ANNUAL REPORT 16 17

A TRIBUTE TO OLIVER REGINALD TAMBO

chda
chris hani development agency

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
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
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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CONTENTS

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
15 Warner Street
Southbourne
Queenstown, 5320

Business and postal address
15 Warner Street
Southbourne
Queenstown, 5320

Bankers
First National Bank

Auditors
Auditor-General of South Africa

Internal Auditor
Sizwe Ntsaluba Gobodo

Chief Executive Officer (CEO)
Mr T Mashologu

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GENERAL INFORMATION

FOREWORD FROM THE **EXECUTIVE MAYOR**

During this year Africa and the African diaspora celebrates the birth and legacy of a South African struggle icon, Oliver Reginald Tambo, born in Bizana, South Africa. The Chris Hani District Municipality (CHDM), the Chris Hani Development Agency (CHDA) and the community celebrate the legacies of Tambo and pay homage to him by remembering some of the words of encouragement he left us with in his quest to see South Africa free and well developed for the advancement of all who live in it.

The determination of this decent leader towards this noble objective (free South Africa) was so intense to such an extent that in his speech entitled “We are a force” at Mazimbu, Tanzania on May 02, 1984 he made some statements that are equally applicable today as they were back then, all be it in a different context. He said “At this time we are compelled to reflect daily on the future of our struggle, because at this time the enemy, that is responsible for your leaving your homes in the first instance, has been terrorising Southern Africa, as you all know very well.”

This statement made under difficult and frustrating times is true today as it was then with regard to the challenging development environment of the CHDM. Following the pressure on global growth trends and downward revisions in developing economies it is no surprise that within the CHDM the enemy of inequality, poverty and unemployment that was responsible for leaders like Oliver Reginald Tambo and many others for leaving South Africa in order to fight for a free South Africa is still with us within the District and is becoming more rampant to the extent of instilling hopelessness within our communities. This situation requires all of us to rethink and refocus our economic development strategies and put all hands on the deck in an effort to crush the resilient enemy of our people’s development.

CHDM, therefore, continues to drive its vision of being “Leaders in sustainable economic growth and improved quality of life”, thus endeavouring to eliminate poverty and reduce unemployment and inequality within the Districts’ communities in line with the National Development Plan (NDP), Provincial Growth and Development Strategy (PGDS) and the Chris Hani Regional Development Strategy (CHREDS) that suggested a three-pronged approach of corridor development, value chain integration and cluster development. Investment in economic development programmes and infrastructure to facilitate the CHDM economic growth is essential to this development. The CHDM recognises the need therefore to boost confidence and strengthen investment, including promoting co-investment in strategic projects while assuring policy and strategy certainty.

It is for this reason amongst others that the CHDA is recognised as a critical component of the District Development Agenda (that highlights tourism, industrialisation, industrial expansion and development of regional economic hub(s), forestry, agriculture and agro-processing as the key development sectors) and the CHREDS with a mandate to contribute meaningfully towards the identification, initiation, preparation and implementation of programmes and projects supporting the CHDM to promote economic growth and spatial development; as well as provide planning and implementation

"The fight for freedom must go on until it is won; until our country is free and happy and peaceful as part of the community of man, we cannot rest."

OLIVER REGINALD TAMBO

support to municipalities within the District. The promotion of regional integration through corridor and cluster development is also a key pillar in CHDM's growth and development agenda. CHDA must continue therefore to be a catalyst to facilitate increased integrated trade within municipalities in the District, other neighbouring districts and the hinterland.

In the same speech Oliver Reginald Tambo said "But let`s tell the truth to ourselves, even if the truth coincides with what the enemy is saying. Let us tell the truth". This Integrated Annual Report details yet another factual performance by the CHDA in delivering on its mandate, despite the many challenges within the delivery environment, dynamics in working with different but much needed strategic partners and limited resources. The Agency has continued to be a beacon of hope for the Chris Hani District Municipality by its ability to lead some of our crucial programmes that include agricultural value chains focusing on livestock, fruit production and irrigation schemes; skills development initiatives with specific reference to our Community Skills fund (CHDM Bursary) and learnerships and internships; industrialisation programme that include Komani Industrial Park Revitalisation and AgriParks. Through various programmes the CHDA has created 213 permanent jobs and manage to secure over R 900 000 of additional funding from the Construction SETA (CETA) for bursaries in engineering studies for twenty (20) CHDM underprivileged youth, increasing our bursary fund beneficiaries two fold to 40.

I congratulate and thank the CHDA Board, management and staff on these results particularly for the clean administration award, the unqualified audit outcome and for this collective effort in providing meaningful and sustainable economic development for the CHDM. The CHDA must continue to review its strategy and operating model to ensure that CHREDS and the District Development Agenda is achieved.

A special word of congratulation goes to Councillor M Koyo the outgoing Executive Mayor for the splendid effort in nurturing the CHDA through the development and growth stages, we will continue harvest his wisdom as he is still with us in the council.

I assure you of my unwavering support in all your economic development efforts.

CNLR KHOLISWA VIMBAYO
EXECUTIVE MAYOR | 30 NOVEMBER 2017

CHAIRMAN'S STATEMENT

Since its inception in 2012 the Chris Hani Development Agency (CHDA) has enjoyed enormous support from the Chris Hani District municipality (CHDM), which enabled it to deliver on its broader mandate of economic development within the district, for this, the Board of CHDA is immensely appreciative. It is for this reason that, amongst others, the Board has positioned the CHDA at the centre of the economic development activities of the CHDM by directing the focus and energy of the executive management towards a clean administration, the initiation, development and implementation of programmes and projects that seek to obliterate poverty, inequality and unemployment within the district in direct support of healthy intergovernmental relations and dynamic local economic development efforts.

GOVERNANCE

The financial year 2016/17 has been a momentous one. The CHDA has continued to maintain an unqualified audit outcome and has also been awarded a "clean administration award" by the Charted Institute of Governance Finance Audit & Risk Officers. The CHDA Board, therefore, is confident that the Agency and its Executive Management team possess apposite balance of skills, experience and backgrounds needed to support and guide the organisaiton in the future and is determined to nurture this talent. There have also been abundant challenges, despite these CHDA managed to achieve most of its targets mainly through leveraging resources and good working relationships with its strategic partners.

STRATEGY AND OPERATIONAL PERFORMANCE

The economy of the Chris Hani District is relatively small, contributing only 0.5% to the South African economy and 7.6% to the Eastern Cape economy. Critically high levels of inequality, poverty and unemployment (currently estimated to be approximately 57% within the district) prevail within the CHDM, consequently the exclusion of poor people from the formal mainstream economic opportunities requires some intervention if the triple ills (poverty, unemployment and inequality) are to be meaningfully addressed.

The extent of the marginalisation of poor people from the formal mainstream economy and opportunities for income generation is such that it demands the implementation of intervention strategies that will implant equitable distribution of resources resulting in meaningful participation of the marginalised communities in the main stream economy.

It is against this backdrop that, during the period under review, and following the approval of the strategy by the Board, the CHDA commenced the implementation of major organisational programmes and projects aimed at sharpening its alignment with key elements of the district strategy and priorities. As a result, I am pleased to report that the Agency has achieved and exceeded sixty percent of the performance targets, while six percent were partially achieved and thirty percent were not achieved. Leveraging resources through strategic partnerships (public and private sector), while it has its own dynamics, challenges and risks, has enabled the CHDA to attain some of its achievements.

The Agency has worked tirelessly under the stewardship of the Department of Trade and Industry in order to ensure the successful establishment of the Komani Industrial Park within the Enoch Mgijima municipality. This effort has made enormous impact (transitional and permanent) particularly with regard to enterprise development and employment creation. The agency continued its efforts with the SMME development programme. A total of seven (7) local SMME's were identified in 2015-16, and provided with funding support by CHDA, through the mayor's SMME fund. The same seven (7) SMME's were provided with post-funding business support in 2016/17 by the CHDA, in partnership with the local the Eastern Cape Development Corporation (ECDC) and Small Enterprise Development Agency (SEDA), as part of post investment support and creating viable and sustainable small enterprises. An offtake agreement has been received for the export market for the winery. Through this lucrative agreement the winery will export one million wine bottles per year starting January 2018. Plans are in progress to partner with other producers to make the required number of bottles, as the vineyard is still only 12 hectares.

CHALLENGES

During the year, CHDA faced a number of challenges, which have had an unfortunate impact on the non-achievement of some of the thirty four percent of the targets set. Some of these challenges have arisen precisely because of the dynamics of working with partners in many of the programmes and projects. The Agency is in the process of resolving the issues as well as filling some of the vacancies that will enable it to function more effectively.

OUTLOOK

The 2017/18 financial year will see reinforced focus on consolidating the organisation's performance. Imperatives include cost containment, increased focus on the sustainability of the Agency, enhanced implementation and social facilitation capacity building.

ACKNOWLEDGEMENTS

On behalf of the Board, I wish to extend my most sincere gratitude to our shareholder representative, the outgoing Honourable Executive Mayor, Councillor Mxolisi Koyo and the incoming Honourable Executive Mayor, Councillor Kholiswa Vimbayo. Your ongoing support and guidance has been of great value to the Board and Management. I would also like to express my gratitude to the Municipal Manager, Mr Moppo Mene, together with his staff, for their ongoing support.

I am particularly grateful to my fellow directors for their strategic stewardship of the CHDA during the past year and thank them unreservedly for their dedication to the task.

Last, but not least, I thank the Chief Executive Officer, Mr Thukela Mashologu, his Executive Management team and all the members of CHDA's staff for their commitment and loyalty in striving to make a difference in the lives of the people of the Chris Hani District Municipality.

I salute you all. Farewell.

MR MLULAMI HLOMBE MANJEZI
CHAIRMAN | 30 NOVEMBER 2017

OVERVIEW BY THE **CHIEF EXECUTIVE OFFICER**

As years go by, the Chris Hani Development Agency (CHDA) is finally finding its feet and is spreading its footprint as a nerve centre for the Chris Hani District's Economic Development Agenda. There are good stories to tell that indicate that we had a prosperous year behind us in 2016-17. We managed to strengthen our programme implementation capabilities that resulted in us taking giant steps in fast tracking implementation of planned priority programmes and identification of a new project pipeline.

It is in this year that the CHDA has among other things managed to build and move to its new home, at number 15 Warner Street.

The Agency has also broken new grounds by

- Receiving an award at the CIGFARO conference for most improved auditee for 2014-15 audited results, and another award for clean governance for 2015-16, showing great improvements in the financial, administrative, compliance and governance of the Agency over the years,
- Securing a bursary contract with the Construction SETA (CETA), worth over R 900 000, to enrol 20 local youths in engineering studies,
- Assisting communities such as the Mayime Co-operative at Shiloh Irrigation Scheme to establish South Africa's first community winery under the "Inkosi "brand,
- Successfully implemented the Mitford Pomegranate orchard placing the community enterprise in the right path to be involved in the lucrative export market and a whole lot of downstream beneficiation activities, and
- Signing of a 3ha fruit trial at Gubengxa Farmers Co-op in Elliot to pilot apples and vine in partnership with the department of Rural Development and Agrarian reform (DRDAR) and Distell.

The agency recorded a performance of 60% and non-performance of 40% as a result of third party funding not being realised by the end of the financial year, and identified development partners not fulfilling their role on time.

SUMMARY ORGANISATIONAL PERFORMANCE

The 2016-17 year was a challenging year for the agency, with the agency only managing to achieve 60% of its predetermined objectives, whilst utilizing 79% of its approved annual budget. This was a result of heavy reliance on third party funding for the majority of our programmes.

1 Creation of a viable and proficient organisation

This programme had a 69% performance rate to predetermined outcomes, having utilised 100% of its operating budget.

Key highlights for the year were:

- Clean Administration Award being awarded the CIGFARO at the last IMFO conference, Good governance and efficient oversight structures
- Established internal controls and policies – most IA reviews rated agency as acceptable
- Turnaround in IT governance and ITC operating environment

"Celebrating clean administration and innovation in our product offering".

THUKELA MASHOLOGU

- The mSCOA readiness programme was delivered successfully, with the agency being "live" on an mSCOA – compliant system by 1 July 2017.
- The agency has improved in the development and capacitation of staff, with actual training and staff development activities exceeding the desired 80% of the approved training plan for the year

2 Creation of viable agricultural clusters

This programme had a 38% performance rate to predetermined outcomes, having utilised 100% of the received portion of its budgeted for funding.

Key deliverables among others are as follows:
- Successful development and submission to funders of a winery business plan for the Shiloh winery
- First harvest achieved at the 30ha pomegranate pilot site at Mitford.
- Supporting of a 3ha fruit trail at Gubengxa Farmers Co-op at Elliot to pilot apples and vine in partnership with DRDAR and Distell.

Key challenges in this programme were not receiving budgeted-for funds by external funders, thus limiting the implementation activities committed under this programme for the year. Also, the funding that was received, was a portion of approved and budgeted – for funding, which also had a similar impact on implementation. Lastly, development partnerships under signed MOU's and teaming agreements with third parties presented a significant challenge, with some partners not fulfilling their agreed roles and responsibilities, thus affecting the realization of some performance targets under this programme.

3 Development of sector specific scarce skills

This programme had a 100% performance rate to predetermined outcomes, having utilised 81% of its available budget.

It's worth noting the following achievements:
- The agency has continued to deliver on the implementation of the CHDM Mayor's bursary fund in 2016-17. A total of 22 students were approved onto the fund, with a reported pass rate of 95% in the June 2017 examination period
- An additional R 900 000 in bursaries from CETA for engineering studies was secured
- The CETA programmes applied for in 2013-14 were finally given the go-ahead for implementation, and a total of 20 interns and 50 learners were identified and enrolled in the CETA programme in 2016-17.

An additional 20 learners were approved for an MICT learnership currently in progress, with 16 active learners, in a partnership between the agency, Silulo Technologies and the MICT SETA.

4 Investment promotion, enterprise development and job creation

This programme sits with the PMU, and forms part of the core business of the agency. This programme had a 57% performance rate to predetermined outcomes, having utilised 62% of its available budget, but having received only a portion of its budgeted for funding.

The Agency has successfully facilitated the implementation of phase 1(a) of the revitalization programme at Komani Industrial Park and the application for phase 1(b) has been submitted to the DTI. Apart from this, a master plan for the Komani Industrial Park was developed, in consultation with key stakeholders, Enoch Mgijima LM and the CHDM.

5 Partnerships and Stakeholder Engagement

This programme had a 80% performance rate to predetermined outcomes, having utilised 100% of its available budget.

Critical to the success of this programme is the identification of new working partnerships to leverage off of development synergies created. The Agency successfully entered into a new partnership with DRDAR and Distell for a fruit pilot programme in Sakhisizwe LM, as well as new skills development initiatives with the MICT SETA and CETA's. In addition, a partnership was brokered between the Mayime Co-operative and Farmvision for the establishment of a winery at Shiloh in Whittlesea. Ongoing partnerships worth noting are the Elliot farmers and Berlin Beef for the Implementation of Jobs Fund Beef projects that will see our emerging farmers participating in the livestock value chain.

In addition to these partnerships, the CHDA was actively participating in various development stakeholder engagement platforms in the district, comprised of various development and agricultural development stakeholders.

GRATITUDE

Everyone at CHDA gave generously to the organisation's development and achievements this past financial year. I am more than confident that they will do the same in future. For this, I extend my thanks and assure all of my colleagues that they will continue to enjoy my full support. I recognise the contributions of all CHDA people at all levels in the organisation and, particularly wish to thank the CHDA Board and CHDM leadership for their continued advice and wise counsel.

Together, we will succeed in taking CHDA to greater heights.

