	Other
TTL HELD	**11**	**6**	**3**	**4**	**2**
Manjezi, M	8	0	2	0	2
Dzengwa, S	7	0	3	0	1
Ntsubane, N	11	0	3	0	1
Beck-Reinhardt, C *	0	0	0	0	0
Skeyi, N	9	0	0	4	1
Ramabulana, T	2	0	0	0	1
Sigabi, M	10	0	0	4	1
Matsiliza, V	1	0	0	0	0
Ngqwala, S	6	4	0	0	1

*Dr C Beck-Reinhardt resigned at the end of July 2015


Tree Nursery Project, Ncora

EVALUATION AND PERFORMANCE

Although individual board members are appointed on a 3 year term, performance evaluations of the board as a whole and of individual members are conducted on an annual basis. The Chairman of the Board appraises the shareholder on the performance of the Board and its individual members annually, and the efforts of the Board are reviewed as a whole by the shareholder.

During the year under review, the CHDA Board underwent training and capacitation initiatives, as follows:

BOARD:
All members attended a training seminar of governance principles for state-Owned Companies (SOC's) held by Intelligence Africa

ARE COMMITTEE:
All members attended a training seminar on Audit Committee effectiveness held by IOD-SA

HR AND REMUNERATION COMMITTEE:
All members attended a training seminar on Responsible Remuneration held by IOD-SA

PFI COMMITTEE:
No training was held for the PFI Committee, and training deferred to 2016/17.

BOARD & EXECUTIVE MEMBERS IN 2015/16

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 supported by the United Nation Foundation and the United Nations Environmental Programme.

DR. CLAUDIA BECK-REINHARDT
MEMBER (resigned)

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.

Sadly, Dr Beck-Reinhardt resigned as a board member in early 2015/16 due to other professional commitments.

MS URSULA NTSUBANE
MEMBER

Ursula is the MD of Uluntu Consulting a Project Management and Strategic Planning Firm. She has also held several strategic positions in government, including being a CEO of the CIDB (Construction Industry Development Board) and HOD Economic Development (Ekurhuleni Municipality).

She has been in the Development field for several years working on complex economic infrastructure development projects contributing to job creation, enterprise development and empowerment. She holds an Honours Degree in Personnel Management, and an MSc in Development Planning.

She has been instrumental as Chairperson of the HR and Remuneration Committee.

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 fourteen 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 a Master's degree in Development Studies with Development Studies at Nelson Mandela Metropolitan University (NMMU). She also completed a Management Development Programme and Advanced Project Management Programme at Rhodes University.

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

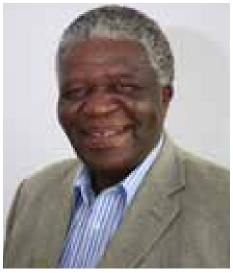
Ms Skeyi currently serves as chairperson of the PFI Committee of the board.

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 Residents' 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 ProvincialNegotiating 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. Since 2015, Mr Sigabi has served as a board members of the Joe Gqabi Economic Development Agency and SGB member at Hexagon High School.

MR SIMPHIWE DZENGWA
MEMBER

Mr Dzengwa was born and bred 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 honors 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 and developmental finances; Banking, Policy Development, Strategy Execution, Project Management and others. He generally considers himself a developmental activist.

He 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. Simphiwe has also worked in senior managerial roles within the private sector and has led various initiatives both nationally and internationally.

MR TSHILILO RAMABULANA
MEMBER

Mr Ramabulana is a South African agricultural and business professional currently serving as the Chief Executive Officer of the National Agricultural Marketing Council (NAMC).

Over the past fifteen years, he has developed extensive expertise in agricultural market development, providing support to black farmers, land reform, rural finance, farmer training and institutional development. He has worked to provide financial and institutional support to over 17 commercial agricultural industry organisations representing over 70% of primary agricultural production in South Africa and 14 agricultural trusts with over R1.8 billion in assets. Mr Ramabulana serves as a non- executive director in numerous companies.

He has served as the President of the Agricultural Economist Association of South Africa. He has also represented the Minister of DAFF in various national and international committees.

MS VUYELWA VIOLA MATSILIZA
MEMBER

Ms. Matsiliza is currently employed by the Small Enterprise Finance Agency as an Executive Manager for the Wholesale Lending division. She is responsible for funding and managing partnerships with institutions that provide business and financial support to Survivalist, Small, Micro and medium sized enterprises.

She is well rounded in Banking and Finance with depth of experience in implementation of macro- and micro-economic policies in South Africa as well as her (RSA) development challenges. Following her Economics lecturing job at the former University of Transkei (now Walter Sisulu University), she joined the South African Reserve Bank (SARB) in 1995 and played various roles in gold & foreign exchange reserves management and risk management.

She acquired more than fourteen years of development finance experience from various positions at the Development Bank of Southern Africa ("DBSA"), the Public Investment Corporation's Isibaya Fund and sefa. She is passionate about creating new paths and instruments for sustainable development of South African entrepreneurs, notably women.

She obtained a Master of Business Leadership from the University of South Africa (May 2000) and BA Honours in Economics Cum Laude from the University of the Western Cape (March 1993). She is a recipient of the London School of Economics Research Fellowship (1994).

MR THUKELA MASHOLOGU
EXECUTIVE MEMBER (CEO)

Mr Mashologu resumed duties as CEO of the agency in May 2014, after initially serving as a board member from October 2013. He calls himself an Economic Development Activist with extensive experience and knowledge in the economic development and agribusiness. His economic development experience has been built tracks backs form working for Nestle SA as Agriculturalist with a specific focus on developing small holder dairy and chicory farmers. He then ventured in the skilled development sector having worked for Fort Cox College of Agriculture and Forestry as a lecturer and farm operations manager. He then moved and worked for Chris Hani District Municipality as LED Manager after which he joined AsgiSA EC as Agribusiness Manager and later acted as Chief Operation Officer of the ECRDA. He then ventured in Business Finance sector having worked for IDC as a Senior Regional Officer for the EC.

He has gained international exposure in his field of expertise, having been part of varias internation deligations to Germany, Hong Kong, China & Recently Argentina & Israel.

He currently sits on the boards of the Mohair Trust and Mohair Empowerment Trust, and has acted as deputy chairman for the Eastern Cape Ostrich Producers Organisation (ECOPA) and was a member of the Ostrich Business Chamber. He was once involved as a trustee and director at the Integrated Meat Processors of the Eastern Cape (IMPEC) and independent trustee for the Tsitsikamma Development Trust.

He holds a Master's in Business Administration (MBA) from the Nelson Mandela Metropolitan University, BSc in Agricultural Economics from the University of Fort Hare, Diploma in Farm Business Management from Fort College of Agriculture and Project Management Diploma from Tshwane University of Technology.

MR ZOLILE DUZE
EXECUTIVE MEMBER (EMO)

Mr Duze is currently employed as the Executive Manager Operations (EMO) at the Chris Hani Development Agency, after a few years as General Manager at GFADA.

He is an Agribusiness Practitioner with 13 + years' experience in developing small scale farmers through market linkages, capacity building and skills development to commercialize their farming operations. He participated in the land reform programme restructuring and support in the Free State, KwaZulu Natal and Limpopo Provinces, through resource mobilization from Public and Private Sector partners. He was involved in a task team commissioned to assist the Provinces of Free State and Limpopo on structuring complex land reform projects valued over R100 million, through facilitating partnerships with the commercial sector investors. He was also appointed by the KwaZulu Natal Provincial Cabinet to establish a Public Entity, acting as "One Stop Shop" for Post Settlement Support for the failing Commercial land reform farms.

