NTINGA O.R. TAMBO DEVELOPMENT AGENCY SOC LTD

ANNUAL REPORT 2018/19

ABBREVIATIONS

ARC	Audit and Risk Committee
CIPC	Companies and Intellectual Property Commission
GRAP	Generally Recognised Accounting Practice
ISA	International Standards on Auditing
ISAE3000	International Standard on Assurance Engagements
KFPM	Kei Fresh Produce Market
MFMA	Municipal Finance Management Act
ORTCDC	O.R. Tambo Cooperative Development Centre
ORTDM	O.R. Tambo District Municipality
RAFI	Rural Agricultural Finance Initiative
SEDA	Small Enterprise Development Agency
SOC	State-Owned Company
TARDI	Tsolo Agriculture and Rural Development Institute
UIF	Unemployment Insurance Fund
WSP	Workplace Skills Plan

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PART A: GENERAL INFORMATION

ABOUT NTINGA OR TAMBO DEVELOPMENT AGENCY

Ntinga is a wholly-owned municipal entity of the O.R. Tambo District Municipality (ORTDM). The Ntinga O.R. Tambo Development Agency was established by the ORTDM as a service utility which serves as a special purpose vehicle that is responsible for driving local economic development in the OR Tambo district. The agency has since been converted into a State-Owned Company Limited (SOC Ltd).

STRATEGIC OVERVIEW

Vision

"Vibrant and Sustainable Communities"

Mandate

As established by the ORTDM, the agency is thus mandated:

To perform activities which fall within the functions and powers of district municipalities as contemplated in Section 84(1) of the Municipal Structures Act, 1998 (Act 117 of 1998), in particular Section 84 (1). These activities are:

- Integrated Development Planning;
- Potable Water Supply Systems;
- Domestic and Industrial Waste-water and Sewage Disposal Systems;
- Fresh Produce Markets and Abattoirs;
- Local Tourism Promotion;
- Municipal Public Works;
- Taxes, Levies and Duties, and
- Discretionary Activities.

The Ntinga O.R. Tambo Development Agency has responded to the unique challenges facing the district by adopting the following strategic approach toward local economic development:

- Effective harnessing of tangible and intangible resources in the district
- Mobilisation and leveraging of financial and other resources
- Spearheading of a sustainable human capital resource development
- Pursuance of innovation and best practise including indigenous system
- Effective planning and consultation

The agency drives local economic development through structured support packages in the following areas:

Agriculture

Sustainable water services and infrastructure development

Tourism

Forestry

Trade

Investment Promotion

Values

Nurture and care

Leadership

Agility

Innovation and creativity

Growth and development

Accountability and transparency

Good governance

Strategic goals

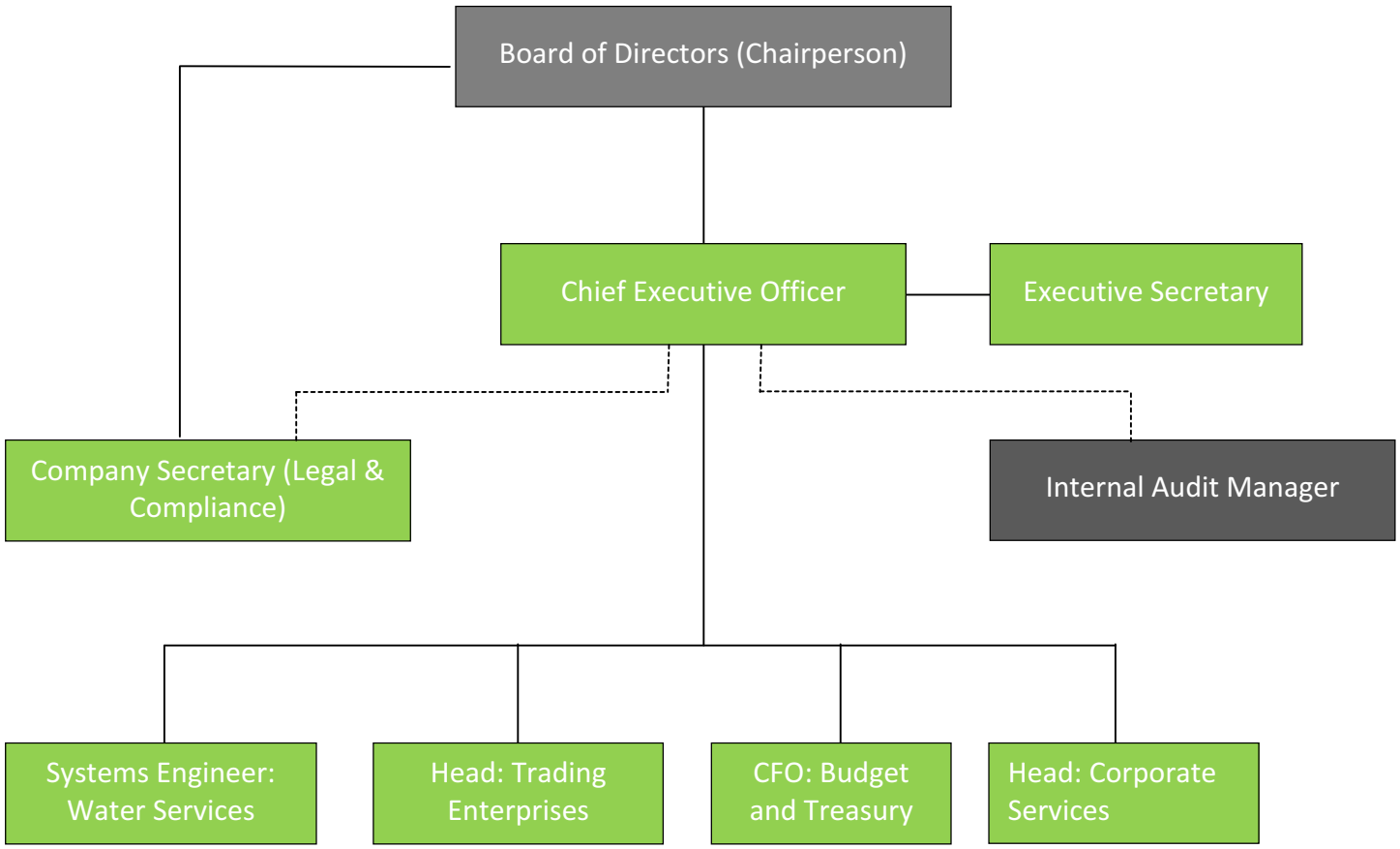
a) Sustainable water services (water supply and sanitation) systems.

b) Enhanced and enabled full value chains (upstream and downstream) for agricultural produce, markets, abattoirs and aquaculture.

c) Diversified partnerships that promote inclusive socio-economic development and growth.

d) Dynamic, capable and sustainable state owned company.

ORGANISATIONAL STRUCTURE



STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2019

To the best of my knowledge and belief, I confirm the following;

All information and amounts disclosed in the annual report is consistent with the annual financial statements audited by the Auditor General.

The annual report is complete, accurate and is free from any omissions.

The annual report has been prepared in accordance with the guidelines on the annual report issued by National Treasury.

The Annual Financial Statements have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP) Standards applicable to the public entity.

The accounting authority is responsible for the preparation of the annual financial statements and the judgements made in this information.

The accounting authority is responsible for establishing and implementing a system of internal control to provide reasonable assurance as to the integrity and reliability of the performance information, human resources information and the annual financial statements.

The external auditors were engaged to express an independent opinion on the annual financial statements.

In our opinion, the annual report fairly reflects the operations, the performance information, the human resource information and the financial affairs of the public entity for the financial year ended 30 June 2019.

Yours faithfully

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Chairperson of the Board
SE Mase

Chief Executive Officer
PK Pongwana

CHAIRPERSON'S FOREWORD

The culmination of the 2018/19 financial year provides an apt opportunity for an honest and incisive appraisal of organisational performance in a generally challenging operating environment. The prevailing service delivery environment requires stewards of public assets such as Ntinga to practice financial prudence in the face of significant fiscal and budgetary constraints.

This challenge is not unique to Ntinga and the O.R. Tambo District Municipality. It therefore requires innovative approaches in the discharge of the mandate delivery function. In particular, the effective discharge of the Ntinga mandate requires ethically, inspired and superior leadership acumen which should lead to an enhanced and pronounced development impact.

As such, the Board of Directors is acutely cognisant that its success will be measured through the diligent application of its collective wisdom and posture which is targeted at the attainment of meaningful socio-economic change within the district. The Board's interventions are directed at providing adequate support and counsel to management in order to ensure that Ntinga interventions and delivery instruments are focussed on the alleviation of poverty and unemployment in the district. In this regard, the Board has consistently impressed upon management that Ntinga's programmes should be a lived and qualitative experience which complements the quantitative posture characterising the corporate reporting regime. In essence, the agency is required to prioritise the human experience in the delivery of its mandate.

FIT-FOR-PURPOSE AGENCY

Subsequently, during the period under review, the Board embarked on a recruitment exercise which was aimed at filling critical executive vacancies. The appointment of competent and proficient management forms a central pillar in the execution of the Ntinga strategy. The strategy is seized with positioning the agency as a catalyst for local economic development in key economic sectors such as agriculture and agro-processing, water services and infrastructure, tourism as well as investment and trade promotion. This is an enormous undertaking which requires human capital with the requisite technical and leadership acumen.

As a result, while the Board oversight function remains sound, its effectiveness was limited by the absence of a company secretary, the chief executive officer and the head of enterprises during the period under review. These vacancies severely curtailed the agency's ability to effectively execute its mandate. However, I am confident that by the end of the review period or soon thereafter, our recruitment exercise which is aimed at filling these critical vacancies will be finalised. The appointment of these key executives should bring certainty and clarity of purpose in strategy implementation.

In pursuit of this developmental and transformative agenda, the Board is leading the implementation of progressive human capital policies which are premised on a culture of organisational excellence, the improvement of employment relations as well as the retention of staff. The Board recognises that in order to support its aspirations of a fit-for-purpose world-class institution, it needs to reward superior performance, skills and experience. In addition, the agency's major constraint is the non-implementation

of section 89 of the Municipal Finance Management Act (MFMA) regarding the review of upper limits. This matter needs to be resolved urgently.

FINANCIAL VIABILITY AND ORGANISATIONAL SUSTAINABILITY

The Board is also aware that it has to use its creative energy to reduce its financial dependence on the state. However, the effectiveness of this goal is dependent on the adoption of a well-structured allocation of capital for non-income generating developmental mandates, such as the promotion of rural farming and marketing days for local communities, amongst other.

These are ongoing discussions with the shareholder which are aimed at attaining long-term financial stability and organisational sustainability. In this vein, I am pleased to announce that Ntinga received an unqualified audit opinion in the 2018/19 financial year. This audit opinion reaffirms that Ntinga is a responsible and trustworthy corporate citizen which channels and mobilises public funds for its intended use. This should also bolster funder and public confidence in the agency and it should attract the requisite financial support for effective mandate delivery.

Similarly, the Board accepts the audited 2018/2019 Annual Financial Statements from the Auditor-General and the Annual Performance Report from Ntinga management. On behalf of the Board, I duly present the Audited Annual Financial Statements and Annual Performance Report for the year 2018/19 to the Shareholder, the Council of the O.R. Tambo District Municipality.

Furthermore, the Board is pleased that the organisation has achieved a smooth transition from a municipal service utility into a State-Owned Company (SOC). During this complex transition, municipal assets, people and liabilities were successfully transferred from the service utility to the new SOC without incurring further financial risks. In addition, the agency has successfully ensured that its strategy finds expression, alignment and resonance with the O.R. Tambo Council strategy.

MANDATE DELIVERY

I am pleased that in 2018/19, Ntinga recorded a formidable set of operational results in pursuit of its strategic goals. During the period under review, the organisation repaired 76 non-functional water schemes while another 58 water schemes were assessed.

A total of 606 livestock units were slaughtered at the abattoir. The abattoir generated R7,8million of revenue in 2018/19. A total of 764 cattle was produced at Adam Kok Farms generating a revenue of R4,6 million. In addition, 18 hectares (ha) of potatoes planted at Adam Kok Farms were harvested. The harvest was sold at the Kei Fresh Produce Market.

A new off-take agreement was also signed by a customer to buy meat from the abattoir. Negotiations are also taking place with an investor that seeks to implement an alternative energy project in the district.

The Board is pleased that compliance requirements including budget approval, in-year performance and financial reporting were met during the period under review. A total of R1,2m in investment income was collected. While there are supply chain management issues that are being addressed, the agency continues to pay its suppliers on time.

SHAREHOLDER COMPACT

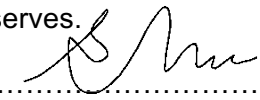
In pursuit of the fulfilment of its fiduciary responsibilities, the Board has identified areas that require improvement in the shareholder compact and stakeholder relations. These matters were raised collegially through the mayoral committee and the municipal administration for proper presentation at the shareholder council. For instance, matters relating to the alignment of the council mandate and Ntinga's strategic goals require a clear funding regime in the areas of water services, revenue enhancement, agriculture and value chain services. Clarity is also vital in the role of Ntinga in the implementation of key strategic partnerships such as the Rural Agricultural Finance Initiative (RAFI) and its policy objectives. This is important if ORTDM is to successfully promote the agro-processing sector, green economy and food security.

STRATEGIC PARTNERSHIPS

The organisation also recognises that the development and maintenance of high-value strategic partnerships lies at the epicentre of efficient mandate delivery. As such, the agency continues to harness the collective energy of funders, partners, third-parties and like-minded organisations in order to improve its effectiveness. In this regard, I want to thank Ntinga's key stakeholders particularly the farmers, cooperatives, business community and the communities of the O.R. Tambo District for their constructive criticism and commitment to the cause of Ntinga.

APPRECIATION

I am grateful for the support and guidance of Her Worship, the Executive Mayor of ORTDM, Councillor Sokhanyile. I extend the Board's appreciation to the mayoral committee and the O.R. Tambo District Municipality Council. Furthermore, I extend my appreciation to the municipal manager Mr Owen Hlazo for his ongoing support as well as that of his executive team. I am equally grateful to the Board of Directors for its wise counsel and astute leadership acumen in a challenging operational and fiscal environment. I am pleased that the Board of Directors continues to marshal its collective skills and resources to steer Ntinga toward a sustainable growth trajectory. Finally, the agency is entering the new financial year in anticipation of a breakthrough appointment of a new chief executive officer. I, however, extend my sincere appreciation to the acting chief executive officer, Loyiso Mbiko and the executive management team for holding the fort during this challenging period. This appreciation extends to the entire Ntinga family for their determination in effecting real and material economic change in the communities which Ntinga serves.



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SE Mase

Chairperson of Board of Directors

CHIEF EXECUTIVE OFFICER'S REPORT

I am pleased to present the 2018/19 financial year performance report of the Ntinga O.R. Tambo Agency. Steering the Ntinga ship provides an empowering opportunity as well as the requisite platforms, channels and resources to effect real and sustainable socio-economic redress.

The organisation is concerned with the mobilisation of financial and other resources as well as strategic partnerships which are geared toward the attainment of a solid and sound socio-economic dividend. The effectiveness of Ntinga will be evidenced by its resolve to ensure that the most pressing challenges of poverty and unemployment are effectively addressed by harnessing its skills and resources for an improved development impact.

STRATEGIC POSTURE

During the period under review, the organisation identified which levers it needs to pull in order to provide practical expression to the demands of the shareholder as well of the communities we exist to serve. This exercise culminated in the development and implementation of a corporate strategy which is poised on four strategic goals.

Subsequently, the agency adopted four strategic goals which will guide the organisation in its quest to build a robust and resilient regional economy. These goals are the development of sustainable water services (water supply and sanitation) systems, enhanced and enabled full value chains (upstream and downstream) for agricultural produce, markets, abattoirs and aquaculture. The third goal is the establishment of diversified partnerships that promote inclusive socio-economic development and growth as well as the realisation of a dynamic, capable and sustainable state-owned company.

The agency continued to review the performance improvement plans it developed in the previous financial year which are aimed at organisational sustainability. These plans are designed to propel better performance in goals one and two which are critical to the entity's sustainability. This is an area that is receiving significant attention. However, I am pleased that there are signs that there is a marked improvement in the positioning of Ntinga as a capable special purpose vehicle of government. It is only a capable Ntinga armed with the requisite technical acumen which can effect the desired mandate delivery outcomes.

FINANCIAL ACUMEN

The Board under the astute leadership of the chairperson Sitembele Mase instructed management to ensure that available yet limited resources are not only used for the attainment of Ntinga's formidable mandate, but also to build shareholder, funder and public confidence. In this regard, I am pleased with the unqualified audit opinion received by Ntinga in the 2018/19 financial year. The attainment of an unqualified audit opinion is a demonstration of a state of continuous improvement in the management of public assets at Ntinga. However, the organisation is aware that it has to keep a delicate balance between its quest for financial sustainability and the demands of its growing development mandate. The agency

recognises that true mandate delivery is manifest in a growing and vibrant regional economy characterised by a buoyant small business sector.

STRUCTURED SMME SUPPORT PACKAGES

As such, the agency continues to offer structured support packages to small business owners which are aimed at providing a market for their products. Improved market access is crucial in building sustainable small businesses. These support instruments ensure the financial well-being of small businesses and their ability to create sustainable jobs. The organisation will therefore place emphasis on cross-sectoral support packages which are aimed at building the competitiveness of local small businesses to ensure that they are able to compete with their global counterparts. This is important because a sustainable regional economy is built on a growing small business sector while it weans itself off a dependence on government grant funding support.

HUMAN RESOURCE DEVELOPMENT

Furthermore, the agency realises that capable human resources lie at the epicentre of building a world-class organisation. As a result, the agency is engaged in crafting a series of progressive human resources policies which recognise and reward exceptional performance. This is a critical element in supporting effective and efficient strategy implementation. Ntinga employees should work in an environment in which they feel that their expertise and efforts are recognised and rewarded. The human resources unit continues to bolster its employee support tools to ensure that staff perform optimally and that they are in a state of continuous personal and professional development.

By the end of the financial year the organisation would have recruited its preferred candidates for the vacant critical positions, including the company secretary and head of enterprises. The appointment of these senior leaders will bring the required certainty and clarity of purpose within the agency. A total of 13 posts were filled during the year under review.

FINANCIAL PERFORMANCE

The financial performance of the agency remains sound. However, Ntinga's trading enterprises are projected to stagger their break-even over the next three to five years. Having used the reserves of the entity to prop up operations, the agency requires recapitalisation in order to support the core business. The organisation is engaged in continuous conversations with the district municipality in this regard.

Compared with the 2017/2018 financial year, the agency's total revenue decreased by R46m (38%) from R121.8m to R75.8m in the 2018/19 financial year. Excluding transfers and subsidies as well as transfer of assets, Ntinga recorded revenue of R30.6m in the 2018/2019 financial year compared to R21.6 million in 2017/2018. This translates to a 42% growth in own generated revenue from year-to-year. The positive growth in revenue has not yet translated into profitability. The three trading enterprises of the agency are still in a loss-making position. This meant they were subsidised by Ntinga's accumulated cash reserves owing to inadequate grant funding.

From the refurbishment and maintenance of water schemes, the agency generated R10.4m in revenue. This is the first financial year that revenue is generated from this source.

Grant funding received from the parent municipality for the agency's operations amounted to R33.8m in 2018/19 versus R32.8m in 2017/18.

OPERATIONAL PERFORMANCE

During the period under review, Ntinga placed significant emphasis on ensuring that its subsidiaries are financially stable and that they perform at acceptable levels. In the 2018/19 financial year, the Kei Fresh Produce Market secured a market agent with a second in the pipeline. The Umzikantu Abattoir continued to generate revenue out of slaughter fees. This includes the slaughter of other cattle for sale which were received from the Adam Kok Farms.

With regard to the development of sustainable water services systems, the agency repaired 76 non-functional water schemes and it assessed a further 58 water schemes.

An analysis of water consumers was conducted in some areas. Some areas were not assessed as planned because community leaders refused to co-operate with social facilitators. Social facilitators were denied access to hold a meeting with the community of Link Village by the headman. The community of Highbury was unable to convene a meeting due to non-attendance by community leaders.

I am also pleased with progress made in the critical area of enhanced and enabled full value chains for agricultural produce, markets, abattoirs and aquaculture. For example, a total of 606 livestock units were slaughtered at the abattoir. The abattoir generated R7,8 million in revenue in the 2018/19 financial year. A total of 764 cattle were produced at the Adam Kok Farms which resulted in R4,6 million in revenue. The abattoir is improving the marketing of its products and it is also attending to operational issues such as meat classification.

The farms are implementing custom feeding which should improve the quality of the cattle that is being supplied to the abattoir.

A total of 18 hectares of potatoes were harvested at Adam Kok Farms. This harvest was sold at the Kei Fresh Produce Market.

In addition, two prospective market agents have expressed interest in doing business with the Kei Fresh Produce Market in the 2019/20 financial year. One of the agents is planning to commence trading at the beginning of 2019/20.

Progress is being made in the establishment of diversified partnerships that promote inclusive development and growth. In this regard, a new off-take agreement was signed by a customer to buy meat from the abattoir.

Negotiations are also taking place with an investor that intends to implement a renewable energy project in the district.

In 2018/19, two off-take agreements were signed and implemented and two partnership agreements were signed with the Small Enterprise development Agency (SEDA) and the Tsolo Agriculture and Rural Development Institute (TARDI).

Furthermore, three training sessions were held for the benefit of cooperatives. They were in corporate governance, fresh hydroponics and Ingquza Maize Project. The O.R. Tambo Cooperatives Development Centre (ORTCDC) was also fully-established. A centre manager was employed, a legal entity registered and a Board of Directors which was trained on governance issues was established.

An investment worth more than R89 million was attracted into the ORTDM from the Unemployment Insurance Fund (UIF) as a domestic investor in the Labour Action Programme. The investment is specifically targeted at skilling, reskilling and labour activation of the former mineworkers within O.R. Tambo.

Ntinga also improved its resolve of building a dynamic, capable and sustainable state-owned company. This resolve translated into compliance requirements including budget approval, in-year performance and financial reporting being met. A total of 23 Policies and Standard Operating Procedures were reviewed. A R1.2m investment income was also collected. I am pleased that although there remains supply chain management issues that are being attended to, suppliers are paid on time. In this regard, a threshold of 50% local procurement was achieved in 2018/19.

However, the agency continues to experience late payment of water services grant invoices from ORTDM. This matter is being addressed with the shareholder.

