2017/18

SHAPING OUR RISING MPUMALANGA

MEGA
MPUMALANGA ECONOMIC GROWTH AGENCY

ANNUAL REPORT

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PART A

GENERAL INFORMATION

A

MPUMALANGA
THE PLACE OF THE RISING SUN

MEGA
MPUMALANGA ECONOMIC GROWTH AGENCY

01 PUBLIC ENTITY'S GENERAL INFORMATION

REGISTERED NAME	MPUMALANGA ECONOMIC GROWTH AGENCY (MEGA)
REGISTRATION NUMBER	N/A
PHYSICAL ADDRESS	ABSA SQUARE BUILDING | NO. 20 PAUL KRUGER STREET MBOMBELA | MPUMALANGA | 1201
POSTAL ADDRESS	PO BOX 5838 | MBOMBELA | 1200
TELEPHONE NUMBER	013 752 2440
FAX NUMBER	013 755 1756
WEBSITE ADDRESS	WWW.MEGA.GOV.ZA
EXTERNAL AUDITORS	AUDITOR GENERAL SOUTH AFRICA
BANKERS	ABSA
COMPANY SECRETARY	ADV. P MORGAN

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LIST OF ABBREVIATIONS/ACRONYMS

AGSA	: AUDITOR-GENERAL OF SOUTH AFRICA
APP	: ANNUAL PERFORMANCE PLAN
CAPEX	: CAPITAL EXPENDITURE
CDC	: COEGA DEVELOPMENT CORPORATION
CEO	: CHIEF EXECUTIVE OFFICER
CFO	: CHIEF FINANCIAL OFFICER
CRDP	: COMPREHENSIVE RURAL DEVELOPMENT PROGRAMME
DARDLEA	: DEPARTMENT OF AGRICULTURE, RURAL DEVELOPMENT, LAND AND ENVIRONMENTAL AFFAIRS
DBSA	: DEVELOPMENT BANK OF SOUTHERN AFRICA
DEDT	: DEPARTMENT OF ECONOMIC DEVELOPMENT AND TOURISM
DIRCO	: DEPARTMENT OF INTERNATIONAL RELATIONS AND COOPERATION
DRDLR	: DEPARTMENT OF RURAL DEVELOPMENT AND LAND REFORM
DRP	: DISASTER RECOVERY PLAN
DWS	: DEPARTMENT OF WATER AND SANITATION
EAP	: EMPLOYEE ASSISTANCE PROGRAMME
EIA	: ENVIRONMENTAL IMPACT ASSESSMENT
EMIA	: EXPORT MARKETING AND INVESTMENT ASSISTANCE
ERM	: ENTERPRISE-WIDE RISK MANAGEMENT
EXCO	: EXECUTIVE COMMITTEE
FER	: FOREIGN ECONOMIC REPRESENTATIVES
FLISP	: FINANCE LINKED INDIVIDUAL SUBSIDY PROGRAMME
ICT	: INFORMATION AND COMMUNICATION TECHNOLOGY
IDC	: INDUSTRIAL DEVELOPMENT CORPORATION
IFRS	: INTERNATIONAL FINANCIAL REPORTING STANDARDS
IIA	: INSTITUTE OF INTERNAL AUDITORS
M&E	: MONITORING & EVALUATION
MEGA	: MPUMALANGA ECONOMIC GROWTH AGENCY
MIFPM	: MPUMALANGA INTERNATIONAL FRESH PRODUCE MARKET
MOU	: MEMORANDUM OF UNDERSTANDING
MTSF	: MEDIUM TERM STRATEGIC FRAMEWORK
NEDP	: NATIONAL EXPORTER DEVELOPMENT PROGRAMME
OD	: ORGANISATIONAL DEVELOPMENT
OPEX	: OPERATING EXPENDITURE
PFMA	: PUBLIC FINANCE MANAGEMENT ACT
PIC	: PUBLIC INVESTMENT CORPORATION
SCM	: SUPPLY CHAIN MANAGEMENT
SEZ	: SPECIAL ECONOMIC ZONES
SMME	: SMALL, MEDIUM AND MICRO-SIZED ENTERPRISES
SSAS	: SECTOR SPECIFIC ASSISTANCE SCHEME
the dti	: THE DEPARTMENT OF TRADE AND INDUSTRY

03 STRATEGIC OVERVIEW

3.1 Vision

To be a capable, credible and resilient institution, making meaningful measurable impact in the growth and development of the Mpumalanga economy.

3.2 Mission

Our primary role is to foster the sustainable growth and development of the Mpumalanga economy by attracting, facilitating and maximizing the development impact of investment in the province, thereby reducing unemployment, poverty and inequality.

3.3 Core Values

Our central principles and beliefs that guide our attitudes, character, choices and actions are:

i. Accountability: We take our duty to the citizens of Mpumalanga seriously and always place their needs first in all that we do;
ii. Responsibility: As custodians of public funds, we take special care to ensure that these limited resources are appropriately deployed and preserved;
iii. Integrity: We strive to deliver on our commitments;
iv. Professionalism: We value quality and consistency in carrying out our duties; and
v. High performance: We strive for excellence in performance.

3.4 Objectives

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

i. To provide funding in respect of property development including the granting of housing loans;
ii. To provide funding in respect of approved enterprise and agricultural development, focusing primarily on previously disadvantaged individuals within the Province;
iii. To focus on project management, development and management of immovable property; and
iv. 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 Economic Regulators.
In achieving its objectives, the Agency shall endeavour to progressively increase its own revenue generation and collection.

04 LEGISLATIVE AND OTHER MANDATES

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 residents of Mpumalanga through the funding of projects, promotion of Small, Medium, and Micro Enterprises (SMME's), Co-operatives (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:-

i. Provide funding in respect of property, business, enterprise and agricultural development with a particular emphasis on previously disadvantaged individuals;
ii. Develop property including the granting of housing loans in Mpumalanga;
iii. Deliver massive infrastructure in Mpumalanga; and
iv. Promote foreign trade and investment.

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

i. To provide funding in respect of property development; approved enterprises; housing loans; and agricultural development; focusing primarily on previously disadvantaged individuals within the Province;
ii. To focus on project management and development; and to manage immovable property; and
iii. 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 a public institution listed under PFMA schedule 3D by virtue of being a provincial government business enterprise. PFMA Schedule 3D 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:

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

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 previously disadvantaged individuals within the Province, to adhere to the regulations in the Act some of which include:

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

04 LEGISLATIVE AND OTHER MANDATES CONTINUED

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.

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 Other Applicable Acts

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:

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

4.3 Policy mandates

4.3.1 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.

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 co-operative).

4.3.2 Medium Term Strategic Framework: Outcomes Delivery Agreement

This Medium Term Strategic Framework (MTSF) is Government's strategic plan for the 2014-2019 electoral term. It reflects the commitments made in the election manifesto of the governing party, including the commitment to implement the NDP. The MTSF sets out the actions Government will take and targets to be achieved. It also provides a framework for the other plans of national, provincial and local government.

The MTSF is structured around 14 priority outcomes which cover the focus areas identified in the NDP and Government's electoral mandate. These are made up of the 12 outcomes which were the focus of the 2009-2014 administration, as well as two new outcomes (social protection, nation-building and social cohesion).

A summary of each of these 14 outcomes is provided below:

i. Outcome 1: Improved quality of basic education;
ii. Outcome 2: A long and healthy life for all South Africans;
iii. Outcome 3: All people in South Africa are and feel safe;
iv. Outcome 4: Decent employment through inclusive economic growth;
v. Outcome 5: A skilled and capable workforce to support an inclusive growth path;
vi. Outcome 6: An efficient, competitive and responsive economic infrastructure network;
vii. Outcome 7: Vibrant, equitable and sustainable rural communities with food security for all;
viii. Outcome 8: Create sustainable human settlements and improved quality of household life;
ix. Outcome 9: A responsive, accountable, effective & efficient local government system;
xi. Outcome 10: Environmental assets and natural resources that are well protected and continually enhanced;
x. Outcome 11: Create a better South Africa and contribute to a better and safer Africa in a better World;
xii. Outcome 12: An efficient, effective and development oriented public service and an empowered, fair and inclusive citizenship;
xiii. Outcome 13: An inclusive and responsive social protection system;
xiv. Outcome 14: Nation Building and Social Cohesion.

MEGA's programmes are aligned to the following outcomes:

(a) Outcome 4: Decent employment through inclusive growth

i. Output 1: Faster and sustainable inclusive growth

- *Sub-output 7: Agreement with social partners to promote the goal of decent work through inclusive growth and strengthened implementation of the Framework Response to the International Economic Crisis.*

ii. Output 2 - More labour absorption growth

- *Sub-output 1: Increased financing for industrial development.*
- *Sub-output 5: Green Economy.*

iii. Output 4: Increased competitiveness, to raise net exports, grow trade as a share of world trade and improve its composition.

iv. Output 6: Improved support to small business and co-operatives

- *Sub-output 1: Reduced constraints and improved support to SMMEs and co-ops.*

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MEGA's programmes are aligned to the following outcomes:

(b) Outcome 6: An efficient, competitive and responsive economic infrastructure network.

i. Sub-outcome 2: Reliable generation, transmission and distribution of energy ensured

- *Strategic integrated project (SIP) 8: Green energy in support of the South African economy - Support sustainable green energy initiatives on a national scale through a diverse range of clean energy options as envisaged in the Integrated Resource Plan (IRP2010) and support bio-fuel production facilities and the development of fuel cells.*

ii. Sub-outcome 3: Maintenance, strategic expansion, operational efficiency, capacity and competitiveness of our transport infrastructure ensured

- *SIP 11: Agri-logistics and rural infrastructure - Improve investment in agricultural and rural infrastructure that supports expansion of production and employment, small-scale farming and rural development, including facilities for storage (silos, fresh-produce facilities, packing houses); transport links to main networks (rural roads, branch train-line, ports), and rural tourism infrastructure.*

iii. Sub-outcome 5: Expansion, modernisation, access and affordability of our Information and communications infrastructure ensured.

B

MEGA's programmes are aligned to the following outcomes:

(c) Outcome 7: Vibrant, equitable and sustainable rural communities with food security for all

i. Sub-outcome 4: Smallholder producers' development and support (technical, financial, infrastructure) for agrarian transformation

- *Provide support to smallholder producers in order to ensure production efficiencies.*

C

MEGA's programmes are aligned to the following outcomes:

(d) Outcome 8: Sustainable human settlements and improved quality of household life

i. Sub-Outcome 1: Adequate housing and improved quality living environments

- *Provide support for economic development in identified hubs, nodes and linkages to be developed in historical black townships (and where identified in new developments).*

ii. Sub-Outcome 2: A functionally equitable residential property market

- *Diversify finance options and products for the affordable gap market in particular.*

D

MEGA's programmes are aligned to the following outcomes:

(e) Outcome 12: An efficient, effective and develop ment oriented public service and an empowered, fair and inclusive citizenship

i. Sub-outcome 2: A public service that is a career of choice

- *Use assessment mechanisms to build confidence in recruitment processes.*
- *Develop mechanisms to help departments strengthen their internal HR capacity.*
- *Support the appointment of youth into learnership, internship and artisan programmes.*
- *Review and improve the Senior Management Service Performance Management and Development System.*

ii. Sub-Outcome 4: Efficient and effective management and operations systems

- *Review, improve and support implementation of the service delivery improvement planning system.*
- *Implement operations management framework and methodology (Business processes mapped and or Standard Operating Procedures developed).*

iii. Sub-Outcome 5: Procurement systems that deliver value for money

- *Differentiate between different forms of procurement to allow for strategic sourcing and different sourcing methodologies.*
- *Capacity building and professionalising supply chain management.*
- *Provide real-time operational support.*
- *Ensure effective and transparent oversight.*
- *Review and simplification of regulations and guidelines where necessary.*

iv. Sub-Outcome 8: Improved mechanisms to promote ethical behaviour in the public service

- *Strengthen implementation of Financial Disclosure Framework.*
- *Prohibit public servants from doing business with the state.*
- *Strengthen protection of whistle-blowers.*

E

04 LEGISLATIVE AND OTHER MANDATES CONTINUED

4.3.3 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.

4.3.4 Industrial Policy Action Plan (IPAP) 2010/11 to 2016/17

The IPAP 2010/11-2016/17 is informed by the vision set out for South Africa's development provided by the National Development Plan (NDP). It is located in the framework provided by the programmatic approach of the New Growth Path (NGP) and is one of the key pillars of that document. The National Industrial Policy Framework (NIPF) adopted by Government in 2007 provides the more general industrial policy framework for IPAP and the blueprint for Government's collaborative engagement with its social partners from business, labour and civil society.

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.

4.3.5 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 (the dti) is involved in the establishment of the Nkomazi Special Economic Zone (SEZ) with a purpose of accelerating industrialisation, metallurgical development and reducing poverty and high unemployment in the province.

4.3.6 Mpumalanga Economic Growth and Development Path (MEGDP)

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 residents. 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:

i. Increased employment by developing sectors with sustainable labour absorption potential;
ii. Sustainable economic growth by developing sectors with high growth potential; and
iii. Greater equity and a decreased poverty rate (sustainable human development) as more residents 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. MEGA's Strategic Oriented Goals aimed towards growing a sustainable Mpumalanga economy are outlined under Part B, item 3.4.

During the 1990's, South Africa adopted an export-orientated focus which necessitated efficient transportation of goods

05 HIGH LEVEL ORGANISATIONAL STRUCTURE

Figure 2: High Level Organisational Structure

- BOARD
  - COMPANY SECRETARIAT — Adv. S.P Morgan
  - LEGAL DEPARTMENT — Adv. S.P Morgan
  - INTERNAL AUDIT — Ms. F Nyathi - Acting
  - CHIEF EXECUTIVE OFFICER — Mr. X.G.S. Sithole
    - GM: FUNDING — Mr. G.J Dladla
    - GM: PROPERTIES AND INFRASTRUCTURE — Mr. T Camane
    - GM: STRATEGY AND COMMUNICATIONS — Ms. D Ntshingila
    - GM: CORPORATE SERVICES — Ms. T.C Mametja
    - CHIEF FINANCIAL OFFICER — Mr. E Potgieter

To this end, we intend to **expertly assist** in developing or purchasing land, upgrading property, leasing, maintenance, and turnkey management solutions

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06

FOREWORD BY THE CHAIRPERSON

1.1 Introduction: the South African economy is a challenging environment

The operating environment for the 2017/18 financial year did not significantly improve from the previous year. In 2017 the South African economy slid into a technical recession while global economic growth reached 3.8% – the highest growth rate since 2011. In 2018, global growth is expected to remain steady at 3.9% while SA is only expected to achieve growth between 1.2% (SARB) and 1.5% (National Treasury). It is clear that the structure of the South African economy is a constraining factor on its ability to yield a positive transformation of the historical socio-economic inequalities the country is grappling with.

Furthermore, National Treasury has had to fund the budget deficit through higher borrowing costs on the back of downgrades of SA government bonds. Business confidence domestically and a paucity of foreign direct investment are indicators of the negative sentiment towards South Africa's political and policy uncertainties. Key uncertainties are also emerging in the global environment: escalating trade tensions, high oil prices and geopolitical developments, although the global economic outlook remains broadly favourable. It is estimated that the impact on the South African economy (i.e. as a result of the escalating global trade war) is likely to reduce South Africa's gross domestic product (GDP) baseline forecast by 0.1% in 2019 and 0.2% in 2020.

It therefore remains a concern that the South African economy is lagging behind most of its BRICS, SADC and other African peers. These low levels of economic growth impede any efforts to make a meaningful impact on the socio-economic transformation of the economy at a systemic level. It is now more important than ever that Development Finance Institutions (DFIs) such as MEGA introduce impactful interventions and facilitate the growth required.

1.2 MEGA's journey: transforming to meet the developmental challenges faced

Given the economic environment alluded to above, as well as some obstinate institutional legacy issues, MEGA has a considerable challenge to meet. During the 2017/18 financial year our focus was on the following key actions:

- Completing the organisational re alignment process aimed at building a 'fit for purpose' MEGA.
  This process is largely complete, and focus has now turned to finding solutions for unplaced employees and recruiting new talent for the vacant posts.

- Removing audit qualifications on investment property and other financial assets.
  The qualification on investment property has been successfully removed but, although much progress was registered in resolving the issue, the qualification on other financial assets remains. The focus in the new financial year will be on completing the work required to completely resolve this remaining qualification.

- Reviewing and revising the policies, pricing and operations of the funding division to enhance the sustainability of its activities.
- Implementation of strategic high impact projects such as the Mpumalanga International Fresh Produce Market, the Nkomazi Special Economic Zone and the Government Nutrition Programme.
- Strengthening strategic partnerships with funders and investors to complement available capital resources for our funding and investing activities.

Much progress has been achieved across all of these focus areas. However, the journey towards achieving our vision of a 'capable, credible and resilient' institution is by no means complete.

As the Board we remain committed to seeing through the transformation of MEGA to a 'fit for purpose' organisation that makes a meaningful impact in the economic development of the province for the benefit of its people.

Sources:

- Fitch Ratings' June 2018 "Global Economic Outlook" baseline forecast;
- Fin24 (Carin Smith, 25 July 2018)
- DEDT (State of the Mpumalanga economy, July 2018)

1.3 Acknowledgements and thanks

On behalf of the Board, I wish to extend my sincere appreciation to the Honourable MEC, Mr. Kholwane, for his guidance, support and leadership during the financial year under review. I also thank the members of the Board for their commitment and stewardship in providing strategic leadership and oversight to management. I am also grateful for the support and encouragement we have received from all of our external stakeholders. Last, but not least, I would like to thank the management team and staff for their continued commitment to meeting the organisational objectives under very challenging circumstances.

Mr DN Mculu
Mpumalanga Economic Growth Agency

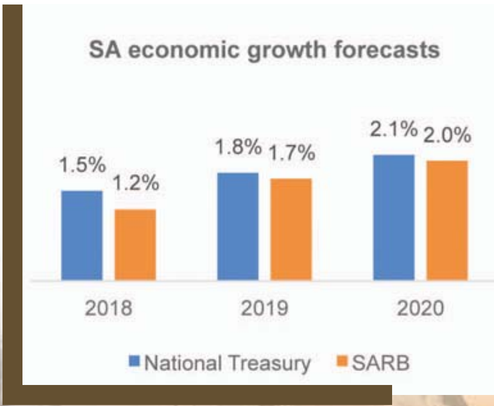
07

CHIEF EXECUTIVE OFFICER'S OVERVIEW

2.1 The operating environment

The global economy is experiencing the highest economic growth since 2011, albeit with significant emerging geopolitical uncertainty with global trade tariffs in particular.

The South African economy is underperforming when measured against the global average, the sub-Saharan average, BRICS partners and the SADC average. This has had an adverse impact on the national fiscus and the provincial fiscus. Furthermore, unemployment levels and inequality continue to grow. The mining sector, the largest contributor to the Mpumalanga economy, has experienced job losses and closures, while the manufacturing sector has been steadily shrinking over time.



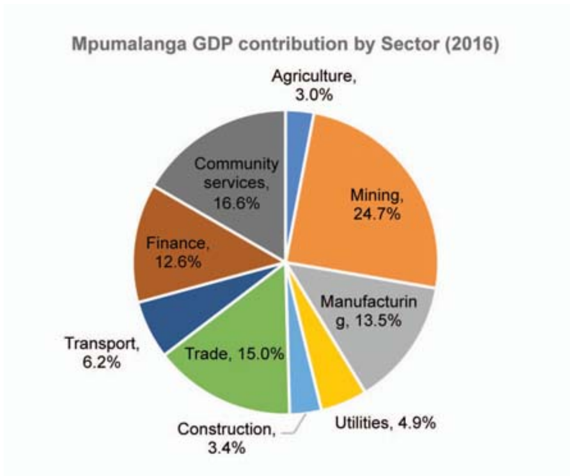
2.2 The Mpumalanga economy

Mpumalanga's economic growth rate historically has tracked the national rate by approximately 1% lower. The implications are that – based on the National forecasts – Mpumalanga will experience very low economic growth over the next 3 years if it tracks the SA economy. Average provincial growth of 1.7% per annum is expected to persist between 2017 and 2022 – mining's performance can influence it up or downward due to the size/importance of mining in Mpumalanga.

MEGA's role therefore becomes even more critical to Mpumalanga's development, and MEGA will have to rise to the challenge while simultaneously maintaining sustainability.

Structurally, the largest contributor to the Mpumalanga economy is mining (24.7%). The remaining 75.3% of the economy is made up of manufacturing (13.5%), community services (16.6%), trade (15.0%), finance (12.6%) and the remaining 17.5% spread across 4 sectors.