He has served as a Ministerial Trustee in the Sorghum Trust and National Agricultural Marketing Council from 2005 to 2010, served as a Board Chairperson for the Essential Oils Incubator Programme (DTI Programme) from 2011-2012, served as non-executive director for South African Grain Information Services (SAGIS) from 2008 – 2010. Currently serving as a member of Transformation Committee for Winter Cereal Trust

He holds an Honours Degree in Agricultural Extension and Rural Development from Tshwane University of Technology, an Advanced Management Programme (MAP) from Wits Business School, National Diploma in Farm Management from Fort Cox College of Agriculture and Forestry, and is completing his Certificate Programme in Municipal Finance and Supply Chain Management with Wits Business School.

MRS NONTEMBEKO MAYEKISO NOMNGANGA
EXECUTIVE MEMBER (CFO)

Mrs Nomnganga is the Chief Financial Officer (CFO) at the Chris Hani Development Agency. Prior, she worked for the parent municipality, Chris Hani District Municipality, for 11 years, from intern to the position of Deputy Director Annual Financial Statements.

She has vast knowledge on the processes and functions within local government, and Holds a National Diploma in Cost and Management Accounting and a BCom Accounting Degree from Walter Sisulu University, previously known as the University of Transkei. She also holds a Certificate Program in Management Development (CPMD) endorsement from Wits Business School.

She is also currently a member of the Chris Hani District Municipality Planning Tribunal.


Potato Project, Qamata

FRAUD & CORRUPTION

The CHDA considers fraud risk and controls as an objective of internal control activities. Fraud is perceived to be a potential internal control failure, and fraud risk monitoring is deemed as a positive cost due to the benefit of protecting revenue and recouping losses.

The agency appointed new independent internal auditors, Sizwe Ntsaluba Gobodo, after the ending of the contract with Mazars in May 2016, who both performed the role of risk – based internal auditing. Findings were reported to Management, the ARE Committee as well as the Board. There were no fraud - related findings.

The agency also has a good relation with the shareholder's internal risk unit. The CHDM hosted a risk and whistle-blowing awareness workshop, and all CHDA staff and management were required to attend, as part of the shareholder's internal awareness programme on risk, fraud and corruption. The agency has access to the parent municipality's recently implemented independent fraud and anti-corruption whistleblowing hotline.

Internal controls have continuously been strengthened. This includes the review and update of key agency policies, governing operations and key business processes where potential losses or strategic and operational risks could be incurred.

CODE OF **CONDUCT**

The CHDA's Code of Conduct is designed to communicate the expected values and standards of business conduct by management, staff and board members of the agency. This code allows for all key parties involved in agency business to comply with all applicable laws and regulations in all areas of operation of the CHDA. The code specifically prohibits any illegal acts or violation of the law, as well as any unethical business dealings by those employed or connected to the agency. Contravention of the code is subject to disciplinary action including dismissal and where appropriate criminal prosecution.

The Disciplinary and Grievances Procedures of the agency are currently under review, and are being improved, to ensure that in future, all breaches in the agency code of conduct are addressed on formal channels, from bringing the management and Board up to speed with the contravention, conducting of preliminary investigations into alleged contraventions, undertaking of disciplinary action, receiving of grievances, dismissal and laying of criminal charges, and the documenting of such.


Maize Harvest

REPORT OF THE **AUDIT, RISK AND ETHICS COMMITTEE**

FOR THE YEAR ENDED **30 JUNE 2016**

COMPOSITION & REMUNERATION

The Audit, Risk and Ethics committee is comprised of independent members.
The committee members during the year 2015/16 were:

COMMITTEE	COMMITTEE FEES		COMMITTEE ATTENDANCES		
COMMITTEE MEMBERS	2015	2016	BRD	ARE	Other
Mr L Galada	53 000	19 000	0	6	0
Ms V Hleliso*	49 000	73 000	3	1	2
Mr J Mbawuli**	42 500	28 000	5	6	1
Mr G Rasmeni	22 000	18 808	0	4	0

**Ms. V Hlehliso resigned during the first quarter as chairperson and member of the committee.*
***Mr J. Mbawuli subsequently resumed chairmanship of the committee, and served as chairperson until the end of the financial year 2015/16*

RISK MANAGEMENT

Effective risk management is integral to the organisation's objective of consistently adding value to the business.

The CHDA fully implemented a system of risk management in accordance with the requirements of the MFMA. A risk assessment was facilitated by the Office of the CEO and Internal Auditors, and the organisational risk register was developed, and monitored during the year.

Management is continuously developing and enhancing its risk and internal control procedures to improve the mechanisms for identifying and monitoring risks. The agency is working on developing a formal Risk Management Policy and Risk Management Strategy for approval and implementation in 2016/17.

EFFECTIVENESS OF **INTERNAL CONTROL**

In order to meet its responsibility of providing reliable financial information, the CHDA maintains financial and operational systems of internal control. These controls are designed to provide reasonable assurance that transactions are concluded in accordance with management's authority, that the assets are adequately protected against material loss of unauthorised acquisition, use or disposition, and the transactions are properly authorised and recorded.

The system includes a documented organisational structure and division of responsibility, established policies and procedures which are communicated throughout the organisation, and the careful selection, training and development of staff.

The CHDA has appointed internal auditors who are guided by a Board - approved internal audit plan. The auditors adopt a risk based audit approach in order to ensure that the process adds value to the organisation. Internal auditors monitor the operation of the internal control system and report findings and recommendations to the Audit and Risk Committee and Executive Management. Corrective actions are taken to address control deficiencies and other opportunities for improving the systems, as they are identified. The Board, operating through its audit and Risk Committee, provides oversight of the financial reporting process and internal control system.

There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to financial statement preparation and the safeguarding of assets.

During the financial year the Audit and Risk Committee met with management and internal auditors on a quarterly basis to track their progress in resolving outstanding internal control issues previously raised by the auditor-General and internal audit.

In conclusion in respect of the internal control environment, based on our review of the findings of the internal audit work, which was based on the risk assessments conducted in the public entity revealed weaknesses, which were then raised with the entity.

INTERNAL **AUDIT**

The internal audit plan for 2015/2016 was carried out by the outsourced internal audit provider.

Our review of the findings of the internal audit work, which was based on the risks assessments conducted by the CHDA, revealed certain weaknesses which were then raised with Management.

The following internal audit work was completed during the year under review:

- Review of Performance Information
- Review of Procurement / SCM activities
- Review of ITC Governance
- Review of HR Processes and Payroll
- Review of Annual Financial Statements

Our review of the findings of the internal audit work, which was based on the risk assessments conducted in the public entity revealed certain weaknesses, which were then raised with the agency management. This included the non-review of issues raised in previous audit by Auditor General, or follow – up on findings. However, Management did a good job on reporting quarterly on the approved audit action plan in time for the 2015-16 audit by the external auditors.

IN-YEAR MANAGEMENT AND REPORTING

The CHDA has reported monthly and quarterly to the Board, CHDM and to Treasury as is required by the MFMA. We reviewed the quarterly reports prior to the submission to the Board, CHDM and Treasury, but monthly reports were not reviewed.

EVALUATION OF AFS AND **PERFORMANCE REPORTS**

We also reviewed the financial and performance information within the draft reports prepared by the agency, and made the necessary recommendations to the Board for their submission to the Auditor General on 30 August 2016.

AUDITORS REPORT

The Audit Committee concurs and accepts the conclusions of the external auditors on the annual financial statements and performance report. The committee is of the opinion that the reports can be accepted and read together with the Auditor General's report.