THUKELA MASHOLOGU

CHIEF EXECUTIVE OFFICER | 30 NOVEMBER 2017

STATEMENT OF **RESPONSIBILITY**

PRESENTATION OF THE CHRIS HANI DEVELOPMENT AGENCY ANNUAL REPORT AND STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT 2016/17

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 2016 to 30 June 2017, to the Executive Authority, the Chris Hani District Municipality Council.

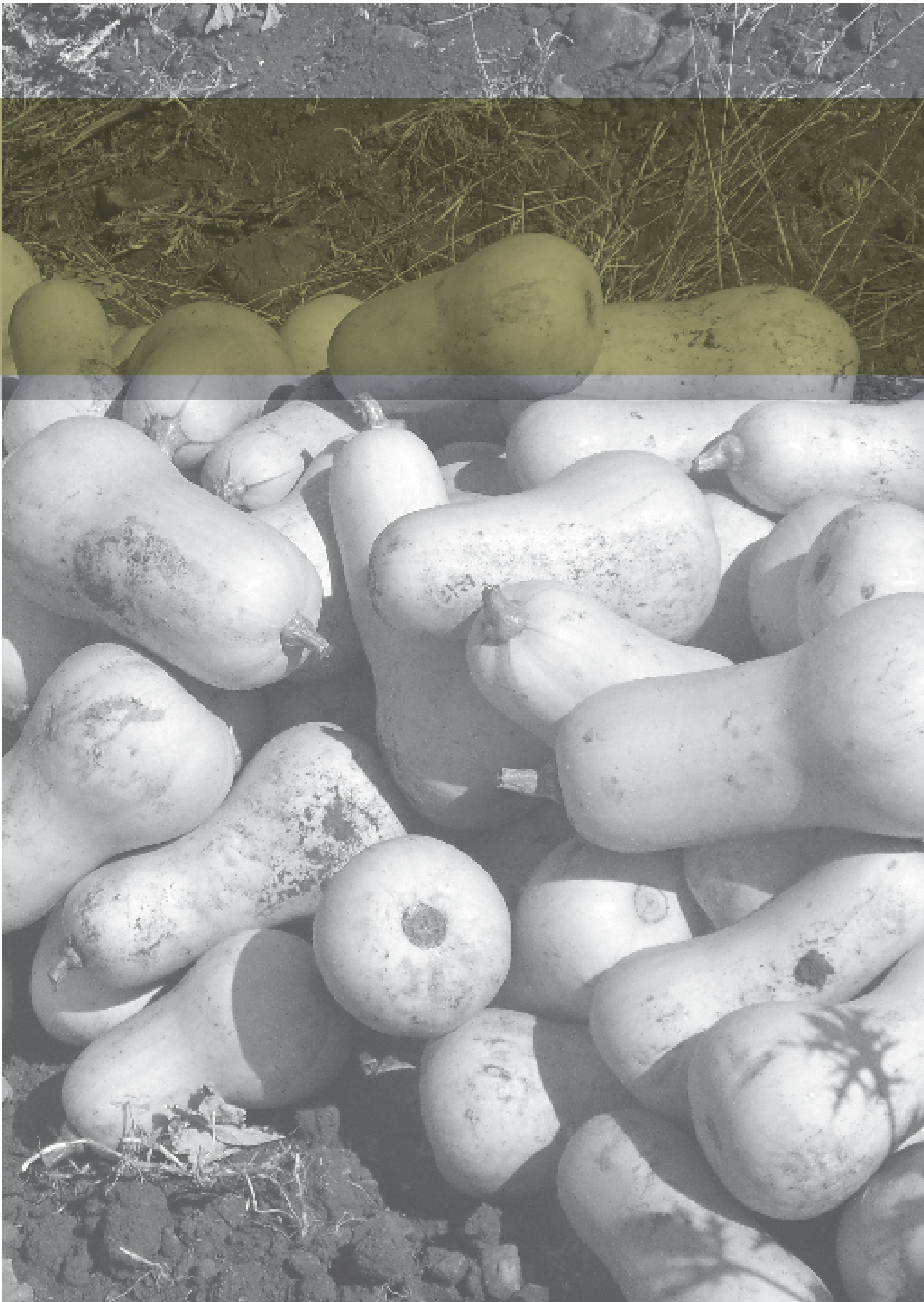
To the best of our knowledge and belief, we confirm the following:

- 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 2017.

THUKELA MASHOLOGU
CHIEF EXECUTIVE OFFICER

MLULAMI MANJEZI
CHAIRPERSON OF THE BOARD



STRATEGIC OVERVIEW, LEGISLATIVE AND OTHER MANDATES

AGENCY FUNCTIONS OF CHDA

CHDA was established in 2012, and is the Chris Hani District Municipality's (CHDM) local economic development (LED) agency. As such, the role of the CHDA is to support the objectives of the CHDM in transforming the economy of the district.

The CHDA envisages itself as a leader in rural economic development, and as such, is focused on ensuring that rural communities in the CHDM are self-sufficient in order to reverse the negative effects poverty, unemployment, lack of skills, and scarcity of jobs due to limited number of small, medium and large businesses and industries, by implementing development projects which have the potential to create jobs and increase household disposable incomes by focussing primarily on rural economic development, so as to address the significant unemployment in the district.

Therefore, the role of the CHDA is to be:

- A provider of customised solutions for economic development challenges
- Adviser, facilitator, and enabler for public and private co-operation
- Entry point for District economic development
- One stop service provider for investment opportunities

SITUATIONAL AND ENVIRONMENTAL OVERVIEW

Macro – Level

Levels of inequality (as measured by the Gini Coefficient), poverty and unemployment in South Africa are critically high. The extent of the marginalisation of poor people from the formal mainstream economy and opportunities for income generation is of a level that demands that successful interventions must address issues of distribution of resources and meaningful participation of the marginalised communities in the economy. Chronic poverty is usually transferred across generations. A lack of access to assets prevents households from accumulating sufficient surpluses to move out of poverty over time. Living in precarious circumstances also of itself acts as a brake on people's ability to use their resources to move out of poverty. Focused strategies to address poverty alleviation and meaningful participation of the disadvantaged communities into the main stream economy need to be implemented.

The CHDA's strategic framework is therefore in line with the strategic objectives and targets of government.

It is attuned with the following ten strategic priority areas underpinning the strategic direction of national Government:

1. Speeding up growth and transforming the economy to create decent work and sustainable livelihoods,
2. Massive programmes to build economic and social infrastructure,
3. Comprehensive rural development strategy linked to land and agrarian reform and food security,
4. Strengthening the skills and human resource base,
5. Improving the health profile of all South Africans,
6. Intensifying the fight against crime and corruption,
7. Building cohesive, caring and sustainable communities,
8. Pursuing African advancement and enhanced international co-operation,
9. Sustainable resource management and use, and
10. Building a developmental state including improvement of public services and strengthening democratic institutions.

The CHDM has not escaped the manifestations of inequality, poverty and unemployment. Consequently, based on the national and provincial strategies and plans the CHDM has developed a Regional Economic Development Strategy that seeks to address these socio-economic ills.

Micro / District Level

Geographical Location

The Chris Hani District Municipality is land locked and is located in the north-eastern sector of the Eastern Cape. It includes parts of the former homelands in the previous dispensation and South Africa. The District includes major mountain ranges –the Stormberg and Bamboesberg Mountains near Sterkstroom and Molteno, as well as the Drakensberg north of Elliot.

Map 1: Chris Hani District Positioning
The District is surrounded by the District municipalities of Amatole, Cacadu, Joe Gqabi and OR Tambo. The District is made up of the following six local municipalities: Emalahleni, Engcobo, Intsika Yethu, Inxuba Yethemba, Sakhisizwe and Enoch Mgijima local municipalities, as indicated in the map above.

Map 2: Chris Hani District Local Municipalities
The Chris Hani District has a land mass of 36 558 square kilometres, a change from its previous size of 36, 561 Km^2 in extent due to the changes in demarcation. Enoch Mgijima is the largest local municipality in the District, followed by Inxuba Yethemba and Intsika Yethu, with Sakhisizwe and Engcobo being the smallest in terms of size (6% each).

Demographics

Just under 12.2% of the population of the Eastern Cape lives in Chris Hani, representing less than1.6% of South Africa's population. In 2010 there were an estimated 824,383 people living in the Chris Hani District. The population of the Chris Hani District has been in decline since 2004.The annual rate of population growth since 2005 has declined by about 0.2%. Although population growth has increased by 3.9% for the same period, it still remains far below the national and provincial averages.

The Chris Hani District is relatively sparsely populated with only 22 people per Km^2 compared to South Africa with 41 people per Km2 and the Eastern Cape with 40 people per Km2.

The statistics further reveal that the population distribution of the District is such that females are in greater numbers as compared to their male counterparts. Additionally, the population is dominated by young people of ages 0 – 24 years (55.9%).

In 2010 there were just over 100,000 households in the District, representing 0.8% of South African Households and 6% of those in the Eastern Cape. Since 2005 the number of households in the District has declined marginally (-0.3%) while the number of households in South Africa has increased by an average of 1% per annum and 1.2% per annum in the Eastern Cape, however, Black households have increased by 1.0% for the same period. The black households are still by far the largest (86.1%) followed by Whites (6.9%) and Coloureds (6.7%).

ECONOMIC GROWTH AND TRANSFORMATION

The Provincial Industrial Development Strategy presents the Eastern Cape framework and broad approach to industrialisation. PIDS sets out deliberate government efforts to alter the structure and distribution of industrial activity to promote economic growth and development. Its vision is "a state-led industrialisation path towards a robust, resilient and sustainable industrial base by 2025". The strategic imperatives of the PIDS are economic growth, labour absorption and job retention.

The prioritised areas for the Eastern Cape are:

- Automotive;
- Agro-processing;
- Capital goods;
- Green economy;
- Petrochemicals; and
- Tourism.

Within the framework of Provincial Development Industrial Strategy, New Growth Path and IPAP2 District and local municipalities identify priority sectors based on comparative and competitive advantages, and availability of natural resources. These sectors and priority projects are outlined in the Integrated Development Plan and Regional Economic Development Strategy of the District (REDS) and amongst others are agriculture, agro-processing, green economy and tourism.

The economy of the Chris Hani District is relatively small, contributing only 0.5% to the South African economy and 7.6% to the Eastern Cape economy. The performance of the Chris Hani District has been satisfactory over the past decade or so, with an average annual growth rate between 2000 and 2010 of 3%. The 2008-09 recession had a marginal effect on the overall performance and growth rates dropped by -0.7% compared to the national average of -1.5% and provincial average of -1%. However, has been slower, with the growth rate of only 2.2% in 2010 (as opposed to a South African average annual growth rate of 2.8% and an Eastern Cape average annual growth rate of 2.3%). The District is heavily reliant on government/ community services. This means that on aggregate, this is the sector contributing most to employment and economic growth rate (52%). A number of factors warrant this situation and chief amongst these is the rural setting of the District coupled with the educational levels of the population, particularly around entrepreneurial skills.

As a result of the conditions prevalent in the District, the District has positioned itself as an agricultural area and has put greater efforts specifically within agriculture (crop production and dry land cropping as well as livestock farming), agro-processing and related industries. Unemployment is a major challenge in our economy. It is estimated to be about 57% and currently higher than that of the country at 37% and that of the EC Province at 51%. Due to high rates of unemployment there is a generally high dependence on grants and remittance (monies sent home by sons and daughters working in urban centres) as the main sources of household incomes in especially in the poor areas of the District. The Chris Hani Development Agency will therefore focus on facilitating economic growth on the identified areas and any other areas that could support this growth.

ECONOMIC LANDSCAPE

It can therefore be said that, despite challenges in the implementation of the strategic objectives of government in relation to local government, there is stability in the political space.

Local municipalities derive their mandate from the Municipal Systems Act (2000), and for financial management they are guided by the Municipal Finance Management Act (2003). This allows for certainty and encourages accountability which are attributes that are attractive to external investors. The District REDS from which the CHDA derives its mandate is a multi – party and multi – stakeholder agreed – upon platform for District economic development.

It enjoins various municipalities and stakeholders around common socio – economic development priorities. It is supported by the National and Provincial Government, together with development entities. As far back as 2008 the Chris Hani District Municipality developed Chris Hani Regional Development Strategy 2008 (CHREDS 2008-2013), that suggested a three pronged approach of corridor development, value chain integration, and cluster development. The strategy 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.

To give meaning to the CHREDS 2008, further work was done that resulted in development of Corridor Development Plan (2010) and the Agro Industrial Plan (2011). In 2011 the Chris Hani District Municipality also adopted a “District Development Agenda” that seeks to guide development in its area of jurisdiction. This agenda highlights the key economic sectors and activities that are expected to drive economic development initiatives in the local municipal areas of the Chris Hani region.

Key sectors identified by the Chris Hani District Development Agenda were tourism, industrialisation, industrial expansion and development of regional economic hub(s), forestry, agriculture and agro-processing (crop production, irrigation scheme operationalisation, livestock improvement)

The agency function of the CHDA therefore stems from the Chris Hani District Development Agenda, with the primary focus of facilitating local economic development through mainly agriculture and agro - processing initiatives, which also include key aspects associated with scarce skills development, investment promotion and industrialisation.

STRATEGIC GOALS

During the year under review, the CHDA was focused on 5 key strategic goals

These goals are listed below, with a description of that the goal seeks to achieve in terms of the broader strategic mandate of the CHDA:

GOAL		DESCRIPTION
1	**Creation of a viable and proficient organisation**	In order to develop a proficient and viable organisation, the focus is to promote and maintain organisational operational excellence and long – term sustainability. Key areas of focus will be centered on good corporate governance and shareholder accountability, financial viability, attainment of unqualified audit outcomes, efficient management of risk, good performance management, and the development of internal competencies through promotion of learning and growth
2	**Creation of viable agricultural clusters**	The core business of the CHDA in the next five years will be the conceptualisation and delivery of projects that will contribute to the economic transformation of the Chris Hani District. Towards realisation of this goal, the CHDA has identified agriculture and agro processing linked to infrastructure and production support as strategic operational areas. The rationale is that high value agricultural activities and primary product beneficiation can be utilized to maximize the economic benefit to rural - based communities
3	**Development of sector specific scarce skills**	There is a need for long term sustainability of interventions that are geared at attracting investment into the Chris Hani District economy. CHDA shall in the next five years assume a leading role in identifying, assessing and facilitating investment opportunities focusing primarily on manufacturing – based industries. Through this platform emphasis will bias towards fostering broad based participation in the industrial sector by community and rural - based enterprises and the promotion of black industrialists
4	**Investment promotion, enterprise development and job creation**	It has been identified that in order for rural communities to be uplifted, community skills development is important to target both individuals and community-based enterprises. This will be achieved by CHDA strengthening its position as the principal co-ordinator for accredited academic and multi - sectoral vocational skills training within the region. This will be achieved in partnership with the SETA’s and Institutions of Higher Learning, with the focus being on producing maximum possible number of graduates in scarce skills, and building technical and vocational abilities and related small enterprises in rural communities
5	**Investment promotion, enterprise development and job creation**	The CHDA operates in the local government sphere - a highly political and diverse stakeholder environment with differing expectations amongst various stakeholders that need to be managed to ensure impact and sustained relevance of the organisation, as well as a need to attract partners. Therefore, the target is to have strategic and functional partnerships at community level, all three spheres of government, DFi’s, financial institutions and foreign donor organisations

02

GOVERNANCE

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.

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.

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.

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.

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 perfor-mance 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.