So, where will Mpumalanga's growth come from in future? Considering the trajectories of the above sectors, it would appear that there are potential niches for meaningful economic growth that contribute to the developmental goals significantly. Agriculture contributes a relatively small amount to the GDP for the suitability Mpumalanga has towards agriculture. It is also a sector that has the potential to employ significant amounts of people and the ability to stimulate cluster industries around it.



2.3 What is the case for MEGA, and what problems are we solving?

When we consider the National Development Plan and Mpumalanga's alignment to the NDP through Mpumalanga Vision 2030, an analysis of the development indicators shows that Mpumalanga has much ground to make up if it is to achieve its development objectives embodied in Vision 2030. The broad categories are as follows:

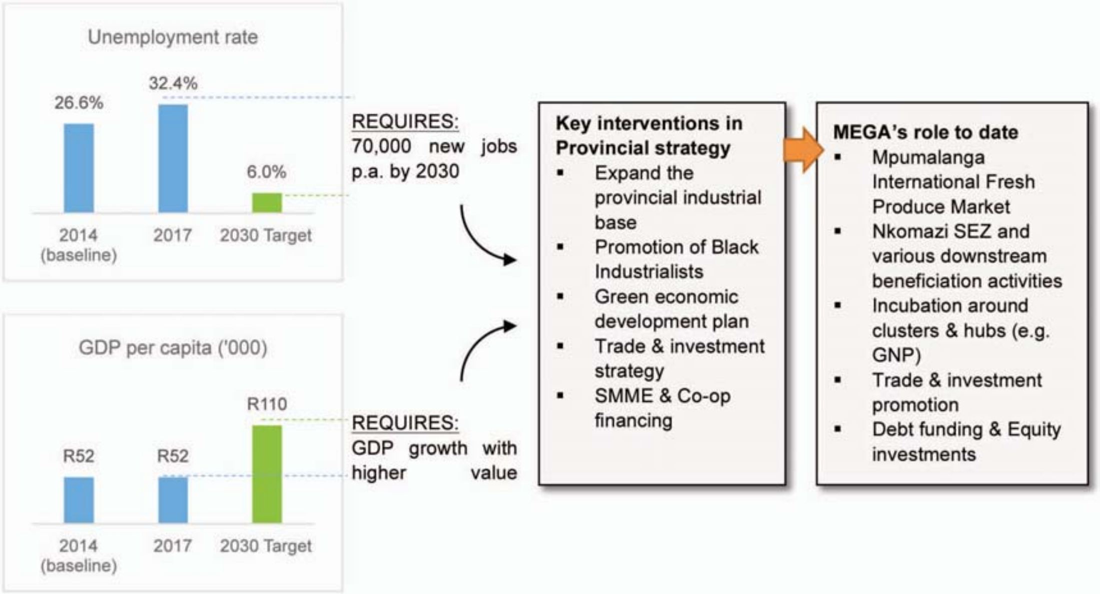
- Employment (both number of people employed and the unemployment rate)
- Economic growth (annual average GDP growth)
- Eradication of poverty and inequality (poverty rate and Gini coefficient)
- Degree to which value is added to the economy (GDP per capita)

Ultimately, if we could capture the essence of the above framework in order to illustrate MEGA's task, we can focus on two main indicators from the above:

- Eradication of unemployment (because this will influence GDP, employment numbers and poverty eradication)
- Growth in GDP per capita (because this will ensure closing the widening inequality gap and growth in the economy and jobs).

2.3 What is the case for MEGA, and what problems are we solving? (Continued)

Mpumalanga's performance against these indicators is worrying: unemployment is sharply rising while GDP per capita is unchanged. This implies the Mpumalanga economy is not having the transformative, inequality-reducing impact it requires. MEGA's role as a transformation catalyst and its alignment to the needs of Mpumalanga and implementation of activities that are designed to have the required impact can be illustrated below:



2.4 MEGA's capacity to rapidly respond to pressing developmental challenges

To respond to the challenges it faces, in 2016 MEGA embarked on an organisational re alignment (OD) project to build the capability to execute its strategy. This project is nearing completion and what remains is to find solutions for the unplaced staff and to fill up vacant posts. Once this project is duly completed the organisation will have acquired a high degree of agility that will be critical currently and in the future. A good example of how MEGA has had to rapidly acquire new capabilities was the initiation and implementation of the Government Nutrition Programme. MEGA can now boast that learners and hospital patients – those citizens who need nutrition the most – are receiving high quality, safe nutrition on a daily basis as a result of MEGA's designing, implementing and commissioning 3 world class distribution centres. These receive fresh produce from both smallholder farmers and commercial farmers, to process through the cold chain and to distribute to schools and hospitals via emerging transporters across the province. Such agility and capabilities that come from the OD process will be an asset for Mpumalanga. We foresee that MEGA will be called upon to play a greater role in implementing such programs, and we will have to ensure the governance and funding thereof are adequate.

An untimely challenge that MEGA is having to face while gearing up its organisational capacity is the annual reduction in grant funding. The next phase of MEGA's strategy is to significantly scale up the balance sheet to have an even greater scale of impact on the Mpumalanga economy's transformation.

We have worked tirelessly over the last few years to remove most of the items giving rise to qualification in the audit opinion for this very goal: to approach third parties for funding in order to scale up the balance sheet for even greater scale of projects and impact that will occur around these projects. The funding required for emerging entrepreneurs to take advantage of the opportunities that these clusters present is critical to employment and growth.

2.4 MEGA's capacity to rapidly respond to pressing developmental challenges (continued)

The property portfolio is currently being evaluated for opportunities to generate additional development opportunities and for making use of such properties to facilitate the raising of additional capital to bolster MEGA's balance sheet. This capacity created by a stronger balance sheet will allow MEGA to catalyse significant investments from the private sector, through MEGA utilising its capital to enhance the investment case for outside capital to flow into Mpumalanga. This is best accepted practice globally for development finance institutions, i.e. where DFIs solve for the market failures in order for the private sector to be able to fund the bulk of development with more confidence.

2.5 Looking ahead

The economic outlook for South Africa and Mpumalanga is forecast to remain subdued for the foreseeable future. This means that the businesses of our clients will continue to experience severe financial pressures which in some instances will impair their ability to repay our facilities or pay rent in our premises.

Our equity investments will also face the same pressures. In addition, attracting investors into a low economic growth environment is a challenging task. National government initiatives to build confidence in the country, introduce a stimulus package and attract domestic and foreign direct investment are welcome. As MEGA our focus over the next few years will be to continue building organisational capabilities and nurturing strategic partnerships with funders and investors to broaden the pool of capital available to execute our mandate.

2.6 Acknowledgements and thanks

We are grateful to all our stakeholders who have walked this journey with us under very difficult conditions. I would like to thank the Board of Directors for their guidance and support thus far. I would also like to thank the management team and staff for their dedication in the execution of our duty.

Mr. Sithole
Mpumalanga Economic Growth Agency

PART B

PERFORMANCE INFORMATION

01

STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY OF THE ANNUAL REPORT

TO: **Mr. SE KHOLWANE, MPL**
MEC: **Economic Development and Tourism**
DATE: **31 August 2018**
CC: **The Auditor-General**

ANNUAL REPORT FOR THE 2017/18 FINANCIAL YEAR END

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

I acknowledge 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 IFRS 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 and 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 2018.
- 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 2018.

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

- All information and amounts disclosed in the annual report are consistent with the annual financial statements audited by the Auditor General.
- The annual report is complete, accurate and is free from any omissions.
- The annual report has been prepared in accordance with the guidelines of the annual report, as issued by National Treasury.
- The Annual Financial Statements (Part E) have been prepared in accordance with the IFRS standards applicable to the public entity.
- The accounting authority is responsible for the preparation of the annual financial statements and for the judgements made in this information.
- The accounting authority is responsible for establishing, and implementing a system of internal controls which has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.
- The external auditors are engaged to express an independent opinion on the annual financial statements.

In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the entity for the financial year ended 31 March 2018.

Mr. D.N Mculu
Chairperson of the Board
Date: 31 August 2018

Mr. X.G.S Sithole
Chief Executive Officer
Date: 31 August 2018

02 AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

The Auditor-General of South Africa [AGSA] currently performs the necessary audit procedures on the performance information to provide reasonable 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 122 to 127 of the Report of the Auditors Report, published as Part E: Financial Information

03 OVERVIEW OF THE PUBLIC ENTITY's PERFORMANCE

3.1 Service Delivery Environment

3.1.1 Domestic Economic Outlook

The South African growth prospects appear to be showing signs of improvement, although of a low base after the technical recession in the fourth quarter of 2016 and first quarter of 2017.

The economy recorded encouraging growth rates in the last three quarters of 2017, driven to a significant degree by the exceptionally strong recovery in agriculture. The GDP figures that were released by Statistics South Africa on 06 March 2018, indicated that the South African economy recorded a quarter-to-quarter growth rate of 3.1% in the fourth quarter of 2017 due to the very high growth of agriculture.

The economic outlook is likely to be impacted positively should the recent political developments lead to a sustained boost in business and consumer confidence.

3.1.2 Mpumalanga Economic Outlook

The global economic growth outlook remains positive, although uneven across all regions. The South African economy show signs of improvement, although off a low base after the technical recession 2016 and first quarter of 2017. National Treasury expects a growth rate of 1.5 % this year, rising to 2.1 % in 2020.

Mpumalanga's economy achieved real gross domestic product growth of 1.4 % in the first quarter of 2017, 4.2 % in the second quarter and 3 % in the third quarter. Unemployment rate in Mpumalanga was 28.9 % at the end of the fourth quarter 2017, which was lower than the 31.0 % recorded at the end of the fourth quarter 2016. The Province recorded a net job creation of 87 000, in 2017, driven mainly by jobs in trade, agriculture, private households and finance. The mining industry started to recover in 2017 and consequently also gained 11 000 jobs in the same period.

3.1.2 Mpumalanga Economic Outlook (continued)

According to the 2016 CS of Stats SA, one of the 5 leading challenges facing Municipalities as perceived by households in Mpumalanga is lack of or inadequate employment opportunities (correlate with poverty driver information of the CS). The official unemployment rate as of Q4, 2017 was 28.9% and the expanded unemployment rate almost 40% with unemployed youth (15-34yr) more than two-thirds of the total number of unemployed.

3.2 Organisational Environment

The Mpumalanga government considers MEGA as a critical institution in the execution of its economic policy and is eager to see the institution stabilise, grow sustainably and deliver on its mandate. The provincial government, in turn has entrusted MEGA with, amongst others, the following responsibilities related to the execution of the Mpumalanga Economic Growth and Development Path (MEGDP) and Vision 2030:

- Promotion of black industrialists through exploiting opportunities presented by strategic initiatives such as, Industrial Technology Parks, Nkomazi SEZ etc.
- The establishment of the Mpumalanga International Fresh Produce Market (MIFPM) as a critical lever to stimulate increased agricultural production to supply domestic and international markets.
- Promote Trade and Investment guided by the Provincial Trade and Investment Strategy that will support key economic sectors of the Province.
- To attract private sector investment and to increase infrastructure investment.
- Support development of SMMEs and Cooperatives through the Social Enterprise Model (Programme), Government Nutrition Programme,
- Access to funding using internal funds and strategic partners.

In order to deliver on its mandate, MEGA began the process of positioning itself as a capable, credible and resilient development finance institution that uses smart partnerships with the private sector, leverages government ownership and optimises the utilisation of its assets to make meaningful socio-economic impact. To achieve this, the entity developed the following objectives which are being implemented:

- Generating and facilitating suitable high impact investment opportunities in the province;
- Developing and harnessing organisational capabilities to successfully execute its strategy; and
- Achieving long-term financial sustainability and reducing dependence on government grants.

The organisational development process has been completed and the normal recruitment processes to fill critical positions which were not filled through the OD process has commenced. This will ensure that MEGA has the right skills in the right roles to execute the task given.

3.2.1 Measuring Performance on Strategic Outcome Oriented Goals

The entity adopted the balanced scorecard (BSC) methodology as a strategic measurement and management tool which is reviewed and updated on an annual basis to take into account any changes in the entity's strategy or reflect key focus areas over the medium term.

The scorecard as reflected on paragraph 3.4.1 is used for reporting purposes to the Board and the Shareholder on an annual basis to gauge progress towards the implementation of its strategic outcome oriented goals over the medium term.

Out of the eight (08) strategic outcome oriented goals planned for 2017/18, four (04) were achieved which translates to 50% annual achievement. Calculations are depicted in figure 1 below:

"The South African growth prospects appear to be showing signs of improvement

03 OVERVIEW OF THE PUBLIC ENTITY's PERFORMANCE CONTINUED

Figure 1: Calculations on annual achievements based on balanced scorecard

Strategic Goal	Measure	2017/18 Planned	2017/18 Achieved	Achievement (%)	Achievement (n)
Strategic Goal .1	R'000	767000	62695	8%	**0**
Strategic Goal .2	R'000	384400	81000	21%	**0**
Strategic Goal .3	R'000	4500000	12700000	282%	**1**
Strategic Goal 4	%	100%	97%	97%	**1**
Strategic Goal 5	%	70%	56%	80%	**0**
Strategic Goal 6	Number	1	0	0%	**0**
Strategic Goal 7	Number	2	2	100%	**1**
Strategic Goal 8	Number	3	3	100%	**1**

Calculations: 4/8*100 = 50%

>95 = 1

3.2.2 Measuring Performance through Programme Performance

MEGA's programme performance involved the consolidation of performance achieved by divisions on an annual basis in line with the approved Corporate Plan (Annual Performance Plan).

For 2017/18 financial year, MEGA planned 166 annual targets, achieved 97 and failed to achieve 69 of its planned targets. This translates to 59% achievement and 41% non-achievement. Calculations are depicted in figure 2 below.

Figure 2: Consolidated Annual Performance per Programme / Division

PROGRAMME / DIVISION	PLANNED	ACHIEVED	NOT ACHIEVED	ANNUAL %
Office of the CEO	24	18	6	75%
Corporate Services	32	22	10	69%
Finance	16	9	7	56%
Strategy and Communications	37	21	16	57%
Properties & Infrastructure	16	9	7	56%
Funding	41	19	22	46%
TOTAL	**166**	**98**	**68**	**59%**

3.3 Key Policy Developments and Legislative Changes

There were no policy developments or legislative changes affecting the entity during the financial year under review.

3.4 Strategic Outcome Oriented Goals

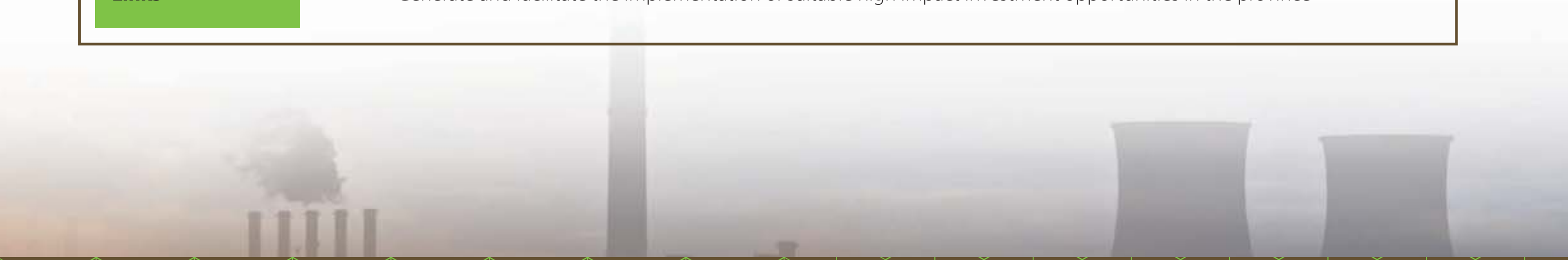
The goals of MEGA have been formulated in line with its legislative, policy and other mandates which drive institutional performance. The eight strategic outcome oriented goals and goal statements which direct the institution are:

Strategic Goal 1	**Increased generation of compelling investment propositions that are aligned to the province's competitive advantages**
Goal statement	Generate suitably high impact investments opportunities in the province
Justification	Proactively generate compelling investment propositions that are aligned to the province's competitive advantages
Links	Generate and facilitate the implementation of suitable high impact investment opportunities in the province

Strategic Goal 2	**Increased implementation of suitable high impact investments opportunities in the province**
Goal statement	Implement suitably high impact investments opportunities in the province
Justification	Facilitate successful implementation of investment opportunities by working closely with partner investors and injecting own capital where possible
Links	Generate and facilitate the implementation of suitable high impact investment opportunities in the province

Strategic Goal 3	**Increased attraction of suitable investors to the Province based on an attractive value proposition and attractive investment opportunities**
Goal statement	Identify and attract suitable investors based on an attractive value proposition and attractive investment opportunities
Justification	Ensure formal partnership arrangements with strategic investment partners
Links	Develop and leverage strategic partnerships

Strategic Goal 4	**Optimised developmental impact of each investment opportunity**
Goal statement	Grow each of our businesses aggressively to maximise developmental impact
Justification	Ensure that each investment opportunity provides the maximum possible development impact
Links	Generate and facilitate the implementation of suitable high impact investment opportunities in the province



03 OVERVIEW OF THE PUBLIC ENTITY's PERFORMANCE CONTINUED

3.4 Strategic Outcome Oriented Goals

Strategic Goal 5	High Performing Organisation
Goal statement	Fit for purpose" organisation capable of delivering on its mandate
Justification	Increased Organisational Performance
Links	Develop and harness organization capabilities to successfully execute strategy

Strategic Goal 6	Enhanced organisational sustainability
Goal statement	Improved operational excellence
Justification	Strengthen internal controls, systems and processes to ensure effective governance and risk management
Links	Develop and harness organization capabilities to successfully execute strategy

Strategic Goal 7	Achieved Financial Sustainability
Goal statement	Improve Financial Standing
Justification	Comprehensive funding model, supported by detailed financial analysis, to implement strategic choices
Links	Reduce dependence on government grants and ensure long-term financial sustainability

Strategic Goal 8	Improved Corporate Image of MEGA
Goal statement	Increase MEGA Brand and Reputation
Justification	Improve MEGA's corporate image towards a capable, credible and resilient institution able to effectively execute on its strategy
Links	Develop and harness organization capabilities to successfully execute strategy

3.4.1 Progress made towards the achievement of Strategic Outcome Oriented Goals using the Balanced Scorecard

FOCUS AREA	PLANNING LEVEL	PLANNING STATEMENT	KPI	BASELINE	PLANNED MTEF	2017/18	
				2016	2019/20	PLANNED	ACHIEVED
INVESTMENTS	**Strategic Goal .1**	**Increased generation of compelling investment propositions that are aligned to the province's competitive advantages**	**Rand Value of investment projects approvals**	**R 380m**	**R 1.56b**	**R 767m**	**R 116m**
	Strategic Objective 1.1	Increased investment projects on pipeline	Number of Investment projects on pipeline	52	274	111	48
	Strategic Goal .2	**Increased implementation of suitable high impact investments opportunities in the province**	**Rand Value of investment projects disbursements**	**R 0**	**R 1.09b**	**R 384.4m**	**R 134m**
	Strategic Objective .2.1	Increased implementation of investment opportunities by working closely with partner investors and injecting own capital where possible	Number of development agreements entered into with strategic development partners	4	30	10	0
			Increase in number of loans disbursed	33	167	67	53
	Strategic Goal .3	**Increased attraction of suitable investors to the Province based on an attractive value proposition and attractive investment opportunities**	**Value of Investments attracted**	**R 2.4b**	**R 7.39b**	**R 4.5b**	**R 12.7b**
	Strategic Objective 3.1	Increased investment projects facilitated	Number of partnership agreements signed with financial institutions	NEW	3	1	1
			Number of investment projects facilitated	6	12	8	7
	Strategic Objective 3.2	Increased access to export opportunities for MP export companies	Number of Export opportunities accessed for MP export companies	NEW	14	10	17
	Strategic Objective 3.3	Improved marketing and positioning of the Province in key markets	Number of activities undertaken to market and position the Province in key markets	NEW	27	22	17
	Strategic Goal 4	**Optimised developmental impact of each investment opportunity**	**% compliance on target set for BBBEE and job creation**	**NEW**	**100%**	**100%**	**99%**
	Strategic Objective 4.1	Increased funding allocation to entrepreneurs and companies within the designated groups	% of entrepreneurs and companies within the designated groups benefitted from loan approvals	NEW	70%	60%	47%
	Strategic Objective 4.2	Increased procurement allocation to entrepreneurs and companies within the designated groups	Percentage of work allocated to local companies with at least Level 4 BBBEE rating	NEW	40%	30%	40%
	Strategic Objective 4.3	Increased job creation	Number of job opportunities created	555	3 640	1 406	17 095

3.4.1 Progress made towards the achievement of Strategic Outcome Oriented Goals using the Balanced Scorecard (Continued)

FOCUS AREA	PLANNING LEVEL	PLANNING STATEMENT	KPI	BASELINE 2016	PLANNED MTEF 2019/20	2017/18 PLANNED	2017/18 ACHIEVED
ORGANISATIONAL CAPABILITIES	**Strategic Goal 5**	**High Performing Organisation**	**Level of Organisational Performance**	**60%**	**80%**	**70%**	**56%**
	Strategic Objective 5.1	Increased Organisational Performance	% Increase on Organisational Performance	20%	5%	10%	4%
	Strategic Objective 5.2	Enhanced organizational culture to support the execution of the strategy	Organisational Culture Index	NEW	60%	20%	48%
GOVERNANCE & RISK MANAGEMENT	**Strategic Goal 6**	**Enhanced organisational sustainability**	**Level Rating on Operational Excellence**	**NEW**	**3**	**1**	**0**
	Strategic Objective 6.1	Improved Operational Excellence	% achieved on Operational Excellence rating	NEW	60%	20%	0%
	Strategic Objective 6.2	Improved Audit Opinion	Audit opinion expressed by Auditor-General	Disclaimer	Unqua-lified	Qualified	Qualified
	Strategic Objective 6.3	Increased corporatization of enti-ties and investments	Number of entities corporatized	NEW	0	4	1
FINANCIAL SUSTAINABILITY	**Strategic Goal 7**	**Achieved Financial Sustainability**	**Liquidity Ratio**	**1.6**	**2.4**	**2**	**2**
	Strategic Objective 7.1	Improved Financial Standing	Rand Value of Revenue Generated	R 46.8m	R 75m	R 52.5m	R 164m
	Strategic Objective 7.2	Improved Financial Standing	Ratio of own revenue v/s Grant Funding	55:45	70:30	60:40	65:35
CORPORATE IMAGE	**Strategic Goal 8**	**Improved Corporate Image of MEGA**	**% Rating of MEGA Corporate Image**	**NEW**	**4**	**3**	**3**
	Strategic Objective 8.1	Increased MEGA Brand and Reputation	% achieved on MEGA Brand and Reputation surveys	NEW	85%	65%	68%


The South African growth prospects appear to be showing signs of improvement

04

PERFORMANCE INFORMATION BY PROGRAMME / ACTIVITY / OBJECTIVE

4.1 PROGRAMME 1: OFFICE OF THE CEO

4.1.1 Programme Description:

The programme provides strategic leadership, ensures good corporate governance and assurance thereby enabling MEGA to deliver on its mandate.