Mr Jackson Mbawuli
Chairperson of the Audit, Risk and Ethics Committee
17 December 2016

REPORT OF THE COMPANY SECRETARY

FOR THE YEAR ENDED **30 JUNE 2016**

The Company Secretary has an arms-length relationship with the Board and is not a director of the CHDA. The Company Secretary duties include, but are not restricted to:

- Providing guidance to directors as to their duties, responsibilities and powers
- Making directors aware of any law relevant to / affecting the company
- Reporting to the shareholders any non-compliance with Act by company / directors
- Ensuring proper recording of minutes of meetings: shareholders, directors, board and committee meetings, as well as keeping an update of resolutions and their implementation
- Ensuring copy of AFS and annual report is sent to every person who is entitled to it
- Ensuring a person is responsible for compliance by company with transparency and accountability provisions of Act
- Assisting nomination committee with appointments
- Assisting the board with performance appraisals of Board and its sub-committees
- Assist with director induction, training and education
- Ensuring the board charter and committee terms of reference are updated
- Being responsible for board documentation, compilation and circulation
- Assisting the board and sub-committees with interpretation of legal advice and opinions received

I confirm my role as Company Secretary to the CHDA for the period ended 30 June 2016. 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 2015/16 the company complied in terms of the Companies Act with regards to governance and filing of the necessary lodgements and disclosures.

Unathi Mkize, Company Secretary
Chris Hani Development Agency
17 December 2016

Community stakeholder engagement &
Social facilitation activities, Qamata

"An empowered organisation is one in which individuals have the knowledge, skill, desire, and opportunity to personally succeed, in a way that leads to collective organisational success"

(M. Shawn Covey)

04

HUMAN RESOURCES MANAGEMENT

Skills Programmes, Nyanga SSS, Engcobo

The agency does not have a stand-alone Human Resources unit, or line function. The function therefore sits with the Office of the CEO, as a support function, given the size of the organisation, and number of its employees.

ORGANOGRAM

The agency conducted a review on its organogram during the year, with a focus on improving efficiency in the finance and administration unit, as well as PMU.

The positions for an SCM Manager and two (2) SCM officers were approved, as were positions for Project Officers for Irrigation Schemes and Agribusiness Development. The positions for a Chief Investment Officer and Business Development Officer were subsequently removed from the organogram.

This resulted in a current organogram of twenty – three (23) positions, of which three (3) were outsourced functions in the Office of the CEO (Risk and Internal Audit, PR and Communications and Company Secretarial and Legal. There were five (5) new appointments made by the end of the year, and no resignations received. During the period, there was a total of two (2) resignations, of which both employees were moving on to better employment opportunities. Both vacancies were subsequently filled.

By the end of the financial year, the agency had a vacancy rate of 17% due to new appointments. This was down from a vacancy rate of 39% at the end of June 2015, due to improved recruitment and selection procedures.

EMPLOYMENT **EQUITY STATISTICS**

The agency does not have an Employment Equity Plan in place. The plan will be developed in the next period 2016/17. The employment equity statistics, or employee demographics were as follows at end June 2016

	EMPLOYMENT EQUITY / EMPLOYEE DEMOGRAPHICS	2015/16	
TOTAL	**Total number of employees at end June 2016**	**20**	**% of total workforce**
	Executive	3	15%
	Management	4	20%
	Support	13	65%
LOCALITY	**Total number of employees originaly from CHD at end June 2016**	**15**	**75%**
	Executive	2	13%
	Management	0	0%
	Support	13	87%
RACE	**Total number of South African black employees at end June 2016**	**20**	**100%**
GENDER	**Total employee gender statistics at end June 2016**		
	Males	9	45%
	Females	11	55%

	Total distribution of male employees at end june 2016	**9**	
	Executive	2	
	Management	2	
	Support	5	
	Total distribution of female employees at end june 2016	**11**	
	Executive	1	
	Management	2	
	Support	8	
EXECUTIVE	75% male 25% female		
MANAGEMENT	50% male 50% female		
SUPPORT	38% male 62% female		
			% of total workforce
YOUTH	**Total youth employees (below 35 yrs) at end June 2016**	**8**	**40%**
	Youth Females	5	25%
	Youth Males	3	15%

EMPLOYEE REMUNERATION AND BENEFITS, & ATTRACTION AND RETENTION STRATEGIES

In an attempt to attract and retain talented employees, the Board approved the implementation of the TASK grading system in the remuneration of employees from September 2015. The TASK system was implemented, but reserved for formally employed employees, and excludes interns and contract positions, whose remuneration is aligned to the parent municipality.

The structuring of the TASK system to remunerate employees was aligned to the Provident Fund and Medical Aid benefit systems, which were implemented from April 2015, with employee cost-to-company packages being restructured to incorporate basic, travel and cell-phone allowances where applicable, and contributions to a 13th cheque.

The allocation of employee costs can be summarised as follows:

	SALARIES & WAGES, BENEFITS, BONUSES & OTHER COSTS	2015/16		2014/15
EXECUTIVE	Chief Executive Officer	1580102	18%	1204057
	Chief Finance Officer	1182590	14%	626542
	Executive Manager Operations	1173255	13%	566908
STAFF	General Staff	4794249	55%	3992395
		8730196		6389902

In addition, the Board approved a policy on staff personal development through the Bursary Assistance Policy, to encourage employees who are high performers to study further, so as to be able to add more value, through improved employee engagement, which is also linked to improved performance. There were no bursaries awarded in 2015/16.

During the period, there was a total of two (2) resignations, of which both employees were moving on to better employment opportunities. Both vacancies were subsequently filled.

The agency has plans to develop a formal attraction and retention strategy in the 2016/17 financial period, which will incorporate non-financial attraction and retention strategies to attract and retain talented individuals in addition to monetary rewards and basic benefits.

The agency has a Performance Management System (PMS) in place, for both organisational and individual employee performance. This ensures that individual as well as group efforts are rewarded, as all efforts contribute to organisational performance.

The 2015/16 period saw the agency paying out a cash total of R 513 003 in performance bonuses to staff and executive management, for performance bonuses accrued for the prior year performance results.

The allocation of performance bonus can be summarised as follows:

	PERFORMANCE BONUSES	2015/16		2014/15
EXECUTIVE	Chief Executive Officer	218052	43%	0
	Chief Finance Officer	95203	19%	0
	Executive Manager Operations	57012	11%	0
STAFF	General Staff	142736	28%	0
		513003		0

WORK OPPORTUNITIES FOR UNEMPLOYED GRADUATES

The agency also focused on creating work opportunities for young people in the district, with its in-house unemployed graduates internship programme. During the year under review, the agency was able to recruit three (3) new interns from within the Chris Hani district, as well as retain three (3) from the previous year.

This resulted in six (6) internship work opportunities being created in agency internal operations, at an average cost of R 7500 per month per intern, in 2015/16 as follows:

	USE OF UNEMPLOYED GRADUATES FOR WORK OPPORTUNITIES	2015/16		2014/15
OFFICE OF THE CEO	No of internships / work opportunities during the year	0	0%	0
Office of the CFO	No of internships / work opportunities during the year	5	83%	3
PMU	No of internships / work opportunities during the year	1	17%	0
		6		3

EMPLOYEE **TRAINING & DEVELOPMENT**

The agency also improved its performance management through a more formalized method of monitoring employee performance, and annual skills development planning for staff. This led to an improved spending on staff training and development initiatives from previous year, as a total of 19 out of 20 staff members received training opportunities during the year.