PARTNERSHIPS

The agency recognises the central role played by its various strategic partners in the fulfilment of the Ntinga mandate. The agency relies on the support of third-party partners and funders in order to leverage their resources for an improved socio-economic dividend. Ntinga continues to nurture and encourage such valuable partnerships by assuming a collaborative and complementary approach in the execution of the development agenda. I also recognise Ntinga's private sector partners who support the work of the agency in non-financial terms by providing their technical expertise to improve the competitiveness of our small business owners across all priority sectors. The agency also recognises the work of the communities it operates in and their support is appreciated.

FUTURE OUTLOOK

Moving forward, the organisation will intensify the delivery of its core business in order to enhance its effectiveness in exacting its economic impact. As such, greater focus will be placed on building a capable cadre of employee whose skills and experience are appropriately matched to the correct roles. This should enhance the delivery agenda and improve staff morale.

Furthermore, the organisation will pay particular attention to its general financial health and that of its entities. This is important for long-term sustainability. In addition, Ntinga will continue its engagements with the shareholder for the recapitalisation of the agency. The agency is confident that it will receive the support it requires from the district.

APPRECIATION

Lastly, I extend my appreciation to the Board of Directors for its insightful leadership acumen and support. Its collective wisdom continues to guide the agency toward the intended mandate delivery outcomes. I am grateful to the executive management team for their continued and unwavering support. I also thank all Ntinga staff for their resilience and dedication to the Ntinga mandate. I also extend my appreciation to all Ntinga's partners who continue to support the agency's efforts in a challenging development arena.

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P.K. Pongwana

Chief Executive Officer

CHIEF FINANCIAL OFFICER'S REVIEW

The 2018/19 financial year marks two years since the agency finalised its transition into an SOC and implementing the revised mandate. In the past two years, the agency received assets that were transferred to it by the parent, the ORTDM. The biggest assets transfers amounting to R62,2 million took place in the 2017/18 financial year. In 2018/19, agricultural equipment amounting to R10.7m was transferred to Ntinga.

Compared with the 2017/18 financial year, Ntinga's total revenue decreased by R46m (38%) from R121,8 million to R75.8m in the 2018/19 financial year. Excluding transfers and subsidies as well as transfer of assets, the 2018/19 financial year revenue amounted to R30.6m compared to R21.6m in 2017/18. This translates to a 42% growth in own generated revenue from year-to-year. The positive growth in revenue has not yet translated into profitability. The three trading enterprises of the entity are still in a loss-making position. They were subsequently subsidised using the agency's accumulated cash reserves owing to inadequate grant funding.

From water services work, that is the refurbishment and maintenance of water schemes, the entity generated revenue of R10,4 million. This is the first financial year that revenue is generated from this source.

Grant funding received from the parent municipality for the agency's operations amounted to R33,8 million. In the 2017/18 financial year, grant funding was R32,8 million.

During the period under review, total expenditure amounted to R87,8 million compared to R67,2 million in 2017/18. Staff salaries and wages comprise 47% of total expenditure and 55% of total revenue. During the 2018/19 financial year, Ntinga concluded the migration of staff from the old service utility to the SOC. This entailed the adjustment of salary packages for certain positions.

Included in expenditure under operational costs, is R7,2 million being the carrying value of orchard trees that was derecognised during the year. The other reason for the increase in operational costs is expenditure incurred on funded special projects such as the O.R. Tambo Cooperatives Development Centre, the Rural Agro-Finance Industry (RAFI) and an agricultural project implemented on behalf of a local municipality.

Overall, for the 2018/19 financial year, the agency made a loss before tax of R11,9 million.
The agency's total assets remain above its total liabilities. Furthermore, current assets exceed current liabilities by R9,8 million.

However, without the deferred tax asset which is not necessarily convertible into cash, the agency's current assets amounted to R17,8 million. With liabilities amounting to R15,2 million, the entity's net current asset position is R2,6 million.

Cash and cash equivalents have declined from R30,8 million in the previous year to R6,2 million by the end of the 2018/19 financial year. The financial position of the entity has declined when compared to the 2017/18 financial year. Turnaround or improvement plans are being implemented in order to improve the situation. This is particularly true for trading enterprises. However, indications are that it is not going to take less than five (5) years before enterprises are self-sustainable. Until then, additional funding ought to be secured. To this end, engagements with the parent municipality have commenced.

Financial Overview: Year 2019			
Details	**Original Budget**	**Adjusted Budget**	**Actual**
Revenue:			
Transfers and Subsidies	27 222 986	29 328 151	34 505 610
Sale of Goods and Rendering of Services	80 795 913	66 006 318	25 207 731
Interest on investments	2 500 000	2 500 000	1 155 693
Donations of Assets	-	-	10 781 346
Gains on assets adjustments	50 000	70 000	4 013 157
Profit / gains on disposal of assets adjustments	-	40 000	213 286
Sub-total	**110 568 899**	**97 944 469**	**75 876 823**
Less: Expenditure	109 278 080	97 357 308	87 848 020
Surplus / (Deficit)	**1 290 819**	**587 161**	**(11 971 197)**
Current Assets	27 286 117	25 684 857	25 085 112
Non-current Assets	19 991 053	73 128 795	75 534 185
Total Assets	**47 277 170**	**98 813 652**	**100 619 297**
Current Liabilities	2 450 000	6 216 973	15 227 850
Non-current Liabilities	-	-	-
Total Liabilities	**2 450 000**	**6 216 973**	**15 227 850**
Net Assets	**44 827 170**	**92 596 679**	**85 391 447**

Operating Ratios

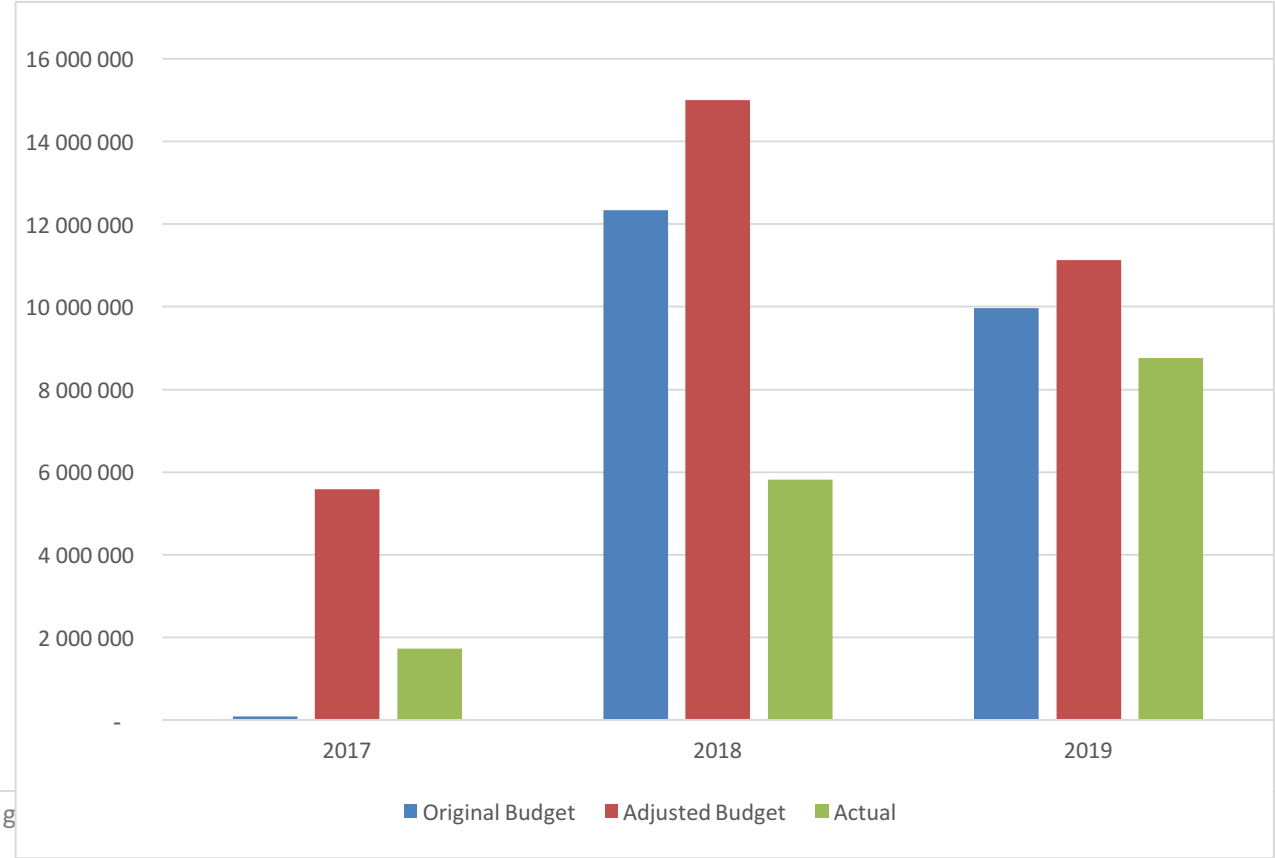
Detail	2018/2019	2017/2018
Employee Costs	47%	51%
Repairs and Maintenance	0.8%	0.4%

Operating ratios

Employee costs amounted to 47% of the agency's total expenditure cost. The norm is approximately 30%. However, most programmes that are implemented by the agency are labour intensive. Furthermore, trading enterprises are not yet operating at their full capacities. With the implementation of the strategy, the employee costs ratio is going to improve gradually to the desired level.

Most of the agency's assets were renewed recently hence the ratio on repairs and maintenance is much lower than the norm of approximately 10%.

CAPITAL EXPENDITURE			
Detail	**Year 2017**	**Year 2018**	**Year 2019**
Original Budget	90 000	12 335 000	9 963 000
Adjusted Budget	5 588 794	14 998 480	11 124 055
Actual	1 729 822	5 815 934	8 753 304



Capital expenditure

Capital expenditure relates to the acquisition of property, plant and equipment as well biological assets in the form of livestock. Over the past three years, capital expenditure has been increasing steadily. This is mainly due to the renewal of infrastructure in trading enterprises.

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L. Mbiko

Chief Financial Officer

PART B: PERFORMANCE INFORMATION

SITUATIONAL ANALYSIS

The five-year Corporate Strategy and the Service Delivery Business and Implementation Plan (SDBIP) documents for the 2018/19 financial year remain the source documents for the compilation of the annual report on performance information of the Ntinga O.R. Tambo Development Agency.

Performance on the monitoring and evaluation of the implementation of the Ntinga five-year Corporate Strategy and the Annual Performance Plan is done through a quarterly reporting system, where individual quarterly reports are compiled by management and shared with internal audit to perform the audit function.

The reports are then submitted to the Audit and Risk Committee and they are further transmitted to the Board for approval. All four quarterly reports were thereafter submitted to the shareholder (ORTDM).

The annual report on performance information reflects all the performance indicators and targets as depicted in the SDBIP for 2018/19 financial year.

Ntinga's strategic plan contains four strategic goals in which all programmes are aligned as highlighted here under:

GOAL 1: Sustainable water services (water supply and sanitation) system.

GOAL 2: Enhanced and enabled full value chains (upstream & downstream) for agricultural produce, markets, abattoirs and aquaculture.

GOAL 3: Diversified partnerships that promote inclusive socio-economic development and growth.

GOAL 4: Dynamic, capable and sustainable state-owned company.

Service delivery environment

The agency has adopted four strategic goals which guide the implementation of its mandate. The 2018/2019 performance on each of the goals is summarised as follows:

Strategic Goals (SG)	2018/19 Annual Targets (Summary of Performance)					
	Fully or Over-Achieved		Not Achieved		Total Ntinga Annual Targets	
	No.	%	No.	%	No.	%
1. Sustainable Water Services (water supply and sanitation) System.	1	25%	3	75%	4	100%

Strategic Goals (SG)	2018/19 Annual Targets (Summary of Performance)					
	Fully or Over-Achieved		Not Achieved		Total Ntinga Annual Targets	
	No.	%	No.	%	No.	%
2. Enhanced and Enabled Full Value Chains (upstream & downstream) for Agricultural Produce, Markets, Abattoirs and Aquaculture.	2	22%	7	78%	9	100%
3. Diversified Partnership that Promote Inclusive Socio-economic Development and Growth.	7	87%	1	13%	8	100%
4. Dynamic, Capable and Sustainable State Owned Company.	15	83%	3	17%	18	100%
TOTAL TARGETS (Fully Achieved & Not Achieved)	**25**	**64%**	**14**	**36%**	**39**	**100%**

Performance Analysis for the Annual Performance Report:

- The agency had 39 targets planned for the period under review.
- The agency has achieved overall performance of 64% which is regarded as not good performance.
- The targets that were not achieved were 14 in total (36%). The areas of non-achievement were mainly on Goal 1, 2 and Goal 4.

Performance of the agency is summarised as follows:

Goal 1 - Sustainable Water Services (water supply and sanitation) Systems:

- There were four targets in Goal 1 that were planned for the 2018/19 financial year. One target was achieved, and three targets were not achieved.
- A water services grant invoice of R4,693,650 (VAT exclusive) was issued to the municipality but it had not been paid by the end of the financial year. The payment received for invoices that were submitted to ORTDM amounts to R5,785,650.
- 76 non-functional water schemes were repaired and 58 water schemes were assessed.
- The analysis of water consumers was conducted in some areas. Some areas were not assessed as planned because community leaders refused to cooperate with the social facilitators. Social facilitators were denied access to hold a meeting with the community of Link Village by the

Headman. The community of Highbury rescheduled their meeting because of non-attendance by community leaders.

Goal 2- Enhanced and enabled full value chains (upstream and downstream) for agricultural produce, markets, abattoirs and aquaculture.

- There were nine targets set for the 2018/19 financial year. Two targets were achieved and seven targets were not achieved.
- A combined total of 606 livestock units were slaughtered at the abattoir.
- The abattoir generated R7,8 million in revenue.
- 764 cattle were produced at Adam Kok Farms generating revenue of R4,6 million.
- 18 hectares of potatoes planted at Adam Kok Farms were harvested starting in June 2019.
- Two prospective market agents have indicated an intention to consider doing business with Ntinga "KFPM" in 2019/20. One of the agents is planning to commence trading at the beginning of the next financial year.
- The abattoir is improving its product marketing and it is also addressing operational issues such as meat classification.
- On the side of the farms, custom feeding is being implemented and this will improve the quality of cattle that is being supplied to the abattoir.

Goal 3: Diversified partnerships that promote inclusive development and growth.

- Eight targets were planned for the 2018/19 financial year. Seven targets were achieved and one target was not achieved.
- Two off-take agreements were signed with customers to buy meat from the abattoir.
- Negotiations are taking place with an investor that will be implementing an alternative energy project in the district.
- Two off- take agreements were signed and implemented and two partnership agreements were signed with SEDA and TARDI.
- Three training sessions were held for the benefit of co-operatives. They were on corporate governance and fresh hydroponics and the Ingquza Maize Project.
- The ORTCDC was fully established. A centre manager was employed and a legal entity registered. A Board of Directors was established and trained on governance issues.
- An investment worth more than R89 million was attracted into the ORTDM from the Unemployment Insurance Fund (UIF) as a domestic investor in the Labour Action Programme.

Goal 4: Dynamic, capable and sustainable state-owned company (SOC).

- 18 targets were planned for the 2018/19 financial year. Fifteen targets were achieved while three targets were not achieved.
- Compliance requirements including budget approval, in-year performance and financial reporting were met.
- R1,2 million investment income was collected.
- There are supply chain management issues that are being attended to.
- Suppliers are paid on time.
- Threshold of 50% local procurement was achieved.

- Corporate strategy was reviewed.
- A senior management position was filled.
- There is effective oversight with the Board of Directors meeting according to its schedule.
- The agency continues to experience a late payment of water services grant invoices from the ORTDM.
- 23 policies and standard operating procedures were reviewed.
- 13 posts were filled during the year under review.

Organisational environment

During the year under review, the Ntinga Board assessed the progress of the implementation of the five-year strategy of the agency.

The Board took a number of resolutions for management to implement to ensure that the entity delivers on its mandate and its five-year strategic goals as set out in the five-year strategy (2017/18- 2021/22).

A diagnostic evaluation and comparison of the Ntinga structure with other SOC's and developmental agencies has been completed and the results thereof submitted to the Human Capital & Remuneration Committee, along with possible organisational design options.

The Human Resource Development (HRD) Strategy, skills audit and organisational design will be finalised in line with strategic guidance from the Board.

Key policy developments and legislative changes

There were no policy developments during the period under review which impacted or impeded Ntinga's mandate, structure or operational activities.

Significant developments

During the year under review, the organisation finalised its transition from a municipal services entity into a state-owned entity. The Board also finalised the recruitment process for the appointment of a new chief executive officer, company secretary and for the head of trading enterprises.

STRATEGIC GOAL 1	Sustainable Water Services (water supply and sanitation) Systems.										
Objectives	**Key Performance Indicator**	**Project Names**	**Indicator Code**	**Interventions/ Critical Success Factors**	**Baseline 2017/18**	**2018/19 Annual Performance Target**	**Annual Target** **Actual Performance**	**Performance Variance & Reasons**	**Corrective Measure**	**Means of Verification**	**Custodian**
1.1 Provide water related services to the per-urban & rural communities within the O.R. Tambo District by refurbishing and maintaining schemes.	1.1.1 Number of assessed, refurbished , and Maintained of non-functional schemes in KSD water schemes.	Assessment, refurbishment and maintenance of 83 water schemes	1_1.1_2_P02	Assessment, refurbishment and maintenance of 83 water schemes	21 schemes were allocated to Ntinga during the 2017/18 financial year	Assessment, of 58 water schemes and	**Over Achieve**d: 58 Water Schemes were assessed	2 more additional schemes were assessed , upon the site inspection more schemes under the allocated villages were faulty which led to more schemes to be assessed.	None.	* Job Cards, List of assessed schemes (Q1- Q2)	Head: Water Services
						Refurbishment and Maintenance of 83 water schemes	**Not Achieve**d: 44 water schemes refurbished. 76 water schemes repaired.	Target not achieved because of non payment of invoices by the parent municipality and delays in the supply chain management processes	Ntinga Management must meet with ORTDM Management and discuss the delays in the payment of invoices. The delays in the supply chain management processes were discussed and resolved in the management meeting.The meeting with ORTDM will take place before the end of the	* Job Cards and List of refurbished water Schemes. (Q1- Q4)	Head: Water Services
	1.1.2 Analysis of consumers (metered and un-metered) in the peri-urban and rural areas	P04 Rural Billing	1_1.1_4_P04	Identification of water services and users and use patterns in Peri Urban Areas of KSD.	Phase 1 Analysis of consumers in peri urban areas of Pyane, Chris Hani, and Mandela Park has been done.	Phase two analysis of consumers in periurban areas of Joe Slovo, Payne,Mandela Park, Fairfield, Zimbane and Qweqwe, KwaLindile, Mpheko, KwaLink, & Highbury to be done by 30 June 2019.	**Not Achieved**: Phase 2 analysis was done at Joe Slovo, Payne Farm, Mandela Park, Chris Hani, Fairfield, Qweqwe, Kwa-Lindile and Mpheko	Target not achieved because the communities leaders are refusing to cooperate with the Social Facilitators. Phase 1 Analysis of consumers in peri urban areas of Pyane, Chris Hani, and Mandela Park has been done.	Further consultation with the Headman and the ward councillor has been arranged in order to break the deadlock.	* Analysis report * Attendance Registers	Head: Water Services
	1.1.3 Revenue generated by the Water Services Department from maintenance and water billing	Revenue generation		Revenue generated by the Business unit	R1,937,878.00	R17,043,478	**Not Achieved**: R5,785,650 has been paid. An invoice of R4 ,693 650 has not been paid.	Target not achieved because of non payment of invoices by the parent municipality	Ntinga Management must meet with ORTDM Management and discuss the delays in the payment of invoices. The meeting with ORTDM will take place before the end of the 1st quarter of	Invoices submitted to ORTDM.	Head: Water Services

