ANNUAL REPORT

2017 / 2018

chda

chris hani development agency

The beef linkages project continued in 2017/18, resulting in emerging farmers being placed with livestock, and a new artificial insemination initiative being initiated.

TABLE OF CONTENTS

The CHDA moved into its new home at the start of 2017/18 without any disruption to programmes and service delivery.

[01]

GENERAL INFORMATION

ACCRONYMS AND ABBREVIATIONS

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

STAKEHOLDER ENGAGEMENT

GENERAL INFORMATION

Registered name:	Chris Hani Development Agency SOC Ltd
Registration number:	2012/033437/30
Form of entity:	Municipal entity (state owned company)
Nature of business:	Carry out the promotion and implementation of the local economic development (LED) initiatives and investment promotion in Chris Hani District, through agriculture and agro - processing, SMME development, facilitation of investment promotion and job creation , sector – specific skills development and partnerships for leveraging of economic opportunities to facilitate development.
Registered office address:	15 Warner Street, Southbourne, Queenstown, 5320
Postal address:	15 Warner Street, Southbourne, Queenstown, 5320
Contact information:	Tel: 045 – 807 4000 Fax: 045 – 838 5944 Email: info@chda.org.za Website: www.chda.org.za
External auditors:	Auditor General South Africa (AGSA)
Internal auditors:	Sizwe Ntsaluba Gobodo – Grant Thornton Cube 2 Cedar Square, Bonza Bay Road, Beacon Bay, 5241 Tel: 043 – 721 1180 Fax: 043 – Website: www.sng.za.com
Company Secretary:	Siyathemba Sokutu Attorneys Unit 1, 13 Kennington Road, Nahoon, East London Tel: 043 - 735 1312 Fax: 086 - 556 1135 Website: www.sokutuattorneys.co.za
Banker:	First National Bank of South Africa (FNB)

LEGISLATIVE AND OTHER **MANDATES**

The Chris Hani Development Agency (CHDA) is a State Owned Company (SOC) Ltd established in 2012 by a Council resolution dated 27th March 2012 in terms of the Municipal Systems Amendment Act No. 44 of 2003, Companies Amendment Act, No 3 of 2011 and Municipal Finance Management Act, No. 56 of 2003.

The agency was established to assist the CHDM in its development objective, given the unique demographic and economic profile of the Chris Hani district.

Macro – Level Considerations:
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:

01 Speeding up growth and transforming the economy to create decent work and sustainable livelihoods,
02 Massive programmes to build economic and social infrastructure,
03 Comprehensive rural development strategy linked to land and agrarian reform and food security,
04 Strengthening the skills and human resource base,
05 Improving the health profile of all South Africans,
06 Intensifying the fight against crime and corruption,
07 Building cohesive, caring and sustainable communities,
08 Pursuing African advancement and enhanced international co-operation,
09 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 Considerations:
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.

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 below.

The Chris Hani District has a land mass of 36 square kilometres, a change from its previous size of 36, 561 km² 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 Km² 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%).

Map 1: Chris Hani District Positioning

Map 2: Chris Hani District Local Municipalities

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:
- 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 **OVERVIEW**

The Chris Hani Development Agency (CHDA) strategic framework is premised on the understanding that its role is to promote, support and facilitate economic development in the Chris Hani District Municipality. This will be achieved by improving factors of production that will lead to value adding activities with spin - offs for small and medium enterprises.

The CHDA's Strategic Framework maps out specific and general strategic goals, objectives and issues relating to the establishment and effective operationalization of Chris Hani Development Agency (CHDA). It identifies the key strategic objectives and key functions for CHDA now and at any point in the life of the development agency, within the context of its unfolding vision and mission.

[VISION]

CHDA, nerve centre for regional sustainable economic growth and development for our communities.

[MISSION]

To contribute towards improving the quality of life of Chris Hani District communities through accelerating implementation of high impact priority programme.

As a result, CHDA is positioning itself as a symbol of hope within the Chris Hani District for the realization of a better sustainable future by being:
- 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 , and
- One stop service provider for facilitation of investment opportunities

[VALUES AND GUIDING PRINCIPLES]

In achieving its vision, and carrying out its mission, the CHDA will subscribe to the following core values and guiding principles:

Value	Underlying Principle
Commitment	*To all we do, and the communities which we serve*
Honesty	*In all our dealings, and all our interactions with stakeholders*
Respect	*For ourselves, our brand, our stakeholders, development partners and communities which we serve*
Integrity	*In all our actions, dealings and delivery of programmes and interventions*
Sincerity	*In all we do, with a genuine concern and desire to meet the needs of the communities which we serve*
Humanity	*In our understanding and empathy for the needs of our community*
Accountability	*In all that we do, to our shareholder, communities we serve, and the general public*
Nurturing	*For our communities and vulnerable groupings of society*
Innovation	*In constantly seeking to improve what we do, how we do it and how best we can deliver to the communities which we serve*

[MANDATE AND DEVELOPMENT OUTCOMES]

The development mandate of the agency has determined the planned outcomes of the agency's existence, with the key deliverables being to:

- Leverage funding for development initiatives in Chris Hani District
- Secure financial viability for the agency through realisation of own revenue to support development projects
- Rebrand the district as a food production region with an emphasis on the realisation of rural – based economies through:
  - Operationalisation of the four big Irrigation Schemes namely Ncora, Qamata, Bilatye and Shiloh
  - Expansion of new hectares under production of crops, fruit, vegetables and grain, with emphasis on yield management through new technologies
  - Livestock improvement programmes to support in-district processing facilities
- Develop and grow sector – specific scarce skills to support economic activity in the district
- Revitalise industrial parks for attracting of investment into the district, and promotion of black industrialist opportunities through large scale agro-processing initiatives
- Create new SMME's and retention of existing SMME businesses through creation of opportunities for small business start-ups and growth, and
- to facilitate the creation of job opportunities from various development initiatives

LIVESTOCK VALUE CHAIN

[STRATEGY AND STRATEGIC FOCUS]

The mandate and the planned development outcomes informed the strategic direction of the agency over the last 5 years of operations, and these strategic programmes are aligned to the parent municipality's IDP objectives. These were secured in a Service Level Agreement (SLA) between the agency and the CHDM for the year 2017-2018, and have served the basis of structuring the agency's Annual Performance Plan (APP) for the year.

The strategic programmes for 2017-2018 were:

Strategic Programme 01

To develop a proficient and viable organization

In order to develop a proficient and viable organisation, the focus is to promote and maintain organisational operational excellence and long – term sustainability. This will be achieved by CHDA positioning itself as trusted, reliable and efficient advisor and partner in the regional economic development space.

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.

Future sustainability of the CHDA will depend on its ability to position itself as a leader in regional economic growth for the Chris Hani region. This includes having a solid financial viability plan in place, for operational and programme – implementation going forward.

In pursuit of this the CHDA plans to achieve the following:

01 Develop and implement innovative fundraising and co-funding initiatives for CHDA programmes and projects; and

02 Develop comprehensive project pipeline of own - revenue generation initiatives through exploitation of the Agency Function, where the CHDA develops in-house project management capacity to allow for positioning as a preferred implementer of development projects, at a fee, so as to reduce the reliance on operational grants from the CHDM as well as other organs of state

Strategic Programme 02

To develop viable and sustainable rural economies

The core business of the CHDA is the conceptualisation and delivery of projects that will contribute to the economic transformation of the Chris Hani District. This will be achieved through leveraging funding from the parent municipality, provincial and national departments and other institutions in the development finance space, for implementation of high impact development projects, geared towards development of rural economies, job creation and development of economic – enabling or economic development support infrastructure.

Towards realisation of this goal, the CHDA has identified agriculture and agro processing, linked 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.

As a result, the operational emphasis for the remaining three years of this strategic framework will be the facilitation and implementation of programmes that will:

01 Ensure the operationalization of the four main irrigation schemes in the Chris Hani District, namely Qamata, Ncora, Bilatye and Shiloh irrigation schemes,

02 Enable increased production of high value crops, fruit, vegetables and grain. This will allow for high volumes of primary production, to allow for the re-branding of the four key irrigation schemes as dedicated centers of large – scale food production, as well as primary input suppliers for agro-processing initiatives

03 Linked to this will be a dedicated focus towards the development of support infrastructure that includes storage facilities, roads, fencing, infield irrigation systems, processing facilities, farmer support units, mechanisation support and investment in research, piloting of alternative and innovative farming technologies, to support value addition.

04 Mechanization Support will focus on facilitating the operations of mechanization canters at strategic locations in the District that will linked to the primary production activities mentioned above. The plan is to use the mechanisation centre to gradually introduce no-till or zero tillage farming technique whose benefits include reduced soil erosion, more stable yield and reduced fuel cost and tractor hours.

05 To ensure realisation of its core business, the CHDA plans on focusing on galvanizing financial and technical support for development initiatives from all spheres of government (local, provincial and national), Developmental Finance Institutions (DFI's), private financial institutions and foreign donor organisations in support of identified projects.

Given the context within which the CHDA was established, as an enabler and support for the CHDM to realize its development objectives, the strategic programmes are in line with the mandate of the agency. As a result, operational focus has been channeled towards these key areas of development, and the strategic programmes have informed the stand-alone projects and development initiatives that the CHDA has implemented in the 2017-2018 period.

Strategic Programme 03

To facilitate investment promotion and SMME development

There is a need for long term sustainability of interventions that are geared at attracting investment into the Chris Hani District economy. CHDA plans in following years to assume a leading role in identifying, assessing and facilitating investment opportunities focusing primarily on manufacturing – based industries.

Key initiatives will be on:

01 Facilitation of the revitalization of Queenstown Industrial Park thereby attracting much needed investment in the district economy

02 Fostering local business linkages between small & medium enterprise and commercial business

03 Facilitating access to markets both regional, provincial, nationally and exports, and the

04 Promotion / creation and/or improvement of an enabling environment for business

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.

Strategic Programme 04

To facilitate development of sector – specific scarce skills

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.

Key initiatives will be on:

01 Managing the Chris Hani District Skills fund (Bursary fund);

02 Facilitate leanerships and internships in partnership with different SETA's;

03 Co-ordination of Career seminars and symposium in partnership with institutions of higher learning and FET's, and

04 Boosting the level of accreditation and certification of artisans, which will allow young people to be employable, or create own businesses from their trade

Strategic Programme 05

To develop strong stakeholder and community engagement for increased public accountability

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.

Secondly in order to implement and galvanize support for projects, there is 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

Key initiatives will be on:

01 Social facilitation to ensure development projects are implemented in a conducive environment.

02 Participation in engagement platforms that bring interest groups and decision makers together to facilitate alignment of activities and ensure information flow.

03 Negotiation of strategic partnerships and both organisational, programme and project level.

ORGANISATIONAL **STRUCTURE**

The agency started the 2017/18 year with a 17% vacancy rate which was reduced to 4% by end June 2018.

- CHIEF EXECUTIVE OFFICER *MR. TE MASHOLOGU*
  - COMPANY SECRETARIAT *OUTSOURCED SERVICES*
  - INTERNAL AUDIT *OUTSOURCED SERVICES*
  - EXECUTIVE ASSISTANT *MS A BENTELE*
  - PR & COMMUNICATIONS *OUSOURCED SERVICES*
  - ICT *OUTSOUCED SERVICES*
  - CHIEF FINANCIAL OFFICER *MRS. NF NOMNGANGA*
    - SCM MANAGER *MR. S SINGENI*
      - SCM OFFICER AQUISITION *MR. B NGOZI*
        - SCM CLERK *MS. Z XHASHIMBA*
      - SCM OFFICER DEMAND MANAGEMENT *MR. K HLAZO*
        - GENERAL ASSISTANT *MR. T MQAMELO*
    - FINANCE & ADMIN MANAGER *MS. F TISO*
      - FINANCE ACCOUNTANT *MS. F APLENI*
        - RECEPTIONIST *MS. B NYOKANA*
        - GENERAL ASSISTANTS MRS. N MEYI *MS. C STUURMAN*
  - EXECUTIVE MANAGER OPERATIONS *MR. ZM DUZE*
    - PROJECT MANAGER AGRI BUSINESS *MR. S KOYI*
      - PROJECT OFFICER AGRI BUSINESS DEVELOPMENT *MR. A JAMARI*
    - PROJECT MANAGER IRRIGATION SCHEMES *MR. M MAYEKISO*
      - PROJECT OFFICER IRRIGATION SCHEMES *MR. S JOBELA*
    - PROJECT MANAGER SPECIAL PROJECTS *MRS. ZC XABADIYA*
      - PROJECT OFFICER SKILLS DEVELOPMENT *MRS. T NGQOBA*
      - ADMINISTRATOR SKILLS DEVELOPMENT *MS. N CINGO*
    - PROJECT ADMINISTRATOR / ACCOUNTANT *MRS. Z GWAYI*
    - SOCIAL FACILITATOR *VACANT*

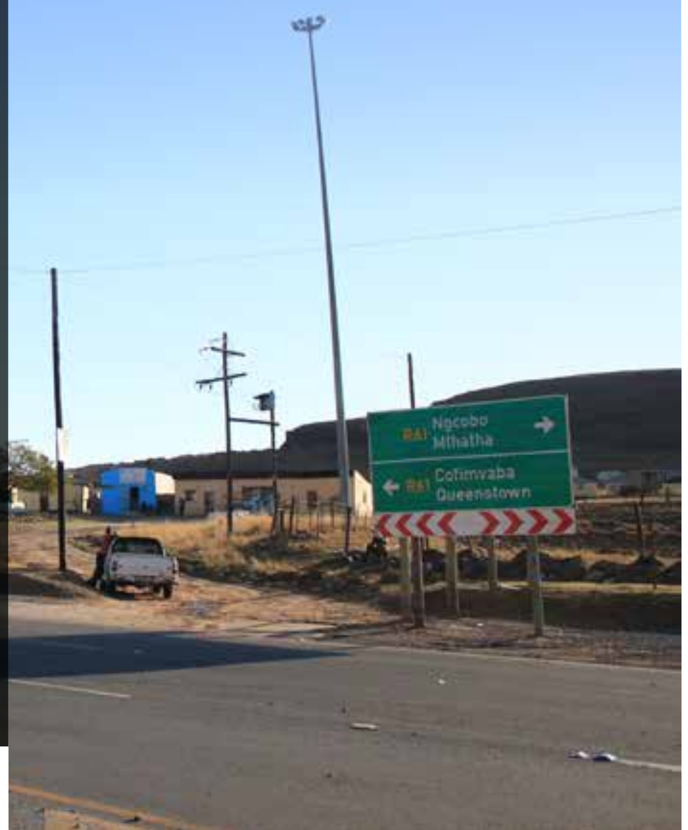
The agency conducted a review on its organogram during the year, with no changes being made to the organizational structure from prior year. The organogram was reviewed, but no amendments made to the existing organisational structure, resulting in a 17% vacancy rate at 1 July 2017.

Vacant positions were filled during the year, resulting in a closing vacancy rate of 4% at 30 June 2018.

COUNCILLOR KHOLISWA VIMBAYO
EXECUTIVE MAYOR
CHRIS HANI DISTRICT MUNICIPALITY

"For to be free is not merely to cast off one's chains, but to live in a way that respects and enhances the freedom of others."