Staff Training and Development Opportunities	2015/16	2014/15
Expenditure on staff training and development	339857	26247

During the period ended 30 June 2016, the agency managed to increase expenditure on staff training and development initiatives from R 26247 in 2014/15 to R 339857 in 2015/16.

EMPLOYEE **HEALTH & WELLNESS**

The CHDA also implemented a shared services agreement with the CHDM on employee wellness. This has included subsidised gym membership with a local gymnasium for encouraging a healthy work – life balance and exercise opportunities for staff, as well as dietician and social work visits for healthy nutrition, and stress management and substance abuse problems.

In addressing the health risks related to office space overcrowding, the CHDA commenced building construction on the new offices, for occupation in 2017/18, from a building subsidy of R15 million received from the CHDM.

All staff took on average 18 days' worth of annual leave during the year, of the annual allocation of 24 working days. During the year under review, the agency did not encounter challenges from employee sick leave balances being depleted, or overused, due to illness, work – related stress, or abuse of sick leave.

GRIEVANCES & **DISCIPLINARY** PROCEDURES

The agency did not have a formal grievance and disciplinary policy during the year, and relied on Department of Labour guidelines. A grievance and disciplinary procedure is in draft format for approval in the next financial period 2016/18.

There were no grievances lodged with management during the period under review. However, the agency had a disciplinary process lodged against an employee at managerial level. The disciplinary process was concluded, and the ruling in favour of the employer. The employee subsequently resigned from office.

GRIEVANCE AND DISCIPLINARY PROCEDURES	2015/16	2014/15
NO. OF GRIEVANCES RECEIVED BY EMPLOYER	**0**	**1**
No. of grievance resolved	0	1
No. of grievances resolved in favour of employer	0	1
NO. OF DISCIPLINARY PROCESSES IMPLEMENTED	**2**	**0**
No. of disciplinary processes resolved	2	0
No. of disciplinary processes resolved in favour of employer	2	0

05

FINANCIAL INFORMATION

"Beware little expenses.
A small leak will sink a great ship"
(Benjamin Franklin)

CONTENTS

Ikhephu office builders, Elliot

REPORT OF THE **AUDITOR–GENERAL**

FOR THE YEAR ENDED **30 JUNE 2016**

REPORT OF THE AUDITOR–GENERAL TO THE EASTERN CAPE PROVINCIAL LEGISLATURE AND THE COUNCIL OF CHRIS HANI DEVELOPMENT AGENCY SOC (LTD)

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 77 to 108 which comprise the statement of financial position as at 30 June 2016, the statement of financial performance, statement of changes in net assets and cash flow statement and the statement of comparison of budget with actual information for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA standards of Grap) and the requirements of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA), and the Companies Act, 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 the International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

5. I believe 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 2016 and its financial performance and cash flows for the year then ended, in accordance with SA standards of Grap and the requirements of the MFMA, and the Companies Act.

Emphasis of matters

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

Irregular expenditure

8. As disclosed in note 31 to the financial statements, the municipal entity incurred irregular expenditure of R1,87 million during the year ended 30 June 2016. This is a result of non-compliance with the required procurement processes in prior years.

ADDITIONAL MATTERS

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

Other reports required by the Companies Act

10. As part of my audit of the financial statements for the year ended 30 June 2016, 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 audit 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

11. 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. Accordingly, I do not express an opinion or conclusion on it.

Report on other legal and regulatory requirements

12. In accordance with the public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have responsibility to report findings on the reported performance information against predetermined objectives of selected development priorities 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

13. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the selected development objective 2: To facilitate the establishment of viable and sustainable clusters, presented on pages x to x in the annual performance report of the municipal entity for the year ended 30 June 2016.

14. 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 objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for managing programme performance information.

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

16. I did not raise material findings on the usefulness and reliability of the reported performance information for the selected development objective.

ADDITIONAL MATTER

17. Although I raised no material findings on the usefulness and reliability of the reported performance information for the selected development objective, I draw attention to the following matter:

Achievement of planned targets

18. Refer to the annual performance report on pages 15 to 48 for information of the achievement of the planned targets for the year.

Compliance with legislation

19. I performed procedures to obtain evidence that the municipal entity had complied with applicable legislation regarding finance matters, financial management and other related matters. I did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA.

Internal control

20. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. I did not identify any significant deficiencies in internal control.

Auditor-General.

EAST LONDON
30 November 2016

AUDITOR-GENERAL
SOUTH AFRICA

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

Company registration number
2012/033437/07

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

Internal Auditor
Sizwe Ntsaluba Gobodo

Chief Executive Officer (CEO)
Mr T Mashologu

Contacts
TEL 045 838 2195
FAX 045 838 5944
EMAIL info@chda.org.za

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.

BOARD MEMBERS' **RESPONSIBILITIES** AND **APPROVAL**

FOR THE YEAR ENDED **30 JUNE 2016**

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 period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent 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 2017 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 have been examined by the entity's external auditors and their report is presented on page 4.

The annual financial statements set out on pages 4 to 41, which have been prepared on the going concern basis, were approved by the directors on the 30th August 2016 and were signed on its behalf by:

Mr Thukela Mashologu
Accounting Office

Mr Mlulami Manjezi
Chairperson of the Board

17 December 2016

BOARD MEMBERS' REPORT

FOR THE YEAR ENDED **30 JUNE 2016**

In terms section 30 of the Companies Act No 71 of 2008 as amended and section 122(1)(2)(3) and 126 (2)(3) of the Municipal Finance Management Act No 56 of 2003 the following report must be submitted for the year ended 30 June 2016.

1. GENERAL REVIEW

There has been no material change in the mature 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 2016

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	Changes
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)	Resigned 30 July 2015
Ms N Sikeyi	South African	
Mr T Mashologu	South African	
Mr S Ngqwala	South African	
Ms N Matsiliza	South African	Appointed 04 January 2016
Mr R Ramabulana	South African	Appointed 04 January 2016

Ezibeleni & Queenindustria Marker, N6 into Queenstown

REPORT ON FINANCIAL POSITION
AS AT 30 JUNE 2016

	Notes	2016 ZAR	2015 ZAR Restated*
ASSETS			
CURRENT ASSETS			
Trade and other receivables from non-exchange transactions	3	4 227 397	3 877 154
Cash and cash equivalents	4	5 321 931	4 588 687
		9 549 328	8 465 841
NON-CURRENT ASSETS			
Property, plant and equipment	5	1 265 034	260 553
Intangible assets	6	111 927	123 451
		1 376 961	384 004
TOTAL ASSETS		10 926 289	8 849 845
LIABILITIES			
CURRENT LIABILITIES			
Payables from exchange transactions	7	458 464	382 906
Taxes and transfers payable (non-exchange)		148 072	700 000
VAT payable	8	2 246 425	3 255 455
Unspent conditional grants and receipts	9	4 313 219	1 132 142
		7 166 180	5 470 503
TOTAL LIABILITIES		7 166 180	5 470 503
NET ASSETS		3 760 109	3 379 342
Share Capital/Contributions from Owners	10	1 000	1 000
Accumulated surplus		3 759 109	3 378 342
TOTAL NET ASSETS		3 760 109	3 379 342