STRATEGIC GOAL 2	**Enhanced and Enabled Full Value Chains (upstream and downstream) for Agricultural Produce, Markets, Abattoir and Aquaculture**										
Strategic Objectives	**Key Performance Indicator**	**Project Names**	**Indicator Code**	**Interventions**	**Baseline 2016/17**	**2018/19 Annual Performance Target**	**Annual Target Actual Performance**	**Performance Variance & Reasons**	**Corrective Measure**	**Means of Verification**	**Custodian**
2.1 Improve productivity and profitability of Umzikantu Abattoir by 30 June 2020.	2.1.1 Number of livestock units slaughtered for communities, butcheries and other	P09 Abattoir Private Slaughter	2_2.1_1_P09	- Refurbishment and continuous maintenance of abattoir infrastructure and facilities. - Production and marketing of red meat (cattle, sheep, goats & pigs) carcasses and offal, locally and beyond. - Utilisation of abattoir for slaughtering incrementally towards full capacity.	167.3 Units	550 Livestock units slaughtered for communinities, butcheries and others	**Over Achieved**: 606.42 units slaughtered for communinities, butcheries and others	56.42 Units more slaughtered for communities, butcheries and others.	Not Applicable	Batch control documents.	Head: Trading Enterprises
	2.1.2 Number of livestock units slaughtered for sale, towards abattoir full capacity	P10 Abattoir Own Livestock Slaughter	2_2.1_2_P10		175.5 Units	1497 Livestock units slaughtered for meat sales towards abattoir full capacity	**Not Achieved**: 639.25 Livestock units slaughtered for meat sales towards abattoir full capacity	857.75 less livestock units slaughtered for meat sales towards abattoir full capacity. We have not tapped into retail as we do not fully comply with their requirements	Intensify marketing to accommodate retail and wholesale. Finalise the issue of Classifying and Grading.Classification and grading will happen in the second quarter in 2019 20 financial year (30 October 2019)	Batch control documents.	Head: Trading Enterprises
	2.1.3 Revenue generated from meat sales and slaughter fees	P11 Abattoir Meat Sales	2_2.1_3_P11		R2 690 972.17	R18 557 000 Revenue generated from meat sales and slaughter fees	**Not Achieved**: R7 848 902.00 Revenue generated from meat sales and slaughter fees	R10 708 098.00 was not generatedf from meat sales and slaughter fees. We have not tapped into retail as we do not fully comply with their requirements	Intensify marketing to accommodate retail and wholesale. Finalise the issue of Classifying and Grading	Financial Reports	Head: Trading Enterprises
2.2 Improve functionality and viability of Kei Fresh Produce Market (KFPM) by initially focusing and targeting linkages of fruit and vegetable industry supply chains by 30 June 2020.	2.2.1 Tonnage of agricultural produce sold by Market Agents	P14 Fresh Produce Market tonnage	2_2.2_1_P14	- Refurbishment and continuous maintenance of Market infrastructure and facilities. - Recruitment of competent Market Agents towards full capacity of the Market. - Encourage aggressive marketing and sale of fresh produce (fruit and vegetables) locally and beyond by Market Agents.	2 012 Tons	19 742 Tons of agricultural produce sold by Market Agents by 30 June 2019	**Not Achieved**: 1 853.50 Tons of agricultural produce sold by Market Agent from Q1 to Q4 of 2018-19	Underperformed by 17 889 Tons of agricultural fresh produce that was supposed to be sold by Market Agents by 30 June 2019. Currently, there is 1 market agent and is under performing in terms of bringing in produce and pushing sales.	Efforts are in place to attract three more market agents to KFPM who will bring stability in terms of tonnage of agricultural fresh produce and revenue generation. Classification and grading will happen in the second quarter in 2019 20 financial year (30 October 2019)	Freshmark System monthly reports.	Head: Trading Enterprises
	2.2.2 Revenue generated from 5% commission of agricultural produce sold	P16 Fresh Produce Market Commission	2_2.2_3_P16		R409, 462.39 Revenue generated for 2017/2018	R5 850 000 revenue generated from commision on agricultural produce sold by 30 June 2019	**Not Achieved**: R247, 262.55 Revenue generated from agricultural produce sold by Market Agent from Q1 to Q4 of 2017-18	Underperformed by R5 602, 273 (5% Commission that wassupposed to be generated from agricultural produce sold). Currently, there is 1 market agent and is under performing in terms of bringing in produce and		Freshmark System monthly reports.	Head: Trading Enterprises
	2.2.3 Optimise utilisation of KFPM floor space	P17 Fresh Produce Market Profitability	2_2.2_4_P17		1 Market Agent Trading at KFPM	Securing of 3 additional Market Agents	**Not Achieved**: 1 out of 3 market agents have been secured but failed to do business. The Agent only traded for 1 month and 15 days. The Market remains with 1 market agent on the floor.	Fenato Market Agent (BEE) only traded for 1 month and 15 days on the market floor and ran away. Attempts to talk to them were unsuccessful.		Freshmark System monthly reports.	Head: Trading Enterprises
2.3 Utilise Adam Kok Farms as a primary production hub for agricultural produce	2.3.1 Number of cattle produced and sold to Umzikantu Abattoir and other markets	P20 Adam Kok Livestock Sales	2_2.3_2_P20	- Purchase, condition (for a maximum of 100 days) and distribute cattle for Umzikantu Abattoir (starting with 50% of requirements in 2017/18) and beyond. - Heifer Exchange Programme -Livestock Trade Fair	516 Cattle produced and sold	700 Cattle produced and sold and R7 Million generated	**Over-achieved on number of cattle**: 764 cattle produced and sold. **Not Achieved on revenue**: R4 625 903 generated	64 more cattle produced and sold. R2 374 097 less generated. Beef prices dramatically dropped during and after the foot and mouth disease outbreak in Limpopo from November 2018. The Outbreak did not happen at Adam Kok Farms but at Limpopo, that affected the	None: This was a national crisis.	Livestock sales invoices.	Head: Trading Enterprises

STRATEGIC GOAL 2	Enhanced and Enabled Full Value Chains (upstream and downstream) for Agricultural Produce, Markets, Abattoir and Aquaculture										
Strategic Objectives	**Key Performance Indicator**	**Project Names**	**Indicator Code**	**Interventions**	**Baseline 2016/17**	**2018/19 Annual Performance Target**	**Annual Target Actual Performance**	**Performance Variance & Reasons**	**Corrective Measure**	**Means of Verification**	**Custodian**
	2.3.2 Revenue generated from livestock (cattle) produce and sold to Umzikantu Abattoir and other markets		2_2.3_3_P21	- Cattle Branding	None. New Target	1497 Cattle supplied to Umzikantu Abattoir	**Not Achieved**: 464 cattle supplied to Umzikantu Abattoir	1032 less cattle supplied - the supply was as per the demand of Umzikantu Abattoir.	Umzikantu Abattoir to work on problems that led to low demand	Livestock sales invoices.	
	2.3.4 Number of hectares utilised for crop production				None. New Target	18 hectares utilised for crop production	**Fully Achieved** - 18 Hectares utilised for crop production	Not applicable	Not applicable	* Crop production plan. * Crop Sales Invoice	

STRATEGIC GOAL 3	Diversified Partnerships that Promote Inclusive Socio-economic Development and Growth.										
Strategic Objectives	**Key Performance Indicator**	**Project Names**	**Indicator Code**	**Interventions**	**Baseline 2017/18**	**2018/19 Annual Performance Target**	**Annual Target** **Actual Performance**	**Performance Variance and Reasons**	**Corrective Measure**	**Means of Verification**	**Custodian**
3.1 Optimize linkages of meat industry value chain that enhance functionality of Umzikantu Abattoir by 30 June 2020.	3.1.1 Number of signed and implemented partnership agreements that enhance functionality of Umzikantu Abattoir	P25 Abattoir Strategic Partnerships	2_3.1_1_P25	- Establish and maintain partnerships with livestock (cattle, sheep and pigs) producers, marketers and/or speculators. - Facilitate off-take agreements with wholesalers and public entities like Correctional Services, Hospitals, etc. - Facilitate off-take agreements for hides and skins. - Establish partnerships with meat hawkers for sale of offal, feet and	1 Partnership Agreement	1 Partnership agreement signed and implemented.	**Fully Achieved** : 1 signed partnership agreement with TARDI	None	None	* Minutes and Attendance Register (Q1+ Q2). * Signed Partnership Agreement.(Q3). * Implementation	Head: Trading Enterprises
	3.1.2 Number of signed and implemented off-take agreements for sale of meat from Umzikantu Abattoir.				None. New Target	2 Off-take agreement signed and implemented.	**Fully Achieved:** 2 Off-take agreement signed and implemented.	None	None	* Attendance Register & Minutes (Q1 = Q2). * Signed Off-take Agreement (Q3+Q4)	Head: Trading Enterprises
3.2 Optimize linkages of fruit and vegetable industry value chain in support of Kei Fresh Produce Market by 30 June 2020.	3.2.1 Number of signed and implemented partnerships agreements that enhance functionality of Kei Fresh Produce Market.	P26 Fresh Produce Market Strategic Partnerships	2_3.2_2_P26	- Develop and maintain partnerships with Local Municipalities to assist local farmers to produce and supply the KFPM.	1 Partnership Agreement signed	1 Partnership agreement signed	**Fully Achieved:** 1 Partnership agreement signed between NTINGA and SEDA as facilitated in Q1.	None	None		Head: Trading Enterprises
3.3 Optimize linkages of a rapid livestock production industry value chain that enhance functionality of Adam Kok Farms by 30 June 2020	3.3.1 Number of signed and implemented partnership agreements that enhance functionality of Adam Kok Farms.	P29 Adam Kok Farms Strategic Partnerships	2_3.3_3_P29	Develop and maintain partnerships that enhance functionality of Adam Kok Farms. Roll out the heifer exchange programme with local municipalities	1 Partnership Agreement	1 Partnership Agreement signed and implemented.	**Fully Achieve**d: 1 Partnership agreement signed between NTINGA and TARDI	None	None	* Signed Minutes and Attendance Register. (Q1+Q2). * Signed Partnership Agreement.(Q3) *Implementation Progress Report (Q4)	Divisional Head: Trading Enterprises
	3.4.5 number of new Domestic Investors attracted into O.R. Tambo region	Investment Promotion and Facilitation		1 New Domestic investor attracted into O.R. Tambo region	None. New Target	1 New Domestic investor attracted into O.R. Tambo region	**Fully Achieved**: Investment worth more than R89 million was attracted into ORTDM from the UIF as a domestic investor in Labour Action Programme.	None	Not Applicable	* Signed Minutes & *Attendance Register (Q1 +Q2). * Domestic Investment Faciliation Report(Q3). * Signed Agreement (Q4)	Chief Executive Officer
3.5 Develop, Support and promote SMMEs as a catalyst for economic development, growth and innovation by 30 June 2021	3.5.1 Provide Training and Skills development to the SMME's, Cooperatives and Targeted groups within the region	UIF Training and Skills Development		Number of training interventions provided to the SMM's, Cooperatives, ex-mine workers, military veterans, unemployed youth, women and disabled	None. New Target	3 training sessions provided for the SMM's, Cooperatives, ex- mine workers, military veterans, unemployed youth, women and disabled	**Fully Achieve**d: 3 Training interventions took place in respect of (1) O.R. Tambo Co-operatives Movement Leadership support in matters of co-op governance, (2) Hydrophonics development and management, and (3) under the Ingquza Hill Project Ntinga facilitated access by 12 project members to a Training by Chippa Training Academy.	None	Not Applicable	PMO quarterly reports	Manager: PMO

STRATEGIC GOAL 3	Diversified Partnerships that Promote Inclusive Socio-economic Development and Growth.										
Strategic Objectives	**Key Performance Indicator**	**Project Names**	**Indicator Code**	**Interventions**	**Baseline 2017/18**	**2018/19 Annual Performance Target**	**Annual Target** **Actual Performance**	**Performance Variance and Reasons**	**Corrective Measure**	**Means of Verification**	**Custodian**
3.6 Develop, Support and Empower Co-operatives as Catalyst for Economic Development and Growth and innovation by 30 June 2021	3.6.1 Establishment of an effective and fully functional O.R. Tambo Cooperative Development Centre (ORTCDC)	O.R. Tambo CDC		ORTCDC	Interim Steering Committee in place chaired by the Ntinga CEO	Establishment of an effective and fully functional O.R. Tambo Cooperative Development Centre (ORTCDC)	**Fully Achieved**: ORTCDC has been established - (1) workstation established, (2) Centre Manager employed, (3) legal entity registered, (4) board of directors established and trained on governance issues, and (5) a Cooperatives incubation programme commenced	N/A	N/A	ORTCDC quarterly reports	Manager: PMO
	3.6.2 Number of new sustainable Cooperatives facilitated and supported	O.R. Tambo CDC	2_3.2_4_P28	- Facilitate and promote entrepreneurship development and innovation. - Facilitate SMME /Cooperative	None. New Target	14 new sustainable SMME's supported	**Not Achieved:**No Support given to 14 SMME's	None of the 14 SMMEs received support. The Harmony Gold Funded Enterprise Development Centre Project under which the SMMEs would be supported stalled.	Ntinga has on-going discussions with relevant stakeholders to unlock the project, and alternative sources for funding of SMMEs are being explored.	ORTCDC and PMO quarterly reports	Manager: PMO

STRATEGIC GOAL 4	Dynamic, Capable and Sustainable State Owned Company.										
Strategic Objectives	**Key Performance Indicator**	**Project Names**	**Indicator Code**	**Interventions**	**Baseline 2017/18**	**2018/19 Annual Performance Target**	**Annual Target Actual Performance**	**Performance Variance and Reasons**	**Corrective Measure**	**Means of Verification**	**Custodian**
4.1 Ensure Business Processes, Tools and Systems that support implementation of the Strategy and continued viability of the organisation by 30 June 2021.	4.1.1 Sound Financial Management and Accurate reporting	P30 Financial Management, Systems and Reforms	3_4.1_1_P30	- Financial management and reporting. - Supply Chain Management reforms and Oversight. - Asset Management.	Draft annual budget prepared for Board approval and submission to the parent municipality by 31 January each year.	2019/2020 proposed budget approved by the Board of Directors and submitted to the parent municipality by 31 January 2019.	**Fully Achieved:** 2019/2020 proposed budged approved by Board of Directors and submitted to the parent municipality by 31 January 2019.	None	Not Applicable	*Board resolution and *Proof of submission to parent municipality	Chief Financial Officer
					Final annual budget approved by Board by 31 May each year.	Board approved Credible final budget by 31 May 2019	**Fully Achieved:** 2019/2020 Final budget approved by Board of Directors by 31 May 2019	None	Not Applicable	* Proof of budget submission to parent municipality. *Approved 2019/2020 *Budget / Board	Chief Financial Officer
					Monthly budget control reports prepared within 7 working days after the end of every month.	Monthly budget reports submitted to the parent municipality within 7 working days after the end of every month.	**Fully Achieved:** Monthly budget reports submitted to the parent municipality within 7 working days after the end of every month.	None	Not Applicable	Monthly and quarterly reports approved by Accounting Officer.	Chief Financial Officer
					Quarterly finance reports prepared within 30 days after the end of the quarter.	Quarterly finance reports submitted to the Board within 30 days after the end of the quarter.	**Fully Achieved:** Quarterly finance reports submitted to the Board within 30 days after the end of the quarter.	None	Not Applicable	* Board resolution * Quarterly finance reports.	Chief Financial Officer
				Board of Directors adopted Mid-year budget & performance assessment report with recommendations	Mid-year budget & performance assessment report with recommendations submitted to Board of Directors by 20	Mid-year budget & performance assessment report submitted to Board of Directors by 20 January 2019.	**Fully Achieved:** Mid-year budget & performance assessment report submitted to Board of Directors by 20 January 2019.	None	Not Applicable	Mid-year assessment report.	Chief Financial Officer
				- Review of finance related policies and standard operating procedures (SOP). - Clean administration. - Audit of Annual Financial Statements. - Responding to A- G Queries. - Turnaround strategy	Audit Action Plan to resolve audit queries developed	Develop audit action plan to resolve audit queries	**Fully Achieved:** Audit action plan to resolve audit queries developed.	None	Not Applicable	Audit Action Plan	Chief Financial Officer
					Unqualified audit report	Obtain unqualified audit report from Auditor General	**Fully Achieved:** Unqualified audit report obtained from Auditor General for the 2017/2018 financial year.	None	Not Applicable	Audit Report	Chief Financial Officer
	4.1.2 Rand Value of investment income collected			100% collection of budgeted revenue.	R2 070 950 investment income collected.	R2.5m investment income collected.	**Not Achieved:** R1.2m investment income collected.	R1.3m of the projected investment income (interest) could not be collected due to non-realisation of anticipated revenue. Set revenue targets were not achieved.	Turnaround plans have been developed and are being implemented in order to improve revenue generation.	Investment register	Chief Financial Officer
	4.1.3 Annual Financial Statements submitted to Auditor General by 31 August			- Preparation of credible ledger accounts up to Statement of Financial Position. - Submission of Annual Financial Statements to the Audit and Risk	Annual Financial Statements submitted to Auditor General by 31 August.	Annual Financial Statements submitted to Auditor General by 31 August 2018.	**Fully Achieved:** Annual Financial Statements submitted to Auditor General by 31 August 2018.	None	Not Applicable	Signed AFS and Proof of Submission.	Chief Financial Officer
					Suppliers paid within 30 days from date of invoice.	100% of suppliers paid within 30 days from date of invoice	**Fully Achieved:** 100% of suppliers paid within 30 days from the date of invoice receipt by the Entity.	None	Not Applicable	Supplier payment vouchers.	Chief Financial Officer
	4.1.5 %Procurement Done with local suppliers			Compile Annual Procurement Plan and SCM Report	35% of Procurement done with local suppliers	50% of Procurement done with local suppliers	**Fully Achieved:** 50% of Procurement done with local suppliers	None	Not Applicable	SCM Paragraph 6 reports.	Chief Financial Officer

STRATEGIC GOAL 4	Dynamic, Capable and Sustainable State Owned Company.										
Strategic Objectives	**Key Performance Indicator**	**Project Names**	**Indicator Code**	**Interventions**	**Baseline 2017/18**	**2018/19 Annual Performance Target**	**Annual Target Actual Performance**	**Performance Variance and Reasons**	**Corrective Measure**	**Means of Verification**	**Custodian**
	4. 1.7 Annual Review of the Strategic Plan	P32 Corporate Governance	4_4.1_2_P33	Review Strategic Goals and Objectives Risk Management review Register/ top ten strategic risks	Annual review of strategic plan by May 2019	Reviewed and Board approved corporate strategy by 31 May 2019	**Fully Achieved**: the Ntinga Strategic Plan was reviewed in May 2019 and approved by the Board	None	Not Applicable	Signed reviewed Strategy	Chief Executive Officer
	4.1.8 Number of compliance reports	P33 Legal Compliance	4_4.1_2_P33	- Number of performance reports submitted to the relevant stakeholders	4 Quarterly Performance reports, 1 midterm Performance assessment report and 1 annual Performance report	Four quarterly performance , one Midterm report submitted and Annual Performance Report and Annual Report submitted to Auditor General to the Board, Parent Municipality and to the	**Fully Achieved**: 1st Quarter, 2nd Quarter, Midterm, 3rd Quarter and 4th Quarter Performance Report was submitted to the Board of Directors	None	Not Applicable	* Proof of Submission *Performance reports * Board Minutes	Chief Executive Officer
	4.1.9 Implementation of Performance Management Systems, monitoring and evaluation	P32 Corporate Governance	4_4.1_2_P33	Number Monthly Senior Management and Extended Management Meetings	Monthly Senior Management and Extended Management Meetings	12 Monthly Senior Management Meetings	**Over Achieved**: 16 Management Committee Meetings were held for the 2018/2019 Financial Year	4 Extra meeting were held , these extra meetings were held for operational reasons.	Not Applicable	* Attendance registers, * Signed Minutes.	Chief Executive Officer
	4.1.10 Number of Board and Board Committee Meetings attended	P32 Corporate Governance	4_4.1_2 _P33	-Number of Board meetings - Number of ARC meetings - Number of HRRC meetings - Number of SDIC meetings - Ntinga Annual General Meeting	Board Meetings ARC Meetings HRRC Meetings SDIC Meetings Annual General Meeting Shareholders Meetings	- 5 Board meetings	**Over Achieve**d: 6 Board Meetings were held for the period under review	1 More Board meeting was held to finalise the recruitment for CEO and Senior Manager :Trading Enterprises	Not Applicable	* Attendance Registers * Signed Minutes	Company Secretary
						* 6 ARC Meetings * 4 HRRC Meetings * 4 SDIC Meetings * 2 SEC Meetings	**Not Achieved**: 7 ARC Meeting 3 HRRC 4 SDIC 2 SEC	1 HRRC Meeting was not held due to lack of quorum	The HRRC Meeting was held in the 1st quarter of the new financial year(2019/2020)	* Attendance Registers * Signed Minutes	Company Secretary

STRATEGIC GOAL 4	Dynamic, Capable and Sustainable State Owned Company.										
Strategic Objectives	**Key Performance Indicator**	**Project Names**	**Indicator Code**	**Interventions**	**Baseline 2017/18**	**2018/19 Annual Performance Target**	**Annual Target Actual Performance**	**Performance Variance & Reasons**	**Corrective Measure**	**Means of Verification**	**Custodian**
4.2 Create and Maintain administrative capacity through recruitment, PMS and good governance for effective and functioning of SOC	4.2.1 Number of policies and SOPs reviewed	Review of policies and SOP		Review of policies and SOP	4 Policies reviewed in 2017/18	11 Review all policies and SOPs by 30 September 2018	**Over Achieved**: In Total 22 Policies were reviewed and SOPs by 30 September 2018. However 1 Policy was repealed by the Board and it does not form part policy	There was a need to develop new policies due Operational requirements.	None	Reviewed policies. Board Resolution . Policy Handbook	Head: Corporate Services
	4.2.5 Number of budgeted vacant posts filled	Filling of Critical funded posts		Recruitment of critical posts	Number of vacations posts filled	12 budgeted posts filled	**Not Achieved:** 11 posts were filled during the year under review	1 position was put on hold due budget constraints, however the recruitment was done and finalised and incumbent appointed in June 2019.	The incumbent has started on duty as from 01 August 2019	Appointment Letters	Head: Corporate Services

PART C: HUMAN RESOURCES

Introduction

The agency's organisational structure has a total of 157 positions of which 128 were budgeted for. Of these positions, 124 were filled by the end of the 2018/19 financial year. This represents a staff vacancy rate of 3%. All posts in the organisational structure have been evaluated using the Paterson Job Grading System and the results were implemented in November 2018. The agency has a new wage curve.

There was no suspension of staff. However, there was one case of financial misconduct which affected three employees. They have all pleaded guilty and they have agreed to repay the amount. No performance awards were made.

Employee totals, turnover and vacancies

Employees					
2018/2019 FY					
Description	**2018/2019 No. of employees**	**No. of Approved Posts**	**No. of filled posts**	**No. of vacancies**	**Vacancy rate (%)**
Chief Executive Officer	0	1	0	1	100
Chief Financial Officer	1	1	1	0	0
Company Secretary	0	1	0	1	100
Senior Manager Corporate Services	1	1	1	0	0
Senior Manager Trading Enterprises	0	1	0	1	100
Water Systems Engineer Services	1	1	1	0	0
Water Services	20	36	20	16	**44**
Trading enterprise – Abattoir	22	28	22	6	**21**
Trading enterprise – Adam Kok Farms	30	32	30	2	**7**

Trading Enterprise - Kei Fresh	15	15	15	0	0
CEO's Office	6	10	6	4	40
Finance including Supply Chain Management	13	14	13	1	7
Human Resource	4	4	4	0	0
Information Technology	3	3	3	0	0
General Administration	8	9	8	1	11
TOTAL	**124**	**157**	**124**	**33**	**21**

	Staff Turnover Rate			
Details	**Total number of employees**	**Total appointments**	**Termination during the financial year**	**Turn-over Rate**
2018/2019	124	13	11	9%
2017/2018	117	10	5	4.3%

Vacancies and turnover:

The terminations were a result of resignations and death. The turnover rate is relatively high and the employees who resigned left for personal reasons and some for career growth. Their positions could not be filled due to financial constraints and those positions were frozen except for the Head: Trading Enterprises, CEO and Security Officer. The position of Adam Kok Finance and Admin Accountant was advertised but could not be filled during the financial year due to depleted cash flow in the institution.

