ANNUAL REPORT 2014

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MEGA
MPUMALANGA ECONOMIC GROWTH AGENCY

MEGA
mpumalanga economic growth agency

ANNUAL REPORT 2014

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GENERAL INFORMATION

A

Public Entity's General Information

Registered Name	Mpumalanga Economic Growth Agency (MEGA)
Registration Number (If Applicable)	N/A
Physical Address	2 Mc Adam Street Mbombela 1200
Postal Address	P.O. Box 5838 Mbombela 1200
Telephone Number/s	013 755 6328
Fax Number	086 600 7512
Website Address	www.mega.gov.za
External Auditors	Auditor General (South Africa)
Bankers	ABSA Bank Limited Standard Bank Limited
Company/ Board Secretary	Ms S P Morgan

ANNEXURE A

Confirmation of Accuracy and Fair Presentation of the Annual Report

TO: SE Kholwane, MPL
MEC: Economic Development and Tourism
DATE: 15 August 2014
CC: The Auditor-General

ANNUAL REPORT FOR THE 2013/2014 FINANCIAL YEAR END

This serves to confirm that the annual report of the Mpumalanga Economic Growth Agency has been submitted to the Auditor-General for auditing in terms section 55(1)(c) of the PFMA.

I acknowledge my responsibility for the accuracy of the accounting records and the fair presentation of the financial statements and confirm, to the best of my knowledge and belief, the following:

Annual Financial statements

- The financial statements have been prepared in accordance with GAAP/IAS as prescribed in the National Treasury
- Framework and relevant guidelines specified / issued by the National Treasury.
- All amounts appearing on the annual report and information in the annual report are consistent with the financial statements submitted to the auditors for audit purposes.

Performance Information

- The performance information fairly reflects the operations, actual outputs against planned targets for performance indicators as per the strategic and annual performance plan of the public entity for the financial year ended 31 March 2014.
- The report on performance information is in accordance with the requirements of the guidelines on the annual report as issued by National Treasury.
- A system of internal controls has been designed to provide reasonable assurance as to the integrity and reliability of performance information.

Human Resource Management

- The human resource information contained in the respective tables in Part D of the annual report, fairly reflects the information of the public entity for the financial year ended 31 March 2014.

General

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

Yours faithfully

Mr T Nobela
Acting Chief Executive Officer
Mpumalanga Economic Growth Agency

Mr DN Mculu
Chairperson (Interim Board)
Mpumalanga Economic Growth Agency

List of Abbreviations/Acronyms

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AGSA ....Auditor General of South Africa
BBBEE ....Broad Based Black Economic Empowerment
CEO ....Chief Executive Officer
CFO ....Chief Financial Officer
DEDET............Department of Economic Development, Environment and Tourism
DTI ....Department of Trade and Industry
EXCO ....Executive Committee
HR ....Human Resources
HOD ....Head of Department
MEC ....Member of Executive Council
MEGA..............Mpumalanga Economic Growth Agency
PFMA ....Public Finance Management Act
TR ....Treasury Regulations
IPAP ....Industrial Policy Action Plan
MDG ....Millennium Development Goals
MTEF ....Medium Term Expenditure Framework
NDP ....National Development Plan
SCM ....Supply Chain Management
SDI ....Spatial Development Initiative
SEZ ....Special Economic Zones
SMME ....Small Medium and Micro Enterprises

GENERAL INFORMATION

3 Corporate Profile

3.1. Vision

"To provide integrated economic growth solutions in support of sustainable development contributing to a better life for all in Mpumalanga Province".

3.2. Mission

"Your partner towards sustainable economic growth".

3.3. Core Values

- Integrity
- Accountability
- Objectivity
- Team work
- Solution oriented
- Commitment
- Client focused
- Results focused

3.4. Objectives

The objects of MEGA in terms of the MEGA Act 1 of 2010 are:

- To provide funding in respect of property development including the granting of housing loans;
- To provide funding in respect of approved enterprise and agricultural development focusing primarily on previously disadvantaged individuals within the Province;
- To focus on project management, development and management of immovable property; and
- To promote foreign trade and investment so as to ensure enterprise and agricultural development that will significantly contribute to economic growth and development within the Province, with specific emphasis on Black Economic Empowerment;
- The objects of the Agency expressly exclude the objects of the Mpumalanga Tourism and Parks Agency, the Mpumalanga Regional Training Trust and the Mpumalanga Gambling Board.

In achieving its objectives, the Agency shall endeavour to progressively increase its own revenue generation and collection.

GENERAL INFORMATION

Legislative and other Mandates

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4.1 Constitutional Mandates

MEGA has been specifically mandated to stimulate growth in various sectors of the provincial economy and therefore provides opportunities to the citizens of Mpumalanga through the funding of projects, promotion of Small, Medium, and Micro Enterprises (SMME's), Cooperatives (Co-ops) and other businesses thereby contributing to the constitutional imperative in Section 22 of the Constitution, which stipulates that citizens have a right to choose their trade, occupation or profession freely while also focusing on economic activity.

4.2 Legislative Mandates

4.2.1 MEGA Act 1 of 2010: Section 3

MEGA's legal mandate in terms of Section 3 of the Act, is articulated, inter alia, as to:-

- Provide funding in respect of property, business, enterprise and agricultural development with a particular emphasis on Historically Disadvantaged Individuals (HDIs);
- Develop property including the granting of housing loans in Mpumalanga;
- Deliver massive infrastructure in Mpumalanga; and
- Promote foreign trade and investment.

The MEGA Act states that MEGA is established to accomplish the following:

- To provide funding in respect of property development; approved enterprises; housing loans; and agricultural development; focusing primarily on previously disadvantaged individuals within the Province;
- To focus on project management and development; and to manage immovable property; and
- To promote foreign trade and investment so as to ensure enterprise and agricultural development that will significantly contribute to economic growth and development within the Province, with specific emphasis on Black Economic Empowerment;

4.2.2 Public Finance Management Act No 1 of 1999

MEGA is listed and registered as a schedule 3D entity by virtue of being the successor in title of the previous MEGA established in terms of Act 4 of 2005. Schedule 3 entities are regulated by Sections 47 and 76(4) of the PFMA. In terms of the Act, MEGA has a responsibility to adhere to a number of regulations that ensure the achievement of its objectives such as, real financial growth and sustainability, clean and unqualified audits and improved financial management capability maturity. The regulations in the Act include providing for, inter alia:

- Sound financial management
- The efficient and effective management of all revenue, expenditure, assets and liabilities of the company; and
- The provision of responsibilities of persons entrusted with financial management in the organisation.

GENERAL INFORMATION

4 Legislative and other Mandates

4.2.3 National Credit Act No 34 of 2005

The National Credit Act promotes a fair and non-discriminatory market place for access to consumer credit and therefore places a responsibility on MEGA, as it provides funding in respect of property development, granting of housing loans and enterprise development focusing on Historically Disadvantaged Individuals within the Province, to adhere to the regulations in the Act some of which include:

- Promoting fair and non-discriminatory practices in the granting of loans;
- Promoting black economic empowerment and ownership in its funded SMMEs and Co-operatives by applying fair credit and credit-marketing practices;
- Promoting responsible credit granting by giving loans only to qualifying individuals;
- Providing debt re-restructuring and debt counseling services for over-indebted clients (a risk highlighted in programme 4 below);
- Establishing policies and standards relating to loans management and housing finance;
- Promoting a consistent enforcement framework relating to debt management.

4.2.4 Financial Intelligence Centre Act No. 38 of 2001

The Finance Intelligence Centre Act's objective is to establish a Financial Intelligence Centre and a Money Laundering Advisory Council in order to combat money laundering activities and the financing of terrorist and related activities. The Act therefore imposes certain duties on institutions and other persons who might be used for money laundering purposes.

MEGA, through its various programmes, provides finance that facilitates development in the province and therefore recognises that there may be individuals who may circumvent the regulations in the Act. The Act will be applied, as intended, in MEGA's operations.

4.2.5 Housing Act No. 107 of 1997

The Housing Act provides for the facilitation of a sustainable housing development process and lays down general principles applicable to housing development. It also defines the functions of national, provincial and local governments in respect of housing and provides for the establishment of a South African Housing Development Board.

The Mpumalanga provincial government has placed the responsibilities outlined in the Act on MEGA. One of MEGA's strategic outcome oriented goals directly addresses this responsibility as it states that it aims "to increase access to affordable housing". Programme 5's performance delivery objectives will facilitate the achievement of this goal through its Loans Management and Housing Development sub-programmes.

GENERAL INFORMATION

Legislative and other Mandates

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4.2.6 Agriculture Laws Extension Act No. 87 of 1996

The objective of the Act is to provide for the extension of the application of certain laws relating to agricultural matters to certain territories which form part of the national territory of the Republic of South Africa.

MEGA has a programme that is responsible for the growth and development of the agricultural sector by providing financial and non-financial support to farmers and related agriculture businesses. MEGA has to ensure that its operations are in line with the regulations contained in this ACT so as to contribute to the economic development of the province, as mandated.

4.2.7 National Small Business Act No. 102 of 1996

The objective of the Act is to provide for the establishment of the National Small Business Council and the Ntsika Enterprise Promotion Agency; and to provide guidelines for organs of state in order to promote small businesses in the Republic.

Enterprise development in the province is to be accelerated through MEGA's promotion initiatives in a number of industries by providing support to Small, Medium and Micro Enterprises (SMME's) and to Co-operatives (Co-ops). MEGA will facilitate the establishment of provincial Small Business Councils as it has a mandate to promote and develop businesses in the province.

The above Acts are legislative mandates that place critical responsibilities on the Board, executive and staff of MEGA in terms of how MEGA's operations are conducted. However there are other Acts that regulate MEGA's operations that include, inter alia,

- Basic Conditions of Employment Act, 1997
- Labour Relations Act no 66 of 1995
- Companies Act of 2008 Act No. 71 of 2008
- Preferential Procurement Policy Framework Act No. 5 of 2000
- Employment Equity Act No. 55 of 1998
- Skills Development Act No. 97 of 1998
- Income Tax Act No. 58 of 1962
- Broad-Based Black Economic Empowerment Act No. 53 of 2003
- South African Reserve Bank Act No. 90 of 1989
- Co-operative Banks Act No. 40 of 2007
- Customs and Excise Act No. 91 of 1964.

GENERAL INFORMATION

4 Legislative and other Mandates

4.3 Policy Mandates

4.3.1 Mpumalanga Economic Growth and Development Path

The Mpumalanga Economic Growth and Development Path (MEGDP) outlines a set of strategic choices and potential paths that will contribute towards growing a sustainable Mpumalanga economy which provides economic opportunities and work for all citizens. The core vision is to build an equitable and inclusive economy that supports an improved quality of life for all the people of Mpumalanga.

The overarching objectives are:

- Increased employment by developing sectors with sustainable labour absorption potential;
- Sustainable economic growth by developing sectors with high growth potential; and
- Greater equity and a decreased poverty rate (sustainable human development) as more citizens will have access to employment and the benefits of economic growth.

MEGA has developed its strategic plan and policies towards achieving its mandate in line with the MEGDP. Some of the projects aimed towards growing a sustainable Mpumalanga economy, which are currently being implemented by MEGA are outlined below:

4.3.1.1 Bulk Water Infrastructure

MEGA has been mandated by the provincial government to support the provincial programme to improve bulk water supply infrastructure.

The Municipalities had to register projects with the Department of Water Affairs to obtain infrastructure grant funding for their projects. The registration of projects and consequent funding was confirmed during the period under review after which the implementation of the projects could commence. By the end of the financial year 2013/14, significant progress had been registered in terms of the implementation of the projects with 79% at various stages of implementation.

4.3.1.2 Mpumalanga Fresh Produce Market

During the year under review, MEGA was appointed by the Department of Agriculture, Rural Development and Land Administration as an implementing agent for the establishment and commercialization of the Mpumalanga Fresh Produce Market.

The international fresh produce market facility will ensure job creation within the agricultural sector and enhance government initiatives in supporting small scale farmers in programmes such as Crop Production, Livestock Production, National Zero Hunger Strategy and the Comprehensive Rural Development Programme. This initiative will link small scale producers and Co-operatives with the main market including exporters.

GENERAL INFORMATION

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The natural off-shoot of the fresh produce market will be the establishment of Agri-Hubs. These serve as collector and redistribution points in the rest of the Province.
The Agri-Hubs will support the Fresh Produce Market and are currently situated in the following Municipalities:

- Nkomazi
- Chief Albert Luthuli
- Mkhondo
- Pixley Ka Seme
- Thembisile
- Dr. JS Moroka
- Bushbuckridge and
- Dipaleseng

4.3.1.3 Donkerhoek Water Bottling Plant

In the 4th quarter of 2013/14, MEGA was mandated by the Department of Economic Development, Environment & Tourism [DEDET] to operationalise and commercialise Donkerhoek Water Bottling Plant in Mkhondo Municipality. This is a project that was identified by DEDET back in 2009 and whose implementation was halted due to financial constraints. The project aims to empower the impoverished community of Driefontein in Mkhondo Local Municipality area and is run by a community Co-operative on whose behalf, the government together with its partners have invested about R9.9m in infrastructure.

4.3.1.4 Special Economic Zones (SEZ)

MEGA has been appointed as an implementing agent of the provincial government for the establishment of a Special Economic Zone in the Nkomazi area of the Province.

The Department of Trade and Industry in its endeavour to boost the manufacturing capacity in the country, a sector that has been declining over the years, introduced the Special Economic Zones (SEZ) which is a tool to distribute economic activity throughout the country.

Special Economic Zones are an important tool for industrial and economic development designed to enhance the acceleration of growth and development of new strategic industrial capabilities culminating in the creation of employment and improvement of socio-economic conditions of the citizens thereby addressing the pressing challenges identified by the Mpumalanga Economic Growth and Development Path (MEGDP) namely; unemployment, poverty and inequality.

4.3.2 National Development Plan

The National Development Plan (NDP) is a government-initiated plan to eliminate poverty and reduce inequality by 2030. The plan sketches out the key structural changes required for sustainable social and economic growth.

GENERAL INFORMATION

4 Legislative and other Mandates

MEGA's programmes are aligned to meet the aims of the NDP as MEGA's strategic plan is geared to ensure sustainable development and economic growth in the province that will contribute to job creation, poverty alleviation, redressing the inequalities of the past and the beneficiation of the province's resources. This includes the expansion of infrastructure and the improvement and efficient use of rural spaces through the promotion and development of Co-operatives.

Co-operatives are autonomous associations of persons who entirely co-operate for their mutual social economic and cultural benefits. Co-operatives include non-profit community organisations and businesses that are owned and managed by the people who use the services (consumer co-operative) and by people who work there (worker co-operative) or by people who live there (housing cooperative).

4.3.3 National Outcomes

Government has agreed on 12 outcomes as a key focus of work between now and 2015. Each outcome has a limited number of measurable high-impact priority outputs and sub-outputs with targets. In turn, each output is linked to a set of activities that will help achieve the targets and contribute to the outcome. The achievement of these outcomes is dependent on the alignment of all spheres of government thereto.

The 12 outcomes are:

- **Outcome 1**: Improved quality of basic education
- **Outcome 2:** A long and healthy life for all South Africans
- **Outcome 3:** All people in South Africa are and feel safe
- **Outcome 4:** Decent employment through inclusive economic growth
- **Outcome 5:** A skilled and capable workforce to support an inclusive growth path
- **Outcome 6:** An efficient, competitive and responsive economic infrastructure network
- **Outcome 7:** Vibrant, equitable and sustainable rural communities with food security for all
- **Outcome 8:** Create sustainable human settlements and improved quality of household life
- **Outcome 9:** A responsive, accountable, effective and efficient local government system
- **Outcome 12:** An efficient, effective and development oriented public service and an empowered, fair and inclusive citizenship
- **Outcome 11:** Create a better South Africa and contribute to a better and safer Africa in a better World
- **Outcome 10:** Environmental assets and natural resources that are well protected and continually enhanced.

MEGA has aligned itself to the following outcomes:

Outcome 4: Decent employment through inclusive growth.

MEGA contributes to the following outputs:

- Output 2: More labour absorption growth
- Output 6: Improved support to small business and Co-operatives

GENERAL INFORMATION

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Outcome 6: An efficient, competitive and responsive economic infrastructure network.
MEGA contributes to the following outputs:

- Output 4: Maintenance and supply of bulk water infrastructure

Outcome 8: Sustainable human settlements and improved quality of household life.
MEGA contributes to the following outputs:

- Output 3: mobilisation of well-located public land for low income and affordable housing
- Output 4: improved property market (improvement of financing housing opportunities within the gap market for people earning between R3 500 and R12 800.).

4.3.4 Strategic Oriented Outcomes Mapped to the Millennium Development Goals (MDG)

- Millennium Development Goal 1 is to reduce poverty around the world. Target 1B of Goal 1, i.e. achieve full and productive employment and decent work for all including women and young people, is directly linked to outcome 4: decent employment through inclusive growth.

- Millennium Development Goal 7 is to ensure environmental sustainability. Target 7D of Goal 1, i.e. achieve significant improvement in the lives of slum dwellers, is linked to outcome 8: sustainable human settlements, and improved quality of life for households.

4.3.5 Industrial Policy Action Plan (IPAP) 2010/11 to 2012/13

The industrial Policy Action Plan, 'IPAP 2', is a three-year rolling industrial-related roadmap for the Medium-Term Expenditure Framework (MTEF) period 2010/11 to 2012/13 financial years.

MEGA has placed priority on the development and management of its properties, which include heavy duty and light industrial parks that provide factory space for industries. This is aimed towards helping to build South Africa's industrial base in critical sectors of production and value-added manufacturing, which are labour absorbing industries as provided for in IPAP 2. This will address the decline in industrial and manufacturing capacity and contribute to the reduction of chronic unemployment in line with the MEGDP and IPAP.

4.3.6 Spatial Development Initiatives (SDIs)

During the 1990's, South Africa adopted an export-orientated focus which necessitated efficient transportation of goods to the coast with the aim of maximizing competitiveness of export products in the global markets. The Maputo Corridor was then conceptualized as one of the spatial development initiatives.

In line with this initiative, MEGA in conjunction with the Department of Trade and Industry (DTI) is involved in the establishment of the Komatipoort Dry Port which has been designated as a special economic zone. The Port will provide an outlet for goods and products to foreign markets for businesses in the province and thereby increase foreign trade.

GOVERNANCE STRUCTURE

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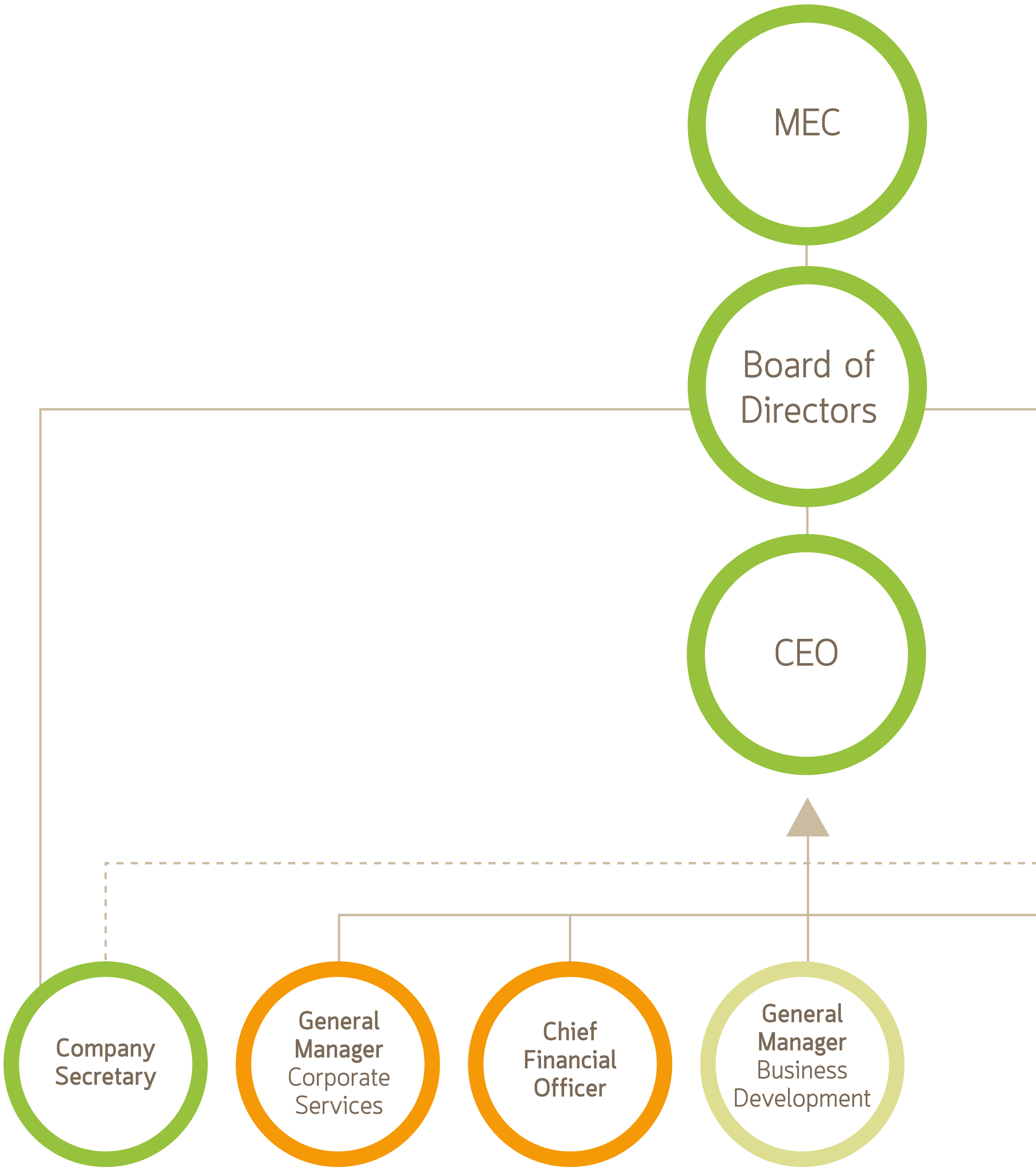
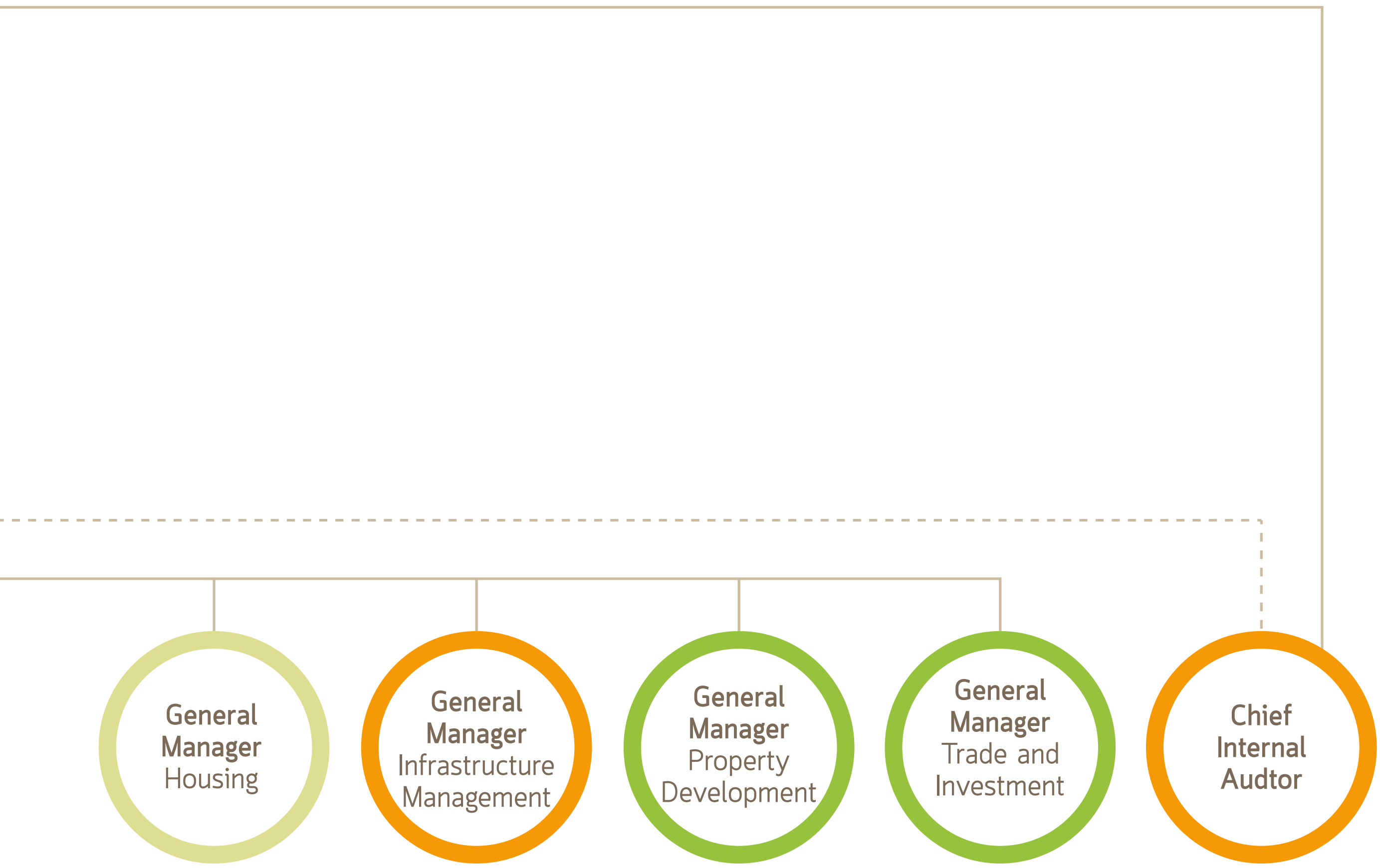
High Level Organisational Structure



GOVERNANCE STRUCTURE

5

High Level Organisational Structure



FOREWORD

6 Foreword by the Chairperson

Mr DN Mculu **Chairperson** (Interim Board)

Introduction

In the 2013/14 financial year the main focus was on the implementation of the turn-around strategy which was necessary to bring about the desired turn-around of the entity and make it to be more effective in the achievement of its strategic objectives.

The primary focus was to ensure that the redefined business model provides an environment whereby MEGA can begin to conduct its activities in an efficient and effective manner which in the medium to long term, should result in the entity becoming self-sustainable and thus better positioned to achieve its aim of fostering economic growth in the Mpumalanga Province.

The implementation of the turn-around strategy involved the migration of staff into a new structure in order to eliminate duplications caused by the merger of three institutions and inappropriate skills being placed in wrong positions; ensuring that MEGA moves towards achieving a clean audit by implementing approved audit remedial action plans, system integration, finalization of outstanding internal policies, proper valuation of properties and assets, strengthening of internal control measures and the appointment of executive members.

Overview Of Mega's Strategy and Performance

Due to the responsibility placed on MEGA in 2011 through the State Of the Province Address (SOPA) wherein the Premier stated that MEGA was expected to play a major role with regard to delivery of strategic infrastructure projects and other key economic initiatives in the Province, particularly Bulk Water Infrastructure, coupled with the Board decision to develop a turn-around strategy, a revised Strategic Plan was developed and tabled in May 2013. The Annual Performance Plan for 2014/15 would therefore be developed in line with the new Strategic Plan.

FOREWORD

6 Foreword by the Chairperson

In the year under review MEGA has achieved 51% of its planned targets, out of which 10% was partially achieved. MEGA failed to achieve 49% of its planned targets. The reason for underperformance was mainly due to capacity challenges, which was caused by lack of an adequate budget to provide for new loans, late appointment of key personnel, especially at executive level and delays in the finalization of the migration process.

Strategic relationships

A number of strategic partnerships were established and maintained for cooperation in areas such as enterprise development, infrastructure programmes, agricultural development, housing and property development.

MEGA has also established relationships with the municipalities and is currently implementing about twenty two [22] bulk infrastructure projects on behalf of eight [8] municipalities.

MEGA is cooperating with other Financial Developmental Institutions and is also an implementing agent for various government departments, which includes inter alia:

- The Department of Trade and Industry - Implementation of the Nkomazi Special Economic Zone
- Department of Agriculture, Rural Development & Land Adminstration - Development and commercialization of the International Fresh Produce Market which incorporates the Lowveld Food Technology Centre;
- Department of Economic Development, Environment & Tourism - commercialization of the Donkerhoek Water Bottling Plant;
- Various Municipalities within the Province - implementing of the bulk water infrastructure projects;
- Small Enterprise Finance Agency (SEFA) - possible partnering on loans for enterprise development;
- ABSA and Standard Bank - possible partnering on financing the Comprehensive Rural Development Plan (CRDP) Projects;
- Industrial Development Corporation (IDC) - partnering on the maintenance and refurbishment of MEGA's properties, including the industrial park (Ekandustria) and small industrial parks;
- Small Enterprise Development Agency (SEDA) and South African Bureau of Standards (SABS) - partnering on product quality and standards as well as certification for MEGA's clients.