The Programme is comprised of the following sub-programmes:

- Company Secretariat - provides effective administrative, secretarial and advisory services to the Board to ensure that the Board's activities are carried out in line with the PFMA requirements and the Code of Good Practice.

- Legal Services - provides legal support by ensuring that MEGA complies with all statutory and legislative compliances thereby enabling MEGA to deliver on its mandate.

- Internal Audit - provides an independent, objective assurance to the Board that the major business risks are being managed appropriately and that the risk management and internal control framework is operating effectively.

4.1.2 Highlights / progress made

- Shareholder's Compact: The Unit facilitated the development and approval of the Shareholder's Compact for 2017/18, which was concluded with the shareholder. Reports on the implementation of the Shareholder's Compact were compiled and submitted timeously to the Board for noting.

- Board Charter: The Board Charter reviewed to align to the King IV principles on good governance.

- Board Committees' Terms of Reference (TORs): The following Terms of References for Board Committees were reviewed and approved by the Board in the 1st Quarter:
- Governance Social & Ethics Committee;
- Board Audit, Risk and Compliance Committee;
- Human Resource Committee;
- Finance Committee; and
- Loans Committee.• Board Assessments: Board and Board Committees' Assessment tools were developed and approved during the 4th quarter.
- Title Deeds and Bond Registrations: 48% out of the 50% planned target regarding the registration of the assets in MEGA's name was achieved.

MEGA is being deregistered as co-owner in respect of the properties located within the City of Tshwane Municipality.

MEGA has also negotiated amnesty reduction in respect of properties located within the Thembisile Hani Municipality. Upon payment of the amount due, transfer of the said properties should proceed.

- Internal Audit Implementation Plan: The Internal Audit has implemented its operational plan and status reports were submitted timeously to the Board Audit, Risk and Compliance Committee.

> The programme provides strategic leadership, ensures good corporate governance

04 PERFORMANCE INFORMATION BY PROGRAMME / ACTIVITY / OBJECTIVE

4.1.3 SUB PROGRAMME 1.1: COMPANY SECRETARIAT

STRATEGIC GOAL 6: ENHANCED ORGANISATIONAL SUSTAINABILITY

4.1.3 .1 Strategic objectives, planned targets and actual achievements

Strategic Objectives	Baseline / Actual Achievement 2016/2017	Planned Target 2017/18	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Enhanced organisational sustainability	0% Rating on Operational Excellence (New Target)	1	0	1	Rating on operational excellence will be conducted in 2018/19 when the institution is fully capacitated and all business processes have been developed and documented
Improved Operational Excellence	0% achieved on Operational Excellence rating (New Target)	20%	0%	20%	Rating on operational excellence will be conducted in 2018/19 when the institution is fully capacitated and all business processes have been developed and documented
Improved functionality of the Board/ Board Commit-tees structures	% Optimal functionality of the Board/ Board Committee structures (New Target)	100%	100%	0%	None
Review and conclude the Shareholders Compact	1 Shareholder's Compact concluded	1	2	-1	Shareholders Compact for 2018/19 was reviewed and approved in quarter 4 due to the requirement by the Shareholder for all entities to submit before the new financial year [2018/19] begins
Review Board Charter	1 approved Board Charter	0	1	-1	Board Charter reviewed to align to the King IV principles on good governance.
Review Board Committee Terms of Reference	5 Committees with reviewed and approved Terms of References	5	5	0	None
Facilitate Board performance assessment	New Performance Indicator	1	1	0	None
Facilitate Board Committees performance assessment	1 Board and Board Committees' Assessment tools approved and Implemented	1	1	0	None
Produce Board performance assessment report and submit to Shareholder	Board Assessment report submitted to Shareholder by target date (New Target)	1	0	1	Board performance assessment conducted in mid-quarter 4 and report yet to be finalised
Develop an Action Plan/ Training program to address identified performance gaps	Action Plan/ Training Programme developed by target date (New Target)	1	1	0	None

04 PERFORMANCE INFORMATION BY PROGRAMME / ACTIVITY / OBJECTIVE

4.1.3.2 Key performance indicators, planned targets and actual achievements

Performance indicators	Baseline / Actual Achievement 2016/2017	Planned Target 2017/18	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Rating on Operational Excellence	0% (New Target)	1	0	1	Rating on operational excellence will be conducted in 2018/19 when the institution is fully capacitated and all business processes have been developed and documented
Optimal functionality of the Board/ Board Committee structures	0% (New Target)	100%	100%	0	None
Shareholders Compact reviewed by target date	1	1	2	-1	Shareholders Compact for 2018/19 was reviewed and approved in quarter 4 due to the requirement by the Shareholder for all entities to submit before the new financial year [2018/19] begins
Board Charter reviewed by target date	1	0	1	-1	Board Charter reviewed to align to the King IV principles on good governance.
Review Board Charter	1 approved Board Charter	0	1	-1	Board Charter reviewed to align to the King IV principles on good governance.
Board Committees Terms of Reference reviewed by target date	5	5	5	0	None
Board performance assessment conducted by target date	New Performance Indicator	1	1	0	None
Facilitate Board Committees performance assessment	New Performance Indicator	1	1	0	None
Board Assessment report submitted to Shareholder by target date	0 (New Target)	1	0	1	Board performance assessment conducted in mid-quarter 4 and report yet to be finalised
Action Plan/ Training Programme developed by target date	0 (New Target)	1	1	0	None

4.1.3.3 Strategy to overcome areas of under performance

- Operational Excellence: Improved Operational Excellence Rating on operational excellence will be conducted in 2018/19.
- Board Assessment Report: Report to be finalised in Quarter 1 of 2018/19.

4.1.3.4 Changes to planned targets

There were no changes to planned targets for the year except that total targets reported as achieved during the course of the year were adjusted in the Annual Report to ensure alignment between reported achievement and the Portfolio of Evidence (POE) provided.

4.1.3.5 Linking performance with budgets

	2017/2018			2016/2017		
Sub- Programme	**Budget**	**Actual Expenditure**	**Over)/Under Expenditure**	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**
	(R'000)	**(R'000)**	**(R'000)**	**(R'000)**	**(R'000)**	**(R'000)**
Enhanced organisational sustainability	2 518	2 520	2	2 482	2 393	89
TOTAL	**2 518**	**2 520**	**2**	**2 482**	**2 393**	**89**

4.1.4 SUB PROGRAMME 1.2: LEGAL SERVICES

STRATEGIC GOAL 6: ENHANCED ORGANISATIONAL SUSTAINABILITY

4.1.4.1 Strategic objectives, planned targets and actual achievements

Strategic Objectives	Baseline / Actual Achievement 2016/2017	Planned Target 2017/18	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Develop Compliance Policy	0% (New Target)	1	1	0	None
Produce quarterly PFMA Compliance Checklists	4	4	4	0	None
Accelerate litigation matters & table quarterly reports to BARCC & Board	0 (New Target)	4	4	0	None
Produce a report on contingent liabilities	0 (New Target)	1	1	0	None
Accelerate conveyancing matters to ensure MEGA properties are duly registered in MEGA's name	40%	50%	48%	2%	Negotiations to have the properties deregistered took longer than anticipated.
Facilitate collection of all arrear debt 60 days and above including historical debt	0% (New Target)	15%	0	15%	Irrecoverable debt has been identified and a submission for write-off was presented to the Board. MEGA is awaiting the final report from its attorneys to identify possible recoveries.

4.1.4.2 Key performance indicators, planned targets and actual achievements

Performance Indicators	Baseline / Actual Achievement 2016/2017	Planned Target 2017/18	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Compliance Policy Developed by target date	0 (New Target)	1	1	0	None
PFMA Compliance Checklist produced by target date	4	4	4	0	None
Report on status of all litigation matters produced by target date	0 (New Target)	4	4	0	None
Contingent liabilities report produced by target date	0 (New Target)	1	1	0	None
MEGA assets registered in MEGA's name	40%	50%	48%	2%	Negotiations to have the properties deregistered took longer than anticipated.
% in bad debt book reduction	0% (New Target)	15%	0	15%	Irrecoverable debt has been identified and a submission for write-off was presented to the Board. MEGA is awaiting the final report from its attorneys to identify possible recoveries.

4.1.4.3 Strategy to overcome areas of under performance

- MEGAs Assets Registered in MEGA's Name: MEGA is being deregistered as co-owner in respect of the 278 properties located within the City of Tshwane Municipality. MEGA has also negotiated 80% amnesty reduction in respect of 167 properties located within the Thembisile Hani Municipality. Upon payment of the amount due, transfer of the said properties should proceed.
- Bad Debt Book Reduction: Intensify collections to reduce bad debt.

4.1.4.4 Changes to planned targets

There were no changes to planned targets for the year except that total targets reported as achieved during the course of the year were adjusted in the Annual Report to ensure alignment between reported achievement and the Portfolio of Evidence (POE) provided.

4.1.4.5 Linking performance with budgets

	2017/2018			2016/2017		
Sub- Programme	Budget	Actual Expenditure	Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
Sub- Programme	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)
LEGAL SERVICES	6 190	6 042	148	7 141	5 855	1 286
TOTAL	**6 190**	**6 042**	**148**	**7 141**	**5 855**	**1 286**

4.1.5 SUB PROGRAMME 1.3: INTERNAL AUDIT

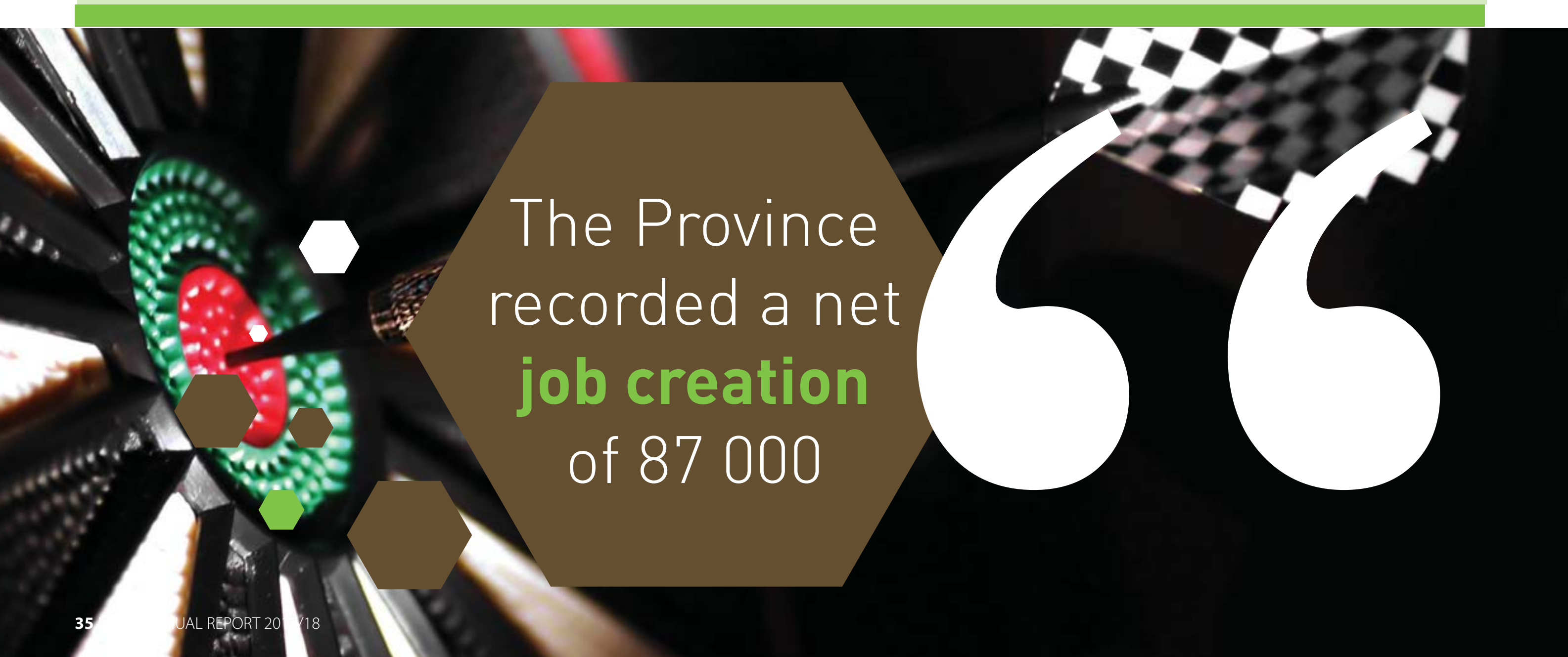
STRATEGIC GOAL 6: ENHANCED ORGANISATIONAL SUSTAINABILITY

4.1.5.1 Strategic objectives, planned targets and actual achievements

Strategic Objectives	Baseline / Actual Achievement 2016/2017	Planned Target 2017/18	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Enhanced organisational sustainability	0 (New Target)	1	0	1	Rating on operational excellence will be conducted in 2018/19 when the institution is fully capacitated and all business processes have been developed and documented
Improved Operational Excellence	0 (New Target)	20%	0	20%	Rating on operational excellence will be conducted in 2018/19 when the institution is fully capacitated and all business processes have been developed and documented
Improved functionality of the Board/ Board Committees structures	0 (New Target)	100%	100%	0	None
Develop a three (3) year risk based strategic internal audit plan	1	1	1	0	None
Develop One (1) year internal audit operational plan	1	1	1	0	None
Submit One (1) year internal audit operational plan to the Board for approval	0 (New Target)	1	1	0	None
Implementation of the one-year internal audit operational plan.	0 (New Target)	100%	100%	0	None
Submit quarterly progress reports to BARCC on implementation of the annual audit plan	4	4	4	0	None

4.1.5.2 Key performance indicators, planned targets and actual achievements

Performance Indicators	Baseline / Actual Achievement 2016/2017	Planned Target 2017/18	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Rating on Operational Excellence	0 (New Target)	1	0	1	Rating on operational excellence will be conducted in 2018/19 when the institution is fully capacitated and all business processes have been developed and documented
% achieved on Operational Excellence rating	0 (New Target)	20%	0	20%	Rating on operational excellence will be conducted in 2018/19 when the institution is fully capacitated and all business processes have been developed and documented
Level of implementation of three (3) year Internal Audit Plan	0 (New Target)	100%	100%	0	None
Three (3) year risk based internal audit plan developed by target date	1	1	1	0	None
Risk based strategic plan submitted to the Board for approval by target date	0 (New Target)	1	1	0	None
One (1) year internal audit operational plan developed by target date	1	1	1	0	None
One (1) year internal audit operational plan submitted to Board for approval by target date	0 (New Target)	1	1	0	None
Level of implementation of the one (1) year internal audit operational plan	0 (New Target)	100%	100%	0	None
Number of quarterly progress reports submitted to BARCC on implementation of the annual audit plan	4	4	4	0	None



4.1.5.3 Strategy to overcome areas of under performance

MEGAs Assets Registered in MEGA's Name: MEGA is being deregistered as co-owner in respect of the 278 properties located within the City of Tshwane Municipality. MEGA has also negotiated 80% amnesty reduction in respect of 167 properties located within the Thembisile Hani Municipality. Upon payment of the amount due, transfer of the said properties should proceed.

- **Bad Debt Book Reduction:** Intensify collections to reduce bad debt.

4.1.5.4 Changes to planned targets

There were no changes to planned targets for the year except that total targets reported as achieved during the course of the year were adjusted in the Annual Report to ensure alignment between reported achievement and the Portfolio of Evidence (POE) provided.

4.1.5.5 Linking performance with budgets

	2017/2018			2016/2017		
Sub- Programme	Budget	Actual Expenditure	Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
Sub- Programme	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)
INTERNAL AUDIT	5 387	5 369	18	3 878	3 118	760
TOTAL	**5 387**	**5 369**	**18**	**3 878**	**3 118**	**760**

4.2 PROGRAMME 2: CORPORATE SERVICES

4.2.1 Programme Description:

The Programme is comprised of the following sub-programmes:

- **Human Resources** - Renders a comprehensive integrated human resources development and management service to assist MEGA in achieving its corporate strategic objectives and goals.
- **Information Communication Technology** - Renders a comprehensive information technology management service to assist MEGA in achieving its corporate strategic objectives and go als.
- **Records Management** – The Records Management Unit is responsible for ensuring that all MEGA's records are safely kept.
- **Risk Management** - Promotes risk awareness while monitoring and overseeing the management of key risks facing the organisation in accordance with the Enterprise Risk Management (ERM) Framework.

4.2.2 Highlights / progress made:

- **Organisational Design Process**

The placement phase of the OD process has been concluded following the adjudication of appeals by the Appeals Committee and communication of the outcomes of this process to the appellants. Out of 38 appeals received, 36 were dismissed and two (2) were upheld. The outcome of the appeals resulted in the increase of placed employees from 117 to 118 as the Placement Committee reconfirmed its decision not to place on one of the appeals that were upheld by the Appeals Committee and referred back to it for reconsideration. Management is now engaged in consultations with Employee Representatives on strategies to manage the pool of unplaced employees.

Subsequent to the finalisation of the appeals process, the recruitment process was activated in terms of which employees were given first right to apply for the vacant positions. Processes are underway to implement the recruitment plan.

- **HR Projects**

While the HR Project streams (Performance Management Development System [PMDS] and development of HR & Talent Management Strategies) could not be concluded within the 4th quarter as had been targeted, some significant milestones were achieved. These include the development of a draft Performance Management Policy and Processes, development of Divisional Performance Scorecards (for 3 divisions), approval of an upgrade of the current system in order to cater for the implementation of the PMDS. The draft documents are ready for consultation with stakeholders.

- **Employees Assistance Programme**

Engagement sessions were held in all workstations to empower employees on effective techniques for building resilience in dealing with changes considering the rapid nature of changes within and outside MEGA. As part of this, an onsite therapist was also availed to Employees for individual therapy services as required.