Injuries, sickness and suspensions

Number and Costs of injuries on duty					
Type of injury	**Injury leave taken (Days)**	**Employees using injury leave (number)**	**Proportion of employees using sick leave (%)**	**Average Injury leave per employee (Days)**	**Total estimated Cost (Rand value)**
Required basic mental attention only	0	0	0	0	0
Temporary total disablement	0	0	0	0	0
Permanent disablement	0	0	0	0	0
Total	**0**	**0**	**0**	**0**	**0**

Number of days and cost of sick leave (excluding injuries on duty)						
Salary band	**Total Sick Leave (Days)**	**Proportion Of sick leave with medical certification (%)**	**Employees using sick leave (number)**	**Total Employees in post (number)**	**Average sick leave per employee (Days)**	**Total estimated Cost (Rand value)**
Lower skilled	1	0	1	10	1	R205.48
Semi - Skilled	61	37	11	54	9	R72 677.93
Skilled	93	140	16	48	5	432 961.06
Middle management	14	3	4	11	9	47 555.37
Chief Executive Officer and Senior Management	28	0	3	6	9	R873 491.80
Total	**197**	**180**	**35**	**129**	**33**	**1 426 891.64**

Injury and sick leave

There were no injuries that occurred on duty during the 2018/19 financial year. The highest rates of sick leave taken are in the salary bands of semi- skilled personnel to middle management.

Capacitating the agency workforce

Due to the declining operational budget, expenditure on training has gradually reduced. Priority was given to those positions that must meet regulated competency requirements. This is done in phases. The entity prioritised employees who needed to close the 70/30 gap identified during placement. A Workplace Skills Plan (WSP) was developed based on the skills audit that was undertaken. However, the agency could not implement all training interventions in the Workplace Skills Plan due to budgetary constraints.

Skills development and training

Management level	Gender	Number of employees required and actual as at 30 June 2019											
		Learner ships			Skills programmes and other short courses			Other forms of training			Total		
		Actual: End of 17/18	Actual: End of 18/19	18/19 Target	Actual: End of 17/18	Actual: End of 18/19	18/19 Target	Actual: End of 17/18	Actual: End of 18/19	18/19 Target	Actual: End of 17/18	Actual: End of 18/19	18/19 Target
CEO and Senior Managers	Female	0	0		0	0		0	2		0	2	
	Male	0	0		1	0		2	0		3	0	
Middle Management	Female	0	0		0	1		0	1		0	2	
	Male	0	0		0	1		1	2		1	3	
Professionals	Female	0	0		0	7		4	4		4	11	
	Male	0	0		0	3		1	5		1	8	
Other	Female	0	0		0	5		0	0		0	5	
	Male	0	0		0	4		0	1		0	5	
TOTAL		**0**	**0**		**0**	**21**		**8**	**15**		**9**	**36**	

Financial Competency Development: Progress Report			
Description	**Total number of officials employed by the Municipal Entity**	**Competency Assessments completed**	**Comment**
Financial Officials			
- Chief Executive Officer	1	1	
- Chief Financial Officer	1	1	
- Senior Managers	2	2	
- Any other financial officials	6	4	2 officials will undergo the training in July 2019
Supply Chain Management Officials			
- Head of Supply Chain Management Unit	1	1	
- Supply Chain Management Officials	3	3	
TOTAL	**12**	**12**	

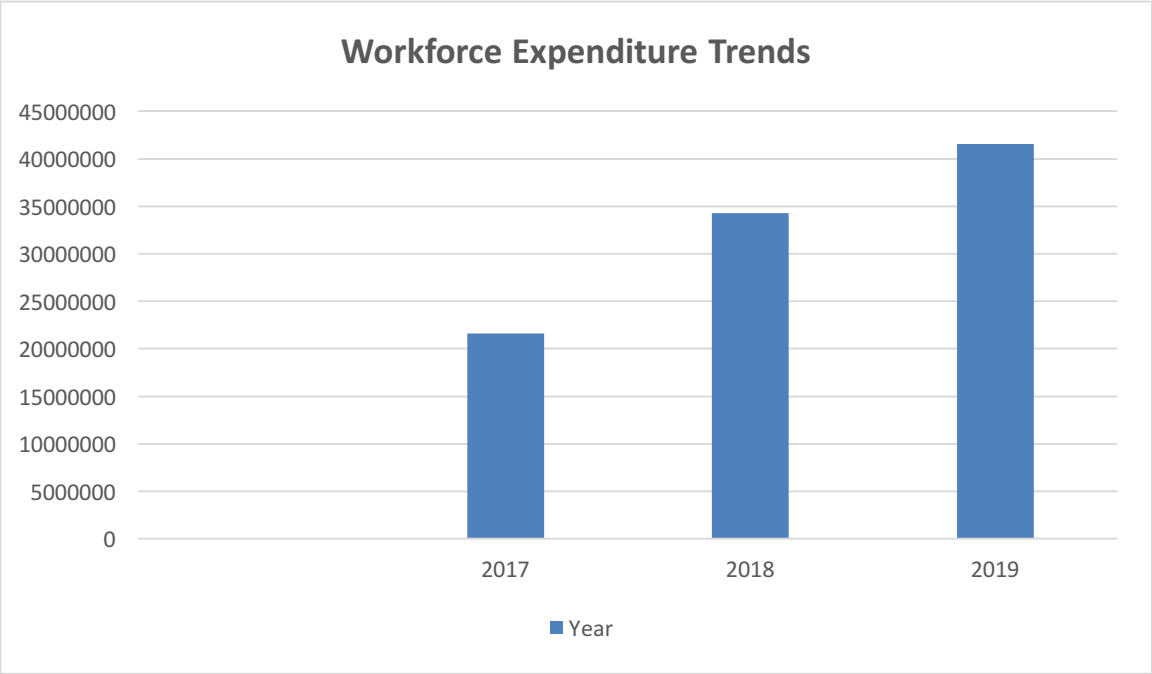
Skills development and related expenditure and on the financial competency regulations

Training and Development is an ongoing exercise despite funding limitations. The Certificate in Municipal Financial Management is prioritised for finance officials as well as senior management. All senior managers have obtained the certificate and it was made a requirement in the advert that the CEO and Head: Trading Enterprises should be in possession of this certificate or be able to obtain it within 18 months of employment.

Managing the workforce expenditure

- **Employee expenditure**

Employee expenditure relates to water services, trading enterprises, special projects as well as support functions. The parent municipality makes available grant funding to subsidise the agency's payroll costs. Expenditure incurred is kept within budget.



Comment on workforce expenditure

There is a sharp increase in employee related costs compared to trends in previous years. This is caused by the following factors:

a) Vacant positions particularly at senior management level were filled.
b) Kei Fresh Produce Market staff was transferred to the agency at the beginning of the 2017/18 financial year.
c) A new department of water services was established.
d) The grant funding from the parent municipality has been reduced.

PART D: CORPORATE GOVERNANCE

Introduction

The agency has a functional Board of Directors in place. It is appointed by the parent municipality, the O.R. Tambo District Municipality. Periodically, the Board reports to the parent municipality. The Board plays its oversight over administration. There are Board Committees in place that are tasked with oversight over Audit, Risk Management, Compliance and Corporate Governance.

Ntinga endorses the code of corporate practices and conduct as contained in the King Reports on Corporate Governance, and affirms its commitment to comply in all material respects with the principles incorporated in these reports. The agency further subscribes to the corporate governance principles set out in the Municipal Finance Management Act (the MFMA).

Ntinga is committed to good corporate citizenship and organisational integrity in the running of its affairs. This commitment provides the parent municipality/shareholder, customers and stakeholders with the comfort that Ntinga's affairs are being managed in an ethical and disciplined manner.

Introduction to administrative governance

Administration is headed by the Chief Executive Officer (CEO). The CEO reports and accounts to the Board of Directors. There are senior managers that are providing support to the CEO and they are as follows:

- Chief Financial Officer;
- Senior Manager Corporate Services
- Senior Manager Trading Enterprises
- Senior Manager Water Services
- Company Secretary-Position (vacant). Manager in the office of the CEO is acting in this position.

Relationships with the parent municipality

The agency is wholly-owned by O.R. Tambo District Municipality. It receives approximately 80% of its budget from the parent municipality. The Board of Directors takes decisions pertaining to the agency. There are two municipal representatives that sit in meetings of the Board of Directors.

Monthly and quarterly reports are submitted to the municipality. The agency's reports are subjected to scrutiny by the municipality's oversight structures such as portfolio committees and the Municipal Public Accounts Committee.

Corporate Governance Framework

The Board remains resolute in its high standards of governance, ethics, and integrity. By setting an ethical tone at the top and leading effectively with integrity, the Board ensures that good corporate governance is channelled into all levels of the organisation in order to enhance the reputation of Ntinga, build trust and, ultimately, result in value creation for the business and stakeholders.

While the Board's primary focus is to play a key role in determining the agency's strategic direction, it is also responsible for providing continuous oversight of material matters and holding the executive management team accountable for their areas of responsibility in terms of managing the businesses. To enable the relationship between the Board and executive management to achieve results, the Board has adopted a

governance framework that is rooted in adhering to legislation, the principles of the King IV Report, best practice guidelines and other governance prescripts and guidelines.

Conflict of Interests

The agency's values are entrenched through an approved Code of Ethics (Code) which guides employee behaviour in all internal and external stakeholder relations. In instances where a non-executive director has any direct or indirect personal or private business interest, he/she must withdraw from the proceedings when the matter is considered by the Board or any of its Committees, unless the Board or any of its Committees determines that a member's interest in the matter is trivial or irrelevant.

The agency requires all employees to sign 'declaration of interest' forms on an annual basis prior to the commencement of the financial year. The annual declaration of interests register for the Board is noted at the beginning of the financial year or as and when a revised declaration of interest is submitted to the Company Secretary.

Company Secretarial function

The Company Secretary is responsible to:

a. Ensure that Board procedures are followed and reviewed regularly and that applicable rules and regulations for the conduct of the affairs of the Board are complied with;
b. Guiding Board members as to how their responsibilities should be properly discharged in the best interests of the organisation;
c. Keeping abreast of, and informing, the Board of current and new developments regarding corporate governance thinking and practice; and
d. Maintaining statutory records in accordance with legal requirements.

The Board has access to the services and advice of the Company Secretary. In addition to various statutory functions, the Company Secretary provides individual non-executive directors and the Board with guidance on duties, responsibilities and powers, and the impact of regulatory developments. The Board has empowered the Company Secretary with the responsibility for advising the Board, through the Chairman, on all governance matters. The Company Secretary acts as the primary point of contact between the Board and the agency. The Company Secretary is qualified to perform the duties in accordance with the applicable legislation and is considered by the Board to be fit and proper for the position.

Board composition

The Parent Municipality, appoints the Board of Directors in terms of section 93E of the Municipal Systems Act 32 of 2000. As at 30 June 2019, the Board is comprised of nine directors of whom the majority (9), are independent non-executive directors, including the Chairperson.

The Chairman and the Chief Executive's roles and responsibilities are separate.

The Board of Directors is composed as follows:

BOARD MEMBER	APPOINTMENT DATE
Sitembele Eric Mase	1 July 2017
Prof. Lindelwa Yvonne Majova-Songca	1 July 2017
Unathi Nosiphe Mkize	1 July 2017
Mzimkulu Msiwa	1 July 2017
Dr. Lindile Linduxolo Ndabeni	1 July 2017
Nandipa Sibongile Nwabisa Bam	1 July 2017
Dr. Nandipha Toyota Ndudane	1 July 2017
Mpumzi Pupuma	1 July 2017
Nosipho Ngewu	1 July 2017

Board induction and information

The Company Secretary is tasked with assisting the Board with the induction of new non-executive directors and directors' orientation. A formal induction programme introduces non-executive directors to the agency's business environment, risk management, regulatory environment, governance framework, sustainability issues and fiduciary duties. Non-executive directors are regularly kept abreast of relevant agency matters and regulatory developments.

Succession planning

The Chairperson is in constant engagement with the parent municipality/shareholder on the agency's needs and requirements as far as the Board matters are concerned.

Board and committees' membership and meeting attendance

The Board has delegated some of its responsibilities to committees in accordance with the approved delegation of authority. Each Committee acts within the ambit of clearly defined terms of reference approved by the Board. These mandates are periodically reviewed and updated to address the recommendations of King IV and the requirements of the MFMA including the Protocol on Corporate Governance in the Public Sector.

The Board has four Committees to assist it in discharging its role and responsibilities, namely:

a. Audit and Risk Committee;
b. Human Resources and Remuneration Committee;
c. Social and Ethics Committee;
d. Strategy, development and investment Committee

Appropriate committee structures have been established in line with legislative requirements and business imperatives. These Committees continue to operate appropriately and they assist the agency with comprehensive control improvement and sound governance.

Board committee composition

BOARD MEMBER	Audit & Risk	HR & REMCO	Social & Ethics	Strategy, development & investment
SE Mase (Chairperson)				
Prof. LY Majova-Songca	•			
UN Mkize	•	•	•	
M Msiwa	•			•
Dr. LL Ndabeni		•	•	•
NS Bam		•		•
Dr. NT Ndudane		•		•
M Pupuma		•		•
N Ngewu		•	•	
N Makuni*	•			

** Member of the Audit & Risk Committee but not a member of the Board of Directors*

Board and committee meetings attendance

	Board: 7 meetings	Audit & Risk 6 meetings	HR & REMCO: 3 meetings	Strategy, development & Investment: 4 meetings	Social & Ethics: 2 meetings
SE Mase	7	-	-	-	-
Prof. LY Majova-Songca	5	5	-	-	-
UN Mkize	6	4	-	-	2
M Msiwa	3	5	-	4	-
Dr LL Ndabeni	7	-	1	4	2
NS Bam	7	-	2	3	-
Dr NT Ndudane	7	-	3	4	-
M Pupuma	7	-	3	4	-
N Ngewu	7	-	2	-	2
N Makuni*	-	6	-	-	-

** Member of the Audit & Risk Committee, but not a member of the Board of Directors.*

Delegation of Authority

The Board has delegated to the chief executive officer, the day-to-day running of the business within the approved Delegation of Authority Framework. The Delegation of Authority Framework applies to all employees of the agency.

Remuneration of the Board

The remuneration of the Board members is stipulated by the parent municipality, upon appointment of the director and is reviewed annually by the municipality. The Board members are remunerated per meeting and are reimbursed for kilometres travelled in terms of Ntinga's subsistence and travel policy. Board members do not claim for preparation fees and do not receive retention allowances.

Board member remuneration

Ntinga Board members were remunerated as follows in the year under review.

Name	Fees (Sitting allowance)	Claims (Reimbursive travel)	Total
SE Mase*	12,192	43,475	55,667
Prof. LY Majova-Songca	68,750	7,992	76,742
UN Mkize	116,050	2,026	118,076
M Msiwa	106,700	14,308	121,008
Dr LL Ndabeni	77,000	4,720	81,720
NS Bam	84,500	37,661	120,161
Dr NT Ndudane	88,000	11,859	99,859
M Pupuma	122,100	72,963	195,063
N Ngewu	66,000	4,837	70,833
N Makuni**	50,600	2,383	52,983
TOTAL	**789,892**	**202,220**	**992,112**

**** The chairman, Sitembele Mase, does not take any board fees except for two months that did not have an income. He is reimbursed for travel and accommodation costs only.***

*****Member of the Audit & Risk Committee but not a member of the Board of Directors***

Matters reserved for Board decision

a. Approving the Strategy, Corporate Plan, annual budgets and any subsequent material changes in strategic direction.
b. Approving annual financial statements, as well as the declaration of dividends;
c. Approving any significant changes in accounting policies or practices.
d. Recommending the acquisition or disposal of a significant shareholding in the agency for the Shareholder's approval.
e. Recommending the acquisition or disposal of a significant asset for the Shareholder's approval.
f. Entering into a Compact with the Shareholder.
g. Approving terms and conditions of the agency's rights issues, public officers, capital issues or issues of convertible securities, including shares or convertible securities issued for acquisitions.
h. Recommending the approval of any ordinary or special resolutions in respect of the agency to the Shareholder.
i. Appointments and changes in the composition of the Board Committees, as the Board may elect from time to time.
j. Effecting any changes in directors' fees and benefits as recommended by the Human Resources and Remuneration Committee and approved by the Shareholder.
k. Any amendment to such rules as recommended by the Human Resources and Remuneration Committee.

Risk management

The Board, through its Audit and Risk Committee, ensures that there is an effective risk management process within the agency. Risk management processes include policy development, facilitation of risk assessments and development of mitigating controls for the risks identified.

The Board is the ultimate Chief Risk Officer of the agency and this function has been delegated to the Internal Audit and Risk Unit.

The Board-approved Risk Management policy was implemented throughout the financial year to ensure that risk management activities are institutionalised within the agency.

Risk assessments were facilitated by the Internal Audit unit for all business units and regional offices and the risk registers were submitted to the Audit & Risk Committee for review and to provide input with regards to the effective implementation of the Risk Management policy within the agency.

The Audit and Risk Committee plays an independent oversight role which assists management with risk management processes and as such recommends suitable actions for mitigating unacceptable levels of risks identified.

Risk management practices assist the agency to improve its performance and achieve its objectives, and ultimately ensure a positive audit outcome is received from the Auditor-General when external audit is conducted.

Risk assessments are conducted annually. Risks are aligned to the strategy of the agency. This is done so that any event which may cause the set objectives not to be achieved are identified, evaluated and managed to an

acceptable level. Responsibilities for risk management are assigned to individual personnel. Management is ultimately held accountable for risk management with the Board of Directors performing oversight. For the 2018/2019 financial year the following strategic risks were identified:

a. Inability to provide safe, affordable and reliable water to the entire peri-urban and rural citizens of O.R. Tambo.
b. Inability to meet the set production volume targets.
c. Inability to fully utilise Adam Kok farms.
d. Inability to fully optimise linkages of meat value chains.
e. Inability to fully optimise linkages of fruit and vegetables value chains.
f. Inability to fully optimise linkages of livestock value chain.
g. Ineffective oversight by the Corporate Governance structures.
h. Non-compliance with applicable Legislation and Corporate Policies.
i. Inadequate ICT systems to support organisation.
j. Adopted budget may not be credible (possible failure to secure long term funding and recapitalisation from the shareholder, thus affecting liquidity and going concern).

Internal audit and audit committee

Ntinga's internal audit function is an independent, objective, assurance and consulting activity designed to add value and improve the organisation's operations. It assists the organisation in accomplishing its objectives by bringing a systematic, disciplined approach to the evaluation and effectiveness of risk management, control and governance processes. Such assurance is based on objective information, in the form of audit opinions, arising from internal audits performed.

The specific objectives of internal audit are to:

- Provide an independent appraisal function to examine and evaluate the agency's activities as a value-added service;
- Review the adequacy and effectiveness of systems of risk management, control and governance;
- Assist the agency's employees in the effective discharge of their duties and responsibilities via its reviews, reporting and recommendations;
- Provide analyses, appraisals, recommendations, counsel, and information concerning the activities reviewed; and
- Promote effective control at reasonable cost.

Key activities and objectives of the Audit and Risk Committee

The objective of the Audit and Risk Committee is to provide an independent oversight of the agency which increases the assurance stakeholders can place on the governance of the agency.

As such, the committee endeavours to:

- Assist management in their evaluation of the adequacy and efficiency of the financial reporting process, the system of internal control, performance information, information communication and technology and compliance with laws and regulations;
- Review the work performed by the agency's Internal Audit Unit, which comprises mainly internal audit assignments and risk management activities; and
- Maintain effective working relations with the Board, management and the internal and external auditors.

Compliance with laws and regulations

During the period under review, Ntinga's Internal Audit (IA) performed comprehensive Compliance with Laws and Regulations reviews. The results of this review have satisfied the IA that the Agency is fully compliant with all laws and regulations relevant its areas of operation.

The Board is of the opinion that Ntinga currently applies the governance principles contained in King IV and complies with all requirements of the Companies Act and the MFMA.

Fraud and anti-corruption

There is an anti-fraud and anti-corruption strategy in place. It includes the whistle blowing processes. Systems of internal controls are documented and subject to periodic reviews by internal audit. There is a functional Audit and Risk Committee in place which amongst other things is tasked with oversight over fraud and corruption management processes.

Minimising conflict of interest

Ntinga staff is required to declare their interests in other businesses/organisations on a regular basis. In addition to this declaration, all bid evaluation and adjudication committee members are required to declare any potential conflict of interest at each committee meeting. Committee members are excluded from participating in procurement decisions where a conflict of interest exists or is perceived to exist. Conflict of interest includes the interest of spouses and close family members.

Further, the agency requires all suppliers registered on its database to declare its shareholders and any conflict of interest upon registration to avoid the inadvertent use of suppliers in an irregular manner. Ntinga prevents conflict of interest by ensuring adherence to National Treasury's Code of Conduct for supply chain management practices.

The Code specifies that an official or other role player involved with supply chain management:

- May not accept any reward, gift, favour, hospitality or other benefit directly, including to any close family member, partner or associate of the person, of a value more than R350;
- Must declare to the accounting officer details of any private or business interest which that person, or any close family member, partner or associate, may have in any proposed procurement or disposal process, or in any award of a contract by the entity;
- Must immediately withdraw from participating in any manner whatsoever in a procurement or disposal process or in the award of a contract in which that person, or any close family member, partner or associate, has any private or business interest;
- Must declare any business, commercial and financial interests or activities undertaken for financial gain that may raise a possible conflict of interest. The above is important to promote and ensure compliance with highest ethical standards in an entity.

REPORT OF THE AUDIT& RISK & COMMITTEE (ARC)

We are pleased to present our report for the financial year ended 30 June 2019.

Audit & Risk Committee Responsibility

The ARC has complied with its responsibilities arising from Sections 166(2) and 121(4) (g) of the Municipal Financial Management Act no 56 of 2003 (MFMA).

The ARC has also reviewed and adopted appropriate terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

ARC Members and Attendance:

During the reporting year six meetings were held. ARC members and details of attendance were as follows:

Name of Member	No. of Meetings Attended
Prof.LY Majova-Songca (**Chairperson**)	5
U. Mkhize	4
M Msiwa	5
N Makuni	6

The office of the Auditor General was invited in all ARC meetings.

The effectiveness of Internal Controls

The system of internal controls applied by Ntinga O.R. Development Agency SOC Ltd over financial and risk management is effective, efficient and transparent.

In line with the MFMA requirements, Internal Audit provides the ARC and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, it was noted that no significant or material noncompliance with prescribed policies and procedures have been reported. Accordingly, we can report that the system of internal control for the period under review was efficient and effective. However; an improvement on controls over Performance Information reporting was needed, as deficiencies were noted regarding submission of Portfolio of Evidence files in the Quarterly Internal Audit Reports and as evident by the Audit Report issued by the Office of the Auditor General.