REPORT ON FINANCIAL PERFORMANCE
AS AT 30 JUNE 2016

	Notes	2016 ZAR	2015 ZAR Restated*
REVENUE			
REVENUE FROM EXCHANGE TRANSACTIONS			
Project Income		19 059 455	9 892 165
Tender fees		5 950	32 550
Interest received - investment	11	524 175	308 045
TOTAL REVENUE FROM EXCHANGE TRANSACTIONS		19 589 580	10 232 760
REVENUE FROM NON-EXCHANGE TRANSACTIONS			
Transfer revenue			
Government grants & subsidies	12	17 000 000	15 000 000
TOTAL REVENUE	13	36 589 580	25 232 760
EXPENDITURE			
Employee costs	14	(8 730 197)	(6 389 902)
Depreciation and amortisation	15	(252 162)	(179 519)
Impairment loss	16	-	(78 359)
Interests and Penalties	17	(1 882)	(247 932)
Lease rentals on operating lease		(396 588)	(305 532)
Repairs and maintenance		(22 083)	(56 817)
Other Project Cost internal Programs	35	(2 277 283)	(581 260)
Project costs - External Programs	18	(19 052 912)	(9 895 647)
General Expenses	19	(5 327 634)	(3 797 222)
TOTAL EXPENDITURE		(36 060 741)	(21 532 190)
OPERATING SURPLUS		528 839	3 700 570
SURPLUS BEFORE TAXATION		528 839	3 700 570
TAXATION		148 072	700 000
SURPLUS FOR THE YEAR		380 767	3 000 570

STATEMENT OF CHANGES IN NETT ASSETS / EQUITY
AS AT 30 JUNE 2016

	Contributions from owner ZAR	Accumulated surplus ZAR	Total net assets ZAR
Opening balance as previously reported	1 000	1 648 231	1 649 231
ADJUSTMENTS			
Prior year adjustments	-	(1 270 459)	(1 270 459)
BALANCE AT 01 JULY 2015 AS RESTATED*	1 000	377 772	378 772
Opening balance as previously reported	1 000	4 078 342	4 079 342
Adjustments			
Prior year adjustments	-	(700 000)	(700 000)
BALANCE AT 01 JULY 2016 AS RESTATED*	1 000	3 378 342	3 379 342
CHANGES IN NET ASSETS			
Surplus for the year	-	380 767	380 767
Total changes	-	380 767	380 767
BALANCE AT 30 JUNE 2015	1 000	3 759 109	3 760 109

*See Note 27

CASH FLOW STATEMENT
AS AT 30 JUNE 2016

	Note(s)	2016 ZAR	2015 Restated* ZAR
CASH FLOWS FROM OPERATING ACTIVITIES			
RECEIPTS			
Grants		17 000 000	15 000 000
Interest income		524 175	308 045
Other receipts		18 715 162	8 164 537
		36 239 337	23 472 582
PAYMENTS			
Employee costs		(8 641 195)	(6 261 367)
Suppliers		(24 917 898)	(14 916 670)
Finance costs		(1 882)	(247 932)
Taxes on surpluses	22	(700 000)	-
		(34 260 975)	(21 425 969)
NET CASH FLOWS FROM OPERATING ACTIVITIES	21	1 978 362	2 046 613
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	(1 182 271)	(92 114)
Purchase of other intangible assets	6	(62 848)	(80 618)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(1 245 119)	(172 732)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		733 244	1 873 882
Cash and cash equivalents at the beginning of the year		4 588 687	2 714 805
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	4	5 321 931	4 588 687

*See Note 27

BUDGET STATEMENT

BUDGET ON CASH BASIS

As at 30 June 2016	Approved budget **ZAR**
STATEMENT OF FINANCIAL PERFORMANCE	
REVENUE	
REVENUE FROM EXCHANGE TRANSACTIONS	
Project Income	44 880 000
Tender fees	-
Administration and management fees received	1 320 000
Other income	1 500 000
Interest received - investment	263 746
TOTAL REVENUE FROM EXCHANGE TRANSACTIONS	47 963 746
REVENUE FROM NON-EXCHANGE TRANSACTIONS	
Transfer revenue	
Government grants & subsidies	17 000 000
TOTAL REVENUE	64 963 746
EXPENDITURE	
Personnel	(11 361 498)
Depreciation and amortisation	(150 000)
Interests and Penalties	-
Lease rentals on operating lease	(327 022)
Repairs and maintenance	(50 140)
Contracted Services Internal Programs	(1 628 092)
Contracted Services External Programs	(46 783 418)
General Expenses	(5 060 000)
TOTAL EXPENDITURE	(65 360 170)
SURPLUS / (DEFICIT) BEFORE TAXATION	(396 424)
Taxation	-
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(396 424)**

STATEMENT OF FINANCIAL POSITION	
ASSETS	
Non-Current Assets	
Property, plant and equipment	1 177 669
Intangible assets	44 000
TOTAL ASSETS	**1 221 669**
NET ASSETS	**1 221 669**
NET ASSETS ATTRIBUTABLE TO OWNERS OF CONTROLLING ENTITY	
RESERVES	
Accumulated surplus	1 221 669

Adjustments ZAR	Final Budget ZAR	Actual amounts on comparable basis ZAR	Difference between final budget and actual ZAR	Reference
3 951 909	**48 831 909**	19 059 455	**(29 772 454)**	33.1
7 616	**7 616**	5 950	**(1 666)**	33.2
(189 309)	**1 130 691**	-	**(1 130 691)**	33.3
(1 000 000)	**500 000**	-	**(500 000)**	33.4
210 439	**474 185**	524 175	**49 990**	33.5
2 980 655	**50 944 401**	19 589 580	**(31 354 821)**	
-	**17 000 000**	17 000 000	**-**	
2 980 655	**67 944 401**	36 589 580	**(31 354 821)**	
857 145	**(10 504 353)**	(8 730 197)	**1 774 156**	33.6
-	**(150 000)**	(252 162)	**(102 162)**	33.7
(1 883)	**(1 883)**	(1 882)	**1**	33.8
(82 023)	**(409 045)**	(396 588)	**12 457**	
28 057	**(22 083)**	(22 083)	**-**	
-	**(1 628 092)**	(2 277 283)	**(649 191)**	
(4 318 265)	**(51 101 683)**	(19 052 912)	**32 048 771**	33.9
(340 476)	**(5 400 476)**	(5 160 694)	**239 782**	
(3 857 445)	**(69 217 615)**	(35 893 801)	**33 323 814**	
(876 790)	**(1 273 214)**	695 779	**1 968 993**	
148 072	**148 072**	148 072	**-**	
2 457 947	**(1 421 286)**	**547 707**	**1 968 993**	
41 379	**1 219 048**	1 265 034	**45 986**	
60 000	**104 000**	111 927	**7 927**	
101 379	**1 323 048**	**1 376 961**	**53 913**	
101 379	**1 323 048**	**1 376 961**	**53 913**	
101 379	**1 323 048**	1 376 961	**53 913**	

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 those accounting policies , management has made the following judgements that may have a significant effect on the amounts recognised in the financial statements.

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.

Depreciation and amortisation

Depreciation and armotisation recognised on property,plant and equipment and intangible are determined with reference to the useful lives and residual values of the underlying items. The useful lives and residual values of the assets are based on management ‘s estimation of the asset's condition, expected condition at the end of the period in use, its current use, expected future use and 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 the 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 cashflows. 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 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.

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.

1.6 Financial instruments

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.

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

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 equip-ment 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
Motor Vehicles	5 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.