NELSON MANDELA



[FOREWORD FROM THE EXECUTIVE MAYOR]

During 2017-18, Africa and the African diaspora celebrated the birth and legacy of two South African struggle icons, Tat' Nelson Mandela and Mam' Albertina Sisulu. The Chris Hani District Municipality (CHDM), the Chris Hani Development Agency (CHDA) and the community celebrate the legacies of both these icons and pay homage to them by remembering some of the words of encouragement they left us with in their never-ending quest to see South Africa free and well developed for the advancement of all who live in it.

The beliefs and teachings of these greats stand as relevant today more than ever, as under the difficult and frustrating times we live in, their words stands 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 our past leaders 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 (Chris Hani Regional Economic Development Strategy) 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 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.

This Integrated Annual Report details yet another factual performance by the CHDA in delivering on its mandate in 2017-18, despite the many challenges within the delivery environment, dynamics in working with different but much needed strategic partners and limited resources.

The CHDA has continued to be a beacon of hope for the Chris Hani District Municipality and its communities by its ability to lead some of our crucial programmes that include agricultural value chains focusing on livestock development, fruit production, revitalisation of irrigation schemes; skills development initiatives with specific reference to our Community Skills fund (CHDM Bursary), learnerships and internships with various SETA's, as well as being instrumental in the rolling out of the CHDM's SMME funding support programme, where over R4million was channelled to local SMME's. a key project worth noting is the launch of the much-awaited DEA – funded waste programme, which is assisting local authorities in keeping a cleaner environment in our town.

Through its various programmes the CHDA has created 326 new jobs, and retained 42 permanent jobs, in addition to successfully raising over R45 million towards various infrastructure, agricultural and skills programmes from external partners.

I congratulate and thank the CHDA Board, management and staff on these results particularly for the ongoing clean administration, 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.

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

CNLR KHOLISWA VIMBAYO
EXECUTIVE MAYOR | 30 NOVEMBER 2018

MS NOKULUNGA SKEYI
CHAIRPERSON OF THE BOARD
CHRIS HANI DEVELOPMENT AGENCY

"Everyone wants to live on top of the mountain but all the happiness and growth occurs while you're climbing it."

ANDY ROONEY

STATEMENT FROM THE CHAIRPERSON

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.

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 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 CHDA has achieved and exceeded 78% of the performance targets for 2017-18, while 2% were partially achieved and 19% were not achieved. This was an improvement from the prior year's reported 62% level of achievement, which can be attributed to better project planning and execution, improved alignment of strategy and operational targets, as well as developed monitoring and reporting on performance.

Worth noting are the continued interaction with the Department of Trade and Industry (the dti) in order to raise over R40 million funding for infrastructure improvement to the Chris Hani Industrial Park within the Enoch Mgijima municipality. The agency continued its efforts with the SMME development programme, where over R4 million was paid out as funding support by CHDA, through the CHDM's SMME fund. A total of over 300 new jobs were created for locals in the DEA waste recycling project, and 42 jobs retained from prior period. The agency also participated in successful agricultural fruit pilots, namely 30ha pomegranate in Mitford, a deciduous fruit pilot in Elliot in a partnership with Distell, and the highly successful Shiloh winery, which saw its first vintage from 2016's harvest being sold in various liquor outlets under the Inkosi brand. Lastly, the skills development initiatives have grown from strength to strength, with an increase in the number of active bursaries being facilitated for local young people, as well as paid learnership and internship opportunities.

Strategic Relationships and Synergies
The CHDA has a number of working relationships with various organisations, and has continued working closely with the likes of ECDRDAR, ECDRDLR, the ECDC, various SETA"s, local municipalities, the office of the Provincial Treasury as well as Auditor General. This is not putting aside the invaluable support and guidance provided by the parent municipality, the CHDM, and its continued funding through the agency's operational grant, as well as project-specific funding. The CHDA also has access to a number of technical partnerships, which have led to notable successes on the launch of the Shiloh vineyard Inkosi wine, the placement of livestock with emerging farmers in Sakhisizwe, as well as the launch of the DEA waste recycling programme.

Governance
The financial year 2017-18 has been a momentous one. As my first year as Chairperson, I wish to commend Management and Staff on their continued ability to maintain an unqualified audit outcome and be awarded (yet again) a "clean administration award" by the Chartered Institute of Governance Finance Audit & Risk Officers. The CHDA Board, therefore, is confident that the CHDA and its Executive Management team possess a formidable 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.

Challenges
During the year, CHDA faced a number of challenges, which have had an unfortunate impact on the non-achievement of some of the 2017-18 performance targets set. Some of these challenges have arisen precisely because of the dynamics of working with partners in many

of the programmes and projects, limited access to funding and non-receipt of approved funds, as well as challenges with social issues in communities. Also, key challenges led to the mechanisation support not being at its optimal best in 2017-18, due to a high number of repairs and maintenance required for the fleet to be in optimal condition. As a result, the mechanisation center at Qamata did not realise the anticipated number in planned revenue. The CHDA is in the process of resolving these issues as well as improving its performance monitoring and evaluation capacity so as to move from activity-based performance reporting, to socio-economic impact achieved on the ground. This will help document lessons learned, as well as provide a track record of successes to funders and partners.

Outlook

The 2018-19 financial period will see reinforced focus on consolidating the organisation's performance, and strengthening its development impact. Imperatives include fundraising to support development programmes, own revenue generation to supplement grant dependency towards an increased focus on the financial sustainability of the CHDA, as well as enhanced implementation and social facilitation capacity building. These will be done all the while retaining the organisation's clean administration and unqualified audit status.

Acknowledgements and Appreciation

On behalf of the CHDA Board, I wish to extend my most sincere gratitude to our shareholder representative, Honourable Executive Mayor, Councillor Kholiswa Vimbayo. Your unwavering support and guidance has been of great value to the CHDA 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. I would like to use this platform to thank all fellow directors of giving their time, energy and effort in ensuring that good governance looked beyond the boardroom and actually focused on ensuring that lives of the Chris Hani residents were improved.

Finally, but not least, I thank the Chief Executive Officer, Mr Thukela Mashologu, his Executive Management team and the members of staff for their commitment. We look forward to another successful year at the CHDA.

NOKULUNGA SKEYI

CHAIRPERSON OF THE BOARD | 30 NOVEMBER 2018

The new artificial insemination project in Sakisizwe saw 251 animals inseminated, with 67% reported positive pregnancy diagnosis.

MR THUKELA MASHOLOGU
CHIEF EXECUTIVE OFFICER
CHRIS HANI DEVELOPMENT AGENCY

"Growth is never by mere chance; it is the result of forces working together."

JAMES CASH PENNEY

[REPORT FROM THE CEO]

"Celebrating clean administration and innovation in our product offering"

Over the years, the CHDA has moved from strength to strength, after having taken time to find its feet. There are good stories to tell that indicate that 2017-18 was a prosperous year for the agency, despite some notable challenges.

The 2017-18 year was a challenging year for the agency, but the agency managed to achieve 78% of its set performance targets utilizing 74% of its available annual budget. Non-performance was due to not receiving budgeted-for funds from funders, as the agency only received 70% of its budgeted income.

Key challenges and highlights by programme were as follows:

[01 CREATION OF A VIABLE AND PROFICIENT ORGANISATION]

This programme talks to finance and administration activities, and realised 93% level of performance against predetermined objectives for 2017-18. Key highlights for the year were:

- Maintained clean administration and unqualified audit yet again
- Established ICT steering committee, and ICT strategy developed for the first time, with a 96% achievement rate in improved ICT governance controls
- Organisational funding strategy was developed, resulting on over R40 million raised to support development initiatives in infrastructure development, skills programmes, as well as agri-business development
- The agency vacancy rate improved from 17% at the start of the year, to 4% at the end of the year through filling of vacant positions. An HRM strategy was also developed for the first time, and 90% of the plan was implemented

It is worth noting that this programme can improve in its ability to collect own revenue through the agency function, as well as collect grant income from funders to ensure the financial sustainability of the CHDA, as well as uninterrupted implementation of development programmes.

[02 CREATION OF VIABLE AGRICULTURAL CLUSTERS]

This programme had a 38% performance rate to predetermined outcomes in the prior year, but improved in 2017-18 by closing at a 64% level of achievement. This can be attributed to improved planning, better project management capacity, as well as improved methods of reporting and monitoring project activities. Key achievements were:

- Securing a large scale partnership with Humansdorp Coop in the Qamata irrigation scheme, the partnership will benefit local farmers in infrastructure improvements and related production support
- The piggery project at Bilatye was re-suscitated through securing of funding to operationalize the facility in 2018-19. A total of over R1 million was raised from the NDA and ECDRDLR
- The electrical upgrade at the mechanization center in Qamata that commenced in 2015 was finally completed. Eskom finalized the installation of the transformer, as well as upgraded the lines, allowing a connection to the center to be finalized. This will support the operations of the center in the coming year
- The Job Fund – funded beef linkages project in Sakhisizwe finally saw the placement of approved farmers with weaners. However, due to late approval of funds to the implementing partner, only 10 of the 16 approved farmers were placed with livestock by the end of June 2018. However, of the farmers who were placed, off-take agreements to the value of over R 2.4 million in revenue for participating farmers were confirmed
- The fruit cluister development initiative is also progressing well, with 2017-18 seeing the successful harvest of the pomegranate 30ha crop in Mitford, as well as the extension to the Shiloh winery. The winery also released its first bottled vintage after securing a liquor license
- A major disappointment was the failure to complete the building of Ikhephu offices, as this was a target brought down from prior periods.

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. The mechanization fleet was also out of action for most of the year, and as a result, the Qamata center was not operational for most of the year and battled to achieve its revenue target.

[03 DEVELOPMENT OF SECTOR SPECIFIC SCARCE SKILLS]

This programme had a 75% performance rate to predetermined outcomes. It's worth noting the following achievements:

- The CHDA continued with administration of the CHDM and CETA bursaries
- The external learnership and internship programmes came to a successful end, but new programmes were secured for 2018-19. A key success was the graduation ceremony held November 2017 for 49 learners on the MICTSeta ICT learnership with Silulo Technologies.
- The artisan programme finally came to fruition, but challenges with meeting CETA requirements resulted in CHDA learners not being able to complete their trade certification before end June 2018

[04 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 67% performance rate to predetermined outcomes.

A funding application was submitted to the DTI for rollout of phase 2 infrastructure improvement to the Komani Industrial Park, and over R 40 million was approved. This funding will help improve the industrial park, and may help bring much-needed job-creating investments into the area in future.

The CHDA was also assisting the CHDM in the rollout of its SMME funding strategy, and through its various initiatives, managed to create over 300 new jobs on the DEA waste project, as well as keep over locals employed from prior periods.

[05 PARTNERSHIPS AND STAKEHOLDER ENGAGEMENT]

This programme had a 1000% performance rate to predetermined outcomes.

During the year, the CHDA was actively participating in various development stakeholder engagement platforms in the district, comprised of various development and agricultural development stakeholders, as well as managing technical partnerships in programme and project implementation. The agency's PR and communications strategy was also well executed, in an attempt to be more transparent to beneficiaries, partners, and the parent municipality.

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 2018

"Over the years, the CHDA has moved from strength to strength, after having taken time to find its feet. There are good stories to tell that indicate that 2017-18 was a prosperous year for the agency, despite some notable challenges."

THUKELA MASHOLOGU

The Shiloh vineyard project saw a successful year in 2017-18. There was a bountiful harvest of wine grapes, as well as the official launch of the first vintage from the winery under the Inkosi brand. The Inkosi wine is now available at various liquor outlets.

[02]

PERFORMANCE INFORMATION

CAREER EXHIBITION - LEARNER SEMINAR

STATEMENT OF RESPONSIBILITY FOR PERFORMANCE INFORMATION

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 2017 to 30 June 2018, 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 2018.

THUKELA MASHOLOGU
CHIEF EXECUTIVE OFFICER | 30 NOVEMBER 2018

NOKULUNGA SKEYI
CHAIRPERSON OF THE BOARD | 30 NOVEMBER 2018

OVERVIEW OF ORGANISATIONAL PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

Summary Organisational Performance
The annual performance report provides an assessment of the agency's performance in the period starting 1 July 2017 to 30 June 2018, against these identified strategic programmes, and reflect in depth on areas of non-performance, so that remedial action can be taken timeously to ensure planned objectives are realized by 30 June 2018.

The Annual Performance Plan (APP) for 2017-2018 was developed and approved by the CHDA board, in line with the signed SLA with the parent municipality, CHDM, for the year 2017-2018.

There were a total of 41 performance deliverables due by end June 2018, of which

- 14/41 deliverables (34% of the APP) were aligned to finance, administration and support activities of the organization, and
- 27/41 deliverables (66% of the APP) being attributed to programming and projects, or the core business of the organisation:

The chart below (Figure1) indicates the status of key output deliverables at 30 June 2018 in terms of overall organizational performance. The chart summarises organizational performance by depicting the distributions of achieved, part achieved and non-achieved organizational performance targets.

Figures 1 and 2 above can be explained in more detail below:
ACHIEVED - A total of 32 deliverables of the 41 (78.05%) identified for the year have been achieved in full or in excess of the planned target (100% or greater). Of these 32, a total of 12 (37.5%) targets were exceeded from the annual set target, i.e, achieved above 100% of required level of achievement

PART ACHIEVED - A total of 1 deliverable of the 41 (2.44%) identified for the year has been partially achieved to within 76-90% of the annual target, and

NOT ACHIEVED - A total of 8 deliverables of the 41 (19.51%) identified for the year have been not achieved, as they have fallen within 0-75% of the annual target.