MEGA recognises the importance of strategic partnership and shall continue engagements with its strategic partners and other stakeholders to ensure synergies amongst all role players within the sector.

Challenges faced by the Board

The year 2013/14 has been a year of rebuilding the organisation where numerous challenges had to be addressed such as displaced employees, transition process that took longer than anticipated, ineffective internal controls, failure to issue loans due to financial constraints, amongst others, which resulted in the organisation not being able to function as expected.

FOREWORD

Foreword by the Chairperson

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Following the resignations of three [3] Board members, the Board as at the end of the financial year was constituted of only eight [8] Members eligible to vote in Board meetings and in terms of section 5(3) of the MEGA Act, the Board must be constituted by no less than nine [9] Members with voting powers. This matter was addressed post- year-end through the appointment of an Interim Board.

The year ahead

With most of the challenges being addressed and the implementation of the turn-around strategy being carried out successfully, the Board is confident that in the year ahead MEGA shall begin to conduct its activities in an efficient and effective manner and be better positioned to achieve its aim of fostering economic growth in the Mpumalanga Province.

Acknowledgements/appreciation

On behalf of the Board, I wish to extend my sincere appreciation to the former MEC of the Department of Economic Development, Environment and Tourism, Honourable Mrs NY Phosa, for her guidance, support and leadership during the financial year under review. I wish to thank also the current Honourable MEC, Mr Kholwane, for the strategic leadership he continues to provide to the organisation.

I also thank the members of the Board for their commitment and stewardship in providing strategic leadership and oversight to management.

The role played by the CEO and his management team in implementing the turn-around strategy while also seeing to the normal business of the Agency under very challenging circumstances, is greatly appreciated.

Mr DN Mculu
Chairperson (Interim Board)
Mpumalanga Economic Growth Agency

* The term of office of the Board came to an end prior to the submission of this Annual Report. After the resignation of two board members, the Board remained with only eight members, which was fewer than the nine required to form a quorum for the board to take any votes. This resulted in the appointment of the Interim Board in accordance with Section 7(4) of the MEGA Act of 2010. The Interim Board is Chaired by Mr DN Mculu.

OVERVIEW

7 Chief Executive Officer's Overview

Mr T Nobela Acting Chief Executive Officer

During the year under review, the Agency experienced difficulties in meeting its set targets for the year, especially in its core business divisions primarily because a moratorium on the issuing of loans was only lifted in November 2013, four [4] months before the end of the financial year. Even with the moratorium having been lifted, only a few loans could be issued as a result of drastic cost curtailment measures effected by the Board in December 2013 in order to manage limited resources as a result of cash flow challenges.

The Trade and Investment Promotion division also failed to meet most of its set targets as a result of, amongst others, a reduced number of foreign exhibitions which had a multiplier effect on export leads. The investment facilitation process as a result of trade and investment promotion missions undertaken also took longer to be converted to implementation stage.

Due to the challenges stated above, only 41% of the total planned targets were achieved and 10% partially achieved during the year under review.

Despite the challenges mentioned above, the completion of the merger process in the year under review has ensured that MEGA positions itself to first and foremost, conduct its business in an efficient and effective manner which in turn positions it as a strategic entity to drive economic development, deliver high impact infrastructure programmes and serve as a catalyst for the facilitation of trade and foreign direct investment.

During the year under review, eleven [11] bulk water infrastructure projects were planned to be implemented, however, a total of twenty two [22] were implemented, with ten [10] at construction stage and the balance still at design stage.

OVERVIEW

Chief Executive Officer's Overview

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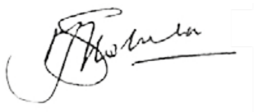
In addition, significant progress was registered in terms of the restructuring process which is nearing an end with only a few issues outstanding. The Executive Management team has been, as of January 2014, largely constituted and this has been a key milestone in this period, as it places MEGA in a better position to deliver on its mandate.

MEGA has also made significant progress in addressing weaknesses in internal controls and other challenges that were brought about by the merging of the three erstwhile entities. The following outstanding issues were also resolved during the year under review:

- Verification of all assets was conducted and valuation of immovable assets was completed. Impairment of movables has also been finalised and a final asset register with fair values and carrying amounts in terms of GAAP and IAS is in place
- A Risk Register for 2013/14 was developed and monitored by an outsourced service provider as approved by the Audit Committee
- A three (3) year Audit plan was developed and approved by the Audit Committee
- Various human resources and other financial policies have been reviewed and new policies developed and approved and/or submitted to the Board for approval and implementation
- A new organisation structure in line with the mandate of the newly merged entity was developed
- The Turnaround Strategy is being implemented to improve audit outcomes and operational efficiencies.

It is imperative that MEGA should now re-position itself following the merger, through a re-branding process which will help enhance its market position and brand image. This will be coupled with a robust programme aimed at instilling the organisation's values and institutionalising a corporate culture of above average performance.

A heartfelt thanks to the Board for its support and guidance provided to management during the year under review. Also, my sincere appreciation, to my colleagues in management and staff, for their dedication and support towards the achievement of the Agency's performance objectives.



Mr T Nobela
Acting Chief Executive Officer
Mpumalanga Economic Growth Agency

* The term of office of the CEO came to an end prior to the submission of this Annual Report. Mr T Nobela was appointed as Acting CEO.


02-28-201

PERFORMANCE INFORMATION

B

Statement of Responsibility for Performance Information

STATEMENT OF RESPONSIBILITY FOR PERFORMANCE INFORMATION FOR THE YEAR ENDED 31 MARCH 2014

The Chief Executive Officer is responsible for the preparation of the public entity's performance information and for the judgements made in this information.

The Chief Executive Officer is responsible for establishing, and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of performance information.

In my opinion, the performance information fairly reflects the actual achievements against planned objectives, indicators and targets as per the strategic and annual performance plan of the public entity for the financial year ended 31 March 2014.

The Mpumalanga Economic Growth Agency's performance information for the year ended 31 March 2014 have been examined by the external auditors and their report is presented on pages 124 – 130.

The performance information of the entity as set out on page 23 to page 91 was approved by the board.

Mr T Nobela
Acting Chief Executive Officer

AUDITOR'S REPORT

2 Auditor's Report: Predetermined Objectives

The Auditor-General of South Africa [AGSA] currently performs the necessary audit procedures on the performance information to provide limited assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management, with material findings being reported under the Predetermined Objectives heading in the Report on other legal and regulatory requirements section of the auditor's report.

Refer to page 126 of the Report of the Auditors Report, published as Part E: Financial Information.

OVERVIEW

Overview Of Public Entity's Performance

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3.1. Organisational Environment

MEGA has achieved 41% and partially achieved 10% of its planned targets. MEGA failed to achieve 49% of its planned targets. The reason for underperformance was mainly due to capacity challenges, which was caused by lack of adequate budget to provide for new loans, late appointment of key personnel and delays in the finalization of the migration process.

In December 2013, drastic cost curtailment measures had to be effected given limited financial resources within MEGA against demand. This also resulted in fewer loans being issued than planned.

MEGA has registered much progress with regard to the implementation of the bulk water infrastructure project. During the year under review, eleven (11) bulk water infrastructure projects were planned to be implemented, however, twenty two [22] projects were implemented, with ten [10] at construction stage while twelve [12] are still at design stage.

MEGA has also made significant progress in addressing weaknesses in internal controls and other challenges that were brought about by the merging of the three erstwhile entities.
A total number of 58 targets were planned, 30 targets were achieved (6 were partially achieved) and 28 were not achieved.

3.1.1 Performance Dashboard

Consolidated Targets per Quarter: In Numbers

	Quarter 1	Quarter 2	Quarter 3	Quarter4	Annual Target
Total Targets Planned per Quarter	56	57	57	58	58
Number of Targets Achieved	19	25	22	28	24
Number of Targets Partially Achieved	5	5	7	6	6
Number of Targets Not Achieved	32	27	28	24	28

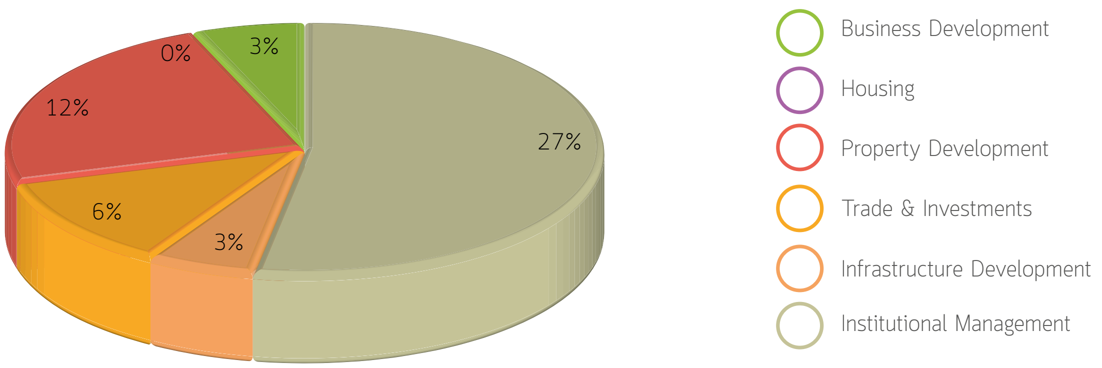
OVERVIEW

3 Overview Of Public Entity's Performance

The divisions' contribution of the 51% achievement are depicted on the chart below:

51% Distribution per Division

Achieved	= 100%
Partially achieved	= >70%
Not achieved	= <70%



MEGA has achieved 41% and partially achieved 10% of its planned targets and failed to achieve 49%.

With most of the challenges being addressed and the implementation of the turn-around strategy being carried out successfully, the Board is confident that in the year ahead MEGA shall begin to conduct its activities in an efficient and effective manner and be better positioned to achieve its aim of fostering economic growth in the Mpumalanga Province.

OVERVIEW

Overview Of Public Entity's Performance

3

	Planned	Achieved	%
Institutional Management	13	18	58%
Infrastructure Development	2	2	100%
Trade & Investments	8	4	50%
Property Development	9	8	89%
Housing	4	0	0%
Business Development	4	2	50%

Key Policy Developments and Legislative Changes

4

MEGA received several mandates from government to implement various projects such as the implementation of the Bulk Water Infrastructure Project on behalf of eight [8] identified priority municipalities within Mpumalanga, Commercialization of the Donkerhoek Water Bottling Plant, establishment of the International Fresh Produce Market and its Agri-hubs as well as the implementation of the Special Economic Zone in Nkomazi.

The mandates will form part of the 2014/15 Annual Performance Plan and progress on the implementation thereof be reported accordingly.

Strategic Outcome-oriented Goals

5

The goals of MEGA have been formulated in line with its legislative, policy and other mandates and they drive institutional performance. The seven strategic outcome oriented goals and goal statements which direct the institution are:

OVERVIEW

5 Strategic Outcome-Oriented Goals

Goal 1

Strategic Outcome Oriented	To achieve institutional excellence as a model economic development agency
Goal statement	To achieve institutional excellence by creating an organisation that has clearly defined functions, roles and responsibilities and one that is responsive to the changing needs of the organisation to enable it to deliver on its set outcomes for the period 2012 to 2016 with defined service levels

Goal 2

Strategic Outcome Oriented	To facilitate the development of socio-economic infrastructure supporting essential service delivery and economic development
Goal statement	To facilitate delivery of socio-economic infrastructure that enables effective service delivery by the eight targeted municipalities in the province contributing to Mpumalanga's economic development during the period of this strategic plan.

Goal 3

Strategic outcome-oriented goal 3	To achieve real financial growth and sustainability
Goal statement	To strengthen financial and related systems and processes that will ensure that MEGA strengthens its financial position to facilitate growth that is in excess of inflation and thereby ensure sustainability by March 2018 through establishing the following systems that measure real financial growth and MEGA's sustainability: ○ Design internal business units into profit centres ○ Determine the turn-around strategy for the profit centres (Agri-businesses, Mines, Industrial Parks and Commercial Shopping Centres) ○ Determine viability ○ Determine projections to the break-even points ○ Funding model for each profit centre ○ Track the return on investments.

OVERVIEW

Strategic Outcome-Oriented Goals

5

Goal 4

Strategic outcome oriented goal 4	To promote and grow foreign and domestic trade and investment
Goal statement	To promote and grow foreign trade and investment by 10% ○ Foreign and domestic trade by increasing the number of local traders and producers having access to additional local and foreign markets ○ The number of investors setting up businesses in the province using the province's resources to provide goods and services and thereby reducing unemployment.

Goal 5

Strategic outcome oriented goal 5	To increase access to affordable housing
Goal statement	To increase on a yearly basis from 2013: ○ The number of serviced plots ○ The number of houses constructed ○ Amounts disbursed in loans to clients to access affordable housing ○ The Municipal land made available for affordable housing.

Goal 6

Strategic Outcome Oriented	To promote the development and sustainability of existing and emerging enterprises
Goal statement	To promote the development and sustainability of approved enterprises in the province by ensuring that existing and new enterprises are supported and measured by: ○ The increase in the number of Small and Medium and Micro Enterprises (SMMEs) in the province compared to the previous year ○ The number of SMMEs being given financial and non-financial support compared to the previous year.

OVERVIEW

5 Overview Of Public Entity's Performance

Goal 7

Strategic Outcome Oriented	To develop and manage immovable property
Goal statement	Property development and management to be enhanced. This includes bringing onto MEGA's property portfolio by March 2013 all properties in the province that MEGA has been allocated to manage. The following will be done: ○ Completing and the updating the fixed asset register of immovable property ○ Renovating and repairing buildings in line with the assessment of the maintenance plan ○ Negotiate market related rentals for entire property portfolio ○ Establishing a comprehensive property management system.

PERFORMANCE INFORMATION

Performance Information by Programme

6

6.1 PROGRAMME 1: INSTITUTIONAL MANAGEMENT

Purpose

To provide strategic leadership, management and support services to the organization for its effectiveness in the delivery of the organizational mandate.

6.1.1SUB PROGRAMME 1.1: OFFICE OF THE CEO

Strategic Objective

To provide support in areas relating to risk management, internal audit, compliance, ethics, strategy management and marketing and communication

Highlights/Progress Made

A total rating of 2.46 was achieved in terms of the Financial Management Capability Maturity Model 4 Quarterly Performance Reports and 4 PFMA Compliance Checklists were submitted to the Executive Authority within prescribed timelines:

- An Annual Performance Plan and Annual Report was produced in line with Treasury's Framework and submitted to the Executive Authority within prescribed timeline;
- A Shareholder's Compact was concluded with the Executive Authority;
- Quarterly Internal Audit assessments were conducted;
- Risk assessments were conducted quarterly together with mitigating factors; and
- An enterprise risk management strategy was developed and implemented.

PERFORMANCE INFORMATION

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Performance Information by Programme

Dashboard

Consolidated Targets per Quarter: In Numbers

	Quarter 1	Quarter 2	Quarter 3	Quarter4	Annual Target
Total Annual Targets	11	11	11	11	11
Targets Planned for the Quarter	6	6	5	8	6
Number of Targets Achieved	4	3	2	4	3
Number of Targets Partially Achieved	0	0	0	0	0
Number of Targets Not Achieved	2	3	3	4	3
Achieved	67%	50%	40%	50%	52%
Partially Achieved	0	0	0	0	0
Not Achieved	33%	50%	60%	50%	48%

Achieved	= 100%
Partially achieved	= >70%
Not achieved	= <70%

6

Programme/Sub-programme

Key performance indicators, planned targets and actual achievements

Programme/Sub-programme: Office of the CEO

	Strategic Objectives	Actual Achievement 2012/2013	Planned Target 2013/2014	Actual Achievement 2013/2014	Deviation from planned target to Actual Achievement for 2013/2014	Comment on deviations
1	To create and promote a corporate culture of excellence	Not Planned	Achieve a rating of 3 in terms of the Financial Management Capability Model	2.46	0.54	None
2	Effective management of performance information in compliance with National Treasury guidelines	1 consolidated strategic submitted to the Executive Authority	Strategic Plan submitted by 30 March 2014	0	1	Strategic Plan was not reviewed in 2013/14 following advice by the Portfolio Committee in line with the Framework for Strategic and Annual Performance Plans
		1 annual performance plan submitted to the Executive Authority	Annual Performance Plan submitted by 30 March 2014	1	0	None
		4 consolidated performance reports reflecting actual performance against targets set on a quarterly basis provided	4 Quarterly Reports submitted to the Executive Authority one month after the end of each quarter	4	0	None
		Annual Report submitted to the Executive Authority	Annual Report submitted to the Executive Authority by 31 August 2013	1	0	None
3	Establish a Shareholder's Compact with the Executive Authority	Not Planned	Review and update Shareholder's Compact with DEDET and obtain Board approval by 30 May 2013	1	0	None

Programme/Sub-programme

Key performance indicators, planned targets and actual achievements

Programme/Sub-programme: Office of the CEO

	Strategic Objectives	Actual Achievement 2012/2013	Planned Target 2013/2014	Actual Achievement 2013/2014	Deviation from planned target to Actual Achievement for 2013/2014	Comment on deviations
4	Establish and implement a Marketing Strategy and Branding policy	Not Planned	Marketing Strategy and Branding policy approved and implemented by 30 July 2013	0	1	The strategy could not be implemented since it has not yet been completed. This was due to lack of capacity within the division.
5	Establish and implement a governance framework, complying with the Minimum Requirement standards, including structure and guidelines	Not Planned	3 year risk based strategic Internal Audit plan by 30 May 2013	1	0	None
		Not Planned	1 year Internal Audit Operational Plan developed and implemented by 30 June 2013	1	0	None
6	To develop and implement an Enterprise Risk Management Strategy	Not Planned	1 enterprise risk management strategies developed and implemented by 28 June 2013	1	0	None
7	Develop and implement fraud risk register and fraud prevention plan	Not planned	Fraud risk register approved by 30 May 2013 and Fraud prevention plan by 28 June 2013	0	1	The Plan could not be implemented since the position of a Risk Manager was vacant

6

Programme/Sub-programme

Key performance indicators, planned targets and actual achievements

Programme/Sub-programme: Office of the CEO						
Performance Indicator		Baseline/Actual Achievement 2012/2013	Planned Target 2013/2014	Actual Achievement 2013/2014	Deviation from planned target to Actual Achievement for 2013/2014	Comment on deviations
1	Total rating achieved in terms of the Financial Management Capability Maturity Model	Not Planned	3	2.46	0.54	None
2	Number of strategic plans produced in line with Treasury's Framework and submitted to the Executive Authority within prescribed deadlines	1	1	0	1	Strategic Plan was not reviewed in 2013/14 following advice by the Portfolio Committee in line with the Framework for Strategic and Annual Performance Plans
3	Number of Annual Performance Plans produced in line with Treasury's Framework and submitted to the Executive Authority within prescribed deadlines	1	1	1	0	None
4	Number of Quarterly Reports produced in line with Treasury's Framework and submitted to the Executive Authority within prescribed deadlines	4	4	4	0	None

6

Programme/Sub-programme

Key performance indicators, planned targets and actual achievements

Programme/Sub-programme: Office of the CEO						
Performance Indicator		Baseline/Actual Achievement 2012/2013	Planned Target 2013/2014	Actual Achievement 2013/2014	Deviation from planned target to Actual Achievement for 2013/2014	Comment on deviations
5	Number of Annual Reports produced in line with Treasury's Framework and submitted to the Executive Authority within prescribed deadlines	1	1	1	0	None
6	Number of Shareholder's Compacts concluded with DEDET	Not planned	1	1	0	
7	Number of approved Marketing Strategy and Branding policy	Not planned	1	0	1	The strategy could not be implemented since it has not yet been completed. This was due to lack of capacity within the division.
8	Number of risk based Internal audit plans	Not planned	1	1	0	None
9	Number of internal audit operational plans	Not planned	1	1	0	None
10	Number of enterprise risk management strategies developed and implemented	Not planned	1	0	1	The Plan could not be implemented since the position of a Risk Manager was vacant

PERFORMANCE INFORMATION

6

Performance Information by Programme

1 Failure to review the Strategic Plan in 2013/14

MEGA has taken advice from the Portfolio Committee, which is in line with the Framework for Strategic and Annual Performancew Plans that a Strategic Plan should cover a period of at least five years, ideally from the first planning cycle following an election and must be linked to the identified outcomes of Government. A Strategic Plan may be changed during the five-year period that it covers. However, such changes should be limited to revisions related to significant policy shifts or changes in the service-delivery environment. Since there have been no policy shifts or changes in the service delivery environment, MEGA's Strategic Plan was not revised, however, this is to be reviewed with the new 5 Year plan of the new Administration.

2 Failure to Develop and Implement the Marketing Strategy and Branding policy

The Manager: Marketing and Communication was appointed. External experts were engaged to assist with the rebranding of the organization.

The strategy will be ready for implementation at the beginning of the new financial year

3 Failure to Develop and Implement Fraud Risk Register and Fraud Prevention Plan

The position of an Enterprise Risk Manager is to be filled in the new financial year. The Fraud Risk Register and the Fraud Prevention Plan are in place and already under implementation.

Changes to planned targets

There were no changes in performance indicators during the year.

Linking performance with budgets

	2013/2014			2012/2013		
Sub-Programme Name	Budget (R'000)	Actual (R'000)	(Over)/Under Expenditure (R'000)	Budget (R'000)	Actual (R'000)	(Over)/Under Expenditure (R'000)
Office of the CEO	19 823	28 269	(8 446)	5 141	3 467	1 674
TOTAL	19 823	28 269	(8 446)	5 141	3 467	1 674

PERFORMANCE INFORMATION

6

Performance Information by Programme

6.1.2 SUB-PROGRAMME 1.2: FINANCE

Strategic Objective:

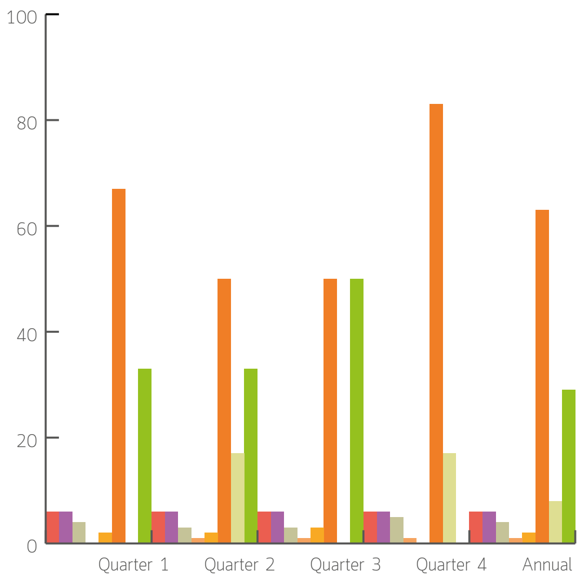
To provide support through planning and monitoring of budgets and expenditure, accounting and finance procurement systems.

Highlights/progress made:

- Grant versus own revenue of 46:54 was achieved;
- Growth in profit by 81% was achieved;
- The operational costs was reduced by 8%;
- Debt coverage ratio improvement of 1:1.88.

Dashboard

	Quarter 1	Quarter 2	Quarter 3	Quarter4	Annual
Total Annual Targets	6	6	6	6	6
Targets Planned for the Quarter	6	6	6	6	6
Number of Targets Achieved	4	3	3	5	4
Number of Targets Partially Achieved	0	1	0	1	1
Number of Targets Not Achieved	2	2	3	0	2
Achieved %	67%	50%	50%	83%	63%
Partially Achieved %	0%	17%	0%	17%	8%
Not Achieved %	33%	33%	50%	0%	29%



Achieved	= 100%
Partially achieved	= >70%
Not achieved	= <70%

6

Programme/Sub-programme

Key performance indicators, planned targets and actual achievements

Programme/Sub-programme: Finance						
Strategic Objectives		Baseline/Actual Achievement 2012/2013	Planned Target 2013/2014	Actual Achievement 2013/2014	Deviation from planned target to Actual Achievement for 2013/2014	Comment on deviations
1	To achieve real growth and financial sustainability	Grant versus own revenue 48:52	Grant versus own revenue 60:40	46:54	14:-14	This is a positive deviation. Own revenue exceeded grant received.
		Not Planned	Growth in profit by 2,5%	81%[1]	-78.5%	This is a positive deviation.
		Not Planned	Reduction in operational cost by 5%	8%	–3%	This is a positive deviation
		Not Planned	Improvement of debt coverage ratio of 1:2 (Cash flow from operations vs liabilities) **Baseline**: 0.05 in 2012/13 FY.	1:1.88[2]	.12	On target
2	Developed debt collection policies approved and implemented	Not Planned	1 debt collection policy reviewed and approved by the Board	1	0	None

6

Programme/Sub-programme

Strategic objectives, planned targets and actual achievements

Programme/Sub-programme: Finance						
3	Percentage increase on debt collection ratio	Not Planned	Increase of 5% on 2012-13 baseline debt collection ratio measured by an average collection period of not more than 60 days.	3%	2%	Not on target due to delays in the appointment of debt collectors, lease register not up to date and capacity challenges related to management of Debtors

6

Programme/Sub-programme

Strategic objectives, planned targets and actual achievements

Programme / Sub-programme: Finance						
Performance Indicator		Actual Achievement 2012/2013	Planned Target 2013/2014	Actual Achievement 2013/2014	Deviation from planned target to Actual Achievement for 2013/2014	Comment on deviations
1	Grant versus own revenue ratio	48:52	60:40	46:54	14:-14	This is a positive deviation. Own revenue exceeded grant received.
2	Growth in profit percentage	Not Planned	2,5%	81%	-78.5%	This is a positive deviation.
3	Reduction in operational cost percentage	Not Planned	5%	8%	-3%	This is a positive deviation
4	Improvement of debt coverage ratio (0.05 baseline)	Not Planned	1:2	1:1.88	.12	On target
5	Number of debt collection policy approved and implemented	Not Planned	1	1	0	None
	Increase of 5% on 2012-13 baseline debt collection ratio measured by an average collection period of not more than 60 days	Not Planned	5%	3%	2%	Not on target due to delays in the appointment of debt collectors, lease register not up to date and capacity challenges related to management of Debtors

PERFORMANCE INFORMATION

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Performance Information by Programme

1 Failure to achieve an increase of 5% on 2012-13 baseline debt collection ratio

The following interventions are to be undertaken to ensure improvement:

- Appointment of Debt collectors;
- Handover of delinquent debtors for legal action;
- Task team appointed within MEGA to verify lease register and undertake rental escalations;
- Institute an internal debt collection procedure.

Changes to planned targets

There were no changes in performance indicators during the year.

Linking performance with budgets

	2013/2014			2012/2013		
Sub-Programme Name	Budget (R'000)	Actual (R'000)	(Over)/Under Expenditure (R'000)	Budget (R'000)	Actual (R'000)	(Over)/Under Expenditure (R'000)
Finance	57 796	55 677	2 119	73 401	69 848	3 553
Total	57 796	55 677	2 119	73 401	69 848	3 553

PERFORMANCE INFORMATION

Performance Information by Programme 6

6.1.3 SUB PROGRAMME 1.3: CORPORATE SERVICES

Purpose

To provide support through the administration of human resources, legal, logistics, and ICT

Sub Programme 1.3.1: Information and Communication Technology

Strategic Objective

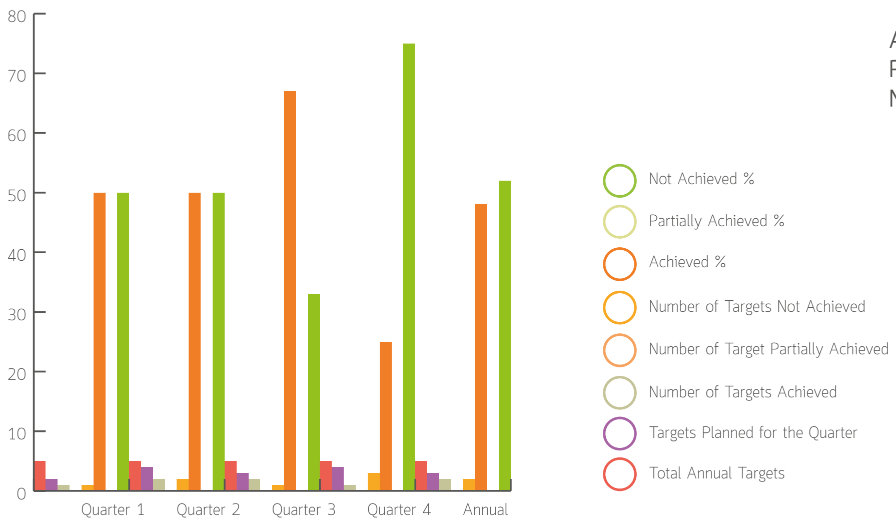
To develop and implement a fully integrated Information and Communication Technology System (ICT), IT Governance and Operational Structure and Business Continuity

Highlights/progress made

- IT committee with Terms of Reference approved;
- Maximum of security incidents with no effect on data integrity were less than 5 per month. This implies that security risks were below acceptable norm;
- IT continuity plan was developed and reviewed on a quarterly basis.