NON-EXECUTIVE - 2017	Directors' fees	Total
Mr M Sigabi	83 000	83 000
Mr S Dzengwa	70 000	70 000
Mr M Manjezi	183 500	183 500
Ms N Ntsubane	119 000	119 000
Ms N Skeyi	90 000	90 000
Mr S Ngqwala	57 000	57 000
Mr Ramabulana	49 000	49 000
Ms Matsiliza	47 000	47 000
	698 500	698 500

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

BOARD ATTENDANCE 2017

	BRD	ARE	HRR	PFI	Other	Total
Sigabi, M	6	0	0	1	5	12
Dzengwa, S	6	0	3	0	4	13
Manjezi, M	6	1	4	0	9	20
Ntsubane, N	6	1	6	0	4	17
Skeyi, N	5	0	0	4	5	14
Ngqwala, S	5	5	0	0	1	11
Ramabulana, T	5	0	0	2	0	7
Matsiliza, V	4	0	0	2	1	7

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 2016/17

MR MLULAMI MANJEZI
CHAIRPERSON

Mr Manjezi is a certified director with the Institute of Directors of South Africa(IODSA).He holds a Master's Degree in Business Leadershipfrom 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 Dev-elopment 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.

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

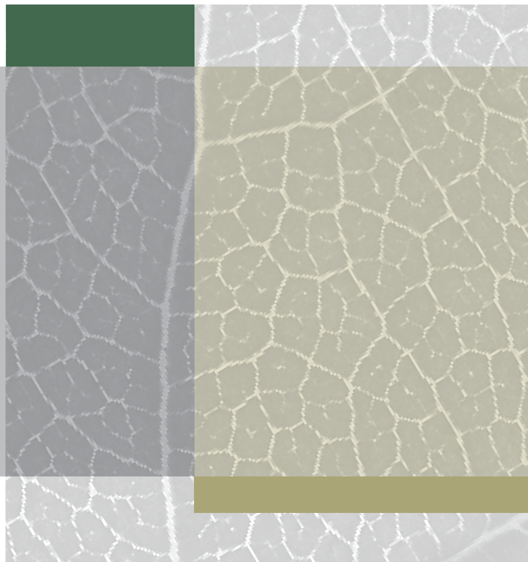
He holds an Honours Degree in Agricultural Extension and Rural Development from Tshwane University of Technology, an Advanced Management Programme (MAP) from Wits Business School, National Diploma in Farm Management from Fort Cox College of Agriculture and Forestry, and is completing his Certificate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



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.

REPORT OF AUDIT, RISK AND ETHICS COMMITTEE

COMPOSITION & REMUNERATION

The Audit, Risk and Ethics committee is comprised of independent members. The committee members during the year 2016/17 were:

COMMITTEE	COMMITTEE FEES		COMMITTEE ATTENDANCES			
COMMITTEE MEMBERS	2015/16	2016/17	BRD	ARE	Other	Total
Mr J Mbawuli**	42 500	85 000	4	4	6	14
Ms L Galada	53 000	52 000	1	6	3	10
Mr G Rasmeni	22 000	9 000	0	2	0	2
Mr V Hlehliso*	49 000	0	0	0	0	0
Dr A Langa	0	10 000	0	2		2
Dr W Plaatjies	0	10 000	0	2		2
	166 500	166 000				

**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 audit committee reviewed an organisational Risk Management Policy, which was subsequently approved, with a Risk Management Strategy also being approved by the Board for 2017/18.

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.

CHDA maintained outsourced services of Internal Auditors guided by risk based internal audit plan approved by the Board. The auditors adopted a risk based audit approach to ensure value add services to the organisation. Internal auditors monitored operations of the internal control system and reported on findings and recommendations to the Audit and Risk Committee as well as Executive Management. Remedial actions were taken to address control deficiencies and other opportunities for improving the systems. The Board, operating through its Audit and Risk Committee, provided 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 2016/2017 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 2016/17 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 2017.

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
30 NOVEMBER 2017

REPORT OF THE COMPANY SECRETARY

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 2017. 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 2016/17 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
30 NOVEMBER 2017

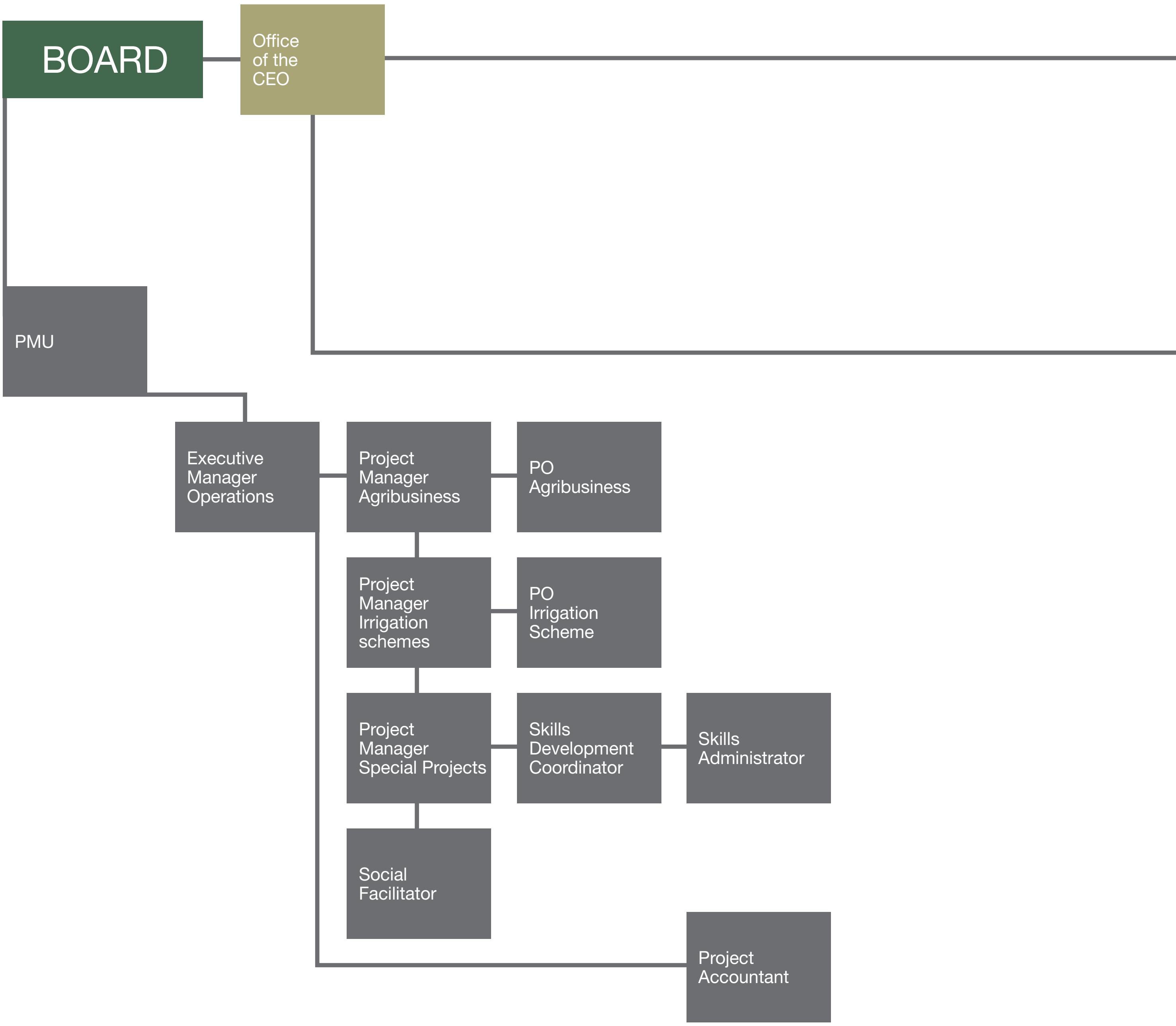
03

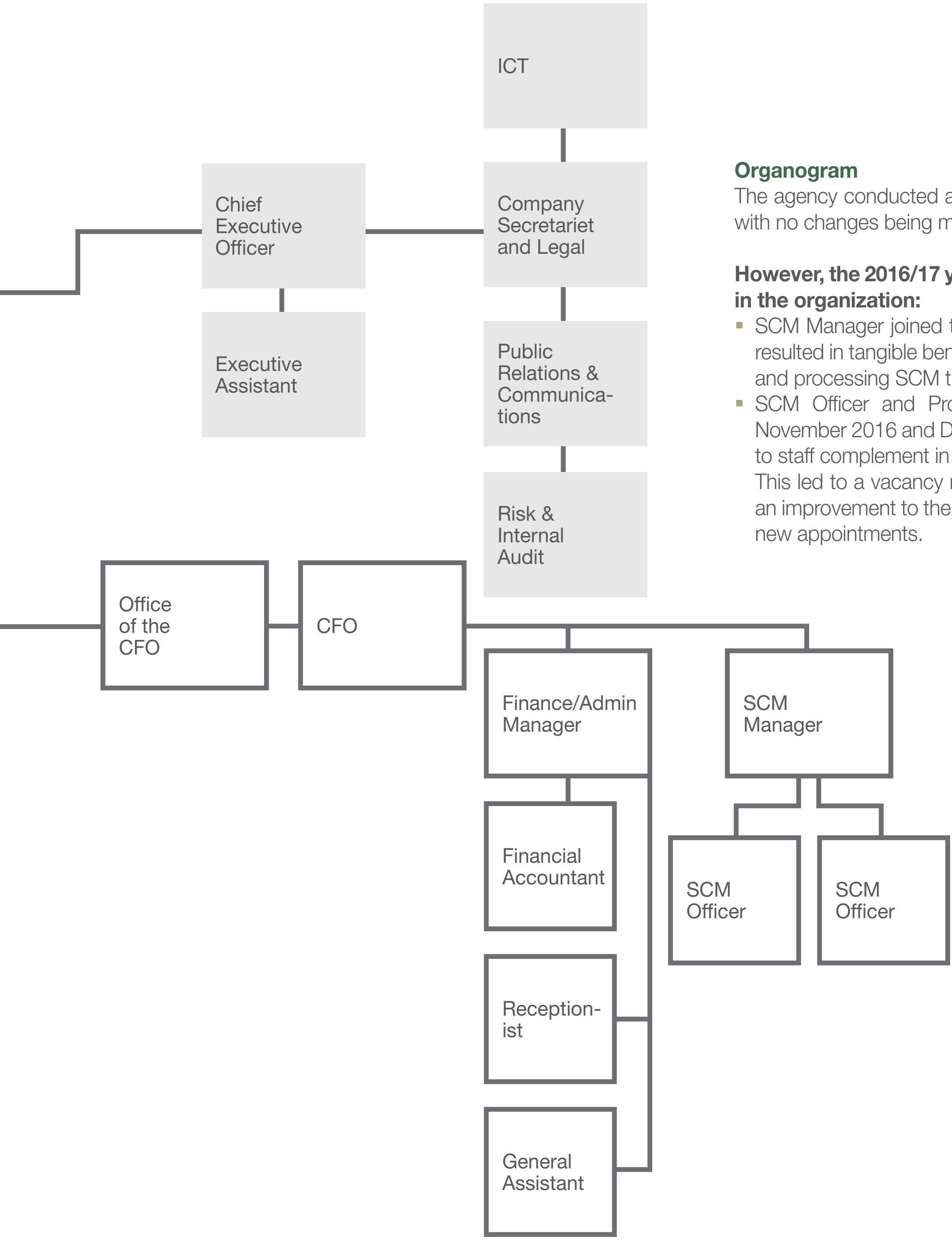
HUMAN RESOURCE MANAGEMENT

HUMAN RESOURCE **MANAGEMENT**

The CHDA considers its staff to be an important recourse in its being able to deliver on its mandate. As such, efforts have been made in the 2016/17 financial period to create a better environment for staff, allowing them to be more productive, and better capacitated.

The agency does not have a stand-alone Human Resources unit, or line function. The function therefore sits with the Office of the CFO, as a support function, given the size of the organisation, and number of its employees. The HR function is managed on a day-to-day basis by the Finance and Administration Manager.





Organogram

The agency conducted a review on its organogram during the year, with no changes being made to the organizational structure.

However, the 2016/17 year saw the following key development in the organization:

- SCM Manager joined the company in August 2016, and this has resulted in tangible benefits in how the organization is dealing with, and processing SCM transactions
- SCM Officer and Project Accountant positions were filled in November 2016 and December 2016 respectively, helping to build to staff complement in the finance/ admin and PMU
  This led to a vacancy rate of 12% by end June 2017, which was an improvement to the previous year's vacancy rate of 17% due to new appointments.

Employment Equity Statistics

The agency does not have an Employment Equity Plan in place, but an employment equity policy was developed in 2016/17, to be approved in 2017/18. Employment equity targets will be aligned to the parent municipality's targets.

The employment statistics, or employee demographics were as follows at end June 2017:

- 40% of the total CHDA workforce in 2016/17 was below the age of 35 years (youth category)
- 65% of the total workforce in 2016/17 was female
- 85% of the total workforce in 2016/17 was originally from the Chris Hani district
- 100% of all employees were African Black

These statistics are summarised in the analysis table below:

EMPLOYMENT EQUITY / EMPLOYEE DEMOGRAPHICS					
		2016/17		2015/16	
TOTAL	**Total number of employees at end June 2017**	**20**	**% of total workforce**	**20**	**% of total workforce**
	Executive	*3*	*15%*	*3*	*15%*
	Management	*4*	*20%*	*4*	*20%*
	Support	*13*	*65%*	*13*	*65%*
LOCALITY	**Total number of employees originally from CHDA at end June 2017**	**17**	**85%**	**15**	**75%**
	Executive	*2*	*12%*	*2*	*13%*
	Management	*0*	*0%*	*0*	*0%*
	Support	*15*	*88%*	*13*	*87%*
RACE	**Total number of South African black employees at end June 2017**	**20**	**100%**	**20**	**100%**
GENDER	**Total employee gender statistics at end June 2017**				
	Males	*7*	*35%*	*9*	*45%*
	Females	*13*	*65%*	*11*	*55%*
	Total distribution of male employees at end June 2017	**7**		**9**	
	Executive	*2*	*29%*	*2*	*22%*
	Management	*2*	*29%*	*2*	*22%*
	Support	*3*	*43%*	*5*	*56%*
	Total distribution of femal employees at end June 2017	**13**		**11**	
	Executive	*1*	*8%*	*1*	*9%*
	Management	*2*	*15%*	*2*	*18%*
	Support	*10*	*77%*	*8*	*73%*
YOUTH	**Total youth employees (below 35yrs) at end June 2017**	**8**	**40%**	**8**	**40%**
	Youth Females	*5*	*25%*	*5*	*25%*
	Youth Males	*3*	*15%*	*3*	*15%*

Employee Remuneration and Benefits

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 AND WAGES, BENEFITS, BONUSES AND OTHER COSTS					
		2016/17		**2015/16**	
Executive	Chief Executive Officer	**1 411 566**	14%	1 580 102	18%
	Chief Financial Officer	**1 201 297**	12%	1 182 590	14%
	Executive Manager Operations	**1 218 580**	12%	1 173 255	13%
Staff	General Staff	**6 209 574**	62%	4 794 249	55%
		100 420 017		**8 730 196**	

Performance Rewards

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 2016/17 period saw the agency paying out a cash total of R 729 784 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					
		2016/17		**2015/16**	
Executive	Chief Executive Officer	210 769	29%	218 052	43%
	Chief Financial Officer	140 603	19%	95 203	19%
	Executive Manager Operations	97 496	13%	57 012	11%
Staff	General Staff	280 916	38%	142 736	28%
		729 784		**523 003**	

Employee Attraction and Retention Strategies

In 2016/17, the agency developed an attraction and retention policy that governs how key employees with scarce skills are attracted and retained within the organisation, for competitive advantage.