THE AGENCY'S ASSESSED PERFORMANCE FOR THE PERIOD 1 JULY 2017 TO 30 JUNE 2018, IS AS FOLLOWS:

ACHIEVED: 78.05 %
(100% or greater completion of planned outputs due by end June 2018)

PARTIALLY ACHIEVED: 2.44 %
(76 – 99% completion of planned outputs due by end June 2018)

NOT ACHIEVED: 19.51 %
(75% or less completion of planned outputs due by end June 2018)

Figure1_Performance Summary

STRATEGIC PROGRAMME	TARGETS 2017-2018	ACHIEVED 100% OR >	PART ACHIEVED 77% - 99%	NOT ACHIEVED 79% OR <
PROGRAMME 01 To develop a proficient and viable organisation	14	13	1	0
PROGRAMME 02 To develop viable and sustainable economies	14	9	0	5
PROGRAMME 03 To facilitate investment promotion ans smme development	3	2	0	1
PROGRAMME 04 To facilitate development of sector-specific scarce skills	8	6	0	2
PROGRAMME 05 To develop strong stakeholder and community engagement for public accountability	2	2	0	0
Total	**41**	**32**	**1**	**8**
	100%	78%	2%	20%

Figure2_Detailed Organisational Performance

In compiling the performance figures, the organizational performance was reviewed against the 5 individual strategic programme performance areas the detail of which has been summarized below:

STRATEGIC PROGRAMME	ACHIEVED 100% OR >	PART ACHIEVED 77% - 99%	NOT ACHIEVED 79% OR <
PROGRAMME 01 To develop a proficient and viable organisation	93%	7%	0%
PROGRAMME 02 To develop viable and sustainable economies	64%	0%	36%
PROGRAMME 03 To facilitate investment promotion ans smme development	67%	0%	33%
PROGRAMME 4 To facilitate development of sector-specific scarce skills	75%	0%	25%
PROGRAMME 05 To develop strong stakeholder and community engagement for public accountability	100%	0%	0%

Figure3_Detailed Organisational Performance by Strategic Programme

POMEGRANITE PILOT MITFORD

The information in the table above can be viewed in a graphical distribution as per the chart below:

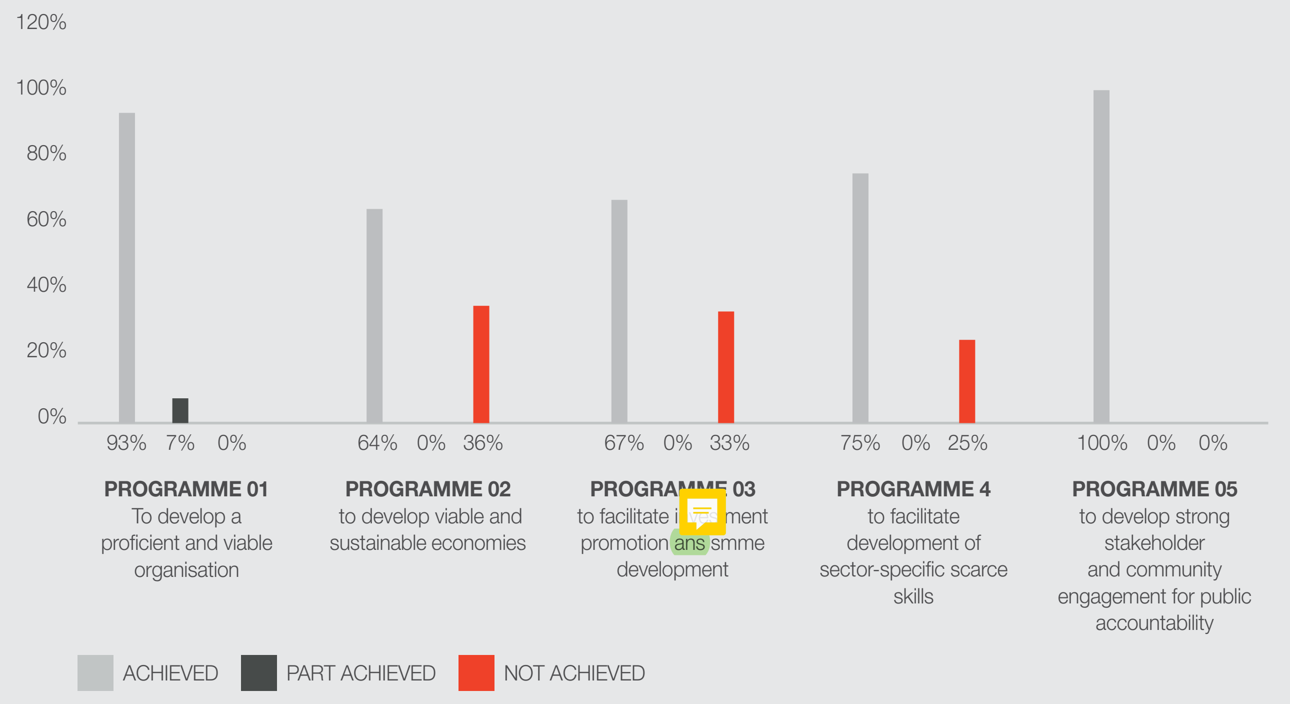


Figure4_Chart_Representation of Organisational Performance by Strategic Programme

Figures 3 and 4 above highlight that:

- Programmes 1 and 5 performed the best during the year, having achieved above 90% of set targets for the year
- Programme 4 talking to skills development has been consistent, having achieved 75% of set targets
- Programmes 2 and 3 talking to agricultural development and investment promotion / SMME development and job creation activities have shown the most improvement from prior years, having achieved 64% and above of set targets. These programmes have averaged 50% and below in prior years

These performance figures were achieved with the agency utilizing 74% of its overall budget, as follows:

2017-2018	BUDGETED	YEAR TO DATE MOVEMENT	AVAILABLE BUDGET	% SPENT	FUNDS BUDGETED
Project Expenditure	**32,618,326**	**18,320,605**	**14,297,721**	**56%**	**55,034,056**
Operational Expenditure	**22,415,730**	**22,478,657**	**-62,927**	**100%**	**Funds Received (incl. rollovers):**
Programmes	*286,305*	*165,550*	*120,755*	*58%*	R38,751,739
General Expenses	*7,026,864*	*7,207,610*	*-180,747*	*103%*	
Repairs and Maintenenace	*47,862*	*47,391*	*471*	*99%*	
Asset Finance	*2,034,952*	*2,034,952*	*-*	*100%*	**70%**
Employee Related	*13,019,748*	*13,023,153*	*-3,405*	*100%*	
Total Expenditure	**55,034,056**	**40,799,262**	**14,234,794**	**74%**	

However, it is worth noting that one of the key challenges for the year resulting in some non-performance was the access to only 70% of budgeted – for funds, with the rest not being received from external funders, and a small portion outstanding at year-end for the annual operational grant allocation with the parent municipality. This is indicative in the total programming expenditure being at 70, resulting in the reported 78% performance of predetermined objectives for the year (some targets were at nil-budget).

The next part of the report will indicate in detail areas of key achievement, and areas of non-achievement for 2017-18, within each of the programmes' key areas of focus.

[KEY PERFORMANCE HIGHLIGHTS]

PROGRAMME 1: TO DEVELOP A VIABLE AND PROFICIENT ORGANISATION:		
Objectives	**Focus Area**	**Actual Deliverables / Successes Realised**
Governance Structures	Strategic Planning	▸ Improvement in the annul strategic planning processes, with the annual strategic review being held with good attendance and inputs from key stakeholders, LM's and the parent municipality
Corporate Finance, SCM and Compliance	Audit Outcomes and Annual Reporting	▸ Unqualified audit opinion realized for 2017 in management and audit report issued by AG in November 2017 ▸ The agency improved turnaround timeframes in development and approval of annual report. The annual report was submitted to the parent municipality by 30 September 2017, and approved at the AGM held mid-December 2017
ICT Governance	ICT Steering Committee and ICT Strategy	▸ The ICT steering committee was established and functional during the year ▸ ICT strategy developed for the first time, and 96% of action items completed against annual planned target of 80%. This is due to improved management over ICT
Fundraising	Funding strategy for own revenue to supplement operational grant	▸ An organizational funding strategy was developed to assist in sourcing of external project funds. The strategy includes an own – revenue generation from the agency function, which can be utilized in the CHDA earning own revenue as a supplement to the operational grant
Own Revenue Generation	Agency Function Activities	▸ The contract with ECDRDAR was renewed for 2017-18 irrigation schemes support ▸ The DEA waste recycling project business plan was finally approved for implementation in November 2017 ▸ The agency was commissioned by the CHDM to assist with the implementation of its SMME development funding programme, which resulted in over R3.7 million being paid out in emerging small business support expenditure ▸ The agency also facilitated the securing of an implementation support contracts between Qamata farmers and Humansdorp Co-op, to access production and infrastructure support. The agency has been tasked with community mobilization and negotiation of agreeable terms with communities resulting in 2 signed implementation partnership agreements
Risk Management	Risk Assessment, Reporting< organizational Policies and Operating Procedures	▸ The agency conducted its annual risk assessment workshop in the first quarter, and developed a risk action plan to address identified risks. A total of 71% of the risk action plan was addressed by the end of June 2018 ▸ The agency implemented all approved internal audit assignments in line with approved plan, as well as all commissioned ad-hoc assignments ▸ The agency reviewed 100% of its policies and formalized its policies through the publication of a Policy Handbook. Also, alls policies were expanded into 3 SOP manuals covering Finance, SCM and HR and other Admin Processes and Procedures
Performance Management	Improvement in Agency Performance	▸ The agency attained a 62% performance rate for 2016-17 and this was improved to 78% in 2017-18,
Strategic HRM	HRM Strategy	▸ The agency developed a HR strategy for the first time in 2017-18. 90% of the plan was implemented, which exceeded the set target of 80%

PROGRAMME 2: TO DEVELOP VIABLE AND SUSTAINABLE RURAL ECONOMIES		
Objectives	**Focus Area**	**Actual Deliverables / Successes Realised**
Resuscitation of Irrigation Schemes	Partnerships and Synergies	▸ The agency has developed a comprehensive community engagement model for the 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 for implementation ▸ The agency also secured 2 partnership arrangements with the Humansdorp Koop, to assist with infrastructure improvements and production at the irrigation schemes in Qamata
	▸ The CHDA submitted 3 funding applications for operationalisation of the Bilatye piggery. 2 of the 3 applications were approved by end June 2018, allowing for implementation to commence in 2018-19 ▸ The agency also submitted 2 funding applications for the planned winery / cellar at Shiloh, but no approval had been received by end June 2018 ▸ The agency finalized work on the electrical upgrade to the Qamata center, which has been pending since 2015-16. Eskom finalized the transformer installation, which allowed for an independent electrical contractor to finalise the connection to the center	
Development of Agricultural Value Chains	Development of Livestock Value Chain	▸ The farmer verification and approval processes were finalized for the beef linkages project, with a total of 16 farmers from Sakhisizwe being approved by the Jobs Fund for placement of livestock ▸ A total of 251 animals were inseminated in an artificial insemination project to help Elliot farmers improve their livestock breeds, with a success rate of 67% confirmed pregnancies by end June 2018
	▸ The CHDA entered into an agreement with Emalahleni LM to facilitate planting of 200ha of sorghum. A total of 392 hectares were confirmed as planted by end June 2018 ▸ The agency continued support of the 30ha pilot of pomegranate in Mitford. A successful harvest was done in the last quarter ▸ The agency continued its technical support to the Qwathi-Tolo farms in Gubenxa towards a successful apple / pear pilot in a partnership with Distell, Stargro and Qwathi-Tolo farms	
Market Linkages	Offtakes	▸ The berlin Beef / Jobs Fund project helped realize a total of R2.4 million in revenue for participating Elliot farmers selected to participate in the beef linkages programme. This revenue was realized from successful placement and buy-back of livestock with 10/16 approved farmers

PROGRAMME 3: TO FACILITATE INVESTMENT PROMOTION AND SMME DEVELOPMENT

Objectives	Focus Area	Actual Deliverables / Successes Realised
Investment Promotion	Fundraising	▸ The agency has successfully submitted an application to the DTI for the cluster development initiative at Komani Industrial Park. A total approval of R 45 million was granted to support improvement of the industrial park to support investment into the CHD
	Job Creation	▸ The agency exceeded the targetted number of new jobs, work opportunities or those that were retained from prior years. A total of 326 new jobs were created in the DEA waste buy-back project by end June 2018, and the remaining 42 jobs retained from prior year(s)

PROGRAMME 4: TO FACILITATE DEVELOPMENT OF SECTOR SPECIFIC SCARCE SKILLS

Objectives	Focus Area	Actual Deliverables / Successes Realised
Development of Sector – Specific Scarce Skills	Fundraising	▸ The agency submitted 3 applications for skills development programmes with the MerSeta, HWSeta and AgriSeta
	Bursary Fund Assistance	▸ The agency has continued to deliver on the implementation of the CHDM Mayor's bursary fund in 2017-18. A total of 21 students were supported during the year ▸ An additional R 900 000 in bursaries from CETA for engineering studies was secured and disbursed in support of 11 students participating in formal engineering studies
	Career Expos / Seminars	▸ The agency delivered on its target of hosting 6 career seminars during the year.
	Skills Programmes	▸ The CETA programmes applied for in 2013-14 were finally given the go-ahead for implementation 2016-17, and a total of 44 learners and 15 interns were active on the learnership and internship programmes respectively ▸ The MICT learnership in a partnership between the agency, Silulo Technologies and the MICT Seta, came to an end in July 2017, but graduations were confirmed for 49/50 students in a ceremony held in November 2017

PROGRAMME 5: TO DEVELOP STRONG STAKEHOLDER AND COMMUNITY ENGAGEMENT TO INCREASE PUBLIC ACCOUNTABILITY

Objectives	Focus Area	Actual Deliverables / Successes Realised
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
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

[KEY PERFORMANCE CHALLENGES]

The key areas of non-performance up to the end of June 2018 were due to challenges within and outside of the agency's control, namely:

- 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
- 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
- Performance monitoring is still reactive in nature, and a more proactive method of monitoring programme success is required, as well as comprehensive baseline data in order to monitor the agency's development impact in a formal M&E system

GOAL 1: TO DEVELOP A VIABLE AND PROFICIENT ORGANISATION:

Objective	Project	Area of Non-Performance	Reason	Action	Detailed Counter - Measures	Status 30 June 2018	Expected Outcome at 30 June 2019
Governance Structures	*Board and sub-committees*	The annual board and sub-committee performance reviews were not conducted	The board and sub-committees comprise of new members, and the company secretariat is also new. It was felt best that reviews be conducted after all the planned sittings / events for 2017-18	Retain performance commitment made, and carry forward to APP 2018-19	The company secretariat to conduct the assessments in the first quarter of 2018-19	Part Achieved	High level of confidence target will be achieved

GOAL 2: TO DEVELOP VIABLE AND SUSTAINABLE RURAL ECONOMIES

Objective	Project	Area of Non-Performance	Reason	Action	Detailed Counter - Measures	Status 30 June 2018	Expected Outcome at 30 June 2019
Livestock value chain development	*Farmer livestock placements*	16 farmers were approved for the beef linkages programme, but only 10/16 farmers were placed with livestock	The Jobs Fund transferred funding late in the season to the implementing agent, and as a result, the remaining farmers to be placed with livestock in the next placement cycle (spring 2018)	Retain performance commitment made, and carry forward to APP 2018-19	Contracts have been signed, and deliveries confirmed	Part Achieved	100% level of confidence target will be achieved
	Ikhephu office structure	100% completion rate of structure could not be confirmed	An unqualified builder was appointed by the beneficiaries in 2016-17, and sub-standard materials used, resulting in an unstable structure that cannot be completed. The structure was not completed in 2017-18	Retain performance commitment made, and carry forward to APP 2017-18	A qualified contractor will be appointed to ensure quality work is done to complete the structure.	Structural engineer has been appointed to ensure unstable structure is re-enforced, and will supervise the appointment of contractor, as well as contractor output	100% level of confidence target will be achieved

GOAL 3: TO FACILITATE INVESTMENT PROMOTION AND SMME DEVELOPMENT

Objective	Project	Area of Non-Performance	Reason	Action	Detailed Counter - Measures	Status 30 June 2018	Expected Outcome at 30 June 2019
Investment Promotion	*Investor Event to market CHD as Preferred Investment Destination*	Planned event did not take place	The initial date was set to promote the Elitheni Coal Mine initiative as part of the events around the annual strategic planning event, but date changes resulted in the event not being held as key stakeholders no longer available	Retain performance commitment made, and carry forward to APP 2018-19	Follow up with the CHDM and Emalahleni LM on the re-scheduling date for the investor event, or identify new investment event to host	Not Achieved	Possibility of non-achievemnt as target depends on third party availability and input

GOAL 4: TO FACILITATE DEVELOPMENT OF SECTOR SPECIFIC SCARCE SKILLS

Objective	Project	Area of Non-Performance	Reason	Action	Detailed Counter - Measures	Status 30 June 2018	Expected Outcome at 30 June 2019
Multi-targetted skills development initiatives	*CETA Bursary*	11 students were active on the bursary by end June 2018	The target is for 15 active students, and the 4 were part of programme at the start of the year, but were removed by CETA due to poor performance	The target to be reduced to 11 in 2018-19, and kept on the APP. This is due to CETA not approving the recruitment of new students halfway through the programme / funding cycle	Maintain the 11 currently on the programme	Not Achieved	100% level of confidence target will be achieved
	Technical Skills Accreditation / Artisans	8 registered artisans were not produced by end June 2018	The CETA amended its selection criteria after applications had been submitted, resulting in learners identified not meeting the new regulations for enrollment. Enrollments were only confirmed in June 2018, for artisan certification by December 2018	Retain performance commitment made, and carry forward to APP 2018-19	CETA applications have been approved for 7 learners and 1 additional learner identified. A training center has confirmed acceptance of the 7. To follow up on acceptance of the 1 learner, and ensure examinations are attended by the learners	Not Achieved	100% level of confidence target will be achieved

10 of 16 approved farmers were placed with cattle in the Sakhisizwe beef linkages programme.