Dashboard

	Quarter 1	Quarter 2	Quarter 3	Quarter4	Annual
Total Annual Targets	5	5	5	5	5
Targets Planned for the Quarter	2	4	3	4	3
Number of Targets Achieved	1	2	2	1	2
Number of Targets Partially Achieved	0	0	0	0	0
Number of Targets Not Achieved	1	2	1	3	2
Achieved %	50%	50%	67%	25%	48%
Partially Achieved %	0%	0%	0%	0%	0%
Not Achieved %	50%	50%	33%	75%	52%



Achieved	= 100%
Partially achieved	= >70%
Not achieved	= <70%

6

Programme/Sub-programme

Key performance indicators, planned targ ets and actual achievements

Programme/Sub-programme: Information and Communication Technology

Strategic Objectives		Actual Achievement 2012/2013	Planned Target 2013/2014	Actual Achievement 2013/2014	Deviation from planned target to Actual Achievement for 2013/2014	Comment on deviations
1	Establish IT governance, including policies and procedures, in accordance with acceptable standards.	Not Planned	1 approved committee with Terms of Reference	1	0	None
		Not Planned	3 Quarterly Reports on the implementation of IT risk framework	1	2	Capacity Challenges relating to segregation of duties and lack of staff.
2	To develop and implement a fully integrated Information and Communication Technology System	Not Planned	5 maximum security Incidents per month with no effect on data integrity	4	1	Positive deviation. There were very few incidents per month with no effect on data integrity which implies that security risks were below accepted norm
		Not Planned	1 fully documented IT strategy aligned to business strategy.	0	1	Delays in the finalisation of the Strategy
3	To develop and implement a defined IT continuity plan	Not Planned	3 reviews of the IT continuity plan	2	1	Delays in the finalisation of the Plan

6

Programme/Sub-programme

Strategic objectives, planned targets and actual achievements

Programme / Sub-programme: Information and Communication Technology						
Performance Indicator		Baseline/Actual Achievement 2012/2013	Planned Target 2013/2014	Actual Achievement 2013/2014	Deviation from planned target to Actual Achievement for 2013/2014	Comment on deviations
1	Number of approved IT committees with Terms of Reference	Not Planned	1	1	0	None
2	Number of Quarterly Reports on the implementation of IT risk framework	1	3	1	2	Capacity Challenges relating to segregation of duties and lack of staff.
3	Number of maximum of security Incidents per month with no effect on data integrity	1	5	4	1	Positive deviation. There were very few incidents per month with no effect on data integrity which implies that security risks were below accepted norm
4	Number of fully documented IT strategy aligned to business strategy	4	1	0	1	Delays in the finalisation of the Strategy
5	Number of IT continuity plan developed and reviewed on a quarterly basis	1	3	2	1	Delays in the finalisation of the Plan

PERFORMANCE INFORMATION

6

Performance Information by Programme

1. Failure to implement IT risk framework

   IT risk framework is being developed and will be implemented in the new financial year.

2. Lack of a fully documented IT strategy aligned to business strategy.

   A fully documented IT strategy aligned to business strategy shall be implemented in the new financial year.

Changes to planned targets

There were no changes in performance indicators during the year.

Linking performance with budgets

	2013/2014			2012/2013		
Sub-Programme Name	Budget (R'000)	Actual (R'000)	(Over)/Under Expenditure (R'000)	Budget (R'000)	Actual (R'000)	(Over)/Under Expenditure (R'000)
ICT	2 373	2 426	(53)	-	-	-
Total	2 373	2 426	(53)	-	-	-

PERFORMANCE INFORMATION

Performance Information by Programme

6

SUB PROGRAMME 1.3.2: HUMAN RESOURCES

Strategic Objective

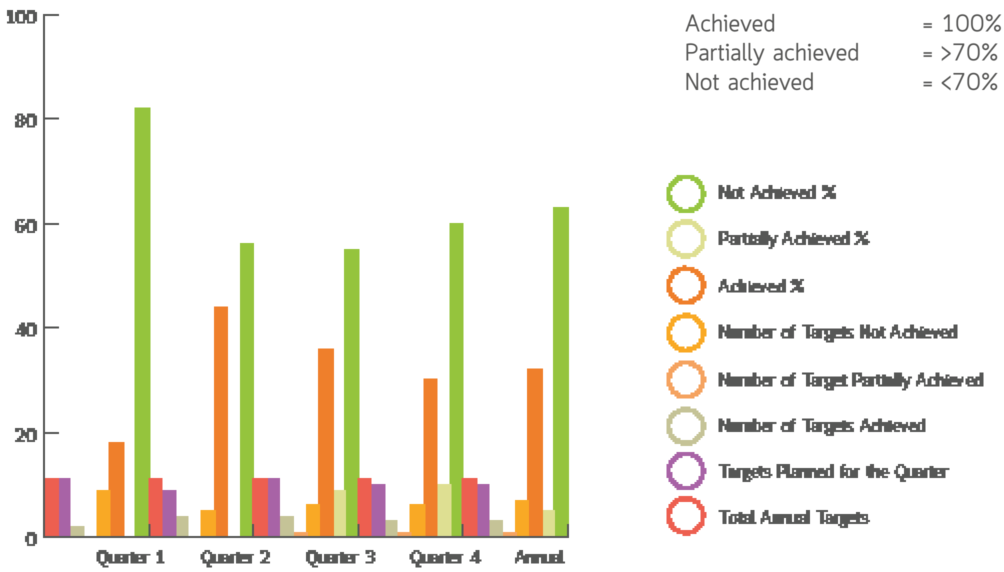
To implement an effective talent management system from recruitment to termination with a focus on measures to enhance organizational performance through appropriate facilities and human management systems

Highlights/progress made

- Migration process has registered remarkable progress with all appeals having been finalized and selective placement positions also concluded.
- Consultation on Remuneration and Performance management Policies concluded.

Dashboard

	Quarter 1	Quarter 2	Quarter 3	Quarter4	Annual
Total Annual Targets	11	11	11	11	11
Targets Planned for the Quarter	11	9	11	10	10
Number of Targets Achieved	2	4	4	3	3
Number of Targets Partially Achieved	0	0	1	1	1
Number of Targets Not Achieved	9	5	6	6	7
Achieved %	18%	44%	36%	30%	32%
Partially Achieved %	0%	0%	9%	10%	5%
Not Achieved %	82%	56%	55%	60%	63%



Achieved = 100%
Partially achieved = >70%
Not achieved = <70%

6

Programme/Sub-programme

Key performance indicators, planned targets and actual achievements

Programme / Sub-programme: Human Resources						
Strategic Objectives		Actual Achievement 2012/2013	Planned Target 2013/2014	Actual Achievement 2013/2014	Deviation from planned target to Actual Achievement for 2013/2014	Comment on deviations
1	Organisational structure approved by the Accounting Authority	1 approved Organogram	1 approved Organogram	1	0	None
		Not Planned	1 Job grading exercise for all funded positions	1	0	None
2	To develop and implement Human Resources Plan	80% of 260 funded positions filled	Approved recruitment/ staffing plan (100% funded positions)	98%	0.02	None
		Not Planned	Conduct 1 training needs analysis/skills assessment based on the approved Organogram	0	1	Migration of staff to new structure was only completed in March 2014 resulting in the needs analysis being deferred.
		Not Planned	1 HRD Plan/Workplace skills plan approved and implemented	0	1	Migration of staff to new structure was only completed in March 2014 resulting in the implementation of the Plan being deferred.
		Not Planned	1 Employment Equity Plan approved and implemented	0	1	Migration of staff to new structure was only completed in March 2014 resulting in the implementation of the Plan being deferred.
		Not Planned	1 Retention Strategy approved and implemented	0	1	Migration of staff to new structure was only completed in March 2014 resulting in the implementation of the Strategy being deferred.

6

Programme/Sub-programme

Key performance indicators, planned targets and actual achievements

Programme / Sub-programme: Human Resources						
Strategic Objectives		Actual Achievement 2012/2013	Planned Target 2013/2014	Actual Achievement 2013/2014	Deviation from planned target to Actual Achievement for 2013/2014	Comment on deviations
3	To develop and implement the Performance Management and Development system	Not Planned	1 Performance Management and remuneration policy approved and implemented	0	1	Migration of staff to new structure was only completed in March 2014 resulting in the implementation of the system being deferred.
4	To develop and implement an Employee Assistance programme	Not Achieved	1 Employee Assistance Programme which include EAP and Management of HIV/AIDS approved and implemented	0	1	Migration of staff to new structure was only completed in March 2014 resulting in the implementation of the Plan being deferred.
		1 Operational Health and Safety Plans developed	1 OHS plan approved and implemented	1	0	None
		Not planned	4 strategic staff engagement sessions	3	1	None

6

Programme/Sub-programme

Key performance indicators, planned targets and actual achievements

Programme / Sub-programme: Human Resources						
Performance Indicator		Actual Achievement 2012/2013	Planned Target 2013/2014	Actual Achievement 2013/2014	Deviation from planned target to Actual Achievement for 2013/2014	Comment on deviations
1	Number of organisational structures approved by the Accounting Authority	1	1	1	0	None
2	Number of job grading exercised conducted for all funded positions	Not Planned	1	1	0	None
3	Number of recruitment/ staffing plan approved and implemented (100% funded positions)	80%	100%	98%	0.02	None
4	Number of training needs analysis/skills assessment conducted based on the approved Organogram	Not Planned	1	0	1	Migration of staff to new structure was only completed in March 2014 resulting in the needs analysis being deferred.
5	Number of HRD/WSPs approved and implemented	Not Planned	1	0	1	Migration of staff to new structure was only completed in March 2014 resulting in the implementation of the Plan being deferred.
6	Number of Employment Equity plans approved and implemented	Not Achieved	1	0	1	Migration of staff to new structure was only completed in March 2014 resulting in the implementation of the Plan being deferred.

6

Programme/Sub-programme

Key performance indicators, planned targets and actual achievements

Programme / Sub-programme: Human Resources						
Performance Indicator		Actual Achievement 2012/2013	Planned Target 2013/2014	Actual Achievement 2013/2014	Deviation from planned target to Actual Achievement for 2013/2014	Comment on deviations
7	Number of Retention strategies approved and implemented	Not Planned	1	0	1	Migration of staff to new structure was only completed in March 2014 resulting in the implementation of the Strategy being deferred.
8	Number of Performance Management and Development systems approved by the Accounting Authority	Not Planned	1	0	1	Migration of staff to new structure was only completed in March 2014 resulting in the implementation of the system being deferred.
9	Number of Employee Assistance programmes approved and implemented	Not Achieved	1	0	1	Migration of staff to new structure was only completed in March 2014 resulting in the implementation of the Plan being deferred.
10	Number of OHS Plans approved and implemented	1	1	1	0	None
11	Number of regular strategic staff engagement sessions	Not planned	4	3	1	None

PERFORMANCE INFORMATION

6

Performance Information by Programme

1 Failure to Implement HR Policies and Strategies

All HR policies and strategies shall be implemented in the new financial year

Changes to planned targets

There were no changes in performance indicators during the year.

Linking performance with budgets

	2013/2014			2012/2013		
Sub-Programme Name	Budget (R'000)	Actual (R'000)	(Over)/Under Expenditure (R'000)	Budget (R'000)	Actual (R'000)	(Over)/Under Expenditure (R'000)
Human Resources	103 210	108 731	(5 521)	-	-	-
Total	103 210	108 731	(5 521)	-	-	-

PERFORMANCE INFORMATION

Performance Information by Programme

6

SUB PROGRAMME 1.3.3: LEGAL AND COMPLIANCE

Strategic Objective

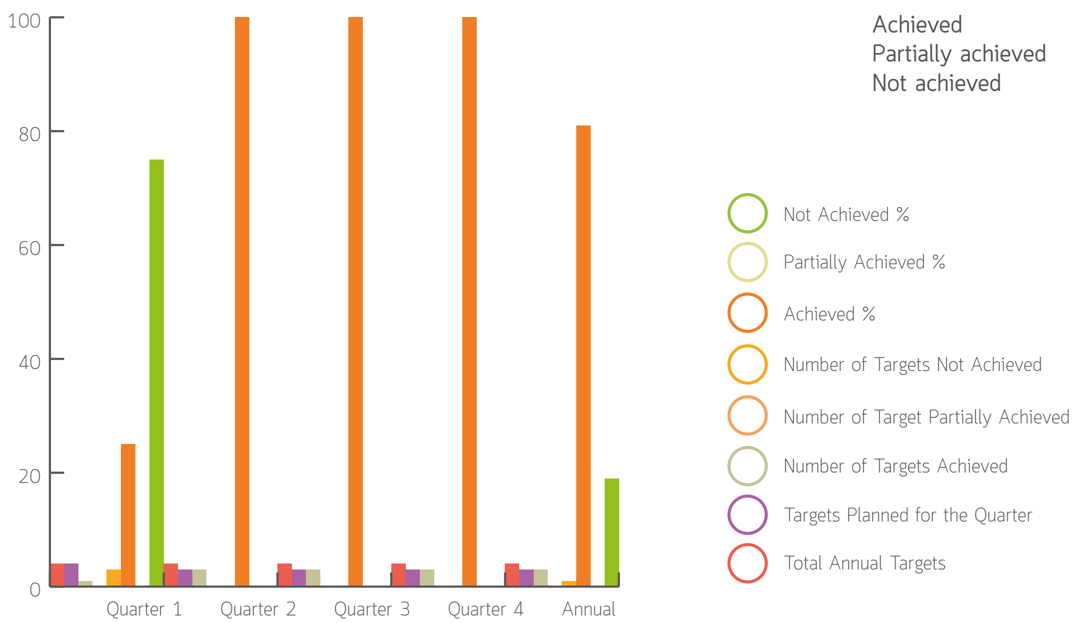
To provide legal support through management of litigation, contract management and the provision of legal advice.

Highlights / progress made:

- Generic contracts approved and aligned to business processes
- Contracts register updated
- Ongoing identification and attendance to litigation and labour cases.

Dashboard

	Quarter 1	Quarter 2	Quarter 3	Quarter4	Annual
Total Annual Targets	4	4	4	4	4
Targets Planned for the Quarter	4	9	3	3	3
Number of Targets Achieved	1	3	3	3	3
Number of Targets Partially Achieved	0	0	0	0	0
Number of Targets Not Achieved	3	0	0	0	1
Achieved %	25%	100%	100%	100%	81%
Partially Achieved %	0%	0%	0%	0%	0%
Not Achieved %	75%	0%	0%	0%	19%



Achieved	= 100%
Partially achieved	= >70%
Not achieved	= <70%

6

Programme/Sub-programme

Key performance indicators, planned targets and actual achievements

Programme / Sub-programme: Legal and Compliance						
Strategic Objectives		Actual Achievement 2012/2013	Planned Target 2013/2014	Actual Achievement 2013/2014	Deviation from planned target to Actual Achievement for 2013/2014	Comment on deviations
1	To ensure that the programme provides effective legal services and is compliant with relevant legislation and regulations	Not Planned	1 approved Compliance Universe	0	1	None
		Not Planned	6 Generic contracts approved and alignment of business processes	6	0	None
		Not Planned	1 approved contract register	1	0	None
		4 reports on legal services provided as per service level agreement	4 reports on litigations and labour cases	4	0	None

6

Programme/Sub-programme

Key performance indicators, planned targets and actual achievements

Programme / Sub-programme: Legal and Compliance						
Performance Indicator		Baseline/Actual Achievement 2012/2013	Planned Target 2013/2014	Actual Achievement 2013/2014	Deviation from planned target to Actual Achievement for 2013/2014	Comment on deviations
1	Number of approved compliance universe for all laws and regulations applicable to MEGA	Not Planned	1	0	1	None
2	Number of approved generic contracts in order to align business processes within and for various programmes in line with identified laws and regulations	Not Planned	6	6	0	None
3	Number of contract register approved	Not Planned	1	1	0	None
4	Number of reports on litigations and labour cases	4	4	4	4	None

PERFORMANCE INFORMATION

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Performance Information by Programme

Strategy to overcome areas of under-performance

None.

Changes to planned targets

There were no changes in performance indicators during the year

Linking performance with budgets

2013/2014				2012/2013		
Sub-Programme Name	Budget (R'000)	Actual (R'000)	(Over)/Under Expenditure (R'000)	Budget (R'000)	Actual (R'000)	(Over)/Under Expenditure (R'000)
Legal and Compliance	3 310	2 283	1 027	-	-	-
Total	3 310	2 283	1 027	-	-	-

6.2 PROGRAMME 2: INFRASTRUCTURE DEVELOPMENT

Purpose

To improve the socio-economic infrastructure in the province.

Sub Programme 2.1: Bulk Water Infrastructure

Strategic Objective

To facilitate the development of bulk water infrastructure

Highlights/progress made

Albert Luthuli Municipality

- Eerstehoek Raw Water Pipeline: Contractor was appointed on 6 November 2013 and construction is in progress about 70% complete.
- Refurbishment of Carolina WTW: Bid evaluation and adjudication were complete on 18 November and 19 November 2013 respectively. Contractor appointed on 28 March 2014. Site to be handed over by 14 April 2014.
- 4ML storage Reservoir: Contractor to be appointed on 20 January 2014 and site hand over on 21 February 2014 due to late submission of contractual obligation documents by contractor. Construction in progress.

PERFORMANCE INFORMATION

Performance Information by Programme

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- Construction of new 350mm diameter uPVC from Eerstehoek WTW to Elukwatini and Nhlazatshe: Bid evaluation was done on 19 September 2013. Contractor appointed on 28 March 2014. Site to be handed over on 4 April 2014.

Dr JS Moroka Municipality

- Water Conservation & Demand management: Bid evaluation and adjudication complete on September and 19 November 2013 respectively. Consultant was appointed on 20 January 2014. Currently documenting Assessment Report.
- Leufontein/Digwala bulk line: Consultant appointed 13 December 2013. Designs are ready.
- Bulk water supply from Gamorwe to V3: Contractor appointed on 13 September 2013 and site handover 22 Mkhombo-Libangeni bulk water scheme: Consultant appointed 16 November 2013 and Designs complete; No funding due to lack of MIG registration compliance.
- Bloedfontein water scheme: Consultant appointed 13 September 2013 and Design completed 22

Mkhondo Municipality

- Bulk pipeline from Driefontein WTW to Haartbeesfontein: Consultant appointed 7 November 2013 and designs could not be completed due to scope change. New completion date for designs 11 April 2014.
- Bulk water pipeline from Piet Retief and reservoirs installation: Consultant appointed 13 December 2013 and designs could not be completed due to late approval for servitudes. New completion date for designs 11 April 2014.

Thembisile Hani Municipality

- Reservoir and Pipeline at Kwamhlanga for Phola Park: Consultant appointed 3 December 2013 and Designs not complete due to revised scope of work; new date for submission 30 April 2014.
- Upgrading of Kwaggafontein Water Scheme: Consultant appointed 3 December 2013 and Designs for Phase 1 that is fully funded are complete.

Mbombela Municipality

- Nskazi South/Karino Scheme (Treatment works): Project design complete. Contractor appointment could not be processed due to budget shortfall.
- Nsikazi South/Karino Scheme (Pipeline): Project design complete. Contractor appointed 13 December 2013. Site handover 27 January 2014. Materials ordered and partially delivered. Construction in progress about 5% achieved.
- Water to Nsikazi South via Karino Regional Bulk water Regional bulk phase 2: Consultant appointed 2 March 2012 by Mbombela Municipality Project not yet handed over.
- Bulk water supply to Nsikazi North through 36ML/day Nyongane water treatment plant Consultant appointed 13 November 2013 by Department of Water Affairs. Project not yet handed over.

PERFORMANCE INFORMATION

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Performance Information by Programme

Nkomazi Municipality

- Mabundzeni – Upgrade of reservoir and existing reticulation: Consultant appointed 11 September 2013 and Designs complete. Contractor appointed on 13 March 2014. Site handed over on 25 March 2014.
- Masibekela extension of existing reticulation and replacement of rising main (2km): Consultant appointed 11 September 2013, designs completed 21 November 2013. Contractor could not be appointed due to budget constraints.
- Khombaso – extend exiting reticulation and gravity main: Consultant appointed 15 October 2013 and Designs complete. Contractor appointed on 13 March 2014. Site handed over on 20 March 2014.
- Magudu Extension of existing reticulation, reservoir and water treatment upgrade: Consultant appointed 7th October 2013. Designs complete Contractor appointed on 13 March 2014. Site handed over on 25 March 2014.
- Mbuzini reticulation and gravity line upgrade and construction of 2ML reservoir: Consultant appointed 7 October 2013, Designs complete. Tenders were stopped due to budget constraints
- Louiville reticulation, reservoir and treatment upgrade: Consultant appointed and Designs complete. Tenders were stopped due to budget constraints
- Vlakbult – Reticulation and 3km bulk line upgrade: Consultant appointed 23 October 2013 and designs complete. Contractor appointed on 13 March 2014. Site handed over on 26 March 2014.
- Schoemansdal North – reticulation and bulk line reservoir upgrade and illegal connection and leaks repairs: Consultant appointed 7 October 2013 and Designs complete. Tenders were stopped due to budget constraints
- Ngwenyeni – reticulation and gravity main upgrade: Consultant appointed 7 October 2013 and Designs complete. Tenders were stopped due to budget constraints
- Dludluma – reticulation and replacement of asbestos pipeline: Contractor appointed 7 October 2013 and Designs complete. Contractor appointed on 13 March 2014. Site handed over on 24 March 2014.
- Stentor – Reticulation, rising main and mini package plant installation: Consultant appointed 7 October 2013 and Designs to be completed by 15 April 2014 due to water source challenges.

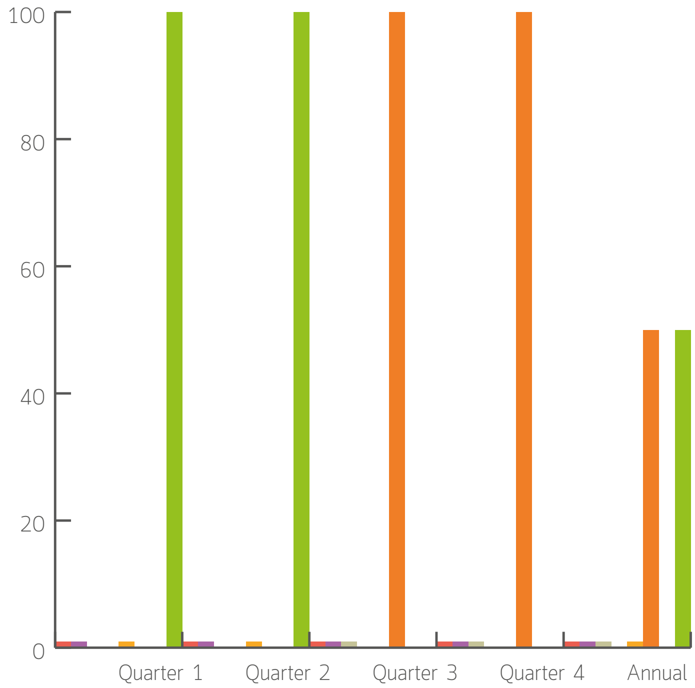
PERFORMANCE INFORMATION

Performance Information by Programme

6

Dashboard

	Quarter 1	Quarter 2	Quarter 3	Quarter4	Annual
Total Annual Targets	1	1	1	1	1
Targets Planned for the Quarter	1	1	1	1	1
Number of Targets Achieved	0	0	1	1	1
Number of Targets Partially Achieved	0	0	0	0	0
Number of Targets Not Achieved	1	1	0	0	1
Achieved %	0%	0%	100%	100%	50%
Partially Achieved %	0%	0%	0%	0%	0%
Not Achieved %	100%	100%	0%	0%	50%



Achieved	= 100%
Partially achieved	= >70%
Not achieved	= <70%

- Not Achieved %
- Partially Achieved %
- Achieved %
- Number of Targets Not Achieved
- Number of Target Partially Achieved
- Number of Targets Achieved
- Targets Planned for the Quarter
- Total Annual Targets

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Programme/Sub-programme

Key performance indicators, planned targets and actual achievements

Programme / Sub-programme: Bulk Water Infrastructure						
Strategic Objectives		Actual Achievement 2012/2013	Planned Target 2013/2014	Actual Achievement 2013/2014	Deviation from planned target to Actual Achievement for 2013/2014	Comment on deviations
1	To facilitate the implementation of bulk water infrastructure in identified municipalities.	0	Implementation of the 11 bulk water infrastructure projects	22 bulk water infrastructure projects are being implemented	-11	The reason for positive deviation is due to the fact that more projects are still being added by the municipalities as the programme grows

Key performance indicators, planned targets and actual achievements

Programme / Sub-programme:Bulk Water Infrastructure						
Performance Indicator		Baseline/Actual Achievement 2012/2013	Planned Target 2013/2014	Actual Achievement 2013/2014	Deviation from planned target to Actual Achievement for 2013/2014	Comment on deviations
1	Number of bulk water infrastructure projects implemented	0	11	22	-11	The reason for positive deviation is due to the fact that more projects are still being added by the municipalities as the programme grows

PERFORMANCE INFORMATION

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Performance Information by Programme

Strategy to overcome areas of under-performance

None.

Changes to planned targets

There were no changes in performance indicators during the year

	2013/2014			2012/2013		
Sub-Programme Name	Budget (R'000)	Actual (R'000)	(Over)/Under Expenditure (R'000)	Budget (R'000)	Actual (R'000)	(Over)/Under Expenditure (R'000)
Bulk Water Infrastructure	6 841	2 176	4 665	3 370	1 505	1 865
Total	6 841	2 176	4 665	3 370	1 505	1 865

SUB PROGRAMME 2.2: FRESH PRODUCE MARKET

Strategic Objective

To facilitate the development of the International Fresh Produce Market

Highlights / progress made:

- Land Acquisition complete under the DARDLA
- Township Establishment is in progress
- Transport and Logistics Study complete
- Feasibility Studies by Fresh Harvest almost complete
- Bulk Infrastructure Studies in progress
- Signed MOA by Accounting officers in February 2014
- Reapplication and Payment for Bulk Electricity to Eskom in March 2014
- Appointment of existing Service Providers to complete work-in-progress done
- Procurement of Services Providers for Modelling and Market Study in progress

PERFORMANCE INFORMATION

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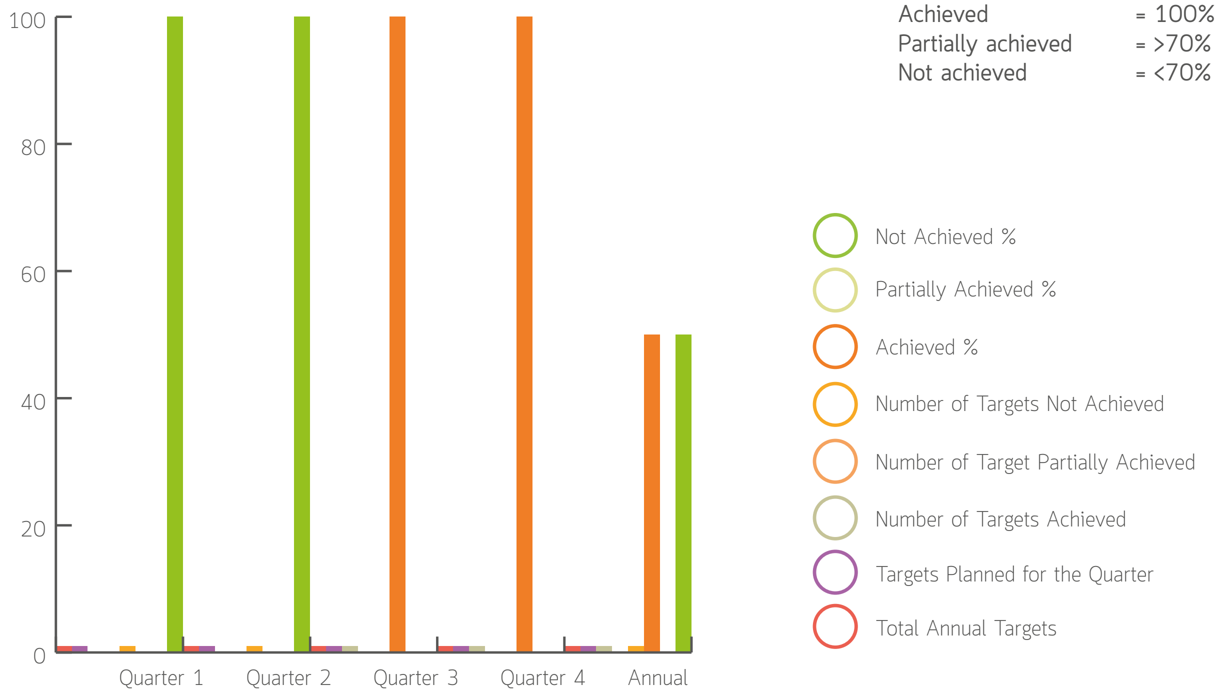
Performance Information by Programme

Dashboard

	Quarter 1	Quarter 2	Quarter 3	Quarter4	Annual
Total Annual Targets	1	1	1	1	1
Targets Planned for the Quarter	1	1	1	1	1
Number of Targets Achieved	0	0	1	1	1
Number of Targets Partially Achieved	0	0	0	0	0
Number of Targets Not Achieved	1	1	0	0	1
Achieved %	0%	0%	100%	100%	50%
Partially Achieved %	0%	0%	0%	0%	0%
Not Achieved %	100%	100%	0%	0%	50%



Achieved = 100%
Partially achieved = >70%
Not achieved = <70%

Programme/Sub-programme

Key performance indicators, planned targets and actual achievements

Programme / Sub-programme: Fresh Produce Market						
Strategic Objectives		Actual Achievement 2012/2013	Planned Target 2013/2014	Actual Achievement 2013/2014	Deviation from planned target to Actual Achievement for 2013/2014	Comment on deviations
1	To facilitate development of the Fresh Produce Market.	0	Phase 1 and 2 of the project plan completed as defined in the Project Plan	Phase 1 completed and Phase 2 still in progress	1	Project implementation was delayed by long handover processes and inadequate funding

NOTES:

i. Phase 1 of the project relates to preliminary designs, specialist and feasibility studies, Environmental Impact Assessments (EIA)

ii. Phase 2 of the project includes engineering designs, market and logistics studies and construction of bulk infrastructure.