During the period, there was a total of two (3) resignations, where all (3) employees were moving on to better employment opportunities. However, all (3) vacancies were not filled by the end of June 2017 due to space limitations.

Of the 3 new appointments made in 2016/17, 2 of the appointments were retention of contract and intern staff.

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 (5) from the previous year, of which (2) were subsequently employed on a permanent basis. Also, a learner was taken in for the first time for in-service training.

This has resulted in a net increase in the creation of work opportunities for unemployed youth in the district from 3 in 2014/15 to 10 by the end of 2016/17.

USE OF UNEMPLOYED GRADUATES FOR WORK OPPORTUNITIES

		2016/17	2015/16	2014/15
Office of the CEO	No of intenships / work opportunities during the year	0	0	0
Office of the CFO	No of internships / work opportunities during the year	8	5	3
PMU	No of internships / work opportunities during the year	1	1	0
Learners / in-service	No of learners given in-service training	1	0	0
		10	6	3

Employee Training and Development

The agency has shown and increasing commitment to staff and employee development and capacitation.

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, but a total of 2 bursaries were awarded to staff in 2016/17.

This led to an improved spending on staff training and development initiatives from previous year, as 9 / 11 planned training activities were conducted during the year, resulting in an 82% implementation of the organizational skills / training plan for 2016/17. This led to a total expenditure of R 252 534 in staff training costs, and R 31 297 in conferences.

Employee Health and 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 completed building construction on the new offices, for occupation from June 2017, from a building subsidy of R15 million received from the CHDM.

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 and Disciplinary Procedures

The agency developed a grievance and disciplinary procedure in 2015/16, which was subsequently approved in 2016/17 for implementation.

There were no grievances lodged with management during the period under review, and there were no disciplinary actions taken against employees.

GRIEVANCE AND DISCIPLINARY PROCEDURES

	2016/17	2015/16	2014/15
No of grievances received by employer	0	0	1
No of grievances resolved	0	0	1
No of grievances resolved in favour of employer	0	0	1
No of disciplinary processes implemented	0	2	0
No of disciplinary processes resolved	0	2	0
No of disciplinary processes resolved in favour of employer	0	2	0

04

PERFORMANCE INFORMATION

PERFORMANCE INFORMATION

SERVICE DELIVERY OVERVIEW

SUMMARY ORGANISATIONAL PERFORMANCE

The agency's strategic objectives are aligned to the parent municipality's IDP objectives. These have been secured in a Service Level Agreement (SLA) between the agency and the CHDM for the year 2016-2017, and have served the basis of structuring the agency's Annual Performance Plan (APP) for the year.

These overarching strategic objectives, or programmes are:

1 Creation of a viable and proficient organization
2 Creation of viable agricultural clusters
3 Development of sector specific scarce skills
4 Investment promotion, enterprise development and job creation
5 Partnerships and stakeholder engagement

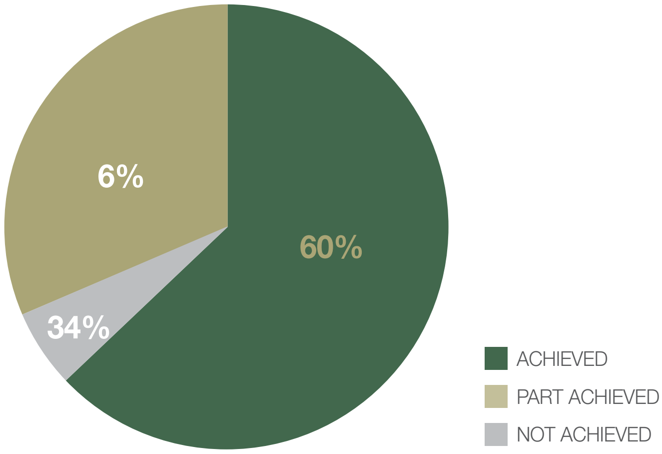
The 2016-17 year was a challenging year for the agency, with the agency only managing to achieve 60% of its predetermined objectives, whilst utilizing 79% of its approved annual budget.

These results are tabled in detail below:
ACHIEVED 60%
91 – 100% completion of planned outputs by end 06/2017)
PARTIALLY ACHIEVED 6%
(76 – 90% completion of planned outputs by end 06/2017)
NOT ACHIEVED 34%
(less than 75% completion of planned outputs by end 06/2017)

The chart (right) indicates the status of key output deliverables at 30 June 2017. A detailed look at these figures is explained below:

- A total of 27 deliverables of the 47 (60%) identified for the year have been achieved to within 90 - 100% of the annual target.
- A total of 3 deliverables of the 47 (6%) identified for the year have been partially achieved to within 76-90% of the annual target, and
- A total of 16 deliverables of the 47 (34%) identified for the year have not been achieved, they have fallen within 0-75% of annual target.

2016-17 ORGANISATIONAL PERFORMANCE SUMMARY



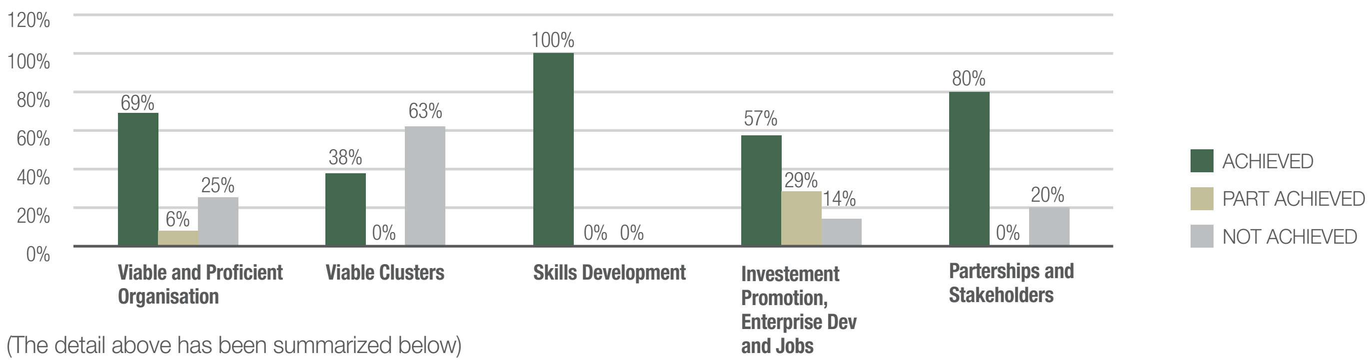
In compiling the performance figures, the organizational performance was reviewed against the individual performance by programme, across each of the 5 key programmes in 2016-17.

Summary of the performance by programme:

PROGRAMME 01 **69% ACHIEVED**
PROGRAMME 02 **38% ACHIEVED**
PROGRAMME 03 **100% ACHIEVED**
PROGRAMME 04 **57% ACHIEVED**
PROGRAMME 05 **80% ACHIEVED**

PERFORMANCE BY PROGRAMME 30 JUNE 2017		No of Outputs to be Achieved 30 June 2017	No of Outputs Achieved 30 June 2017	No of Outputs Partially Achieved 30 June 2017	No of Outputs Not Achieved 30 June 2017
		47	91->100% 60% 28	76-90% 6% 3	0-75% 34% 16
Programme 1 Creation of Viable and Proficient Organisation	47	16	11	1	4
		40%	69%	6%	25%
Programme 2 Creation of Viable Agricultural Clusters		16	6	0	10
		34%	38%	0%	63%
Programme 3 Development of Sector Specific Scarce Skills		3	3	0	0
		6%	100%	0%	0%
Programme 4 Investment Promotion, Enterprise Development and Job Creation		7	4	2	1
		15%	57%	29%	14%
Programme 5 Partnerships and Stakeholder engagement		5	4	0	1
		11%	80%	0%	20%

2016-17 ORGANISATIONAL PERFORMANCE SUMMARY



(The detail above has been summarized below)

Key Performance Highlights

In addition to the agency being awarded the CIGFARO Clean Administration Award at the last IMFO conference, key areas of notable performance for 2016/17 were:

- Good governance and efficient oversight structures
- CSI initiative identified and supported for first time, outside of normal programming
- 100% implementation of agency function SLA with DRDAR – renewal for 2017-18
- Established internal controls and policies – most IA reviews rated agency as acceptable
- Turnaround in IT governance and ITC operating environment
- mSCOA readiness for transacting 1 July 2017
- Key partnerships secured for programme implementation
- Irrigation scheme engagement model developed and approved
- Increase in primary agricultural output in irrigation scheme and dryland programmes
- R2m + mechanisation revenue in services to emerging farmers
- R900k + additional funding realised for bursary programme
- 90% + bursary fund performance rate
- 100 + youth involved in skills programmes, and
- Master plan developed for Queenindustria

Key Performance Challenges

The key areas of non-performance up to the end of June 2017 were due to challenges within and outside of the agency's control, namely:

- Detailing of organisational policies into clear standard operating procedures to reduce margin of error and non-compliance (SOP for the organisation and Performance)
- Vacancy rate lower than desired – HR planning to be improved going forward
- Limited generation of own – revenue, resulting in high reliance on grant funding for operations, and an inability to access own funds in instances of donors not delivering on funding promises to enable service delivery.

This is also enabled by limited in-house skills for conceptualization, feasibility and business planning to assist with alternative funding access and expansion in development programming

- Limited co-ordination and planning with other district development agencies, as well as local municipalities
- DEA waste project from 2013/14 still at stand-still – no approval by department
- Non-receipt of budgeted – for funds from programme donors, resulting in non-availability of budget for programme implementation and general underspending
- Reneging on agreed terms by third parties and non-performance by development partners or third parties, who do not honour development priorities and deliverables set out in agreed MOU's and SLA's, resulting in programme non-performance.

  This is linked to under-developed internal ability to select partners, and monitor partner performance and take required legal action in instances of non-performance
- Social issues and delays in irrigation scheme agreed working arrangements delayed all budgeting and programme approval from municipality
- Ikhephu office structure not completed
- Performance monitoring is still reactive in nature, and a more proactive method of monitoring programme success is required, as well as extensive baseline data in order to monitor the agency's development impact in a formal M&E system

Going forward, the agency has identified the need to build internal capacity in planning and fundraising for programmes and generation of own revenue to improve financial viability.

In addition, better methods of partner vetting and selection, programme selection and monitoring and evaluation are necessary to ensure desired outcomes and impact on the ground.

FINANCIAL HEALTH OVERVIEW

FINANCIAL OVERVIEW - 2016/17

Financial Position

The agency showed an improvement in its closing financial position in 2016/17 from the previous year, due to an increase in the agency's asset base. This was due to improvements to the ICT network and server infrastructure, as well as investment in a new office building.

SUMMARY TABLE OF FINANCIAL POSITION			
		2016/17	2015/16 (Restated)
ASSETS			
CURRENT ASSETS			
	Receivables from exchange transactions	933 893	1 147 397
	Receivables from non-exchange transactions	0	3 080 000
	Other receivables	256 265	0
	Cash and cash equivalents	153 941	5 321 931
		1 344 099	9 549 328
NON-CURRENT ASSETS			
	Property, plant and equipment	16 818 884	1 265 034
	Intangible assets	361 792	111 927
		17 180 676	1 376 961
TOTAL ASSETS		**18 524 775**	**10 926 289**
LIABILITIES			
CURRENT LIABILITIES	Payables	5 485 680	2 830 866
	Unspent conditional grants and receipts	1 835 100	4 313 219
		7 320 780	7 144 085
NON-CURRENT LIABILITIES			
	Deferred tax	17 723	3 282
		17 723	3 282
TOTAL LIABILITIES		**7 338 503**	**7 147 367**
NETT ASSETS		**11 186 272**	**3 778 922**
Share capital / constribution from owners		1 000	1 000
Accumulated Surplus		11 185 272	3 777 922
TOTAL NETT ASSETS		**11 186 272**	**3 778 922**

Financial Performance

The statement of financial performance shows an increase in income from the previous year. This is due to new programmes being introduced in 2016/17, despite a decrease in programme funding received from CHDM.

Employee costs increased due to the annual increment, and the filling of vacant positions in 2016/17. This was also enabled by the taking in of intern staff, to assist with key operational areas in finance, administration, ICT and programming.

There was a corresponding increase in general expenditure and asset depreciation in 2016/17, despite a decrease in project expenditure linked to less budget being approved for programmes, and less than budgeted-for funds being received.

SUMMARY TABLE OF FINANCIAL PERFORMANCE			
		2016/17	2015/16
INCOME			
	Grants	17 680 000	17 000 000
	Taxes, Levies and Tariffs	-	-
	Other	29 394 426	19 589 580
		47 074 426	**36 589 580**
NON-CURRENT ASSETS			
	Employee costs	-10 771 801	-8 730 196
	Project costs	-16 239 086	-21 330 195
	Repairs and maintenance	-181 832	-22 083
	Finance charges / interest	-	-1 882
	Other	-9 578 712	-5 976 385
		-36 771 431	**-36 060 741**
Taxation		**-2 895 645**	**-380 767**
SURPLUS FOR THE YEAR		**7 407 350**	**148 072**

Irregular, Fruitless and Wasteful Expenditure

The agency showed an improvement in the reporting of irregular expenditure, with no reported irregular expenditure for 2016/17. However, there was fruitless expenditure incurred of R 38 596, which was subsequently written off by the agency's Board of Directors.

SCM

The agency recorded a total of R1 071 897 in SCM deviations, as opposed to R 453 029 recorded in the previous year.

Financial Strengths

- The CHDA has shown progress in the financial and administrative controls within the organization. The agency has managed to have sufficient controls and internal capacity in the Finance / Admin unit to allow it to develop its own Annual Financial Statements in-house.
- In addition to having financial policies in place, and reviewing them annually to ensure that they remain relevant, the agency has maintained its 30-day payment commitment to creditors, with SMME's being paid within 7 – 14 days from date of invoice.
- The agency has recorded no unauthorized expenditure in 2016/17, this being indicative of strong budgeting capacity, and budgetary monitoring and internal control over expenditure.
- The agency was successful in transitioning to a new accounting and payroll system, in line with the new mSCOA legislation passed by national treasury. The agency is compliant and implementation – ready for when mSCOA goes live in 1 July 2017. The new system has been loaded with the CHDM chart of accounts, and the budget has been prepared in the mSCOA chart of accounts format. All future financial transactions will be presented in the mSCOA format, and the CHDA will be able to consolidate financial reporting with the parent municipality.

Financial Challenges and Weaknesses

- The agency has encountered challenges where approved budgets have not been received timeously, if received at all. This has resulted in the agency having to finance programme activities utilizing operational funds, which has resulted in an increase in closing project fund debtors, and closing net cash balances as compared to prior year.
- This challenge is pushing the agency to develop an internal funding strategy or model, as well as own – revenue generation strategy, so that it can be financially viable going forward, and be able to provide own funds as a buffer against a high dependency on grant funding from the parent municipality. These will be developed in 2017/18, within the first half of the year.

PROGRAMMES

The 5 key strategic goals guide the programming for the agency. The programmes for the 2016/17 period are highlighted below, with a detailed overview of the programme activities, achievements and non-achievements per programme.

PROGRAMME 1: CREATION OF A VIABLE AND PROFICIENT ORGANISATION

This programme sits with the Office of the CEO and Office of the CFO. This programme had a 69% performance rate to predetermined outcomes, having utilised 100% of its operating budget.