[WAY FORWARD]

The key areas of non-performance up to the end of June 2018 are due to areas within the CHDA's area of control, and outside of its control:

NON-PERFORMANCE ISSUES WITHIN AGENCY'S AREA OF DIRECT CONTROL		
01	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
02	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
03	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
04	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
05	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
06	Better documenting of lessons learnt in APP development	**Agency needs to:** - Ensure better alignment between performance indicators and targets to ensure they do not conflict with each other in the APP - Ensure better selection of verification methods / POE items to be applied in confirming realization of target. The selected POE must support both target and indicator to ensure that POE is found to be sufficient on review

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

[DEVELOPMENT INITIATIVES AND PROJECTS]

The agency grew its programming line-up in 2017-2018, increasing the number of active projects within each strategic programme area. The following development initiatives or projects were implemented during the year:

Strategic Programme	Projects	Origin	Budget and Funder	Purpose	Status
01 *To develop a proficient and viable organization*	Irrigation Scheme Support Initiative	2016-17	R 3 476 438 ECDRDAR	An SLA was secured with ECDRDAR for CHDA to support the organization with its ongoing mandate of effectively administering the payroll and business planning activities within the major irrigation schemes in the district, as well as in Amathole. This initiative has allowed the irrigation schemes in the district to have access to full-time administration, operational and security personnel, as well as access to social facilitation support for community engagement as well as technical support for business plan development.	Ongoing into 2018-19
	DEA Waste Buy-back Centers	2014-15	R 21 968 800 DEA	The CHDA was appointed in 2014-15 as an implementing agent for the Department of Environmental Affairs, towards the creation of multiple waste recycling buy-back centers in the district, based in and around the Enoch Mgijima LM. This initiative would assist the LM in its waste management function, as well as create multiple job opportunities for locals in waste collection. At the end of June, a total of 381 locals had been employed in the project, earning an average of R 2500 per month, and construction of the centers had commenced	Ongoing into 2018-19
	Seating Factory CSI Initiative	New	R 100 000 CHDA	The former Seating Factory in Ezibeleni was identified as a strategic project, where R100 000 financial support was provided to the co-operative to assist with working capital. The co-op is comprised of 39 former workers of the factory, who lost their jobs when the factory was relocated to Gauteng 3 years ago.	Ongoing into 2018-19
02 *To develop viable and sustainable rural economies*	HumKoop Working Partnerships for Qamata Irrigation Scheme	New	Nil	The CHDA was active in the co-ordination of emerging farmers in Qamata sections 1A and 1A towards signing a long-term partnership agreement with Humansdorp Ko-op, which would assist farmers with access to technical support, inputs and infrastructure improvements	Ongoing into 2018-19
	Operationalisation of Bilatye Piggery	2015-16	Nil	The CHDA conducted renovations to the existing piggery building in Bilatye in the prior year, and had intentions to operationalize the facility in 2017-18. A business plan was developed, and funcing applications submitted, resulting in approvals for funding of operations in 2018-19 amounts to R1 million from ECDRDLR and R250 000 from NDA.	Ongoing into 2018-19
	Qamata Electricity Upgrade	2015-16	R 125 000 CHDM	The CHDA has taken on the objective of operationalising the mechanization center based at Qamata irrigation scheme since 2014. The center has had an ongoing challenge of not having an electrical connection. With funds secured from CHDM in 2016-17, the center was renovated, but the electrical connection not finalized due to a required transformer and powerline upgrade required from Eskom. This was finalized, and the connection to the center completed in the last quarter of 2017-18	Complete
	Operationalisation of the Qamata Mechanisation Center	2014-15	R 2 843 344 CHDM	The CHDA has taken on the objective of operationalising the mechanization center based at Qamata irrigation scheme since 2014. The CHDA was in charge of operating the center in 2017-18, after the end of the operator contract given to Dicla Projects in 2014 to end June 2017. The center had a challenge with damaged equipment, and could not realize its targetted R 1 million own-revenue generation in 2017-18 (R373 000 was generated in the last quarter of 2017-18)	Ongoing into 2018-19
	Agri-BEE Linkages Project	2015-16	R 60 000 000 Jobs Fund	The CHDA was part of a 3-party application made to the Jobs Fund to assist livestock farmers in the Elliot area with large-scale beef farming support, where qualifying emerging farmers would be taken onto a buy-back scheme enabling them to be placed with calves, provided with technical support, and guaranteed buy-back once the animals reached mature weight. To date, a total of 16 farmers were approved, and a total of 288 animals delivered resulting in over R 2.4 million revenue generation for participating farmers	Ongoing in 2018-19
02 *To develop viable and sustainable rural economies*	Saskhisizwe Beef Insemination Project	New	R 90 000 CHDA	The CHDA embarked on a pilot artificial insemination project to help emerging livestock farmers in Elliot improve their livestock genetic profile. A total of 251 animals from the participating 10 farmers in Elliot were inseminated in the AI project, where CHDA provided budget for bull semen, equipment, and training costs. A pregnancy diagnosis was conducted with a success rate of 67% confirmed pregnancies	Ongoing in 2018-19
	Ikhephu Office Building Construction Completion	2016-17	R 260 000 CHDM	The CHDA commenced construction of an office building to support the Ikhephu secondary co-op in Elliot. The building was approved to assist with a formal administration center to co-ordinate large scale livestock farming in the area, given the multiple initiative being implemented around the beef value chain	Incomplete, but will be aborted due to lack of budget
	200ha Sorghum Production at Ibuyambo Secondary Co-op at Emalahleni	New	R 1 147 972 CHDM	CHDA signed an SLA with the Ibuyambo Secondary Co-op in Emalahleni, and funds approved via CHDM for assistance of emerging farmers in Lady Frere for planting of sorghum. CHDA provided farming inputs as per production plan, resulting in a total of 392ha of sorghum being planted by the end of June 2018	Complete
	Gubenxa Deciduous Fruit Pilot	2016-17	R 526 318 ECDRDAR	A 3ha fruit pilot site was established in Elliot in 2016/17, where apples, pears and vine were planted as a trial in a partnership between CHDA, Distell, Stargro and Qwathi-tolo farms in Sakhisizwe. To date, 3ha of fruit have been planted, and the crop site has been monitored to identify best performing cultivars. If trial is successful, plans are under way to possible expand production in the future.	Ongoing in 2018-19
	Shiloh Vineyard Expansion Project	2015-16	R 376 656 CHDM	The CHDA, in a partnership with FarmVision, planted 5ha of vineyard in 2015-16, as an expansion to the pre-existing 5ha at Shiloh. The aim was to increase the quantity of production of wine grapes, so as to motivate for the establishment of a cellar in the future. In 2016-17, the first harvest operation was conducted, and the grapes processed into Pinotage and Chenin Blanc wines, which are sold by the Shiloh – based Mayime Winery Co-operative, under the Inkosi wine brand.The Inkosi wines will be sold via approved liquor outlets upon approval of a liquor license in early 2018-19.	Ongoing in 2018-19
	Pomegranite Pilot at Mitford	2015-16	R 150 000 CHDM	The pomegranite trial site was planted in prior periods, with the 2017-18 target being the ongoing maintenance and monitoring of the existing 30ha crop. The crop was maintained throughout the year, and fruit harvested in quarter 4 of 2017/18	Ongoing in 2018-19
	Operationalisation of the Vusisizwe Tree Nursery	2015-16	Nil	The CHDA was tasked with the mandate of providing technical assistance to the tree nursery at Vusisizwe with relation to the facilitation of offtake agreements. The CHDA assisted with the securing of a buyers agreement with Hans Merensky, where the tree nursery would be in a position to grow seedlings, which the forestry company would buy in bulk for their forest plantation	Complete

Strategic Programme	Projects	Origin	Budget and Funder	Purpose	Status
03 *To facilitate investment promotion and SMME development*	Operationalisation of the Komani Industrial Park	2015-16	R 45 320 940 DTI	The CHDA was tasked with the mandate of facilitating the work being done by the DTI with regards to the improvements to the industrial park in Queenstown / Ezibeleni. The work was initiated in 2015-16, where an infrastructure upgrade commenced, with a focus on security upgrades involving lighting, fencing and security in the park. In 2017-18, the CHDA submitted an application for further upgrades, and a total of R 45 million was approved for the Komani Industrial Park, which would additional security and infrastructure upgrades	Ongoing in 2018-19
	CHDM SMME Funding Initiative	New	R 3 760 713 CHDM	The CHDM issued a call for applications in 2015-16, and a total of 42 SMME's from the Chirs Hani district were approved for funding of their small businesses in 2017-18. The CHDM approved SMME funding to the value of R 3.7 million, which the CHDA was mandated to manage the disbursement of funds to approved SMME's	Complete
	Facilitation of New Job and Work Opportunities	Ongoing	Project budgets	The CHDA had a mandate of ensuring that locals benefits from development initiatives through job and employment opportunities. In 2017-18 alone, the CHDA was able to place more than 368 locals in various projects, allowing these people to earn a wage on a monthly basis.	Ongoing in 2018-19
04 *To facilitate development of sector – specific scarce skills*	CHDM Mayors Bursary Fund	2013-14	R 2 425 485 CHDM	The CHDA has been administering the CHDM Mayors Bursary Fund initiative since 2013-14, and is in its second placement cycle. A current 21 students are being supported on the bursary fund to further their tertiary studies in identified scarce skills, ranging from agricultural studies, engineering, finance and accounting, as well as IT and tourism.	Ongoing in 2018-19
	CETA Bursary Fund	New	R 900 000 CETA	With engineering being identified as a scarce skill in the district, the CHDA submitted a funding application for bursaries with the Construction Seta in 2016-17, which was approved for implementation in 2017-18. A total of 15 young people were selected by the CETA, and enrolled in various institutions of higher learning to further their studies in engineering. A total of 11 students were active by the end of June 2018, as the 4 had been taken off the programme due to poor academic performance	Ongoing in 2018-19
	Career Seminars	2013-14	R 75 550 CHDA	The CHDA hosts career exhibitions during the year, targeted at both teachers and learners. The career seminars assist both learners and teachers access the latest information on career choices, application procedures with various institutions, as well as access bursary information at these events. Various bodies are invited to present, and setup exhibition stands, so as to enable learners to make educated and informed career and further study choices	Ongoing in 2018-19
	CETA Internship Programme	2016-17	R 1 080 000 CETA	The CHDA submitted an application for the placement of unemployed youth with engineering studies in various places of employment. The project commenced in 2016-17, and a total of 15 interns were enrolled and placed at various workplaces in a partnership with the EC Dept of Roads and Public Works, in positions related to engineering and related studies.	Complete
	CETA Learnership Programme	2016-17	R 720 000 CETA	The CHDA submitted an application for the placement of unskilled youth in various learnership programmes involving bricklaying, plastering, and carpentry. The project commenced in 2016-17, and a total of 44 learners were enrolled and participated in the programme, for final certification by the CETA	Complete
	MICT Seta ICT Learnership	2016-17	Externally funded by MICT Seta	50 young people from the district were recruited onto the MICT Seta learnership programme, hosted by Silulo Technologies, in 2016-17. The programme was completed at the end of July 2017, and a total of 49/50 (98%) learners graduated in a ceremony held in Dec2017	Complete
	Rural Artisan Certification Project	New	R 40 000 CHDA	The CHDA has identified a need for artisans in rural communities, both to provide much needed specialist services in communities, as well as create jobs and small businesses for registered artisans. A project commenced in 2016-17, where 8 young people from communities in the district would be selected for undergoing an artisan accreditation process with the CETA	Ongoing in 2018-19

The agency hosted a learnership for 50 youth, in a partnership with Silulo Technologies and the MICT Seta. In November 2017, a graduation ceremony was held, with a 98% pass rate

[03] GOVERNANCE

[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]

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. After 3 members resigned, 2 new board members were appointed.

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 ex officio 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.

The board members during the 2017-18 financial period were:

Manjezi, LH	*Resigned*
Dzengwa, SP	*Resigned*
Ntsubane, UN	*Resigned*
Skeyi, N	Board Chairperson
Sigabi, MS	Board Member
Ngqwala, SM	Board Member
Matsiliza, VV	Board Member
Mushohwe, F	Board Member
Songo, P	Board Member (new)
Ramabulana, RT	Board Member (new)

(Left to right)
Siyathemba Sokutu (Company Secretary), Fungai Mushohwe (Board Member), Phumzile Songo (Board Member), Nokulunga Skeyi (Board Chairperson), Thukela Mashologu (Chief Executive Officer), Vuyelwa Matsiliza (Board Member), Tshililo Ramabulana (Board Member), Singa Ngqwala (Board Member), Jackson Mbawali (Audit Committee Chairperson) and Mafuza Sigabi (Board Member)

[BOARD MEMBERS]

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.