NOTES TO THE **ANNUAL FINANCIAL STATEMENTS**

2.1 STANDARDS AND INTERPRETATIONS EFFECTIVE AND ADOPTED IN THE CURRENT YEAR

In the current year, the entity did not adopt any standards and interpretations:

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 2016 or later periods:

Management has considered all the GRAP standards mentioned below issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the entity

Standard/ Interpretation:	Effective date: Years beginning on or after
GRAP 109: Accounting by Principals and Agents	01 January 2018
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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

3. TRADE AND OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	2016 ZAR	2015 ZAR
Government grants and subsidies	4 200 056	1 479 331
Levies	-	2 371 729
Other Receivables	4 598	3 351
Deposits	22 743	22 743
	4 227 397	3 877 154

4. CASH AND CASH EQUIVALENTS

CASH AND CASH EQUIVALENTS CONSIST OF

	2016 ZAR	2015 ZAR
Cash on hand	-	2 700
Bank balances	1 836 740	3 773 141
Short-term deposits	3 485 191	812 846
	5 321 931	4 588 687

THE ENTITY HAD THE FOLLOWING BANK ACCOUNTS

ACCOUNT NUMBER / DESCRIPTION	BANK STATEMENT BALANCES			CASH BOOK BALANCES		
	30 June 2016	30 June 2015	30 June 2014	30 June 2016	30 June 2015	30 June 2014
FNB MAIN 62363654156	391 440	594 403	98 920	391 440	594 403	98 920
FNB SKILLS 62396085899	229 545	1 180	970 702	229 545	1 180	970 702
FNB INV 623 789 429 18	3 485 191	812 846	182 672	3 485 191	812 846	182 672
FNB DEA 62457856296	10 031	1 527 332	1 457 635	10 031	1 527 332	1 457 636
FNB CRED 8812712910085001	-	-	(125)	-	-	(125)
FNB CALL 62541851574	1 177 942	1 650 226	-	1 177 942	1 650 226	-
FNB MECH 62540743483	24 869	-	-	24 869	-	-
FNB PETTY 62540742683	2 913	-	-	2 913	-	-
TOTAL	5 321 931	4 585 987	2 709 804	5 321 931	4 585 987	2 709 805

5. PROPERTY, PLANT AND EQUIPMENT

	2016			2015		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Furniture and fixtures	282 840	(129 138)	153 702	223 248	(88 828)	134 420
Motor vehicles	1 031 511	(51 259)	980 252	-	-	-
Office equipment	41 252	(25 872)	15 380	36 750	(13 749)	23 001
IT equipment	383 106	(267 406)	115 700	296 440	(193 308)	103 132
TOTAL	1 738 709	(473 675)	1 265 034	556 438	(295 885)	260 553

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 2016

	Opening balance	Additions	Disposals	Depreciation	**Total**
Furniture and fixtures	134 420	59 592	-	(40 310)	153 702
Motor vehicles	-	1 031 511	-	(51 259)	980 252
Office equipment	23 001	4 502	-	(12 123)	15 380
IT equipment	103 133	86 666	-	(74 099)	115 700
	260 554	1 182 271	-	(177 791)	1 265 034

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 2015

Furniture and fixtures	144 784	24 137	-	(34 501)	134 420
Office equipment	20 825	12 049	-	(9 873)	23 001
IT equipment	134 723	55 928	-	(87 518)	103 133
	300 332	92 114	-	(131 892)	260 554

PLEDGED AS SECURITY

Non of the entity’s property plant and equipment is pledged as security.

DETAILS OF PROPERTY

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

6. INTANGIBLE ASSETS

	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Intangible assets - Computer Software	257 157	(145 230)	111 927	194 309	(70 858)	123 451

RECONCILIATION OF INTANGIBLE ASSETS - 2016	Opening balance	Additions	Amortisation	Total
Intangible assets - Computer Software	123 451	62 848	(74 372)	111 927

RECONCILIATION OF INTANGIBLE ASSETS - 2015	Opening balance	Additions	Amortisation	Total
Intangible assets - Computer Software	90 460	80 618	(47 627)	123 451

7. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTION

	2016 **ZAR**	2015 **ZAR**
Trade payables	114 468	126 349
Payroll Payable	9 590	16 429
Provision for Workmens Compensation	-	5 967
Operating lease payables (if immaterial)	-	9 041
Provision for 13th Cheque	40 455	-
Leave Pay Acrual	293 951	225 123
	458 464	382 909

8. VAT PAYABLE

	2016 **ZAR**	2015 **ZAR**
VAT payable	2 246 425	3 255 455

As at 30 June 2016 all VAT returns for the current reporting period were submitted to SARS.

9. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

UNSPENT CONDITIONAL GRANTS AND RECEIPTS COMPRISES OF:	2016 ZAR	2015 ZAR
UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
Grain Farmers Development Association	303 251	477 362
Chris Hani District Municipality - Irrigation Schemes	-	29 933
CHDM Agricultural Production Support	395 550	-
IDC Mechanisation Centre Grant	77 139	-
CHDM SEZ Facilitation	1 861 074	-
Department of Environmental Affairs - Waste Management Programme	-	624 847
CHDM Pomegranate and Figs	180 820	-
CHDM SMME Dev and Invest Promotion	1 260 882	-
CHDM Bursary Fund	234 503	-
	4 313 219	1 132 142

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.

These amounts are invested in a ring-fenced investment until utilised.

10. CONTRIBUTIONS FROM OWNER

	2016 ZAR	2015 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

11. INVESTMENT REVENUE

	2016 ZAR	2015 ZAR
INTEREST REVENUE		
Bank	524 175	308 045

12. GOVERNMENT GRANTS AND SUBSIDIES

OPERATING GRANTS	2016 ZAR	2015 ZAR
CHDM Operating grant	17 000 000	15 000 000

CONDITIONAL AND UNCONDITIONAL

Included under revenue as project income are the following grants and subsidies received and the balance have been recognised as unspent grants in note 9:

GRAIN FARMERS DEVELOPMENT ASSOCIATION

Balance unspent at beginning of year	477 362	-
Current-year receipts	-	966 000
Conditions met - transferred to revenue	(174 111)	(488 638)
	303 251	477 362

Conditions still to be met - remain liabilities (see note 9).

CHRIS HANI DISTRICT MUNICIPALITY - IRRIGATION SCHEMES

Balance unspent at beginning of year	29 933	-
Current-year receipts	4 791 346	2 983 583
Conditions met - transferred to revenue	(4 821 279)	(2 953 650)
	-	29 933

Conditions still to be met - remaining liabilities (see note 9).

CHDM AGRICULTURAL PRODUCTION SUPPORT

Current-year receipts	2 327 640	-
Conditions met - transferred to revenue	(1 932 090)	-
	395 550	-

Conditions still to be met - remaining liabilities (see note 9).

IDC MECHANISATION CENTRE GRANT

Current-year receipts	3 438 776	-
Conditions met - transferred to revenue	(3 361 637)	-
	77 139	-

Conditions still to be met - remaining liabilities (see note 9).

CHDM SEZ FACILITATION

Current-year receipts	2 192 983	-
Conditions met - transferred to revenue	(331 909)	-
	1 861 074	-

Conditions still to be met - remaining liabilities (see note 9).

DEPARTMENT OF ENVIRONMENTAL AFFAIRS - WASTE MANAGEMENT PROGRAMME

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

Conditions still to be met - remaining liabilities (see note 9).

12. GOVERNMENT GRANTS AND SUBSIDIES CONT.

	2016 ZAR	2015 ZAR
CHDM POMERGRANADE AND FIGS		
Current-year receipts	438 597	-
Conditions met - transferred to revenue	(257 777)	-
	180 820	-

Conditions still to be met - remaining liabilities (see note 9).

CHDM SMME DEVELOPMENT AND INV PROMOTION		
Current-year receipts	4 385 965	-
Conditions met - transferred to revenue	(3 125 083)	-
	1 260 882	-

Conditions still to be met - remaining liabilities (see note 9).