Key programme focus or key performance areas for 2016/17:

- Financial viability
- Realisation of an unqualified audit opinion
- Effective risk management
- Effective performance management
- Development of internal competencies, learning and growth

These were the detailed outputs under this programme for the year under review:

PROGRAMME 1: CREATION OF A VIABLE AND PROFICIENT ORGANISATION:			
Sub-Programme	**Focus Area**	**Actual Deliverables / Successes Realised**	**Key Challenges / Areas of Non-Achievement**
Good Corporate Governance	Governance Structures	▪ The agency governance structures provided the required levels of oversight over agency business, with solid performance reviews conducted for the agency board and sub-committee members. However, there were shortcomings in the review of external audit committee members, and training for the PFI committee	None
	Strategic Projects	▪ The agency identified a CSI initiative to support. This initiative talked to the agency identifying and providing financial support as part of the Chris Hani Heritage Month, wherein which the Chris Hani Choral Music event (theme for the year being “Celebrating OR Tambo”) was provided financial support to the value of R 60 000 ▪ Improvement in the annual strategic planning processes, with the annual strategic review being held with good attendance and inputs from key stakeholders, LM’s and the parent municipality	None
Financial Viability	Fundraising	▪ Fundraising capabilities have been developed, and annual target of R 500 000 in funding to be secured exceeded, with the agency securing over R 900 000 in funding from the Construction SETA (CETA) for bursaries in engineering studies for 20 Chris Hani underprivileged youth	The DEA waste project was not approved for implementation, and CHDA did not implement on this project for the third year in a row. This had a negative effect on the agency’s target for its agency function and being implementer of choice for other state organisations.
Realisation of Unqualified Audit Opinion	mSCOA Readiness Programme	▪ The mSCOA readiness programme was delivered successfully, with the agency being “live” on an mSCOA – compliant system by 1 July 2017, despite weaknesses identified by internal audit relating to the formation of a formal project steering committee	None
Risk Management	Identification, Monitoring and Management of Risk	▪ The agency audit plan was implemented in full, with the scheduled annual follow up to be reported on in the quarter of the following period, and management has developed an internal process of assessing risk, and monitoring of identified risk action plans/ countermeasures	The agency’s risk management policy was not approved by the end of the financial year, and risk reporting to the governance structures was limited during the year. All organizational policies did not have finalized SOP’s to guide standardization of organizational processes
Performance Management	Development of Agency Programme Planning and Reporting Tool to Assist with Performance Management in the PMU	▪ A performance planning and reporting tool was developed to assist with improved planning in the PMU, as well as project reporting in the PMU. This tool will assist management better plan for projects, allowing for better identification of risks, better budgeting, and improved reporting both internally and externally. ▪ Also, the agency developed a SOP manual for the collation, processing, reporting and treatment of performance information	None
Internal Competencies, Learning and Growth	HR Policies	▪ The agency successfully developed an attraction and retention strategy for scarce skills, in addition to other non-APP human resources policy documents, comprising of a grievance and disciplinary procedures policyww	The desired 10% or below vacancy rate was not achieved, There were terminations during the year, resulting in a drop in the vacancy rate, without new appointments being made before end June 2017. This was due to pending organogram review which was only done in late June 2017. The EE plan not done, as it was advised by HRRemCo that EE targets to be aligned with parent municipality, and benchmarking to be done prior. This would be linked to an approved policy, which is currently in draft format
	Strategic HRM – Staff Capacitation and Development	▪ The agency has improved in the development and capacitation of staff, with actual training and staff development activities exceeding the desired 80% of the approved training plan for the year	None

PROGRAMME 2: DEVELOPMENT OF VIABLE AND SUSTAINABLE AGRICULTURAL CLUSTERS

This programme sits with the PMU, and forms part of the core business of the agency. This programme had a 38% performance rate to predetermined outcomes, having utilised 100% of its available budget, but having received only a portion of its budgeted for funding.

Key programme focus or key performance areas for 2016/17 were:

- Resuscitation of irrigation schemes
- Development of agricultural value chains

These were the detailed outputs under this programme for the year under review:

PROGRAMME 2: CREATION OF VIABLE AGRICULTURAL CLUSTERS			
Sub-Programme	**Focus Area**	**Actual Deliverables / Successes Realised**	**Key Challenges / Areas of Non-Achievement**
Resuscitation of Irrigation Schemes	Infrastructure improvement and renovations	▪ The agency conducted renovation to existing infrastructure at the Qamata irrigation scheme. This comprised of the installation of an ablution facility, renovation of the storage shed and office building roofing, as well as electricity installation ▪ The agency conducted renovations to the old piggery structure at Bilatye irrigation scheme, in preparation for commercialization of the piggery facility ▪ The agency assisted the Shiloh scheme with new farming equipment to assist with the expansion of the vineyard.	Eskom had still not been to site to complete the installation of the transformer since 2015/16. The office building still had no live electrical connection by end June 2017
	Implementation of Irrigation Scheme Optimal Operating Model	▪ The agency has developed a comprehensive community engagement model for work to be done in the irrigation schemes to guide the way forward in how the agency interacts with partners and communities. This strategy was presented to CHDM and local municipalities, and approved	The delays in finalizing the optimal scheme operating model resulted in delayed programming for the schemes due to social problems
	Commercial Production	▪ Planting activities at schemes have been completed in line with minimum hectorage planned – 55hectares of Lucerne, 7ha wine grapes and 20hectares butternuts have been planted successfully at Bilatye, Shiloh and Qamata irrigation schemes respectively	The agency, in its MOU with Imonti Incubators, was unsuccessful in facilitating placement of 800 targeted growers for the Bilatye piggery.
Development of Agricultural Value Chains	Development of Livestock Value Chain	▪ The planned work to be done in the assessment of the Elliot feedlot to support the beef linkages programme has been completed successfully, with clear expansion gaps identified for future implementation of proposed expansion plan	The office structure to support the beef linkages project at Ikhephu secondary co-op was not completed, due to challenges with the builder appointed by the co-operative board. Similarly, the anticipated placement of 1500 weaners with Elliot farmers by Berlin Beef was not finalized due to delays of receipt of funding from Jobs Fund.
	Development of Crop Production Value Chain	▪ The mechanization center at Qamata has been operational in 2016-17, and managed to bill out R2.1 million in mechanization support services to emerging farmers. This is in excess of the targeted R1.5 million in revenue to be generated by the center	Key challenges were under-developed administration capacity at the mechanization center, where despite revenue being raised, there was a challenge in collecting fees from farmers for services rendered. Also, there was significant damage to mechanization equipment after work done for Cradock farmers, which constitutes the balances owing to the center from farmers who have not paid. As a resuly, most of the farming equipment were not fit for use by end of June, and could delay operations in the new year
	Development of Fruit Cluster Value Chain	▪ The business plan for the Shiloh winery has been developed and submitted to funders ▪ The 30ha pomegranate pilot was successful, with a successful harvest. CHDA's role was to facilitate inputs, crop maintenance and technical support, and work with the technical partner Pomec in fundraising for expansion ▪ 3ha stonefruit MOU signed with Distell and Elliot farmers to pilot apples and vine. The CHDA provided input support to the farmers as their part of the agreement	None
	Offtakes and Marketing	▪ R12000 was raised for the Vusisizwe tree nursery in a brokered sale agreement with Hans Merensky for tree seedlings, as part of the development of the forestry value chain ▪ An offtake confirmation has been received for the export market, where the winery will have to meet over 1 million bottles per year, starting January 2018. Plans are under way to partner with other producers to make the required number of bottles, as the vineyard is still at 12 hectares, in order to meet the requirements for delivery at the time of signing the sales agreement	No offtake agreement could be signed for the sale of cattle in the beef linkages fund, as there was no placement done during the year No offtakes were signed for the piggery, as there were no placements conducted during the year

PROGRAMME 3: SCARCE SKILLS DEVELOPMENT

This programme sits with the PMU, and forms part of the core business of the agency. This programme had a 100% performance rate to pre-determined outcomes, having utilised 81% of its available budget, but having received only a portion of its budgeted for funding.

Key programme focus or key performance areas for 2016/17 were:

- Bursary fund administration
- Career exhibitions
- Learnerships and internships

These were the detailed outputs under this programme for the year under review:

PROGRAMME 3: SKILLS DEVELOPMENT			
Sub-Programme	**Focus Area**	**Actual Deliverables / Successes Realised**	**Key Challenges / Areas of Non-Achievement**
Development of Sector – Specific Scarce Skills	Bursary Fund	▪ The agency has continued to deliver on the implementation of the CHDM Mayor's bursary fund in 2016-17. A total of 22 students were approved onto the fund, with a reported pass rate of 95% in the June 2017 examination period ▪ An additional R 900 000 in bursaries from CETA for engineering studies was secured	None
	Career Expos / Seminars	▪ The agency delivered on its target of hosting 4 career seminars during the year. A fifth expo was held in a partnership with the Dept. of Communications and MICT Seta, resulting in a 125% achievement rate to planned target	None
	Skills Programmes	▪ The CETA programmes applied for in 2013-14 were finally given the go-ahead for implementation, and a total of 20 interns and 50 learners were identified and enrolled in the CETA programme in 2016-17. ▪ An additional 20 learners were approved for an MICT learnership currently in progress, with 16 active learners, in a partnership between the agency, Silulo Technologies and the MICT Seta	None

PROGRAMME 4: INVESTMENT PROMOTION AND SMME DEVELOPMENT

This programme sits with the PMU, and forms part of the core business of the agency. This programme had a 57% performance rate to pre-determined outcomes, having utilised 62% of its available budget, but having received only a portion of its budgeted for funding.

Key programme focus or key performance areas for 2016/17 were:

- Promotion of CHD as preferred investment district
- Facilitation of new enterprises, SMME development, creation of jobs and work opportunities

These were the detailed outputs under this programme for the year under review:

PROGRAMME 4: INVESTMENT PROMOTION, ENTERPRISE DEVELOPMENT AND JOB CREATION			
Sub-Programme	**Focus Area**	**Actual Deliverables / Successes Realised**	**Key Challenges / Areas of Non-Achievement**
Promotion of CHD as Preferred Investment Destination	Revitalisation of Industrial Park (Queenindustria)	▪ The agency has successfully delivered a masterplan for the Queenstown Industrial Park, in consultation with key stakeholders, Enoch Mgijima LM and the CHDM	The electricity upgrade to the industrial park were not effected due to delays in SCM processes, arising from delayed receipt of TOR's from Enoch Mgijima. The TOR"s were changed after the briefing, due to additional scope identified. SCM processes were not finalized by end June 2017 Also, the partnership with the DTI and DBSA resulted in delayed implementation of Phase1B of the infrastructure improvements to the park.
	Operationalisation of Ncora Agripark	▪ The agency delivered on its target of participating in the task team set up towards operationalizing the Ncora Agripark. The agency, amongst other stakeholders, participates in the capacity of providing planning and technical support, having been part of the initial team established to develop the concept and business plans for the Agripark	None
Facilitation of New Enterprise, SMME Development and Job Creation	SMME Development	▪ The agency continues in 2016-17 with the SMME development initiative from previous year. A total of 7 local SMME's were identified in 2015-16, and provided with funding support by CHDA, through the mayor's SMME fund. The 7 SMME's were provided with post-funding business support by the CHDA, in partnership with the local ECDC and SEDA offices, as part of creating viable small enterprises ▪ A feasibility study was successfully completed for the revitalization of the Molteno biltong factory	None
	Job Creation	▪ Despite a target of creating 250 work opportunities for CHD locals, the agency, through its various development programmes / initiatives, provided a total of 213 permanent jobs, temp working contracts and work opportunities. This is worth noting that in 2016-17, 85% of the annual target was realized, although not in full, but of greater performance than the significantly lower achievement of below 50% in 2015-16	The agency had a challenge in recording the actual number of jobs facilitated indirectly through its various programmes. A total of 213/250 targetted jobs were recorded and verifiable.

PROGRAMME 5: PARTNERSHIPS AND STAKEHOLDER ENGAGEMENT

This programme sits with the Office of the CEO, and forms part of the administrative and consultative function of the agency. This programme had a 80% performance rate to predetermined outcomes, having utilised 100% of its available budget, but having received only a portion of its budgeted for funding.

Key programme focus or key performance areas for 2016/17 were:

- Strategic partnerships
- External communications

These were the detailed outputs under this programme for the year under review:

PROGRAMME 5: STAKEHOLDER ENGAGEMENT AND PARTNERSHIP BUILDING			
Sub-Programme	**Focus Area**	**Actual Deliverables / Successes Realised**	**Key Challenges / Areas of Non-Achievement**
Stakeholder Engagement	Participation in District Planning Forums	▪ The agency has successfully participated in various district – level planning forums, contributing towards co-ordinated development planning for the district between key development stakeholders, entities and partners	None
	Strategic Partnerships	▪ The agency delivered on its target of identifying a minimum of 2 new working partnerships for development programmes. A partnership was entered into for providing long-term business advisory and support assistance to SMME's who had been provided with startup and expansion funding by CHDA in 2015-16, as well as a new partnership between the agency, and CETA for skills programmes, where CETA learners are placed with the Dept. of Public Works for on-job training. ▪ Also, a new partnership was established between the agency, Distell and emerging farmers in Elliot, for the piloting of a stonefruit initiative in the area. This is in addition to working partnerships with specialist firms on pomegranate and wine grapes	Despite securing partnerships for development projects, the agency struggled with monitoring of partner performance , and holding partners liable for non-delivery to agreed terms. Key challenges arose in the beef linkages project with Berlin Beef / Jobs Fund, as well as the Imonti Incubator MOU for the placement of growers to commercialise the piggery at Bilatye.
Corporate Communications	PR and Communications Strategy	▪ The agency achieved in its targeted performance on implementing on its PR and communications plan for the year. The desired performance was achieved, despite budget constraints.	None, however, going forward, the agency plans to have more internal marketing, and external participation opportunities.

CONCLUDING REMARKS

Going forward, the agency has to consider the following to minimize areas of non-performance:

NON-PERFORMANCE ISSUES WITHIN AGENCY'S AREA OF DIRECT CONTROL	
1 **Improvement in own fund-raising for programmes**	AGENCY TO CONSIDER: - Building internal skills associated with programme conceptualization, feasibility analysis, business planning and funding applications to help reduce reliance on handed-over projects, and non-receipt of promised funds. This will create project autonomy, and alternative sources of programme implementation funds
2 **Investment in skills and capacity of implementing resources**	AGENCY TO INVEST MORE IN: - Attracting and recruiting the right candidates with the right set of skills, which are needed for building distinct competencies and build organizational strengths - Training and development for implementation staff, to ensure that those who drive programmes are well-equipped with technical, financial and project-management capabilities
3 **Improvement in monitoring processes**	AGENCY TO CONSIDER: - Allocating the responsibility of a strategic manager / performance officer or senior operations to a single individual on a full-time basis to ensure that programme and performance planning, monitoring and management of programme risks is managed daily and prioritized, so performance can be championed within the agency - Design improved methods of reporting by project implementers, linked to pre-approved key performance indicators on programmes. This function has to be driven and monitored by a key resource in the agency, so all reporting is not only reactive, but linked to solutions and counter-measures, and monitoring of high – importance / high – impact areas that could result in poor performance - Investment in advanced monitoring and evaluation training for those involved in project implementation - Investment in a monitoring and evaluation baseline study to identify benchmarks for performance planning, and performance review. This will help motivate a business case for the agency, and highlight key achievements
4 **Improvement in partner selection and evaluation**	AGENCY NEEDS TO: - Create a formal method of selecting partners for development projects, so as to enter in meaningful MOU's and SLA's, given CHDA's disappointments from third parties in the past. - All partnerships must be based on distinctive competencies the agency does not have access to, so all partnerships are mutually beneficial, and reduce the likelihood of non-performance on both parties - A formal method of vetting partners, and monitoring their performance under the terms of the MOU are necessary, so un-beneficial partnerships are cancelled timeously to mitigate associate strategic risk from non-performance
5 **Better coordination and planning with CHDM and LM's**	AGENCY NEEDS TO: - Find suitable means of engaging with the parent municipality and local municipalities to better package development solutions and harness shared budgets. This would position the CHDA as an ally, rather than a competitor, and make working partnerships more feasible for all parties

NON-PERFORMANCE ISSUES OUTSIDE OF AGENCY'S AREA OF DIRECT CONTROL
1 Default on MOU terms by third parties, or non-performance by technical partners
2 Non-receipt of approved funding for programme implementation
3 Handover of projects by the parent municipality which may be difficult to fully have control and power over anticipated outcomes
4 Social issues in irrigation schemes, which affect how well the agency is able to fulfil its mandate in these areas

05

FINANCIAL INFORMATION

AUDITOR'S REPORT

Report of the auditor-general to the Eastern Cape Provincial Legislature and council on the Chris Hani Development Agency (SOC) Ltd

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Chris Hani Development Agency (SOC) Ltd set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2017, and the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Chris Hani Development Agency (SOC) Ltd as at 30 June 2017, and its financial performance and cash flows for the year then ended 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 of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Companies Act of South Africa, 2008 (Act No. 71 of 2008) (Companies Act).