- **Team Building**

Team building sessions for the support functions were held, wherein employees were exposed to a number of teambuilding activities and were also empowered on emotional intelligence and the importance of teams in the corporate environment. Ahead of the sessions, each employees' behavioural attributes were assessed using an online battery and individual personal profiles were drawn up and the information thereon enabled employees to better understand how they contribute to effectiveness of their teams and the areas that they need to work on for their personal growth. The team building sessions for the remaining Divisions is planned for the 1st and 2nd quarter of the ensuing financial year.

- **File Plan**

A File Plan was developed for the Government Nutrition Programme and a meeting was held with the Programme Manager appointed by MEGA to present the File Plan which must be utilised for document management.

- **Records Management Policies**

Records Management Policies Awareness workshops were conducted in 4 out of 7 Offices and arrangements are underway for the training of departmental representatives on Records Management.

- **Development of a Risk Appetite & Tolerance Framework**

As part of a progressive move towards the application of quantitative risk management, a draft Risk Appetite and Tolerance Framework for the Funding Division was developed in the 4th quarter of the financial year and is currently being consulted with the Division prior to finalisation and submission to oversight structures.

- **Declaration of Interests**

In line with the Conflict of Interests Policy, ERM has initiated the annual declarations process to enable staff and management to register their private interests as required. The deadline for submissions is end April 2018. ERM intends to take this process a step further the new financial year as part of ensuring completeness of the declarations. This will be done in collaboration with Internal Audit who will be required to test the completeness of all Finance staff declarations, those of management and samples from the other Divisions.

- **Risk Management Committee Meetings**

The Risk Management Committee held a total of four (4) meetings in the 2017/18 financial year. Participation by the Provincial Treasury Risk Management Unit has been consistent and value adding. The ERM Unit receives a written evaluation report following each meeting which report includes recommendations to be implemented by the Committee and/or the ERM unit in order to improve the risk management processes. Progress on the implementation of the recommendations is reported on at each subsequent committee meeting.

4.2.3 SUB PROGRAMME 2.1: HUMAN RESOURCES

STRATEGIC GOAL 5: HIGH PERFORMING ORGANISATION

4.2.3.1 Strategic objectives, planned targets and actual achievements

Strategic Objectives	Baseline / Actual Achievement 2016/2017	Planned Target 2017/18	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Conduct competency assessment	0 (New Target)	200	164	36	Target had included potential new recruits who would have had to be subjected to assessments. Of the total staff complement of 172 at year-end, a total of 164 employees undertook the assessments, thus the actual difference equals 8 which is attributed to employees who did not participate in the process.
Complete placement of employees to the new organisational structure	0 (New Target)	200	118	83	The target of 200 included potential new recruits to be appointed within the financial year post the completion of the OD process. This was however not achievable as the OD process took longer than anticipated. Of the actual staff complement of 172, a total of 118 employees were placed.
Improve competency level of employees	0 (New Target)	50%	25%	25%	Implementation commenced late due to a moratorium on training pending the finalisation of the OD process
Facilitate the development of Personal Development Plans for core business staff	0 (New Target)	25%	15%	10%	Delays in the development of divisional performance scorecards and related processes
Review Performance Management Policy	0 (New Target)	1	1	0	None
Develop Performance Management Framework	0 (New Target)	1	1	0	None
Sign Performance contracts	0 (New Target)	84	0	84	Delays in the development of divisional performance scorecards and related processes
Conduct Employee Performance reviews	0 (New Target)	84	0	84	Delays in the development of divisional performance scorecards and related processes
Conduct Organisational survey	0 (New Target)	1	1	0	None
Conduct team building sessions to promote team work and wellbeing	0 (New Target)	3	5	-2	Over achievement on planned target
Conduct OHS inspections	0 (New Target)	2	1	1	Vacancy in the position of the OHS practitioner

4.2.3.2 Key performance indicators, planned targets and actual achievements

Performance Indicators	Baseline / Actual Achievement 2016/2017	Planned Target 2017/18	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Number staff assessed for competency	0 (New Target)	200	164	36	Target had included potential new recruits who would have had to be subjected to assessments. Of the total staff complement of 172 at year-end, a total of 164 employees undertook the assessments, thus the actual difference equals 8 which is attributed to employees who did not participate in the process.
Number of employees placed on the new organisational structure	0 (New Target)	200	118	83	The target of 200 included potential new recruits to be appointed within the financial year post the completion of the OD process. This was however not achievable as the OD process took longer than anticipated. Of the actual staff complement of 172, a total of 118 employees were placed.
% of employees developed	0 (New Target)	50%	25%	25%	Implementation commenced late due to a moratorium on training pending the finalisation of the OD process
% of Personal Development Plans facilitated for core business staff	0 (New Target)	25%	15%	10%	Delays in the development of divisional performance scorecards and related processes
Performance Management Policy reviewed by target date	0 (New Target)	1	1	0	None
Performance Management Framework developed by target date	0 (New Target)	1	1	0	None
Number of performance contracts signed by target date	0 (New Target)	84	0	84	Delays in the development of divisional performance scorecards and related processes
Number of employees' performance reviews conducted by target date	0 (New Target)	84	0	84	Delays in the development of divisional performance scorecards and related processes
Organisational survey conducted by target date	0 (New Target)	1	1	0	None
Number of programmes held to promote team work and employee wellbeing	0 (New Target)	3	5	-2	Over achievement on planned target
Number of OHS inspections conducted	0 (New Target)	2	1	1	Vacancy in the position of the OHS practitioner

4.2.3.3 Strategy to overcome areas of under performance

- **Staff Assessed for Competency**

  The process has been concluded and all employees that availed themselves were assessed for competency.

- **Employees Placed on the New Structure**

  Internal adverts have been issued and non-placed employees who applied for the positions will be interviewed for possible appointments.

- **Development of Personal Development Plans**

  Personal Development Plans have been developed and are currently being implemented.

- **Signed Performance Contracts and Reviews**

  Performance contracts and reviews to be conducted in 2018/19 financial year.

4.2.3.4 Changes to planned targets

There were no changes to planned targets for the year except that total targets reported as achieved during the course of the year were adjusted in the Annual Report to ensure alignment between reported achievement and the Portfolio of Evidence (POE) provided.

4.2.3.5 Linking performance with budgets

	2017/2018			2016/2017		
Sub- Programme	**Budget**	**Actual Expenditure**	**Over)/Under Expenditure**	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**
Sub- Programme	**(R'000)**	**(R'000)**	**(R'000)**	**(R'000)**	**(R'000)**	**(R'000)**
HUMAN RESOURCES	15 639	14 124	1 515	3 878	3 118	7690
TOTAL	**15 639**	**14 124**	**1 515**	**3 878**	**3 118**	**7690**

4.2.4 SUB PROGRAMME 2.2: INFORMATION COMMUNICATION TECHNOLOGY

STRATEGIC GOAL 6: ENHANCED ORGANISATIONAL SUSTAINABILITY

4.2.4.1 Strategic objectives, planned targets and actual achievements

Strategic Objectives	Baseline / Actual Achievement 2016/2017	Planned Target 2017/18	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Develop ICT Strategy	0	1	0	1	The process of procuring a service provider to develop an ICT strategy was delayed mainly due to non-responsive bids received and subsequent finalisation of the process at SCM. A service provider has since been appointed in April 2018 and the project will be fast tracked for completion by the end of Q1/2018-19.
Review ICT Operational Plan	0 (New Target)	1	0	1	The Operational Plan is intended to drive execution of the Strategy once developed and thus the two are linked.
Conduct ICT AS-IS and TO-BE environment assessment	0 (New Target)	1	0	1	The AS-IS and TO-BE environment assessment is one of the initial phases of the strategy development and therefore linked to ICT Strategy.
Review of ICT policies universe	0 (New Target)	1	1	0	None
Establish ICT Steering Committee	1 IT Steering Committee with Terms of Reference established	1	1	0	None

4.2.4.2 Key performance indicators, planned targets and actual achievements

Performance Indicators	Baseline / Actual Achievement 2016/2017	Planned Target 2017/18	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
ICT Strategy Developed by target date	0	1	0	1	The process of procuring a service provider to develop an ICT strategy was delayed mainly due to non-responsive bids received and subsequent finalisation of the process at SCM.
ICT Operational Plan reviewed by target date	0 (New Target)	1	0	1	The Operational Plan is intended to drive execution of the Strategy once developed and thus the two are linked.
ICT AS-IS and TO-BE environment assessment conducted by target date	0 (New Target)	1	0	1	The AS-IS and TO-BE environment assessment is one of the initial phases of the strategy development and therefore linked to the ICT Strategy.
ICT Policies universe reviewed by target date	0 (New Target)	1	1	0	None
ICT Steering Committee established by target date	1 IT Steering Committee with Terms of Reference established	1	1	0	None

4.2.4.3 Strategy to overcome areas of under performance

- **IT Strategy Development**

  A service provider has since been appointed in April 2018 and the project will be fast tracked for completion by the end of Q1/2018-19.

- **ICT Operational Plan**

  A service provider has since been appointed in April 2018 and the project will be fast tracked for completion by the end of Q1/2018-19.

- **ICT AS-IS and TO-BE environment assessment**

  A service provider has since been appointed in April 2018 and the project will be fast tracked for completion by the end of Q1/2018-19.

4.2.4.4 Changes to planned targets

There were no changes to planned targets for the year except that total targets reported as achieved during the course of the year were adjusted in the Annual Report to ensure alignment between reported achievement and the Portfolio of Evidence (POE) provided.

4.2.4.5 Linking performance with budgets

	2017/2018			2016/2017		
Sub- Programme	**Budget**	**Actual Expenditure**	**Over)/Under Expenditure**	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**
Sub- Programme	**(R'000)**	**(R'000)**	**(R'000)**	**(R'000)**	**(R'000)**	**(R'000)**
ICT	8 307	6 411	1 896	8 457	8 430	27
TOTAL	**8 307**	**6 411**	**1 896**	**8 457**	**8 430**	**27**

4.2.5 SUB PROGRAMME 2.3: RECORDS MANAGEMENT

STRATEGIC GOAL 6: ENHANCED ORGANISATIONAL SUSTAINABILITY

4.2.5.1 Strategic objectives, planned targets and actual achievements

Strategic Objectives	Baseline / Actual Achievement 2016/2017	Planned Target 2017/18	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Develop Records Management Policies	0 (New Target)	1	1	0	None
Review Records Management Policies	0 (New Target)	0	0	0	None
Develop Records Management Strategy	0 (New Target)	1	1	0	None
Review Records Management Strategy	0 (New Target)	0	0	0	None
Develop records file plan in line with the Archive Act	0 (New Target)	1	1	0	None
Review records file plan in line with the Archive Act	0 (New Target)	0	0	0	None

4.2.5.2 Key performance indicators, planned targets and actual achievements

Performance Indicators	Baseline / Actual Achievement 2016/2017	Planned Target 2017/18	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Records Management Policy developed by target date	New Performance Indicator	1	1	0	None
Records Management Policy reviewed by target date	New Performance Indicator	1	1	0	None
Records Management Strategy developed by target date	0	4	4	0	None
Records Management Strategy reviewed by target date	1	1	1	0	None
Records Management Strategy reviewed by target date	1	1	1	0	None
Records file plan developed by target date	0	1	1	0	None

4.2.5.3 Strategy to overcome areas of under performance

None.

4.2.5.4 Changes to planned targets

There were no changes to planned targets for the year except that total targets reported as achieved during the course of the year were adjusted in the Annual Report to ensure alignment between reported achievement and the Portfolio of Evidence (POE) provided.

4.2.5.5 Linking performance with budgets

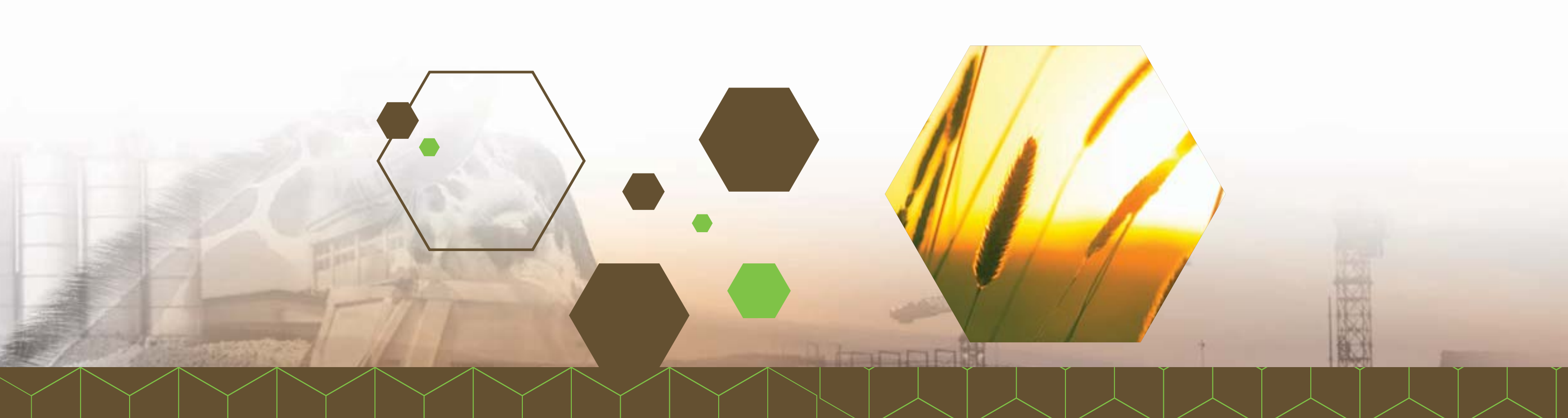
	2017/2018			2016/2017		
Sub- Programme	Budget	Actual Expenditure	Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
Sub- Programme	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)
RECORDS MANAGEMENT	7 055	6 863	192	0	0	0
TOTAL	**7 055**	**6 863**	**192**	**0**	**0**	**0**

4.2.6 SUB PROGRAMME 2.4: RISK MANAGEMENT

STRATEGIC GOAL 6: ENHANCED ORGANISATIONAL SUSTAINABILITY

4.2..6.1 Strategic objectives, planned targets and actual achievements

Strategic Objectives	Baseline / Actual Achievement 2016/2017	Planned Target 2017/18	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Develop Risk Appetite and Tolerance Framework	0 (New Target)	1	1	0	None
Conduct Strategic Risk Assessment	0 (New Target)	1	1	0	None
Develop Strategic Risk Register with SMART Mitigation Plans	1	1	1	0	None
Submit Quarterly Strategic Risk Mitigation reports to Board	4	4	4	0	None
Conduct Operational and Fraud Risk Assessments per Division	1	1	1	0	None
Develop Operational & Fraud Risk Registers with SMART Mitigation Plans	0 (New Target)	6	6	0	None
Submit quarterly Operational & Fraud Risk Mitigation reports to Board Audit, Risk & Compliance Committee	0 (New Target)	4	4	0	None
Conduct risk awareness campaigns	0 (New Target)	2	2	0	None
Conduct Risk Maturity Assessment	0 (New Target)	1	1	0	None
Develop Risk Maturity Roadmap	0 (New Target)	1	1	0	None
Review Risk Management Committee Terms of Reference	1	1	1	0	None
Review Enterprise Risk Management Framework/ Strategy	1	1	1	0	None
Review Enterprise Risk Management Implementation Plan	0 (New Target)	1	1	0	None



4.2.6.2 Key performance indicators, planned targets and actual achievements

Performance Indicators	Baseline / Actual Achievement 2016/2017	Planned Target 2017/18	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Number of Risk Appetite and Tolerance Framework developed and approved by the Board	0 (New Target)	1	1	0	None
Number of Strategic Risk Assessments conducted target date	0 (New Target)	1	1	0	None
Number of Strategic Risk Registers Developed with SMART Mitigation Plans	1	1	1	0	None
Number of Strategic Risk Mitigation Reports submitted to the Board	4	4	4	0	None
Number of Operational and Fraud Risk Assessments conducted by target date	1	1	1	0	None
Number of Operational & Fraud Risk Registers developed with SMART Mitigation Plans	0 (New Target)	6	6	0	None
Number of Operational & Fraud Risk Mitigation reports submitted to Board Audit, Risk & Compliance Committee	0 (New Target)	4	4	0	None
Number of risk awareness campaigns conducted by target date	0 (New Target)	2	2	0	None
Risk Maturity Assessments conducted by target date	0 (New Target)	1	1	0	None
Risk Maturity Roadmap developed by target date	0 (New Target)	1	1	0	None
Risk Management Committee Terms of Reference reviewed by target date	1	1	1	0	None
Enterprise Risk Management Framework/Strategy reviewed by target date	1	1	1	0	None
Enterprise Risk Management Implementation Plan reviewed by target date	0 (New Target)	1	1	0	None

4.2.6.3 Strategy to overcome areas of under performance

None.

4.2.6.4 Changes to planned targets

There were no changes to planned targets for the year except that total targets reported as achieved during the course of the year were adjusted in the Annual Report to ensure alignment between reported achievement and the Portfolio of Evidence (POE) provided.

4.2.6.5 Linking performance with budgets

	2017/2018			2016/2017		
Sub- Programme	Budget	Actual Expenditure	Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
Sub- Programme	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)
RISK MANAGEMENT	540	126	414	225	121	104
TOTAL	**540**	**126**	**414**	**225**	**121**	**104**

4.3 PROGRAMME 3: FINANCE

4.3.1 Programme Description:

The division provides fiscal leadership, safeguarding of assets, ensuring compliance to laws and regulations and providing timely delivery of services to internal and external stakeholders and customers.

4.3.2 Highlights / progress made

- Management has finalised the review of the debtors' loan book with various recommendations, including write-offs. A full report was presented to BARCC and MEGA Board on 25th and 26th January 2018, respectively.
- The fair valuation of the Investment Property portfolio has commenced, the completion date is set to be the second week of May 2018.