First Names	Ms Nokulunga Skeyi	Mr Phumzile Hubert Songo	Mrs Fungai Mushohwe	Mr Mafuza Sigabi	Mr Singa Ngqwala	Mrs Vuyelwa Matsiliza	Mr Ronald Ramabulana
CHDA Governance Position (as at 30 June 2018)	Chairperson of the Board	Board Member	Board Member	Board Member	Board Member	Board Member	Board Member
Educational Qualifications (as at 30 June 2018)	Masters (Dev Studies), Hons (Dev Studies), MDP, Cert. (AdvProject Management) and BA (Human and Social Studies)	Advanced Corporate Law, LLB and BJuris	Hons (BCom Accounting), CA(SA)	Councillor Development Programme	Hons (BCompt)	MBL, Hons (BA Economics – CumLaude), BA	MBL, Hons (Agric. Economics)
Professional Memberships (as at 30 June 2018)	IODSA	Cape Law Society IODSA	SAICA IODSA	IODSA	IODSA	IODSA	IODSA AEASA
Other Governance Positions Held(as at 30 June 2018)	None	Chairperson Valuation Appeal Board (BCMM) Chairperson Panel of Appeal (ECLB) Member SPLUMA (ADM)	Member Audit Committee (Elundini LM) Member Audit Committee (ECDOE) Non-executive Director (ASPIRE)	Non-executive Director (JOGEDA) Chairperson of SALGA Chairperson of Stormberg District Council	Chairperson Audit Committee (EC Provincial Treasury) Chairperson of Audit Committee (EC Roads and Public Works) Member Audit Committee (WSU)	Board Member (ECISA)	Non-executive Director (Montagu Droogbane) Chairperson of Terrasan Pelagic Fisheries Chairperson of OBP
Last 3 Employment Positions Held (as at 30 June 2018)	Provincial Manager – NDA	Attorney of the High Court Presiding Officer – CCMA	Lecturer – WSU Finance Manager – Masakhane Security Audit Manager – Chili&Co	Executive Mayor – CHDM	Provincial Auditor-General (AGSA) Chief Director Finance (EC Provincial Treasury) Secondment positions in Government for former establishment of the Eastern Cape province, and Easterm Cape IEC Elections	Executive Manager – Wholesale Lending - SEDA	CEO – Olive Black Invest CEO – NAMC Senior Consultant – ECI Africa
Summary Experience	Over 20 years gained in development sector	Over 20 years gained in legal field, and on various governance structures in organs of state	Over 8 years gained in the accounting and auditing profession, in both private and public sector	Over 30 years gained in local government leadership	Over 20 years gained in legal field, and on various governance structures in organs of state	Over 28 years gained in the banking, finance and training sectors	Over 25 years gained in agricultural production, marketing and farmer support

[BOARD'S ROLE AND RESPONSIBILITIES]

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.

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

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

- The Board appreciated that strategic risk, performance and sustainability are inseparable, and gave effect to this by:
- Contributing to and approving the corporate performance plan as aligned to the corporate strategy;
- Satisfying it that the strategy and operational plans do not give risks that have not been thoroughly assessed by management;
- Identifying key performance and risk areas, and monitoring the agency's performance against agreed objectives (including the assessment of the evaluation of the performance of executive management in terms of defined objectives) ensuring that the strategy will result in sustainable outcomes;
- Providing effective leadership based on an ethical foundation;
- Ensuring that the agency's ethics are managed effectively;
- Retaining full and effective control over the agency, and monitoring Management's implementation of the strategic plans and financial objectives as defined by the Board;
- Defining levels of delegation of authority to Board sub-committees and management and continually monitoring the exercise of delegated powers;
- Ensuring that a comprehensive system of policies and procedures is in place and that appropriate governance structures exist to ensure the smooth, efficient and prudent stewardship of the agency and its business;
- Ensuring compliance by the agency with all relevant laws and regulations, audit and accounting principles, the approved code of conduct, and such other principles as may have been established by the Board at times;
- 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;
- Responsible for information Communication Technology (ICT) governance;
- 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 month.

INKOSI WINE – PROUDLY PRODUCED IN WHITTLESEA

[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.

01 AUDIT, RISK AND ETHICS COMMITTEE

The audit risk and ethics (ARE) committee is an independent advisory committee of the Board and 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.

02 HR AND REMUNERATION 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.

03 PROJECTS AND 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

[BOARD REMUNERATION]

Remuneration made to Board members during the period 1 July 2017 to 30 June 2018 is as follows:

	Designation	Sitting Fees	Mileage	Other refunds	Gross
Manjezi, LH	Resigned	-	-	-	-
Dzengwa, SP	Resigned	-	-	-	-
Ntsubane, UN	Resigned	-	-	-	-
Skeyi, N	Board Chairperson	191,948.00	17,457.00	650.00	210,055.00
Sigabi, MS	Board Member	95,770.83	5,296.00	-	101,066.83
Ngqwala, SM	Board Member	61,000.00	14,472.00	-	34,151.80
Matsiliza, VV	Board Member	34,000.00	151.80	-	34,151.80
Mushohwe, F	Board Member	59,417.00	6,408.60	-	65,825.60
Songo, P	Board Member	47,000.00	10,395.20	-	57,395.20
Ramabulana, RT	Board Member	68,750.00	9,464.00	234.50	78,448.50
		557 885,83	**63 644,60**	**884,50**	**622 414,93**

[BOARD 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.

There were no performance reviews conducted by end June 2018

[BOARD TRAINING AND DEVELOPMENT]

During the year under review, the CHDA Board and sub-committees underwent a comprehensive induction process, as well as training on corporate governance, ethics and mSCOA.

MR ZJ MBAWULI | 30 NOVEMBER 2018
AUDIT COMMITTEE CHAIRPERSON
CHRIS HANI DEVELOPMENT AGENCY

[REPORT OF THE AUDIT COMMITTEE]

The CHDA considered fraud risk and internal controls as an objective of internal control activities with fraud perceived to be a potential internal control failure. The committee performed its oversight function activities guided by its Charter and its Terms of Reference accurately with additional committee sittings held where necessary. The agency adopted an outsourced internal audit system to perform internal audit functions based on an approved risk - based internal audit plan for 2017/18, which was executed fully with quality reviews conducted on the methodology internal auditors utilized in performing audits. All audit findings were reported to Management, the Audit, Risk and Ethics Committee as well as the Board.

The agency has access to the parent municipality's recently implemented independent fraud and anti-corruption whistleblowing hotline. Internal controls were continuously strengthened with key agency policy reviews conducted and approved. This included the development of various internal Standard Operating Procedure manuals to assist in strengthening of internal controls and standardising processes and procedures.

The Audit, Risk and Ethics Committee, as an independent advisory committee to the Board and Management, comprised of externally - sourced independent members with skills and expertise to perform their audit oversight functions to the best of their abilities.

The committee comprised of the following members during the year:

	Skills and Experience	Designation	Sittings and Events Attended
Mbawuli, ZJ	Bcom (Honours) Sits on various audit and risk committees 38 years professional experience	*Chairperson	19.00
Galada, L	Btech (Internal Auditing) Sits on various audit and risk committees 27 years professional experience	Member	7.00
Langa, AM	Bcom (Municipal Accounting) Sits on various audit and risk committees 36 years professional experience	Member	8.00
Plaatjies, AW	Phd (Commerce), MBA Sits on various governance structures in education and local government 25 years professional experience	Member	8.00
	* Committee chairperson has standing attendance at all CHDA Board activities		

The committee therefore supports the Board in implementing its oversight responsibility by overseeing and reporting to the Board on the following:

Risk Management:
Effective risk management is integral to the organisation's objective of consistently adding value to the business. CHDA fully implemented and maintained a system of risk identification and management with progress reports on updating risk registers to report on matured, emerging and risks with no movement in accordance with the requirements of the MFMA.

Effectiveness of Internal Controls:
In order to meet its responsibility of providing reliable financial information, the CHDA maintained financial and operational systems of internal controls 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 that transactions are properly authorised and recorded.

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

CHDA is still operating with an outsourced internal audit unit structure under the guidance of the Board. The auditors adopted a risk based audit approach and monitored the operations of the internal control system, reported quarterly their findings and recommendations to the Audit, Risk and Ethics Committee, Executive Management and the board. Corrective action was taken on remedial actions developed to address control deficiencies as they were identified. The Board, operating through its Audit, Risk and Ethics 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.

In the financial year of reporting, the Audit, Risk and Ethics Committee met with management and internal auditors on a quarterly basis to track progress in resolving outstanding internal control issues previously raised by the Auditor- General and internal audit. Based on our reviews of the audit findings, internal control environment revealed weaknesses, which were then raised with the entity and resolved hence the improved Auditor General's audit opinion outcomes of an unqualified audit opinion without findings (clean audit) in 2017/18.

Internal Audit:
The risk-based Internal Audit Plan for 2017/18 was executed fully, and the following audits were thus completed during the year:

- Review of Performance Information (annual and quarterly)
- Review of Annual Financial Statements
- Review of Fruitless and Wasteful Expenditure
- Review of ITC Governance issues
- Review of Assets and Asset Management
- Review of Agency Income Tax Position
- Review of Compliance and Governance issues
- Review of Budget and Treasury (BTO)
- Review of mSCOA implementation roll out plan

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

In-Year Management and Reporting
The CHDA reported monthly and quarterly to the Board, CHDM and Treasury as required by the MFMA directives.

MR S SOKUTU | 30 NOVEMBER 2018
COMPANY SECRETARIAT
CHRIS HANI DEVELOPMENT AGENCY

[REPORT OF THE COMPANY SECRETARIAT]

The Company Secretary has an arms-length relationship with the Board and is not a director of the Corporation.

The Company Secretary duties include, but are not restricted to:

- Guiding 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 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
- 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 2018. 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 2017-18, the company complied in terms of the Companies Act with regards to governance and filing of the necessary lodgements and disclosures.

[EXECUTIVE MANAGEMENT]

During the year 2017-18, the CHDA was managed by the 3 existing Exco members:

ZOLILE DUZE
(EXECUTIVE MANAGER OPERATIONS)

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 has served as a Ministerial Trustee in the Sorghum Trust National Agricultural Marketing Council, Essential Oils Incubator Programme, South African Grain Information Services (SAGIS) and the 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 a CPMD from Wits Business School.

NONTEMBEKO MAYEKISO - NOMNGANGA
(CHIEF FINANCE OFFICER)

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

THUKELA MASHOLOGU
(CHIEF EXECUTIVE OFFICER)

Thukela 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 gained at Nestle', Fort Cox College of Agriculture and Forestry , the Chris Hani District Municipality as LED Manager after which he joined AsgiSA EC 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 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, the Integrated Meat Processors of the Eastern Cape (IMPEC), and the Tsitsikamma Development Trust. Thukela 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.

The mechanisation center in Qamata has provided ongoing support to emerging farmers

[04]

CORPORATE SERVICES

SHILOH VINEYARD

HUMAN RESOURCE MANAGEMENT & ORGANISATIONAL DEVELOPMENT

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 2017-18 financial period to create a better environment for staff, allowing them to be more productive, and better capacitated.

Organo[illegible]n:
The agency conducted a review on its organogram during the year, with no changes being made to the organizational structure.

However, the 2017-18 year saw the following key development in the organization:

Finance and Administration:

- SCM Officer – Demand Management and SCM Clerk positions was filled
- Groundsman and General Assistant positions were filled

Operations / PMU:

- Project Officer - Skills Development, Project Officer - Agribusiness Development and Project Manager - irrigation Schemes were filled
- 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
- 3 contract positions were filled for the DEA waste recycling project, comprising of 2 administration staff and 1 social facilitator

This led to a vacancy rate of 4% by end June 2018, 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 2017-18, to be approved in 2018-19, with an attempt to align the CHDA equity policy to the CHDM's.

The employment statistics, or employee demographics were as follows at end June 2018::

- 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

	Employment Equity / Employee Demographics	2017-18	
Total	**Total number of employees at end June 2018**	**29**	**% of total workforce**
	Executive	3	10%
	Management	5	17%
	Support, including interns	21	73%
Locality	**Total number of employees originally from CHDA end June 2018**	**23**	
	Executive	2	9%
	Management	1	4%
	Support	20	87%
Race	**Total number of South Africa black employees end June 2018**	**29**	**100%**
Gender	**Total employee gender statistics end June 2018**		
	Males	10	35%
	Females	19	65%
	Total distribution of male employees end June 2018	10	
	Executive	2	20%
	Management	3	30%
	Support	5	50%
	Total distribution of female employees end June 2018	19	
	Executive	1	5%
	Management	2	11%
	Support	16	84%
Youth	**Total youth employees (below 35) end June 2018**	**12**	**41%**
	Youth Females	8	67%
	Youth Males	4	33%

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:

Performance Bonuses	904,532.37
Leave pay expenses	147,118.77
Salaries and wages - CTC	10,771,754.34
Medical co-contributions	384,716.35
Provident co-contributions	732,488.47
UIF co-contributions	37,955.07
COID - Occ injuries	33,765.15
	13,012,330.52

Within this distribution, Executive Management remuneration accounted for 35% of the total payroll costs for 2017-18, as can be detailed below:

Name	Position	Gross Salary & Allowances	Gross Medical Contributions	Fund Contributions	Gross UIF Contributions	Gross Performance Bonuses	Total Earnings
Mashologu, Thukela Eustice	CEO	1,450,203.72	-	98,307.02	1,784.64	141,256.62	1,691,551.99
Mayekiso, Nontembeko Faith	CFO	1,203,470.81	26,750.04	81,563.62	1,784.64	117,895.62	1,431,464.73
Duze, Zolile McPhee	EMO	1,195,126.14	26,750.04	81,563.62	1,784.64	119,821.31	1,425,045.75
		3,848,800.66	**53,500.08**	**261,434.25**	**5,353.92**	**378,973.55**	**4,548,062.47**

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 2017-18 period saw the agency paying out a cash total of R 904 523 in performance bonuses to staff and executive management, for performance bonuses accrued for the prior year performance results.

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.

There were no resignations in 2017-18.

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 retain 4 interns, and recruit 1 additional intern. Also, a learner was taken in for the first time for in-service training.

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 4 study bursaries awarded to staff in 2017-18.

This led to an improved spending on staff training and development initiatives from previous years, as 100% planned training activities were conducted during the year, resulting in an 86% implementation of the approved HR plan for 2017-18.

This led to a staff training and development expenditure of R 379 364

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.

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 has a grievance and disciplinary policy in place. There were no grievances lodged with management during the period under review, and there were no disciplinary actions taken against employees.

[ICT GOVERNANCE]

In 2017-18, the CHDA established an ICT Steering Committee, which would report to the Audit and Risk Committee and the Board on issues relating to ICT governance, as ICT is a strategic business function, in line with legislative requirements of the Corporate Governance of ICT Policy Framework (CGICTPF), the King Code of Good Governance and COBIT5.

Effective ICT governance is the process of identifying significant risks to the achievement of the organisation strategic and operational objectives, and ensuring that the ICT function in the organisation supports the realisation of strategic objectives, as ICT is a business enabler.

Key aspects of effective leadership over ICT include:

ICT governance and compliance with applicable legislation
ICT security management
ICT user account management
ICT system change management
ICT service continuity and disaster management and recovery
ICT infrastructure and physical and environmental controls

During 2017-18, the agency strategic risk register was developed in quarter 1 of 2017-18, considering the 5 organisational strategic focus areas:

A risk to business continuity due to inadequate governance over ICT was identified as one of the strategic risks, and past audit reviews over ICT environment at CHDA have classified ICT controls as initially weak to progressive then acceptable, with room for improvement.