Context for the opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.

4. I am independent of the municipal entity in accordance with the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

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

Emphasis of matter

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

Restatement of corresponding figures

7. As disclosed in note 36 to the financial statements, the corresponding figures for 30 June 2016 have been restated as a result of an error in the financial statements of the municipal entity at, and for the year ended, 30 June 2017.

Responsibilities of the accounting officer for the financial statements

8. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the MFMA and the Companies Act, 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.

9. In preparing the financial statements, the accounting officer is responsible for assessing the ability of the Chris Hani Development Agency (SOC) Ltd to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting officer intends to liquidate the municipal entity or cease operations, or has no realistic alternative but to do so.

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

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

11. A further description of my responsibilities for the audit of the financial statements is included in the annexure to the auditor's report.

Report on the audit of the annual performance report

Introduction and scope

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

13. My procedures address the reported performance information, which must be based on the approved performance planning documents of the municipal entity. I have not evaluated the completeness and appropriateness of the performance

indicators/measures included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

14. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the municipal entity for the year ended 30 June 2017:

Programmes	Pages in the annual performance report
Programme 2 – development of viable and sustainable agricultural clusters	x – x
Programme 4 – investment promotion, enterprise development and job creation	x – x

15. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

16. I did not identify any material findings on the usefulness and reliability of the reported performance information for the following programmes:

- Programme 2 – development of viable and sustainable agricultural clusters
- Programme 4 – investment promotion, enterprise development and job creation.

Other matter

17. I draw attention to the matter below.

Achievement of planned targets

18. Refer to the annual performance report on pages x to x; x to x for information on the achievement of planned targets for the year and explanations provided for the under- or overachievement of a number of targets.

Report on audit of compliance with legislation

Introduction and scope

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

20. The material findings on compliance with specific matters in key legislations are as follows:

Annual financial statement, performance and annual report

21. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements of non-current assets, current assets and disclosure items identified by the auditors in the submitted financial statement were subsequently corrected and the supporting records were provided, resulting in the financial statements receiving an unqualified audit opinion.

Other information

22. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report which includes the director's report, the audit committee's report and the company secretary's certificate as required by the Companies Act. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported on in the auditor's report.

23. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

24. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

25. I have nothing to report in this regard.

Internal control deficiencies

26. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my

objective was not to express any form of assurance thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.

27. The agency did not have processes to ensure that the financial statements are free from material misstatements as material misstatements were identified on the financial statements submitted for audit.

Auditor General

East London

30 November 2017

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – auditor-general's responsibility for the audit

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

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in the auditor's report, I also:

   - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

   - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipal entity's internal control.

   - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer.

   - conclude on the appropriateness of the accounting officer's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Chris Hani Development Agency (SOC) Ltd to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of the auditor's report. However, future events or conditions may cause a municipal entity to cease operating as a going concern.

   - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.


chda

FINANCIAL **INFORMATION**

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

Registered office
15 Warner Street
Queenstown
5320

Business address
15 Warner Street
Queenstown
5320

Postal address
15 Warner Street
Queenstown
5320

Bankers
First National Bank

Auditors
Auditor-General of South Africa

Company registration number
2012/033437/07

Tax reference number
9041087231

Legislation
These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.

DIRECTORS' RESPONSIBILITIES AND APPROVAL

The directors are required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the 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 directors 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 2018 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.

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 42, which have been prepared on the going concern basis, were approved by the directors on the 30th August 2017 and were signed on its behalf by:

Mr Thukela Mashologu
Chief Executive Officer

Mr Mlumami Manjezi
Chairperson of the Board

DIRECTORS' REPORT

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 2017.

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 occurence since the end of the year under review on which we consider it necessary to report.

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.

SHARE CAPITAL / CONTRIBUTED CAPITAL

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

DIVIDENDS

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

DIRECTORS

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

Name	Nationality
Mr M Sigabi	South African
Mr S Dzengwa	South African
Mr M Manjezi	South African
Ms N Ntsubane	South African
Ms N Skeyi	South African
Mr T Mashologu	South African
Mr S Ngqwala	South African
Ms N Matsiliza	South African
Mr R Ramabulana	South African

STATEMENT OF
FINANCIAL POSITION

AS AT 30 JUNE 2017

	Notes	2017 ZAR	2016 ZAR Restated*
ASSETS			
CURRENT ASSETS			
Receivables from exchange transactions	3	933 893	1 147 397
Receivables from non-exchange transactions	4	-	3 080 000
VAT receivable		256 265	-
Cash and cash equivalents	5	153 941	5 321 931
		1 344 099	**9 549 328**
NON-CURRENT ASSETS			
Property, plant and equipment	6	16 818 884	1 265 034
Intangible assets	7	361 792	111 927
		17 180 676	**1 376 961**
TOTAL ASSETS		**18 524 775**	**10 926 289**
LIABILITIES			
CURRENT LIABILITIES			
Payables from exchange transactions	8	2 607 758	458 464
Taxes and transfers payable (non-exchange)	9	2 877 922	144 790
VAT payable	10	-	2 227 612
Unspent conditional grants and receipts	11	1 835 100	4 313 219
		7 320 780	**7 144 085**
NON-CURRENT LIABILITIES			
Deffered Tax	26	17 723	3 282
TOTAL LIABILITIES		**7 338 503**	**7 147 367**
NET ASSETS		**11 186 272**	**3 778 922**
Share Capital/Contributions from Owners	12	1 000	1 000
Accumulated surplus		11 185 272	3 777 922
TOTAL NET ASSETS		**11 186 272**	**3 778 922**

STATEMENT OF
FINANCIAL PERFORMANCE

AS AT **30 JUNE 2017**

	Notes	2017 **ZAR**	2016 **ZAR** Restated*
REVENUE			
REVENUE FROM EXCHANGE TRANSACTIONS			
Project Income		28 852 145	19 059 455
Tender fees		77 924	5950
Agency fees		81 009	-
Interest received - investment	13	383 348	524 175
TOTAL REVENUE FROM EXCHANGE TRANSACTIONS		**29 394 426**	**19 589 580**
REVENUE FROM NON-EXCHANGE TRANSACTIONS			
Transfer revenue			
Government grants & subsidies	14	17 680 000	17 000 000
TOTAL REVENUE	15	**47 074 426**	**36 589 580**
EXPENDITURE			
Employee costs	16	(10 771 801)	(8 730 197)
Depreciation and amortisation	17	(495 546)	(252 162)
Finance costs	18	-	-
Lease rentals on operating lease		(412 295)	(396 588)
Repairs and maintenance		(181 832)	(22 083)
Project costs - internal programs	19	(1 496 627)	(2 277 283)
Project costs - external programs	20	(14 742 459)	(19 052 912)
General Expenses	21	(8 670 871)	(5 327 634)
TOTAL EXPENDITURE		**(36 771 431)**	**(36 060 741)**
SURPLUS BEFORE TAXATION		**10 302 995**	**528 839**
TAXATION	25	2 895 645	380 767
SURPLUS FOR THE YEAR		7 407 350	148 072

STATEMENT OF CHANGES IN NET ASSETS

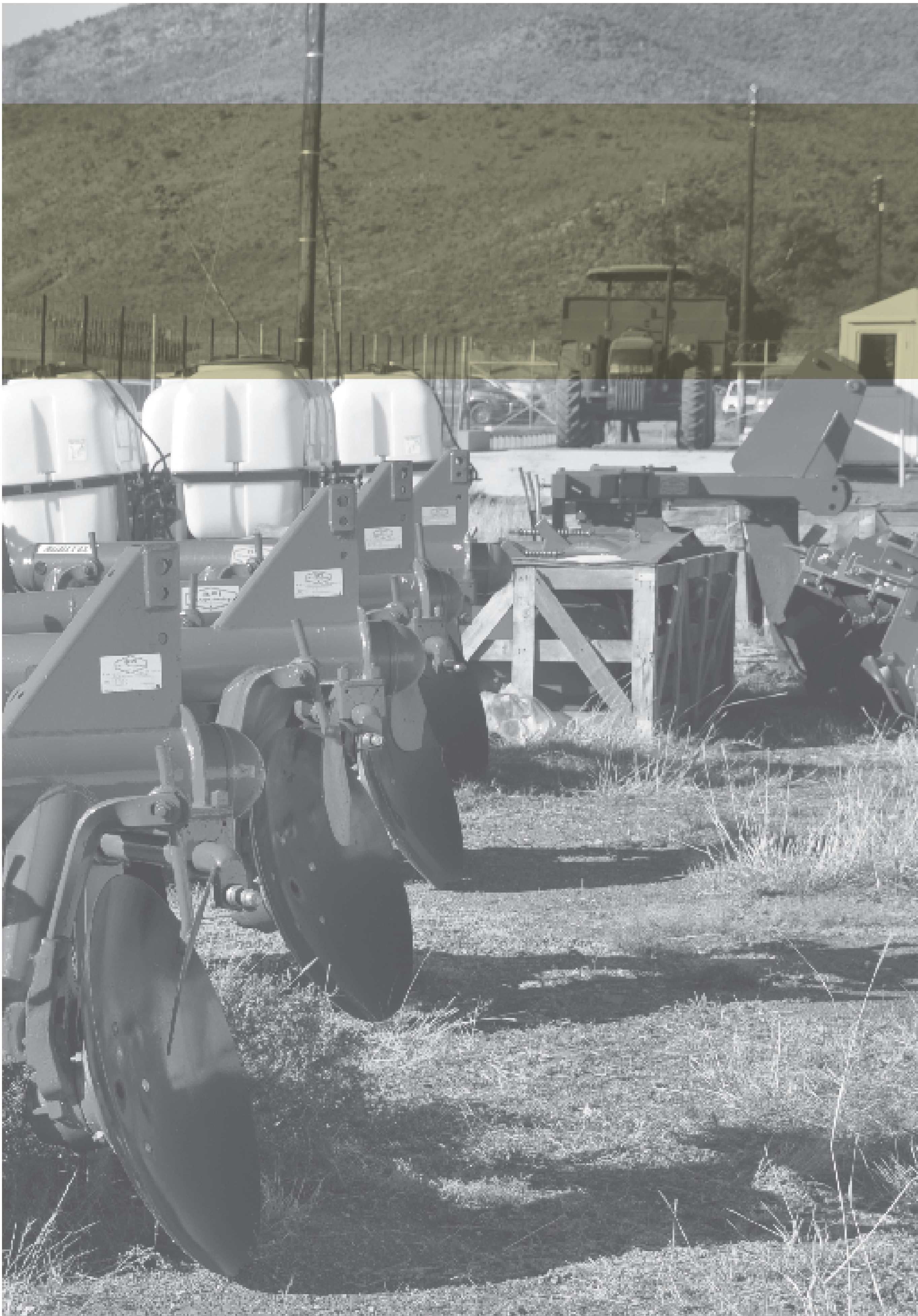
AS AT 30 JUNE 2017

	Share Capital/Contributed Capital ZAR	Accumulated surplus ZAR	Total net assets ZAR
OPENING BALANCE AS PREVIOUSLY REPORTED	1 000	3 378 342	3 379 342
Adjustments			
Prior year adjustments	-	18 813	18 813
BALANCE AS 1 JULY 2015	**1 000**	**3 397 155**	**3 398 155**
Changes in net assets			
Surplus for the year	-	380 767	380 767
Total changes	-	380 767	380 767
RESTATED* BALANCE AT 01 JULY 2016	**1 000**	**3 777 922**	**3 778 922**
Changes in net assets			
SURPLUS FOR THE YEAR	-	7 407 350	7 407 350
TOTAL CHANGES	-	7 407 350	7 407 350
BALANCE AT 30 JUNE 2017	**1 000**	**11 185 272**	**11 186 272**

STATEMENT OF
CASH FLOWS

AS AT **30 JUNE 2017**

	Notes	2017 **ZAR**	2016 **ZAR** Restated*
CASH FLOWS FROM OPERATING ACTIVITIES			
RECEIPTS			
Grants		17 680 000	17 000 000
Interest income		383 348	524 175
Other receipts		32 304 582	18 715 162
		50 367 930	36 239 337
PAYMENTS			
Employee costs		(10 757 344)	(8 661 368)
Suppliers		(28 331 243)	(24 916 539)
Finance costs		-	(1 882)
Taxes on surpluses	25	(148 072)	(700 000)
		(39 236 659)	(34 279 789)
NET CASH FLOWS FROM OPERATING ACTIVITIES	22	**11 131 271**	**1 959 548**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property plant and equipment	6	(15 958 951)	(1 182 272)
Disposal of property, plant and equipment	6	4 251	-
Purchase of other intangible assets	7	(344 561)	(62 848)
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(16 299 261)**	**(1 245 120)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(5 167 989)**	**733 244**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		5 321 931	4 588 687
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	5	**153 942**	**5 321 931**



STATEMENT OF COMPARISON
BUDGET AND ACTUAL

AS AT **30 JUNE 2017**

Budget on Accrual Basis

	Approved budget ZAR	Adjustments ZAR	Final Budget ZAR	Actual amounts on comparable basis ZAR	Difference between final budget and actual ZAR	Reference
STATEMENT OF FINANCIAL PERFORMANCE						
REVENUE						
REVENUE FROM EXCHANGE TRANSACTIONS						
Project Income	31 710 000	11 002 048	**42 712 048**	28 852 145	**(13 859 903)**	35,1
Tender Fees	8149	(3 149)	**5 000**	77 924	**72 924**	35,2
Agency Fees	1 340 430	(840 430)	**500 000**	81 009	**(418 991)**	35,3
Interest received - investment	507 377	-	**507 377**	383 348	**(124 029)**	35,4
Total revenue from exchange transactions	**33 565 956**	**10 158 469**	**43 724 425**	**29 394 426**	**(14 329 999)**	
REVENUE FROM NON-EXCHANGE TRANSACTIONS						
Transfer revenue						
Government grants & subsidies	18 020 000	-	**18 020 000**	17 680 000	**(340 000)**	35,5
TOTAL REVENUE	**51 585 956**	**10 158 469**	**61 744 425**	**47 074 426**	**(14 669 999)**	
EXPENDITURE						
Personnel	(12 133 450)	1 375 105	**(10 758 345)**	(10 771 801)	**(13 456)**	35,6
Depreciation and amortisation	(160 500)	-	**(160 500)**	(495 546)	**(335 046)**	35,7
Lease rentals on operating lease	(457 812)	44 493	**(413 319)**	(412 295)	**1 024**	35,8
Repairs and maintenance	(53 650)	41 193	**(12 457)**	(181 832)	**(169 375)**	35,9
Contracted Services Internal Programs	(1 719 741)	208 604	**(1 511 137)**	(1 496 627)	**14 510**	35,10
Contracted Services External Programs	(31 410 000)	3 662 467	**(27 747 533)**	(14 742 459)	**1 3005 074**	35,11
General Expenses	(5 224 595)	(924 560)	**(6 149 155)**	(8 670 871)	**(2 521 716)**	35,12
TOTAL EXPENDITURE	**(51 159 748)**	**4 407 302**	**(46 752 446)**	**(36 771 431)**	**9 981 015**	
SURPLUS / (DEFICIT) BEFORE TAXATION	**426 208**	**14 565 771**	**14 991 979**	**10 302 995**	**(4 688 984)**	
Taxation	-	-	**-**	2 895 645	**2 895 645**	35,13
ACTUAL AMOUNT ON COMPARABLE BASIS AS PRESENTED IN THE BUDGET AND ACTUAL COMPARATIVE STATEMENT	**426 208**	**14 565 771**	**14 991 979**	**7 407 350**	**(7 584 629)**	