Internal audit has audited and made reviews on the following:-

- Review of Quarterly Performance Reports;
- Annual Financial Statements Review;
- Review of Annual Performance Report;
- Follow-up on Internal Audit Reports;
- Implementation of Auditor General Management Audit Action Plan;
- Risk Assessment Process;

- Risk Management Reviews;
- Review of Supply Chain Management;
- Review of Asset Management;
- Review of implementation of the Board Resolutions;
- Review implementation of banking systems and procedures at the Abattoir;
- Review implementation of migration and placement policy as well as change management process plan;
- Review the Implementation of the Fraud Prevention Policy- Consulting Review;
- Review compliance to performance management systems and tools;
- Review of the 2018/19 Service Delivery and Budget Implementation Plan; and
- Review of the Draft 2019/20 SDBIP.

The quality management of quarterly reports submitted to the ARC

The ARC has reviewed the management quarterly reports tabled for submission in terms of MFMA. Systems and processes are in place for monitoring and reporting on budgetary performance and against set targets. The ARC is satisfied that the mechanisms in place for in-year management of resources are effective notwithstanding the deficiencies noted in the Internal Audit reviews on Quarterly Performance Reports.

Evaluation of Financial Statements

The ARC has reviewed and discussed the audited annual financial statements and annual performance report to be included in the annual report with the Auditor General and Management. The ARC accepted the Auditor-General's conclusion on the annual financial statements and has recommended the audited annual financial statements for approval by the board. The board has approved the audited annual financial statement on 17 January 2020 and these will be presented at the annual general meeting.

Internal Audit

The ARC is satisfied that the Internal Audit function is operating effectively and that the Internal Audit procedures have addressed the risks pertinent to the Agency. The Committee noted and accepted the appointment of the Director: Internal Audit in December 2018.

Auditor General South Africa (AGSA)

The ARC has met with the Auditor-General of South Africa and there are no unresolved issues.

Appreciation

I wish to express my appreciation to the members of the Committee and to Ntinga Development Agency's management team for their commitment and support in this financial year.

……..

Professor L.Y. Majova-Songca

Chairperson

PART E: FINANCIAL INFORMATION

Report of the auditor-general to Eastern Cape Provincial Legislature on Ntinga OR Tambo Development Agency SOC Ltd

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Ntinga OR Tambo Development Agency SOC Ltd set out on pages 54 to 108 which comprise statement of financial position as at 30 June 2019, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Ntinga OR Tambo Development Agency SOC Ltd as at 30 June 2019, and its financial performance and cash flows for the year then ended in accordance with GRAP and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) and the Companies Act of South Africa, 2008 (Act No. 71 of2008).

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 entity in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants' Code of ethics for professional accountants and, parts 1 and 3 of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants as well as 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 codes.

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

Emphasis of matter

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

Irregular Expenditure

7. As disclosed in note 31.2 to the financial statements, the entity incurred irregular expenditure of R1,6 million, as it did not follow proper tender processes and operating policies of the entity.

Responsibilities of the accounting office for the financial statements

8. The board of directors, which constitutes the accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with GRAP and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) and the Companies Act of South Africa, 2008 (Act No. 71 of 2008), and for such internal control as the accounting officer

determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

9. In preparing the financial statements, the accounting officer is responsible for assessing the Ntinga OR Tambo Development Agency SOC Ltd'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 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

11. I conducted a limited assurance engagement in accordance with the International Standard on Assurance Engagements, ISAE 3000, Assurance engagements other than audits or reviews of historical financial information.

12. The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for a reasonable assurance engagement and consequently they do not enable me to obtain the assurance necessary to become aware of all significant matters that might be identified in a reasonable assurance engagement. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

13. I have undertaken a limited assurance engagement on the reported performance information for the following selected objectives presented in the annual performance report of the entity for the year ended 30 June 2019:

Objectives	Pages in the annual performance report
Strategic goal 1- sustainable water services (water resource management supply and sanitation) systems.	24
Strategic goal 2- enhanced and enabled full value chains (upstream and downstream) for agricultural produce, markets, abattoirs, and aquaculture.	25

14. I believe that the evidence obtained is sufficient and appropriate to provide a basis for my conclusions.

15. The material findings in respect of the usefulness and reliability of the selected objectives are as follows:

Strategic goal 1: sustainable water services (water supply and sanitation) systems.

1.1.1 Number of assessed, refurbished, and maintained of non-functional schemes in KSD water schemes.

Assessed water schemes

16. The systems and processes that enable realible reporting of achievements against the indicators were not adequately designed because the assessment reports were not signed by artisans which rendered the reports invalid. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement of 58 assessed water schemes reported in the annual performance report.

Strategic goat 2: enhanced and enabled full value chains (upstream and downstream) for agricultural produce, markets, abattoir and aquaculture

2.3.2 Revenue generated from livestock (cattle) produce and sold to Umzikantu

17. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of the target. There was no clear and logical link between the indicator "Revenue generated from livestock (cattle) produced and sold to Umzikantu Abattoir and other markets" and the target (1497 Cattle supplied to Umzikantu Abattoir) to which it relates. The indicator focused on revenue generated, while the target aimed to achieve number of cattle. I was unable to con- firm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement of 464 cattle supplied to Umzikantu Abattoir.

Other matters

18. I draw attention to the matters below.

Achievement of planned targets

19. Refer to the annual performance report on pages 20 to 30 for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 16 to 17 of this report.

Adjustment of material misstatements

20. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of sustainable water services (water supply and sanitation) systems and enhanced and enabled full value chains (upstream and downstream) for agricultural produce, markets, abattoir and aquaculture. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.

Report on the audit of compliance with legislation

Introduction and scope

21. 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 entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

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

Procurement and contract management

23. Some of the invitations for competitive bidding were not advertised for a required minimum period of days, in contravention of SCM regulation 22(1) and 22(2).

24. Bid documentation for procurement of commodities designated for local content and production, did not stipulate the minimum threshold for local production and content as re- quired by the 2017 preferential procurement regulation 8(2). Similar non-compliance was also reported in the prior year.

25. The performance of some of the contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA.

26. The contract performance and monitoring measures and methods were not sufficient to ensure effective contract management, as required by section 116(2) (c) of the MFMA.

Annual financial statements and annual report

27. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of revenue, expenditure, contingent liabilities, irregular expenditure and deviations disclosures identified by the auditors in the submitted financial statements were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Other information

28. 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 of South Africa, 2008 (Act No. 71 of 2008). The other information does not include the financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported in this auditor's report.

29. 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.

30. 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 objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

31. 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

32. 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. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.

- Controls over daily and monthly processing and reconciling of transaction were in place. These were however not always operating effectively as material misstatements were identified.
- Policies and procedures were established, however they were not always adhered to. This was evidenced by the non-compliance with legislation identified that could have been prevented had the policies and procedures been properly implemented.

East London

Auditor General

30 November 2019

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 objectives and on the 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 entity's internal control

   - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting officer.

   - conclude on the appropriateness of the board of directors, which constitutes 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 Ntinga OR Tambo Development Agency SOC Ltd'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 an 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 officer 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 officer 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.

NTINGA O. R. TAMBO DEVELOPMENT AGENCY

NTINGA O. R. TAMBO DEVELOPMENT AGENCY SOC LTD

(A MUNICIPAL ENTITY OF THE O. R. TAMBO DISTRICT MUNICIPALITY : REGISTRATION NUMBER: 2016/272582/30)

Ntinga OR Tambo Development Agency

SOC Ltd

ANNUAL FINANCIAL STATEMENTS

30 JUNE 2019

NTINGA O. R. TAMBO DEVELOPMENT AGENCY SOC LTD

(A MUNICIPAL ENTITY OF THE O. R. TAMBO DISTRICT MUNICIPALITY : REGISTRATION NUMBER: 2016/272582/30)

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NTINGA O. R. TAMBO DEVELOPMENT AGENCY SOC LTD

(A MUNICIPAL ENTITY OF THE O. R. TAMBO DISTRICT MUNICIPALITY : REGISTRATION NUMBER: 2016/272582/30)

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

GENERAL INFORMATION

NATURE OF BUSINESS

Service Delivery vehicle of the parent municipality, O.R. Tambo District Municipality.

LEGAL FORM

A municipal entity of the O.R. Tambo District Municipality as defined by the Municipal Structures Act. (Act no 117 of 1998)

CHIEF EXECUTIVE OFFICER

Mr. P.K. PONGWANA

CHIEF FINANCIAL OFFICER

Mr. L. MBIKO

REGISTERED OFFICE

Old Government Printers Building, 5 Textile Road, Vulindlela Heights, Southernwood, Mthatha

EXTERNAL AUDITORS

Auditor General South Africa

PRINCIPAL BANKERS

First National Bank

MOST RELEVANT LEGISLATION

- Constitution of the Republic of South Africa (Act no. 108 of 1996)
- Municipal Finance Management Act (Act no 56 of 2003) (MFMA)
- Division of Revenue Act (Act No.3 of 2016)
- The Income Tax Act (Act no. 58 of 1962)
- Value Added Tax Act (Act no. 89 of 1991)
- Local Government: Municipal Structures Act (Act no 117 of 1998)
- Local Government: Municipal Systems Act (Act no 32 of 2000)
- Municipal Planning and Performance Management Regulations of 2001 issued in terms of Local Government: Municipal Systems Act (Act no. 32 of 2000)
- Skills Development Levies Act (Act no 9 of 1999)
- Employment Equity Act (Act no 55 of 1998)
- Unemployment Insurance Act (Act no 30 of 1966)
- Basic Conditions of Employment Act (Act no 75 of 1997)
- Supply Chain Management Regulations, 2005 issued in terms of Local Government: Municipal Finance Management Act (Act no. 56 of 2003)
- South African Local Government Bargaining Council - Collective Agreement on Leave
- Companies Act (Act 71 of 2008)

NTINGA O. R. TAMBO DEVELOPMENT AGENCY SOC LTD

(A MUNICIPAL ENTITY OF THE O. R. TAMBO DISTRICT MUNICIPALITY : REGISTRATION NUMBER: 2016/272582/30)

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

ACCOUNTING OFFICER'S RESPONSIBILITIES AND APPROVAL

The accounting officer is required by the Municipal Finance Management Act, to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is his responsibility 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, in conformity with Generally Recognised Accounting Practice (GRAP). The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with Generally Recognised Accounting Practice (GRAP) and the MFMA, and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The external auditors are responsible for independently providing reasonable assurance by reviewing and reporting on the Entity's annual financial statements.

The annual financial statements set out on pages 6 to 50, which have been prepared on the going concern basis, were approved by the board and were signed on its behalf by:

Mr L. Mbiko
(Chief Financial Officer)

26 November 2019
Date

Mr P.K. Pongwana
(Chief Executive Officer)

26 NOVEMBER 2019
Date

NTINGA O. R. TAMBO DEVELOPMENT AGENCY SOC LTD

(A MUNICIPAL ENTITY OF THE O. R. TAMBO DISTRICT MUNICIPALITY : REGISTRATION NUMBER: 2016/272582/30)

DIRECTORS REPORT

Directors submit their report for the year ended 30 June 2019.

1 Main business and operations

The Ntinga O.R. Tambo Development Agency, a municipal entity established by the O.R. Tambo District Municipality (ORTDM) performs activities which falls within the functions and powers of district municipalities as contemplated in Section 84(1) of the Municipal Structures Act, 1998 (Act 117 of 1998), in particular Section 84 (1).

2 Taxation

The Entity started operating as a State Owned Company with effect from 01 July 2017 and therefore liable for Income Tax.

3 Board of Directors

The directors of the Entity appointed for a period of three years were as follows:

Name	Nationality	Appointment date
Mr. S. Mase (Chairperson)	RSA	01 July 2017
Prof. L. Majova-Songca (Deputy Chairperson)	RSA	01 July 2017
Mr M. Msiwa	RSA	01 July 2017
Mrs U. Mkize	RSA	01 July 2017
Dr L. Ndabeni	RSA	01 July 2017
Ms N. Bam	RSA	01 July 2017
Dr. N.L. Ndudane	RSA	01 July 2017
Mr. M. Pupuma	RSA	01 July 2017
Mrs. N. Ngewu	RSA	01 July 2017

4 Entity Company Secretary

The Acting Company Secretary for the year was Ms N Mningiswa.

5 Business Address:

Old Government Printers Building, 5 Textile Road, Vulindlela Heights, Mthatha, 5100

6 Physical Address:

Old Government Printers Building, 5 Textile Road, Vulindlela Heights, Mthatha, 5100

7 Postal Address:

P.O. Box 1134, Mthatha, 5100

8 Members of the Audit and Risk Committee (ARC)

The members of the ARC were as follows:-

Prof. L. Majova-Songca (Chairperson)
Mrs U. Mkize
Mr M. Msiwa

Mrs N. Makuni - Independent Member

NTINGA O. R. TAMBO DEVELOPMENT AGENCY SOC LTD

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DIRECTORS REPORT

9 Members of the Human Resource and Remuneration Committee

The members of the Human Resource and Remuneration Committee (HRRC) were as follows:-

Mr. M. Pupuma (Chairperson)
Mrs U. Mkize
Dr L. Ndabeni
Ms N. Bam
Dr. N.L. Ndudane
Mrs. N. Ngewu

10 Members of the Strategy Development and Investment Committee

The members of Strategy Development and Investment Committee (SDIC) were as follows:-

Mr M. Msiwa (Chairperson)
Dr L. Ndabeni
Ms N. Bam
Dr. N.L. Ndudane
Mr. M. Pupuma

11 Members of the Social and Ethics Committee

The members of Social and Ethics Committee (SEC) were as follows:-

Mrs U. Mkize (Chairperson)
Mrs. N. Ngewu
Dr L. Ndabeni

12 The Entity's Mandate

The mandate given to the Entity by the Parent Municipality include rendering services in the following areas:

- Intergrated Development Plan;
- Potable Water Supply Systems;
- Domestic and Industrial Waste-water and Sewage Disposal Systems;
- Fresh Produce Markets and Abattoirs;
- Local Tourism Promotion;
- Municipal Public Works;
- Collection of taxes, Levies and Duties, and
- Discretionary Activities (which include):

(a) Any other activity agreed upon with the Parent Municipality, Provincial and National Governments and the Private Sector.

13 Financial results

The Entity made a deficit of R 6,618,073 (2018: surplus R 56,435,012).

NTINGA O. R. TAMBO DEVELOPMENT AGENCY SOC LTD

(A MUNICIPAL ENTITY OF THE O. R. TAMBO DISTRICT MUNICIPALITY : REGISTRATION NUMBER: 2016/272582/30)

DIRECTORS REPORT

14 Legal form of the entity

The Entity is a Municipal Entity incorporated as a State Owned Company in terms of the Companies Act.

15 Going concern

The parent municipality, O.R. Tambo District Municipality, continues to provide financial support to the Entity. There is commitment by the parent to continue funding the entity until it is self sustainable. The Entity is implementing a strategy that is focused on generating own revenue thereby reducing reliance on grant funding.

16 Events after the reporting date

There were no material events that ocurred after the reporting date.

17 Holding Entity

The holding entity is the O.R. Tambo District Municipality.

18 External Auditors

Auditor General of South Africa (Eastern Cape) will continue in office in accordance with the MFMA.

19 Website www.ntinga.org.za

NTINGA O. R. TAMBO DEVELOPMENT AGENCY SOC LTD

(A MUNICIPAL ENTITY OF THE O. R. TAMBO DISTRICT MUNICIPALITY : REGISTRATION NUMBER: 2016/272582/30)

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Notes	30 JUNE 2019 R (Actual)	2018 R (Actual)
ASSETS			
Current Assets		**25,085,112**	**36,305,030**
Cash and Cash Equivalents	2	6,282,309	30,880,252
Receivables from exchange transactions	3	11,220,406	1,651,914
Inventory	4	170,266	982,361
Receivables from non-exchange transactions	5	192,578	924,076
Deferred tax	7	7,219,552	1,866,427
Non-Current Assets		**75,534,185**	**66,808,313**
Property, Plant and Equipment	8	61,518,434	54,931,718
Intangible Assets	9	781,249	644,144
Biological Assets	10	13,234,503	11,232,450
Total Assets		**100,619,297**	**103,113,342**
NET ASSETS AND LIABILITIES			
Current Liabilities		**15,227,850**	**11,103,822**
Payables from exchange transactions	11	5,047,079	5,157,797
Payables from non-exchange transactions	12	446,974	446,973
Unspent Conditional Government Grants and Receipts	13	3,290,842	1,766,208
Current Employee benefits	14	3,788,396	3,144,234
Taxes	6	2,654,559	588,611
Net Assets		**85,391,447**	**92,009,520**
Accumulated Surplus		85,391,447	92,009,520
Total Net Assets and Liabilities		**100,619,297**	**103,113,342**

NTINGA O. R. TAMBO DEVELOPMENT AGENCY SOC LTD

(A MUNICIPAL ENTITY OF THE O. R. TAMBO DISTRICT MUNICIPALITY : REGISTRATION NUMBER: 2016/272582/30)

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019

	Notes	30 JUNE 2019 (Actual) R	2018 (Actual) R
REVENUE			
Non-exchange Revenue		**34,505,610**	**37,961,992**
Transfers and Subsidies	16	34,505,610	37,961,992
Exchange Revenue		**26,363,424**	**17,060,734**
Interest Earned - external investments		1,155,693	2,273,039
Sale of Goods and Rendering of Services	17	25,207,731	14,787,695
Gains		**15,007,789**	**66,844,702**
Adjustments to Biological Assets	18.1	4,013,157	4,285,693
Gains on disposal of Property, Plant and Equipment		213,286	300,514
Intercompany Transactions - Donation of Assets		10,781,346	62,258,495
Total Revenue		**75,876,823**	**121,867,428**
EXPENDITURE			
Employee related costs	19	41;536,267	34,274,310
Board of directors related costs	20	1,411,292	1,726,108
Debt Impairment	21	-	387,582
Depreciation and Amortisation	22	4,237,152	4,016,134
Impairments - Property, Plant and Equipment	24	-	4,530,506
Repairs and Maintenance		486,596	216,572
Finance Charges	24	40,571	31,770
Operational costs	25	37,949,798	19,739,478
Contracted services	26	1,731,694	2,065,540
Losses - Biological Assets	18.2	454,650	310,844
Total Expenditure		**87,848,020**	**67,298,844**
(Loss)/Profit before tax for the year		**(11,971,197)**	**54,568,585**
Income tax	7	5,353,124	1,866,427
(Loss)/Profit after tax for the year		**(6,618,073)**	**56,435,012**

NTINGA O. R. TAMBO DEVELOPMENT AGENCY SOC LTD

(A MUNICIPAL ENTITY OF THE O. R. TAMBO DISTRICT MUNICIPALITY : REGISTRATION NUMBER: 2016/272582/30)

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2019

	Accumulated Surplus/ (Deficit)	Total
	R	R
Balance at 1 JULY 2017	**35,574,508**	**35,574,508**
Net Surplus for the year	56,435,012	56,435,012
Restated Balance at 30 JUNE 2018	**92,009,520**	***92,009,520***
Net Deficit for the period	(6,618,073)	(6,618,073)
Balance at 30 JUNE 2019	**85,391,447**	**85,391,447**

NTINGA O. R. TAMBO DEVELOPMENT AGENCY SOC LTD
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CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2019

	Notes	30 JUNE 2019 R	30 JUNE 2018 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Grants and public contributions		34,505,610	43,778,466
Sales of goods and services		16,370,736	12,597,748
Interest Earned - external investments		1,155,693	2,273,039
Payments			
Suppliers		(27,944,255)	(26,255,987)
Employees and directors		(42,947,559)	(36,000,418)
Finance charges		(40,571)	(31,770)
Cash utilised by operations	27	**(18,900,347)**	**(3,638,922)**
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	30	(7,640,902)	(4,612,167)
Proceeds on Disposal of Fixed Assets		702,431	607,921
Purchase of Intangible Assets		(315,580)	-
Purchase of Biological assets		(1,112,402)	(1,203,766)
Proceeds on Disposal of Biological assets		2,668,856	2,210,953
Net Cash from Investing Activities		**(5,697,597)**	**(2,997,059)**
CASH FLOW FROM FINANCING ACTIVITIES			
Net Cash from Financing Activities		-	-
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(24,597,944)**	**(6,635,981)**
Cash and Cash Equivalents at the beginning of the year		30,880,253	36,254,354
Cash and Cash Equivalents transferred from KFPM		-	1,261,880
Cash and Cash Equivalents at the end of the year	28	6,282,309	30,880,253
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(24,597,944)**	**(6,635,981)**

NTINGA O. R. TAMBO DEVELOPMENT AGENCY SOC LTD
(A MUNICIPAL ENTITY OF THE O. R. TAMBO DISTRICT MUNICIPALITY : REGISTRATION NUMBER: 2016/272582/30)

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2019
COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2019 R (Actual)	2019 R (Final Budget)	2019 R (Variance)	Explanations for material variances
ASSETS				
Current assets				
Cash and cash equivalents	6,282,309	22,398,430	(16,116,121)	This is due to non realisation of revenue targets. Trading enterprises have been capitalised using the Entity's cash reserves. We expect return to realise return on investment in 2 to 5 years.
Receivables from exchange transactions	11,220,406	1,100,000	10,120,406	This is mainly due to a water services invoice that were settled by the parent municipality after year-end. We anticipated such invoices to be settled within 30 days but there were delays in receiving payments.
Inventory	170,266	200,000	(29,734)	Variance is insigificant.
Receivables from non-exchange transactions	192,578	120,000	72,578	The significant portion of the balance is made up of deposit payments made by the entity for consumption of services. The balance was under-estimated at the budgeting stage.
Taxes	7,219,552	1,866,427	5,353,125	Our projections were that the entity would make profits hence there would be no increase in the deferred tax asset. However, the profits have not yet been realised hence the variance.
Total current assets	**25,085,112**	**25,684,857**	**(599,745)**	
Non current assets				
Property, plant and equipment	61,518,434	61,317,201	201,233	Variance is insigificant.
Intangible Assets	781,249	449,144	332,105	Due to operational requirement a need arose to acquire instead of renting, more software licenses for the effective functioning of the Board of Directors and administration.
Biological Assets	13,234,503	11,362,450	1,872,053	The strategy was to fatten some of the existing own livestock and then take it to the abattoir for slaughter. There was a delay in implementing the fattening programme hence the higher than projected amount of biological assets at year end.
Total non current assets	**75,534,185**	**73,128,795**	**2,405,390**	
TOTAL ASSETS	**100,619,297**	**98,813,652**	**1,805,645**	
NET ASSETS AND LIABILITIES				
Current liabilities				
Payables from exchange transactions	5,047,079	3,000,000	2,047,079	The amount of liabilities to remain at year was under estimated.
Payables from non-exchange transactions	446,973	446,973	-	There is no variance. This creditor advised the entity advised the entity to delay settling the balance until they their settle their internal processes.
Unspent Conditional Government Grants and Receipts	3,290,842	-	3,290,842	The balance is primarily made up of funds held for RAFI and Cooperative Development Centre projects. There were changes in plans pertaining to these projects hence their budgets were not spent in full.
Current Employee benefits	3,788,396	2,420,000	1,368,396	A higher than projected number of staff annual leave days remained at the end of the financial year. This resulted to a higher provision amount.
Taxes	2,654,559	350,000	2,304,559	This relates to Vat amount payable. The entity accounts Vat on a payment basis. There were invoices issued but were not settled by customers by the end of the financial year hence the higher than projected balance.
Total current liabilities	**15,227,849**	**6,216,973**	**9,010,876**	
TOTAL LIABILITIES	15,227,849	6,216,973	9,010,876	
NET ASSETS	85,391,448	92,596,679	(7,205,231)	
COMMUNITY WEALTH				
Accumulated Surplus	85,391,448	92,596,679	(7,205,231)	
TOTAL COMMUNITY WEALTH/EQUITY	85,391,448	92,596,679	(7,205,231)	