Key performance indicators, planned targets and actual achievements

Programme / Sub-programme: Fresh Produce Market						
Performance Indicator		Baseline/Actual Achievement 2012/2013	Planned Target 2013/2014	Actual Achievement 2013/2014	Deviation from planned target to Actual Achievement for 2013/2014	Comment on deviations
1	Number of phases of the project plan completed as defined in the Project Plan	0	2	1	1	Project implementation was delayed by long handover processes and inadequate funding

PERFORMANCE INFORMATION

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Performance Information by Programme

Strategy to overcome areas of under-performance

None.

Changes to planned targets

There were no changes in performance indicators during the year

Linking performance with budgets

2013/2014				2012/2013		
Sub-Programme Name	Budget (R'000)	Actual (R'000)	(Over)/Under Expenditure (R'000)	Budget (R'000)	Actual (R'000)	(Over)/Under Expenditure (R'000)
Fresh Produce Market	347	145	202	-	-	-
Total	347	145	202	-	-	-

PERFORMANCE INFORMATION

Performance Information by Programme

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6.3 PROGRAMME 3: TRADE AND INVESTMENTS

Purpose

To grow domestic and foreign trade and attract both domestic and foreign investment into the Province.

Sub Programme 3.1: Trade Promotion

Strategic Objective

To assist Mpumalanga businesses to increase penetration into product markets in order to increase exports to R300 million for 2013/14 year, thereafter increasing by an average 35% per year to 2016.

Highlights / progress made:

- Long standing MEGA Client - Lowveld Shelving - has recorded R1.44m of export sales to Mozambique;
- MEGA, with sponsorship from the dti was invited to participate on the South African Pavilion at the 20th African Mining Indaba 2014 which took place in Cape Town from 3rd to the 6th of February 2014. MEGA recorded 25 enquiries and contacts in the Mining Sector and follow-up meetings have taken place.
- MEGA's Trade Promotion Section provided various forms of assistance and export counselling to 26 companies during Q4 2013/2014.
- MEGA facilitated the participation in two export focused training workshops during Q4:
    - The Swedish Trade and Investment Councils "Steps to Export Workshop" on the 19th February 2014 was attended by Santec CC from Middleburg - they manufacture small generators for export.
    - The Wal-Mart/Massmart Exporter Development Workshop on the 18th March 2014 was attended by Lulu Suppliers and Distributors, Mbombela based manufacturer of corporate wear, protective clothing and equipment.

PERFORMANCE INFORMATION

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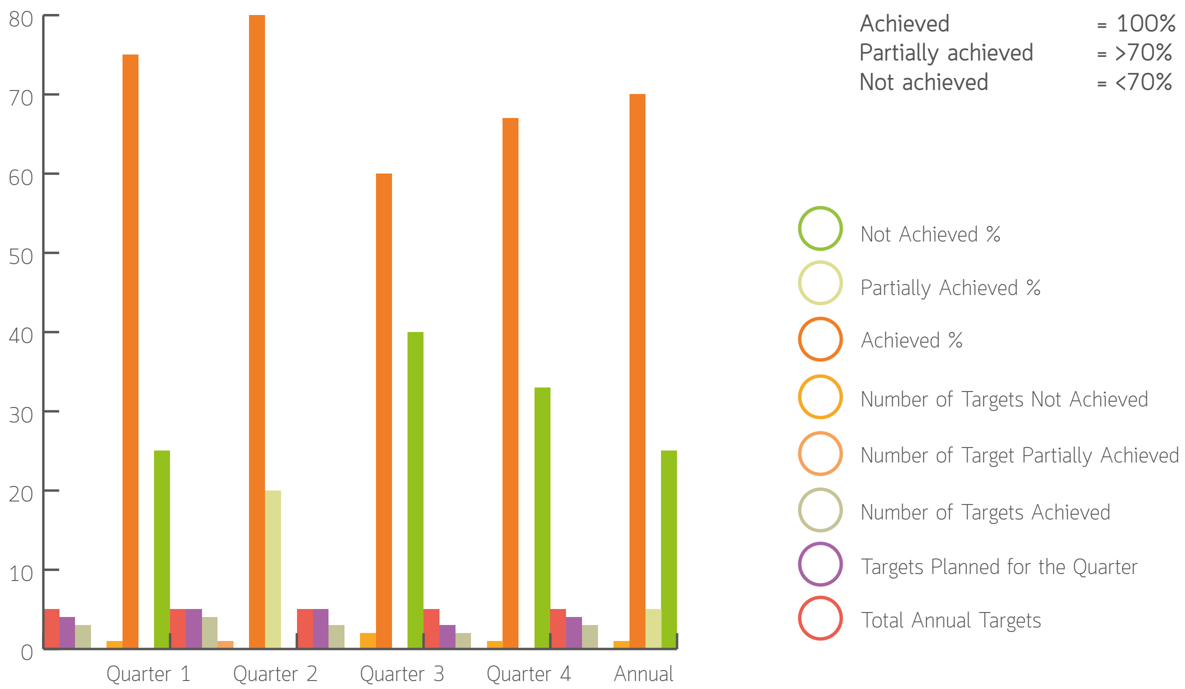
Performance Information by Programme

Dashboard

	Quarter 1	Quarter 2	Quarter 3	Quarter4	Annual
Total Annual Targets	5	5	5	5	5
Targets Planned for the Quarter	4	5	5	3	4
Number of Targets Achieved	3	4	3	2	3
Number of Targets Partially Achieved	0	1	0	0	0
Number of Targets Not Achieved	1	0	2	1	1
Achieved %	75%	80%	60%	67%	70%
Partially Achieved %	0%	20%	0%	0%	5%
Not Achieved %	25%	0%	40%	33%	25%



Achieved	= 100%
Partially achieved	= >70%
Not achieved	= <70%

6

Programme/Sub-programme

Strategic objectives, planned targets and actual achievements

Programme / Sub-programme: Trade Promotion

	Strategic Objectives	ABaseline / Actual Achievement 2012/2013	Planned Target 2013/2014	Actual Achievement 2013/2014	Deviation from planned target to Actual Achievement for 2013/2014	Comment on deviations
1	To facilitate domestic and foreign trade	R38.2 million export trades facilitated	R300 million	R40.94 million	R 259.06 million	Reduced number of foreign exhibitions for 2013/2014 has had a multiplier effect on export leads
2	To facilitate and promote the penetration of domestic and foreign markets	3 outward trade exhibitions conducted	2	2	0	None
		5 local trade exhibitions conducted	4	4	0	None
		8 exporters assisted	50	93	-43	None
		6 export training workshops facilitated	5	6	-1	None

6

Programme/Sub-programme

Key performance indicators, planned targets and actual achievements

Programme / Sub-programme: Trade Promotion						
Performance Indicator		Actual Achievement 2012/2013	Planned Target 2013/2014	Actual Achievement 2013/2014	Deviation from planned target to Actual Achievement for 2013/2014	Comment on deviations
1	Value of Exports facilitated (Rm)	R38.2 million	R300 million	R40.94 million	R 259.06 million	Reduced number of foreign exhibitions for 2013/2014 has had a multiplier effect on export leads
2	Number of outward Trade Exhibitions and Missions	3	2	2	0	None
3	Number of Local Exhibitions conducted	5	4	4	0	None
4	Number of Exporters assisted	8	50	93	-43	None
5	Number of Export Training Workshops facilitated	6	5	6	-1	None

PERFORMANCE INFORMATION

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Performance Information by Programme

Strategy to overcome areas of under-performance

1 Failure to Facilitate R300m worth of Exports

To intensify marketing of MEGA's services to export ready companies and fully utilise the Export Marketing and Investment Assistance (EMIA) scheme funding for foreign exhibitions.

Changes to planned targets

There were no changes in performance indicators during the year

Linking performance with budgets

	2013/2014			2012/2013		
Sub-Programme Name	Budget (R'000)	Actual (R'000)	(Over)/Under Expenditure (R'000)	Budget (R'000)	Actual (R'000)	(Over)/Under Expenditure (R'000)
Trade Promotion	1 250	734	516	3 660	1 274	2 386
TOTAL	1 250	734	516	3 660	1 274	2 386

SUB PROGRAMME 3.2: INVESTMENT PROMOTION

Strategic Objective

To facilitate and promote domestic and foreign direct investment

Highlights/progress made:

- A Trade and Investment Promotion Mission was undertaken to India from the 24 to 28 February 2014, during which business-to-business meetings were held in the Indian cities of Mumbai and Chennai. During the business-to-business meetings a total of 36 Trade and Investment enquiries were received. Broken down as follows; Chennai 9 and Mumbai 27.
- Quarter 4 saw interaction with three Inward Foreign Business delegations namely:
  - Malaysia multi-sector focusing on ITC
  - India textile and clothing
  - Saudi Arabia focusing on a number of sectors such as mining and mining services, ITC and real estate developed, from which they were seven enquiries.

PERFORMANCE INFORMATION

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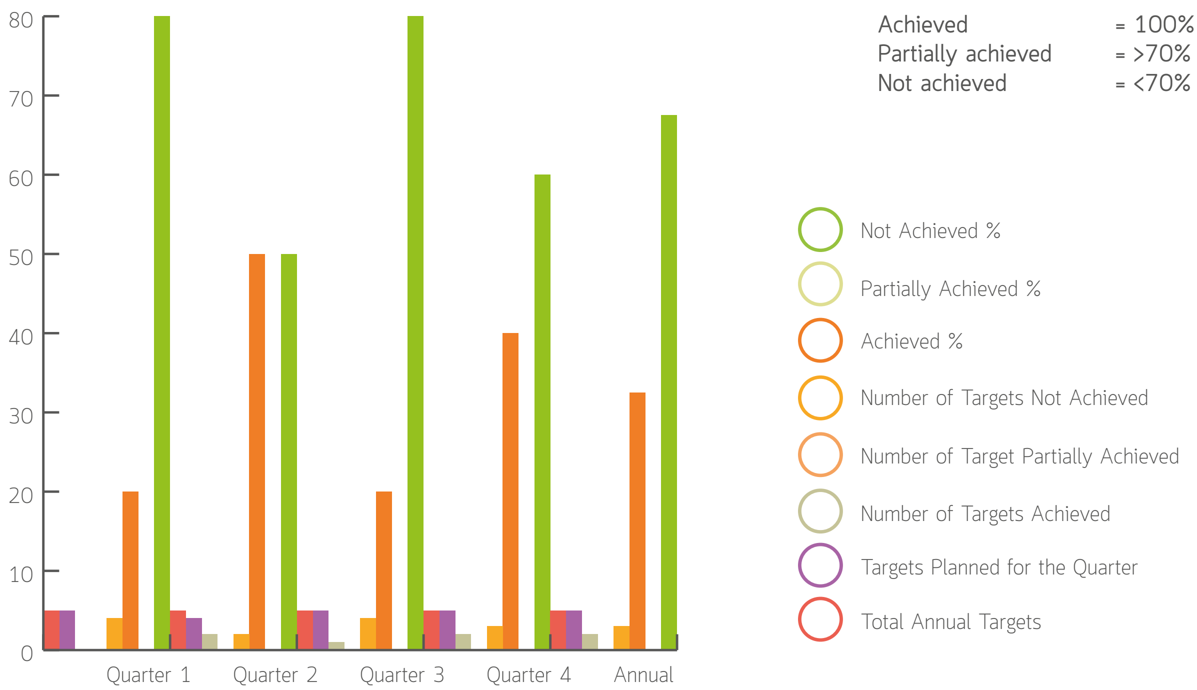
Performance Information by Programme

Dashboard

	Quarter 1	Quarter 2	Quarter 3	Quarter4	Annual
Total Annual Targets	5	5	5	5	5
Targets Planned for the Quarter	5	4	5	5	5
Number of Targets Achieved	1	2	1	2	2
Number of Targets Partially Achieved	0	0	0	0	0
Number of Targets Not Achieved	4	2	4	3	3
Achieved %	20%	50%	20%	40%	32.5%
Partially Achieved %	0%	0%	0%	0%	0%
Not Achieved %	80%	50%	80%	60%	67.5%



Achieved = 100%
Partially achieved = >70%
Not achieved = <70%

6

Programme/Sub-programme

Key performance indicators, planned targets and actual achievements

Programme / Sub-programme: Investment Promotion						
Strategic Objectives		Baseline / Actual Achievement 2012/2013	Planned Target 2013/2014	Actual Achievement 2013/2014	Deviation from planned target to Actual Achievement for 2013/2014	Comment on deviations
1	To facilitate economic growth opportunities by attracting investors (local and foreign into Mpumalanga Province	5 outward investment missions conducted	3	1	2	The planned outward Mission to Latin America and the Far East was envisaged to be led by the Premier / the MEC. However it did not take place due to their respective tight and heavy work schedule.
		8 investment inward missions hosted	8	12	-4	Positive deviation. More inwards missions were undertaken after the planned outward missions did not take place.
		0 Investors assisted	480	39	441	The targets could not be achieved since the Investment Promotion Missions to the Far East and Latin America that would have generated the necessary number of Investment enquiries did not take place. Enquiries as a result of the Missions to India and the inward Mission from Saudi Arabia were only received later in the last quarter.
		1 Investment Project facilitated	6	5	1	The enquiries generated from the missions were received late, as a result it took long to convert them to the project stage for facilitation.
		R262 million investments implemented	R200 million	0	R200m	The process of facilitation takes long to convert to project implementation stage.

6

Programme/Sub-programme

Key performance indicators, planned targets and actual achievements

Programme / Sub-programme: Investment Promotion						
Performance Indicator		Actual Achievement 2012/2013	Planned Target 2013/2014	Actual Achievement 2013/2014	Deviation from planned target to Actual Achievement for 2013/2014	Comment on deviations
1	Number of Investment Outward Missions conducted	5	3	1	2	The planned outward Mission to Latin America and the Far East was envisaged to be led by the Premier / the MEC. However it did not take place due to their respective tight and heavy work schedule
2	Number of Investment Inward Missions hosted	8	8	12	-4	Positive deviation. More inwards missions were undertaken after the planned outward missions did not take place
3	Number of Investors assisted	0	480	39	441	The targets could not be achieved since the Investment Promotion Missions to the Far East and Latin America that would have generated the necessary number of Investment enquiries did not take place. Enquiries as a result of the Missions to India and the inward Mission from Saudi Arabia were only received later in the last quarter.
4	Number of Investment Projects facilitated	1	6	5	1	The enquiries generated from the missions were received late, as a result it took long to convert them to the project stage for facilitation.
5	Value of Investments implemented (Rm)	R262 million	R200 million	0	R200m	The process of facilitation takes long to convert to project implementation stage.

PERFORMANCE INFORMATION

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Performance Information by Programme

Strategy to overcome areas of under-performance

1 Investment Outward Missions conducted

The Mission to Brazil and Chile have been rescheduled for the 2014-15 financial year.

2 Investors assisted

The Mission to Brazil and Chile will be undertaken in the 2014-15 financial year. The mission would generate the necessary number of Investment enquiries.

3 Value of investment implemented

The investment implementation is depended on the number of projects identified through investment enquiries. Investment enquiries are generated through investment missions and as such failure to undertake the planned missions have a negative impact on investment implementation.

Since the mission to Brazil and Chile has been rescheduled for the 2014-15 financial year, one undertaken investment enquiries would be generated and converted into projects. As soon as the projects to be facilitated have reached an implementation stage, investment implementation would therefore be possible.

Changes to planned targets

There were no changes in performance indicators during the year

Linking performance with budgets

	2013/2014			2012/2013		
Sub-Programme Name	Budget (R'000)	Actual (R'000)	(Over)/Under Expenditure (R'000)	Budget (R'000)	Actual (R'000)	(Over)/Under Expenditure (R'000)
Investment Promotion	1 250	734	516	3 659	1 274	2 385
Total	1 250	734	516	3 659	1 274	2 385

PERFORMANCE INFORMATION

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Performance Information by Programme

6.4 PROGRAMME 4: PROPERTY DEVELOPMENT AND MANAGEMENT

Purpose

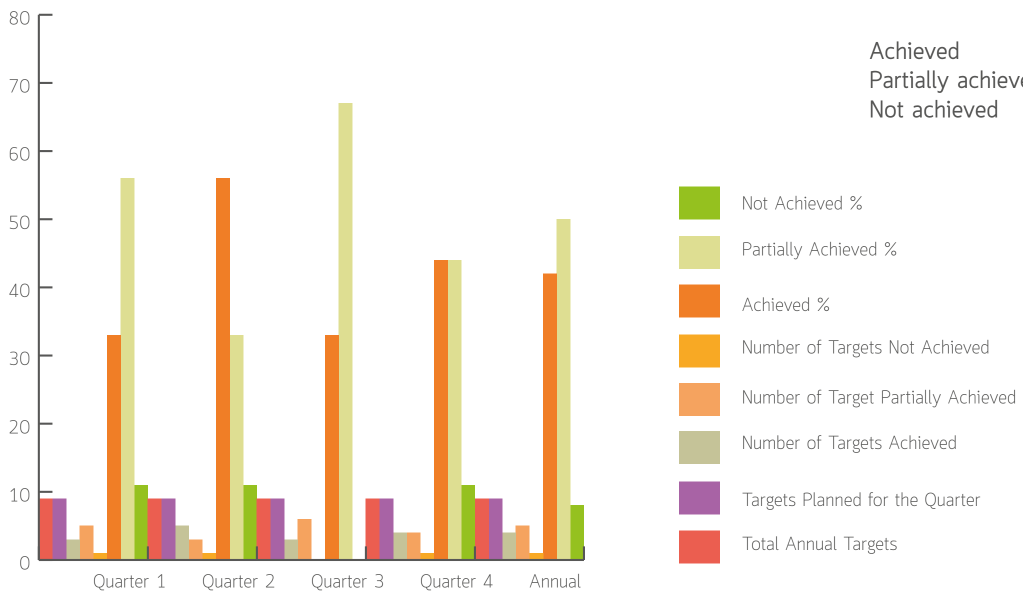
To manage and develop the property portfolio owned and controlled by MEGA efficiently in order to generate sufficient surplus income to fund new developments and also to use the portfolio as collateral to obtain finance from financial markets.

Highlights/Progress Made

- Achieved an occupancy rate of 85%;
- 90% collection rate achieved i.e. R 33m on rental and R 87m on municipal services;
- A tenant register with an accurate description of tenants, number of available units is in place;
- 35 new tenants were established/occupied MEGA's investment properties.

Dashboard

	Quarter 1	Quarter 2	Quarter 3	Quarter4	Annual
Total Annual Targets	9	9	9	9	9
Targets Planned for the Quarter	9	9	9	9	9
Number of Targets Achieved	3	5	3	4	4
Number of Targets Partially Achieved	5	3	6	4	5
Number of Targets Not Achieved	1	1	0	1	1
Achieved %	33%	56%	33%	44%	42%
Partially Achieved %	56%	33%	67%	44%	50%
Not Achieved %	11%	11%	0%	11%	8%



Achieved	=	100%
Partially achieved	=	>70%
Not achieved	=	<70%

Performance Information by Programme

Strategic objectives, planned targets and actual achievements

Programme / Sub-programme: Property Development and Management						
Strategic Objectives		Actual Achievement 2012/2013	Planned Target 2013/2014	Actual Achievement 2013/2014	Deviation from planned target to Actual Achievement for 2013/2014	Comment on deviations
1	To develop and manage a viable and profitable Industrial and commercial property portfolio	Not Planned	1 report with an updated reservation list, updated tenant register and Maintenance Plan	1	0	None
		8.9% of planned asset maintenance targets met	Reports with identified maintenance plan: 100% maintenance completed	52%	48%	Slow procurement process
		Not Planned	100% compliance on fire and certificate of compliance	60%	10%	Some tenants are not adhering to lease agreements
		85% occupancy rate achieved	85% occupancy rate	85%	0%	None
		Not Planned	32 new tenants established	35	-3	Positive deviation.
		82% of actual rental income versus budgeted rental income achieved	85% of collection rate	90%	-R 0.05	Positive deviation.
		Not Planned	R35 million for rental collection	R 33m	R 2	None
		Not Planned	R80 million collected on Municipal Services	R 87m	-R 7	Positive deviation.
		Not Planned	100% of rental accounts escalated	70%	30%	Manual tracking of accounts to be escalated which result in inputs being submitted late to Finance for rental escalations. Lack of proactive escalation by Finance due to capacity challenges.

6

Performance Information by Programme

Strategic objectives, planned targets and actual achievements

	Performance Indicator	Actual Achievement 2012/2013	Planned Target 2013/2014	Actual Achievement 2013/2014	Deviation from Planned Target to Actual Achievement for 2013/2014	Comment on Deviations
Programme / Sub-programme: Property Development and Management						
1	Updated reservation list, updated tenant register and Maintenance Plans	Not Planned	1 report with an updated reservation list, updated tenant register and Maintenance Plan	1	0	None
2	Percentage of maintenance completed based on R 5m budget	8.9% of planned asset maintenance targets met	Reports with identified maintenance plan: 100% maintenance completed (R 5 m budget)	52%	48%	Slow procurement process
3	Percentage for Compliance on Fire and COCs	Not Planned	100% compliance on fire and certificate of compliance	60%	10%	Some tenants are not adhering to lease agreements
4	Occupancy rate (%)	85% occupancy rate achieved	85% occupancy rate	85%	0%	None
5	Number of new tenant establishment	Not Planned	32 new tenants established	35	-3	Positive deviation.
6	Rental and Municipal Services Collection rate (%)	82% of actual rental income versus budgeted rental income achieved	85% of collection rate	90%	-R 0.05	Positive deviation.
7	Rental Collection in Rands (Rm)	Not Planned	R35 million for rental collection	R 33m	R 2	None
8	Municipal Services Collection in Rands (Rm)	Not Planned	R80 million collected on Municipal Services	R 87m	-R 7	Positive deviation.
9	Percentage of rentals escalated in line with lease agreements	Not Planned	100% of rental accounts escalated	70%	30%	Manual tracking of accounts to be escalated which result in inputs being submitted late to Finance for rental escalations. Lack of pro-active escalation by Finance due to capacity challenges.

PERFORMANCE INFORMATION

Performance Information by Programme

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1. 100% maintenance completed

Filling of critical positions in the SCM division to address the slow procurement process

2. Certificate of Compliance

Warning letters will be issued to non-complying tenants to ensure that all tenants comply with the requirements of their lease agreements.

3. Accounts Escalations

The division will upgrade its current Pastel IT System in order to eliminate manual tracking of accounts to be escalated which result in inputs being submitted late to Finance for rental escalations

Changes to planned targets

There were no changes in performance indicators during the year.

Linking performance with budgets

	2013/2014			2012/2013		
Budget	Actual Expenditure (R'000)	(Over)/ Under Expenditure (R'000)	Budget (R'000)	Actual Expenditure (R'000)	(Over)/Under Expenditure (R'000)	Budget (R'000)
Property Development and Management	87 536	109 794	(22 258)	54 666	83 104	(28 438)
Total	87 536	109 794	(22 258)	54 666	83 104	(28 438)

PERFORMANCE INFORMATION

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Performance Information by Programme

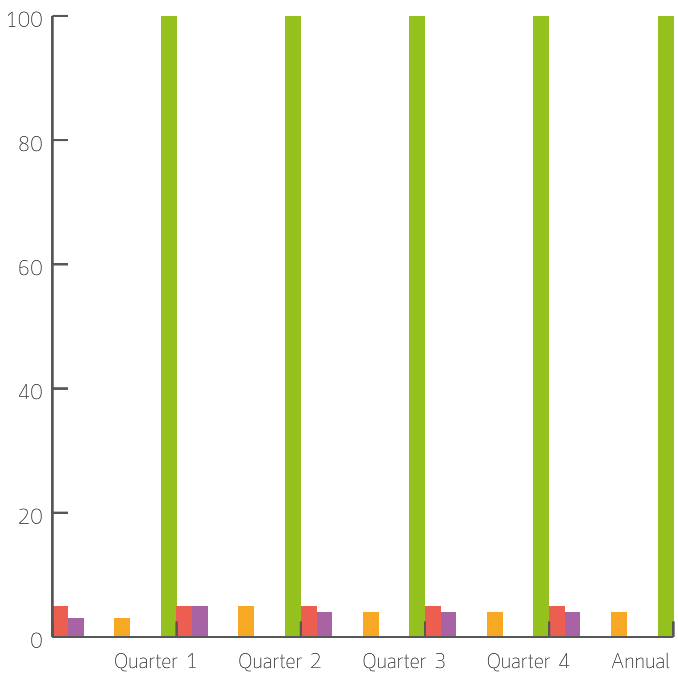
6.5 PROGRAMME 5: HOUSING

Purpose

To provide access to affordable housing and to facilitate access to home ownership through the provision of finance to qualifying Mpumalanga citizens who are unable to obtain finance through the mainstream commercial system.

Dashboard

	Quarter 1	Quarter 2	Quarter 3	Quarter4	Annual
Total Annual Targets	5	5	5	5	5
Targets Planned for the Quarter	3	5	4	4	4
Number of Targets Achieved	0	0	0	0	0
Number of Targets Partially Achieved	0	0	0	0	0
Number of Targets Not Achieved	3	5	4	4	4
Achieved %	0%	0%	0%	0%	0%
Partially Achieved %	0%	0%	0%	0%	0%
Not Achieved %	100%	100%	100%	100%	100%



Achieved = 100%
Partially achieved = >70%
Not achieved = <70%

Performance Information by Programme

Strategic objectives, planned targets and actual achievements

Programme / Sub-programme: Housing						
Strategic Objectives		Actual Achievement 2012/2013	Planned Target 2013/2014	Actual Achievement 2013/2014	Deviation from Planned Target to Actual Achievement for 2013/2014	Comment on Deviations
1	To provide funding for the gap market	No home loans issued	28 Units valued at R7m approved	4 units valued at R2,1m	24 units valued at R4,9m	Moratorium on on-lending was only lifted during the quarter and the budget was also redirected to other programmes due to constraints faced by the institution.
		No loans disbursed	28 Units valued at R7m disbursed	1 unit valued at R320k	27 units valued at R6,7m	Since the moratorium was only lifted in the third quarter, a few loans were approved which resulted in few loans being disbursed.
2	To facilitate integrated human settlements programme	Not planned	50 units valued at R12.5m constructed (Cost per unit@ R250 000)	0	50 units valued at R12.5m	The Lydenburg project stalled due to legal challenges where MEGA agreement was cancelled by the Municipality.
		Not planned	Installation of internal services for 250 stands	0	250 Stands	The Lydenburg project stalled due to legal challenges where MEGA agreement was cancelled by the Municipality.
		Not planned	Capital raised: End User Finance value at R 10m	0	R10m	National Housing Finance Corporation (NHFC) was engaged and found to be not a viable funding partner because of the interest rate they charge.
		Not planned	Capital raised: Development Finance value at R 12.5m	0	R12.5m	International Housing Solutions (IHS) was engaged on the Sabie project, the project falls outside of their target project range which are projects with potential for 1000 and Sabie only has 135 units.