CHDM BURSARY FUND GRANT		
Current-year receipts	2 191 668	-
Conditions met - transferred to revenue	(1 957 165)	-
	234 503	-

Conditions still to be met - remaining liabilities (see note 9).

13. REVENUE

	2016 ZAR	2015 ZAR
Agency services	19 059 455	9 892 165
Tender fees	5 950	32 550
Interest received - investment	524 175	308 045
Government grants & subsidies	17 000 000	15 000 000
	36 589 580	25 232 760
THE AMOUNT INCLUDED IN REVENUE ARISING FROM EXCHANGES OF GOODS OR SERVICES ARE AS FOLLOWS:		
Agency services	19 059 455	9 892 165
Tender fees	5 950	32 550
Interest received - investment	524 175	308 045
	19 589 580	10 232 760
THE AMOUNT INCLUDED IN REVENUE ARISING FROM NON-EXCHANGE TRANSACTIONS IS AS FOLLOWS:		
Transfer revenue		
Government grants & subsidies	17 000 000	15 000 000

14. EMPLOYEE COSTS

	2016 ZAR	2015 ZAR
Salaries and wages - CTC	7 284 824	5 997 259
Performance Bonuses	513 003	-
Medical aid - company contributions	245 631	36 339
Statutory - UIF levies	25 369	20 595
WCA	39 049	3 952
Leave pay provision charge	96 943	174 485
Defined contribution plans	525 377	157 272
	8 730 196	6 389 902

REMUNERATION OF THE CHIEF EXECUTIVE OFFICER

	2016 ZAR	2015 ZAR
Annual Remuneration including social contributions	1 267 498	1 204 057
Performance Bonuses	218 052	-
Contributions to UIF, Medical Aid and Pension Funds	94 552	-
	1 580 102	1 204 057

REMUNERATION OF CHIEF FINANCE OFFICER

	2016 ZAR	2015 ZAR
Annual Remuneration including social contributions	988 242	626 542
Performance Bonuses	95 203	-
Contributions to UIF, Medical Aid and Pension Funds	99 145	-
	1 182 590	626 542

REMUNERATION OF CHIEF OPERATIONS OFFICER

	2016 ZAR	2015 ZAR
Annual Remuneration including social contributions	1 015 124	566 908
Performance Bonuses	57 012	-
Contributions to UIF, Medical Aid and Pension Funds	101 119	-
	1 173 255	566 908

15. DEPRECIATION AND AMORTISATION

	2016 ZAR	2015 ZAR
Property, plant and equipment	252 162	179 519

16. IMPAIRMENT OF ASSETS

	2016 ZAR	2015 ZAR
IMPAIRMENT LOSS		
Other receivables from non-exchange revenue		78 356

Impairment loss was due to prepayments and overstated deposit.

These relate to previous financial years and their existence could not be verified.

17. FINANCE COSTS

	2016 ZAR	2015 ZAR
Dept of Labour (2016) and SARS(2015)	1 882	247 932

18. PROJECT COST EXTERNAL PROJECTS

	2016 ZAR	2015 ZAR
Other Contractors	19 052 912	9 895 647
Detail of Project Costs- External P		
CHDM - Mechanisation Centre Expenditure	1 941 022	2 000 090
CHDA - Value Chain - Forestry Development	138 305	33 017
CHDA - INV PROMO/ SMME DEV EXPENDITURE	3 125 083	-
Planning Activities - Phase 1	765 611	638 311
Implementation - Phase 2	246 923	-
MECH CENTER OWN FUNDS EXPENDITURE	-	496 411
IDC - MECHANISATION CENTER EXPENDITURE	3 361 637	1 563 398
CHDM - BURSARY FUND EXPENDITURE	-	1 107 566
GFADA - MAIZE SUBSIDY EXPENDITURE	174 110	488 644
CHDM Irrigation Scheme Expenditure	4 821 279	2 953 651
Other Events and Programmes - SEZ	331 910	614 559
Bursaries and Related Costs	1 957 165	-
Pormegranate Project Expenditure	257 777	-
CHDM Agric Production Support Project	1 932 090	-
	19 052 912	9 895 647

19. GENERAL EXPENSES

	2016 ZAR	2015 ZAR
Accounting fees	182 886	297 357
Advertising	191 650	75 113
Auditors remuneration	1 295 138	721 568
Bank charges	33 243	19 617
Cleaning	17 446	6 595
Consulting and professional fees	404 685	32 304
Entertainment	55 108	1 986
Insurance	49 357	25 984
Conferences and seminars	-	20 105
IT expenses	265 111	108 063
Fuel and oil	22 806	-
Postage and courier	12 843	6 591
Printing and stationery	73 293	170 894
Security (Guarding of municipal property)	8 183	30 420
Software expenses	-	38 029
Staff welfare	-	18 440
Subscriptions and membership fees	5 669	1 321
Telephone and fax	-	10 404
Travel - local	647 629	532 809
Travel - overseas	28 299	80 576
Annual Report	83 539	147 723
Corporate Research	83 401	241 312
Write Off	(16 429)	32 051
Electricity	27 898	25 425
Other Board Expenses (Training,Travel and Secretariat)	731 536	404 766
Board Fees	731 500	480 228
Staff Gifts and Welfare	950	598
HR/Payroll services	16 045	8 777
Recruitment costs	21 590	231 919
Board Tools of Trade	14 021	-
Staff Training and Development	339 857	26 247
Office Consumables/Sundries	380	-
	5 327 634	3 797 222

20. AUDIT FEES

	2016 ZAR	2015 ZAR
External Audit Fees	839 431	506 556
Depreciation and amortisation	455 708	215 013
	1 295 139	721 569

21. CASH GENERATED FROM OPERATIONS

	2016 ZAR	2015 ZAR
Surplus	380 767	3 000 574
ADJUSTMENTS FOR:		
Depreciation and amortisation	252 162	179 519
Impairment deficit	-	78 356
Annual charge for deferred tax	-	700 000
CHANGES IN WORKING CAPITAL:		
Trade and other receivables from non-exchange transactions	(350 242)	(1 838 538)
Payables from exchange transactions	75 555	(126 371)
VAT	(1 009 030)	1 401 241
Trade and other payables from non-exchange transactions	(551 928)	(1 217 152)
Unspent conditional grants and receipts	3 181 078	(131 016)
	1 978 362	2 046 613

22. TAX PAID

	2016 ZAR	2015 ZAR
Current tax for the year recognised in surplus or deficit	(148 072)	(700 000)

23. COMMITMENTS

AUTHORISED CAPITAL EXPENDITURE		
Already approved and contracted		
Capital expenditure	3 789 820	5 469 868
Total capital commitments		
Already approved and contracted	3 789 820	5 469 868
AUTHORISED OPERATIONAL EXPENDITURE		
Already approved and contracted		
Operational expenditure	84 112	299 225
Total operational commitments		
Already approved and contracted	84 112	299 225
TOTAL COMMITMENTS		
Total commitments		
Authorised capital expenditure	3 789 820	5 469 868
Authorised operational expenditure	84 112	299 225
	3 873 932	5 699 093

This committed expenditure relates to projects and will be financed by available bank balance, and funds received for projects, retained surpluses, funds internally generated, etc.

OPERATING LEASE COMMITMENTS		
Minimum lease payments due		
within one year	425 776	331 865
in second to fifth year inclusive	-	38 232
	425 776	370 097

There are no current lease commitments and the current leases (rental and Photocopier) are for only one year.