NTINGA O. R. TAMBO DEVELOPMENT AGENCY SOC LTD
(A MUNICIPAL ENTITY OF THE O. R. TAMBO DISTRICT MUNICIPALITY)
(A MUNICIPAL ENTITY OF THE O. R. TAMBO DISTRICT MUNICIPALITY : REGISTRATION NUMBER: 2016/272582/30)

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2019

ADJUSTMENTS TO APPROVED BUDGET

	2019 R (Original Budget)	2019 R (Adjustments)	2019 R (Final Budget)	Explanations for material adjustments
ASSETS				
Current assets				
Cash and Cash equivalents	25,866,117	(3,467,687)	22,398,430	The downward adjustment was due to reduction in revenue projections.
Receivables from exchange transactions	1,100,000	-	1,100,000	Budget item was not adjusted.
Inventory	200,000	-	200,000	Budget item was not adjusted.
Taxes	-	1,866,427	1,866,427	This asset was recognised after the original budget had already been approved hence the adjustment.
Receivables from non-exchange transactions	120,000	-	120,000	Budget item was not adjusted.
Total current assets	**27,286,117**	**(1,601,260)**	**25,684,857**	
Non current assets				
Property, plant and equipment	19,581,053	41,736,148	61,317,201	Some of the assets that were transferred to the entity by the parent municipality were erroneously omitted on the original budget and were included in the adjusted budget.
Intangible Assets	200,000	249,144	449,144	Some of the assets were erroneously omitted on the original budget and were included in the adjusted budget.
Biological Assets	210,000	11,152,450	11,362,450	Some of the assets were erroneously omitted on the original budget and were included in the adjusted budget.
Total non current assets	**19,991,053**	**53,137,742**	**73,128,795**	
TOTAL ASSETS	**47,277,170**	**51,536,482**	**98,813,652**	
LIABILITIES				
Current liabilities				
Payables from exchange transactions	800,000	2,200,000	3,000,000	Budget estimate was revised based on the previous financial year's audited financial information.
Payables from non-exchange transactions	-	446,973	446,973	Budget estimate was revised based on the previous financial year's audited financial information.
Unspent Conditional Government Grants and Receipts	500,000	(500,000)	-	Indications were that the unspent grants balance would be spent in full by the end of the financial year.
Current Employee benefits	800,000	1,620,000	2,420,000	Budget estimate was revised based on the previous financial year's audited financial information.
Taxes	350,000	-	350,000	Budget item was not adjusted.
Total current liabilities	**2,450,000**	**3,766,973**	**6,216,973**	
Non current liabilities				
Total non current liabilities	-	-	-	
TOTAL LIABILITIES	2,450,000	3,766,973	6,216,973	
NET ASSETS	44,827,170	47,769,509	92,596,679	
COMMUNITY WEALTH				
Accumulated Surplus/(Deficit)	44,827,170	47,769,509	92,596,679	
TOTAL COMMUNITY WEALTH/EQUITY	44,827,170	47,769,509	92,596,679	

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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

REVENUE BY SOURCE	2019 R (Actual)	2019 R (Final Budget)	2019 R (Variance)	Explanations for material variances
Non-exchange Revenue	**34,505,610**	**29,328,151**	**5,177,459**	
Transfers and Subsidies	34,505,610	29,328,151	5,177,459	Variance is insignificant.
Exchange Revenue	**26,363,424**	**68,505,318**	**(42,142,894)**	
Interest Earned - external investments	1,155,693	2,500,000	(1,344,307)	Lower than anticipated revenue collection levels and other funding for special projects that was not received contributed to the undercollection of interest revenue.
Sales of Goods and Rendering of Services	25,207,731	66,006,318	(40,798,587)	There is a combined under-collection of revenue amounting to R20.8m across all trading enterprises. Plans to turnaround financial performance were not yet fully effective and some were hampered by legal challenges. It took a long time to resolve some operational challenges that negatively affected revenue generation. As far as water services is concerned there is an under-collection of revenue amounting to R5.5m due to prolonged resolution of invoicing and payment issues between the entity and the parent municipality. Lastly, budget amounting to R7.5m set aside for special projects that were to be implemented on behalf of the parent municipality was not received. Such special projects are revival of old business properties, regional television station and acquisition of RAFI implements. The latter project was implemented directly by the parent municipality.
Gains	**16,007,789**	**110,000**	**15,897,789**	
Adjustments to Biological Assets	4,013,157	70,000	3,943,157	Budget amount related to livestock births. However, the actual amount includes year-end valuation of all livestock and this was not part of the budget. Of the actual amount, R94 600 relates livestock births.
Gain on disposal of Property, Plant and Equipment	213,286	40,000	173,286	We anticipated a minor disposal of assets for the year and a small profit was projected. Following routine verification of assets more assets were identified to be redundant and they were disposed resulting in better profit.
Intercompany Transactions - Donation of Assets	10,781,346	-	10,781,346	This relates to the fair value of assets that were transferred to the Entity by the parent municipality for a special project. This was not factored in the budget hence the variance.
Total Revenue	**75,876,823**	**97,944,469**	**(22,067,646)**	
EXPENDITURE				
Employee related costs	41,536,267	42,637,488	(1,101,221)	There were two senior management resignations during the year and the vacancies were filled after year-end.
Board of directors related costs	1,411,292	1,540,000	(128,708)	Meetings were arranged such there are savings in board related costs.
Debt Impairment	-	-	-	
Depreciation and Amortisation	4,237,152	4,723,570	(486,418)	Some of the assets were disposed during the year the variance. In addition, some of the assets purchased during the year were brought into use later than the anticipated time.
Repairs and Maintenance	486,596	340,189	146,407	There were more break downs of assets than anticipated. Additional expenditure was funded by shifting of funds between budget line items.
Finance Charges	40,571	35,000	5,571	Variance is caused by interest charged on municipal services accounts which was not anticipated. Municipality did not deliver municipal accounts on time hence they were not paid on time.
Operational Costs and Contracted Services	39,681,492	47,931,061	(8,249,569)	The main contributor to the variance is livestock purchases for sale of meat at the abattoir. Although turearound plans were place they were not yet fully effective hence a lesser than than projected amount was spent on livestock purchases.
Losses - Biological Assets	454,850	150,000	304,850	There were more deaths of animals than projected. However, the death rate is still within the industry norm of between 10 to 15%.
Total Expenditure	**87,848,020**	**97,357,308**	**(9,509,288)**	
NET SURPLUS / (DEFICIT) FOR THE PERIOD	**-11,971,197**	**587,161**	**(12,558,358)**	

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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019

ADJUSTMENTS TO APPROVED BUDGET

REVENUE BY SOURCE	2019 R (Original Budget)	2019 R (Adjustments)	2019 R (Final Budget)	Reasons for material adjustments
Non-exchange Revenue	27,222,986	2,105,165	29,328,151	
Transfers and Subsidies	27,222,986	2,105,165	29,328,151	The increase is attributed to funds rolled over from the previous year and for which conditions of funding were met hence revenue was recognised.
Exchange Revenue	83,295,913	(14,789,595)	68,506,318	
Interest Earned - external investments	2,500,000	-	2,500,000	Budget item was not adjusted.
Sales of Goods and Rendering of Services	80,795,913	(14,789,595)	66,006,318	Due to under-collection of revenue in the first half of the financial year, abattoir and farms budgeted revenue was adjusted downwards.
Gains	50,000	60,000	110,000	
Fair Value Adjustments of Biological Assets	50,000	20,000	70,000	We projected more births of livestock by the end of the financial year.
Profit on disposal of assets	-	40,000	40,000	During the year some assets were identified for disposal and we projected profit.
Total Revenue	110,568,899	-12,624,430	97,944,469	
Employee related costs	41,560,396	1,077,092	42,637,488	A new salary grading system was adopted and implemented during the year. This resulted in the upgrade of certain positions and salaries were adjusted. There was also a revision of the travel allowance policy whereby employees are now re-imbursed for business travel from the first kilometer and no longer after the first 500 kilometers travelled per month.
Board of directors related costs	1,760,000	(220,000)	1,540,000	Scheduling of meetings was done such that there as savings in costs.
Depreciation and Amortisation	1,495,300	3,228,270	4,723,570	There was an under-estimation of depreciation provision on the original budget and this was corrected during the adjustment stage.
Repairs and Maintenance	240,000	100,189	340,189	Budget was adjusted upwards in order to cater for building renovations necessitated by limited office space.
Finance Charges	60,000	(25,000)	35,000	Based on savings during the first half of the financial year, the budget was adjusted downwards.
Operational costs	64,052,384	(16,131,323)	47,921,061	The budget adjustment related mainly to livestock purchases for slaughter. Less than the originally projected number of livestock to be purchased and slaughtered at the abattoir was reduced. Furthermore, there was a reduction in allocation by the municipality for some of the special projects that are implemented by the entity.
Losses - Biological Assets	100,000	50,000	150,000	Actual losses of biological assets during the first half of the financial year were higher than original projections. Due to this the annual amount was increased.
Total Expenditure	109,278,080	-11,920,772	97,357,309	
NET SURPLUS / (DEFICIT) FOR THE PERIOD	1,290,819	-703,658	587,161	

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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2019

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2019 R (Actual)	2019 R (Final Budget)	2019 R (Variance)	Explanations for material variances
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Grants and public contributions	34,505,610	28,659,460	5,846,150	The entity was appointed by a local municipality to implement an agricultural project. This happened during the second half of the financial year when the adjusted budget had already been passed.
Sales of goods and services	16,370,736	50,332,283	(33,961,547)	There is under-collection of revenue across all trading enterprises. As far as water services is concerned there is an under-collection of revenue amounting to R6.5m due to prolonged resolution of invoicing and payment issues between the entity and the parent municipality. Lastly, budget amounting to R7.5m set aside for special projects that were to be implemented on behalf of the parent municipality was not received. Such special projects are revival of old business properties, regional television station and acquisition of RAFI implements. The latter project was implemented directly by the parent municipality.
Interest received	1,155,693	2,500,000	(1,344,307)	Lower than anticipated revenue collection levels and other funding for special projects that was not received contributed to the undercollection of interest revenue.
Payments				
Suppliers	(27,944,255)	(36,262,024)	8,317,769	The main contributor to the variance is livestock purchases for sale of meat at the abattoir. Although turaround plans were place they were not yet fully effective.
Employees and directors	(42,947,559)	(42,637,488)	(310,071)	There were two senior management resignations during the year and the vacancies were filled after year-end.
Finance charges	(40,571)	(35,000)	(5,571)	Variance is caused by interest charged on municipal services accounts which was not anticipated. Municipality did not deliver municipal accounts on time hence they were not paid on time.
Cash (utilised) / generated by operations	(18,900,347)	2,557,231	(21,457,578)	
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of Property, Plant and Equipment	(7,956,482)	(10,914,055.00)	2,957,573	Due to cashflow constraints acquisition of assets that were not directly contributing to the turnaround programme of enterprises was suspended. In certain instances purchased assets were not delivered by year-end has no payments were made.
Proceeds on Disposal of Fixed Assets	702,431	85,000	617,431	We anticipated a minor disposal of assets for the year and a small amount of proceeds was projected. Following routine verification of assets more assets were identified to be redundant and they were disposed resulting in higher than projected proceeds.
Purchase of Biological assets	(1,112,402)	(210,000)	(902,402)	The budget was set aside to acquire breeding bulls. However, more biological assets were acquired for the exchange programme.
Proceeds on Disposal of Biological assets	2,668,856	-	2,668,856	This amount relates to the sale of livestock to customers. In the budget these proceeds were budgeted for under receipts from customers hence the variance.
Net Cash from Investing Activities	(6,697,597)	(11,039,055)	5,341,458	
NET DECREASE IN CASH AND CASH EQUIVALENTS	(24,597,944)	(8,481,824)	(16,116,120)	
Cash and Cash Equivalents at the beginning of the year	30,880,253	30,880,253	-	
Cash and Cash Equivalents at the end of the year	6,282,309	22,398,429	(16,116,120)	
NET DECREASE IN CASH AND CASH EQUIVALENTS	(24,597,944)	(8,481,824)	(16,116,120)	

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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2019

ADJUSTMENTS TO APPROVED BUDGET

	2019 R (Original Budget)	2019 R (Adjustments)	2019 R (Final Budget)	Reasons for material adjustments
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Transfers and Subsidies	27,222,986	1,436,474	28,659,460	Vat portion was added to some of the special projects making the amount receivable to be higher than the original budget.
Sales of goods and services	80,795,913	(30,463,630)	50,332,283	Due to under-collection of revenue in the first half of the financial year, abattoir and farms budgeted revenue collections were adjusted downwards.
Interest received	2,500,000	-	2,500,000	Budget item was not adjusted.
Payments		-		
Suppliers and Employees	(98,328,007)	19,429,495	(78,899,512)	The budget adjustment related mainly to livestock purchases for slaughter mainly due to unsatisfactory performance in the first half of the financial year. Furthermore, there was a reduction in allocation by the municipality for some of the special projects that are implemented by the entity.
Finance charges	(60,000)	25,000	(35,000)	Based on savings during the first half of the financial year, the budget was adjusted downwards.
Cash (utilised) / generated by operations	12,129,892	(9,572,661)	2,557,231	
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of Property, Plant and Equipment	(9,753,000)	(1,161,055)	(10,914,055)	Budget was increase to accommodate payment for acquisition of assets whose procurement process started in the previous financial year but delivery took place in the 2018/2019 financial year. These payments were not in the original budget.
Purchase of Biological Assets	(210,000)	-	(210,000)	Budget was not adjusted.
Proceeds on Disposal of Fixed Assets	120,000	(35,000)	85,000	More assets were identified for disposal and a higher profit amount was projected.
Net Cash from Investing Activities	(9,843,000)	(1,196,055)	(11,039,055)	
CASH FLOWS FROM FINANCING ACTIVITIES	-	-	-	
NET DECREASE IN CASH AND CASH EQUIVALENTS	2,286,892	(10,768,716)	(8,481,824)	
Cash and Cash Equivalents at the beginning of the year	23,579,225	(10,768,716)	30,880,253	
Cash and Cash Equivalents at the end of the year	25,866,117		22,398,429	
NET DECREASE IN CASH AND CASH EQUIVALENTS	2,286,892		(8,481,824)	

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE ANNUAL FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework have been developed in accordance with GRAP 3.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP or any relevant Legislation.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand.

1.3. GOING CONCERN ASSUMPTION

These financial statements have been prepared on a going concern basis which assumes that Entity will continue in operation into the foreseeable future.

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements.

1.6. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as any amount that is higher than 1% of total expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

1.7. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as a separate additional financial statement, namely Statement of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2018 to 30 June 2019. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the Statement of Comparison of Budget and Actual Amounts.

Explanations for material differences between the final budget amounts and actual amounts are included the Statement of Comparison of Budget and Actual Amounts.

1.8. LEASES

1.8.1. Entity as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Entity. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Entity uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Entity recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.9. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. This section equally applies to grant allocation from the parent municipality to the extent that it is allocated to specific projects. If specific conditions are not met or unspent balances cannot be allocated to other projects, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the parent municipality or other organs of state.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this liability:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Entity until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Entity's interest, it is recognised as interest earned in the Statement of Financial Performance.

1.10. PROVISIONS

Provisions are recognised when the Entity has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.
The Entity does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.
The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is de-recognised.

1.11. EMPLOYEE BENEFITS

1.11.1. Provision for Staff Leave

Liabilities for annual leave are recognised as the leave accrues to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term or at a time determined and approved by the Board of Directors.

1.11.2. Staff Bonuses Accrued

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee.

1.11.3. Pension and retirement fund obligations

The Entity provides retirement benefits for its employees on a defined contribution plan. Defined contribution plans are post-employment benefit plans under which the Entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable.

1.12. PROPERTY, PLANT AND EQUIPMENT

1.12.1. Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Entity, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost less any estimated residual value at the end of its lifespan. 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 the Entity. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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.

Where an asset is acquired by the Entity for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

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 assets acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Entity expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.12.2. Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Entity replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

1.12.3. Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

	Years
Buildings	
Buildings	30
Other assets	
Computer hardware	5
Office equipment	5
Furniture and fittings	6
Motor vehicles	5

Tractor and other equipment	6
Network hardware	5
Plant and equipment	6
Finance lease assets	
Computer Equipment	5

Property, plant and equipment are reviewed at each reporting date for any indication of material impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

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

1.12.4. De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed 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.

1.13. INTANGIBLE ASSETS

1.13.1. Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the Entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the Entity intends to do so; or

- arises from binding arrangements from contracts, regardless of whether those rights are transferable or separable from the Entity or from other rights and obligations.

The Entity recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Entity and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the Entity intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the Entity has the resources to complete the project;
- it is probable that the Entity will receive future economic benefits or service potential; and
- the Entity can measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets are initially recognised at cost.

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

1.13.2. Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.13.3. Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over its estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

Intangible Assets	**Years**
Computer Software	5

1.13.4. De-recognition

Intangible assets are derecognised when the asset is disposed 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 intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.14. BIOLOGICAL ASSETS

1.14.1. Initial Recognition

A biological asset or agricultural produce is recognised when, and only when:

- the Entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the Entity;
- livestock is expected to be kept for a period extending beyond twelve months for breeding purposes;
- and the fair value or cost of the asset can be measured reliably.

Biological assets are initially measured at their fair value less cost to sell.

1.14.2. Subsequent Measurement

Biological assets are measured at their fair value less cost to sell.

The fair value of cattle is determined based on market prices of livestock of similar age, breed, and genetic merit in the local industry.

A gain or loss arising on initial recognition of biological assets at fair value less cost to sell is recognised in the Statement of Financial Performance for the period in which it arises.

1.15. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.15.1. Cash-generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Entity assesses at each reporting date whether there is an indication that an asset may be materially impaired. If any indication exists, or when annual impairment testing for an asset is required, the Entity estimates the asset's recoverable amount.

In assessing whether there is any indication that an asset may be impaired, the Entity considers the following indications:

(a) External sources of information
- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
- Significant changes with an adverse effect on the Entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Entity operates or in the market to which an asset is dedicated.
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(b) Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset.
- Significant changes with an adverse effect on the Entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Entity estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.15.2. Non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

The Entity assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Entity estimates the asset's recoverable service amount.

In assessing whether there is any indication that an asset may be impaired, the Entity considers the following indications:

(a) External sources of information
- Cessation, or near cessation, of the demand or need for services provided by the asset.
- Significant long-term changes with an adverse effect on the Entity have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Entity operates.

(b) Internal sources of information
- Evidence is available of physical damage of an asset.
- Significant long-term changes with an adverse effect on the Entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.
- A decision to halt the construction of the asset before it is complete or in a usable condition.
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss is recognised in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches, depending on the nature of the asset in question:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration

cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

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.

An impairment loss is recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.

The Entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Entity estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.16. INVENTORIES

1.16.1. Initial Recognition

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Entity, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.
Livestock that is acquired or identified for sale within a period of twelve months is classified as inventory.

Where inventory is acquired by the Entity for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.16.2. Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

1.17. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both form exchange and non-exchange transactions) and non-current investments. The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

1.17.1. Initial Recognition

Financial instruments are initially recognised when the Entity becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Entity, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

1.17.2. Subsequent Measurement

Financial assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial liabilities are categorised as either at fair value or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.17.2.1. *Receivables*

Receivables are classified as financial assets at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). 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 a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Entity. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.17.2.2. *Payables and Annuity Loans*

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, and are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.17.2.3. *Cash and Cash Equivalents*

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash 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, highly liquid deposits and net of bank overdrafts. The Entity categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities carried at amortised cost.

1.17.3. De-recognition of Financial Instruments

1.17.3.1. 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 when:

- the rights to receive cash flows from the asset have expired; or
- the Entity has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Entity has transferred substantially all the risks and rewards of the asset, or (b) the Entity has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Entity has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new 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.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Entity's continuing involvement is the amount of the transferred asset that the Entity may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.17.3.2. Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.17.4. Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.18. REVENUE

1.18.1. Revenue from Non-Exchange Transactions

The Entity receives a major part of its income in the form of grants (referred to as government grants) from the parent municipality, the O.R. Tambo District Municipality.

Revenue from non-exchange transactions refers to transactions where the Entity received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no obligation to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Entity. Where public contributions have been received, but the Entity has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Entity.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible officials is virtually certain.

Revenue is measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a 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 present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

1.18.2. Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Entity directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

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

At the time of initial recognition the full amount of revenue is recognised where the Entity has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Entity does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue is measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the Entity and the purchaser or user of the asset or service. It 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.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating;

- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.19. RELATED PARTIES

The Entity resolved to early adopt the disclosure requirements as per GRAP 20 – "Related Party Disclosures".

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.

The following are regarded as related parties of the Entity:

(a) A person or a close member of that person's family is related to the Entity if that person:
   - has control or joint control over the Entity.
   - has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Entity.
   - is a member of the management of the Entity or its controlling entity.