6

Performance Information by Programme

Strategic objectives, planned targets and actual achievements

Programme / Sub-programme: Housing						
Performance Indicator		Actual Achievement 2012/2013	Planned Target 2013/2014	Actual Achievement 2013/2014	Deviation from Planned Target to Actual Achievement for 2013/2014	Comment on Deviations
1	Number and value of loans approved and implemented	No home loans issued	28 Units valued at R7m approved	4 units valued at R2,1m	24 units valued at R4,9m	Moratorium on on-lending was only lifted during the quarter and the budget was also redirected to other programmes due to constraints faced by the institution.
2	Number and value of loans disbursed	No loans disbursed	28 Units valued at R7m disbursed	1 unit valued at R320k	27 units valued at R6,7m	Since the moratorium was only lifted in the third quarter, a few loans were approved which resulted in few loans being disbursed.
3	Number and value of construction plans implemented according to project charter	Not planned	50 units valued at R12.5m constructed (Cost per unit@ R250 000)	0	50 units valued at R12.5m	The Lydenburg project stalled due to legal challenges where MEGA agreement was cancelled by the Municipality.
4	Number of stands installed with internal services	Not planned	Installation of internal services for 250 stands	0	250 Stands	The Lydenburg project stalled due to legal challenges where MEGA agreement was cancelled by the Municipality.
5	Value of capital raised: End User Finance	Not planned	Capital raised: End User Finance value at R 10m	0	R10m	National Housing Finance Corporation (NHFC) was engaged and found to be not a viable funding partner because of the interest rate they charge.
6	Value of capital raised: Development Finance	Not planned	Capital raised: Development Finance value at R 12.5m	0	R12.5m	International Housing Solutions (IHS) was engaged on the Sabie project, the project falls outside of their target project range which are projects with potential for 1000 and Sabie only has 135 units.

PERFORMANCE INFORMATION

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Performance Information by Programme

1 Home loans approved and disbursed

The moratorium placed on the issuing of new loans was lifted and sufficient funds will be allocated for new projects in the new financial year.

2 Construction on the Lydenburg Project

The Lydenburg project had stalled due to legal challenges where MEGA agreement was cancelled by the Municipality.

The Municipality was engaged and they subsequently reinstated MEGA on the project.

3 Raising of Capital for End User and Development Finance

Engagements with the National Housing Finance Corporation (NHFC) and Internal Housing Solutions (IHS) were undertaken.

MEGA will monitor developments at NHFC to determine viability since currently it is not a viable funding partner as their rate is now prime plus 2.5%.

Changes to planned targets

There were no changes in performance indicators during the year.

Linking performance with budgets

	2013/2014			2012/2013		
Sub-Programme Name	Budget (R'000)	Actual Expenditure (R'000)	(Over)/Under Expenditure (R'000)	Budget (R'000)	Actual Expenditure (R'000)	(Over)/Under (R'000) Expenditure (R'000)
Housing	792	456	336	-	-	-
Total	**792**	**456**	**336**	-	-	-

PERFORMANCE INFORMATION

6

Performance Information by Programme

6.6 PROGRAMME 6: AGRICULTURAL DEVELOPMENT

Purpose

To promote and facilitate the growth and development of the agricultural sector by providing financial and non-financial support.

Dashboard

	Quarter 1	Quarter 2	Quarter 3	Quarter4	Annual
Total Annual Targets	2	2	2	2	2
Targets Planned for the Quarter	2	2	2	2	2
Number of Targets Achieved	0	0	0	1	1
Number of Targets Partially Achieved	0	0	0	0	0
Number of Targets Not Achieved	2	2	2	1	1
Achieved %	0%	0%	0%	50%	50%
Partially Achieved %	0%	0%	0%	0%	0%
Not Achieved %	100%	100%	100%	50%	50%

Achieved	=	100%
Partially achieved	=	>70%
Not achieved	=	<70%

6

Performance Information by Programme

Strategic objectives, planned targets and actual achievements

Programme / Sub-programme: Agricultural Development						
Strategic Objectives		Actual Achievement 2012/2013	Planned Target 2013/2014	Actual Achievement 2013/2014	Deviation from Planned Target to Actual Achievement for 2013/2014	Comment on Deviations
1	To promote and support sustainable growth and development of the agricultural enterprises	No loans issued	R5m 10 loans @ R250 000 5 loans @ R 500 000	0	R5m	The main challenge has been the lack of funds even after the lifting of the moratorium
		11 agricultural businesses provided with mentorship	15 agricultural enterprises, businesses and coops compliant with the BSM	34	-19	The division erroneously omitted the existing funded businesses at the time of developing the Annual Performance Plan. However, business support in terms of the Business Support Manual covered both new and old businesses, hence the actual target is more than the planned target for the whole year.

6

Performance Information by Programme

Strategic objectives, planned targets and actual achievements

Programme / Sub-programme: Agricultural Development						
Performance Indicator		Actual Achievement 2012/2013	Planned Target 2013/2014	Actual Achievement 2013/2014	Deviation from Planned Target to Actual Achievement for 2013/2014	Comment on Deviations
1	Number and value of loans approved	No loans issued	R5m 10 loans @ R250 000 5 loans @ R 500 000	0	R5m	The main challenge has been the lack of funds even after the lifting of the moratorium
2	Number of agricultural enterprises, businesses and coops compliant with the Business Support Manual (BSM)	11 agricultural businesses provided with mentorship	15 agricultural enterprises, businesses and coops compliant with the BSM	34	-19	The division erroneously omitted the existing funded businesses at the time of developing the Annual Performance Plan. However, business support in terms of the Business Support Manual covered both new and old businesses, hence the actual target is more than the planned target for the whole year.

PERFORMANCE INFORMATION

6

Performance Information by Programme

1 Agricultural loans approved and disbursed

The moratorium placed on the issuing of new loans was lifted and sufficient funds will be allocated for new projects in the new financial year.

Changes to planned targets

There were no changes in performance indicators during the year.

Linking performance with budgets

2013/2014				2012/2013		
Sub- Programme Name	Budget (R'000)	Actual Expenditure (R'000)	(Over)/Under Expenditure (R'000)	Budget (R'000)	Actual Expenditure (R'000)	(Over)/Under (R'000) Expenditure (R'000)
Agricultural Development	7 156	4 644	2 512	-	-	-
Total	**7 156**	**4 644**	**2 512**	-	-	-

PERFORMANCE INFORMATION

6

Performance Information by Programme

6.7 PROGRAMME 7: ENTERPRISE DEVELOPMENT

Purpose

To assist with the growth and development of Small, Medium and Micro Enterprises (SMME's) and Co-operatives (Co-ops).

Dashboard

	Quarter 1	Quarter 2	Quarter 3	Quarter4	Annual
Total Annual Targets	2	2	2	2	2
Targets Planned for the Quarter	2	2	2	2	2
Number of Targets Achieved	0	0	0	1	0
Number of Targets Partially Achieved	0	0	0	0	0
Number of Targets Not Achieved	2	2	2	1	2
Achieved %	0%	0%	0%	50%	12,5%
Partially Achieved %	0%	0%	0%	0%	0,0%
Not Achieved %	100%	100%	100%	50%	87,5%

Achieved = 100%
Partially achieved = >70%
Not achieved = <70%

6

Performance Information by Programme

Strategic objectives, planned targets and actual achievements

Programme / Sub-programme: Enterprise Development						
Strategic Objectives		Actual Achievement 2012/2013	Planned Target 2013/2014	Actual Achievement 2013/2014	Deviation from Planned Target to Actual Achievement for 2013/2014	Comment on Deviations
1	To promote the development of SMME's and co-ops	No loans issued	R7m 6 CRDP Projects 4 SMME Projects	1 SMME loan valued at R300 000	9 CRDP/SMME loans valued at R6.7m	The main challenge has been the lack of funds even after the lifting of the moratorium
		13 businesses provided with mentorship	10 businesses and coops compliant with the BSM	26	-16	The division erroneously omitted the existing funded businesses at the time of developing the Annual Performance Plan. However, business support in terms of the Business Support Manual covered both new and old businesses, hence the actual target is more than the planned target for the whole year.

6

Performance Information by Programme

Strategic objectives, planned targets and actual achievements

Programme / Sub-programme: Enterprise Development						
Performance Indicator		Actual Achievement 2012/2013	Planned Target 2013/2014	Actual Achievement 2013/2014	Deviation from Planned Target to Actual Achievement for 2013/2014	Comment on Deviations
1	Number and value of funded SMMEs and co-ops	No loans issued	R7m 6 CRDP Projects 4 SMME Projects	1 SMME loan valued at R300 000	9 CRDP/SMME loans valued at R6.7m	The main challenge has been the lack of funds even after the lifting of the moratorium
	Number of business compliant with the Business Support Manual	13 businesses provided with mentorship	10 businesses and coops compliant with the BSM	26	-16	The division erroneously omitted the existing funded businesses at the time of developing the Annual Performance Plan. However, business support in terms of the Business Support Manual covered both new and old businesses, hence the actual target is more than the planned target for the whole year.

PERFORMANCE INFORMATION

Performance Information by Programme

6

1 Agricultural loans approved and disbursed

The moratorium placed on the issuing of new loans was lifted and sufficient funds will be allocated for new projects in the new financial year.

Changes to planned targets

There were no changes in performance indicators during the year.

Linking performance with budgets

2013/2014				2012/2013		
Sub-Programme Name	Budget (R'000)	Actual Expenditure (R'000)	(Over)/Under Expenditure (R'000)	Budget (R'000)	Actual Expenditure (R'000)	(Over)/Under (R'000)
Enterprise Development	1 182	1 326	(144)	-	-	-
Total	**1 182**	**1 326**	**(144)**	-	-	-

PERFORMANCE INFORMATION

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Performance Information by Programme

7.1 REVENUE COLLECTION

	2013/2014			2012/2013		
Sources of revenue	Estimate (R'000)	Actual Amount Collected (R'000)	(Over)/Under Expenditure (R'000)	Estimate (R'000)	Actual Amount Collected (R'000)	(Over)/Under Collection (R'000)
Municipal Services	91 739	101 983	(10 244)	72 486	87 371	(14 885)
Rent	41 653	**35 037**	**6 616**	32 619	35 972	(3 353)
Interest on Loans	**21 451**	**36 614**	**(15 163)**	19 888	30 916	(11 028)
Other	**8 605**	**10 425**	**(1 820)**	19 485	8 958	10 527
Total	**163 448**	**184 059**	**(20 611)**	**144 478**	**163 217**	**(18 739)**

- The entity achieved 100% and 93% collection rate on municipal services and rental charge, which is 4% more than the targeted rate.
- Loan revenue has increased to an over collection rate of 145%.
- Other source of revenue includes income received from agricultural activities such as lemon and wine sales.

PERFORMANCE INFORMATION

7

Performance Information by Programme

7.2 PROGRAMME EXPENDITURE

	2013/2014			2012/2013		
Programme Name	Budget (R'000)	Actual Expenditure (R'000)	(Over)/Under Expenditure (R'000)	Budget (R'000)	Actual Expenditure (R'000)	(Over)/Under Expenditure (R'000)
Institutional Management	206 734	240 606	(33 872)	131 364	121 913	9 451
Infrastructure Development	7 188	2 394	4 794	3 370	1 505	1 865
Trade and Investment	2 499	1 484	1 015	7 319	2 862	4 457
Property Development and Management	87 536	99 315	(11 779)	54 666	83 104	(28 438)
Housing	792	577	215	*	*	*
Agriculture	7 156	7 661	(505)	*	*	*
Enterprise Development	1 182	1 328	(146)	81 398	21 870	59 528
Total	**313 087**	**353 365**	**(40 278)**	**351 518**	**301 102**	**50 416**

* Housing and Agriculture was previously reported under Enterprise Development (formerly known as Business Development)

Programme expenditure includes capex, development financing and statutory obligations.

PERFORMANCE INFORMATION

7

Performance Information by Programme

7.3 CAPITAL INVESTMENT, MAINTENANCE AND ASSET MANAGEMENT PLAN

- Asset management policy has been approved and being utilised by the Entity.
- No facilities were closed down. A rationalisation exercise is being performed by means of the Turn-around intervention project.
- A turn-around for the commercialisation of MEGA's agri-businesses is being implemented.
- No major maintenance projects were performed, only normal day-to-day emergencies occurred, e.g. burst pipes, leaking pipes and leaking roofs.
- R 5 million was budgeted for minor maintenance on MEGA commercial properties, however, only R 2.6 million was utilised, which represents 52% of the allocated budget.
- MEGA appointed a service provider for the impairment and valuation of all assets, an asset register was compiled from the valuation and impairment results. Monthly updates and reconciliations are performed to ensure effective and efficient asset register and asset management.
- The current state of the public entity's capital assets :

	% Good	% Fair	% Poor
Plant and machinery	3.08	82.15	14.77
Targets Planned for the Quarter	4.81	90.42	4.77
Number of Targets Achieved	35.29	64.71	0.00
Number of Targets Partially Achieved	6.60	79.51	13.89
Number of Targets Not Achieved	41.56	1.30	57.14

PERFORMANCE INFORMATION

Performance Information by Programme

7

	2013/2014			2012/2013		
Maintenance expenditure	Budget (R'000)	Actual Expenditure (R'000)	(Over)/Under Expenditure (R'000)	Budget (R'000)	Actual Expenditure (R'000)	(Over)/Under Expenditure (R'000)
Maintenance - Vehicles	43 809	25 166	18 643	89 555	7 220	82 335
Maintenance - Equipment	108 093	56 201	51 892	195 190	65 225	129 965
Maintenance - Buildings	5 512 718	1 741 264	3 771 454	4 334 509	1 503 305	2 831 204
Maintenance - Other	554 986	934 009	(379 023)	98 214	805 356	(707 142)
Total	**6 219 606**	**2 756 640**	**3 462 966**	**4 717 468**	**2 381 106**	**2 336 362**

GOVERNANCE

C

Introduction

Corporate governance embodies processes and systems by which public entities are directed, controlled and held to account. In addition to legislative requirements based on a public entity's enabling legislation, and the Companies Act, corporate governance with regard to public a entity, is applied through the precepts of the Public Finance Management Act (PFMA) and run in tandem with the principles contained in the King's Report on Corporate Governance.

Parliament, the Executive and the Accounting Authority of the public entity are responsible for corporate governance.

GOVERNANCE

2 Portfolio Committees

The Portfolio Committee on Agriculture, Rural Development and Land Administration; Economic Development, Environment and Tourism (the Committee) has a Constitutional mandate, in terms of section 114(2) (b) of the Constitution of the Republic of South Africa, Act. 108 of 1996 (the Constitution), read with rule 124(b) of the Rules and Orders of the Mpumalanga Provincial Legislature, to ensure fiscal discipline, accountability, efficient co-ordination and good governance through oversight of the Department of Economic Development, Environment and Tourism (the department)

As part of its oversight work, the Committee convened on the following dates to consider the Agency's Annual Performance Plan, Budget and Quarterly Performance Reports:

Date	Report Considered
16 May 2013	Annual Performance Plan 2013/14
	Budget for 2013/14
3 September 2013	Quarterly Report (1st Quarter)
24 October 2013	Annual Report for 2012/13

GOVERNANCE

Portfolio Committees

2

Risk areas identified and implementation plans / actions by the agency are highlighted below:

Resolutions taken by the portfolio committee to address identified risk areas	Progress on the implementation of the resolutions
To ensure clean audit by 2014	The following actions will be implemented to ensure that a clean audit is achieved in 2014: ○ Implementation of 2012/2013 audit findings with the current audit remedial action plan. ○ Appointment of a VAT specialist to review VAT issues, apportionment, VAT on grant and deregistration. ○ Comprehensive and accurate valuation of properties/assets in line with applicable accounting standards, IAS16. ○ Proper application of governing legislation, i.e. National Treasury Regulations, PFMA and Accounts Standards (SA GAAP, /AS and IFRAS). ○ Asset registration and conveyancing to ensure rights and obligations of ownership of properties. ○ Implementation of the Board approved asset management systems and policies. ○ Installation and implementation of e-procurement system to automate supply chain processes. ○ Re-alignment of finance structure as well as an improved commitment of finance staff to ensure accountability, proper accounting, financial management and administration.
Inefficient and ineffective internal controls and financial management systems	Appropriate interventions have since been developed inclusive of internal control process flows and have been implemented
To take the necessary steps to correct the recurring underspending of the entity and that meticulous financial management is maintained.	○ Spending patterns are being closely monitored by Finance to ensure proper cash flow management and utilisation of MEGA resources. ○ The moratorium on the issuing of loans was lifted by the Board.
To ensure that the debt collection strategy is implemented; all loans issued must be serviced and all tenants must pay rentals on time	In ensuring that all monies owed are collected, the Agency has done the following: ○ A collection strategy was developed and is being implemented; ○ Establishment of a formal structure composed of all the divisions responsible for issuing loans for purposes of monitoring the performance of loans and ensuring that necessary action is taken in the case of nonperformance. ○ An external debt collection agency is in the process of being appointed to assist in the ring fenced debts. ○ Where there is non-payment, site visitations are done, notice and demand letters written and served, legal intervention effected and where applicable, debt restructured as per negotiated settlement terms.

GOVERNANCE

2 Portfolio Committees

Risk areas identified and implementation plans / actions by the agency are highlighted below:

Resolutions taken by the portfolio committee to address identified risk areas	Progress on the implementation of the resolutions

To ensure that the consolidated assets register is completed and presented to the AG for the 2013/14 audit process; all other required supporting documentation must also be made available to the AG as and when requested.	○ The verification and valuation process was completed for the 2013/14 financial year. A review of the valuation for current values is being undertaken currently for purposes of the 2013/14 Audit.
	○ The Asset Register is updated for new acquisition, movement, disposal, depreciation and fair value adjustments in terms of the Asset Management Policy and the Accounting Standards.
	○ In the preparation for the regulatory audit for 2013/14, MEGA prepared an Audit File containing:
	  ○ Supporting evidence Supporting Supporting Supporting Supporting Supporting Supporting Supporting Supporting
	  ○ Lead schedule from the Caseware (Programme for the preparation of the annual financial statements) for every balance sheet item;
	  ○ Reconciliations for the year
	  ○ Disclosure notes
	  ○ Any other documentation that the AG may request.

To ensure that the roll-out of the Bulk Water Infrastructure projects in the identified municipalities are implemented as planned.	The eight (8) priority Municipalities on the Bulk Water Projects are at different stages of implementation. Appointments of Contractors and Consultants to roll out implementation and produce designs have been made and sites handed over.
To ensure that the PMOS policy is approved by the Board and is duly implemented.	Implementation of the PMOS policy which has been approved by the Board has been delayed due to consultation with Unions. It is envisaged that the policy framework will be rolled out in the new financial year.

GOVERNANCE

Executive Authority

3

Details on reports submitted to the Executive Authority and the dates submitted are outlined below:

Annual Performance Plan

The Annual Performance Plan for was submitted to the Executive Authority on 28th March 2014.

Quarterly Reports

	Date Submitted
1st Quarter Report	31 July 2013
2nd Quarter Report	23 October 2013
3rd Quarter Report	31 January 2014

Compliance Assurance Assessment (Pfma Compliance Checklist)

	Date Submitted
1st Quarter Report	31 July 2013
2nd Quarter Report	23 October 2013
3rd Quarter Report	31 January 2014

There were no issues raised by the Executive Authority on the Reports submitted except those raised by the Portfolio Committee

GOVERNANCE

4 The Accounting Authority/Board

Introduction

MEGA is a schedule 3D entity by virtue of being the successor in title of the erstwhile MEGA, which was established by the then MEGA ACT No.4 of 2005. MEGA is governed by a duly appointed Board of Directors. Schedule 3D entities are regulated by Sections 47 & 76(4) of the PFMA. The Board of Directors is the Accounting Authority for the Agency as contemplated in Section 49(2) (a) of the Public Finance Management Act of 1999, as indicated in (Section. 5(1) of the MEGA Act 1 of 2010). The Board shall, in respect of the exercise & performance of its powers & functions, be accountable to the Member of the Executive Council. (Section.5 (2) of the MEGA, Act 1 of 2010). The Board shall, consist of not fewer than nine [9] & not more than eleven [11] Members eligible to vote at Board meetings. (Section.5(3). In addition, the Head of Department (HOD) of the Department of Economic Development, Environment & Tourism is the Accounting Officer of the Department, or any person so designated by the HOD, is an ex officio member of the Board without voting powers. (Section. 5(4) of the MEGA Act 1 of 2010).

The establishment of the Board is governed by Sec.5 (1-4) of the Mpumalanga Economic Growth Agency Act 1 of 2010

In terms of section 12 of the MEGA Act 1 of 2010, the duration of term of office of Board Members shall be a period not exceeding four years.

The role of the Board

The Board is the Accounting Authority in terms of the PFMA. The Board Charter sets out the roles and responsibilities of the Board as well as salient corporate governance principles.

Board Charter

In terms of the Treasury Regulations issued in accordance with the PFMA, MEGA must, in consultation with its relevant Executive Authority (the MEC for Economic Development, Environment & Tourism), annually conclude a Shareholders Compact documenting the mandated key performance measures & indicators to be attained by the organization as agreed between the Board of Directors & the Shareholder.

Delegation of Authority

The Board retains full and effective control over the organization. This responsibility is facilitated by a well-developed governance structure comprising various Board Committees established in terms of Section 24 of the MEGA Act 1of 2010, and a comprehensive delegation of authority framework. The delegation framework assists in the control of the decision-making process and does not dilute the duties and responsibilities of the Directors.

Board Induction and Orientation

New Directors are taken through an induction programme designed to enhance their understanding of MEGA's legislative framework, its governance processes and the nature and operations of the company.

GOVERNANCE

The Accounting Authority/Board

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Continuous training is provided on request, to meet the needs of each director. Directors are also made aware of new laws and regulations on an ongoing basis.

Board Evaluation and Performance

Members of the Board are evaluated collectively on the basis of value added to the organization and their individual contribution to the Organization's success.

Composition of the Board

Members of the Board of MEGA are appointed in terms of section 7(2) of the Mpumalanga Economic Growth Agency Act, 2010 (Act no. 01 of 2010). The current Board's four year term commenced on 01 October 2010 and will expire on 31 September 2014.

Following the resignations of PJ van der Walt, A Bam and N Ntshangase, the current Board is constituted of only eight [8] Members eligible to vote in Board meetings and in terms of section 5(3) of the Act, the Board must be constituted by no less than nine [9] Members with voting powers.

Consequently, an Executive Council memorandum to fill the vacancies has been prepared for its urgent consideration.

GOVERNANCE

4 Members of the Board

Appointment Date : 1 April 2012

Mr SJ Vilakazi
Chairperson

Mr DN Mculu
Deputy Chairperson

Adv. BM Mkhize
Chief Executive Officer
(Ex Officio)

Mr JE Linda

Adv. JL Mothibi

Ms SA Xulu

Ms. N Ntshangase

Mr DP Mahlangu

Ms H Ralinala

Mr PJ van der Walt
(Resigned)

Dr V Dlamini
DEDET Representative
(Ex Officio)

Ms PNZ Fakude-Nkuna

Mr A Bam
(Resigned)

GOVERNANCE

The Accounting Authority / Board

4

Board Meetings

Dates of meetings are scheduled annually in advance. In terms of the King III Report on Good Governance, the Board and its Sub Committees should at least have four [4] scheduled meetings per annum. Additional and or special meetings are convened as and when material issues arise, requiring decisions by the Board. Sixteen (16) Board meetings (both Planned & Special meetings) were convened in the period under review (1 April 2013 - 31 March 2014). The quorum for the Board meetings is 50 % + 1 (simple majority).

The attendance of the Board members at these meetings is as follows:

Board Members	Number of Meetings Attended
1. Mr. SJ Vilakazi (Chairperson)	16/16
2. Mr. DN Mculu (Deputy Chairperson)	16/16
3. Mr. A Bam *	05/16
4. Mr. JE Linda	16/16
5. Mr. DP Mahlangu	15/16
6. Adv. JL Mothibi	12/16
7. Ms. SA Xulu	16/16
8. Ms. H Ralinala	08/16
9. Ms. N Ntshangase *	10/16
11. Ms. PNZ Fakude-Nkuna	11/16
12. Adv. BM Mkhize (CEO) (Ex Officio)	16/16
13. Dr. V Dlamini (DEDET Representative (Ex Officio))	04/16

Board Committees

The MEGA Board is empowered in terms of section 24 of the MEGA Act 1 of 2010 to establish Board Committees. In the year under review, six (06) Board Committees were established.

The following Board Committees were formed in order to assist the Board in discharging its responsibilities. This assistance is rendered in the form of recommendations and reports submitted to Board meetings ensuring transparency and full disclosure of Committee activities. All Committee Members are Non-Executive Directors.

1. Board Audit, Risk and Compliance Committee
2. Board Procurement Committee (Dissolved on 31 July 2013)
3. Board Loans Committee
4. Board Finance and Investment Committee
5. Board Human Resources and Remuneration Committee
6. Board Executive Committee (comprising of all Chairpersons of Board Committees) [Dissolved on 31 July 2013]

GOVERNANCE

4 The Accounting Authority / Board

1 Board Audit, Risk and Compliance Committee

The Board Audit, Risk and Compliance Committee is comprised of a minimum of three members [3] and chaired by an independent Non-Executive Director.

The Committee is responsible for monitoring compliance with relevant legislation and ensures that an appropriate system of internal controls is maintained to protect the organizations' interests and assets. The Committee also reviews the accuracy, reliability and credibility of financial reporting and recommends the annual financial statements and the annual report of MEGA together with the external auditors report for approval by the Board.

The quorum for committee meetings is three [3] Non- Executive Directors.

Eleven [11] meetings were held during the 2013/2014 financial year. The attendance by Committee members at these meetings was as follows:

Committee Members	Number of Meetings Attended
1. Adv. A L Mothibi (Chairperson)	11/11
2. Mr. J E Linda	11/11
3. Ms. H Ralinala	03/11
4. Mr. D Mculu	11/11

2 Board Human Resources and RemunerationCommittee

The Board Human Resource and Remuneration Committee is comprised of Non-Executive Directors.

The objectives of the Board Human Resource and Remuneration Committee are to recommend and advise the Board on reward and remuneration and other personnel related policies. The Committee aims to ensure compliance to relevant legislation including the Basic Conditions of Employment Act, the Employment Act, the Labour Relations Act and the Skills Development Act.

The quorum for Committee meetings is three [3] Non- Executive Directors.

A total of nine [9] HR Committee meetings were held during the 2013/2014 financial year.

The attendance by Committee members at these meetings was as follows:

Committee Members	**Number of Meetings Attended**
1. Ms. S Xulu (Chairperson)	09/09
2. Ms. PNZ Fakude-Nkuna	04/09
3. Mr. D Mculu	09/09
4. Ms. N Ntshangase	05/09
5. Mr. J E Linda	09/09

GOVERNANCE

The Accounting Authority / Board 4

3 Board Loans Committee

The Board Loans Committee is comprised of Non-Executive Directors.

The objectives of the Loans Committee are to approve loan applications above the delegated management threshold and, provide guidelines to be followed by management for consideration of financial assistance proposals submitted by potential clients to MEGA and to ensure that MEGA complies with the terms of the National Credit Act, Act No 34 of 2005, Financial Intelligence Centre Act No 38 of 2001, Housing Act No 107 of 1997, Agriculture Laws Extension Act No 87 of 1996, National Small Business Act No 102 of 1996, Broad Based Black Economic Empowerment Act No 53 of 2003, Preferential Procurement Policy Framework Act No 5 of 2000 amongst others, in its consideration of financial assistance requests.

The quorum for Committee meetings is three [3] Non-Executive Directors. A total of five [5] Committee meetings were held during the 2013/2014 financial year.

The attendance by Committee members at these meetings was as follows:

Committee Members	Number of Meetings Attended
1. Mr. D P Mahlangu (Chairperson)	05/05
2. Mr. J E Linda	04/05
3. Adv. A L Mothibi	04/05
4. Ms. N Ntshangase	04/05

4 Board Finance and Investment Committee

The Finance and Investment Committee is comprised of Non-Executive Directors.

The Committee is responsible for ensuring that the entity's borrowings and leases are handled in accordance with the Treasury Regulations, providing inputs on the strategic plan document, checking the accuracy of the annual draft budget and ensuring that MEGA maintains sound systems of cash, bank and investment management.

The quorum for Committee meetings is three [3] Non-Executive Directors. A total of five [5] meetings were held during the 2013/2014 financial year.