SUB PROGRAMME 3.1: FINANCE

STRATEGIC GOAL 6: ENHANCED ORGANISATIONAL SUSTAINABILITY

4.3.3.1 Strategic objectives, planned targets and actual achievements

Strategic Objectives	Baseline / Actual Achievement 2016/2017	Planned Target 2017/18	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Review Asset Management Policy	0 (New Target)	1	1	0	None
Update FAR with investment properties	0 (New Target)	1	1	0	None
Update FAR with bulk infrastructure assets	0 (New Target)	1	1	0	None
Develop Standard Operating Procedures	0 (New Target)	1	0	1	None
Improved compliance with SCM prescripts	0 (New Target)	R 128m	0	R 128m	Condonement of prior year's i rregular expenditure.
Develop Procurement Plan and / Asset Acquisition Plan aligned to MEGA Budget	0 (New Target)	1	1	0	None

SUB PROGRAMME 3.1: FINANCE

STRATEGIC GOAL 6: ENHANCED ORGANISATIONAL SUSTAINABILITY (Continued)

Strategic Objectives	Baseline / Actual Achievement 2016/2017	Planned Target 2017/18	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Implement Procurement Plan and / Asset Acquisition Plan	0 (New Target)	80%	0	80%	Two items accounted for R700 million of the estimated value of R768.95 million per the 2017/18 Procurement Plan, namely: (i) The development of the top structures of the Mpumalanga International Fresh Produce Market estimated at R500 million and (ii) The appointment of professional service providers to design the infrastructure for the SEZ estimated at R200 million. The SEZ assignment is subject to MEGA obtaining SEZ designation.
Monitor the implementation of Contracts	0 (New Target)	100%	100%	0	None

4.3.3.2 Key performance indicators, planned targets and actual achievements

Performance Indicators	Baseline / Actual Achievement 2016/2017	Planned Target 2017/18	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Asset Management Policy reviewed	0 (New Target)	1	1	0	None
FAR updated with Investment properties	0 (New Target)	1	1	0	None
FAR updated with bulk infrastructure assets	0 (New Target)	1	1	1	None
tandard Operating Procedures developed	0 (New Target)	1	0	0	Initial tender was non responsive
Rand value reduction in occurrence of Irregular Expenditure	0 (New Target)	R 128m	0	R 128m	Condonement of prior year's irregular expenditure.
Procurement Plan and / Asset Acquisition Plan developed	0 (New Target)	1	1	0	None
% of awarded projects and / Assets procured in line with approved Procurement Plan	0 (New Target)	80%	0	80%	Two items accounted for R700 million of the estimated value of R768.95 million per the 2017/18 Procurement Plan, namely: (iii) The development of the top structures of the Mpumalanga International Fresh Produce Market estimated at R500 million and (iv) The appointment of professional service providers to design the infrastructure for the SEZ estimated at R200 million. The SEZ assignment is subject to MEGA obtaining SEZ designation.
Updated contract register	0 (New Target)	100%	100%	0	None

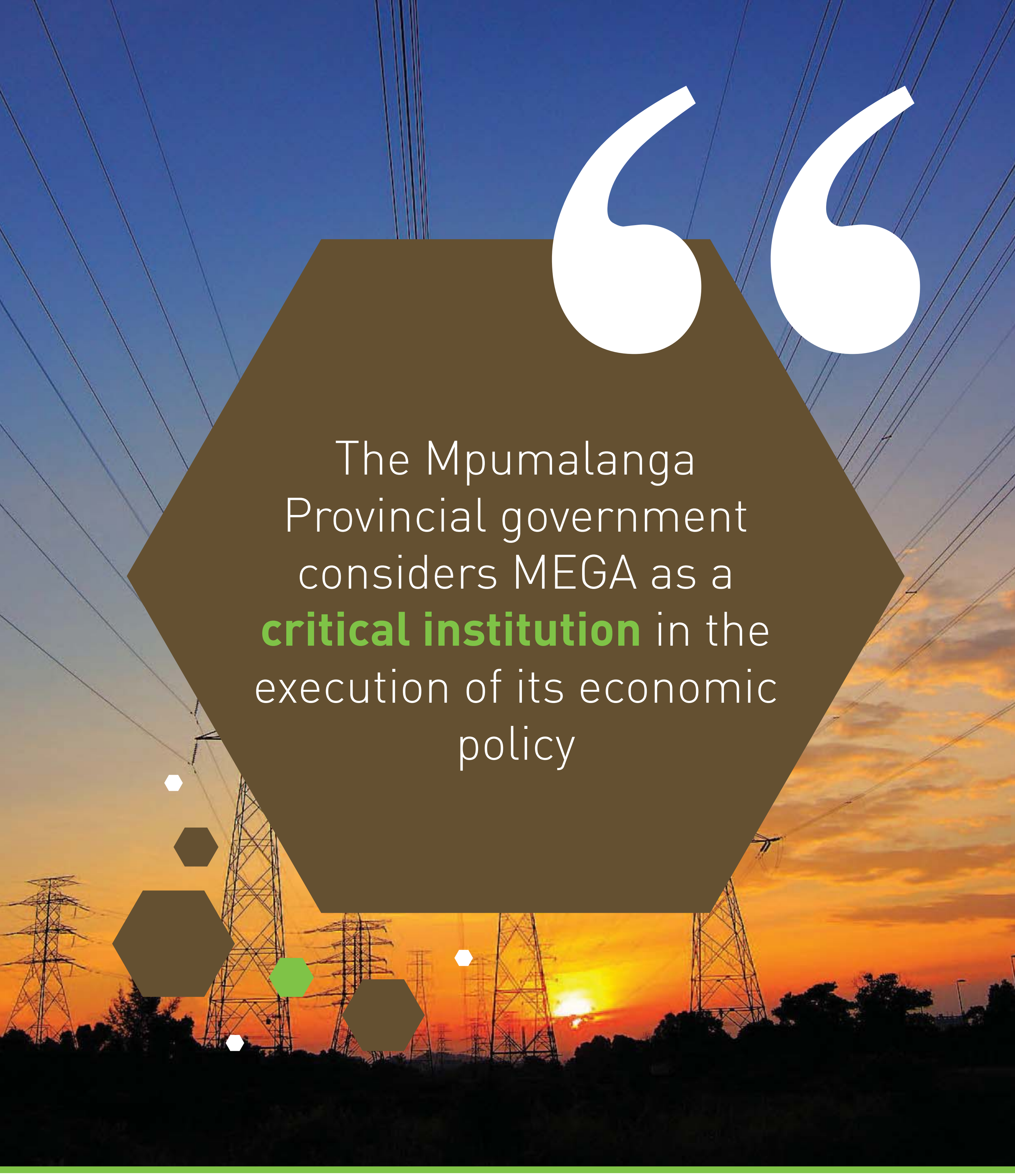
STRATEGIC GOAL 7: ACHIEVED FINANCIAL SUSTAINABILITY

4.3.3.3 Strategic objectives, planned targets and actual achievements

Strategic Objectives	Baseline / Actual Achievement 2016/2017	Planned Target 2017/18	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Improved Financial Standing	0 (New Target)	60:40	65:35	-5%	Over achievement on planned target.
Improvement in the cost to income ratio	0 (New Target)	70%	152%	82%	Number of clients vacated the premises and some applied for business rescue, resulting in reduced revenue
Improve own income generation capabilities	0 (New Target)	R 154m	R 164m	-R 10m	Over achievement on planned target
Improved Revenue Col-lection	0 (New Target)	150	Over 180 days	+30 days	Historical non-performing debtors are distorting the number of debtor days outstanding. Debtor balances will only be considered for write off once the Legal Department confirmed that these amounts are irrecoverable
Reduction in the level of impairment	0 (New Target)	20%	0%	20%	Level affected by the status of MEGA loan book, e.g. legacy debt
Improve Financial / collection Systems	0 (New Target)	80%	0%	80%	Lack of proper systems
Develop collection strategy	0 (New Target)	1	1	0	None
Property mix, property development & disposals	0 (New Target)	5%	5%	0	None

4.3.3.4 Key performance indicators, planned targets and actual achievements

Performance Indicators	Baseline / Actual Achievement 2016/2017	Planned Target 2017/18	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Ratio of own revenue v/s Grant Funding	0 (New Target)	60:40	65:35	-5%	Over achievement on planned target.
Cost to income ratio	0 (New Target)	70%	152%	82%	Number of clients vacated the premises and some applied for business rescue, resulting in reduced revenue
Identify options to generate alternative/ additional revenue streams	0 (New Target)	R 154m	R 164m	-R 10m	Over achievement on planned target
Reduction in debtor days	0 (New Target)	150	Over 180 days	+30 days	Historical non-performing debtors are distorting the number of debtor days outstanding. Debtor balances will only be considered for write off once the Legal Department confirmed that these amounts are irrecoverable



The Mpumalanga Provincial government considers MEGA as a **critical institution** in the execution of its economic policy

MPUMALANGA
THE PLACE OF THE RISING SUN

MEGA
MPUMALANGA ECONOMIC GROWTH AGENCY

4.3.3.4 Key performance indicators, planned targets and actual achievements (Continued)

Performance Indicators	Baseline / Actual Achievement 2016/2017	Planned Target 2017/18	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Level of impairment	0 (New Target)	20%	0%	20%	Level affected by the status of MEGA loan book, e.g. legacy debt
Accurate billing	0 (New Target)	80%	0%	80%	Lack of proper systems
Approved collection strategy	0 (New Target)	1	1	0	None
Return on assets	0 (New Target)	5%	5%	0	None

4.3.3.5 Strategy to overcome areas of under performance

a) Develop Standard Operating Procedures

The service provider was appointed and work commenced.

b) Improved compliance with SCM prescripts

Management will follow up with Provincial Treasury regarding feedback from National Treasury relating to the submission to condone irregular expenditure of R225.8 million incurred during the 2011/12 – 2016/17 financial years.

c) % of awarded projects and / Assets procured in line with approved Procurement Plan

The tender for the top structures of the Mpumalanga International Fresh Produce Market is in the process of being finalised.
The tender for the appointment of professional service providers to design the infrastructure for the SEZ will commence once designation has been confirmed.

d) Improvement in the cost to income ratio

Funding and Properties turnaround strategies should increase revenue and improve the cost to income ratio. Also leases reaching their maturity dates will be escalated in accordance with the escalation percentage per the lease agreement.

e) Reduction in debtors days

The debtor clean-up exercise is at a finalisation stage and non-performing debtors were handed over to the attorneys for collection.

f) Reduction in the level of impairment

The debtor clean-up exercise is at a finalisation stage and non-performing debtors were handed over to the attorneys for collection.

g) Accurate Billing

Municipal and rental billing reconciliations are performed on a monthly basis to confirm the accuracy thereof.

4.3.3.6 Changes to planned targets

There were no changes to planned targets for the year except that total targets reported as achieved during the course of the year were adjusted in the Annual Report to ensure alignment between reported achievement and the Portfolio of Evidence (POE) provided.

4.3.3.7 Linking performance with budgets

	2017/2018			2016/2017		
Sub- Programme	**Budget**	**Actual Expenditure**	**Over)/Under Expenditure**	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**
Sub- Programme	**(R'000)**	**(R'000)**	**(R'000)**	**(R'000)**	**(R'000)**	**(R'000)**
FINANCE	36 961	35 704	1 257	47 090	46 058	1 032
TOTAL	**36 961**	**35 704**	**1 257**	**47 090**	**46 058**	**1 032**

4.4 PROGRAMME 4: STRATEGY AND COMMUNICATIONS

4.4.1 Programme Description:

The Division is responsible for four main functions, namely, strategy and planning, marketing and communication, knowledge management and trade & investment promotion.

- **Trade and Investment Promotion -** Promotes the Province as an Investment Destination and Foreign Trade and Logistics Hub, within various sectors and numerous industries.

- **Corporate Strategy** - Ensuring that the corporate strategy is reflected in the corporate plan and in divisional plans, which guide resource allocation and key decisions aimed at ensuring that the entity is achieving its purpose of fostering the sustainable growth and development of the Mpumalanga economy.

- **Marketing and Communications** - Coordinates communications efforts incorporating public and media relations, web design, graphic art, social media, publication development, and print and online content to deliver economic development information and corporate news in a timely manner.

4.4.2 Highlights / progress made:

Trade and Investment Promotion

The Unit achieved the following milestones against its planned targets:

i. Trade Exhibitions

- MEGA facilitated participation of a Mpumalanga Company in a trade fair in Ghana and sponsored three local companies to exhibit at SARCDA 2018 in Gallagher Estate, Johannesburg.

- MEGA organised the Mpumalanga Provincial Pavilion at FACIM 2017 which took place from 28th August to 3rd September 2017 in the Marracuene district outside of Maputo. The Mpumalanga Pavilion hosted nine (9) SMME's from various sectors and regions in the Province. MEGA's Trade and Investment Division provided support to the Mpumalanga companies present and promoted Trade and Investment opportunities in Mpumalanga Province.

- MEGA sponsored and supported the participation of four (4) provincial crafters in the DECOREX Johannesburg Trade Fair which took place at the Gallagher Estate in Midrand from 9th to 13th August 2017. DECOREX Johannesburg is an annual event which attracts South African Interior Décor and Design companies, artists, curators and collectors. The show attracts buyers from the SADC region as well as Europe and the Middle East. The exhibition yields value for MEGA and the sponsored provincial participants with its strategic emphasis on participation by South African SMME's and provides an unparalleled platform to showcase the provinces creativity in this important sector.

4.4 PROGRAMME 4: STRATEGY AND COMMUNICATIONS (Continued)

4.4.2 Highlights/progress made:

ii. Investment Attraction

- Out of the six projects in pipeline (investment enquiries), two have graduated into implementable projects after having signed MOUs, namely: SANY Group – CIDA (R 100 million) and The FX Group (R 320 million).

- Three MOUs were signed with foreign direct investors (FDIs) and one cooperative agreement signed with an international trade council as follows: (1) SANY Group (CIDA): Implementable project (signed MOU) - Establishment of a Prefabricate Concrete Factory; (2) The FX Group: Implementable project (signed MOU) - Establishment of a plant; (3) China Council for the promotion of international trade: Cooperative agreement on international trade.

iii. Project Facilitation

- The following projects were facilitated: (1) SANY Group (CIDA): Implementable project (signed MOU) - Establishment of a Prefabricate Concrete Factory; (2) The FX Group: Implementable project (signed MOU) - Establishment of a plant; (3) Hectares Group: Project pipeline (Letter of Interest) - Medium and long-term loans to government institutions for economic development; (4) New Edge: Project pipeline - Non-disclosure Agreement signed; (5) Shandong Shuitou Group: Project pipeline (Letter of Interest): Construction of water sources, urban water supply, water ecological treatment, sewage treatment, reclaimed water reuse, sludge treatment and other projects.

iv. Export Opportunities

- Two export opportunities accessed for the following MP export companies: (1) Dryers for Africa (Pty) Ltd: MEGA facilitated participation in an Outward Selling Mission (OSM) to Algeria and Tunisia between 1st and 5th October 2017; (2) Jazz Spirit CC: MEGA facilitated participation in an OSM to the UAE and Saudi Arabia between 17th and 24th November 2017.

- EMIA / SSAS Applications Facilitated: (1) Desire Cosmetics: OSM to Ghana and Nigeria scheduled from 19th to 23rd March 2018; (2) Mgets Amenities: OSM to Ghana and Nigeria scheduled from 19th to 23rd March 2018.

v. Outward Missions

- Foreign Trade Exhibitions / Missions conducted: SARA 2017: Abidjan - Cote d'Ivoire from 17th to 26th November 2017.

- Investment Promotion Mission conducted to the People's Republic of China from the 4th to 7th June 2017. Namely:

- 2017 Tianjin (China) & BRICS SME Cross-border Investment and Trade Cooperation Conference June 5-6, 2017 in Tianjin City, People's Republic of China.

- 2017 China (Liaoning) Global Business Investment and Trade Fair June 7, 2017 in Shenyang City, Liaoning Province, People's. Republic of China.

4.4 PROGRAMME 4: STRATEGY AND COMMUNICATIONS (Continued)

4.4.2 Highlights/progress made:

vi. Inward Missions

- Nkangala Business Expo: Held between 25th and 26th October 2017.
- MEGA hosted the following five (5) Inward delegations to Mpumalanga Province. Singapore High Commissioner H.E. Mr CHUA, hosted on 12th July 2017; an Iranian Honey Delegation on 11th July 2017; USA Foods Buyer Mission coordinated by USAID and held on 28th September 2017, which focused on exporting dried fruits to the US.
- Sultanate of Oman Inward Mission: Held in Mbombela on 2nd October 2017 (2) Heads of Mission Designate – DIRCO: Mpumalanga visit on 3rd October 2017.

a) MEGA further interacted with the following foreign business delegations:
- 15th May 2017: Brazil Business Delegation
- 14th June 2017: Turkish Business Delegation
- 26th June 2017: Philippines Business Delegation
- 26th June 2017: Poland Business Delegation

vii. Export Training and Workshops

- NEDP export training workshops conducted: Export Promotion Workshop was conducted in Middleburg CCI on 7th November 2017.
- MEGA hosted four (4) National Exporter Development Programme Export Awareness Workshops in the Province. The events were a collaboration between the Department of Trade and Industry (the dti) and MEGA. The events were hosted in Mpumalanga Province for the 15th consecutive year. The purpose of the workshops is to inform the provincial business community about the current trends in the export value chain. It also covers important topics relating to export development and promotion. The four (4) workshops took place in Bushbuckridge, Mbombela, Ermelo and Emalahleni from the 12th to 15th September 2017.

viii. Business Forums

- International Business Forum: Back to back meetings with Sultanate of Oman and Heads of Mission Designates.
- Hosted the International Business Forum for the Oriental Republic of Uruguay on the 30th June 2017. The Uruguay delegation was led by Ambassador H.E Mr. Daniel Castillos

4.4 PROGRAMME 4: STRATEGY AND COMMUNICATIONS (Continued)

4.4.2 Highlights/progress made:

ix. Corporate Strategy

The Unit achieved the following milestones against its planned targets:

- Four Quarterly Performance Information Reports submitted to the Shareholder a month after the end of each quarter.

  The following reports were submitted to the Legislature:
  - Responses on the analysis of the fourth quarter performance report;
  - Responses on the analysis of the budget and Annual Performance Report for 2017/18.

- Participated and provided inputs during the DEDT Strategy Planning workshop held from 7th to 8th September 2017.
- Ensured successful completion, printing and submission of the Annual Report for 2016/17 to relevant authorities.
- Participated and provided inputs at Exco Strategy Review session held from 3rd to 4th September 2017.
- Conducted divisional strategy workshops in October 2017 and facilitated development of divisional strategic plans.
- Conducted Customer Satisfaction Survey to gauge staff morale; assess the level of shared values and vision; assess the current working environment; assess the current level of teamwork within the organization and identifying service delivery challenges as perceived by MEGA's external customers.
- Consolidated, facilitated approval and submission of the 2018/19 Corporate Plan to the Shareholder.
- Reviewed Performance Information Management Policy and submitted for approval.
- Enterprise Performance Reporting System that would provide accurate and reliable information on past and current performance of the entity has been developed and currently being deployed.

x. Marketing and Communications

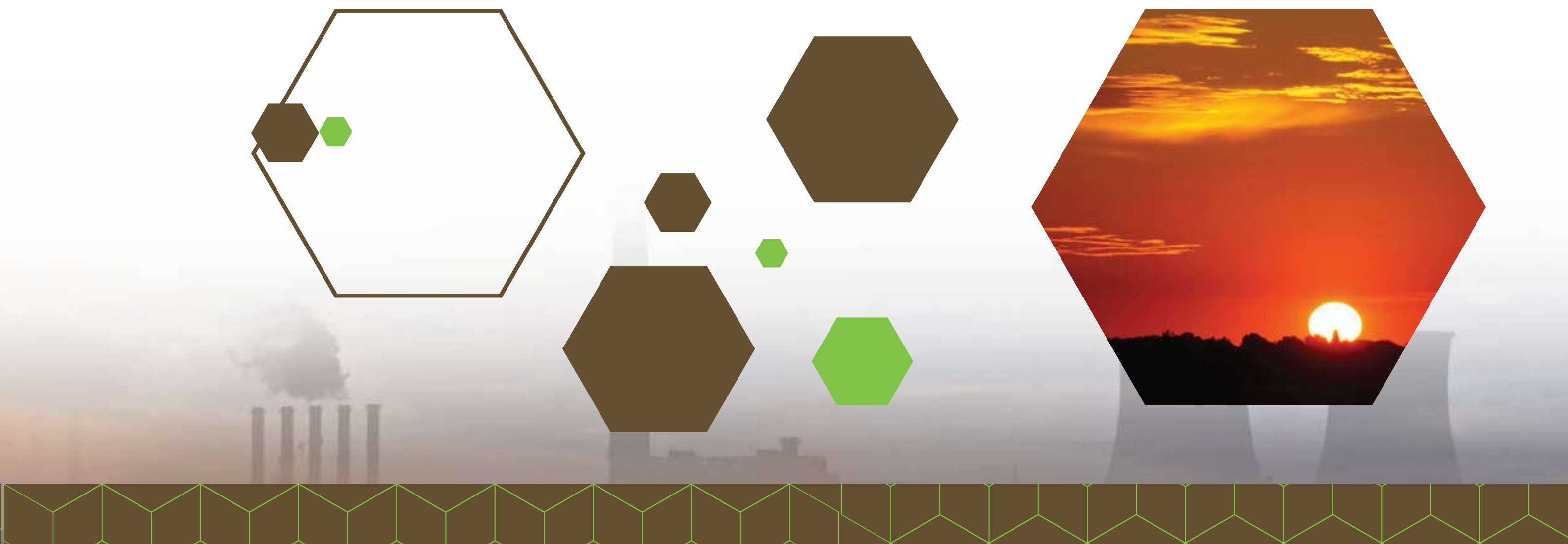
The Unit achieved the following milestones against its planned targets:

- A website for the Fresh Produce Market has been developed and awaiting approval from the Properties & Infrastructure Division.
- A draft rebranding proposal has been developed and awaiting approval.
- Partnered with Standard Bank, Office of the Premier and DEDT to roll out of the Mpumalanga Economic Enterprise Development Fund.
- Launched the MEGA internal newsletter in January 2018, which is issued to employees on a monthly basis.