Budget on Accrual Basis

	Approved budget ZAR	Adjustments ZAR	Final Budget ZAR	Actual amounts on comparable basis ZAR	Difference between final budget and actual ZAR	Reference
Statement of Financial Position						
ASSETS						
CURRENT ASSETS						
Receivables from exchange transactions	-	-	-	933 893	**933 893**	
VAT receivable	-	-	-	256 265	**256 265**	
Cash and cash equivalents	-	-	-	153 941	**153 941**	
	-	**-**	**-**	**1 344 099**	**1 344 099**	
NON-CURRENT ASSETS						
Property Plant and Equipment	807 801	13 893 352	**14 701 153**	16 818 884	**2 117 731**	35,14
Intangible assets	47 080	297 500	**344 580**	361 792	**17 212**	35,15
	854 881	**14 190 852**	**15 045 733**	**17 180 676**	**2 134 943**	
TOTAL ASSETS	**854 881**	**14 190 852**	**15 045 733**	**18 524 775**	**3 479 042**	
LIABILITIES						
CURRENT LIABILITIES						
Payables from exchange transactions	-	-	**-**	2 607 757	**2 607 757**	
Payables from non exchange transactions		-	**-**	2 877 922	**2 877 922**	
Unspent conditional grants and receipts	-	-	**-**	1 835 100	**1 835 100**	
	-	**-**	**-**	**7 320 779**	**7 320 779**	
NON-CURRENT LIABILITIES						
Deffered Tax	-	-	**-**	17 723	**17 723**	
TOTAL LIABILITIES	-	-	**-**	7 338 502	**7 338 502**	
NET ASSETS	**854 881**	**14 190 852**	**15 045 733**	**11 186 273**	**(3 859 460)**	
NET ASSETS						
NET ASSETS ATTRIBUTABLE TO OWNERS OF CONTROLLING ENTITY						
Share Capital/Contributed Capital	-	-	**-**	1 000	**1 000**	
RESERVES						
Accumulated surplus	854 881	14 190 852	**15 045 733**	11 185 273	**(3 860 460)**	
TOTAL NET ASSETS	**854 881**	**14 190 852**	**15 045 733**	**11 186 273**	**(3 859 460)**	

ACCOUTING **POLICIES**

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

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

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

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.
- 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

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.

Subsequent measurement of financial assets and financial liabilities.

Concessionary Loans
The part of consessionary loans 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 concenssionary 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 equivalent
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:
a) The rights to receive cash flows from the asset have expired;
b) 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 the a third party under a 'pass-through'arrangement or
c) 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 cashsettled 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

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

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

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

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss shall be reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

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

Where investment 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 the investment the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance

Investment 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 period.

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

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

Property Plant and Equipment is initially measured at cost.

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

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

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

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

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

Land is not depreciated.

All other Proprtyy Plant and Equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property Plant and Equipment is carried at cost less accumulated depreciation and any impairment losses.

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

Item	Depreciation method	Average useful life
Land	Straight line	Infinite
Buildings	Straight line	20 years
Furniture and Fittings	Straight line	6 years
Motor vehicles	Straight line	5 years
Office equipment	Straight line	3 years
Computer Equipment	Straight line	3 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The entity assesses at each reporting date whether there is any indication that the entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

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 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 the an asset may be impaired. An assessment of whether there is an indication of possible impaiment is to each reporting date. Where the carrying amount of an item of property plant and equipmentis greater

than the 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 to the Statement of Financial Performance.

Where items of property plant and equipment have been impaired the carrying amount 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 carryig amount does not exceed the carring 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
In terms 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 recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

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

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

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

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

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential.

Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

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

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

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

Item	Depreciation method	Average useful life
Computer software, other	Straight line	3 years

1.9 Provisions and contingencies
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.
After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 28.

Where a fee is received by the entity for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the entity considers that an outflow of economic resources is probable, an entity recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.10 Impairments

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

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

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

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

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

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

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

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

Useful life is either:
a) the period of time over which an asset is expected to be used by the entity; or
b) the number of production or similar units expected to be obtained from the asset by the entity.

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

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 GRAP 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

1.13 Revenue from exchange transactions
Revenue from exchange transactions refers to revenue that accrues to the entity directly in return for services rendered, 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:
a) The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
b) The amount of revenue can be measured reliably; and
c) 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, royalties and dividends 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

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

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

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

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

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

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

MEASUREMENT

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

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

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 Share Capital/Contributed Capital

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 ariding on the settlement of the creditor or on reporting of creditors at rates different from those at which they were initially recorded are expensed

Transactions in foreign currency are accounted 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 Deffered Tax

Gains and Losses

Gains and losses arising from fair value adjustments on investments and loans and from the disposal of assets and are presented separetely 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 the Value Added Tax on the invoice basis

1.18 Irregular expenditure

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

1.19 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.

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

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

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

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

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

1.22 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:

a) 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
b) 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.

1.23 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.

The approved budget is prepared on a accrual basis and presented by functional classification linked to performance outcome objectives. The approved budget covers the fiscal period from 2016/07/01 to 2017/06/30.

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

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.25 Tax
TAX EXPENSES
Current and deferred taxes are recognised as income or an expense and included in surplus or deficit for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to net assets; or
- a business combination.

Current tax and deferred taxes are charged or credited to net assets if the tax relates to items that are credited or charged, in the same or a different period, to net assets.

1.26 Borrowing costs
Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds. Qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use of sale. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset when it is probable

that they will result in future economic benefits or service potential to the entity, and the costs can be measured reliably. The entity applies this consistently to all borrowing costs that are directly attributable to the acquisition, construction, or production of all qualifying assets of the entity. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value or replacement cost, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets and Inventories as per accounting policy number 1.2 and 1.10. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

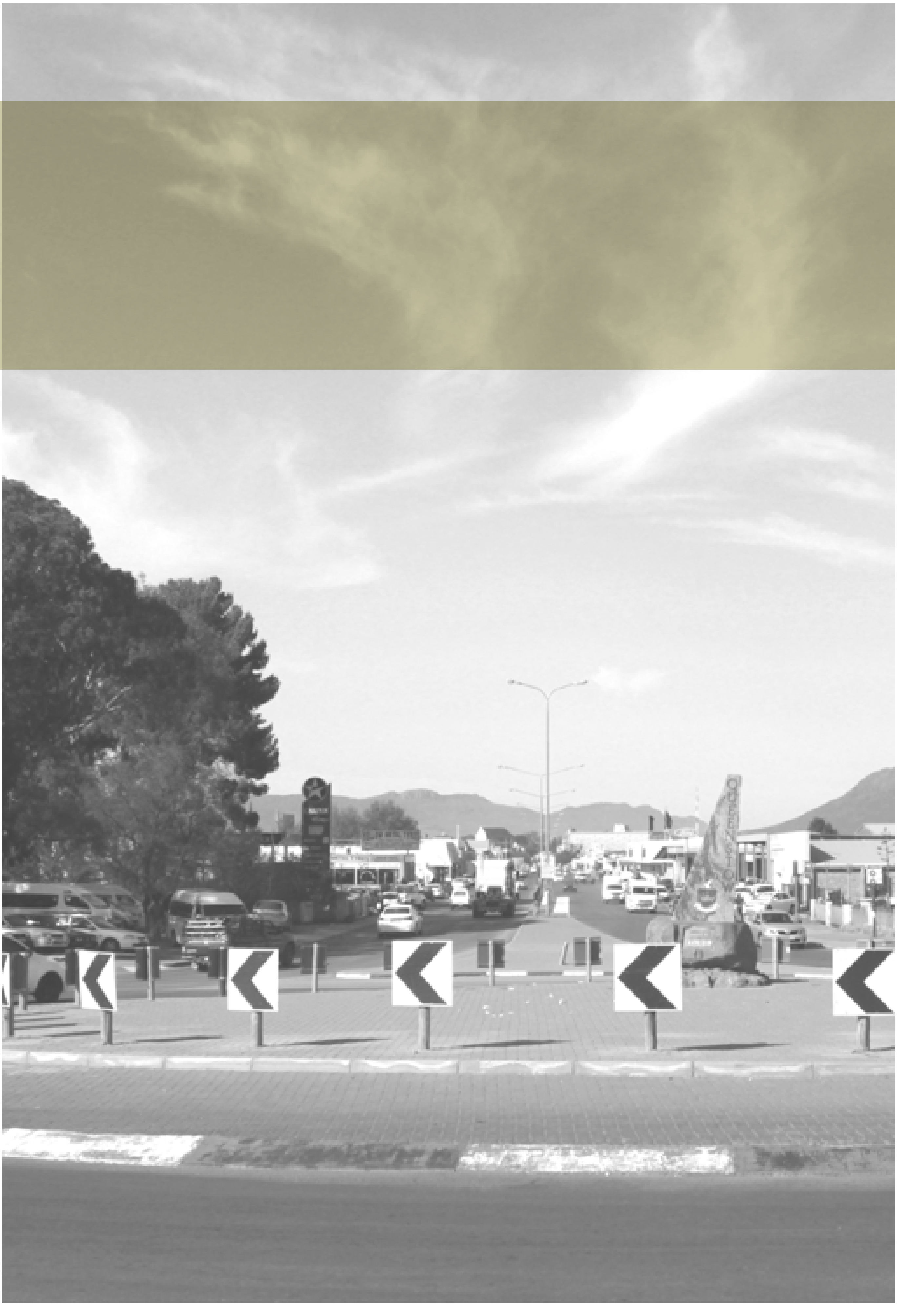
Capitalisation is suspended during extended periods in which active development is suspended.

Extended periods is periods that exceeds X months.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the entity completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the entity ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2 NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the entity has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	**Effective date: Years beginning on or after**	**Expected impact:**
GRAP 108: Statutory Receivables	01 April 2016	
IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2016	

3 RECEIVABLES FROM EXCHANGE TRANSACTIONS

Government subsidies	933 893	1 147 397

4 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Government grants and subsidies	-	3 080 000

5 CASH AND CASH EQUIVALENTS

	2017 ZAR	2016 ZAR
Cash and cash equivalents consist of:		
Bank balances	149567	1836740
Short-term deposits	4374	3485191
	153941	**5321931**

THE ENTITY HAD THE FOLLOWING BANK ACCOUNTS

Account number / description	**Bank statement balances**			**Cash book balances**		
	30 June 2017	**30 June 2016**	**30 June 2015**	**30 June 2017**	**30 June 2016**	**30 June 2015**
FNB MAIN 623 636 541 56	92 096	391 440	594 403	92 096	391 440	594 403
FNB SKILLS 623 960 858 99	31 101	229 545	1 180	31 101	229 545	1 180
FNB INV 623 789 429 18	4 374	3 485 191	812 846	4 374	3 485 191	821 846
FNB DEA 624 578 562 96	9 663	10 031	1 527 332	9 663	10 031	1 527 332
FNB CALL 625 418 515 74	10 594	1 177 942	1 650 226	10 594	1 177 942	1 650 226
FNB MECH 625 407 434 83	5 515	24 869	-	5 515	24 869	-
FNB PETTY 625 407 426 83	598	2 913	-	598	2 913	-
Total	**153 941**	**5 321 931**	**4 585 987**	**153 941**	**5 321 931**	**4 594 987**

6 PROPERTY PLANT AND EQUIPMENT

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	2 567 329	-	2 567 329	-	-	-
Buildings	12 121 405	(49 755)	12 071 650	-	-	-
Furniture and fixtures	521 856	(191 757)	330 099	282 840	(129 138)	153702
Motor vehicles	1 031 511	(257 561)	773 950	1 031 511	(51 259)	980252
Office equipment	498 722	(36 958)	461 764	41 252	(25 872)	15380
IT equipment	946 281	(332 189)	614 092	383 106	(267 406)	115700
Total	**17 687 104**	**(868 220)**	**16 818 884**	**1 738 709**	**(473 675)**	**1265034**

RECONCILIATION OF PROPERTY PLANT AND EQUIPMENT - 2017

	Opening balance	Additions	Disposals	Depreciation	Total
Land	-	2 567 329	-	-	2 567 329
Buildings	-	12 121 405	-	(49 755)	12 071 650
Furniture and fixtures	153 702	239 016	-	(62 619)	330 099
Motor vehicles	980 252	-	-	(206 302)	773 950
Office equipment	15 380	457 470	-	(11 086)	461 764
IT equipment	115 700	573 731	(4 251)	(71 088)	614 092
	1 265 034	**15 958 951**	**(4 251)**	**(400 850)**	**16 818 884**

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	103 132	86 667		(74 099)	115 700
	260 553	**1 182 272**		**(177 791)**	**1 265 034**

PLEDGED AS SECURITY

None 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.