In addressing the required level of compliance in terms of effective ICT governance, the CHDA Management team made the following progress on the governance of ICT and related controls by the end June 2018:

ICT Focus Area	Status 30 June 2017	Lacking Controls	Status 30 June 2018	Improvements Effected
ICT governance	Inadequate	No ICT steering committee in place	Good	ICT committee in place since 1 July 2017
		ICT not being reported on at Board level		ICT standing agenda item at ARE and Board
		No ICT charter to guide ICT and its use		ICT charter developed – for approval
		No ICT risk assessment conducted		ICT risk assessment conducted
		No ICT strategy or plan to inform ICT activities		ICT strategy based on risks developed and implemented for 2017-18
		Inadequate review on ICT policy resulting in gaps		ICT policy reviewed and identified gaps addressed in May 2018 for approval at 07-2018 policy review period
		No SOP's related to the use of ICT		ICT related SOP's developed and in formal handbook / manual
ICT security management	Acceptable	Unlimited internet and site access by end users, some which may pose a threat or contravene fair use policy	Good	The firewall has been set-up to block unauthorised sites and downloads, and this minimise external threats
ICT patch management	Good	None identified	Good	n/a – status maintained
ICT user account management	Inadequate	Users who leave CHDA not disabled from network on exit	Good	Users are disabled on last day of work
		Ineffective guest access to CHDA network		Guest access is limited to Internet only, and no downloads permitted, and password changed after every major event
		No approval of external devices to CHDA network		Formal approval of mobile devices of staff to network, limited to wi-fi only
ICT system change management	Inadequate	Reduce unmonitored access to network externally by IT vendor	Acceptable	IT vendor has supervised access on remote connections to network, and all changes can be traced by audit software and firewall reports
		Limit installation of unauthorised software programmes by end users		Users are still able to make unauthorised software installations as this cannot be monitored centrally
ICT business continuity management and disaster recovery	Acceptable	Reliance on off-site backup only	Good	Cibecs automated backup system in place, in addition to server backups and off-site manual backup systems
		No ICT disaster recovery plan		ICT disaster recovery plan in place and assessed by IA in ICT review
ICT user service continuity	Inadequate	No formal tracking of ICT complaints and problems	Good	ICT helpdesk function in place, and all end user problems and solutions are recorded. The helpdesk function is included in the proposed ICT policy changes and in the SOP manual
ICT network and infrastructure	Good	None identified	Good	n/a – status maintained
Telephony and communications	Inadequate	Large number of offices and users without telephony	Good	PABX and telephone system upgraded – additional points and phones to match offices and end users
		No fax connection in place		Fax connection installed by end June 2018
		ADSL internet has limited capacity for new office building		ADSL upgraded to fiber internet
MSCOA systems	Acceptable	Prior year balances not matching old system at 30 June (take-on errors) in accounting system No issues on VIP payroll system	Good	100% alignment of TB new system and old system – differences in identified prior year adjustments

[SUPPLY CHAIN AND FLEET MANAGEMENT]

SCM ACTIVITIES

01 BIDS AWARDED BELOW THE VALUE OF R 30 000.00

The total value of all the bids orders below the R 30 000.00 threshold which were awarded during the 2017/2018 financial year as at 30 June 2018 was R 1 122 551.22 including VAT.

Their commitments were only R 26 298 by the end of the 2017/2018 financial year on 30 June 2018.

02 BIDS AWARDED BETWEEN R 30 000.00 AND R 200 000.00

By the end of the last and fourth quarter of the 2017/2018 financial year forty one (41) bids were awarded in the range of the threshold which is between R30 000.00 to just below R 200 000.00.

The total value of those bids which were awarded during the 2017/2018 financial year period and by the end of the fourth quarter was R 3 467 995.71 including VAT.

The total value of commitments of bids with values between R 30 000.00 and R 200 000.00 which were awarded was R 153 626.46 by 30 June 2018.

03 CONTRACT MANAGEMENT AND MONITORING OF SERVICE PROVIDER'S PERFORMANCE

For procurement between R30 000 to R200 000 a bid notice is advertised for a period of one week on the notice board, and on the agency's website, and evaluated using the 80/20 preference points system by the SCM office staff.

For procurement greater than R 200 000 to below R10 million, a competitive bidding processes is followed where the bid evaluation committee makes a recommendation for awarding the bid to the bid adjudication committee on the preferred bidder. In the case of the procurement being greater than R10 000 000, the bid adjudication committee would make a recommendation to the chief executive officer on the preferred bidder, who would then issue a written approval.

Subsequent to the authorisation by the relevant party to appoint the best bidder, a service level agreement between the agency and the service provider is drafted and signed.

The agency has an effective system of contract management. Part of the function covered by this system is to:

- Administer all contracts entered into between the Agency and appointed bidders;
- Facilitate the signing of service level agreements with all appointed responsive bidders;
- Maintain the contracts register/ schedule that tracks expenditure, deliverables and validity of contracts to date;
- Conduct performance reviews at a very informal level, where each invoice submitted for payment is cross-referenced with signed contract / SLA / order specifications, and end user signs off indicating their satisfaction with the service / items delivered, prior to any payments being processed.

The value of the Formal Contracts Commitments as at 30 June 2018 was R 1 883 110.06

The largest formal contract was awarded to Newground Projects who are Consultants for the construction of the Lukhanji Waste Buy Back Recycling Facilities at a value of R 2 454 446.00 including VAT. This contract resumed on 19 February 2018 and it's contract value was later adjusted to R 2 475 976.23 including VAT after the South African VAT value was increased from 14% into 15% in April 2018.

The value of the Contracts Orders as at 30 June 2018 was R 1 793 393.54

04 REPORT ON DEVIATIONS, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

The SCM Policy Section 50.1 and the MFMA: Municipal SCM Regulation 36 states that the Accounting Officer may dispense with the official procurement processes established by this Policy, and procure any required goods or services through any convenient process, which may include direct negotiation, but only in respect of:

- any contract relating to an emergency where it would not be in the interests of the Municipal entity to invite bids,
- any goods or services which are available from a single provider only,
- the acquisition of animals for zoos, or
- the acquisition of special works of art or historical objects where specifications are difficult to compile;
- any other exceptional circumstances where it is impractical or impossible to follow the official procurement process, and
- Ratify any minor breaches of the procurement processes by an official or board acting in terms of delegated powers or duties which are purely of a technical nature.
- The accounting officer must record reasons for deviations in terms of the policy mentioned above and report to the next meeting of the board and include as a note to the annual financial statements

However, by the end of the entire 2017/2018 financial year no procurement deviations had been processed within the Agency.

Section 1 of the MFMA defines irregular expenditure as an expenditure incurred by municipal entity in contravention of, or that is not in accordance with a requirement of the supply chain management policy of the entity. Although a transaction or an event may trigger irregular expenditure, a municipality or municipal entity will only identify irregular expenditure when a payment is made, in other words, the recognition of irregular expenditure will be linked to a financial transaction. If the possibility of irregular expenditure is determined prior to a payment being made, the transgression shall be regarded as a matter of non-compliance. The same applies to the determination of the fruitless and wasteful expenditure.

During the entire 2017/18 financial year no Irregular Expenditure was identified within the Agency

However, there were about twelve fruitless and wasteful expenditure which were identified during the 2017/18 financial year.

Total fruitless and wasteful expenditure incurred_2017-18	**26,210.16**	**36.23**	**26,246.39**
Total fruitless and wasteful expenditure WRITTEN-OFF 2017-18	-19,630.92	-	-19,630.92
Total fruitless and wasteful expenditure RECOVERED 2017-18	-6,579.24	-36.23	-6,615.47

BID COMMITTEES

The Accounting Officer has per Section 26 of the MFMA: Municipal Supply Chain Management (SCM) Regulations appointed the bid specification, evaluation and adjudication committees members for the 2017/2018 financial year. The Bid Committees Chairpersons and secretaries were also appointed by the Chief Executive Officer.

Their functions are consistent with the SCM Regulations 27, 28 and 29. Each Bid Committee member, Chairperson and secretary was given a copy of the functions and powers of Bid Committees for studying and understanding.

After signing the acceptance of appointment to Bid Committees, the members and the secretariat also signed the Code of Conduct of SCM Practitioners, the oath for confidentiality and they also completed the SCM Practitioners declaration of interest forms.

The SCM Manager arranged a Bids Committees Training which was conducted by the Provincial Treasury Chris Hani District office for all Committee members and the CEO on the 16 and 17 of November 2017.

Fleet Management

The CHDA Fleet includes a VW Polo Sedan, an Isuzu Club Cab and an Isuzu Double Cab

The utilisation administration and the maintenance of the fleet are functions which are the responsibility of the SCM Office .

On a monthly basis, the SCM office draft a Fleet Management Report which indicates the vehicles technical services data, repairs data, accidents data, licencing data as well as the monthly fuel consumption expenditure

MECHANISATION CENTRE AT QAMATA IRRIGATION SCHEME

[05] FINANCIAL INFORMATION

REPORT OF THE AUDITOR GENERAL

REPORT OF THE AUDITOR-GENERAL TO THE EASTERN CAPE PROVINCIAL LEGISLATURE AND COUNCIL ON CHRIS HANI DEVELOPMENT AGENCY

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

1. I have audited the financial statements of the Chris Hani Development Agency set out on pages 63 to 97, which comprise the statement of financial position as at 30 June 2018, the statement of financial performance, statement of changes in net assets, cash flow statement and 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 as at 30 June 2018, 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 Companies Act of South Africa, 2008 (Act No. 71 of 2008) (Companies Act).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's 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 2017 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 2018.

Responsibilities of 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 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 Chris Hani Development Agency's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipal entity or to cease operations, or has no realistic alternative but to do so.

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 this 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 2018:

Programmes	Pages in the annual performance report
Programme 2 – to develop viable and sustainable rural economies	Section 2 Performance Information 24 - 38
Programme 3 – to facilitate investment promotion and SMME development	

15. I performed procedures to determine whether the reported performance information 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 raise any material findings on the usefulness and reliability of the reported performance for the following programmes:

- Programme 2 – to develop viable and sustainable rural economies
- Programme 3 – to facilitate investment promotion and SMME development

Other matter

17. I draw attention to the matter below.

Achievement of planned targets

18. Refer to the annual performance report on pages 23 to 32 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 THE 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. I did not raise material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

Other information

21. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report which includes the directors' report, the audit committee's report and the company secretary's certificate as required by the Companies Act. 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 in this auditor's report.
22. 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.
23. 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.
24. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

25. 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 on it. I did not identify any significant deficiencies in internal control.

East London
30 November 2018

AUDITOR - GENERAL

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 this auditor's report, I also:

- identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 Chris Hani Development Agency's ability 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 this auditor's report. However, future events or conditions may cause a municipal entity to cease continuing 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.

[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
2012/033437/30

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.

[CONTENT]

The reports and statements set out below comprise the annual financial statements presented to the board and the council of the parent municipality:

[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 relateddata.

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 board 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 andconstraints.

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 ordeficit.

The directors have reviewed the entity's cash flow forecast for the year to 30 June 2019 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 66 to 97, which have been prepared on the going concern basis, were approved by the directors on the 30 August 2018 and were signed on their behalfby:

THUKELA MASHOLOGU
CHIEF EXECUTIVE OFFICER | 30 NOVEMBER 2018

NOKULUNGA SKEYI
CHAIRPERSON OF THE BOARD | 30 NOVEMBER 2018

[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 2018.

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

The financial statements adequately disclose the results of the operations for the year under review and the state of the company's affairs at 30 June 2018.

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

02 Natureof 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.

03 Sharecapital / contributed capital
CHDA is 100% owned by Chris Hani District Municipality .

- There are no ordinary par value shares only NPV shares (non par value shares).

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

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

Name	Nationality	Changes
Mr. M Sigabi	South African	
Ms. N Skeyi	South African	
Mr. T Mashologu	South African	
Mr. S Ngqwala	South African	
Ms. V Matsiliza	South African	
Mr. R Ramabulana	South African	
Mr. P Songo	South African	Appointed Monday, 03 July 2017
Ms. F Mushowe	Zimbabwean	Appointed Monday, 03 July 2017

[STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018]

	Note(s)	2018 R	2017 Restated* R
Assets			
Current Assets			
Receivables from exchange transactions	3	84 678	933 894
Receivables from non-exchange transactions	4	1 198 185	-
VAT receivable		-	256 265
Prepayments	5	65 503	-
Cash and cash equivalents	6	2 337 407	153 941
		3 685 773	1 344 100
Non-Current Assets			
Property, plant and equipment	7	15 900 601	16 794 771
Intangible assets	8	273 161	361 298
		16 173 762	**17 156 069**
Total Assets		**19 859 535**	**18 500 169**
Liabilities			
Current Liabilities			
Payables from exchange transactions	9	403 385	2 612 613
Payables from non-exchange transactions	10	2 862 772	2 722 793
VAT payable	11	458 859	-
Unspent conditional grants and receipts	12	5 517 542	1 835 101
		9 242 558	**7 170 507**
Non-Current Liabilities			
Deferred tax	26	187 293	172 852
Total Liabilities		**9 429 851**	**7 343 359**
Net Assets		**10 429 684**	**11 156 810**
Share capital / contributed capital	13	1 000	1 000
Accumulated surplus		10 428 684	11 155 810
Total Net Assets		**10 429 684**	**11 156 810**

[STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018]

	Note(s)	2018 R	2017 Restated* R
Revenue			
Revenue from exchange transactions			
Project income		18 460 435	28 852 145
Tender fees		99 720	66 860
Discount received		-	442
Agency fees		337 644	81 009
Other income		37 492	11 064
Interest received - investment	14	360 861	383 348
Total revenue from exchange transactions		**19 296 152**	**29 394 868**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	15	20 480 000	17 680 000
Total revenue	16	**39 776 152**	**47 074 868**
Expenditure			
Employee costs	17	(13 050 633)	(10 771 801)
Depreciation & amortisation	18	(1 547 741)	(520 155)
Finance costs		(139 979)	-
Lease rentals on operating lease		(72 713)	(412 295)
Repairs & maintenance		(47 391)	(181 832)
Project costs - internal programs	19	(196 550)	(1 496 627)
Project costs - external programs	20	(18 352 261)	(14 747 755)
General expenses	21	(7 081 570)	(8 670 871)
Total expenditure		**(40 488 838)**	**(36 801 336)**
(Deficit) surplus before taxation		(712 686)	10 273 532
Taxation	25	14 441	2 895 645
(Deficit) surplus for the year		**(727 127)**	**7 377 887**

[STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2018]

	Share capital / contributed capital R	Accumulated surplus R	Total net assets R
Balance as at 1 July 2016	**1 000**	**3 777 922**	**3 778 922**
Changes in net assets	-		
Surplus for the year	-	7 407 350	7 407 350
Prior year adjustments	-	(29 462)	(29 462)
Total changes	-	7 377 888	7 377 888
Restated* Balance at 01 July 2017	**1 000**	**11 155 811**	**11 156 811**
Changes in net assets			
Surplus for the year	-	(727127)	(727127)
Total changes	-	(727 127)	(727 127)
Balance as at 30 June 2018	**1 000**	**10 428 684**	**10 429 684**

** See Note 36*

[CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2018]

	Note(s)	2018 R	2017 Restated R
Cash flows from operating activities			
Receipts			
Grants		24 162 441	17 680 000
Interest income		360 861	383 348
Other receipts		18 777 084	32 304 582
		43 300 386	50 367 930
Payments			
Employee costs		(13 050 633)	(10 757 344)
Suppliers		(27 375 314)	(28 500 810)
Interest on tax		(139 979)	-
Taxes on surpluses	25	-	(148073)
		(40 565 926)	(39 406 227)
Net cash flows from operating activities	22	**2 734 460**	**10 961 703**
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(485 121)	(15 958 951)
Proceeds from disposal of property, plant and equipment	7	-	4 251
Purchase of intangible assets	8	(80 314)	(344 561)
Net cash flows from investing activities		**(565 435)**	**(16 299 261)**
Net increase/(decrease) in cash and cash equivalents		**2 183 466**	**(5 167 989)**
Cash and cash equivalents at the beginning of the year		153 941	5 321 931
Cash and cash equivalents at the end of the year	6	**2 337 407**	**153 942**

[STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2018]

Budget on Accrual Basis

	Approved budget R	Adjustments R	Final Budget R	Actual amounts on comparable basis R	Difference between final budget and actual R	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Project income	25 768 000	6 829 326	**32 597 326**	18 460 435	**(14 136 891)**	35.1
Tender fees	5 305	(3 000)	**2 305**	99 720	**97 415**	35.2
Agency fees	1 905 290	(500 000)	**1 405 290**	337 644	**(1 067 646)**	35.3
Otherincome	-	-	**-**	37 492	**37 492**	
Interest received-investment	538 327	-	**538 327**	360 861	**(177 466)**	35.4
Total revenue from exchange transactions	**28 216 922**	**6 326 326**	**34 543 248**	**19 296 152**	**(15 247 096)**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants&subsidies	17 680 000	2 800 000	**20 480 000**	20 480 000	**-**	
Total revenue	**45 896 922**	**9 126 326**	**55 023 248**	**39 776 152**	**(15 247 096)**	
Expenditure						
Personnel	(11 245 117)	(1 771 991)	**(13 017 108)**	(13 050 633)	**(33 525)**	35.5
Depreciationandamortisation	(170 291)	-	**(170 291)**	(1 547 741)	**(1 377 450)**	35.6
InterestsandPenalties	-	-	**-**	(139 979)	**(139 979)**	
Lease rentals onoperatinglease	(117 961)	45 231	**(72 730)**	(72 713)	**17**	35.7
Repairsandmaintenance	(72 660)	24 798	**(47 862)**	(47 391)	**471**	35.8
Project costs-Internalprograms	(884 805)	687 805	**(197 000)**	(196 550)	**450**	35.9
Project costs-external programs	(25 768 000)	(6 829 326)	**(32 597 326)**	(18 352 261)	**14 245 065**	35.10
General expenses	(5 636 046)	(1 526 697)	**(7 162 743)**	(7 081 570)	**81 173**	35.11
Total expenditure	**(43 894 880)**	**(9 370 180)**	**(53 265 060)**	**(40 488 838)**	**12 776 222**	
Surplus / (deficit) before taxation	**2 002 042**	**(243 854)**	**1 758 188**	**(712 686)**	**(2 470 874)**	
Taxation	-	-	**-**	14 441	**14 441**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**2 002 042**	**(243 854)**	**1 758 188**	**(727 127)**	**(2 485 315)**	

[STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2018]

Budget on Accrual Basis

	Approved budget R	Adjustments R	Final Budget R	Actual amounts on comparable basis R	Difference between final budget and actual R	Reference
Statement of Financial Position						
Assets						
Current Assets						
Receivables from exchange transactions	-	-	**-**	84 678	**84 678**	
Receivables from non-exchange transactions	-	-	**-**	1 198 185	**1 198 185**	
Prepayments	-	-	**-**	65 503	**65 503**	
Cash and cash equivalents	-	-	**-**	2 337 407	**2 337 407**	
	-	**-**	**-**	**3 685 773**	**3 685 773**	
Non-Current Assets						
Property, plant and equipment	1 943 024	(393 024)	**1 550 000**	15 900 601	**14 350 601**	
Intangible assets	49 952	35 000	**84 952**	273 161	**188 209**	
	1 992 976	**(358 024)**	**1 634 952**	**16 173 762**	**14 538 810**	
Total Assets	**1 992 976**	**(358 024)**	**1 634 952**	**19 859 535**	**18 224 583**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	-	-	**-**	403 386	**403 386**	
Payables from non exchange transactions	-	-	**-**	2 862 772	**2 862 772**	
VAT payable	-	-	**-**	458 859	**458 859**	
Unspent conditional grants and receipts	-	-	**-**	5 517 542	**5 517 542**	
	-	**-**	**-**	**9 242 559**	**9 242 559**	
Non-Current Liabilities						
Deferred tax	-	-	**-**	187 293	**187 293**	
Total Liabilities	**-**	**-**	**-**	**9 429 852**	**9 429 852**	
Net Assets	**1 992 976**	**(358 024)**	**1 634 952**	**10 429 683**	**8 794 731**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Share capital / contributed capital	-	-	**-**	1 000	**1 000**	
Reserves						
Accumulated surplus	1 992 976	(358 024)	**1 634 952**	10 428 683	**8 793 731**	
Total Net Assets	**1 992 976**	**(358 024)**	**1 634 952**	**10 429 683**	**8 794 731**	

[ACCOUNTING POLICIES]

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of2003).

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 Goingconcern 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 12months.

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 alsodisclosed.

Where material accounting errors, which relate to prior periods, have beenidentifiedinthecurrentyear,thecorrectionismaderetrospectively 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 restatedaccordingly.

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 futureperiods.

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 assets 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 theassets.

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 maybe.

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 financialliability.

SUBSEQUENT MEASUREMENT
Subsequent to initial recognition, financial assets and financial liabilities are measured at fair value, amortised cost or cost.
All financial assets and financial liabilities are measured after initial recognition using the following categories

a) Financial instruments at fairvalue:
- Derivatives
- Compound instruments that are designated at fair value i.e. an instrument that includes a derivative and a non derivative.
- Instruments held fortrading.
- Non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initialrecognition.
- An investment in a residual interest for which fair value can be measuredreliably.
- Financial instruments that do not meet the definition of financial instruments at amortisedcost.

b) Financial intruments 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 orreceived.

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 EQUIVALENTS
Cash and cash equivalents are measured at amortised cost.

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

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

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

DERECOGNITION
FINANCIAL ASSETS
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

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 third party under a pass-through arrangementor.

c) The entity has transferred its rights to receive cash flows from the asset andeither
- Has transferred substantially all the risks and rewards of the asset, or
- Has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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 financialliability.

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 ordeficit;

- 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 amortisationprocess.

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 netbasis.

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

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

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 fairvalue.

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 atcost

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 oneperiod.

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 measuredreliably.

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 thecost.

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

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) givenup.

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 Property, 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 accountingestimate.

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 theitem.

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 andobligations.

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 measuredreliably.

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 theasset.

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 orsale.
there is an intention to complete and use or sellit.
there is an ability to use or sellit.
it will generate probable future economic benefits or servicepotential.
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 measuredreliably.

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 usefullife.

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 usefullife.

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

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	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 theobligation.

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 theliability.

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 theobligation.

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 cumulativeamortisation.

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 higherof:
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 theentity.

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

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 inadvance.

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 toownership.

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 leaseliability.

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 ofGRAP3.

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 contractterm.

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 interestmethod.

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 interestmethod.

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 goodssold;
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 measuredreliably.

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 aresatisfied:
the amount of revenue can be measuredreliably;
it is probable that the economic benefits or service potential associated with the transaction will flow to theentity;
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 measuredreliably.

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 isexecuted.

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 arerecoverable.

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 measuredreliably.

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 thetransferor.

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 amountof the reduction in the liability is recognised asrevenue.

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 currencytransactions

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 recognised in the of statement of financial performance in the year in which they occur.

1.16 Deferred 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 in 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 Fruitlessand 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 dateone 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 financialstatements.

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 legalmandate.

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 publiclyavailable.

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 2017/07/01 to 2018/06/30.

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 financialstatements, 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 costsincurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:
expenditures for the asset have beenincurred;
borrowing costs have been incurred;and
activities that are necessary to prepare the asset for its intended use or sale areundertaken.

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 accountingpolicy.

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

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 FOR THE YEAR ENDED 30 JUNE 2018]

	2018 R	2017 R

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations effective and adopted in the currentyear
In the current year, the entity has not adopted any new standards and interpretations.

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Government subsidies	84 678	933 894

4. RECEIVABLESFROM NON-EXCHANGE TRANSACTIONS

Government grants and subsidies	1 198 185	-

5. PREPAYMENTS

Prepayments arise due to software licence fees paid in advance for future period and data for board members paid in advance for the next 22 months starting in July 2018.

Amount details		
Prepaid data costs for board members	35 563	-
Licence fees paid for 2018/19 and 2019/20	29 940	-
	65 503	**-**

	2018 R	2017 R

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

	2018 R	2017 R
Cash on hand	35	-
Bank balances	2 332 661	149 567
Short-term deposits	4 711	4 374
	2 337 407	**153 941**

The entity had the following bank accounts

Account number/description	Bank statement balances			Cash book balances		
	30 June 2018	30 June 2017	30 June 2016	30 June 2018	30 June 2017	30 June 2016
FNB MAIN 623 636 541 56	192 264	92 096	391 440	192 264	92 096	391 440
FNB SKILLS 623 960 858 99	484 812	31 101	229 545	484 812	31 101	22 545
FNB INV 623 789 429 18	4 711	4 374	3 485 191	4 711	4 374	3 485 191
FNB DEA 624 578 562 96	1 606 912	9 663	10 031	1 606 912	9 663	10 031
FNB CALL 625 418 515 74	3 991	10 594	1 177 942	3 991	10 594	1 177 942
FNB MECH 625 407 434 83	38 828	5 515	24 869	38 828	5 515	24 869
FNB PETTY 625 407 426 83	5 854	598	2 913	5 854	598	2 913
Total	**2 337 372**	**153 941**	**5 321 931**	**2 337 372**	**153 941**	**5 114 931**

7. PROPERTY, PLANT AND EQUIPMENT

	2018			2017		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	2 567 329	-	2 567 329	2 567 329	-	2 567 329
Buildings	12 121 405	(657 545)	11 463 860	12 121 405	(51 474)	12 069 931
Furniture and fixtures	654 849	(281 202)	373 647	521 857	(180 888)	340 969
Motor vehicles	1 031 511	(464 428)	567 083	1 031 511	(258 126)	773 385
Office equipment	640 428	(246 500)	393 928	498 722	(49 368)	449 354
IT equipment	1 155 397	(620 643)	534 754	946 281	(352 478)	593 803
Total	**18 170 919**	**(2 270 318)**	**15 900 601**	**17 687 105**	**(892 334)**	**16 794 771**

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Transfers	Depreciation	Total
Land	2 567 329	-	-	-	2 567 329
Buildings	12 069 931	-	-	(606 071)	11 463 860
Furniture and fixtures	340 969	132 993	-	(100 315)	373 647
Motor vehicles	773 385	-	-	(206 302)	567 083
Office equipment	449 354	143 012	-	(198 438)	393 928
IT equipment	593 803	231 116	(22 000)	(268 165)	534 754
	16 794 771	**507 121**	**(22 000)**	**(1 379 291)**	**15 900 601**

	2018 R	2017 R

7. PROPERTY, PLANT AND EQUIPMENT(CONTINUED)

Reconciliation of property, plant and equipment - 2017	Opening balance	Additions	Disposals	Depreciation	Total
Land	-	2 567 329	-	-	2 567 329
Buildings	-	12 121 405	-	(51 474)	12 069 931
Furniture and fixtures	153 702	239 016	-	(51 749)	340 969
Motor vehicles	980 252	-	-	(206 867)	773 385
Office equipment	15 380	457 470	-	(23 496)	449 354
IT equipment	115 700	573 731	(4 251)	(91 377)	593 803
	1 265 034	**15 958 951**	**(4 251)**	**(424 963)**	**16 794 771**

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 theentity.

8. INTANGIBLE ASSETS

	2018			2017		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software(finite)	682 033	(408 872)	273 161	601 718	(240 420)	361 298

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Amortisation	Total
Computer software(finite)	361 298	80 314	(168 451)	273 161

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Amortisation	Total
Computer Software (finite)	111 927	344 561	(95 190)	361 298

9. PAYABLES FROM EXCHANGE TRANSACTIONS

	2018 R	2017 R
Trade payables	11 716	660 915
Payroll payable	20	201 534
Provision for 13th cheque	44 936	16 549
Leave pay acrual	346 713	308 408
Office building acruals	-	1 425 207
	403 385	**2 612 613**

	2018 R	2017 R
10. PAYABLES FROM NON-EXCHANGE TRANSACTIONS		
Income tax payable	2 862 772	2 722 793
11. VAT PAYABLE		
VAT payable	458 859	-
12. UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Chris Hani District Municipality - Irrigation Schemes	1 052 228	-
CHDM Agricultural Production Support	136 929	136 929
CHDM SEZ Facilitation	587 073	969 430
Department of Environmental Affairs - Waste Management Programme	1 644 253	-
CHDM SMME Development and Investment Promotion	511 439	227 165
CHDM Bursary Fund	660 642	425 485
ECDRDAR	924 978	76 092
	5 517 542	**1 835 101**

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 is disclosed in the noteabove.

13. SHARE CAPITAL / CONTRIBUTED CAPITAL

There are no ordinary par value shares only NPV shares (non par value shares).

	2018 R	2017 R
Issued		
1 000 Ordinary shares of par value of R1 each	1 000	1 000
14. INVESTMENT REVENUE		
Interest revenue		
Bank	360 861	383 348

15. GOVERNMENT GRANTS AND SUBSIDIES

	2018 R	2017 R
Operating grants		
CHDM Operating grant	20 480 000	17 680 000

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:

	2018 R	2017 R
Grain Farmers Development Association		
Balance unspent at beginningofyear	-	303 251
Conditions met - transferredtorevenue	-	(303 251)
	-	**-**
Chris Hani District Municipality - Irrigation Schemes		
Current-year receipts	4 526 316	2 214 819
Conditions met - transferredtorevenue	(3 474 088)	(2 214 819)
	1 052 228	**-**

Grant Purpose

To support revitalisation of the irrigation schemes

	2018 R	2017 R
CHDM Agricultural Production Support		
Balance unspent at beginningofyear	136 929	395 550
Conditions met - transferredtorevenue	-	(258 621)
	136 929	**136 929**

Grant Purpose

To support crop production in the region with production inputs.

	2018 R	2017 R
IDC Mechanisation Centre Grant		
Balance unspent at beginningofyear	-	77 139
Conditions met - transferredtorevenue	-	(77 139)
	-	**-**
CHDM SEZ Facilitation		
Balance unspent at beginningofyear	969 430	1 861 074
Conditions met - transferredtorevenue	(382 357)	(891 644)
	587 073	**969 430**

Grant Purpose

To facilitate planning and developement of master plans for revitalisation of Komani Industrial Park.

	2018 R	2017 R

15. GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)

	2018 R	2017 R
Department of Environmental Affairs - Waste Management Programme		
Current-year receipts	6 968 640	-
Conditions met - transferredtorevenue	(5 324 387)	-
	1 644 253	-

Grant Purpose

Construction of central buy back centre in Ezibeleni and transfer stations in Linge, Whittlesea,Lessyton and Mlungisi.

	2018 R	2017 R
CHDM Pomergranate and Figs		
Balance unspent at beginning of year	-	180 820
Conditions met - transferred to revenue	-	(180 820)
	-	**-**
CHDM SMME Development and Inv Promotion		
Balance unspent at beginning of year	227 165	1 260 882
Current-year receipts	3 760 713	-
Conditions met - transferred to revenue	(3 476 439)	(1 033 717)
	511 439	**227 165**

Grant Purpose

Support Small and Medium Enterprises to acquire equipment and consumables.