STRATEGIC GOAL 3: INCREASED ATTRACTION OF SUITABLE INVESTORS TO THE PROVINCE BASED ON AN ATTRACTIVE VALUE PROPOSITION AND ATTRACTIVE INVESTMENT OPPORTUNITIES

4.4.3.1 Strategic objectives, planned targets and actual achievements

Strategic Objectives	Baseline / Actual Achievement 2016/2017	Planned Target 2017/18	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Increased value of investment facilitated	R606 million Investment Projects facilitated	R500m	R420m	R80m	Timeframe of translating facilitated projects into implemented projects took longer than anticipated
Increased investment project facilitated	3 Investment Projects facilitated	10	7	3	The number of Investment enquiries have slowed due to a number of national and international uncertainties
Host high impact Investor Conference	0 (New Target)	0	1	-1	Over achievement on planned target.
Package investment projects	0 Investment opportunities packaged and taken up by investors	4	0	4	Packaged investment projects are still at facilitation stage and not yet taken up due to unfavourable global economic conditions
Increased access to export opportunities for MP export companies	0 (New Target)	10	17	-7	Over achievement on planned target.
Establish relations with FDIs, LDIs and Provincial sector specific exporters	0	10	3	7	Negative investor sentiments did not give confidence to investors to commit to investments
Carry out Foreign Trade Exhibitions / Missions	3 Foreign Trade Exhibitions/Missions conducted	5	4	-1	OSM to Iran and Qatar postponed
Conduct Local Trade Exhibitions / Missions	13 Investment and Trade Inward Missions hosted/ participated	4	4	0	None
Provide Exporters with Foreign Trade Counselling and Support.	249 exporters provided with Foreign Trade Counselling and Support	150	146	4	Fewer exporters assisted than planned
NEDP export training workshops conducted in Mpumalanga	7 NEDP export training workshops conducted	5	5	0	None



STRATEGIC GOAL 3: INCREASED ATTRACTION OF SUITABLE INVESTORS TO THE PROVINCE BASED ON AN ATTRACTIVE VALUE PROPOSITION AND ATTRACTIVE INVESTMENT OPPORTUNITIES (CONTINUED)

4.4.3.1 Strategic objectives, planned targets and actual achievements

Strategic Objectives	Baseline / Actual Achievement 2016/2017	Planned Target 2017/18	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Facilitate EMIA / SSAS Applications	16 EMIA / SSAS Applications Facilitated	35	12	23	Number of EMIA supported events for 2017/2018 reduced by the dti
Host Inward Investment and Trade Missions	3 Local Trade Exhibitions/Missions conducted	12	12	0	None
Host International Business Forums	0 (New Target)	4	1	3	The December holiday season affects the flow of inward delegates
Conduct Outward Investment Missions	3 Outward Missions hosted/ participated	6	3	3	OSM to Iran and Qatar postponed

4.4.3.2 Key performance indicators, planned targets and actual achievements

Performance Indicators	Baseline / Actual Achievement 2016/2017	Planned Target 2017/18	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Value of Investments attracted	R606 million Investment Projects facilitated	R500m	R420m	R80m	Timeframe of translating facilitated projects into implemented projects took longer than anticipated
Number of investment projects facilitated	3 Investment Projects facilitated	10	7	3	The number of Investment enquiries have slowed due to a number of national and international uncertainties
Number of impact Investor Conference hosted	0 (New Target)	0	1	-1	Over achievement on planned target
Number of packaged investment opportunities taken up by investors	0 Investment opportunities packaged and taken up by investors-	4	0	4	Packaged investment projects are still at facilitation stage and not yet taken up due to unfavourable global economic conditions
Export opportunities accessed for MP export companies	0 (New Target)	10	17	-7	Over achievement on planned target
Number of signed agreements with FDIs, LDIs and Provincial sector specific exporters	0	10	3	7	Negative investor sentiments did not give confidence to investors to commit to investments
Number of Foreign Trade Exhibitions / Missions conducted	3 Foreign Trade Exhibitions/Missions conducted	5	4	1	OSM to Iran and Qatar postponed
Number of Local Trade Exhibitions / Missions conducted	13 Investment and Trade Inward Missions hosted/ participated	4	4	0	None
Number of Exporters provided with Foreign Trade Counselling and Support	249 exporters provided with Foreign Trade Counselling and Support	150	146	4	Fewer exporters assisted than planned

4.4.3.2 Key performance indicators, planned targets and actual achievements

Performance Indicators	Baseline / Actual Achievement 2016/2017	Planned Target 2017/18	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Number of NEDP export training workshops conducted in Mpumalanga	7 NEDP export training workshops conducted	5	5	0	None
Number of EMIA / SSAS Applications Facilitated	16 EMIA / SSAS Applications Facilitated	35	12	23	Number of EMIA supported events for 2017/2018 reduced by the dti
Number of Inward Investment and Trade Inward Missions hosted	3 Local Trade Exhibitions/Missions conducted	12	12	0	None
Number of International Business Forums hosted	0 (New Target)	4	1	3	The December holiday season affects the flow of inward delegates
Number of investment Outward Missions conducted	3 Outward Missions hosted/ participated	6	3	3	OSM to Iran and Qatar postponed

4.4.3.3 Strategy to overcome areas of under performance

i. Investment Projects Attracted

Investor sentiment has improved and the push to move facilitated projects to finality will improve.

ii. High Impact Investor Conference

The 2nd Investor Conference is scheduled for June 2019 and planning is in progress.

iii. Investment Opportunities Packaged and Taken Up by Investors

Continued engagements with interested/potential investors

iv. Signed agreements with FDIs, LDIs and Provincial sector specific exporters

Investor sentiment has improved and the push to move facilitated projects to finality will improve.

v. Foreign Trade Exhibitions

Postponed OSMs to be undertaken in the new financial year

vi. EMIA / SSAS Applications

To increase promotion of remaining EMIA funded events for 2018/2019.

vii. Inward Investment and Trade Inward Missions

These missions will be scheduled during the first quarters of 2018/2019.

viii. International Business Forums

These missions will be scheduled during the first quarters of 2018/2019.

ix. Investment Outward Missions

Postponed OSMs to be undertaken in the new financial year.

STRATEGIC GOAL 3: INCREASED ATTRACTION OF SUITABLE INVESTORS TO THE PROVINCE BASED ON AN ATTRACTIVE VALUE PROPOSITION AND ATTRACTIVE INVESTMENT OPPORTUNITIES CONTINUED

4.4.3.4 Changes to planned targets

There were no changes to planned targets for the year except that total targets reported as achieved during the course of the year were adjusted in the Annual Report to ensure alignment between reported achievement and the Portfolio of Evidence (POE) provided.

4.4.3.5 Linking performance with budgets

	2017/2018			2016/2017		
Sub- Programme	**Budget**	**Actual Expenditure**	**Over)/Under Expenditure**	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**
Sub- Programme	**(R'000)**	**(R'000)**	**(R'000)**	**(R'000)**	**(R'000)**	**(R'000)**
TRADE & INVESTMENT PROM.	14 751	13 422	1 329	11 882	10 188	1 694
TOTAL	**14 751**	**13 422**	**1 329**	**11 882**	**10 188**	**1 694**

4.4.4 SUB PROGRAMME 4.2: CORPORATE STRATEGY

STRATEGIC GOAL 5: HIGH PERFORMING ORGANISATION

4.4.4.1 Strategic objectives, planned targets and actual achievements

Strategic Objectives	Baseline / Actual Achievement 2016/2017	Planned Target 2017/18	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
High Performing Organisation	0 (New Target)	70%	58%	12%	targets achieved by various divisions
Develop / review Performance Information Management Policy (PIMP)	0 (New Target)	1	1	0	None
Submit the approved Organisational Annual Performance Plans to the Shareholder	1	1	1	0	None
Submit the approved Strategic Plans to the Shareholder	1	1	1	0	None
Facilitate the Development of Organisational Performance Information Reporting	0 (New Target)	4	4	0	None
Submit the approved Annual Performance Information Report to the Shareholder by target date	1	1	1	0	None

4.4.4.2 Key performance indicators, planned targets and actual achievements

Strategic Objectives	Baseline / Actual Achievement 2016/2017	Planned Target 2017/18	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
% of Organisational Performance	0 (New Target)	70%	58%	12%	Fewer targets achieved by various divisions
PIMP developed / reviewed by target date	0 (New Target)	1	1	0	None
Organisational Annual Performance Plans submitted to the Shareholder by target date	1	1	1	0	None
Strategic Plans submitted to the Shareholder by target date	1	1	1	0	None
Quarterly Performance Information Reports submitted to the Shareholder by target date	0 (New Target)	4	4	0	None
Annual Performance Information Reports submitted to the Shareholder by target date	1	1	1	0	None

STRATEGIC GOAL 6: ENHANCED ORGANISATIONAL SUSTAINABILITY

4.4.4.3 Strategic objectives, planned targets and actual achievements

Strategic Objectives	Baseline / Actual Achievement 2016/2017	Planned Target 2017/18	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Develop / Review Monitoring and Evaluation Strategy	0 (New Target)	1	0	1	M&E function not capacitated
Submit Oversight Reports for Government Oversight Committees	0 (New Target)	6	6	0	None
Submit Monitoring and Evaluation Reports to EXCO	2	4	0	4	M&E function not capacitated
Monitor implementation of recommendations from Government Oversight Committees to ensure better accountability	0 (New Target)	4	1	3	Fewer requests recieved than planned
Develop / review business processes / Standard Operating Procedures	0	6	0	6	Delays in the appointment of the service provider

STRATEGIC GOAL 6: ENHANCED ORGANISATIONAL SUSTAINABILITY

4.4.4.3 Strategic objectives, planned targets and actual achievements

Strategic Objectives	Baseline / Actual Achievement 2016/2017	Planned Target 2017/18	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Develop / review an integrated multi-functional data management system	0 (New Target)	1	0	1	Delays in the appointment of the service provider
Submit periodic market analysis reports on updated economic trends to management for better decision-making	0 (New Target)	3	0	3	Research function is not yet capacitated
Develop / review Knowledge Creation and Management Strategy	0 (New Target)	1	0	1	Research function is not yet capacitated

4.4.4.4 Key performance indicators, planned targets and actual achievements

Performance Indicators	Baseline / Actual Achievement 2016/2017	Planned Target 2017/18	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Number of Monitoring and Evaluation Strategies developed / reviewed	0 (New Target)	1	0	1	M&E function not capacitated
Oversight Committee Reports submitted to Office of the Speaker through the Shareholder	0 (New Target)	6	6	0	None
Monitoring and Evaluation Reports submitted to EXCO	2	4	0	4	M&E function not capacitated
Number of progress reports on the implementation of findings and house resolutions submitted to relevant government structures	0 (New Target)	4	1	3	Fewer requests received than planned
Number of divisions with mapped business processes/ Standard Operating Procedures developed	0	6	0	6	Delays in the appointment of the service provider
Number of integrated multi-functional data management system developed / reviewed	0 (New Target)	1	0	1	Delays in the appointment of the service provider
Number of market analysis reports submitted to EXCO	0 (New Target)	3	0	3	Research function is not yet capacitated
Number of Knowledge Creation and Management Strategies developed/reviewed	0 (New Target)	1	0	1	Research function is not yet capacitated

4.4.4.5 Strategy to overcome areas of under performance

i. Monitoring and evaluation strategy

OD process completed and critical vacant positions have been advertised.

ii. Business process mapping and standard operating procedures

Service provider for the business process mapping have been appointed and work commenced.

iii. Market analysis reports

OD process completed and critical vacant positions have been advertised.

iv. Knowledge Creation and Management Strategies

OD process completed and critical vacant positions have been advertised.

4.4.4.6 Changes to planned targets

There were no changes to planned targets for the year except that total targets reported as achieved during the course of the year were adjusted in the Annual Report to ensure alignment between reported achievement and the Portfolio of Evidence (POE) provided.

4.4.4.7 Linking performance with budgets

	2017/2018			2016/2017		
Sub- Programme	**Budget**	**Actual Expenditure**	**Over)/Under Expenditure**	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**
Sub- Programme	**(R'000)**	**(R'000)**	**(R'000)**	**(R'000)**	**(R'000)**	**(R'000)**
CORPORATE STRATEGY	2 828	2 149	679	2 026	1 784	242
TOTAL	**2 828**	**2 149**	**679**	**2 026**	**1 784**	**242**

4.4.5 SUB PROGRAMME 4.3: MARKETING AND COMMUNICATIONS

STRATEGIC GOAL 8: IMPROVED CORPORATE IMAGE

4.4.5.1 Strategic objectives, planned targets and actual achievements

Strategic Objectives	Baseline / Actual Achievement 2016/2017	Planned Target 2017/18	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Increased MEGA Brand and Reputation	0 (New Target)	65%	68%	-3%	Over achievement on planned target.
Develop/review Marketing Strategy and Branding Policy	0 (New Target)	1	0	1	Vacant manager position
Conduct marketing campaigns	9	4	6	-2	Over achievement on planned target.
Conduct survey to measure impact of new corporate image	0 (New Target)	1	1	0	None
Measure improvement in client satisfaction	0 (New Target)	3	3	0	None
Develop/review Communications Strategy	0 (New Target)	1	0	1	Vacant manager position
Coordinate Meet 'n Greet with MEGA Tenants and Clients	5	4	6	-2	Over achievement on planned target.
Conduct client satisfaction survey	0 (New Target)	1	1	0	None
Arrange Media Relations Open Days	1	2	0	2	Limited staff
Increased Media relations and coverage	0 (New Target)	8	3	5	Limited staff

4.4.5.2 Key performance indicators, planned targets and actual achievements

Performance Indicators	Baseline / Actual Achievement 2016/2017	Planned Target 2017/18	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
% achieved on MEGA Brand and Reputation surveys	0 (New Target)	65%	68%	-3%	Over achievement on planned target.
Number of Marketing Strategies and Branding Policies developed/ reviewd	0 (New Target)	1	0	1	Vacant manager position
Number of marketing campaigns conducted	9	4	6	-2	Over achievement on planned target.
Number of surveys conducted to measure impact of new corporate image	0 (New Target)	1	1	0	None
Rating on client satisfaction survey	0 (New Target)	3	3	0	None

Performance Indicators	Baseline / Actual Achievement 2016/2017	Planned Target 2017/18	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Communications Strategy developed/reviewed by target date	0 (New Target)	1	0	1	Vacant manager position
Meet 'n Greet with MEGA Tenants and Clients coordinated	5	4	6	-2	Over achievement on planned target.
Number of surveys conducted to measure the level of client satisfaction	0 (New Target)	1	1	0	None
Number of Media Relations Open Days arranged	1	2	0	2	Limited staff
Number of Media breifings conducted	0 (New Target)	8	3	5	Limited staff

4.4.5.3 Strategy to overcome areas of under performance

i. Marketing Strategies and Branding Policies

The strategy and policy are being refined and will be resubmitted to the Board for approval

ii. Communication Strategy

The strategy and policy are being refined and will be resubmitted to the Board for approval

iii. Media relations open days

OD process completed and critical vacant positions have been advertised.

iv. Media briefings

OD process completed and critical vacant positions have been advertised.

4.4.5.4 Changes to planned targets

There were no changes to planned targets for the year except that total targets reported as achieved during the course of the year were adjusted in the Annual Report to ensure alignment between reported achievement and the Portfolio of Evidence (POE) provided.

4.4.5.5 Linking performance with budgets

	2017/2018			2016/2017		
Sub- Programme	Budget	Actual Expenditure	Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
Sub- Programme	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)
CORPORATE STRATEGY	7 903	6 590	1 313	3 870	3 396	474
TOTAL	**7 903**	**6 590**	**1 313**	**3 870**	**3 396**	**474**

4.5 PROGRAMME 5: PROPERTIES AND INFRASTRUCTURE

4.5.1 Programme Description:

The Division is responsible for three main functions, namely, property development and management, infrastructure development.

4.5.2 Highlights / Progress made:

Mpumalanga International Fresh Produce Market

a) Good progress made towards the implementation of the Mpumalanga International Fresh Produce Market (MIFPM). Evaluation of bids for the construction of top structures in progress.

b) Commitment by the IDC to participate in the funding of the MIFPM subject to the completion of the Bankable Feasibility Study.

Nkomazi Special Economic Zone

a) The application for the Nkomazi SEZ was completed and considered by the SEZ Advisory Board with a recommendation for the Minister of Trade and Industry to designate.

Revitalisation of the Property Portfolio

The Board approved to proceed with the conclusion of development agreements for the refurbishment of Siyabuswa and KaBokweni Shopping Centres.

4.5.3 SUB PROGRAMME 5.1: PROPERTIES AND INFRASTRUCTURE

STRATEGIC GOAL 1: INCREASED GENERATION OF COMPELLING INVESTMENT PROPOSITIONS THAT ARE ALIGNED TO THE PROVINCE'S COMPETITIVE ADVANTAGES

4.5.3.1 Strategic objectives, planned targets and actual achievements

Strategic Objectives	Baseline / Actual Achievement 2016/2017	Planned Target 2017/18	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Increased generation of investment projects	0 (New Target)	R 600m	R 0m	R 600m	Delay in conclusion of the development agreements with the Strategic Development Partners. In addition, Fewer projects were identified as a pilot to commence the Strategic Development Partner Programme.
Increased investment projects in the pipeline	0 (New Target)	15	19	-4	More feasibility analysis done, resulting in an over achieved planned target.
Complete Project Feasibility studies	0 (New Target)	15	0	15	Lack of budget and internal capacity to conduct feasibility studies.
Conduct high level feasibility studies of identified projects	0 (New Target)	15	0	15	Lack of budget and internal capacity to conduct feasibility studies

4.5.3.2 Key performance indicators, planned targets and actual achievements

Performance Indicators	Baseline / Actual Achievement 2016/2017	Planned Target 2017/18	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Rand value of investment projects approvals	0 (New Target)	R 600m	R 0m	R 600m	Delay in conclusion of the development agreements with the Strategic Development Partners. In addition, Fewer projects were identified as a pilot to commence the Strategic Development Partner Programme.
Number of investment projects on pipeline	0 (New Target)	15	19	-4	More feasibility analysis done, resulting in over achievement on planned target.
Number of project feasibility studies completed	0 (New Target)	15	0	15	Lack of budget and internal capacity to conduct feasibility studies.
Number of high level feasibility studies conducted by the end of each Financial Year.	0 (New Target)	15	0	15	Lack of budget and internal capacity to conduct feasibility studies.

STRATEGIC GOAL 2: INCREASED IMPLEMENTATION OF SUITABLE HIGH IMPACT INVESTMENTS OPPORTUNITIES IN THE PROVINCE

4.5.3.3 Strategic objectives, planned targets and actual achievements

Strategic Objectives	Baseline / Actual Achievement 2016/2017	Planned Target 2017/18	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Increased implementation of suitable high impact investments opportunities in the province	0 (New Target)	R 250m	R 285m	-R 35m	Over achievement
Increased implementation of investment opportunities by working closely with partner investors and injecting own capital where possible	0 (New Target)	10	0	10	The draft development agreements are still under negotiations between MEGA and the Strategic Development Partners
Procure development proposals from Strategic Development Partners.	0 (New Target)	12	0	12	Delay in the approval of the first group of Strategic Development Partner projects

4.5.3.4 Key performance indicators, planned targets and actual achievements

Performance Indicators	Baseline / Actual Achievement 2016/2017	Planned Target 2017/18	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Rand value of investment projects disbursements	0 (New Target)	R 250m	R 285m	-R 35m	Over achievement
Number of development agreements entered into with strategic development partners	0 (New Target)	10	0	10	The draft development agreements are still under negotiations between MEGA and the Strategic Development Partners
Number of development proposals issued to the Strategic Development Partners by the end of each Financial Year.	0 (New Target)	12	0	12	Delay in the approval of the first group of Strategic Development Partner projects

4.5.3 SUB PROGRAMME 5.1: PROPERTIES AND INFRASTRUCTURE

STRATEGIC GOAL 3: INCREASED IMPLEMENTATION OF SUITABLE HIGH IMPACT INVESTMENTS OPPORTUNITIES IN THE PROVINCE

4.5.3.5 Strategic objectives, planned targets and actual achievements

Strategic Objectives	Baseline / Actual Achievement 2016/2017	Planned Target 2017/18	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Increased investment projects in the pipeline	0 (New Target)	4	0	4	Delay in concluding agreements wth strategic development partners
Attract investments to the Nkomazi SEZ.	0 (New Target)	R 4b	R12b	-R8b	Over achievement on planned target.
Attract investments to the existing Industrial Parks	0 (New Target)	R 100m	0	R 100m	An application for funding by the dti was still not approved by the end of the financial year
Attract investments to the Mpumalanga International Fresh Produce Market	0 (New Target)	R 307m	R 307m	0	None

4.5.3.6 Key performance indicators, planned targets and actual achievements

Performance Indicators	Baseline / Actual Achievement 2016/2017	Planned Target 2017/18	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Number of investment projects facilitated in line with approved project plans	0 (New Target)	4	0	4	Delay in concluding agreements with strategic development partners
Value of Investments attracted to the SEZ	0 (New Target)	R4b	R12b	-R8b	Over achievement on planned target
Value of Investments attracted to the Industrial Parks	0 (New Target)	R 100m	0	R 100m	An application for funding by the dti was still not approved by the end of the financial year
Value of Investments attracted to the Mpumalanga International Fresh Produce Market	0 (New Target)	R 307m	R 307m	0	None

STRATEGIC GOAL 4: OPTIMIZED DEVELOPMENTAL IMPACT OF EACH INVESTMENT OPPORTUNITY

4.5.3.7 Strategic objectives, planned targets and actual achievements

Strategic Objectives	Baseline / Actual Achievement 2016/2017	Planned Target 2017/18	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Allocate work to local companies with at least Level 4 BBBEE rating in line with approved procurement plan	0 (New Target)	30%	40%	-10%	Over achievement on planned target
Facilitate creation of job opportunities during the construction of projects.	0 (New Target)	600	1366	-766	Over achievement on planned target
Facilitate creation of job opportunities during the operation of completed projects and the property portfolio	0 (New Target)	400	15 629	-15 229	Over achievement on planned target

STRATEGIC GOAL 4: OPTIMIZED DEVELOPMENTAL IMPACT OF EACH INVESTMENT OPPORTUNITY

4.5.3.8 Key performance indicators, planned targets and actual achievements

Strategic Objectives	Baseline / Actual Achievement 2016/2017	Planned Target 2017/18	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Percentage of work allocated to local companies with atleast level 4 BBBEE rating in line with approved procurement plan	0 (New Target)	30%	40%	-10%	Although the targets were exceeded, systems and processes that enable reliable reporting of achievement against the indicator need to be improved
Number of job opportunities facilitated during the construction of projects	0 (New Target)	600	1366	-766	Although the targets were exceeded, systems and processes that enable reliable reporting of achievement against the indicator need to be improved
Number of job opportunities facilitated during the operation of completed projects and the property portfolio	0 (New Target)	400	15 629	-15 229	Although the targets were exceeded, systems and processes that enable reliable reporting of achievement against the indicator need to be improved

STRATEGIC GOAL 7: ACHIEVED FINANCIAL SUSTAINABILITY

4.5.3.9 Strategic objectives, planned targets and actual achievements

Strategic Objectives	Baseline / Actual Achievement 2016/2017	Planned Target 2017/18	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Financial Standing	0 (New Target)	R52.5m	R150m	-R 97.5m	Although the targets were exceeded, systems and processes that enable reliable reporting of achievement against the indicator need to be improved
Increased collection of revenue from existing property portfolio	0 (New Target)	R40m	R123m	-R 83m	Although the targets were exceeded, systems and processes that enable reliable reporting of achievement against the indicator need to be improved

4.5.3.10 Key performance indicators, planned targets and actual achievements

Performance Indicators	Baseline / Actual Achievement 2016/2017	Planned Target 2017/18	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Rand Value of Revenue Generated (billing) through rental and municipal services	0 (New Target)	R52.5m	R150m	-R 97.5m	Although the targets were exceeded, systems and processes that enable reliable reporting of achievement against the indicator need to be improved
Rand Value of Revenue Collected through billing	0 (New Target)	R40m	R123m	-R 83m	Although the targets were exceeded, systems and processes that enable reliable reporting of achievement against the indicator need to be improved

4.5.3.11 Strategy to overcome areas of under performance

i. Investment projects approvals

Accelerate the identification and packaging of projects to be issued to SDPs.

ii. Project feasibility studies

High level feasibility studies to be conducted in the new financial year through internally appointed development managers.

v. Investment projects disbursements

The development agreements will be finalised by end Q1 of 2018/19.

vi. Investments attracted to the Industrial Parks

Follow-up with the dti to secure funding.