7 INTANGIBLE ASSETS

	2017			2016		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer Software(finite)	601 718	(239 926)	361 792	257 157	(145 230)	111 927

Reconciliation of intangible assets - 2017

	Opening balance	**Additions**	**Amortisation**	**Total**
Intangible assets 1	111 927	344 561	(94 696)	361 792

Reconciliation of intangible assets - 2016

	Opening balance	**Additions**	**Amortisation**	**Total**
Computer Software (finite)	123 451	62 848	(74 372)	111 927

8 PAYABLES FROM EXCHANGE TRANSACTIONS

Trade payables	661 356	114 468
Payroll payable	196 238	9 590
Provision for 13th cheque	16 549	40 455
Leave pay acrual	308 408	293 951
Office Building Acruals	1 425 207	-
	2 607 758	**458 464**

9 PAYABLES FROM NON-EXCHANGE TRANSACTIONS

	2017 **ZAR**	2016 **ZAR**
Tax refunds payables	2 877 922	144 790

10 VAT PAYABLE

VAT payable	-	2 227 612

11 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Grain Farmers Development Association	-	303 251
CHDM Agricultural Production Support	136 929	395 550
IDC Mechanisation Centre Grant	-	77 139
CHDM SEZ Facilitation	969 430	1 861 074
CHDM Pomegranate and Figs	-	180 820
CHDM SMME Development and Investment Promotion	227 165	1 260 882
CHDM Bursary Fund	425 484	234 503
ECDRDAR	76 092	-
	1 8351 00	**4 313 219**

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

12 SHARE CAPITAL/CONTRIBUTED CAPITAL

Authorised		
1000 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

13 INVESTMENT REVENUE

Interest received		
Bank	383 348	524 175

14. GOVERNMENT GRANTS AND SUBSIDIES

	2017 **ZAR**	2016 **ZAR**
Operating grants		
CHDM Operating grant	17 680 000	17 000 000

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:

	2017	2016
Grain Farmers Development Association		
Balance unspent at beginning of year	303 251	477 362
Conditions met - transferred to revenue	(303 251)	(174 111)
	-	**303 251**
Chris Hani District Municipality - Irrigation Schemes		
Balance unspent at beginning of year	-	29 933
Current-year receipts	2 214 819	4 791 346
Conditions met - transferred to revenue	(2 214 819)	(4 821 279)
	-	**-**
CHDM Agricultural Production Support		
Balance unspent at beginning of year	395 550	-
Current-year receipts	-	2 327 640
Conditions met - transferred to revenue	(258 621)	(1 932 090)
	136 929	**395 550**
IDC Mechanisation Centre Grant		
Balance unspent at beginning of year	77 139	-
Current-year receipts	-	3 438 776
Conditions met - transferred to revenue	(77 139)	(3 361 637)
	-	**77 139**
CHDM SEZ Facilitation		
Balance unspent at beginning of year	1 861 074	-
Current-year receipts	-	2 192 983
Conditions met - transferred to revenue	(891 644)	(331 909)
	969 430	**1 861 074**
Department of Environmental Affairs - Waste Management Programme		
Balance unspent at beginning of year	-	624 847
Conditions met - transferred to revenue	-	(624 847)
	-	**-**
CHDM Pomergranate and Figs		
Balance unspent at beginning of year	180 820	-
Current-year receipts	-	438 597
Conditions met - transferred to revenue	(180 820)	(257 777)
	-	**180 820**

	2017 ZAR	2016 ZAR
CHDM SMME Development and Inv Promotion		
Balance unspent at beginning of year	1 260 882	-
Current-year receipts	-	4 385 965
Conditions met - transferred to revenue	(1 033 717)	(3 125 083)
	227 165	**1 260 882**
CHDM Bursary Fund Grant		
Balance unspent at beginning of year	234 503	-
Current-year receipts	2 000 000	2 191 668
Conditions met - transferred to revenue	(1 809 019)	(1 957 165)
	425 484	**234 503**
ECDRDAR		
Current-year receipts	2 550 000	-
Conditions met - transferred to revenue	(2 473 908)	-
	76 092	**-**

Conditions still to be met - remain liabilities (see note 11).

Provide explanations of conditions still to be met and other relevant information.

15 REVENUE

	2017 ZAR	2016 ZAR
Agency services	28 852 145	19 059 455
Tender Fees	77 924	5 950
Agency Fees	81 009	-
Interest received - investment	383 348	524 175
Government grants & subsidies	17 680 000	17 000 000
	47 074 426	**36 589 580**

The amount included in revenue arising from exchanges of goods or services are as follows:

	2017 ZAR	2016 ZAR
Agency services	28 852 145	19 059 455
Tender Fees	77 924	5 950
Agency Fees	81 009	-
Interest received - investment	383 348	524 175
	29 394 426	**19 589 580**

The amount included in revenue arising from non-exchange transactions is as follows:

Transfer revenue

	2017 ZAR	2016 ZAR
Government grants & subsidies	17 680 000	17 000 000

16 EMPLOYEE COSTS

	2017 ZAR	2016 ZAR
Salaries and wages - CTC	8845 419	7 284 824
Performance Bonuses	729 784	513 003
Medical aid - company contributions	317 600	245 631
Statutory - UIF levies	32 233	25 369
WCA	26 736	39 049
Leave pay provision charge	210 290	96 943
Defined contribution plans	609 739	525 377
	10771801	**8 730 196**
Remuneration of the Chief Executive Officer		
Annual Remuneration inluding Social Contributions	1 319 565	1 267 498
Performance Bonuses	210 769	218 052
Contributions to UIF, Medical Aid and Pension Funds	93 001	94 552
	1 623 335	**1 580 102**
Remuneration of Chief Finance Officer		
Annual Remuneration including Social Contributions	1 098 618	988 242
Performance Bonuses	140 603	95 203
Contributions to UIF Medical Aid and Pension Fund	102 679	99 145
	1 341 900	**1 182 590**
Remuneration of Executive Manager Operations		
Annual Remuneration including Social Contributions	1 114 634	1 015 124
Performance Bonuses	97 496	57 012
Contributions to UIF Medical Aid and Pension Fund	103 946	101 119
	1 316 076	**1 173 255**

17 DEPRECIATION AND AMORTISATION

Property Plant and Equipment	495 546	252 162

18 FINANCE COSTS

Dept of Labour (2016) and SARS(2015)	-	1 882

19. PROJECT COST- INTERNAL PROGRAMS

Internal Programs	1 496 627	2 277 283

19 PROJECT COST- INTERNAL PROGRAMS (CONTINUED)

	2017 ZAR	2016 ZAR
Detail of internal programs		
CHDA - Irrigation Schemes Expenditure	-	1 709 138
CHDA - Value Chain - Crop Production	152 520	-
Strategic Projects	60 000	-
CHDA - Value Chain - Fruit and Veg Prod	471 650	6 500
CHDA - Value Chain - Livestock Developme	40 400	10 449
Career Exhibitions	106 220	130 572
Skills Facilitation	29 240	2 805
CHDA - Mechanisation Centre Support Expenditure	636 597	417 820
	1 496 627	**2 277 284**

20 PROJECT COST EXTERNAL PROJECTS

	2017 ZAR	2016 ZAR
Other Contractors	14 742 459	19 052 912
Detail of Project Cost - External programs		
Implementation - Phase 2	129 400	246 923
Planning Activities - Phase 1	-	765 611
Other Events and Programmes - SEZ	891 643	331 910
CHDM - Irrigation Schemes Expenditure	2 214 829	4 821 279
CHDM - Investment Promotion/SMME Devevelopment Expenditure	1 038 717	3 125 083
CHDM Busary Fund Grant	1 809 018	1 957 165
CHDM - Agricultural Production Support Expenditure	152 920	1 932 090
CHDM -Pomergranate Project Expenditure	207 143	257 777
ECDRDAR_Project Implementation Expenditure	2 410 158	-
CETA - Skills Grant Expenditure	662 730	-
CHDM MSCOA Expenditure	120 331	-
CHDM - Mechanisation Centre Expenditure	5 022 633	1 941 022
IDC - Mechanisation Centre Expenditure	76 359	3 361 637
GFADA - Maize Subsidy Expenditure	-	174 109
CHDA - Value Chain - Forestry Developmen	6 578	138 305
	14 742 459	**19 052 911**

21 GENERAL EXPENSES

	2017 ZAR	2016 ZAR
Accounting fees	-	182 886
Advertising	25 4733	191 650
Auditors remuneration	137 7127	1 295 139
Bank charges	24 422	33 243
Cleaning	30 740	17 446
Consulting and professional fees	449 092	404 685
Entertainment	121 669	55 108
Insurance	93 143	49 357
Conferences and seminars	31 297	-
IT expenses	312 855	265 111
Motor vehicle expenses	2 130	-
Fuel and oil	82 264	22 806
Postage and courier	2 549	12 843
Printing and stationery	119 351	73 293
Security (Guarding of municipal property)	7 533	8 183
Staff welfare	231	-
Subscriptions and membership fees	25 078	5 669
Telephone and fax	66 040	-
Travel - local	730 754	647 629
Travel - overseas	101 569	28 299
Annual report	92 117	83 539
Corporate research	110 809	83 401
Write off	2 587 399	(16 429)
Electricity	26 282	27 898
Other board expenses(Training,Travel and Secretariat)	855 626	731 536
Board fees	864 500	731 500
Staff gifts and welfare	8 301	950
HR\Payroll services	17 282	16 045
Recruitment costs	2 548	21 590
Board tools of trade	20 896	14 021
Staff training and development	25 2534	339 857
Office consumables/sundries	-	380
	8 670 871	**5 327 635**

22 CASH GENERATED FROM OPERATIONS

Surplus	7 407 350	380 767
Adjustments for:		
Depreciation and amortisation	495 546	252 162
Changes in working capital:		
Receivables from exchange transactions	213 504	1 250 426
Other receivables from non-exchange transactions	3 080 000	(1 600 669)
Payables from exchange transactions	2 149 294	75 555
VAT	(2 483 877)	(1 027 843)
Trade and other payables from non-exchange transactions	2 747 573	(551 928)
Unspent conditional grants and receipts	(2 478 119)	31 810 78
	11 131 271	**1 959 548**

23 AUDIT FEES

External audit fees	972 171	839 431
Internal audit fees	404 956	455 708
	1 377 127	**1 295 139**

24. PAYE & UIF DEDUCTIONS

	2017 ZAR	2016 ZAR
Opening Balances	-	(5 624)
Current year payroll deductions	2 766 650	2 048 112
	(2 570 341)	(2 048 112)
	-	5 624
	196 309	-

25. TAXATION

	2017 ZAR	2016 ZAR
SA Normal Tax : Current	2 881 204	144 790
Deferred Tax	14 441	3 282
	2 895 645	148 072
Taxation Reconciliation		
Accounting Profit	10 302 995	528 839
Tax @ 28%	2 884 839	148 072
Tax Effects on non deductable /non taxable items: Sars Penalties and Interest	10 806	-
	2 895 645	148 072

26. DEFFERED TAX

	2017 ZAR	2016 ZAR
Non Current Liability	17 723	3 282

27. COMMITMENTS

	2017 ZAR	2016 ZAR
AUTHORISED CAPITAL EXPENDITURE		
Already contracted for but not provided for		
Capital Expenditure	1 682 926	3 789 820
Total capital commitments		
Already approved and contracted	1 682 926	3 789 820
AUTHORISED OPERATIONAL EXPENDITURE		
Already contracted for but not provided for		
Operational Expenditure	751 861	84 112
Total operational commitments		
Already approved and contracted	751 861	84 112
Total commitments		
Authorised capital expenditure	1 682 926	3 789 820
Authorised operational expenditure	751 861	84 112
	2 434 787	**3 873 932**

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.

	2017 ZAR	2016 ZAR
Operating Lease Commitments		
Minimum lease payments due		
- within one year	-	425 776

There are no current lease commitments as all the rental contracts has expired.

28. CONTINGENT LIABILITIES

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

	2017 ZAR	2016 ZAR
CONTINGENT LIABILITIES	1	372 281

29 RELATED PARTIES

Relationships	
Controlling entity	Chris Hani District Municipality
Close family member of service providers in the service of the state which CHDA conducted business with	Qwathi Tolo Farms- wife (Ms Bolekwa Kama) working at Department of Water and Sanitation Amatola Irrigation Repairs (daughter) Rebecca Ross is working for Department of Education

RELATED PARTY BALANCES	2017 ZAR	2016 ZAR
Amounts included in Trade receivable (Trade Payable) regarding related parties		
CHDM Pomegranate and Fig Project	26 323	-
CHDM SARS Debt	-	3 080 000
	26 323	3 080 000

RELATED PARTY BALANCES		
Income received from /(expenses paid to) related parties		
CHDA Operational Grant	17 680 000	17 000 000
CHDM Irrigation Schemes	2 214 829	4 821 279
CHDM SEZ Facilitation	891 643	331 910
CHDM Bursary Fund	1 809 018	1 957 165
CHDM Mechanisation Centre Project	5 022 633	1 941 022
CHDM Forestry Development	-	138 305
CHDM SMME Development	1 038 717	3 125 083
CHDM Pomergranate and Figs	207 143	257 777
CHDM Agricultural Production Support	152 920	1 932 090
Total	29 016 903	31 504 631

Transaction Conducted With Service Provider with Family member in the Service of the State		
Qwathi Tolo Farms	417 240	-
Amatola irrigation & Civils	122 875	-
Total	540 115	-

30 DIRECTORS' EMOLUMENTS

NON-EXECUTIVE

2017

	Directors' fees	Committees fees	Total
Mr M Sigabi	83 000	-	83 000
Mr S Dzengwa	70 000	-	70 000
Mr M Manjezi	183 500	-	183 500
Ms N Ntsubane	119 000	-	119 000
Ms N Skeyi	90 000	-	90 000
Mr S Ngqwala	57 000	-	57 000
Mr R Ramabulana	49 000	-	49 000
Ms V Matsiliza	47 000	-	47 000
Mr W Plaatjies	-	10 000	10 000
Mr L Galada	-	52 000	52 000
Mr A Langa	-	10 000	10 000
Mr J Mbawuli	-	850 00	85 000
Mr G Rasmeni	-	9 000	9 000
	698 500	**166 000**	**864 500**

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
Mr 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**

31 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 2017	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
Trade and other payables	2 607 759	-	-	-
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	458 464	-	-	-

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:	2017 **ZAR**	2016 **ZAR**
Financial instrument		
Trade debtors	933 893	4 227 397
Cash and cash equivalent	153 941	5 324 228

32 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure	38 596	1 882
Less amount Writtern off	(38 596)	(1 882)
Fruitless and wasteful expenditure awaiting resolution	-	-

33 IRREGULAR EXPENDITURE

Add: Irregular Expenditure - current year	-	1 871 457
Less: Amounts writtern off as irrecoverable	-	(1 871 457)
	-	-

34 DEVIATION FROM SCM PROCESSES

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

Incident		
Emergency cases	130 375	94 452
Other Exceptional cases	882 119	358 577
Sole Supplier	59 403	-
	1 071 897	453 029

35 BUDGET DIFFERENCES

Material differences between budget and actual amounts

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

35.2 Tender fees budget is based on tenders issued. In the last quarter of the financial year management decided to issue tenders in preparation for the new financial year and also changing planning so that implementation can be effective in the next financial year and that resulted in a number of tenders being issued

35.3 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

35.4 Budgeted more for interest income anticipating that we will be getting income from for programs which we didnt receive and ended up having over budgeting on interest income

35.5 Received less operational grant from CHDM than budgeted due unavailability of funds from the parent municipality side

35.6 Personel budget was spent as anticipated as other positions where put on hold due to office space challeges and the budget was revised down during budget review.

35.7 Depreciation was under budgeted in the current financial year.

35.8 Lease rentals on operating lease spent as anticipated becuase we budgeted as per the lease agreements.

35.9 Repairs and maintance spent as anticipated as there was nothing major to be repaired and the budget was revised down to other areas Depreciation was under budgeted in the current financial year.

35.10 Contracted services internal also spent as anticipated

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

35.12 General Expenses has overstated due to a non cash item write off of irrecoverable debtors.

35.13 The entity is currently awaiting income tax exemption there no budget was made for income tax.

35.14 PPE is overspending due to expenses that have been raised in the current year but they are budgeted for in 2017/18 financial year for the new building costs.

35.15 Intantabe assets are underspending with atleast with atleast acceptable rate.

36 PRIOR PERIOD ERRORS

1 In the previous financial year, the vat payable to SARS was overstated by 18 813.00.

2 The disoclosure note for receivable exchange was not disclosed separately all receivable where disclosed as receivables from non exchange

The correction of the error(s) results in adjustments as follows:

STATEMENT OF FINANCIAL POSITION

Vat Payable as previously reported	-	22 46 425
Output vat Understated	-	(18 813)
Vat payable afer changes have been effected	-	2 227 612

STATEMENT OF CHANGES IN NET ASSETS

Accmulated Surplus before vat income	-	3 759 109
Vat Output	-	18 813
Accumulated Surplus after changes	-	3 777 912

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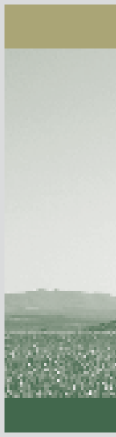

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