(b) An entity is related to the Entity if any of the following conditions apply:
   - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
   - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
   - both entities are joint ventures of the same third party.

- one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- the entity is a post-employment benefit plan for the benefit of employees of either the Entity or an entity related to the Entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
- the entity is controlled or jointly controlled by a person identified in (a).
- a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Entity. A person is considered to be a close member of the family of another person if they:

(a) are married or live together in a relationship similar to a marriage; or
(b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as "Key Management") includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Entity, including:

(a) all members of the governing body of the Entity;
(b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Entity;
(c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Entity; and
(d) the senior management team of the Entity, including the chief executive officer or permanent head of the Entity, unless already included in (a).

Management personnel include:

(a) All directors or members of the governing body of the Entity, being the Chairman of the Board and all other directors.

(b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Entity being the Chief Executive Officer, Chief Financial Officer an all other managers reporting directly to the Chief Executive Officer

Remuneration of management includes remuneration derived for services provided to the Entity in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Entity for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Entity.

The Entity operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the

same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

As a municipal entity, the Entity is fully controlled by the parent municipality the O.R. Tambo District Municipality. As a development agency of the parent municipality, the Entity is inherently involved in a number of economic development operations, developmental commercial operations and community based organisations.

1.20. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, Entity or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.21. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Entity's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.22. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.23. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measures with sufficient reliability.

The Entity does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic

benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities.

1.24. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Entity's accounting policy, management makes the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

1.24.1. Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

1.24.2. Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment.

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.

1.24.3. Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Management referred to the following when making assumptions regarding useful lives of intangible assets:

- Reference was made to intangibles used within the Entity to determine the useful life of the assets.

1.24.4. Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

1.24.5. Revenue Recognition

Accounting Policy on Revenue from Non-Exchange Transactions and Accounting Policy on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Entity.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the Entity, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. The management of the Entity is satisfied that recognition of the revenue in the current year is appropriate.

1.24.6. Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave, leave gratuity is paid or when employment is terminated.

1.25. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.26. TAXES – INCOME TAX

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss.
Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using applicable tax rates at the reporting date.

1.27. CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.28. EVENTS AFTER REPORTING DATE

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

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

If non-adjusting events after the reporting date are material, the Entity discloses the nature and an estimate of the financial effect.

2 CASH AND CASH EQUIVALENTS

	2019 R	2018 R
Call Investments Deposits	4,600,722	28,165,320
Bank Accounts	1,668,332	2,706,365
Petty Cash Balances	13,255	8,567
Total Cash and Cash Equivalents	**6,282,309**	**30,880,252**

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

The entity has the following bank accounts:

Current Accounts

FNB - Account Number 62166804742 (Primary Bank Account)	1,175,914	2,644,168
FNB - Account Number 6216680472 (Salaries Account)	20,688	11,074
FNB Call Account 62766535622	275,038	31,121
Trading Account 62254987351	(0.00)	5,462
FNB Call Account 62771259671	196,693	-
Kei Fresh current account 62192051698	(0)	14,540
	1,668,333	**2,706,365**

FNB - Account Number 6216680472 (Primary Bank Account)

Cash book balance at beginning of year	2,644,168	5,185,305
Cash book balance at end of year	1,175,914	2,644,168
Bank statement balance at beginning of year	2,644,168	5,157,522
Bank statement balance at end of year	1,175,914	2,644,168

FNB - Account Number 6216680472 (Salaries Account)

Cash book balance at beginning of year	11,074	12,220
Cash book balance at end of year	20,688	11,074
Bank statement balance at beginning of year	11,074	12,220
Bank statement balance at end of year	20,688	11,074

Trading Account 62254987351

Cash book balance at beginning of year	5,462	-
Cash book balance at end of year	-	5,462
Bank statement balance at beginning of year	(2,326)	-
Bank statement balance at end of year	-	(2,326)

Kei Fresh current account 62192051698

Cash book balance at beginning of year	14,540	-
Cash book balance at end of year	-	14,540
Bank statement balance at beginning of year	14,540	-
Bank statement balance at end of year	-	14,540

FNB Call Account 62771259671

Cash book balance at beginning of year	-	-
Cash book balance at end of year	196,693	-
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	196,693	-

FNB Call Account 62766535622

Cash book balance at beginning of year	31,121	-
Cash book balance at end of year	275,038	31,121
Bank statement balance at beginning of year	31,121	-
Bank statement balance at end of year	275,038	31,121

FNB Call Account 62773058849

Cash book balance at beginning of year	-	-
Cash book balance at end of year	84,345	-
Bank statement balance at beginning of year	31,121	-
Bank statement balance at end of year	275,038	31,121

Call Investment Deposits

Call investment deposits consist out of the following accounts:

	R	R
FNB Account number 62181670540 (Ntinga)	2,950,538	1,201,215
FNB Account number 62185915281 (Ikwezi Farm)	-	758,507
FNB Account number 62185096122 (Umzimkant Read Meat Abbatoir)	934,883	7,001,414
FNB Call 62508942407	87,586	82,388
FNB Call 62578074149	541,960	8,265,428
FNB Call 74639066478	-	5,703,987
FNB Call Account 62207949564	-	900
FNB Call Account 62383406082	-	149,142
FNB Call Account 62308466045	-	2,340
FNB Call Account 62785410293	1,410	-
FNB Call Account 62773058849	84,345	-
Standard bank call account 39869431103	-	5,000,000
	4,600,722	**28,165,321**

3 RECEIVABLES FROM EXCHANGE TRANSACTIONS

3.1 Credit sales of goods and rentals

Less: Allowance for Doubtful Debts	11,560,158 (339,752)	2,189,802 (537,888)
Total Net Receivables from Exchange Transactions	**11,220,406**	**1,651,914**

Projects amount include balances that are owed by Abattoir and Kei Fresh Produce Market customers or tenants. Consumer debtors are required to settle issued invoices within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary.

Ageing of Receivables from Exchange Transactions:

(Projects): Ageing

Current (0 - 30 days)	8,938,335	1,710,663
31 - 60 Days	70,885	(74,147)
61 - 90 Days	11,611	15,397
+ 90 Days	2,539,327	537,889
Total	**11,560,158**	**2,189,802**

3.2 Reconciliation of Provision for Bad Debts

Balance at beginning of year	537,888	86,805
Contribution to provision - KFPM	-	63,501
Receivables balance correction	(142,452)	-
(Reversals)/Contribution to provision	(55,684)	387,582
Restated balance	**339,752**	**537,888**

The Provision for Impairment could be allocated between the different classes of receivables as follows:

Projects	339,752	537,888
The fair value of trade receivables approximates their carrying amounts.	**339,752**	**537,888**

Provision is made up of balances that are older than 90 days. However, amounts that are older than 90 days but paid after year end were excluded from the provision amount.

4 INVENTORY

Opening balance	**982,361**	**199,262**
Consumable stores	97,544	114,751
Livestock	872,050	-
Merchandise (Meat and Milk)	12,767	84,511
Additions	**1,398,591**	**8,558,395**
Consumable stores	208,909	411,360
Livestock	933,364	3,082,648
Merchandise (Meat and Milk)	256,318	5,064,387
Issued (Expensed)	**(2,210,686)**	**(7,775,296)**
Consumable stores	(223,362)	(428,567)
Livestock	(1,805,414)	(2,210,598)
Merchandise (Meat and Milk)	(181,910)	(5,136,131)
Closing Balance		
Consumable stores	83,091	97,544
Livestock	-	872,050
Merchandise (Meat and Milk)	87,175	12,767
Total Inventory	170,266	982,361

No inventory assets were pledged as security for liabilities.

5 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	2019 R	2018 R
Other Receivables		
Advance payments and sundry debtors	21,811	746,086
Prepayments - Deposits	192,597	192,597
Sub-total	**214,408**	**938,683**
Less: Allowance for Doubtful Debts	(27,959)	(20,735)
Net - Other Receivables	**186,450**	**917,948**
O.R. Tambo D.M. Grants and Receipts	6,128	6,128
Total Net Receivables from Non-Exchange Transactions	**192,578**	**924,076**

Reconciliation of Provision for Bad Debts

Balance at beginning of year	20,735	50,175
(Reversal of Provision) / Contribution to provision	7,224	(29,440)
Balance at end of year	**27,959**	**20,735**

6 TAXES

6.1 VAT PAYABLE	(2,654,559)	(588,611)
	(2,654,559)	**(588,611)**
6.2 VAT RECEIVABLE	-	-
NET VAT RECEIVABLE/(PAYABLE)	**(2,654,559)**	**(588,611)**

VAT is receivable/payable on the payment basis.

7 INCOME TAX

Taxable income	(19,118,302)	(6,665,809)
Income tax @ 28%	5,353,124	1,866,426

The Entity realised taxable loss for the year and has created a deferred tax asset as follows:-

Opening balance	1,866,427	-
Current income tax	5,353,124	1,866,427
Deferred tax asset	7,219,552	1,866,427

With effect from 01 July 2017 the Entity started to operate as a State Owned Company and is in compliance with the South African Income Tax Act 58 of 1962.

The deferred tax amount relates to unused tax credits. It is recognised to the extent that there will be future taxable profits in excess of profits arising from the reversal of existing taxable temporary differences.

Reconciliation between tax expense (income) and accounting profit:-		
Accounting (Loss) / Profit	(11,971,197)	54,568,585
Tax effect of transactions that are exempt or not deductible in determining taxable profit:-	(264,438)	(55,233,645)
- Adjustments to Biological Assets	(4,013,157)	(4,285,693)
- Donations recieved	(10,781,346)	(62,258,495)
- Decrease in provision for doutful debts	(41,763)	(22,080)
- Discount received	(1,412)	-
- Gains on disposal of Property, Plant and Equipment	(42,657)	(60,103)
- Staff bonuses	1,846,315	1,512,553
- Staff Leave	790,069	732,001
- Debt Impairment	-	290,687
- Depreciation and amortisation	4,237,152	4,016,134
- Impairment of Biological Assets	-	4,630,506
- Fair Value Adjustments	454,650	310,844
- Scrapped assets	7,287,711	-
Deductible temporary differences:-	(6,882,666)	(6,000,748)
- Staff bonuses paid	1,790,028	1,429,903
- Staff leave paid	145,905	1,624,433
- Assets wear and tear	4,946,732	2,946,412
Assessed Loss	(19,118,302)	(6,665,809)

Tax rate reconciliation

Standard Income Tax Rate	28%
Adjusted as follows:-	
- Disallowed transactions	-2%
- Temporary differences	-57%
Avarage effective tax rate	-32%

8 PROPERTY, PLANT AND EQUIPMENT

Carrying amounts	61,518,433	54,931,718
See appendix A		

There are no assets pledged as security.

The effective date of the assessments and revaluation was 30 June 2018. Valuations were performed by independent professional valuer, Mzizi 4291 Properties CC (Reg.no. 2010/072405/23), a registered valuer in terms of Section 20(2) of the Property Valuers Profession Act (47 of 2000).

Orchard trees in the form of apple trees and apples with a carrying amount of R7 287 711 reached their productive life span during the 2018/2019 financial year. Consequently, they have been derecognised as an item of Property, Plant and Equipment. An equivalent amount has been recognised as an expense under operational costs in note 25.

9 INTANGIBLE ASSETS

Computer Software

Net Carrying amount at 1 July	**644,144**	**814,289**
Cost	**1,488,036**	**1,251,537**
Accumulated Amortisation	**(587,445)**	**(417,300)**
Transfers from KFPM - Accumulated Amortisation	**(236,499)**	**-**
Accumulated Impairment	**(19,948)**	**(19,948)**
Additions	315,580	-
Transfers from KFPM - Cost	-	236,499
Amortisation	(178,476)	(170,145)
Net Carrying amount at 30 June	**781,248**	**644,144**
Cost	**1,803,616**	**1,488,036**
Accumulated Amortisation	**(765,921)**	**(587,445)**
Transfers from KFPM - Accumulated Amortisation	**(236,499)**	**(236,499)**
Accumulated Impairment	**(19,948)**	**(19,948)**

The following material intangible assets are included in the carrying value above

	Carrying Value	
	2019	2018
Description	R	R
Computer software	**781,248**	**644,144**

No intangible asset were assessed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets pledged as security for liabilities

10 BIOLOGICAL ASSETS (See appendix B

Carrying amounts	**13,234,502**	**11,232,450**

No title or other restrictions are placed on biological assets.

No biological assets were pledged as security for liabilities.

There are no commitments for the acquisition of biological assets.

Biological assets are located at Adam Kok Farms and Ikwezi Dairy Farm. The primary activities revolving around biological assets are livestock breeding, heifer exchange and milk production.

Due to the unwillingness of insurance companies to carry the risk and potential losses relating to biological assets, the financial risk is managed as follows:

- Regular inspection and maintenance of boundary fences to manage movement of biological assets.
- Regular monitoring and reporting of quantities by Entity staff.
- A contract is entered into with a Veterinarian
- Livestock is regularly vaccinated.

The effective date of the assessments and valuation was 30 June 2018. Valuations were performed by an independent professional veterinarian, Dr G.G. Bauti, a registered veterinarian in terms of Veterinary and Para-Veterinary Professions Act No. 19 of 1982.

11 PAYABLES FROM EXCHANGE TRANSACTIONS

Trade Payables	1,173,298	1,126,714
Other accruals	3,256,065	2,609,260
Annual bonus	928,281	871,994
Sundry Creditors	2,327,784	1,737,266
Salary deductions	817,716	894,990
O.R. Tambo District Municipality	-	526,832
	5,047,079	**5,157,796**

Payables are being recognised net of any discounts.

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary

The carrying value of trade and other payables approximates its fair value.

All payables are unsecured.

12 PAYABLES FROM NON-EXCHANGE TRANSACTIONS

Sustainable Villages SURUDEC - Baziya Sustainable Village Project	446,974	446,973
Total Payables from non-exchange transactions	**446,974**	**446,973**

This balance is payable to the European Commission. It originates from expenditure incurred by the Entity which the Commission declared as ineligible. The Entity was advised to wait for a directive before making the payment.

13 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unspent Grants	3,290,842	1,766,208
Provincial and National Government Grants	-	-
District Municipality	3,026,046	1,605,951
Other Grant Providers	264,796	160,257
Total Conditional Grants and Receipts	**3,290,842**	**1,766,208**

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends. See appendix "B" for reconciliation of grants from other spheres of government. The entity complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

	2019 R	2018 R

14 CURRENT EMPLOYEE BENEFITS

Provision for Staff Leave	3,788,397	3,144,234
Total Current Employee Benefits	**3,788,397**	**3,144,234**

The movement in current employee benefits are reconciled as follows:

Provision for Staff Leave

Balance at beginning of year	3,144,233	3,547,854
Transfer from KFPM		488,811
Current year contribution	790,070	732,001
Expenditure incurred	(145,905)	(1,624,433)
Balance at end of year	**3,788,398**	**3,144,233**

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date but limited to 35 leave days. This provision will be realised as employees take leave, when employment is terminated or any circumstance approved by the board of directors.

15 OPERATING LEASE ARRANGEMENTS

Future minimum lease payments of the operating lease

Up to 1 year	126,000	126,000
1 to 5 Years	504,000	504,000
More than 5 years	73,500	199,500
Total Operating Lease Payments	**703,500**	**829,500**

The operating lease consist of an agreement entered into with Missionary Sisters of the Precious Blood over a period of 12 years. The entity leases a Dairy Farm. The latest agreement was entered into on 1 January 2013 and expires on 29 January 2025. The initial rental amount in the contract is R 10,500.00 (Including VAT) per month.

The entity has not engage in any sub-lease arrangements.

The entity did not pay any contingent rent during the year.

16 TRANSFERS AND SUBSIDIES

O.R. Tambo District Municipality	27,053,509	37,455,415
O.R. Tambo District Municipality - Conditional	5,166,281	-
Other grants	2,285,820	506,577
Total Income	34,505,610	37,961,992
Total Grants		
Opening balance	1,766,208	6,442,340
Grants received - O.R. Tambo District Municipality	33,853,508	32,821,584
Grants received - Other	2,527,503	508,434
Less: Amount transferred to revenue	-	(44,157)
Unconditional Grants utilised	(27,053,508)	(37,455,415)
Conditions met: O. R. Tambo District Municipality	(5,379,903)	-
Conditions met: Other grants	(2,422,970)	(506,577)
Conditions still to be met/(Grant expenditure to be recovered)	**3,290,838**	**1,766,208**
Disclosed as follows:		
Unspent Conditional Government Grants and Receipts	3,290,842	1,766,208
	3,290,842	**1,766,208**

17 SALE OF GOODS AND RENDERING OF SERVICES

Consulting	10,479,300	1,858,745
SETA Levies, Tender Fees and sale of agricultural produce	1,089,881	104,417
Ikwezi Dairy Farm	10,456	270,798
Umzikantu Red Meat Abattoir	7,848,902	6,070,229
Kei Fresh Produce Market	963,069	1,371,926
Adam Kok Farms	4,759,027	5,082,140
Decrease in provision for doubtful debts	55,684	29,440
Discount received	1,412	-
Total	**25,207,731**	**14,787,695**

18 Losses Biological Assets

18.1 Gains

Fair Value adjustments - Price changes	3,918,557	4,191,093
Fair Value adjustments - Physical changes	94,600	94,600
	4,013,157	**4,285,693**

18.2 Fair value losses

Fair Value adjustments - Price changes	-	-
Fair Value adjustments - Physical changes - Livestock	454,650	310,844
	454,650	**310,844**

These biological assets adjustments relate to births and deaths of livestock.

19 EMPLOYEE RELATED COSTS

	2019 R	2018 R
Bonus	1,846,315	1,512,553
Leave Reserve Fund	790,069	732,001
Other	344,752	215,789
Salaries and Wages	34,339,978	28,854,090
Travel, motor car, telephone, assistance and other allowances	4,215,153	2,959,877
Total Employee Related Costs	**41,536,267**	**34,274,310**

CONTRIBUTIONS TO PENSION AND PROVIDENT FUNDS

The Entity contributes to the Defined Contribution Provident Fund. The benefit is subject to the Pension Fund Act, 1956.

Contributions for the year included in employee cost	**3 745,446**	**2,709 874**

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Remuneration of the Chief Executive Officer		
Basic Salary	1,101,664	1,204,636
Travel Allowance	167,772	120,847
Cellphone Allowance	45,558	47,527
Annual Bonus	81,768	88,955
Contributions to UIFand Provident Fund.	138,708	147,785
Leave Gratuity	-	273,758
Total	**1,535,470**	**1,883,509**
Remuneration of the Chief Financial Officer		
Basic Salary	1,106,680	941,906
Travel Allowance	135,582	112,692
Cellphone Allowance	38,737	37,029
Annual Bonus	72,935	71,301
Contributions to UIFand Provident Fund.	117,449	110,134
Total	**1,471,382**	**1,273,061**
Remuneration of the Senior Manager Water Services		
Basic Salary	911,815	755,632
Travel Allowance	113,399	99,506
Cellphone Allowance	26,642	16,204
Annual Bonus	31,162	34,195
Contributions to UIFand Provident Fund.	120,321	74,015
Total	**1,203,338**	**979,552**
Remuneration of the Corporate Service Manager		
Basic Salary	1,016,079	792,920
Travel Allowance	246,911	110,797
Cellphone Allowance	-	10,069
Annual Bonus	54,983	28,099
Contributions to UIFand Provident Fund.	130,212	69,598
Total	**1,448,185**	**1,011,483**
Remuneration of the Senior Manager Trading Enterprises		
Basic Salary	827,189	477,686
Travel Allowance	96,071	58,472
Cellphone Allowance	9,206	18,809
Annual Bonus	35,361	38,210
Contributions to UIFand Provident Fund.	94,137	41,533
Total	**1,061,964**	**634,711**
Remuneration of the Company Secretary		
Basic Salary	856,592	765,114
Travel Allowance	144,022	112,780
Cellphone Allowance	27,941	26,497
Annual Bonus	56,087	54,608
Contributions to UIFand Provident Fund.	107,961	100,513
Total	**1,192,602**	**1,059,513**

		R 2019	R 2018
20	**BOARD OF DIRECTORS RELATED COSTS**		
	Sitting allowances and re-imbursive travel costs	1,135,302	1,346,477
	Accomodation and travel costs	275,990	379,631
	Total Board of Directors related costs	**1,411,292**	**1,726,108**

Board Member	**Sitting Allowance**	**Subsistence Allowance**	**Re-imbursive travel**	**TOTAL**
Mr S.E. Mase	12,192	-	43,475	55,667
Mr M. Msiwa	106,700	-	14,308	121,008
Mr M.M. Pupuma	122,100	-	72,963	195,063
Mrs N.D.A. Ngewu	66,000	-	4,833	70,833
Dr. L.L. Ndabeni	77,000	-	4,720	81,720
Ms. U.N. Mkize	116,050	-	2,026	118,076
Prof. L.Y. Majova-Songca	68,750	-	7,992	76,742
Ms. N.S.N. Bam	82,500	-	37,661	120,161
Dr. N.T. Ndudane	88,000	-	11,859	99,859
Ms. N. Makuni	50,600	-	2,383	52,983
	789,892	**-**	**202 220**	**992 112**