The attendance by Committee members at these meetings was as follows:

Committee Members	Number of Meetings Attended
1. Mr. A Bam (Chairperson)	02/05
2. Mr. D P Mahlangu	05/05
3. Ms. PNZ Fakude-Nkuna	02/05
4. Ms. S Xulu	04/05
5. Mr. D Mculu (Appointed Chairperson following Mr. A Bam's resignation	02/05
6. Mr. SJ Vilakazi (Appointed additional Member to the Committee)	01/05

GOVERNANCE

4 The Accounting Authority / Board

5 Board Procurement Committee

The Procurement Committee was comprised of Non-Executive Directors. The Committee was responsible for providing an oversight role in inter'alia, the provision and procurement of any supply or service, hiring or letting anything, acquiring or granting any right or acquiring or disposing of any asset for or on behalf of the entity in terms of Section 23 of the MEGA Act so as to ensure that the entity maintains effective procurement processes. However following the advice from Provincial Treasury and the MEC, the Committee was dissolved effective 31 July 2013.

The quorum for Committee meetings was comprised of three [3] Non-Executive Directors. A total of three [3] meetings were held during the 2013/2014 financial year.

The attendance by Committee members at these meetings was as follows:

Committee Members	Number of Meetings Attended
1. Ms. H Ralinala (Chairperson)	03/03
2. Mr. A Bam	02/03
3. Mr. D Mculu	03/03

6 Board Executive Committee

The Board Executive Committee comprised of all Chairpersons of Board Committees. The role of the Committee was to filter all information from the respective Board sub-committees so as to assist the Board in final decision making. Following the appointment of the Chief Executive Officer, the Committee was dissolved by the Board effective 31 July 2013.

The quorum for committee meetings was four [4]. One [1] meeting was held during the 2013/2014 financial year.

The attendance by Committee members at that meeting was as follows:

Committee Members	**Number of Meetings Attended**
1. Mr. JS Vilakazi (Chairperson)	01/01
2. Mr. D Mculu (Deputy Chairperson)	01/01
3. Ms. S Xulu	01/01
4. Ms. H Ralinala	01/01
5. Mr. DP Mahlangu	00/01
6. Mr. A Bam	01/01
7. Adv. A Mothibi	01/01

GOVERNANCE

The Accounting Authority / Board 4

Executive Management Committee (2013/2014)

The Executive Management Committee (EXCO) comprises of the Chief Executive Officer, Chief Financial Officer, Company Secretary and all Heads of Divisions. The Committee is chaired by the Chief Executive Officer.

The Committee assists the Chief Executive Officer in guiding and controlling the overall direction of the organization and in exercising executive oversight. It is responsible for ensuring the effective management of the day to day operations of the organization.

The attendance by Committee members at these meetings was as follows:

Committee Members	Designation	Number of Meetings Attended
1. Adv B M Mkhize	Chief Executive Officer	10/10
2. Mr. V Mqhum	Chief Financial Officer	08/10
3. Mr. M Biyela *	GM: Business Development	04/10
4. Ms. Z Mbatha *	GM: Corporate Services	04/10
5. Ms. C Nkambule *	GM: Housing	04/10
6. Mr. A Warambwa *	GM: Infrastructure Development	04/10
8. Mr. PJ Velelo	Acting GM: Agriculture	07/10
9. Mr. TS Nobela	Acting GM: SMME	09/10
10. Mr. A Scheepers **	Acting GM: Special Projects & Subsidiaries	05/10
11. Ms. PNZ Nqeto	GM: Trade & Investment	08/10
12. Mr. KB Sibanyoni	Acting GM: Properties Management	10/10
13. Mr. JB Mahlangu **	Acting GM: Housing	06/10
16. Ms. ZC Sibanda	Chief Internal Auditor	09/10
17. Ms. SP Morgan	Company Secretary	07/10
18. Mr. SS Malomane	Acting Corporate Planner	09/10
19. Ms. TLL Mokwena	Manager: Legal	08/10
20. Mr. A Robberts	Acting Manager: IT	04/10
21. Ms. Q Mthembu*	Manager: Operations	03/10
22. Ms. LC Tshabalala	HR Manager	08/10

NOTES:

* Mr. M Biyela - appointed GM: Business Development effective 01 November 2013.
* Mr. E Warambwa - appointed GM: Infrastructure Development effective 01 November 2013.
* Ms. C Nkambule - appointed GM: Housing as at 01 November 2013
* Ms. Z Mbatha - appointed GM: Corporate Services as at 01 December 2013.
* Ms. Q Mthembu - appointed Manager: Operations effective 6 January 2014

** Two [2] Executive Managers opted for Voluntary Severance Packages (VSP's) effective 31 October 2013

Remuneration of Board Members

Non-executive directors receive fees for their contributions to the Board and the Committees on which they serve. The fees paid to all non-executive directors are in line with the Remuneration Guidelines for State Owned Enterprises.

A detailed remuneration table of Board members is contained on page 175 of the Annual Financial Report.

GOVERNANCE

5 Risk Management

Board Procurement Committee

Nature of risk management

The position of a Manager: Enterprise Wide Risk was created and will be filled in the new financial year. In the interim the Acting Risk Manager was appointed to manage the function until a permanent appointment has been made.

Risk management strategies to identify risks and manage the risks

Risk identification and assessment exercise was conducted on 24 February 2014 and a Risk Register developed and approved for implementation.

Progress made in addressing risks identified

Due to capacity issues an updated Risk Register was only developed towards the end of the financial year.

Progress made in addressing risks identified shall be reported to the Board Audit, Risk and Compliance Committee on a quarterly basis. Risk Management Committee will be established to monitor the implementation of the mitigation strategies by risk owners.

Mitigation plan has been developed and the committee shall monitor the implementation progress and the effectiveness of the control measures in place on a quarterly basis.

6 Internal Control Unit

Work performed by internal control unit during the year

The Chief Executive Officer has the responsibility for establishing a framework for internal control designed to effectively provide reasonable assurance against material losses, including appropriate risk management and a good corporate governance framework and systems.

The entity has established key controls measures that focus on critical areas identified. Internal Auditors assessed and evaluated the effectiveness of internal controls. The controls include delegation of authority and policies and procedures.

The controls are designed to provide a cost effective assurance that the entity's assets are safeguarded and resources are efficiently managed.

GOVERNANCE

Internal Audit And Audit Committees

7

Key activities and objectives of the internal audit

The internal audit unit is functioning in terms of the audit charter, which provides a structured framework for conducting internal audit work. The internal audit function was developed in-house and adequately capacitated through the co-sourcing of a service provider (PWC).

Specify summary of audit work done

The internal audit unit has conducted audits in line with the approved internal audit plan for 2013/2014, which was drawn up in accordance with Treasury Regulations Paragraph 3.2.7 and Standards for Professional Practice in Internal Audit (SPPIA). The plan was recommended by the Audit Committee and approved by the Board of Directors.

Compliance With Laws And Regulations

8

As a Provincial Government Business Enterprise, MEGA is subject to numerous laws, rules and regulations. The entity must comply with all applicable legislative prescripts as well as internal policies that are approved by the Accounting Authority. The PFMA and the MEGA Act are the basis on which MEGA must start with compliance, followed by all other legislations that regulate MEGA's operations in relation to the different business units.

A compliance checklist has been developed and compliance is monitored on a quarterly basis, in line with the reporting framework which is the submission of quarterly reports. The year under review has not resulted in any penalties nor reprimands for non-compliance with statutes, and therefore we can conclude that the Entity did generally comply with applicable laws and regulations, except in areas where non-compliance has been identified during the audit.

Fraud And Corruption

9

The fraud prevention plan was reviewed and approved towards the end of the current financial year.

Full implementation of the plan shall be done in the next financial year since the appointment of the Manager: Enterprise Wide Risk will have been made.

GOVERNANCE

10 Minimising Conflict of Interest

In minimising conflict of interest in Supply Chain Management [SCM], all companies tendered are screened to ensure that such companies are not controlled, run or owned by MEGA employees, either by associate or direct involvement.

Declaration of interest forms are circulated to SCM Bid Committee members from specification to adjudication where members are expected to declare if they have any interest with regard to the tender in question, and where interest is declared, the conflicted member/s is recused from participation.

Annual declaration of interest forms are also circulated to all staff members, with the exception of general workers, as per the requirements of the PFMA, the MEGA Act No. 1. of 2010 and the recommendations of the King iii Report on Good Governance. Further updating of the information is done as and when the need arises.

11 Conduct

Conduct is enshrined in the Human Resources policies and breach of the code is dealt with through MEGA's disciplinary procedures.

12 Health Safety and Environmental Issues

MEGA is committed to operating a best practice yet proportionate health and safety management system, recognising its importance for enabling an efficient organisation, by minimising unnecessary losses and liabilities.

MEGA is also committed to annually reporting its health and safety performance and its plans for proactive development of strategic health and safety management.

During 2013 to 2014, due to challenges faced by the entity there has not been any improvement in this area, however, the matter was part of the areas that were prioritised in terms of the turn-around strategy.

GOVERNANCE

Company/Board Secretary

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The Company Secretary, together with other assurance functions, monitors MEGA's compliance with the requirements of the PFMA, Companies Act No.71 of 2008 (as amended), King III Report on Good Governance, MEGA ACT No:1 of 2010 and other relevant legislation and reports to the Board in this regard.

Social Responsibility

14

During 2013 to 2014, due to challenges faced by the entity there has not been any improvement in this area, however, the matter was part of the areas that were prioritised in terms of the turn-around strategy.

GOVERNANCE

15 Audit Committee Report

We are pleased to present our report for the financial year ended 31 March 2014.

Audit Committee Responsibility

The Board Audit, Risk and Compliance Committee (BARCC) reports that it has complied with its responsibilities arising from Section 55 of the Public Finance Management Act and Treasury Regulation 3.1.13. The Audit Committee also reports that it has adopted appropriate formal 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, except that we have not reviewed changes in accounting policies and practices.

The Effectiveness Of Internal Control

Our review of the findings of the Internal Audit work, which was based on the risk assessments conducted in the public entity revealed certain control weaknesses, which were then raised with the public entity management.

The following were areas of concern:

- From the Internal Audit Reports presented to BARCC, we have identified that there are certain control deficiencies; however, management has put in place processes to address those deficiencies. However the appointment of a service provider for the turnaround strategy has delivered as expected to develop and put in place processes and systems to address these control deficiencies.
- BARCC has during the period under review identified and raised with management the inadequcy of the Information Technology systems. Notably, BARCC raised the issue of inefficient Debt Collection Process, Poor Loans Management Process and Systems, Poor Asset Management and general ineffecive financial management system.
- BARCC has during the period under review, identified and raised the issue with management regarding the apparent poor status of the organization's asset register. As at the time of this BARCC report management had instituted a process initiating asset reviews. BARCC will continue to monitor this process for improvements.
- BARCC also observed and raised with management the issue relating to poor implementation of management actions to address audit findings. Management has since put in place measures to ensure that implementation of management actions is appropriately monitored.

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

- Audits as per the Internal audit operational plan
- Adhoc Audits as mentioned within the internal audit operational plan
- Verification and confirmation of performance information

In-Year Management and Monthly/Quarterly Report

The public entity has submitted monthly and quarterly reports to the Executive Authority.

GOVERNANCE

Auditor's Report

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Evaluation of Financial Statements

We have reviewed the annual financial statements prepared by the public entity and recommended to the Board.

Auditor's Report

We have reviewed the public entity's implementation plan for audit issues raised in the prior year and we are satisfied that the matters have been adequately resolved except for the following:

- BARCC reports that there are still outstanding actions to address other material findings of the AGSA audit

The Board Audit, Risk and Compliance Committee concurs and accepts the conclusions of the external auditor on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the external auditor.

The current Board Audit, Risk and Compliance Committee approves on behalf of the previous Board Audit, Risk and Compliance Committee whose term of office came to an end prior to the submission of this Annual Report.

Ms G Deiner
Chairperson of the Audit, Risk and Compliance Committee

HUMAN RESOURCE MANAGEMENT

D

Introduction

The primary focus of the Human Resources Department is efficient and effective management of Human Capital with a view to enhancing organizational performance. The key priorities for the division were development with this focus in mind. These priorities included the finalization and approval of the organogram, development of a remuneration charter, migration of employees to the new organogram, filling of key strategic positions and development of a Performance Management and Development system.

Impact of the set priorities on the achievement of the organizational goals, highlights and quantitative Human Resources information.

1.1 ORGANOGRAM

During the period under-review MEGA embarked on a reorganization process which incorporated Organisational Design, development of new job profiles based on the assessment of business processes. A new organizational structure which supports the new business model has now been adopted and key strategic positions filled. The migration of employees to the new organogram is almost complete.

1.2 REMUNERATION CHARTER

Following the merger of three entities into MEGA, a remuneration charter which seeks to ensure competitive remuneration was approved and is currently in force.

1.3 PERFORMANCE MANAGEMENT AND DEVELOPMENT SYSTEM

An electronic Performance Management and Development system has been deployed to ensure effective management of individual performance.

1.4 RECOGNITION AGREEMENT

To enhance relations between management and Labour, a Recognition Agreement was concluded with two major trade unions, Food and Allied Workers Union (FAWU) and National Health and Allied Workers Union (NEHAWU).

1.5 CHALLENGES

The finalization of the organogram and migration of staff suffered a challenge leading to non-achievement of most strategic objectives of the Division.

HUMAN RESOURCE MANAGEMENT

2

Human Resource Oversight Statistics

PERSONNEL COST BY PROGRAMME

Programme	Total Expenditure for the entity	Personnel Expenditure	Personnel Exp. as a % of Total Exp	No. of Employees
	R'000	R'000		
CEO's office	8 382 825	9 094 321	8.6%	16
Finance	11 968 564	10 686 503	10.2%	28
Corporate Services	11 669 872	10 090 953	9.6%	37
Infrastructure Development	4 078 184	2 966 257	2.8%	6
Trade and investment	7 283 644	6 272 069	6%	12
Property Management and Development	11 284 332	9 046 416	8.6%	34
Housing	9 120 668	6 432 095	6.1%	9
Investment & Revenue Generation	9 209 029	6 687 790	6%	30
Business Development	28 511 950	20 801 932	19.8%	35
Total	**101 509 068**	**82 078 337**		**207**
Seasonal (Loopspruit &Tekwane)	3 593 454	3 593 454	3.4%	35
Grand Total	**105 102 522**	**85 671 791**	**81.5%**	**242**

PERSONNEL COST BY SALARY BAND

Level	Personnel Expenditure	No of Personnel Exp. to Total Personnel Cost	No. of Employees
	R'000		
Top Management	1 954 702	2.3%	1
Senior Management	6 667 909	7.8%	8
Professional Qualified	25 530 024	29.8%	33
Skilled	31 248 591	36.5%	68
Semi-skilled	10 644 794	12.4%	46
Unskilled	6 032 317	7%	51
Total	**82 078 337**		**207**
Seasonal (Loopspruit &Tekwane)	3 593 454	4.2%	35
Grand Total	**85 671 791**		**242**

HUMAN RESOURCE MANAGEMENT

2

Human Resource Oversight Statistics

PERFORMANCE REWARDS

Performance incentives were not paid during the period under review as there was no proper system to administer the pay of performance incentives.

TRAINING COSTS

Directorate/ Business Unit	Personnel Expenditure	Training Expenditure	Training Expenditure as a % of Personnel Cost	No. of Employee Trained	Average Training Cost per Employee
	R'000	R'000			R'000
CEO's office	9 094 321	68 484	0.08%	5	13 697
Finance	10 686 503	52 200	0.06%	3	17 400
Corporate Services	10 090 953	26 913	0.03%	6	4 486
Infrastructure Development	2 966 257	0	0%	0	0
Trade and Investment	6 272 069	36 558	0.04%	1	36 558
Property Management and Development	9 046 416	7 932	0.01%	1	7 923
Housing	6 432 095	6 900	0.01%	1	**6 900**
Investment & Revenue Generation	6 687 790	16 750	0.02%	2	8 375 00
Enterprise Development	20 801 932	**22 500**	**0.03%**	**1**	**22 500**
Total	**82 078 337**	**238 228**	**0.3%**	**20**	**117 838**

HUMAN RESOURCE MANAGEMENT

2

Human Resource Oversight Statistics

EMPLOYMENT AND VACANCIES

Programme	2012/2013 No. of Employees	2013/2014 Approved Posts	2013/2014 Vacancies	Vacancy rate in %
CEO's office	10	20	6	3%
Finance	22	39	15	6%
Corporate Services	36	41	11	5%
Infrastructure Development	2	8	2	1%
Trade and Investment	12	11	4	2%
Property Management and Development	42	45	17	7%
Housing	7	9	3	1%
Investment Revenue	70	38	8	3%
Business Development	16	25	0	0
Total	**217**	**236**	**66**	**28%**

Programme	2012/2013 No. of Employees	2013/2014 Approved Posts	2013/2014 Vacancies	Vacancy rate in %
Top Management	9	10	3	1%
Senior Management	25	35	2	1%
Professional qualified	64	84	33	14%
Skilled	51	51	23	10%
Unskilled	68	56	5	2%
TOTAL	**217**	**236**	**66**	**28%**

HUMAN RESOURCE MANAGEMENT

Human Resource Oversight Statistics

2

EMPLOYMENT CHANGES

The occupational levels have been changed from those of the previous financial year (2012/2013) to align with the newly adopted Job Grading system as well as the occupational levels and categories as defined by the Department of Labour.

Salary Band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management	5	4	3	6
Senior Management	12	4	0	16
Professional qualified	70	0	15	55
Skilled	68	5	5	68
Unskilled	62	1	12	51
Temporary Employees (Housing Project)		11		11
Total	**217**	**25**	**35**	**207**
Seasonal (Loopspruit + Tekwane) Unskilled				35

REASONS FOR STAFF LEAVING

Reason	Number	% of Total No. of Staff Leaving
Death	5	14.3%
Resignation	3	8.6%
Dismissal	0	0%
Retirement	2	5.7%
Ill health	0	0%
Other VSP	21	60%
Expiry of Contract	4	11.4%
Total	**35**	

HUMAN RESOURCE MANAGEMENT

2

Human Resource Oversight Statistics

LABOUR RELATIONS: MISCONDUCT AND DISCIPLINARY ACTION

The following labour cases were held during the period under-review:

Labour Litigations

Salary Band	Number of Employees	Description	Status
Senior Management	2	Non-renewal of fixed-term contract	The case was dismissed at CCMA
Senior Management	1	Constructive dismissal	The case is at Labour Court
Middle management	1	Unfair labour practice	The case is at Labour Court
Semi-Skilled	1	Unfair dismissal	The case is at CCMA
Total	5		

Disciplinary Actions

Salary Band	Number of Employees	Description	Status
Senior Management (CFO)	1	Financial misconduct and dereliction of duties	Disciplinary process in progress
Middle management	1	Financial misconduct	Disciplinary process in progress
Professional level	1	Absenteeism	Finalised
Total	3		

HUMAN RESOURCE MANAGEMENT

2

Human Resource Oversight Statistics

EQUITY TARGETS AND EMPLOYMENT EQUITY STATUS

Targets were not set for the period under-review because MEGA was operating on a transitional organogram and going through re-alignment of functions.

EMPLOYMENT EQUITY STATUS

	Males				Females				
	Black	Coloured	Indian	White	Black	Coloured	Indian	White	Total
Top Management	1	0	0	0	0	0	0	0	**1**
Senior Managers	6	0	0	1	2	0	0	0	**8**
Professional qualified	20	0	1	1	7	2	0	2	**33**
Skilled	35	2	0	2	0	3	1	2	**67**
Semi-skilled	18	0	0	0	26	1	0	1	**46**
Unskilled	18	0	0	0	33	0	0	0	**51**
Total	**97**	**2**	**1**	**4**	**91**	**6**	**1**	**5**	**207**
Total per Gender	105				102				

DISABLED STAFF

Targets were not set for the period under-review because MEGA was operating on a transitional organogram.

FINANCIAL INFORMATION

E

Accounting Officer's Statement Of Responsibility for Annual Financial Statements

STATEMENT OF RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

The Accounting Authority is responsible for the preparation of the public entity's annual financial statements and for the judgements made in this information.

The Accounting Authority is responsible for establishing, and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the annual financial statements.

In my opinion, the financial statements fairly reflect the operations of the public entity for the financial year ended 31 March 2014.

The external auditors are engaged to express an independent opinion on the Annual Financial Statements of the public entity.

The Mpumalanga Economic Growth Agency's annual financial statements for the year ended 31 March 2014 have been audited by the external auditors and their report is presented on pages 124 – 130.

The Annual Financial Statements of the public entity set out on pages 133 – 189 have been approved.

Mr T Nobela
Acting Chief Executive Officer
Mpumalanga Economic Growth Agency
15 August 2014

FINANCIAL INFORMATION

2

Report Of The Chief Executive Officer

REPORT OF THE CHIEF EXECUTIVE OFFICER

General Financial Review of the Public Entity

The Agency has experienced growths in the revenue in the financial period ending 31 March 2014 as a result of moderate economic growth experienced in the country coupled with general increases in municipal rates. This has therefore seen an increase in the operating profit in the current financial year.

The financial results of the Agency for the financial period ending 31 March 2014 have been positively affected by favourable fair value adjustments in the current period as a result of extensive valuation process which was undertaken in the current financial period, to value the assets owned by the Agency.

This process has resulted in an increase in the fair value of the Investment property held by the Agency and as a result, the entity has recorded a total comprehensive profit in the current financial year.

Audit report matters in the previous year and how would be addressed

The Agency has received two (2) extensive audit findings as a result of the entity's rightsover the residential properties and revenue generated from other financial assets. These matters were part of the list of audit findings raised in the previous financial year, however, there has been a significant improvement as most of the issues raised were addressed in the current period. We have also enlisted the assistance of external consultants and professional valuators in the current period in an attempt to rectify the shortcomings identified in the prior period audits, which included the valuation, completeness, existence and rights to Investment property and Property, plant and equipment.

In the prior period, the merger of the three Development entities, namely: Mpumalanga Agricultural Department Corporation (MADC); Mpumalanga Economic Growth Agency (MEGA) and Mpumalanga Housing Finance Company (MHFCo) resulted in certain operational challenges and the consolidation of the systems and financial records of these former entities resulted in the shortcomings identified as per the prior period audit report. We have addressed a majority of these operational challenges in the current period.

We have also had a shortage of key personnel in the prior period and as a result certain key operational areas were not managed in a manner deemed appropriate. In the 2014 financial period we have managed to fill a majority of these key personnel areas to ensure that a more appropriate and active control environment was established and will be maintained for future periods.

FINANCIAL INFORMATION

2

Report Of The Chief Executive Officer

Events after the Reporting Period

No material events occurred after the reporting date and up to the date of this report.

Economic Viability of the Entity

Sources of Funding

The entity is depended on funding from the Government on an annual basis to carry out its core functions as mandated in its shareholders compact. This funding excludes special funding earmarked for certain projects that are done on an adhoc basis by MEGA.

Even though depended substantially on Government funding, MEGA operates like a self-sustained entity with substantial cash resources tied up in debtors, of which the entity is embarking to liquidate in the preceding reporting period to be able to fund some of the self-initiated adhoc projects.

Social and Economic Outreach

With the clearly identifiable public outreach programmes by the entity categorised under agriculture, housing and business development, funding has been approved, which is aimed, amongst other things, at cultivating emerging small businesses, human settlements and agricultural stimulation by previously disadvantaged individual.

However, even though the funds have been approved the funds have not been rolled out to the designated recipients due to funding constraints for the year under review as experienced by the entity.

Supply Chain Management

The Supply Chain Management of the Agency, received audit findings classified as non-compliance with legislation and deficiency in the internal control environment. Limitation of scope and irregular expenditure was reported during the audit.

Challenges:

- Key SCM position are vacant, the process of recruiting staff with requisite skills and knowledge is underway.
- Inadequate skills and knowledge of SCM processes and contracts management. Training in SCM legislation, processes and contract management has been incorporated into the Workman Skills Plan of the Agency, appointment of service providers is a priority.

Mr T Nobela
Acting Chief Executive Officer
Mpumalanga Economic Growth Agency

FINANCIAL INFORMATION

3

Report of the Auditor-General

REPORT OF THE AUDITOR-GENERAL TO THE MPUMALANGA PROVINCIAL LEGISLATURE ON THE MPUMALANGA ECONOMIC GROWTH AGENCY FOR THE YEAR ENDED 31 MARCH 2014

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1 I have audited the financial statements of the Mpumalanga Economic Growth Agency (MEGA) set out on pages 139 to 189 which comprise the statement of financial position as at 31 March 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting authority's responsibility for the financial statements

2 The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA), and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-general's responsibility

3 My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and international Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Report of the Auditor-General

BASIS FOR QUALIFIED OPINION

Investment properties

6 Included in investment properties are residential properties for which MEGA has financed the purchase amount and recorded a housing loan debtor in the annual financial statements. I was unable to obtain sufficient appropriate audit evidence to confirm whether these properties had been transferred to the buyer or whether the properties had subsequently been transferred back to MEGA as part of a repossession process. In addition properties amounting to R5 053 000 reflect MEGA and a third party as the owners of the property at the deeds office. I could not confirm these matters by alternative means. Consequently, I could not confirm MEGA's rights to the residential properties amount to R99 157 000 (2013: R91 352 584) included in investment properties as disclosed in note 3 to the financial statements.

Other financial assets

7 I was unable to obtain sufficient appropriate audit evidence to confirm that management had properly accounted for housing loans and related interest, due to the unavailability of loan agreements. I could not confirm the housing loans balance and related interest by alternative means. Furthermore, interest income was misstated, as MEGA charged interest at rates different to those stated in the contracts. The misstatement could not be quantified due to the unavailability of some of the contracts. Consequently, I could not confirm whether the housing loans amounting to R66 715 080 (2013: R78 941 625) included other financial assets as disclosed in note 7 to the financial statements and interest income amounting to R36 613 586 (2013: R30 916 427) as disclosed in note 16 to the financial statements were fairly stated.

Qualified opinion

8 In my opinion, except for the effects of the matters described in the basis for qualified opinion paragraphs, the financial statements present fairly, in all material aspects, the financial position of the Mpumalanga Economic Growth Agency as at 31 March 2014 and its financial performance and cash flows for the year then ended, in accordance with the International Financial Reporting Standards and the requirements of the PFMA.

Emphasis of matters

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

Restatement of corresponding figures

10 As disclosed in note 32 to the financial statements, the corresponding figures for 31 March 2013 have been restated as a result of the qualified opinion expressed on the prior year's financial statements of MEGA.

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Report of the Auditor-General

Material impairments

11 As disclosed in note 10 to the financial statements, material impairments of R121 078 754 were incurred as a result of the provision for doubtful debts.

Report on other legal and regulatory requirements

12 In accordance with the PAA and the general notice issued in terms thereof, I report the following findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report, non-compliance with legislation as well as internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

13 I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected programmes presented in the annual performance report of the entity for the year ended 31 March 2014.

- Programme 2: Infrastructure development on pages 54 to 61
- Programme 3: Trade and investment promotion on pages 63 to 70
- Programme 4: Property development management, on pages 71 to 75
- Programme 5: Housing, on pages 76 to 79
- Programme 6: Agriculture, on pages 80 to 83
- Programme 7: Enterprise Development, on pages 84 to 87

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

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

16 The material findings in respect of the selected programmes are as follows:

PROGRAMME 2: INFRASTRUCTURE DEVELOPMENT

Reliability of reported performance information

17 The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. Significantly material targets were not reliable when compared to

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supporting information and documentation. This was due to a lack of standard operating procedures for the accurate measurement, recording and monitoring of performance.

PROGRAMME 3: TRADE AND INVESTMENT PROMOTION

Measurability of indicators and targets

18 The FMPPI requires the following:

- Performance indicators must be well defined by having clear data definitions so that data can be collected consistently and is easy to understand and use. A total of 60% of the indicators were not well defined.
- Performance indicators must be verifiable, meaning that it must be possible to validate the processes and systems that produced the indicator. A total of 60% of the indicators were not verifiable.

This was due to management not adhering to the requirements of the FMPPI.

Reliability of reported performance information

19 The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. I was unable to obtain the information and explanations I considered necessary to satisfy myself as to the reliability of the reported performance information. This was because MEGA could not provide sufficient appropriate evidence in support of the reported performance information.

PROGRAMME 4: PROPERTY DEVELOPMENT MANAGEMENT

Reliability of report performance information

20 The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. The reported performance information was not valid, accurate and complete when compared to the source information or evidence provided. This was because the validity of reported achievements against source documentation was not reviewed frequently.

PROGRAMME 5: HOUSING

Reliability of reported performance information

21 The FMPPi requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. I identified an individual materially misstated target relating to indicators

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and objectives concerning the primary functions of MEGA. The misstatement could not be substantiated by management. This was because the validity of reported achievements against source documentation was not reviewed frequently.

PROGRAMME 6: AGRICULTURE DEVELOPMENT

Reliability of reported performance information

22 The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. I was unable to obtain the information and explanations I considered necessary to satisfy myself as to the reliability of the reported performance information. This was because MEGA could not provide sufficient appropriate evidence in support of the reported performance information.