4.5.3.12 Changes to planned targets

There were no changes to planned targets for the year except total targets reported as achieved during the course of the year were adjusted in the Annual Report to ensure alignment between reported achievement and the Portfolio of Evidence (POE) provided.

4.5.3.13 Linking performance with budgets

	2017/2018			2016/2017		
Sub- Programme	**Budget**	**Actual Expenditure**	**Over)/Under Expenditure**	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**
Sub- Programme	**(R'000)**	**(R'000)**	**(R'000)**	**(R'000)**	**(R'000)**	**(R'000)**
PROPERTIES AND INFRASTRUCTURE:				**170 774**	**160 793**	**9 981**
PROPERTY DEVELOPMENT AND MANAGEMENT	191 657	177 353	14 304	-	-	-
FRESH PRODUCE MARKET	307 000	301 162	5 838	-	-	-
AGRI-HUBS	-	-	-	-	-	-
SPECIAL ECONOMIC ZONES	7 500	8 447	(947)	-	-	-
TOTAL	**506 157**	**486 962**	**19 195**	**170 774**	**160 793**	**9 981**


To promote **foreign trade** and investment so as to ensure enterprise and agricultural development

4.6 PROGRAMME 6: FUNDING

4.6.1 Sub Programme 6.1: Funding

The Division is responsible for five main functions, namely, SMME's, Co-operatives, Housing and Agricultural Finance, and Equity Investments.

4.6.2 SMME Development Finance

The sub programme aims to ensure that businesses remain viable, as successful SMME businesses make a direct contribution to the goals set out in the MEDGP of the Province. The programme provides the following support to existing SMME businesses:

Financial support

Financial support is given to qualifying businesses by providing loans relating to:
- Bridging finance for construction projects;
- Acquisition of plant and equipment;
- Financing tenders;
- Acquiring equity; and
- Financing working capital.

Non-financial support

Non-financial support services in the programme are provided by Business Advisors who conduct mentorship programmes that are designed to improve business success, and these services include:

- Training business owners on how to prepare financial statements and maintain good book keeping practices;
- Conducting business management seminars;
- Facilitating market linkages, by assisting small businesses to register with relevant government departments, so that their services can be used;
- Helping businesses brand and market their products in readiness for selling on the market;
- By providing regulatory information, and also linking businesses to the relevant authorities or bodies that can regulate their products or services;
- Facilitating the preparation of business plans through the Small Enterprise Development Agency (SEDA) for submission to institutions which provide funds to existing and new enterprises.

Beneficiation

The programme aims to achieve beneficiation objectives by setting up incubators where potential entrepreneurs will be trained before they set up their own businesses. Specific industries have been targeted. The initiative is aimed at reducing the number of businesses that fail at the initial stage while strengthening existing businesses. Initially incubators will be setup in the wood processing and steel manufacturing industries.

Beneficiation programmes involve supporting SMME's and Co-ops across all sectors by providing:

- Information on improving the packaging of their products and services;
- Government Incentives (Grant Funding) for infrastructure and non-financial services.

4.6 PROGRAMME 6: FUNDING (Continued)

4.6.2.1 Agriculture : Emerging Farmer Finance

This sub programme assesses farmer's needs in terms of the ability of the farmer to undertake the proposed business venture. All applications are considered by applying the regulations as required in the National Credit and FICA Acts.

The programme provides the following support to existing businesses:

- Market linkages for farm produce;
- Organising for farming inputs to be obtained at reasonable prices;
- Providing mentorship to ensure business success through exchange programmes with established businesses including those in livestock and crop production;
- Assisting in financial management and other specialised areas relevant to the business that has been funded;
- Providing agricultural economics information. MEGA has access to statistics on climatic conditions of the province which it provides to farmers and businesses as a value added service;
- Pursue profitable business ventures by identifying opportunities in which MEGA can become a strategic partner.

4.6.2.2 Equity Investments

The programme has the following projects aimed at facilitating the implementation of high development impact investments resulting in providing additional income streams to fund MEGA's operations namely:

Partially Owned Investments

MEGA has shareholdings in other projects or institutions that are intended to contribute to its' sustainability by providing income streams that fund MEGA's operations. The investments are as follows:

- Mining - 40% shareholding in Nkomati Anthracite in Nkomazi;
- Agriculture - 26% in Highveld Fruit Packers- Apple processing.

Wholly Owned Investments

Tekwane Citrus Farm

The farm produces citrus fruit which is sold to the local and foreign markets. 80% of the fruit is exported to Europe and the Far East.

Tekwane Citrus Farm has not been able to function optimally and thus generates acceptable revenue. The major reasons for lack of profitability of Tekwane Farm include, inter alia: huge overhead costs that drain the operation's profitability as a result of historical decisions relating to the employment of staff; incorrect application of fertilizers and other necessary agricultural products for farming; aging mechanical equipment; and limited capital to fund operations.

MEGA aims at providing interventions for the commercialisation of Tekwane Citrus Farm once land claim issues are resolved.

4.6 PROGRAMME 6: FUNDING (Continued)

Loopspruit Wine Farm

The vineyard farm produces grapes for processing into mampoer and wine sold locally. Bottling of the wine is outsourced to businesses outside the Province, as Mpumalanga does not have a wine bottling plant.

Loopspruit Wine Farm has not been able to realize its potential due to reasons such as administration and management inadequacies, poorly maintained infrastructure, high overhead costs, poor marketing, etc, a result of which, the farm has consistently operated at a loss. Currently, the farm is under care and maintenance.

MEGA aims at providing interventions for the commercialization of Loopspruit Farm and ensuring its subsequent profitability. Town planning and legal processes have commenced to transfer ownership of the farm from National Government to MEGA

4.6.3 Highlights / Progress:

Loan Funding Activities

During the period under review, loans approved amounted to R 16 million while the value of loans disbursed was R 34 million. The value of loans disbursed is made up of transactions approved during the current and prior years.

A breakdown of the allocation of approved funding and loan commitments (year-to-date) is as per the tables below:

Table 1: Rand Value Loans Approved – 31 March 2018

Indicator	Loans Approved	
	Rand Value	Number
SMME	R 7,502,145	10
Co-operatives	R 871,636	2
Agricultural enterprises	R 80,000	1
Housing loans	R 7,784,000	12
TOTALS	**R 16,237,781**	**25**

Table 2: Value of Loans Disbursed – 31 March 2018

Indicator	Loans Disbursement
	Rand Value
SMME	R 20,729,850
Co-operatives	R 540,505
Agricultural enterprises	R 4,095,077
Housing loans	R 9,058,189
TOTALS	**R 34,423,621**

4.6 PROGRAMME 6: FUNDING (Continued)

Government Nutrition Programme

The value of funds paid to the Government Nutrition Programme towards payment for the produce procured from farmers and transport from SMME's, amounted to R 41 million during the implementation of Phase I.

The following milestones have been achieved during the implementation of Phase I:
- 305 smallholder farmers have benefitted from the programme along with 2 bakeries throughout the Province;
- 69 jobs have been created at the Distribution Centres;
- 785 jobs have been created and/or sustained at the farmers operations; and 31 SMME's are being utilized for the transportation of the produce.

MEGA is gearing itself for Phase II of the programme and the following steps are being undertaken:
- Increasing the number of hospitals serviced from 9 to 32;
- Include supplying of the goods to DSD and DCSSL;
- Supply both fresh produce and dry goods for schools and hospitals; and
- Increasing the capacity of smallholder farmers, SMME bakeries and government owned milling projects.

4.6.4 SUB PROGRAMME 6.1: FUNDING

STRATEGIC GOAL 1: INCREASED GENERATION OF SUITABLE HIGH IMPACT INVESTMENTS OPPORTUNITIES IN THE PROVINCE

4.6.4.1 Strategic objectives, planned targets and actual achievements

Strategic Objectives	Baseline / Actual Achievement 2016/2017	Planned Target 2017/18	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Provide financial support to SMMEs using internal funds	0 (New Target)	R 30m	R7,5m	R 22,5m	Staff capacity and skills inadequacy
Provide financial support to Agricultural Businesses using internal funds	0 (New Target)	R0m	R 80k	-R 80K	Over achievement on planned target
Provide financial support to Cooperatives using internal funds	0 (New Target)	R 10m	R 872k	R 9.1m	Staff capacity and skills inadequacy
Provide financial support to home buyers using internal funds	0 (New Target)	R 5m	R 7.8m	-R 2.8m	Over achievement on planned target
Support participants (suppliers, producers and cooperatives) within the Government Nutrition and Social Enterprise Programmes	0 (New Target)	R 17m	R42m	-R 25m	Over achievement on planned target
Provide support for the Sanitary Towel Programme	0 (New Target)	R 1.4m	0	R 1.4m	Funding for the project was only received in March 2018

4.6.4 SUB PROGRAMME 6.1: FUNDING (Continued)

STRATEGIC GOAL 1: INCREASED GENERATION OF SUITABLE HIGH IMPACT INVESTMENTS OPPORTUNITIES IN THE PROVINCE

4.6.4.1 Strategic objectives, planned targets and actual achievements

Strategic Objectives	Baseline / Actual Achievement 2016/2017	Planned Target 2017/18	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Support tyre businesses within the Local Tyre Initiative Programme	0 (New Target)	R 3m	R43k	R3m	Funding for the project was only received in March 2018
Support enterprises within the creative industries sector	0 (New Target)	R 7m	R5.4m	R1.6m	Over achievement on planned target
Facilitate loans for SMMEs through partnerships	0 (New Target)	R 20m	0	R 20m	Accreditation of MEGA by Standard Bank as a service provider to the bank took longer
Facilitate loans for Agricultural Enterprises through partnerships	0 (New Target)	R 30m	0	R 30m	Accreditation of MEGA by Standard Bank as a service provider to the bank took longer
Facilitate home loans through partnerships	0 (New Target)	R 30m	0	R 30m	Accreditation of MEGA by Standard Bank as a service provider to the bank took longer

4.6.4.2 Key performance indicators, planned targets and actual achievements

Performance Indicators	Baseline / Actual Achievement 2016/2017	Planned Target 2017/18	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Value of loans approved to SMMEs	0 (New Target)	R 30m	R7,5m	R 22,5m	Staff capacity and skills inadequacy
Value of loans approved to Agricultural Businesses	0 (New Target)	R0m	R 80k	-R 80K	Over achievement on planned target
Value of loans approved to Cooperatives	0 (New Target)	R 10m	R 872k	R 9.1m	Staff capacity and skills inadequacy
Value of home loans approved using internal funds	0 (New Target)	R 5m	R 7.8m	-R 2.8m	Over achievement on planned target
Value of financial support: Government Nutrition and Social Enterprise Programmes	0 (New Target)	R 17m	R42m	-R 25m	Over achievement on planned target
Value of financial support for the Sanitary Towel Programme	0 (New Target)	R 1.4m	0	R 1.4m	Funding for the project was only received in March 2018
Value of financial support: Local Tyre Initiative Programme	0 (New Target)	R 3m	R43k	R3m	Funding for the project was only received in March 2018

4.6.4.2 Key performance indicators, planned targets and actual achievements

Performance Indicators	Baseline / Actual Achievement 2016/2017	Planned Target 2017/18	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Value of financial support: Creative Industries Initiative	0 (New Target)	R 7m	R5.4m	R1.6m	Over achievement on planned target
Value of loans facilitated for SMMEs through partnerships	0 (New Target)	R 20m	0	R 20m	Accreditation of MEGA by Standard Bank as a service provider to the bank took longer
Value of loans facilitated for Agricultural Businesses through partnerships	0 (New Target)	R 30m	0	R 30m	Accreditation of MEGA by Standard Bank as a service provider to the bank took longer
Value of home loans facilitated through partnerships	0 (New Target)	R 30m	0	R 30m	Accreditation of MEGA by Standard Bank as a service provider to the bank took longer

STRATEGIC GOAL 2: INCREASED IMPLEMENTATION OF SUITABLE HIGH IMPACT INVESTMENTS OPPORTUNITIES IN THE PROVINCE

4.6.4.3 Strategic objectives, planned targets and actual achievements

Strategic Objectives	Baseline / Actual Achievement 2016/2017	Planned Target 2017/18	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Disburse loans to SMMEs to SMMEs using internal funding	R 21.9m	R 21m	R 21m	None	None
Disburse loans to Agricultural Businesses using internal funding	R 9.3m	R 0m	R 4m	-R 4m	Over achievement on planned target
Disburse loans to Cooperatives using internal funding	R 5.3m	R 7m	R 541k	R 6.5m	Staff capacity and skills inadequacy
Disburse home loans using internal funding	R 8.5m	R 9m	R 9m	None	None
Provided financial support through Government Nutrition and Social Enterprise Programmes	0 (New Target)	R 17m	R42m	-R 25m	Over achievement on planned target
Provide support for the Sanitary Towel Programme	0 (New Target)	R1,4m	0	R1,4m	Funding for the project was received in March 2018
Provided financial support through Local Tyre Initiative Programme	0 (New Target)	R3m	R43k	R3m	Funding for the project was received in March 2018
Provided financial support through Creative Industries Initiative	0 (New Target)	R7m	R5.4m	R1.6m	Funding for the project will only be received in 2018/19

4.6.4 SUB PROGRAMME 6.1: FUNDING (Continued)

STRATEGIC GOAL 1: INCREASED GENERATION OF SUITABLE HIGH IMPACT INVESTMENTS OPPORTUNITIES IN THE PROVINCE

4.6.4.4 Key performance indicators, planned targets and actual achievements

Performance Indicators	Baseline / Actual Achievement 2016/2017	Planned Target 2017/18	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Value of loans disbursed to SMMEs using internal funding	R 21.9m	R 21m	R 21m	None	None
Value of loans disbursed to Agricultural Businesses using internal funding	R 9.3m	R0m	R 4m	-R 4m	Over achievement on planned target
Value of loans disbursed to Cooperatives using internal funding	R 5.3m	R7m	R 541k	R 6.5m	Staff capacity and skills inadequacy
Value of home loans disbursed using internal funding	R 8.5m	R9m	R9m	None	None
Value of financial support disbursed through Government Nutrition and Social Enterprise Programmes	0 (New Target)	R17m	R42m	-R 25m	Over achievement on planned target
Value of financial support for the Sanitary Towel Programme	0 (New Target)	R1.4	0	R 1.4m	Funding for the project was received in March 2018
Value of financial support disbursed through Local Tyre Initiative Programme	0 (New Target)	R 3m	R43k	R3m	Funding for the project was received in March 2018
Value of financial support disbursed through Creative Industries Initiative	0 (New Target)	R7m	R5.4m	R1.6m	Funding for the project will only be received in 2018/19

STRATEGIC GOAL 3: INCREASED ATTRACTION OF SUITABLE INVESTORS TO THE PROVINCE BASED ON AN ATTRACTIVE VALUE PROPOSITION AND ATTRACTIVE INVESTMENT OPPORTUNITIES

4.6.4.5 Strategic objectives, planned targets and actual achievements

Strategic Objectives	Baseline / Actual Achievement 2016/2017	Planned Target 2017/18	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Raise capital to grow the loan book	0 (New Target)	R 75m	0	R 75m	Accreditation of MEGA by Standard Bank as a service provider to the bank took longer
Identify strategic partnerships with financial institutions to grow the loan book	0 (New Target)	1	1	0	None
Profile potential partners for suitability and impact	0 (New Target)	1	1	0	None
Negotiate with potential partners	0 (New Target)	1	1	0	None
Develop partnership agreements with strategic partners in financial institutions to grow the loan book	0 (New Target)	1	1	0	None

4.6.4.6 Key performance indicators, planned targets and actual achievements

Performance Indicators	Baseline / Actual Achievement 2016/2017	Planned Target 2017/18	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Value of Investments attracted to grow the loan book	0 (New Target)	R 75m	0	R 75m	Accreditation of MEGA by Standard Bank as a service provider to the bank took longer
Strategic partners identified by target date	0 (New Target)	1	1	0	None
Potential partners profiled by target date	0 (New Target)	1	1	0	None
Negotiation with potential partners concluded by target date	0 (New Target)	1	1	0	None
Number of partnership agreements signed by target date	0 (New Target)	1	1	0	None

STRATEGIC GOAL 4: OPTIMIZED DEVELOPMENTAL IMPACT OF EACH INVESTMENT OPPORTUNITY

4.6.4.7 Strategic objectives, planned targets and actual achievements

Strategic Objectives	Baseline / Actual Achievement 2016/2017	Planned Target 2017/18	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Increase in loans allocated to designated groups	0 (New Target)	58	9	49	Staff capacity and skills inadequacy
Loans allocated to black owned businesses / individuals	68%	70%	100%	-30%	Over achievement on planned target
Loans allocated to rural based businesses / individuals	68%	50%	67%	-17%	Over achievement on planned target
Loans allocated to Women-owned businesses / individuals	3%	40%	58%	-18%	Over achievement on planned target
Loans allocated to youth-owned businesses	0 (New Target)	50%	42%	8%	Few business proposal achieved commercial viability
Loans allocated to business owned by people living with disability	0 (New Target)	3%	5%	-2%	Over achievement on planned target

4.6.4 SUB PROGRAMME 6.1: FUNDING (Continued)

STRATEGIC GOAL 4: OPTIMIZED DEVELOPMENTAL IMPACT OF EACH INVESTMENT OPPORTUNITY

4.6.4.7 Strategic objectives, planned targets and actual achievements

Strategic Objectives	Baseline / Actual Achievement 2016/2017	Planned Target 2017/18	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Job opportunities facilitated during loan origination (SMME)	0 (New Target)	124	31	93	Delays in processing loans in the pipeline
Job opportunities facilitated during loan origination (Agriculture)	0 (New Target)	0	0	0	None
Job opportunities facilitated during loan origination (Cooperatives)	0 (New Target)	40	5	35	Delays in processing loans in the pipeline
Potential jobs created through the Nutrition Programme	0 (New Target)	50	69	-19	Over achievement on planned target