		2019	2018
21	**DEBT IMPAIRMENT**	R	R
	Trade Receivables from exchange transactions - Note 3.2	-	387,582
	Debt impairment recognised in statement of financial performance	-	387,582
22	**DEPRECIATION AND AMORTISATION**		
	Property Plant and Equipment	4,058,676	3,845,989
	Intangible Assets	178,476	170,145
		4,237,152	**4,016,134**
23	**IMPAIRMENTS**		
	Property Plant and Equipment	-	4,530,506
	Intangible assets	-	-
		-	4,530,506
24	**FINANCE CHARGES**		
	Interest expenses	40,571	31,770
	Total finance charges	**40,571**	**31,770**
25	**Operational costs**		
	Accommodation and travel	1,241,472	818,054
	Advertising and promotion	432,764	262,629
	Audit fees	2,191,200	1,693,276
	Bank charges	221,555	160,636
	Bar codes	2,110	10,615
	Cash collection services	112,046	80,958
	Cleaning	1,975	11,283
	Courier and postage	574	1,155
	Consulting and professional fees	818,814	1,121,495
	Consumables	97,444	65,336
	External project expenses	636,096	477,903
	Employee wellness	108,758	-
	Fuel and oil	956,973	602,800
	Feed	1,011,519	781,221
	Hiring expenses	289,719	87,728
	Legal fees	-	32,940
	Licensing - software	247,918	145,201
	Livestock purchases	9,232,422	7,036,874
	Marketing	86,520	1,642
	Motor vehicle expenses	123,700	130,562
	Meat inspection	214,500	170,359
	Medication - livestock	321,575	286,489
	Municipal services	1,519,726	1,346,097
	Orchard expenses	-	1,538
	Packaging	96,670	129,303
	Printing and stationery	344,846	380,379
	Protective clothing	138,861	216,288
	Rental expenses	126,000	126,000
	Refurbishment - water services	2,825,667	577,922
	Security services	986,374	1,067,532
	Social facilitation	15,605	813,717
	Staff training	215,352	320,425
	Staff welfare	-	-
	Strategic planning session	85,190	55,251
	Subscriptions	410,818	110,373
	Telephone and fax	347,795	464,906
	Write offs - Assets	7,287,711	-
	Co-operatives development support	2,408,552	6,475
	Agricultural development	2,788,331	
	Sustainable Villages Programme	-	144,116
	Adam Kok Farms	2,646	-
	Total operational costs	**37,949,798**	**19,739,478**
26	**Contracted Services**		-
	Cleaning	230,602	224,059
	Leasing Server Hosting	-	405,840
	Insurance - assets	1,021,207	722,609
	Internal audit expenses	174,693	201,901
	Leasing Hire Fac	42,472	119,367
	Software licencing	178,163	177,114
	Veterinary services	-	25,954
	Valuation services	-	68,696
	Website maintenance	84,557	120,000
		1,731,694	**2,065,540**

		2019	2018
		R	R
27	**RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS**		
	Surplus/(Deficit) for the year	(11,971,197)	54,568,584
	Adjustments for:		
	Depreciation	11,346,387	3,845,989
	Amortisation of Intangible Assets	178,476	170,145
	Impairments - Property, Plant and Equipment		4,530,506
	Donations received	(10,781,346)	(62,258,495)
	Adjustments to Biological Assets	(3,558,507)	(3,974,849)
	Inventory losses	-	-
	Gain on disposal of Property, Plant and Equipment	(213,286)	(300,514)
	Contribution from/to employee benefits	-	-
	Correction of prior year error - note 28	-	-
	Increase in provision for doubtful debts	-	387,582
	Operating Surplus before changes in working capital	(14,999,473)	(3,031,052)
	Changes in working capital	(3,900,873)	(607,868)
	Increase in Payables from Exchange Transactions	(110,717)	167,794
	Increase in Provision for Current Employee Benefits	644,162	(403,620)
	Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	1,524,634	(4,676,132)
	(Decrease) in Taxes	2,065,948	758,551
	(Increase) / Decrease/ in Unpaid Conditional Grants and Receipts	(0)	5,810,346
	(Increase)/Decrease in Inventory	812,095	88,951
	(Increase) in Accounts Receivables	(8,836,995)	(2,353,758)
	Cash generated/(absorbed) by operations	**(18,900,347)**	**(3,638,920)**
28	**CASH AND CASH EQUIVALENTS**		
	Cash and cash equivalents included in the cash flow statement comprise the following:		
	Call Investments Deposits - Note 2	4,600,722	28,165,320
	Cash Floats - Note 2	13,255	8,567
	Bank - Note 2	1,668,332	2,706,365
	Total cash and cash equivalents	**6,282,309**	**30,880,252**
29	**RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES**		
	Cash and Cash Equivalents - Note 2	6,282,309	30,880,252
	Less:	6,282,309	30,880,252
		3,290,842	1,766,208
	Unspent Committed Conditional Grants - Note 13	3,290,842	1,766,208
	Resources available for working capital requirements	**2,991,467**	**29,114,044**
30	**PURCHASE OF PROPERTY, PLANT AND EQUIPMENT**		
30.1	**Additions to Property, Plant and Equipment**		
	Purchase of property, plant and equipment - Note 8	7,640,901	4,612,168
	Cash movement	7,640,901	4,612,168

31 **IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE**

31.1 **Fruitless and wasteful expenditure**

Reconciliation of fruitless and wasteful expenditure:

Opening balance	63,777	63,777
Fruitless and wasteful expenditure incurred	1,553	-
Fruitless and wasteful expenditure awaiting further action	**65,330**	**63,777**

Incident	Disciplinary steps/proceedings
Eleven cows were transferred to Umzikantu Red Meat Abattoir from Adam Kok Farms for slaughtering and selling. It was discovered that they were vaccinated and were not suitable for sale and human consumption.	**Affected employees were found to have been negligent and sanction was passed that the loss must be recovered from them. Recovery of money will be implemented in the 2019/2020 financial year.**
Legal fees incurred on collection of Red Meat Levy	**Letters will be written to the affected employees as to why these legal fees of R 1,553.00 can not be recovered from them.**

31.2 **Irregular expenditure**

Reconciliation of irregular expenditure:

Opening balance	91,066	20,980
Irregular expenditure incurred during the year	1,459,539	70,086
	1,550,605	**91,066**
Condoned by Board of Directors	(562,009)	-
Irregular expenditure awaiting further action	**988,596**	**91,066**

In a meeting of 30 October 2019 Board of Directors condoned expenditure amounting to R 562,009.

Description of incident	2019 Amount	2018 Amount
Award made to a person in the service of the state, a community care giver in KZN Department of Health.	8,350	8,350
Award made to a supplier that has an indirect business relationship with an official of the Entity.	12,630	12,630
Bid specifications not including the local content requirement.	358,452	70,085
Expenditure incurred on long term contracts that at the time of bid publication were erroneously advertised for 26 days instead of 30 days.	470,943	-
Employees whose salaries include travel allowances used Entity vehicles	700,229	-
	1,550,605	**91,066**

32 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

	2019	2018
	R	R
32.1 Audit fees - [MFMA 125 (1)(b)]		
Opening balance	-	121,168
Current year audit fee	2,191,200	1,817,476
Amount paid - current year	(2,191,200)	(1,938,644)
Closing balance	-	-
32.2 VAT - [MFMA 125 (1)(b)]		
Opening balance	(588,610)	(191,997)
Balance transferred from KPM	-	(251,880)
VAT payments made to SARS - previous year	588,610	191,997
VAT due to SARS - current year	(5,171,151)	(4,031,459)
VAT payments made to SARS - current year	2,516,592	3,694,729
Closing balance - Payable	**(2,654,559)**	**(588,610)**

VAT is accounted for on a payment basis.

32.3 PAYE, SDL and UIF - [MFMA 125 (1)(b)]		
Opening balance	910,631	341,028
Current year payroll deductions and contributions	8,085,333	6,506,402
Amount paid - current year	(8,374,043)	(5,936,799)
Closing balance	**621,920**	**910,631**

	2019	2018
	R	R
32.4 Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]		
Opening balance	(6,038)	(6,038)
Current year payroll deductions and contributions	4,524,079	3,305,395
Amount paid - current year	(4,519,801)	(3,305,395)
Closing balance	**(1,760)**	**(6,038)**
32.5 Supply Chain Management Deviations		
Impractical to follow normal SCM procedures	5,726,631	6,422,210
Total	5,726,631	6,422,210

These are deviations approved by the Accounting Officer and ratified by the Board of Directors. They were also presented to the Council of the parent municipality. Most of then relate to procurement of livestock from farmers where it is impractical to follow normal procurement processes such as requesting of atleast three quotations.

33 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:		
Approved and contracted for:	61,295	1,506,623
Total commitments consist out of the following:		
- Sanitation projects	61,295	1,506,623
	61,295	**1,506,623**
This expenditure will be financed from:		
Government Grants	61,295	1,506,623
	61,295	**1,506,623**

34 FINANCIAL RISK MANAGEMENT

The activities of the entity expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The entity's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the entity's financial performance.

(a Foreign Exchange Currency Risk

The entity does not engage in foreign currency transactions.

(b Price risk

The entity is not exposed to price risk.

(c Interest Rate Risk

As the entity does not have significant interest-bearing liabilities, the entity's income and operating cash flows are not substantially dependent on changes in market interest rates.

The entity analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The entity did not hedge against any interest rate risks during the current year.

(d Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the entity to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Receivables are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of customers utilising purchasing and utilising the services of the abattoir, dispersed across different sectors and geographical areas. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the entity effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Board endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection".

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the entity for current and non-current investments are all listed on the JSE (First National Bank, Nedbank, Absa and Standard Bank). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment.

Financial assets exposed to credit risk at year end are as follows:	2019 R	2018 R
Receivables from exchange transactions	11,220,406	1,651,914
Receivables from non-exchange transactions	192,578	924,076
Cash and Cash Equivalents	6,282,309	30,880,252
Unpaid conditional grants and subsidies	-	-
	17,695,294	**33,456,242**

(e Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

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.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

2019	Less than 1 year R	Between 1 and 5 years R	Between 5 and 10 years R	Over 10 Years R
Trade and Other Payables	5,494,053	-	-	-
Unspent conditional government grants and receipts	3,290,842	-	-	-
	8,784,895	-	-	-

2018	Less than 1 year R	Between 1 and 5 years R	Between 5 and 10 years R	Over 10 Years R
Trade and Other Payables	5,604,770	-	-	-
Unspent conditional government grants and receipts	1,766,208	-	-	-
	7,370,978	-	-	-

35 FINANCIAL INSTRUMENTS

In accordance with GRAP 104 the financial instruments of the entity are classified as follows:

35.1 Financial Assets

Financial Assets	Classification		
Receivables			
Receivables from exchange transactions	Financial instruments at amortised cost	11,220,406	1,651,914
Receivables from non-exchange transactions	Financial instruments at amortised cost	192,578	924,076
Short-term Investment Deposits			
Call Deposits	Financial instruments at amortised cost	4,600,722	28,165,321
Bank Balances and Cash			
Bank Balances	Financial instruments at amortised cost	1,668,332	2,706,365
Cash Floats and Advances	Financial instruments at amortised cost	13,255	8,567
		17,695,294	**33,456,243**
SUMMARY OF FINANCIAL ASSETS			
Financial instruments at amortised cost		17,695,294	33,456,243
At amortised cost		**17,695,294**	**33,456,243**

35.2 Financial Liability

Financial Liability	Classification		
Payables from exchange transactions			
Trade creditors	Financial instruments at amortised cost	1,173,298	1,125,714
Other	Financial instruments at amortised cost	617,716	1,421,822
Other Payables		3,256,065	2,609,259
Government Subsidies and Grants	Financial instruments at amortised cost	3,290,842	1,766,208
		8,337,921	**6,924,003**
SUMMARY OF FINANCIAL LIABILITY			
Financial instruments at amortised cost		**8,337,921**	**6,924,003**

These financial instruments are contracted to mature in one year or less after the balance sheet date.

36 EVENTS AFTER THE REPORTING DATE

There were no events after the reporting date which affects these annual financial statements.

37 IN-KIND DONATIONS AND ASSISTANCE

Internal auditor seconded from the O. R. Tambo District Municipality. Office accommodation is provided by O. R. Tambo District Municipality at no cost.

38 CONTINGENT LIABILITIES

	2019 R	2018 R
Man Truck & Bus (Pty) Ltd; The Entity is a second defendant on a matter involving a collision between a truck and a cow at Adam Kok Farms.	218,254	218,254
CE Du Plessis and 2 other vs OR Tambo District Municipality. Defendent is OR Tambo District Municipality and Ntinga is the second respondent. Plaintiffs alleges that their respective properties were damaged by fires which came from Adam Kok Farms owned by ORTDM and managed by Ntinga. The matter is being defended by the municipality.	1,781,524	1,781,524
Zandisile Kanise vs OR Tambo District Municipality. Defendent is OR Tambo District Municipality and Ntinga is the second respondent. Mr. Z.L. Kanise is employed by Ntinga. As per request of ORTDM he was seconded at ORTDM, Executive Mayor Office without any documentation. It is alleged that he acted as a Policy Analyst on secondment from Ntinga.	2,000,000	2,000,000
Benzile Munala vs Kei Fresh Produce Market. The matter is between Kei Fresh Produce Market and its former employee. It happened before the market was transferred to Ntinga by the municipality. The matter relates to an alleged unfair labout practice.	500,000	500,000
Sheriff of th Court - Kokstad vs Ntinga. The Sheriff is claiming re-imbursement of costs incurred after eviction of livestock at Adam Kok Farms. Ntinga is challenging the matter.	230,000	-
Kholeka Joni vs Kei Fresh Produce Market The matteris between Kei Fresh Produce Market and its former employee. It happened before the market was transferred to Ntinga by the municipality. The matter relates to an alleged unfair labour practice.	-	1,000,000

39 RELATED PARTIES

39.1 Related Party Loans

No loans to or from related parties

39.2 Compensation of key management personnel

The compensation of key management personnel is set out in note 18 to the Annual Financial Statements.

39.3 Other related party transactions

Grant Amount		
O.R. Tambo District Municipality	33,853,508	32,821,584
In-kind donations and assistance		

Internal auditor is seconded from the O. R. Tambo District Municipality. Office accommodation and reated municipal services are provided by O. R. Tambo District Municipality at no cost to the Entity.

2	**Supply of water and sanitation services to Umzikantu Abattoir, Ikhwezi Dairy Farm and Kei Fresh Produce Market**	
	- Value of services provide	162,666 178,074
	- Interest charged on overdue accounts	34,332 -
	Donation of Assets and Transfer of liabilities	
	Donation and transfer of assets.	10,781,346 62,258,495

39.4 Nature of related party relationship

O.R. Tambo District Municipality is the parent municipality of the entity

Related party transactions were undertaken at arms length.

40 FINANCIAL SUSTAINABILITY

The indicators or conditions that indicate that the Entity is financially stable are as follows:-

Financial Indicators

The parent municipality has transferred to the Entity revenue generating assets. Due to this, own revenue generated is improving from year to year. In addition, the extension of the mandate to include water services has expanded revenue sources for the Entity.

45 Going concern

The parent municipality, O.R. Tambo District Municipality, will continue providing financial support to the Entity. In the coming financial year the Entity will be implementing a strategy that is focused on generating own revenue thereby reducing reliance on grant funding.

APPENDIX A - Unaudited
NTINGA O. R. TAMBO DEVELOPMENT AGENCY SOC LTD
(A MUNICIPAL ENTITY OF THE O. R. TAMBO DISTRICT MUNICIPALITY : REGISTRATION NUMBER: 2016/272582/30)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

8 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2019

APPENDIX "A"

Reconciliation of Carrying Value	Cost						Accumulated Depreciation and Impairment Losses						Carrying Value
	Opening Balance	Additions	Transferred from Parent Municipality	Disposals	Correction of prior period error	Closing Balance	Opening Balance	Depreciation Charge	Transferred from KFPM	Impairment	Disposals	Closing Balance	
	R	R		R		R	R	R		R	R	R	R
Land and Buildings	41,141,372	2,230,623	-	-		43,371,995	3,050,671	1,010,580	-	-	-	4,061,251	39,310,743
Land	23,001,877	-	-	-	-	23,001,877	-	-		-	-	-	23,001,877
Buildings	18,139,495	2,230,623	-	-	-	20,370,118	3,050,671	1,010,580	-	-	-	4,061,251	16,308,866
Other Assets	28,751,102	5,410,278	10,781,346	13,658,980	-	31,283,746	11,910,084	3,046,152	-	-	5,880,181	9,076,055	22,207,690
Office Equipment	688,617	206,916	-	19,912	-	875,621	374,405	100,128	-	-	13,000	461,533	414,087
Furniture & Fittings	1,267,957	152,893	-	23,227	-	1,397,623	846,991	48,244		-	20,915	874,320	523,303
Motor vehicles	2,420,816	2,429,741	-	683,175	-	4,167,382	1,184,317	646,752	-	-	614,858	1,216,211	2,951,171
Plant and equipment	11,058,364	2,075,295	10,781,346	703,690	-	23,211,315	4,077,557	2,087,573	-	-	374,006	5,791,124	17,420,191
Computer Equipment	1,470,795	545,433	-	410,759	-	1,605,469	872,606	163,455	-	-	326,898	709,165	896,304
Network Hardware	26,335	-	-	-	-	26,335	23,701			-	-	23,701	2,634
Orchard	11,818,217	-	-	11,818,217	-	-	4,530,506	-		-	4,530,506	-	-
	69,892,473	7,640,901	10,781,346	13,658,980	-	74,555,740	14,960,755	4,056,732	-	-	5,880,181	13,137,306	61,518,433

30 JUNE 2018

Reconciliation of Carrying Value	Cost						Accumulated Depreciation and Impairment Losses						Carrying Value
	Opening Balance	Additions	Transferred from Parent Municipality	Disposals	Correction of prior period error	Closing Balance	Opening Balance	Depreciation Charge	Transferred from KFPM	Impairment	Disposals	Closing Balance	
	R	R		R		R	R	R		R	R	R	R
Land and Buildings	2,129,560	303,234	38,708,578	-	-	41,141,372	890,392	2,160,279	-	-	-	3,050,671	38,090,700
Land	116,000	-	22,885,877	-	-	23,001,877	-	-		-	-	-	23,001,877
Buildings	2,013,560	303,234	15,822,701	-	-	18,139,495	890,392	2,160,279	-	-	-	3,050,671	15,088,823
Lease Assets	-	-	-	-	-	-	-	-	-		-	-	-
Office Equipment (Lease)	-	-	-	-	-	-	-	-	-			-	-
Other Assets	10,420,205	4,308,934	16,029,243	2,007,281	-	28,751,102	7,393,742	1,665,710	-	4,530,506	1,699,874	11,910,084	16,841,018
Office Equipment	567,513	144,196	6,007	29,099	-	688,617	392,510		-	-	18,105	374,405	314,211
Furniture & Fittings	862,114	55,480	359,433	9,050	-	1,267,957	727,720	127,416		-	8,145	846,991	420,966
Tractor and other farming equipment	2,528,839	2,310,256	1,708,709	893,881	-	5,853,925	1,777,270	675,385		-	754,828	1,697,827	3,956,098
Motor vehicles	1,933,082	398,374	695,000	605,620	-	2,420,816	1,210,104	472,021	-	-	497,808	1,184,317	1,236,499
Plant and equipment	3,052,518	1,221,261	1,428,730	298,070	-	5,404,439	2,375,468	274,033	-	-	269,771	2,379,730	3,024,709
Computer Equipment	1,449,824	179,385	13,147	171,562	-	1,470,795	886,969	136,854	-	-	151,218	872,606	598,189
Network Hardware	26,335	-	-	-	-	26,335	23,701			-	-	23,701	2,634
Orchard			11,818,217			11,818,217				4,530,506		4,530,506	7,287,711
	12,549,765	4,612,168	54,737,821	2,007,281	-	69,892,473	8,284,134	3,845,989	-	4,530,506	1,699,874	14,960,755	54,931,718

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

10 BIOLOGICAL ASSETS

30 JUNE 2019

Reconciliation of Carrying Value - Livestock	Fair Value			Quantities		
	Cattle R	Sheep R	Total R	Cattle	Sheep	Total
Opening balance	**11,232,450**	**-**	**11,232,450**	**1,312**	**-**	**1,312**
Total movements	**2,002,052**	**-**	**2,002,052**	**(229)**	**-**	**(229)**
Acquisitions	1,112,401	-	1,112,401	411	-	411
Births	94,600	-	94,600	473	-	473
Deaths	(454,650)	-	(454,650)	(64)	-	(64)
Gains from change in fair value	3,918,557	-	3,918,557	-	-	-
Disposals	(2,668,856)	-	(2,668,856)	(1,049)	-	(1,049)
Closing balance	**13,234,502**	**-**	**13,234,502**	**1,083**	**-**	**1,083**

30 JUNE 2018

Reconciliation of Carrying Value	Fair Value			Quantities		
	Cattle R	Sheep R	Total R	Cattle	Sheep R	Total R
Opening balance	**758,451**	**1,600**	**760,051**	**67**	**1**	**68**
Total movements	**10,473,999**	**(1,600)**	**10,472,399**	**1,245**	**-**	**1,244**
Acquisitions	1,203,770	-	1,203,770	165	-	165
Births	94,600	-	94,600	474	-	474
Deaths	(310,844)	-	(310,844)	(60)	-	(60)
Gains from change in fair value	4,191,093	-	4,191,093	-	-	-
Losses from change in fair value	-	-	-	-	-	-
Transfers from ORTDM	8,376,428		8,376,428	1,446	-	1,446
Transfers to inventory	(872,050)		(872,050)	(170)		(170)
Disposals	(2,208,998)	(1,600)	(2,210,598)	(610)	(1)	(611)
	11,232,450	-	11,232,450	1,312	1	1,312

APPENDIX C
NTINGA O.R. TAMBO DEVELOPMENT AGENCY
(A MUNICIPAL ENTITY OF THE O. R. TAMBO DISTRICT MUNICIPALITY : REGISTRATION NUMBER: 2016/272582/30)

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 01 July 2018	Allocation for the year	Receipts for the year	Interest Received	Bank charges	Transfers (to) / from other projects or Revenue	Grants repaid	Conditions met	Balance 30 June 2019
	R	R	R	R	R	R	R	R	R
Unconditional Grants									
District Municipality Grants									
O.R. Tambo District Municipality - Operations funding	-	-	27,053,509	-	-	-	-	(27,053,509)	-
Total District Municipality Grants	-	-	27,053,509	-	-	-	-	(27,053,509)	-
Conditional Grants									
O.R. Tambo District Municipality Project Funds									
Adam Kok Farms Implements	1,258,542	-	-		-	118,408		(1,376,950)	-
Cooperatives Development	181,663		-			(181,663)		-	-
ORTDM Cooperatives Development Centre	-		3,600,000					(2,553,067)	1,046,933
RAFI Implementation	-		3,000,000					(1,198,263)	1,801,737
Sustainable Villages	165,745		-			(165,745)		-	-
Trade and Investment Promotion	-		200,000					(22,621)	177,379
Ikwezi Dairy Farm (feedlot facility)						229,000		(229,000)	
Total District Municipality Grants	1,605,950	-	6,800,000	-	-	-	-	(5,379,901)	3,026,049
Other Grant and Subsidy Providers									
Lefa Le Rona Trust	160,257	-	508,434	-		-	-	(665,596)	3,095
Ingquza Hill Local Municipality	-		2,019,070					(1,757,372)	261,698
Total Other Grant Providers	160,257	-	2,527,504	-	-	-	-	(2,422,968)	264,793
Total	**1,766,207**	-	**36,381,013**	-	-	-	-	**(34,856,378)**	3,290,842