23 The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. Adequate and reliable corroborating evidence could not be provided for significantly important targets to assess the reliability of the reported performance information. This was because MEGA could not provide sufficient appropriate evidence in support of the reported performance information.

Additional matter

24 I draw attention to the following matter:

Achievement of planned targets

25 Refer to the annual performance report on pages 35 to 94 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 for the selected programmes reported in paragraphs 17 to 23 of this report.

Compliance with legislation

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

Strategic planning and performance management

27 In terms of section 51 (1)(a)(i) of the PFMA, the accounting authority must ensure that the entity has and maintains effective, efficient and transparent systems of financial and risk management and internal

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control. However, MEGA did not have and maintain effective and efficient systems of internal control regarding performance management, which described and represented how its processes of performance monitoring, measurement, review and reporting should be conducted, organized and managed.

Annual financial statements, performance report and annual report

28 The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and were not supported by full and proper records, as required by section 55(1)(a) and (b) of the PFMA. Some material misstatements of non-current assets, current assets, liabilities, revenue and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records provided, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion.

Procurement and contract management

29 Sufficient appropriate audit evidence could not be obtained that all contracts and quotations had been awarded in accordance with the legislative requirements, as management could not provide supporting documentation for some of the awards made to suppliers.

Expenditure management

30 The accounting authority did not take effective steps to prevent irregular as well as fruitless and wasteful expenditure, as required by section 51(1)(b)(ii) of the PFMA.

Revenue management

31 Effective and appropriate steps were not taken to collect all money due to MEGA, as required by section 51(1)(b)(i) of the PFMA and treasury regulation 31.1.2(a) and 31.1.2(e).

Asset management and liability management

32 Proper control systems to safeguard and maintain assets were not implemented, as required by section 50(1)(c) of the PFMA.

Internal control

33 I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion, the findings on the annual performance report and the findings on non-compliance with legislation included in the report.

Leadership

34 Oversight responsibility was not adequately exercised regarding financial and performance reporting and compliance with laws and regulations.

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Report of the Auditor-General

35 MEGA did not adequately monitor the implementation of action plans to address internal control deficiencies.

36 Vacancies were not filled in time.

Financial and performance management

37 MEGA did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information was accessible and available to support financial and performance reporting.

38 MEGA did not implement controls over the daily and monthly processing and reconciling of transactions.

39 MEGA did not prepare regular, accurate and complete financial and performance reports that were supported and evidenced by reliable information.

40 Non-compliance with laws and regulations could have been prevented had compliance been properly reviewed and monitored.

Governance

41 Although the audit committee reviewed the annual financial statements, this review did not yield the desire results.

Auditor-General

Mbombela

18 August 2014

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2014

General Information

Country of Incorporation and Domicile	South Africa
Nature of business and principal activities	MEGA is a Government Business Enterprise classified as a Schedule 3D entity in terms of the Public Finance Management Act
Registered Office	2 Mc Adam Street Mbombela 1200
Postal Address	P.O. Box 5838 Mbombela 1200
Bankers	ABSA Bank Limited Standard Bank Limited
Auditors	Auditor General (South Africa)
Secretary	Ms S P Morgan

Mpumalanga Economic Growth Agency

Annual Financial Statements for the year ended 31 March 2014

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The reports and statements set out below comprise the annual financial statements presented to the shareholder.

Mpumalanga Economic Growth Agency
Annual Financial Statements for the year ended 31 March 2014

Accounting Authority's Responsibilities and Approval

The directors are required in terms of the MEGA Act and the Public Finance Management Act (PFMA) to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their 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 South African GAAP and where applicable as per the Accounting Standard Board (ASB).

The annual financial statements are prepared in accordance with South African GAAP, PFMA, and the National Treasury Regulations and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

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

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

The directors have reviewed the entity's cash flow forecast for the year ending 31 March 2015 and, in the light of this review and the current financial position, they are satisfied that the agency has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors and their report is presented on pages 124 – 130.

The annual financial statements and amendments that may be required after the report signing date is set out on pages 139 – 189 which have been prepared on the going concern basis, were approved by the board on 30 May 2014 and were signed on its behalf by:

Mr DN Mculu
Chairperson (Interim Board)
Mpumalanga Economic Growth Agency
15 August 2014

Mpumalanga Economic Growth Agency
Annual Financial Statements for the year ended 31 March 2014

Accounting Authority's Report

1 Review of financial results and activities

The annual financial statements have been prepared in accordance with South African GAAP and the requirements of the MEGA Act and the Public Finance Management Act. The accounting policies have been applied consistently with the prior year.

The agency recorded a net profit after tax for the year ended 31 March 2014 of R62 675 935 (2013: (R35 151 956). This represented an improvement of R97 827 891 in profitability.

2 Review of business activities

Main business and operations

MEGA is a government business enterprise that operates principally in Mpumalanga, South Africa. MEGA provides development funding to qualifying businesses and funding for qualifying individuals for housing purposes. MEGA also manages and develops the property portfolio owned and controlled by the organisation in order to generate sufficient surplus income to fund new developments and also to use the portfolio as collateral to obtain finance from financial markets.

3 Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

4 Directorate

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

Directors	Designation	Changes
Mr. S J Vilakazi (Chairperson)	Non-Executive	
Mr. D N Mculu (Deputy Chairperson)	Non-Executive	
Mr. D P Mahlangu	Non-Executive	
Ms. P N Z Fakude-Nkuna	Non-Executive	
Mr. J E Linda	Non-Executive	
Ms. N B Ntshangase	Non-Executive	Resigned 3 February 2014
Adv. J L Mothibi	Non-Executive	
Ms. S A Xulu	Non-Executive	
Mr. A Bam	Non-Executive	Resigned 30 July 2013
Ms. H Ralinala	Non-Executive	
Dr. V Dlamini (HOD - DEDET)	Ex-Officio	
Adv. B Mkhize (Chief Executive Officer)	Ex-Officio	

Mpumalanga Economic Growth Agency
Annual Financial Statements for the year ended 31 March 2014

Accounting Authority's Report

5 Interim Board

After the resignation of two board members, the Board remained with only eight members, which was fewer than the nine required to form a quorum for the board to take any votes. This resulted in the appointment of the Interim Board in accordance with Section 7(4) of the MEGA Act of 2010.

6 Events after the reporting period

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

7 Secretary

The company secretary is Ms. S P Morgan.

Business address: 2 McAdam Street, Mbombela 1200

8 Directors' interest in contracts

No directors had any interests in contracts during the year.

9 Auditors

The Auditor-General South Africa will continue in office in accordance with section 55 of the MEGA Act and the Public Finance Management Act.

ANNUAL FINANCIAL STATEMENTS

Mpumalanga Economic Growth Agency
Annual Financial Statements for the year ended 31 March 2014

Statement of Financial Position

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2014

Figures in Rands	Note	2014	Restated 2013
Assets			
Non-Current Assets			
Biological assets	2	4 178 100	3 802 071
Investment property	3	867 469 400	798 514 533
Property, plant and equipment	4	33 381 292	31 496 494
Intangible assets	5	807 373	14 205
Investments in associates	6	2 202 997	1 853 083
Other financial assets	7	61 258 410	72 910 276
		969 297 572	908 590 662
Current Assets			
Inventories	9	50 608 337	50 210 930
Other financial assets	7	15 925 475	24 470 209
Trade and other receivables	10	58 620 903	57 884 012
Cash and cash equivalents	11	67 720 475	52 102 515
		192 875 190	184 667 666
Total Assets		1 162 172 762	1 093 258 328
Equity and Liabilities			
Reserves		33 566 334	29 847 629
Retained income		913 974 308	851 298 374
Total equity		947 540 642	881 146 003
Liabilities			
Non-Current Liabilities			
Other financial liabilities	12	50 618 217	75 763 573
Current Liabilities			
Other financial liabilities	12	21 665 130	22 512 916
Trade and other payables	14	126 184 955	99 158 563
Provisions	13	16 163 818	14 677 273
		164 013 903	136 348 752
Total Liabilities		214 632 120	212 112 325
Total Equity and Liabilities		1162 172 762	1 093 258 328

Mpumalanga Economic Growth Agency

Annual Financial Statements for the year ended 31 March 2014

Statement of Comprehensive Income

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2014

	Note	2014	Restated 2013
Revenue	16	184 058 033	163 216 348
Cost of sales	17	(95 469 410)	(75 934 474)
Gross profit		**88 588 623**	**87 281 874**
Government grant	36	148 605 263	166 897 506
Other income	18	9 834 016	(87 180)
Operating expenses		(257 594 007)	(273 440 424)
Operating loss	**19**	**(10 566 105)**	**(19 348 224)**
Equity accounted investment income	6	349 914	–
Fair value adjustments	20	79 662 532	(10 336 186)
Finance costs	21	(6 770 406)	(5 467 546)
Profit/(loss) for the year		**62 675 935**	**(35 151 956)**
Other Comprehensive Income		**3 718 705**	**3 452 087**
Total comprehensive profit/(loss) for the year		**66 394 640**	**(31 699 869)**

Mpumalanga Economic Growth Agency
Annual Financial Statements for the year ended 31 March 2014

Statement of Changes in Equity

STATEMENT OF CHANGES IN EQUITY

Figures in Rands	Share Capital	Revaluation reserve	Retained Income	Total
Opening as at 1 April 2012 as previously reported	29 208 140	26 395 542	1 558 226 233	1 613 829 915
Total comprehensive income/(loss) for the year		2 671 375	(67 580 516)	(64 909 141)
Correction of errors (Note 32)	(29 208 140)	780 712	(639 347 342)	(667 774 771)
Restated Balance 1 April 2013	**-**	**29 847 629**	**851 298 374**	**881 146 003**
Total comprehensive income for the year		3 718 705	62 675 935	66 394 640
Restated balance as at 31 March 2014	**-**	**33 566 334**	**913 974 308**	**947 540 643**

Mpumalanga Economic Growth Agency

Annual Financial Statements for the year ended 31 March 2014

Statement of Cash Flows

STATEMENT OF CASH FLOWS			
	Note	2014	Restated 2013
Cash flows from operating activities			
Cash receipts from customers		229 175 590	281 113 199
Cash paid to suppliers and employees		(178 827 952)	(216 944 520)
Cash generated from operations	22	50 347 639	64 168 679
Dividends received		249 611	325 255
Finance costs		(6 770 406)	(5 467 545)
Net cash from operating activities		**43 826 844**	**59 026 389**
Cash flows from investing activities			
Purchase of property, plant and equipment		(1 280 366)	(649 408)
Purchase of other intangible assets		(935 376)	(14 716)
Net cash from investing activities		**(2 215 742)**	**(664 124)**
Cash flows from financing activities			
Repayment of other financial liabilities		(25 993 142)	(31 716 670)
Net cash from financing activities		**(25 993 142)**	**(31 716 670)**
Total cash movement for the year		15 617 960	26 645 595
Cash at the beginning of the year		52 102 515	25 456 920
Total cash at end of the year	11	**67 720 475**	**52 102 515**

ACCOUNTING POLICIES

Mpumalanga Economic Growth Agency

Annual Financial Statements for the year ended 31 March 2014

Accounting Policies

1 Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with South African GAAP, the MEGA Act and the Public Finance Management Act. The annual financial statements have been prepared on the historical cost basis, adjusted by revaluation of investment properties and financial instruments and incorporate the principal accounting policies as set out below. The Financial Statements are presented in South African Rands.

These accounting policies are consistent with the previous year.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables and loans receivables

The entity assesses its trade and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the entity makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade and loans and receivables is calculated on an individual basis, based on historical data, and adjustments for national and industry-specific economic conditions and other indicators present at the reporting date.

Allowance for slow moving, damaged and obsolete inventory

Inventory must be shown at lower of cost and net realisable value. An allowance to write down inventory to the lower of cost and net realisable has been raised. Management have made estimates of the selling price and direct cost to sell on certain inventory items.

Impairment testing

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

Provisions

Provisions were raised and management determined an estimate based on the information available additional disclosure of these estimates of provisions are included in Note 13 – Provisions.

Property, plant and equipment

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

Accounting Policies

1.2 Biological assets

An entity shall recognise a biological asset or agricultural produce when, and only when:

- The entity controls the asset as a result of past events
- It is probable that future economic benefits associated with the asset will flow to the entity; and the fair value or cost of the asset can be measured reliably. Biological assets (vines and fruit trees) are measured at their fair value less costs to sell.

The fair value of the vineyard and lemon orchards is based on the combined fair value of the land and the vines. The fair value of the land and land improvements is then deducted from the combined fair value to determine the fair value of the vineyard.

A gain or loss arising on initial recognition of agricultural produce at fair value less costs to sell shall be included in the profit and loss for the period in which it arises.

An unconditional government grant related to a biological asset measured at its fair value less costs to sell shall be recognised in profit when, and only when the government grant becomes receivable.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

1.3 Investment property

Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the investment property will flow to the entity, and the cost of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

A gain or loss arising from a change in the fair value of the investment property is included in profit or loss for the period in which it arises.

1.4 Property, plant and equipment

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

- It is probable that future economic benefits associated with the item will flow to the entity
- The cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

Mpumalanga Economic Growth Agency

Annual Financial Statements for the year ended 31 March 2014

Accounting Policies

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

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

1.5 Property, plant and equipment

Any increase in an asset's carrying amount, as a result of a revaluation, is recognised in other comprehensive income and accumulated in equity as the revaluation surplus. The increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in profit or loss in the current period. The decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in the revaluation surplus in equity.

The revaluation surplus in equity in respect of an item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised. However, some of the revaluation surplus may be transferred as the asset is used. In that case, the amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been reassessed and changed based on the actual usage by the entity. The change has been accounted for as a change in estimate and included in Note 35.

The useful lives have been assessed as follows:

Item	Average useful life
Land	Infinite
Buildings	20 years
Plant and machinery	5 - 10 years
Furniture and fixtures	5 - 10 years
Motor vehicles	5 - 7 years
Office equipment	5 - 10 years
IT equipment	3 - 5 years

Accounting Policies

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

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

1.6 Intangible assets

An intangible asset is recognised when:

- It is probable that the expected future economic benefits that are attributable to the asset will flow to the entity
- The cost of the asset can be measured reliably

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

Item	Useful life
Computer software	3 years

Intangible assets are amortised on a straight line basis over their expected useful lives to their estimated residual value.

Amortisation begins when the assets are available for use and ceases at the earlier of the date when the assets are classified as held for sale and the date when the assets are derecognised.

1.7 Investments in associates

An investment in an associate is carried at cost less any accumulated impairment.

An associate is an entity over which the entity has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Under the equity method, an investment in an associate is initially recognised in the statement of financial position at cost and adjusted thereafter to recognise the entity’s share of the post-acquisition change in the net assets of the investee. When the entity’s share of losses of an associate exceeds the entity’s interest in that associate (which includes any long-term interests that, in substance, form part of the entity’s net investment in the associate), the entity discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the entity has incurred legal or constructive obligations or made payments on behalf of the associate.

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Accounting Policies

1.8 Financial instruments: Classification

The entity classifies financial assets and financial liabilities into the following categories:

- Fair value
- Amortised cost
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is reassessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

Initial recognition and measurement

Financial instruments are recognised initially when and only when the entity becomes a party to the contractual provisions of the instrument.

The entity classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

1.9 Financial instruments: Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Available-for-sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses.

Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in equity until the asset is disposed of or determined to be impaired. Interest on available-for-sale financial assets calculated using the effective interest method is recognised in profit or loss as part of other income. Dividends received on available-for-sale equity instruments are recognised in profit or loss as part of other income when the entity's right to receive payment is established.

Changes in fair value of available-for-sale financial assets denominated in a foreign currency are analysed between translation differences resulting from changes in amortised cost and other changes in the carrying amount. Translation differences on monetary items are recognised in profit or loss, while translation differences on non-monetary items are recognised in other comprehensive income and accumulated in equity.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Accounting Policies

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the entity has transferred substantially all risks and rewards of ownership.

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the entity establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment of financial assets

At each reporting date the entity assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the entity, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity as a reclassification adjustment to other comprehensive income and recognised in profit or loss.

Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in profit or loss except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write off is made against the relevant allowance account.

Subsequent recoveries of amounts previously written off are credited against operating expenses.

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Accounting Policies

1.9 Financial instruments: Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. An operating lease is a lease other than a finance lease.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

1.11 Inventories

Inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Accounting Policies

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in-first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.12 Impairment of assets

The entity assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period;
- tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

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

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit and
- then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.13 Share caspital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

1.14 Employee benefits: Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

1.15 Employee benefits: Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

1.16 Provisions and contingencies

Provisions are recognised when:

- The entity has a present obligation as a result of a past event
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation
- A reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Accounting Policies

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- Has a detailed formal plan for the restructuring, identifying at least:
  - The business or part of a business concerned;
  - The principal locations affected;
  - The location, function, and approximate number of employees who will be compensated for terminating their services
  - The expenditures that will be undertaken
  - When the plan will be implemented
- Has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- The amount that would be recognised as a provision
- The amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in Note 25.

1.17 Government grants

Government grants are recognised when there is reasonable assurance that:

- The entity will comply with the conditions attaching to them
- The grants will be received.

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.

Government grants related to assets, including non-monetary grants at fair value, are presented in the statement of financial position by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

Grants related to income are presented as a credit in the profit or loss (separately).

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Accounting Policies

Repayment of a grant related to income is applied first against any unamortised deferred credit set up in respect of the grant. To the extent that the repayment exceeds any such deferred credit, or where no deferred credit exists, the repayment is recognised immediately as an expense.

Repayment of a grant related to an asset is recorded by increasing the carrying amount of the asset or reducing the deferred income balance by the amount repayable. The cumulative additional depreciation that would have been recognised to date as an expense in the absence of the grant is recognised immediately as an expense.

1.18 Revenue

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

- The entity has transferred to the buyer 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 associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity
- The stage of completion of the transaction at the end of the reporting period can be measured reliably.
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Interest is recognised, in profit or loss, using the effective interest rate method.

Dividends are recognised, in profit or loss, when the entity’s right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Accounting Policies

1.19 Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The related cost of providing services recognised as revenue in the current period is included in cost of sales.

1.20 Fruitless, wasteful and irregular expenditure

Fruitless, wasteful and irregular expenditure is recognised in profit or loss in the period during which it occurs.

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2 Biological assets

2014

	Cost/valuation	Fair value adjustment	Carrying value
Lemon orchard - Tekwane	3 225 495	319 005	3 544 500
Grapevines-Loopspruit	576 576	57 024	633 600
Total	**3 802 071**	**376 029**	**4 178 100**

2013

	Cost/valuation	Fair value adjustment	Carrying value
Lemon orchard-Tekwane	2 935 200	290 295	3 225 495
Grapevines-Loopspruit	524 684	51 892	576 576
Total	**3 459 884**	**342 187**	**3 802 071**

RECONCILIATION OF BIOLOGICAL ASSETS – 2014

	Opening balance	Gains or (losses) arising from changes in fair value	Total
Lemon orchard-Tekwane	3 225 495	319 005	3 544 500
Grapevines-Loopspruit	576 576	57 024	633 600
Total	**3 802 071**	**376 029**	**4 178 100**

RECONCILIATION OF BIOLOGICAL ASSETS – 2013

	Opening balance	Gains or (losses) arising from changes in fair value	Total
Lemon orchard-Tekwane	2 935 200	290 295	3 225 495
Grapevines-Loopspruit	524 684	51 892	576 576
Total	**3 459 884**	**342 187**	**3 802 071**

Information on biological assets:

Biological assets consist of lemon orchards and grapevines, also known as MEGA's own agri-business. Tekwane estate, where the lemon orchard is situated is in the Mbombela district. Loopspruit Estate, comprising grapevines, is situated on the banks of the Loopspruit river, 30 kilometers north of Bronkhorstspruit.

The fair value of MEGA’s biological assets as at 31 March 2014 and 31 March 2013 has been arrived at on the basis of a valuation carried out on the 31 March 2014 by Lutendo Valuers, independent valuers not related to MEGA. Lutendo valuers are members of South African Council for the Property Valuers Profession (SACPVP)

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and South African Institute of Valuers (SAIV), and they have appropriate qualifications and recent experience in the valuation of biological assets similar to the ones that are owned by MEGA. The fair value was determined based on the market comparable approach that reflects recent transaction prices for similar biological assets. In estimating the fair value of the biological asset. There has been no change to the valuation technique during the current financial year.

3 Investment Property

2014

	Cost/ Valuation	Fair value adjustment	Carrying value
Commercial	695 011 629	60 064 771	755 076 400
Residential	91 352 584	7 804 416	99 157 000
Farms	12 150 320	1 085 680	13 236 000
Investment property	798 514 533	68 954 867	867 469 400

2013

	Cost/ Valuation	Fair value adjustment	Carrying value
Commercial	632 460 582	62 551 047	695 011 629
Residential	83 130 852	8 221 732	91 352 584
Farms	11 056 791	1 093 529	12 150 320
Investment Property	726 648 225	71 866 308	798 514 533

RECONCILIATION OF INVESTMENT PROPERTY – 2014

	Opening Balance	Fair value adjustment	Total
Commercial	695 011 629	60 064 771	755 076 400
Residential	91 352 584	7 804 416	99 157 000
Farms	12 150 320	1 085 680	13 236 000
Investment property	798 514 533	68 954 867	867 469 400

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RECONCILIATION OF INVESTMENT PROPERTY – 2013

	Opening Balance	Fair Value adjustments	Total
Commercial	632 460 582	62 551 047	695 011 629
Residential	83 130 852	8 221 732	91 352 584
Farms	11 056 791	1 093 529	12 150 320
Investment property	726 648 225	71 866 308	798 514 533

Details of Valuation

The fair value of MEGA's investment Properties as at 31 March 2014 and 31 March 2013 has been arrived at on the basis of a valuation carried out on the 31 March 2014 by Lutendo Valuers, independent valuers not related to MEGA. Lutendo Valuers are members of South African Council for the Property Valuers Profession (SACPVP) and South African Institute of Valuers (SAIV), and they have appropriate qualifications and recent experience in the valuation of properties in the relevant locations where MEGA properties are situated. The fair value was determined based on the market comparable approach that reflects recent transaction prices for similar properties, where there is active market and Depreciated Replacement Cost for properties that do not have active market. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the current financial year.

4 Property, plant and equipment

2014

	Cost / Valuation	Accumulated depreciation	Carrying value
Land and buildings	30 354 551	(2 433 021)	27 921 530
Plant and machinery	2 233 441	(999 115)	1 234 326
Motor vehicles	1 766 526	(760 765)	1 005 761
Office Furniture and Fittings	2 281 199	(779 632)	1 501 567
Office equipment	841 396	(343 801)	497 595
IT equipment	1 792 460	(571 947)	1 220 513
Total	**39 269 573**	**(5 888 281)**	**33 381 292**

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2013

	Cost/ Valuation	Accumulated depreciation	Carrying value
Land and buildings	26 635 846	(1 159 189)	25 476 657
Plant and machinery	2 181 227	(498 790)	1 682 437
Motor vehicles	1 544 576	(369 741)	1 174 835
Office Furniture and Fittings	1 972 512	(382 538)	1 589 974
Office equipment	776 407	(169 268)	607 139
IT equipment	1 169 495	(204 043)	965 452
Total	**34 280 063**	**(2 783 569)**	**31 496 494**

Notes to the Annual Financial Statements

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 2014

	Opening Balance	Additions	Disposals	Depreciation	Revaluation Reserve	Closing Balance
Land and buildings	25 476 657	–	–	(1 273 833)	3 718 705	27 921 529
Plant and machinery	1 682 437	52 214	–	(500 324)	–	1 234 327
Office Furniture and Fittings	1 589 974	308 687	–	(397 094)	–	1 501 567
Motor vehicles	1 174 835	221 950	–	(391 024)	–	1 005 761
Office equipment	607 139	64 989	–	(174 533)	–	497 595
IT equipment	965 452	632 526	(9 179)	(368 286)	–	1 220 513
Total	31 496 494	1 280 366	(9 179)	(3 105 094)	3 718 705	33 381 292

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 2013

	Opening Balance	Additions	Disposals	Depreciation	Revaluation Reserve	Closing Balance
Land and buildings	23 183 759	–	–	(1 159 189)	3 452 087	25 476 657
Plant and machinery	2 267 095	–	(66 508)	(518 150)	–	1 682 437
Motor vehicles	3 276 211	–	(292 821)	(1 808 555)	–	1 174 835
Office Furniture and Fixtures	2 167 533	–	(167 162)	(410 397)	–	1 589 974
Office Equipment	846 820	–	(66 255)	(173 426)	–	607 139
IT Equipment	690 417	649 408	(145 606)	(228 767)	–	965 452
Total	32 431 835	649 408	(738 352)	(4 298 484)	3 452 087	31 496 494

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Details of Valuation

The fair value of MEGA's investment Properties as at 31 March 2014 and 31 March 2013 has been arrived at on the basis of a valuation carried out on the 31 March 2014 by Lutendo Valuers, independent valuers not related to MEGA. Lutendo Valuers are members of South African Council for the Property Valuers Profession (SACPVP) and South African Institute of Valuers (SAIV), and they have appropriate qualifications and recent experience in the valuation of properties in the relevant locations where MEGA properties are situated. The fair value was determined based on the market comparable approach that reflects recent transaction prices for similar properties, where there is active market and Depreciated Replacement Cost for properties that do not have active market. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the current financial year.

Details of restrictions and pledges

None of the titles of property, plant and equipment have been restricted or pledged as security for any liability owing by MEGA.

5 Intangible assets

2014			
	Cost/Valuation	Accumulated amortisation	Carrying value
Computer software	950 092	(142 719)	807 373

2013			
	Cost/Valuation	Accumulated amortisation	Carrying value
Computer software	14 716	(511)	14 205

RECONCILIATION OF INTANGIBLE ASSETS - 2014				
	Opening balance	Additions	Amortisation	Total
Computer software	14 205	935 376	(142 208)	807 373

RECONCILIATION OF INTANGIBLE ASSETS - 2013				
	Opening balance	Additions	Amortisation	Total
Computer software	2	14 716	(513)	14 205

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6 Investments in associates

2014	Percentage Holding	Opening Balance	Profit/ (Loss)	Disposal/ Impairment	Closing Balance
KaNgwane Anthracite (Pty) Ltd	40%	–	–	–	–
Nkomati Anthracite (Pty) Ltd	40%	–	–	–	–
Hi-veld Fruit Packers (Pty) Ltd	26%	1 853 083	349 914	–	2 202 997
Total		1 853 083	349 914	–	2 202 997

2013	Percentage Holding	Opening Balance	Profit/ (Loss)	Disposal/ Impairment	Closing Balance
KaNgwane Anthracite (Pty) Ltd	40%	492 628	–	(492 628)	–
Nkomati Anthracite (Pty) Ltd	40%	93 180	–	(93 180)	–
Hi-veld Fruit Packers (Pty) Ltd	26%	5 772 000	–	(3 918 917)	1 853 083
Total		**6 357 808**	**–**	**(4 504 725)**	**1 853 083**

MEGA previously held investments in Cementcor (Pty) Ltd and Thabiso Chemicals (Pty) Ltd - These entities ceased trading at 11 May 2004 and 16 July 2010 respectively.

KaNgwane Anthracite (Pty) Ltd and Nkomati Anthracite (Pty) Ltd - These associate entities have had accumulated losses and thus impairments have been recognised against the investments.

Hi-veld Fruit Packers (Pty) Ltd - Share of the associate's profit has been accounted for as follows:

Associate's accumulated reserves to date as per financial statements	1 345 823
Equity accounted at 26% shareholding	349 914

The carrying amounts of associates are shown net of impairment losses.

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7 Other financial assets

The loans are for financing livestock and crops with repayment terms varying from 3 months to 8 years all at 8% p.a.

	2014	2013
At fair value through profit or loss - designated		
Listed and unlisted shares	1 342 504	848 071
Loans and receivables		
Housing loans	126 321 358	138 813 029
Provision for Home Loans	(59 606 278)	(59 871 404)
Housing loans are generally repayable over 20 years at 12% p.a. fixed over the term of the loan.		
SMME loans	**56 397 139**	**56 558 002**
Provision for SMME Loans	(51 303 983)	(44 870 342)
The loans entail business capital funding and / or bridging finance over a maximum term of 5 years. Interest rates are capped at the prevailing prime lending rate.		
Agriculture agency and business loans	61 408 398	64 915 492
Provision for Agricultural Loans	(58 998 487)	(60 550 212)
The loans are for financing livestock and crops with repayment terms varying from 3 months to 8 years all at 8% p.a.		
Equity loans	12 579 763	11 288 915
Provision for Equity Loans	(10 956 529)	(9 751 066)
The loans consist of capital funding with participation in redeemable preference shares over a maximum term of 5 years.		
	77 183 885	**97 380 485**
Non-current assets		
At fair value through profit or loss - designated listed and unlisted shares	1 342 504	848 071
Loans and receivables	59 915 906	72 062 205
	61 258 410	72 910 276
Current assets		
Loans and receivables	15 925 475	24 470 209
Total	**77 183 885**	**97 380 485**

Notes to the Annual Financial Statements

The entity has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

Fair values of loans and receivables

RECONCILIATION OF PROVISION FOR IMPAIRMENT OF LOANS AND RECEIVABLES

Opening Balances	175 043 023	167 581 938
Movement in Provision	5 822 255	7 461 085
Total	**180 865 278**	**175 043 023**

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The entity does not hold any collateral, except for housing loans as security.