24. CONTINGENT LIABILITIES

	2016 ZAR	2015 ZAR

The only expected contigent liability are interest and penalties that may be charged by SARS of output vat that has not been

CONTIGENT LIABILITIES

	2016 ZAR	2015 ZAR
Interest and Penalties (SARS)	372 281	-
Interest and Penalties from Dept of Labour	-	798
	372 281	798

25. RELATED PARTIES

	2016 ZAR	2015 ZAR

Relationships

Parent municipality Chris Hani Co-Operative Development Centre

RELATED PARTY BALANCES

Amounts included in Trade receivable (Trade Payable) regarding related parties

	2016 ZAR	2015 ZAR
Grant Receivable - CHDM	-	429 331
Skills Fund Receivable (Liability) - CHDM	-	811 985
CHDA SARS Debt	3 080 000	-
	3 080 000	1 241 316

RELATED PARTY TRANSACTIONS

Income received from /(expenses paid to) related parties

	2016 ZAR	2015 ZAR
Operational Grant - CHDM	17 000 000	15 000 000
CHDM Irrigation Schemes	6 000 000	4 983 583
CHDM Busary Fund	2 000 000	
CHDM SMME Development Grants	4 385 965	
CHDM Agricultural Production Support	2 327 639	
CHDM Pomergranate and Figs	438 596	
CHDM Forestry Development	138 305	
CHDM SEZ Facilitation	2 192 982	-
	34 483 487	19 983 583

26. DIRECTORS' EMOLUMENTS

NON-EXECUTIVE - 2016	Directors' fees	Committees fees	Total
Mr M Sigabi	89 000	-	89 000
Mr S Dzengwa	62 000	-	62 000
Mr M Manjezi	134 000	-	134 000
Ms N Ntsubane	97 500	-	97 500
Ms N Skeyi	88 500	-	88 500
Mr S Ngqwala	60 000	-	60 000
Mr Ramabulana	25 000	-	25 000
Ms Matsiliza	5 000	-	5 000
Ms Hobongwana	-	4 000	4 000
Mr L Galada	-	53 000	53 000
Ms V Hleliso	-	49 000	49 000
Mr J Mbawuli	-	42 500	42 500
Mr G Rasmeni	-	22 000	22 000
	561 000	170 500	731 500

NON-EXECUTIVE - 2015	Directors' 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 Skeyi	37 000	-	37 000
Mr S Ngqwala	65 000	-	65 000
Mr L Galada	-	19 000	19 000
Ms V Hleliso	-	73 000	73 000
Mr J Mbawuli	-	28 000	28 000
Mr G Rasmeni	-	18 808	18 808
	341 419	138 808	480 227

27. PRIOR PERIOD ERRORS

In the previous financial year, income tax expense was not recognised as a lialility at year end to the amount of R 700 000 which is the amount after SARS adjustment as per CHDA/SARS agreement to compromise R 336 159.50.

THE CORRECTION OF THE ERRORS RESULT IN ADJUSTMENTS AS FOLLOWS:	2016 ZAR	2015 ZAR
STATEMENT OF FINANCIAL POSITION		
Increase in income tax liability	-	(700 000)
STATEMENT OF FINANCIAL PERFORMANCE		
Increase in income tax expense	-	(700 000)

28. 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.

At 30 June 2016	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)	458 464	-	-	-

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	-	-	-

CREDIT RISK

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

FINANCIAL ASSETS EXPOSED TO CREDIT RISK AT YEAR END WERE AS FOLLOWS:	2016 **ZAR**	2015 **ZAR**
Financial instrument		
Trade debtors	4 227 397	3 877 154
Cash and cash equivalents	5 324 228	4 588 687

29. FRUITLESS AND WASTEFUL EXPENDITURE

	2016 **ZAR**	2015 **ZAR**
Opening balance	-	33 575
Fruitless and Waste Expenditure	1 882	257 218
Less: Amounts written off	(1 882)	(290 793)
Fruitless and wasteful expenditure awaiting resolution	-	-

30. IRREGULAR EXPENDITURE

	2016 **ZAR**	2015 **ZAR**
Opening balance	-	5 940 463
Add: Irregular Expenditure - current year	1 871 457	1 547 417
Less: Prior year amounts written off	-	(5 940 463)
Less: Current year amounts written off	(1 871 457)	(1 547 417)
	-	-

DETAILS OF IRREGULAR EXPENDITURE – CURRENT YEAR

Non compliance with SCM procedures	40 681
Bid processes not followed	1 707 744
Procurement processes not followed	123 032
	1 871 457

DETAILS OF IRREGULAR EXPENDITURE WRITTEN OFF

Previous Years	-
Current Year	1 871 457
	1 871 457

31. RECONCILIATION OF STATEMENT OF BUDGET SURPLUS WITH NET CASH GENERATED FROM OPERATING, INVESTING AND FINANCING ACTIVITIES

	2016 ZAR	2015 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	241 435	2 246 355
Timing differences	1 736 927	(199 742)
Net cash flows from operating activities	1 978 362	2 046 613
INVESTING ACTIVITIES		
Actual amount as presented in the budget statement	(1 323 048)	(1 913 700)
Timing differences	77 929	1 740 968
Net cash flows from investing activities	(1 245 119)	(172 732)
Net cash generated from operating, investing and financing activities	733 243	1 873 881

32. DEVIATION FROM SCM PROCESSES

	2016 ZAR	2015 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 approved by the CEO and noted by the board and detailed reasons have been furnished

	2016 ZAR	2015 ZAR
INCIDENT		
CHDA Website was not functional	-	1 080 487
Sole Supplier	94 452	462 881
Other Exceptional Cases	358 577	3 466 009
	453 029	5 009 377

33. BUDGET DIFFERENCES

MATERIAL DIFFERENCES BETWEEN BUDGET AND ACTUAL AMOUNTS

33.1 The agency anticipated to receive funds as per the agreement signed with different stakeholders including the parent municipality. Big contributor is the Lukhanji buy back project in Lukhanji

33.2 Tender fees budget is based on tenders issued. In the last quarter of the financial year there were no tender issues due to unavailability of funds from projects

33.3 Management fees were anticipated to be received from external funders that we are implementing projects on their behalf (DEA Lukhanji Buy Back Project) which were not received

33.4 Other income was revenue expected to be received from VAT on understanding the entity is exempt from VAT however after SARS audit was finalised in March we learnt that the agency need to pay VAT on income we receive.

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

33.6 Underspending on employee related expenses is due to vancies that were only filled later during the financial year

33.7 Depreciation and impaiment was under budgeted in the current financial year.

33.8 Interest and penalties were not budgeted for. The interest paid were due to late registration to deprtment of labour for workmans compensation

33.9 On contracted Services the underspending is due to funders not honouring their commitments

34. PAYE & UIF DEDUCTIONS

	2016 ZAR	2015 ZAR
Opening balance	(5 624)	84 884
Current year payroll deductions	2 048 112	1 576 801
Amount paid - current year	(2 048 112)	(1 582 425)
Amount paid - prior year	5 624	(84 884)
PAYE & UIF payable (receivable)	-	(5 624)

35. PROJECT COST INTERNAL PROGRAMS

	2016 ZAR	2015 ZAR
CHDA Internal Programs	2 277 283	581 260
HEADING		
CHDA - Irrigation Schemes Expenditure	1 709 138	316 382
CHDA - Value Chain - Crop Production	-	35 750
Strategic Projects	-	13 273
CHDA - Value Chain - Fruit and Veg Prod	6 500	-
CHDA - Value Chain - Livestock Development	10 449	-
Career Exhibitions	130 572	215 855
Skills Facilitation	2 805	-
CHDA - Mech Center Support Expenditure	417 820	-
	2 277 284	581 260

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