	2018 R	2017 R
CHDM Bursary Fund Grant		
Balance unspent at beginning of year	425 485	234 504
Current-year receipts	2 000 000	2 000 000
Conditions met - transferred to revenue	(1 764 843)	(1 809 019)
	660 642	**425 485**

Grant Purpose

Finance post matric studies targeting children from disadvantaged households.

	2018 R	2017 R
ECDRDAR		
Balance unspent at beginning of year	76 092	-
Current-year receipts	3 462 853	2 550 000
Conditions met - transferred to revenue	(2 613 967)	(2 473 908)
	924 978	**76 092**

Grant Purpose

Funds for payment of salaries for Irrigation Schemes Personnel and social facilitation services

16. REVENUE

	2018 R	2017 R
Project income	18 460 435	28 852 145
Tender fees	99 720	66 860
Discount received	-	442
Agency fees	337 644	81 009
Other income	37 492	11 064
Interest received - investment	360 861	383 348
Government grants & subsidies	20 480 000	17 680 000
	39 776 152	**47 074 868**
The amount included in revenue arising from exchanges of goods or services are as follows:		
Agency services	18 460 435	28 852 145
Tender fees	99 720	66 860
Discount received	-	442
Agency fees	337 644	81 009
Other income	37 492	11 064
Interest received - investment	360 861	383 348
	19 296 152	**29 394 868**
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Transfer revenue		
Government grants & subsidies	20 480 000	17 680 000

17. EMPLOYEE COSTS

	2018 R	2017 R
Salaries and wages - CTC	10 771 754	8 845 419
Performance bonuses	904 532	729 784
Medical aid - company contributions	384 716	317 600
Statutory - UIF levies	37 955	32 233
WCA	33 765	26 736
Leave pay provision charge	185 423	210 290
Defined contribution plans	732 488	609 739
	13 050 633	**10 771 801**
Remuneration of the Chief Executive Officer		
Annual remuneration including social contributions	1 450 204	1 319 565
Performance bonus	141 257	210 769
Contribution to UIF, medical aid and pension fund	100 092	93 001
	1 691 553	**1 623 335**
Remuneration of Chief Finance Officer		
Annual remuneration including social contributions	1 203 471	1 098 618
Performance bonus	117 896	140 603
Contribution to UIF, medical aid and pension fund	110 098	102 679
	1 431 465	**1 341 900**
Remuneration of Executive Manager Operations		
Annual remuneration including social contributions	1 195 126	1 114 634
Performance bonuses	119 821	97 496
Contribution to UIF, medical aid and pension fund	110 098	103 946
	1 425 045	**1 316 076**

18. DEPRECIATION AND AMORTISATION

	2018 R	2017 R
Property, plant and equipment	1 547 741	520 155

19. PROJECT COST- INTERNAL PROGRAMS

	2018 R	2017 R
Internal programs	196 550	1 496 627
Detail of internal programs		
CHDA - Value Chain - Crop Production	-	152 520
Strategic Projects	10 000	60 000
CHDA - Value Chain - Fruit and Veg Production	-	471 650
CHDA - Value Chain - Live Stock Dev	90 000	40 400
Career Exhibitions	75 550	106 221
Skills Facilitation	21 000	29 240
Mech Centre Own Funds Expenditure	-	636 597
	196 550	**1 496 628**

20. PROJECT COST- EXTERNAL PROJECTS

	2018 R	2017 R
Other Contractors	18 352 261	14 747 755
Detail of Project Cost - External programs		
Implementation Costs	3 973 473	129 400
Planning and Management Costs	833 826	-
Other Events and programs SEZ	382 357	891 643
CHDM - Investment Promotion/SMME Devevelopment - Expenditure	3 476 438	1 038 717
CHDM Busary Fund Grant	1 764 843	1 809 018
CHDM - Agricultural Production Support Expenditure	-	152 920
CHDM -Pomergranate Project Expenditure	-	207 143
ECDRDAR_Project Implementation Expenditure	2 613 968	2 410 158
CETA - Skills Grant Expenditure	1 859 591	662 730
CHDM MSCOA Expenditure	-	120 331
CHDM - Mechanisation Centre Expenditure	-	5 027 930
IDC - Mechanisation Centre Expenditure	-	76 357
CHDA - Value Chain - Forestry Dev	-	6 578
CHDM_Irr Shiloh Expenditure	183 729	2 214 829
CHDM_Irr Pomergranate Expenditure	128 442	-
CHDM_Irr Ikhephu Expenditure	60 426	-
CHDM_Irr Ibuyambo ELM Expenditure	793 173	-
CHDM_Irr Production Input	106 705	-
CHDM_Irr QMC Expenditure	2 175 290	-
	18 352 261	**14 747 754**

	2018 R	2017 R
21. GENERAL EXPENSES		
Advertising	394 416	254 733
Auditors remuneration	1 800 674	1 377 127
Bank charges	30 118	24 422
Cleaning	66 198	30 740
Asset trasfers	20 694	-
Consulting and professional fees	-	449 092
Entertainment	133 068	121 669
Insurance	160 798	93 143
Conferences and seminars	33 296	31 297
IT expenses	335 681	312 855
Motor vehicle expenses	-	2 130
Fuel and oil	111 508	82 264
Postage and courier	3 852	2 549
Printing and stationery	238 801	119 351
Security	78 375	7 533
Software expenses	303 644	-
Staff welfare	-	231
Subscriptions and membership fees	12 278	25 078
Telephone and fax	120 277	66 040
Travel - local	589 839	730 754
Travel - overseas	150 412	101 569
Annual report	63 743	92 117
Corporate research	60 096	110 809
Write off	19 631	2 587 399
Electricity	89 341	26 282
Rates	9 169	-
Other board expenses(Training,travel and secretariat)	1 073 362	855 626
Board fees	805 661	864 500
Staff gifts and welfare	3 021	8 301
HR\Payroll services	778	17 282
Recruitment costs	10 657	2 548
Board tools of trade	15 815	20 896
Staff training and development	346 068	252 534
Office consumables/sundries	299	-
	7 081 570	**8 670 871**
22. CASH GENERATED FROM OPERATIONS		
(Deficit) surplus	(727 127)	7 377 887
Adjustments for:		
Depreciation and amortisation	1 547 741	520155
Changes in working capital:		
Receivables from exchange transactions	849 216	213 503
Other receivables from non-exchange transactions	(1 198 185)	3 080 000
Prepayments	(65 503)	-
Payables from exchange transactions	(2 209 226)	2 154 150
VAT	715 124	(2 483 877)
Trade and other payables from non-exchange transactions	139 979	2 578 003
Unspent conditional grants and receipts	3 682 441	(2 478 118)
	2 734 460	**10 961 703**

	2018 R	2017 R
23. AUDIT FEES		
External audit fees	996 121	972 171
Internal audit fees	804 553	404 956
	1 800 674	**1 377 127**
24. PAYE AND UIF DEDUCTIONS		
Opening balance	201 606	-
Current year payroll deductions	3 316 901	2 771 947
Amount paid in the current year	(3 316 901)	(2 570 341)
Amount paid relating to prior year	(201 606)	-
	-	**201 606**
25. TAXATION		
SA Normal Tax : Current	-	2 726 075
: Deferred Tax	14 441	169 570
: Deferred Tax - Unutilised tax loss	(260 536)	-
	(246 095)	**2 895 645**
Taxation Reconciliation		
Accounting profit	(712 686)	10 273 532
Tax @ 28%	(199 552)	2 876 589
Tax effects on non deductible /non taxable items: SARS penalties and interest	(46 543)	10 806
	(246 095)	**2 887 395**
26. DEFERRED TAX		
Deferred Tax	187 293	172 852

	2018 R	2017 R

27. COMMITMENTS

AUTHORISED CAPITAL EXPENDITURE

Already contracted for but not provided for		
Property, plant and equipment	1 883 110	1 682 926
Total capital commitments		
Already contracted for but not provided for	1 883 110	1 682 926

AUTHORISED OPERATIONAL EXPENDITURE

Already contracted for but not provided for		
Expenditure	179 924	751 861
Total operational commitments		
Already contracted for but not provided for	179 924	751 861
Total commitments		
Total commitments		
Authorised capital expenditure	1 883 110	1 682 926
Authorised operational expenditure	179 924	751 861
	2 063 034	**2 434 787**

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

Operating Lease Commitments

Minimum lease payments due		
- within one year	70 323	-
- in second to fifth year inclusive	76 183	-
	146 506	**-**

28. CONTINGENT LIABILITIES

No Contingent liabilities expected in the current financial year.

	2018 R	2017 R

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:

1. Qwati Tolo Farms - Wife Ms Bolekwa Kama is working at DWS
2. Amatola Irrigation & Civils (Daughter Rebecca Ross is working for DOE
3. Nombeza - Wife Zanele Sodladla is working at Ingquza Hill Municipality

Related party balances

Amounts included in Trade receivable (Trade Payable) regarding related parties		
Operational Grant Short Fall	1 198 185	-
CHDM Pomergranate and Fig Project	-	26 323
Other Outstanding Invoices (Assets)	20 657	-
	1 218 842	26 323

Related party transactions

Income Received from/(expenses paid to) related parties		
CHDA Operational Grant	20 480 000	17 680 000
CHDM Irrigation Schemes Grant	1 272 475	2 214 829
CHDM SEZ Facilitation	402 532	891 643
CHDM Bursary Fund	1 764 843	1 809 018
CHDM Mechanisation Centre Grant	2 175 290	5 022 633
CHDM Investment Promotion and SMME Development	3 476 438	1 038 717
CHDM Pomergranate and Figs	-	207 143
CHDM Agricultural Production Support Program	-	152 920
	29 571 578	29 016 903

Transactions Conducted with Service Providers with family members in the service of the state		
Qwati Tolo Farms	695 760	417 240
Amatola Irrigation and Civils	-	122 875
Nombeza	13 350	-
Total	709 110	540 115

30. DIRECTORS' EMOLUMENTS

Non-executive

2018

	Directors' fees	Committees fees	Total
Mr. M Sigabi	95771	-	95 771
Ms. N Skeyi	191 948	-	191 948
Mr. P Songo	47 000	-	47 000
Mr. S Ngqwala	61 000	-	61 000
Mr. R Ramabulana	68 750	-	68 750
Ms. V Matsiliza	34 000	-	34 000
Ms. F Mushowe	59 417	-	59 417
Mr. W Plaatjies	-	46 000	46 000
Mr. L Galada	-	41 000	41 000
Mr. A Langa	-	46 000	46 000
Mr. J Mbawuli	-	114 775	114 775
	557 886	**247 775**	**805 661**

2017

	Directors' fees	Committees fees	Total
Mr. M Sigabi	83000	-	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
Ms. V Hlehliso	-	10 000	10 000
Mr. J Mbawuli	-	85 000	85 000
Mr. G Rasmeni	-	9 000	9 000
	698 500	**166 000**	**864 500**

	2018 R	2017 R

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 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	403 385	-	-	-
At 30 June2 017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	2 612 612	-	-	-

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:

Financial instrument	2018	2017
Trade debtors	84 678	933 894
Cash and cash equivalent	2 337 407	153 941

32. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure	166 225	38 596
Less Amount recovered from staff	(6 615)	-
Less Amount writtern off	(19 631)	(38 596)
Fruitless and wasteful expenditure awaiting resolution	**139 979**	**-**

33. IRREGULAR EXPENDITURE

There was no irregular expenditure in 2017/18.

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. In 2017/18 there were no deviations.

Incident		130 375
Emergency pipeline repairs	-	
Information technology upgrade	-	882 119
Upgrading of electricity services	-	59 403
	-	**1 071897**

35. BUDGET DIFFERENCES

Material differences between budget and actual amounts

35.1 The agency anticipated to receive funds as per the agreement signed but there was a delay in receiving funds for the Lukhanji Buy Back Centre Project which only started in January.

35.2 Tender fees budget is based on tenders issued. Due to the late receipt of funds we only realise after budget review the number of tenders to be issued for the Lukhanji Buy Back Centre Project. That contributed in having more tenders issued between March and May 2018.

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 only received late.

35.4 Budgeted more for interest income anticipating that we will be getting income for programs which we only received late in the financialyear.

35.5 Personnel budget was spent as anticipatedas.

35.6 Depreciation was under budgeted in the current financial year but that has since been corrected in the 2017/18 budget.

35.7 Lease rentals on operating lease spent as anticipated becuase we budgeted as per the leaseagreements.

35.8 Repairs and maintenance spent as anticipated as there was nothing major to be repaired and the budget was revised down.

35.9 Contractedservices internal also spent asanticipated.

35.10 On contracted services the underspending is due to funders honouring their commitments late see note35.1.

35.11 General expenses was asanticipated.

36. PRIOR PERIOD ERRORS

1. Property, plant and equipment- In the previous year depreciation was understated due to the manual method of calculating depreciation through excel which the asset module could calculate properly and we also pick that some depreciation lines were not added to totals which made an overal overstatement of assets of R 24 113 and understatement of depreciation by the sameamount.

2. Intangible Assets- Amortisation on intangible assets was incorreclty recognised due to a miscalculation. This resulted in amortisation expense understated and intangibleasset.

3. Trade payable were corrected due to discount amounting to R 443 received from CQS.

4. Payroll creditors were also understated as UIF from QMC staff for period 1-4 in 2016/17 SARS financial year were never declared or paid over to SARS.

5. An error in the income tax calculation was noted on recalculation of prior year deferred tax that the s13 quin building allowance for commercial building has been incorrectly apportioned resulting in income tax liability being overstated and deffered tax understated by R 155 287.00

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

Statement of financial position		
Property, plant and equipment as previously reported	-	16 818 884
Less Depreciation that was understated	-	(24 113)
PPE after changes have been made	-	16 794 771
Intangible Assets as previously reported	-	361 792
Less Amortisation that was understated	-	(494)
Intangibles after changes have been made	-	361 298
Trade payables as previously reported	-	661 355
Less Discount received	-	442
Trade payables after taking the changes into account	-	660 912
Payroll payables as previously reported	-	196 238
Add UIF payable understated	-	5296
Payroll payables after changes were made	-	201 534
Payables from non exchange transactions was previously reported	-	2 878 080
Less amount overstated	-	(155 287)
Payables from non exchange after taking changes into account	-	2 722 793
Deferred tax as previously reported	-	17 565
Add Amount understated	-	155 287
Deffered ax Liability after taking ino account changes	-	172 852
Statement of Financial Performance		
Opening accumulated surplus	-	7 407 350
Increase in discount received	-	442
Increase in depreciation and amortisation	-	(24 607)
Increase in Mechanisation Centre costs due to QMC staff UIF	-	(5 296)
Accumulated surplus after the net changes	-	7 377 889

NOTES

REGISTERED NAME
Chris Hani Development
Agency SOC Ltd

REGISTERED
OFFICE ADDRESS
15 Warner Street
Southbourne
Queenstown, 5320
Eastern Cape
South Africa

TELEPHONE NUMBER
045 807 4000

FAX NUMBER
045 838 5944

EMAIL ADDRESS
thukela@chda.org.za

WEBSITE ADDRESS
www.chda.org.za

EXTERNAL AUDITORS
The Auditor General,
South Africa (AGSA)

chda chris hani development agency