8 Financial assets by category

	2014	2013
Non-current asset – Loans receivable	59 915 906	72 062 206
Non-current asset – at fair value through profit or loss – designated listed and unlisted shares	1 342 504	848 071
Current assets – Loans receivable	15 925 475	24 470 209
Trade and other receivables	58 620 903	57 884 012
Cash and cash equivalents	67 720 475	52 102 515
	203 525 263	**207 367 013**

9 Inventories

	2014	2013
Work-in-progress	48 934 916	48 934 916
Consumables	1 673 421	1 276 014
	50 608 337	**50 210 930**

Mpumalanga Economic Growth Agency

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10 Trade and other receivables

	2014	2013
Trade receivables	142 692 679	115 075 507
Deposits	1 211 234	1 191 280
Other receivables	35 795 744	33 893 542
Provisions and impairments	(121 078 754)	(92 276 317)
	58 620 903	57 884 012

Reconciliation of provision for impairment of trade and other receivables

Opening balance	92 276 317	95 163 666
Movement in provision	28 802 437	(2 887 349)
Closing Balance	**121 078 754**	**92 276 317**

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The entity does not hold any collateral as security.

11 Cash and cash equivalents

	2014	2013
Cash and cash equivalents consist of:		
Cash-on-hand	7 077	2 810
Bank balances	67 713 398	52 099 705
	67 720 475	**52 102 515**

Notes to the Annual Financial Statements

12 Other financial liabilities

	2014	2013
Held at amortised cost		
Development Bank of Southern Africa – Housing loans Repayable in bi-annual instalments of R 4 964 283 including capital and interest at 8% and 8,5% per annum. The loan is secured by notarial bond over housing loans as per Note 7.	34 553 697	45 333 775
Development Bank of Southern Africa – Trade and Investment The loan has been restructured to be interest free and the capital to be repaid in equal monthly instalments R 350 775 with the final instalment payable in 2016. The loan is secured by guarantees from the Mpumalanga Provincial Government.	8 418 610	12 613 675
Development Bank of Southern Africa - Agricultural loans Repayable per annum with the final instalment payable in 2016.	10 931 595	13 269 443
Thaba Chweu Municipality Repayable as and when stands in Sabie, Extension 10 are sold. The loan is interest free.	4 816 364	4 816 364
Other financial liabilities Mafisa loan repayable in equal monthly instalments or R 875 000 each.	13 563 081	22 243 232
Total	72 283 347	98 276 489
Non-current Liabilities		
At amortised cost	50 618 217	75 763 573
Current Liabilities		
At amortised cost	21 665 130	22 512 916
Total	72 283 347	98 276 489

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13 Provisions

RECONCILIATION OF PROVISION – 2014

	Opening balance	Additions	Utilised during the year	Total
Provision for bonuses	5 775 738	5 755 962	(5 775 739)	5 755 961
Provision for leave pay	8 901 535	3 012 535	(1 506 213)	10 407 857
	14 677 273	**8 768 497**	(7 281 952)	**16 163 818**

RECONCILIATION OF PROVISION – 2013

	Opening balance	Additions	Utilised during the year	Total
Provision for bonuses	5 878 144	6 020 299	(6 122 705)	5 775 738
Provision for leave pay	7 081 788	3 460 375	(1 640 628)	8 901 535
	12 959 932	**9 480 674**	**(7 763 333)**	14 677 273

Provision for bonuses consists of a 13th cheque which is awarded to all employees in the post balance sheet period. Leave pay is provided on a monthly based on unused leave balances.

14 Trade and other payables

	2014	2013
Trade payables	72 232 329	43 827 960
Value Added Tax	9 720 272	16 016 272
Accrued expenses	2 316 208	2 390 244
Income Received In Advance	18 200	-
Deposits received	3 087 006	2 611 027
Other payables	38 810 940	34 313 060
	126 184 955	99 158 563

Notes to the Annual Financial Statements

15 Financial liabilities by category

	2014	2013
Non-current: Other financial liabilities	50 618 217	75 763 573
Current: Other financial liabilities	21 665 130	22 512 916
Trade and other payables	126 184 955	99 158 563
Provisions	16 163 818	14 677 273
	214 632 120	212 112 325

16 Revenue from trading activities

	2014	2013
Sale of goods	10 424 543	8 957 508
Rendering of services	101 982 697	87 370 566
Rental income	35 037 206	35 971 847
Interest received (trading)	36 613 586	30 916 427
	184 058 032	163 216 348

17 Cost of Sales

	2014	2013
Sale of goods	9 869 229	382 526
Rendering of services	85 600 181	75 551 948
Total Cost of Sales	95 469 410	75 934 474

18 Other Income

Administration fees received	42 332	20 217
Fees earned	369 986	(592 625)
Dividends received	249 611	325 255
Insurance claim	9 038 231	22 578
Valuation fees	–	3 250
Bad debts recovered	133 856	134 145
	9 834 016	(87 180)

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19 Operating loss

Operating loss for the year is stated after accounting for the following:

Lease rentals		
Premises	6 644 661	6 434 986
Equipment	764 147	1 487 587
Depreciation on property, plant and equipment	3 105 094	4 298 484
Amortisation	142 208	513
Employee costs: salaried staff	110 885 773	95 484 702
Employee costs: directors Remuneration	2 002 408	149 529
Auditors remuneration	2 669 865	2 651 693
Consulting and professional fees	30 400 649	10 339 159

20 Fair value adjustments

	2014	2013
Fair value adjustments - Shares realised	494 433	66 356
Fair value adjustments - Immovable assets	69 330 896	72 208 494
Fair value adjustments - Lemons sales	9 837 203	(82 611 036)
	79 662 532	(10 336 186)

21 Finance costs

Interest paid - DBSA Loans	6 770 406	5 467 546
	6 770 406	5 467 546

Notes to the Annual Financial Statements

22 Cash Generated From Operations

	2014	2013
Profit/(loss) before tax	62 675 935	(35 151 956)
Adjustments for:		
Depreciation and amortisation	3 247 302	4 298 997
Share of profits from associates	(349 914)	–
Dividend received	(249 611)	(325 255)
Finance costs	6 770 406	5 467 545
Fair value adjustments	(79 662 532)	10 336 186
Movements in provisions	1 486 545	2 298 326
Loss on scrapping of property, plant and equipment	9 179	738 352
Non-cash items in retained earnings	10 331 635	29 242 929
Changes in working capital:		
Inventories	(397 407)	300 095
Movement in trade receivables and other financial assets	19 459 709	61 810 668
Trade and other payables	27 026 392	(14 847 208)
Cash generated from operations	50 347 639	64 168 679

Mpumalanga Economic Growth Agency

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Notes to the Annual Financial Statements

23 Commitments

	2014	2013
Suppliers contracted	3 786 881	21 524 766
Authorised capital expenditure		
Nashua Lowveld - New server	968 143	–
Already contracted for but not provided for		
Authorised loans already contracted but not yet paid	4 633 312	5 967 043
Operating lease expense		
Minimum lease payments due		
Within one year	2 461 953	4 563 716
Within two to five years	916 530	2 089 688
Greater than five years	–	–
Total	**3 378 483**	**6 653 404**

MEGA has existing operating leases contract with Louwfut and Eris for the lease for office properties, and with Xerox for photocopying machines.

The Louwfut lease contains a renewal option at the descretion of the lessee upon expiry of the contract. The other leases lapse into a month to month arrangement upon the expiry thereof.

The Eris rentals escalate at 10% per annum. However, none of the other lease contracts contain escalation clauses.

24 Contingencies

Contingent Liabilities

Nosizwe Nokwe - Constructive Dismissal

The plaintiff, Nosizwe Nokwe, claimed an amount of R1 119 503.25 for a settlement for a constructive dismissal. This matter is currently being handled with the labour court.

Hazel Nhlabathi - Pension Proceeds

Plaintiff has initiated a claim of R703 898, for the plaintiff's share of her late husband's pension proceeds. A notice of intention to defend has been served and filed.

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Mr AM Sher – Funding dispute

MEGA has sued Mr AM Sher for defaulting on loan repayments in the past, which was unsuccessful. Mr AM Sher has subsequently lodged a counter claim for loss of profits amounting to R1 900 000 plus interest. MEGA is still awaiting a trial date.

G-Tech Electronics – ICT contract

G-Tech Electronics, an information technology contractor, initiated a claims of approximately R5 000 000 and R2 000 000 for alleged loss of income and amounts in arrear resulting from a verbal agreement. The cases have been joined and summons for R7 000 000 was received by MEGA.

Twoline Trading - Loss of income

Twoline Trading lodged a claim of approximately R1 300 000 for loss of rental income resulting from property bought from MEGA on which there was a long term lease agreement with rental far below market prices.

Advanced Irrigation – Outstanding payments

Advanced Irrigation lodged a claim during December 2010 for outstanding contract payments amounting to approximately R11 000 000. A Summons has been received by MEGA in this regard.

Khabran Investments (Pty) Ltd

The plaintiff, Khabran Investments (Pty) Ltd, is a consultant appointed by the former CEO and Chairperson. The claim constitutes payment amounting to R707 176 for apparent services rendered. Summons was served and a plea was filed by MEGA.

Itska Knafo

Claim from former MADC for payment of outstanding amounts for services allegedly rendered. The claim is to the value of R13 000 000. The attorneys are still waiting for the defendant to take up trial.

Contingent Asset

Porkus Abattoir - Arrear rental and electricity payments. Legal action instituted by MEGA against Porkus Abattoir to recover outstanding rental and electricity amounts to the value of R5 000 000.

The aforementioned cases are still before the various courts and there were no hearing dates set at the date of preparation of these annual financial statements. The finalisation of these cases is dependent on the court processes and the timing of the conclusion of these cases is uncertain.

25 Related Parties

Relationships

The entity transacted with the following parties during the current reporting period

Mr ZL Dlabazama (Family member of a key member of management)

Mr GJ Dladla (Key member of management)

Mr G C Nel (Key member of management)

Mr JE Mahlangu (Key member of management)

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Mr T S Nobela (Key member of management)

Department of Human Settlements

Department of Agriculture, Forestry and Fisheries

Department of Economic Development, Environment and Tourism

Related party balances	2014	2013
Mr GJ Dladla	1 636 065	1 563 298
Mr TS Nobela	182 315	194 470
Mr GC Nel	159 196	136 675
Mr JB Mahlangu	33 127	946 543
Department of Human Settlements	5 528 326	5 528 326
Department of Agriculture, Forestry and Fisheries	14 338 238	2 243 231
Department of Economic Development, Environment and Tourism	8 350 985	8 350 985
	30 228 252	18 963 528

Amounts received from (paid to) related parties

	2014	2013
Mr GJ Dladla	180 000	20 203
Mr TS Nobela	38 500	14 234
Mr GC Nel	142 000	56 924
Mr JB Mahlangu	980 314	54 395
Department of Agriculture, Forestry and Fisheries (Mafisa)	(7 904 993)	–
	(6 564 179)	145 756
Grants received		
Department of Economic Development, Environnment and Tourism	148 605 263	166 897 506

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26 Directors and executive officers' remunerations

DIRECTORS

2014	Remuneration	Other Benefits	Total
Mr SJ Vilakazi (Chairperson)	293 320	12 578	305 898
Adv. JL Mothibi	208 017	3 319	211 336
Mr DP Mahlangu	233 907	62 682	296 589
Ms PNZ Fakude-Nkuna	21 731	318	22 049
Mr JE Linda	357 854	57 105	414 959
Ms NB Ntshangase	–	–	–
Mr DN Mculu	372 085	62 699	434 784
Ms SA Xulu	209 962	18 679	228 641
Ms H Ralinala	80 676	7 475	88 151
Mr PJ Van Der Walt	–	–	–
	1 777 552	224 855	2 002 407

2013	Remuneration	Other Benefits	Total
Mr SJ Vilakazi (Chairperson)	139 344	17 533	156 877
Adv. JL Mothibi	46 054	2 017	48 071
Mr DP Mahlangu	111 184	72 623	183 807
Ms PNZ Fakude-Nkuna	41 133	4 328	45 461
Mr JE Linda	79 672	39 758	119 430
Ms NB Ntshangase	20 163	3 387	23 550
Mr DN Mculu	91 850	38 357	130 207
Ms SA Xulu	91 301	14 379	105 680
Ms H Ralinala	30 093	1 315	31 408
Mr PJ Van Der Walt	10 623	1 407	12 030
	661 417	195 104	856 521

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EXECUTIVE OFFICERS

2014	Remuneration	Other Benefits	Total
Adv. B M Mkhize	2 183 141	50 972	2 234 113
Mr BV Mqhum (CFO)	976 460	30 862	1 007 322
Mr GJ Dladla	1 672 847	9 601	1 682 448
Mr ZC Sibanda	890 328	23 212	913 540
Mr PNZ Nqeto	1 081 457	56 649	1 138 106
Mr TS Nobela	1 056 018	39 445	1 095 463
Mr PJ Velelo	1 261 898	12 367	1 274 265
Mr GC Nel	1 182 996	30 520	1 213 516
Mr SP Morgan	949 241	2 987	952 228
Mr AL Scheepers (resigned as at 30 Nov 13)	1 433 776	24 166	1 457 942
Mr JB Mahlangu (resigned as at 31 Oct 13)	2 595 575	12 765	2 608 340
Mr E Warambwa (appointed Nov 13)	535 038	22 754	557 792
Ms C Nkambule (appointed Nov 13)	529 957	14 041	543 998
Mr MT Biyela (appointed Nov 13)	484 847	29 951	514 798
Mr K Sibanyoni (acting)	1 075 219	49 458	1 124 677
Ms Z Mbatha (appointed Dec 13)	423 966	–	423 966
	18 332 764	**409 750**	**18 742 513**

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2013	Remuneration	Other Benefits	Total
Adv. BM Mkhize	552 557	102 831	655 388
Mr BV Mqhum (CFO)	911 104	8 692	919 796
Mr GJ Dladla	1 448 324	228 786	1 677 110
Mr ZC Sibanda	367 967	120 416	488 383
Mr PNZ Nqeto	973 286	195 126	1 168 412
Mr TS Nobela	972 561	96 000	1 068 561
Mr PJ Velelo	956 227	196 104	1 152 331
Mr GC Nel	892 514	277 124	1 169 638
Mr SP Morgan	810 705	108 222	918 927
Mr AL Scheepers (resigned as at 30 Nov 13)	1 035 973	106 727	1 142 700
Mr JB Mahlangu (resigned as at 31 Oct 13)	1 106 092	303 518	1 409 610
Mr J S Marala	208 147	8 000	216 147
Mr M J Mkhonto	450 433	22 930	473 363
Mr P E Rabohale	261 411	4 598	266 009
Ms S D Wiggins	111 290	8 000	119 290
Ms S P Morgan	810 705	108 222	918 927
	11 869 296	1 895 296	13 764 592

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27 Risk management

Financial risk management

Liquidity risk

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

At 31 March 2014	Carrying Amount	Less than 1 Year	Over 1 year
Loans and other payables	184 905 221	137 350 085	47 555 136
Mafisa loans	13 563 081	10 500 000	3 063 081
Total	198 468 302	147 850 085	50 618 217

At 31 March 2013	Carrying Amount	Less than 1 Year	Over 1 year
Loans and other payables	175 191 820	111 171 479	64 020 341
Mafisa loans	22 243 232	10 500 000	11 743 232
Total	197 435 052	121 671 479	75 763 573

Credit risk

Credit risk consists of mainly trade debtors, cash deposits and other cash equivalents are not recoverable. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

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Financial assets exposed to credit risk at year end were as follows:

2014	Carrying Amount	Less Than 1 year	Over 1 year
Loan receivables			
Housing loans	66 715 080	8 136 448	58 578 632
SMME loans	5 093 156	5 086 769	6 387
Agricultural loans	2 409 911	1 079 024	1 330 887
Equity loans	1 623 234	1 623 234	–
	75 841 381	**15 925 475**	**59 915 906**

Trade receivables

	Current	Overdue but not impaired	Overdue and impaired	Total
Municipal debtors	6 284 012	15 130 774	26 255 287	47 670 074
Rental debtors	6 252 086	10 378 828	78 391 692	95 022 605
	12 536 098	**25 509 602**	**104 646 979**	**142 692 679**

2013	Carrying Amount	Less Than 1 year	Over 1 year
Loans receivables			
Agricultural loans	4 365 280	4 233 336	131 944
SMME loans	11 687 660	9 509 865	2 177 795
Housing loans	78 941 624	9 189 159	69 752 466
Equity loans	1 537 849	1 537 849	–
	96 532 413	24 470 209	72 062 205

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Trade receivables

	Current	Overdue but not impaired	Overdue and impaired	Total
Municipal debtors	8 239 624	12 303 544	18 140 298	38 683 466
Rental debtors	4 615 771	7 525 270	64 251 000	76 392 041
	12 855 395	**19 828 814**	**82 391 298**	**115 075 507**

Trade receivables ageing

2014			
	Gross	Impairment	Net
Current	12 965 848	(429 749)	12 536 097
30 days	6 984 452	(426 610)	6 557 842
60 days	6 662 590	(422 386)	6 240 204
90 days	5 321 211	(418 204)	4 903 007
120 days	5 047 382	(414 064)	4 633 318
150 days	3 585 196	(409 964)	3 175 232
180 days	102 126 001	(102 126 001)	–
	142 692 679	**(104 646 978)**	**38 045 700**

2013			
	Gross	Impairment	Net
Current	13 264 097	(408 702)	12 855 395
30 days	7 492 177	(404 655)	7 087 522
60 days	4 758 146	(400 649)	4 357 497
90 days	3 434 601	(396 682)	3 037 919
120 days	3 317 311	(392 754)	2 924 557
150 days	2 818 086	(396 767)	2 421 319
180 days	79 991 089	(79 991 090)	–
	115 075 507	**(82 391 299)**	**32 684 209**

Notes to the Annual Financial Statements

	2014	2013
Debtor's turnover is within 30 days and anything beyond is considered past due.		
Past due but not impaired		
Ageing of trade receivables (gross)		
Current 30 days	6 557 841	7 087 522
60 days	6 240 204	4 357 497
90 days	4 903 006	3 037 919
120 days	4 633 318	2 924 557
150 days	3 175 232	2 421 319
180 days	–	–
	25 509 601	**19 828 814**
Not past due nor impaired		
Ageing of trade receivables (gross)		
Current	12 536 098	13 264 097

Interest rate risk

No exposure to interest rate risk as all loans issued and loans received are not subject to variable interest rates.

Bad debts written-off

The other financial assets together with trade and other receivables balances are arrived at after taking into account a write-off of debtors balances to the value of R11 574 518.97. These balances were written off as irrecoverable as a result of deceased debtors.

28 Going concern

We draw attention to the fact that at 31 March 2014, the entity had retained income of R 913 974 308 and that the entity's total assets exceed its liabilities by R 947 540 642.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern.

This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

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The ability of the entity to continue as a going concern is dependent on a number of factors. The most significant of these is that the directors continue to procure funding for the ongoing operations for the entity and that the subordination agreement referred to in Note of these annual financial statements will remain in force for so long as it takes to restore the solvency of the entity.

29 Fruitless and wasteful expenditure

	2014	2013
Opening balance	5 449 459	2 599 913
SARS penalties on VAT	337 445	2 232 370
Rental for unused offices	–	591 225
Interest on overdue accounts	1 124 994	3 708
Finance Charges	–	22 243
Closing Balance	6 911 898	5 449 459

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30 Irregular and unauthorised expenditure

	2014	2013
Contravention: Goods or services of a transaction value R 2,000 to R 500,000 procured without inviting at least three written price quotations from perspective suppliers and deviation was not approved by delegated person.		
Opening balance	43 693 742	6 860 000
Three quotations not obtained for transactions between R10,000 and R500,000 (PN 8 if 2007/2008)	5 354 314	3 604 584
Payments made to suppliers in excess of the approved contract or quoted amount (TR 8.2)	1 792 701	23 271 038
Goods and services were supplied by the supplier without a written signed contract (PN1 of 2003)	–	9 958 120
Preference point system not applied for procurement of goods and services above R30,000 (PPPF Act Section 2(a))	2 368 511	–
Prior periods contraventions in awarding tenders carried forward to the current period	7 952 465	–
Awards made to suppliers to whom awards were made did not submit declarations to declare that they are in the service of a state institution (PN 7 of 2009/10)	186 834	–
Awards were made to suppliers who are listed on the National Treasury's database as persons prohibited from doing business with the public sector in contravention of TR 16A9.1(b).	10 816	–
Limitation of scope due to MEGA unable to provide the bid documentation to prove that transactions were in compliance with laws and regulations.	17 489 554	–
Tax clearance certificates were not obtained for transactions greater than R30,000 (PN 8 of 2007/08)	1 608 273	–
	80 457 210	**43 693 742**

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31 Deviations from Supply Chain Management Regulations

Goods and services amounting to R320 061 (2013: R2 372 082) were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1) (d) (i) of Government Gazette No. 27636 issued on 30 May 2005, states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

32 Correction of error

During the current financial year prior period errors were discovered. Retrospective adjustments to the prior period have been made due to the significant nature of the effect of the errors on the prior period reported results.

Please refer to the Note on comparative figures for explanations of the errors.

Impact on the Statement of Financial Position	2014	2013
Increase in trade and other receivables	–	2 820 868
Decrease in other financial assets	–	(1 908 143)
Increase in inventories	–	16 658 501
Increase in trade and other payables	–	(14 573 252)
Decrease in provisions	–	727 640
Decrease in property, plant and equipment	–	(11 934 390)
Decrease in investment property	–	(650 322 365)
Decrease in biological assets	–	(9 244 629)
Impact on the Statement of Financial Performance	**2014**	**2013**
Increase in revenue	–	(8 248 922)
Decrease in revenue from government grants	–	3 134 437
Decrease in cost of sales	–	(5 419 588)
Decrease in other income	–	4 511 155
Increase in operating expenses	–	44 320 988
Decrease in investment revenue	–	4 249 294
Decrease in fair value adjustments	–	(75 744 426)
Increase in finance costs	–	768 502
Increase in asset revaluations	–	(780 712)
Impact on statement of changes in equity		
Increase in opening accumulated surplus	–	(667 775 771)

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33 Comparative figures

During the current financial period errors were identified which resulted in restatements of prior period's figures.

Statement of changes in assets

Property, plant and equipment was overstated as a result of incorrect valuation of land and buildings performed in the prior period.

Other financial assets were overstated as a result of interest charged on loans for greater than the original capital loan balance.

Trade and other receivables were understated as a result of incorrect calculations performed in arriving at the final balance.

The decrease in biological assets is due to an incorrect valuation performed in prior period.

The decrease in investment property is due to an incorrect valuation performed in prior period.

Statement of changes in equity

Contribution by owners was overstated due to invalid guarantees accounted for incorrectly as reserves.
The increase in reserves is due to a to prior period's valuation on land and buildings being incorrect.

Changes in liabilities

The decrease in provisions was due to a reclassification of the Workman's Compensation Act accrual from provisions into accruals

Trade and other payables were understated in the prior year due to unrecorded payables.

Changes in the statement of financial performance

Revenue was overstated in the prior year due to incorrect calculations performed in arriving revenue in the prior year.

The overstatement in cost of sales is due to reclassifications of certain cost of sales items to selling costs.

The overstatement of other income is a result of a reclassification of interest received on municipal services from other income to revenue.

The understatement of operating expenses is due to a write-off of interest revenue that had been raised in excess of the original capital amount of home loans.

The decrease in investment revenue is due to the incorrect classification of interest on loans to beneficiaries which has now been classified as revenue.

Fair value adjustments were overstated due to an incorrect measurement of investment property.

Finance costs increased due to interest not recorded on overdue and unrecorded accounts in the prior year.

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STATEMENT OF FINANCIAL POSITION 31 MARCH 2013

	As restated	As previously reported	Change
Assets			
Non Current Assets			
Biological assets	3 802 071	13 046 700	(9 244 629)
Investment property	798 514 533	1 448 836 898	(650 322 365)
Property, plant and equipment	31 496 494	43 430 895	(11 934 401)
Intangible assets	14 205	14 194	11
Investments in associates	1 853 083	1 853 083	–
Other financial assets	72 910 276	67 224 720	5 685 556
	908 590 662	**1 574 406 490**	**(665 815 828)**
Current Assets			
Inventories	50 210 930	33 552 429	16 658 501
Other financial assets	24 470 209	32 064 373	(7 594 164)
Trade and other receivables	57 884 012	55 063 144	2 820 868
Cash and cash equivalents	52 102 515	52 102 050	465
	184 667 666	**172 781 996**	**11 885 670**
Equity and Liabilities			
Equity			
Reserves	26 395 542	26 395 542	–
Current year reserves	3 452 087	2 671 375	780 712
Shares	–	29 208 140	(29 208 140)
Retained income	**851 298 374**	**1 490 646 717**	**(639 348 343)**
	881 146 003	**1 548 921 774**	**(667 775 771)**
Non Current Liabilities			
Other financial liabilities	75 763 573	66 043 374	9 720 199
	75 763 573	66 043 374	9 720 199

Notes to the Annual Financial Statements

	As restated	As previously reported	Change
Current Liabilities			
Other financial liabilities	22 512 916	32 233 114	(9 720 198)
Trade and other payables	99 158 563	84 585 311	14 573 252
Provisions	14 677 273	15 404 913	(727 640)
	136 348 752	**132 223 338**	**4 125 414**
STATEMENT OF FINANCIAL PERFORMANCE 31 MARCH 2013			
Revenue	163 216 348	154 967 426	8 248 922
Cost of sales	(75 934 474)	(81 354 062)	5 419 588
Gross profit	**87 281 874**	**73 613 364**	**13 668 510**
Revenue from Government grants	166 897 506	170 031 943	(3 134 437)
Other income	(87 180)	4 423 975	(4 511 155)
Operating expenses	(273 440 424)	(229 119 436)	(44 320 988)
Operating loss	**(19 348 224)**	**18 949 846**	**(38 298 070)**
Fair value adjustments	(10 336 186)	(86 080 612)	75 744 426
Income from Equity accounted investments	–	4 249 294	(4 249 294)
Finance costs	(5 467 546)	(4 699 044)	(768 502)
Profit/ (Loss) profit for the year	(35 151 956)	(67 580 516)	32 428 561
Other comprehensive income	**3 452 087**	**2 671 375**	**780 712**
Total comprehensive Profit/ (Loss) income for the year	(31 699 869)	(64 909 141)	33 209 273

Mpumalanga Economic Growth Agency

Annual Financial Statements for the year ended 31 March 2014

Notes to the Annual Financial Statements

34 Events after the reporting period

As of the 27 May 2014, there were no events after balance sheet date that management has identified.

35 Change in estimate

In the current year the estimated useful life of the assets were re-assessed and changed based on the actual asset usage by the entity. This related in a change in estimate.

Therefore the useful lives of the movable assets have been reassessed and amended as follows:

Item	Useful life (historic)	Useful life (re-assessed)
Plant and machinery	5	5 – 10
Furniture and fixtures	6	5 – 10
Motor vehicles 5 years	5	5 – 7
IT equipment 3 years	3	3 – 5

Income statement Impact	Old	New	Change (Decrease)/Increase
Current year: Depreciation			
Plant and machinery	458 288	229 144	(229 144)
Motor vehicles	353 305	252 361	(100 944)
Furniture and fixtures	380 200	228 120	(152 080)
IT equipment	597 487	114 389	(483 097)
	1 789 280	**824 014**	**(965 265)**

Mpumalanga Economic Growth Agency
Annual Financial Statements for the year ended 31 March 2014

Notes to the Annual Financial Statements

36 Retirement benefit plan

Defined contribution plan

MEGA operates a defined contribution retirement benefit plans for all qualifying employees.
The assets of the plan are held separately from those of MEGA, in funds under the control of trustees.

The employees of MEGA are members of a privately managed retirement benefit plan.

MEGA is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of MEGA with respect to the retirement benefit plan is to make the specified contributions.

The total expense recognised in profit or loss of R2 854 487 (2013: R2 627 042) represents contributions paid to these plans by MEGA.

37 Government grants

Item	2014	2013
Government grants	148 605 263	166 897 506

Government grants are received monthly by MEGA. These grants are utilised for the daily operations of MEGA.

MEGA

mpumalanga economic growth agency

ANNUAL REPORT

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