4.6.4.8 Key performance indicators, planned targets and actual achievements

Performance Indicators	Baseline / Actual Achievement 2016/2017	Planned Target 2017/18	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Number of loans approved to entrepreneurs and companies within the designated groups	0 (New Target)	68	9	49	Staff capacity and skills inadequacy
Black owned (BEE) %	0 (New Target)	70%	100%	-30%	Over achievement on planned target
Rural based %	0 (New Target)	50%	67%	-17%	Over achievement on planned target
Women-owned businesses %	68%	40%	58%	-18%	Over achievement on planned target
Youth-owned businesses (18-35 years old) %	68%	50%	42%	8%	Few business proposal achieved commercial viability
Businesses owned by people living with disabilities %	3%	3%	5%	-2%	Over achievement on planned target
Number of job opportunities facilitated during loan origination (SMME)	0 (New Target)	124	31	93	Delays in processing loans in the pipeline
Number of job opportunities facilitated during loan origination (Agriculture)	0 (New Target)	0	0	0	None
Number of job opportunities facilitated during loan origination (Cooperatives)	0 (New Target)	40	5	35	Delays in processing loans in the pipeline
Number of potential jobs created through the Nutrition Programme	0 (New Target)	50	69	-19	Over achievement on planned target

MEGA has been specifically mandated to **stimulate growth** in various sectors

MPUMALANGA
THE PLACE OF THE RISING SUN

MEGA
MPUMALANGA ECONOMIC GROWTH AGENCY

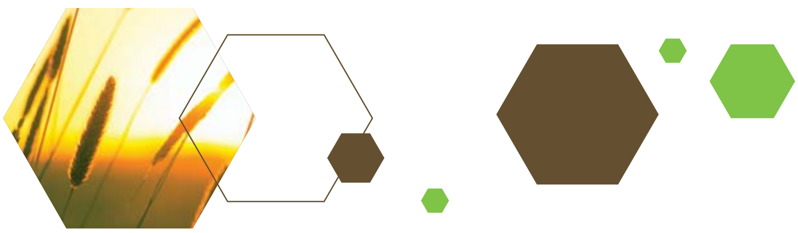
STRATEGIC GOAL 6: ENHANCED ORGANISATIONAL SUSTAINABILITY

4.6.4.9 Strategic objectives, planned targets and actual achievements

Strategic Objectives	Baseline / Actual Achievement 2016/2017	Planned Target 2017/18	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Increased corporatization of entities and investments	0 (New Target)	3	0	3	Unforeseen Legal ownership validation of equity investment projects and corporatisation strategy formulation was completed later than originally planned
Capital raised to corporatize entities and investments	0 (New Target)	R 300m	0	R 300m	Delays in obtaining approval from the Treasury to partner with the private sector and raised capital
Strategic partnerships formalized	0 (New Target)	1	1	0	None
Corporatization of wholly owned entities	0 (New Target)	2	0	2	Unforeseen Legal ownership validation of equity investment projects and corporatisation strategy formulation took longer than planned.
Corporatization of partially owned entities	0 (New Target)	1	1	0	None

4.6.4.10 Key performance indicators, planned targets and actual achievements

Performance Indicators	Baseline / Actual Achievement 2016/2017	Planned Target 2017/18	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Number of entities corporatized	0 (New Target)	3	0	3	Unforeseen Legal ownership validation of equity investment projects and corporatisation strategy formulation was completed longer than originally planned
Value of capital raised to corporatize owned entities and investments	0 (New Target)	R 300m	0	R 300m	Delays in obtaining approval from the Treasury to partner with the private sector and raised capital
Number of strategic partnerships concluded	0 (New Target)	1	1	0	None
Number of wholly owned entities corporatization	0 (New Target)	2	0	2	Unforeseen Legal ownership validation of equity investment projects and corporatisation strategy formulation took longer than planned.
Number of partially owned entities restructured	0 (New Target)	1	1	0	None



STRATEGIC GOAL 7: ACHIEVE FINANCIAL SUSTAINABILITY

4.6.4.11 Strategic objectives, planned targets and actual achievements

Strategic Objectives	Baseline / Actual Achievement 2016/2017	Planned Target 2017/18	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Improved Repayment rate	0 (New Target)	90%	53%	37%	Lack of an effective debt collection system
Provide post investment support to SMMEs	0 (New Target)	100	72	28	Staff capacity and skills inadequacy
Provide post investment support to Agricultural businesses	0 (New Target)	124	70	54	Staff capacity and skills inadequacy
Provide post investment support to Cooperatives	0 (New Target)	10	10	0	None
Provide technical support to black owned tyre businesses funded	0 (New Target)	20	8	12	Funding for the project was received late

4.6.4.12 Key performance indicators, planned targets and actual achievements

Performance Indicators	Baseline / Actual Achievement 2016/2017	Planned Target 2017/18	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Repayment rate (%)	0 (New Target)	90%	53%	37%	Lack of an effective debt collection system
Number of post investment support provided to SMMEs	0 (New Target)	100	72	28	Staff capacity and skills inadequacy
Number of post investment support provided to Agricultural businesses	0 (New Target)	124	70	54	Staff capacity and skills inadequacy
Number of post investment support provided to Cooperatives	0 (New Target)	10	10	0	None
Number of Local Tyre Businesses provided with non-financial support	0 (New Target)	20	8	12	Funding for the project was received late

4.6.4.13 Strategy to overcome areas of under performance

I. Value of loans approved

Prioritised vacant positions have been advertised to address staff shortages and skills inadequacy

II. Provide financial support for the Sanitary Towel Programme

The Sanitary Towel Programme will be implemented with effect from 1st Quarter of 2018/19.

III. Provide financial support for the Local Tyre Initiative Programme

The Local Tyre Initiative Programme will be implemented with effect from 1st Quarter of 2018/19.

IV. Loans facilitated through partnerships

Service Level Agreement finalised and loan referral to Standard Bank commenced.

V. Value of loans disbursed

Prioritised vacant positions have been advertised to address staff shortages and skills inadequacy.

VI. Loans approved to entrepreneurs and companies within the designated groups

Processing of all loans in the pipeline will ensure an increase in job creation.

VII. Job opportunities facilitated during loan origination

This target shall be corrected through the SMART principles review in 2018/19.

VIII. Capital raised to corporatize owned entities and investments

Continuous engagement with Treasury to secure approval to partner with the private sector and raised capital.

IX. Improve repayment rate

Enforcing legal collection on bad debt and accounts in arrears.

4.6.4.14 Changes to planned targets

There were no changes to planned targets for the year except that total targets reported as achieved during the course of the year were adjusted in the Annual Report to ensure alignment between reported achievement and the Portfolio of Evidence (POE) provided.

4.6.4.15 Linking performance with budgets

	2017/2018			2016/2017		
Sub- Programme	**Budget**	**Actual Expenditure**	**Over)/Under Expenditure**	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**
Sub- Programme	**(R'000)**	**(R'000)**	**(R'000)**	**(R'000)**	**(R'000)**	**(R'000)**
FUNDING	**157 600**	**139 686**	**17 914**	**143 951**	**109 389**	**34 562**
HOUSING	-	-	-	-	-	-
SMME	-	-	-	-	-	-
AGRICULTURE	-	-	-	-	-	-
REVENUE GENERATION	28 201	28 608	(407)	-	-	-
TOTAL	**185 801**	**168 294**	**17 507**	**143 951**	**109 389**	**34 562**

05 REVENUE COLLECTION

5.1 Revenue Collection

Sources of revenue	2017/2018 Budget (R'000)	2017/2018 Actual Amount Collected (R'000)	2017/2018 Over/(Under) Collection (R'000)	2016/2017 Budget (R'000)	2016/2017 Actual Amount Collected (R'000)	2016/2017 Over/(Under) Collection (R'000)
Municipal Services	80 654	76 982	(3 672)	101 557	97 201	(4 356)
Rent	43 993	39 340	(4 653)	38 428	31 271	(7 157)
Loans	14 736	15 500	764	16 648	13 890	(2 758)
Other	105 493	90 391	(15 102)	21 632	21 098	(534)
TOTAL	**244 876**	**222 213**	**(22 663)**	**178 265**	**163 460**	**(14 805)**

5.2 Programme Expenditure

Sub- Programme	2017/2018 Budget (R'000)	2017/2018 Actual Expenditure (R'000)	2017/2018 (Over)/Under Expenditure (R'000)	2016/2017 Budget (R'000)	2016/2017 Actual Expenditure (R'000)	2016/2017 (Over)/Under Expenditure (R'000)
Office of the CEO	21 704	21 453	251	21 711	20 286	1 425
Corporate Services	31 648	27 653	3 995	32 169	29 558	2 611
Finance	36 961	35 704	1 257	47 090	44 682	2 408
Strategy & Communications	25 971	22 434	3 537	17 778	15 551	2 227
Properties & Infrastructure	498 657	478 515	20 142	258 067	251 761	6 306
Funding	185 801	168 294	17 507	143 930	104 764	39 166
TOTAL	**800 742**	**754 053**	**46 689**	**520 745**	**466 602**	**54 143**

5.3 Capital investment, maintenance and asset management plan

5.3.1 Highlights on capital investment and asset management plan

- MEGA is currently implementing two infrastructure projects, namely: Mpumalanga International Fresh Produce Market and Nkomazi Special Economic Zone.
- No infrastructure projects were completed in the current year as all projects being implemented are multi-year projects.
- A formal approval of R50 million by **the dti** was obtained to revitalise Ekandustria industrial park.
- MEGA received investment proposals by the Strategic Development Partners towards the revitalisation of Siyabuswa, Kabokweni and Elukwatini shopping centres, and 66 Anderson Street office.
- MEGA has refurbished 16 buildings with a total square meter of 25 245.

5.3.2 Infrastructure projects

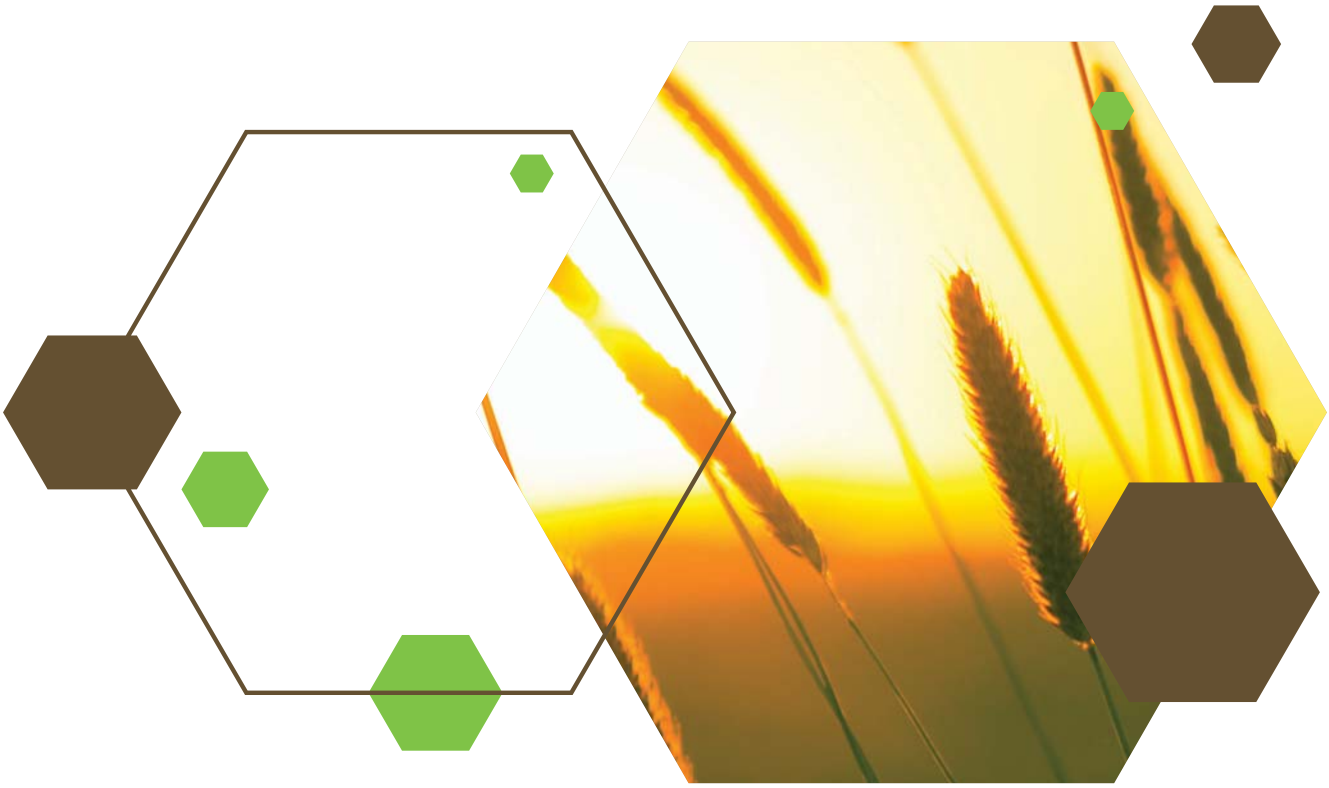
	2017/2018			2016/2017		
Infrastructure Projects	**Budget (R'000)**	**Actual Expenditure (R'000)**	**Over)/Under Expenditure (R'000)**	**Budget (R'000)**	**Actual Expenditure (R'000)**	**(Over)/Under Expenditure (R'000)**
Mpumalanga International Fresh Produce Market (MIFPM)	307 000	301 162	5 838	77 000	94 557	(17 557)
Nkomazi Special Economic Zone (SEZ)	7 500	8 447	(947)	3 135	6 672	(3 537)
TOTAL	**314 500**	**309 609**	**4 891**	**80 135**	**101 229**	**(21 094)**

5.3.3 The current state of the public entity's capital assets

	% Good	% Fair	% Poor
• Plant and machinery	4	66	30
• Office furniture, fixtures and equipment	20	60	20
• Motor vehicles	30	55	15
• IT equipment	55	30	15

5.3.4 Maintenance Expenditure

	2017/2018			2016/2017		
Maintenance expenditure	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**
	(R'000)	**(R'000)**	**(R'000)**	**(R'000)**	**(R'000)**	**(R'000)**
Maintenance – vehicles	167	180	(13)	173	220	(47)
Maintenance – equipment	233	157	76	122	92	30
Maintenance – buildings	3 915	5 651	(1 736)	4 748	4 490	258
Maintenance – infrastructure	1 033	1 146	(113)	971	558	413
TOTAL	**5 348**	**7 134**	**(1 786)**	**6 014**	**5 360**	**654**



PART C

GOVERNANCE

MPUMALANGA
THE PLACE OF THE RISING SUN

MEGA
MPUMALANGA ECONOMIC GROWTH AGENCY

01 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 entities is applied through the precepts of the Public Finance Management Act (PFMA) and run in tandem with the principles contained in the King Report on Corporate Governance.

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

02 PORTFOLIO COMMITTEES

The entity appeared before the Committee to deliberate on the analysis on its Quarter Performance Reports, Budget, and Annual Performance Plan. During the sittings the entity further provided progress reports on the implementation of the House Resolutions.

Dates and purpose of the Committee sittings are reflected on the table below:

DATE OF THE SITTING	PURPOSE OF THE SITTING
22 August 2017	Consideration of the 1st Quarter Report
17 October 2017	Consideration of the 2016/17 Annual Report
14 November 2017	Consideration of the 2nd Quarter Report
20 February 2018	Consideration of the 3rd Quarter Report

03 EXECUTIVE AUTHORITY

MEGA reports to the Executive Authority on performance in relation to its mandate and targets agreed upon with the Executive Authority in the Shareholders Compact.

In addition, all reports submitted to the Legislature and other government structures are submitted through the Executive Authority (Shareholder).

Apart from the reports to the Shareholder, the entity also attends and presents progress regarding the implementation of strategic initiatives on an ad-hoc basis to various government structures, such as Technical Committees, Provincial Management Committee, Exco Lekgotlas, etc.

04

THE ACCOUNTING AUTHORITY / BOARD

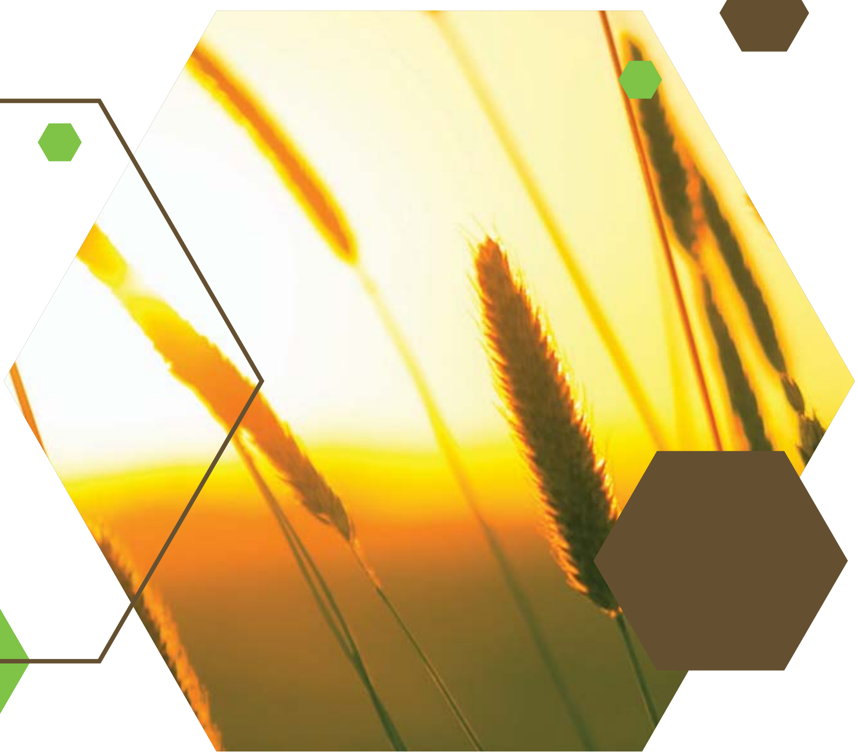
4.1 Introduction

MEGA is a schedule 3D entity by virtue of it being the successor in title of the erstwhile MEGA, which was established by the then MEGA Act 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 is the Accounting Authority of the Agency as contemplated in Section 49(2) (a) of the Public Finance Management Act of 1999, and Section. 5(1) of the MEGA Act 1 of 2010 (hereafter referred to as the "Act"). The Board shall, in respect of the exercise and performance of its powers and functions, be accountable to the Member of the Executive Council. (Section 5 (2) of the MEGA, Act 1 of 2010).

4.2 The Accounting Authority / Board

4.2.1 The Board

The Members of the Board are appointed in terms of the Act by the Member of the Executive Council responsible for Economic Development and Tourism for a period not exceeding four (4) years, but are eligible for re-appointment. The composition of the Board is prescribed by the Act which permits a minimum of nine [9] and a maximum of eleven [11] Members, all of whom shall be non-executive directors. In terms of the Act, the CEO is an ex officio member of the Board without any voting rights at meetings of the Board (Section 5(4) of the MEGA Act 1 of 2010).



BOARD OF DIRECTORS

MR. D MCULU
CHAIRMAN

MR. XGS SITHOLE
CEO

ADV. P MORGAN
COMPANY SECRETARY

MR. U KHUMALO
BOARD MEMBER

MR. M PETJE
BOARD MEMBER

MS. GA DEINER
BOARD MEMBER

MR. R LUBISI
BOARD MEMBER

MS. T MASENYA
BOARD MEMBER

MS. M MALUMANE
BOARD MEMBER

MR. U KHUMALO
BOARD MEMBER

MR. LT MALOBA
BOARD MEMBER

MS. TM MASASA
BOARD MEMBER

MR. SM BHEMBE
BOARD MEMBER

GROUP EXECUTIVES

4.2.2 The Role of the Board

In accordance with the aforementioned parameters of corporate governance, the Board must specifically:

(a) Retain full and effective control over MEGA, and monitor management's implementation of the strategic plans and financial objectives as defined by the Board;
(b) Define levels of materiality, reserving specific powers to itself and delegating other matters, with the necessary written authority, to management;
(c) Continually monitor and review the exercise by management of delegated powers;
(d) Ensure that a comprehensive system of policies and procedures is in place and that appropriate governance structures exist to ensure the smooth, efficient and prudent stewardship of MEGA;
(e) Ensure compliance by MEGA with all relevant laws and regulations, audit and accounting principles, MEGA's Code of Ethics and Conduct, and such other principles as may be established by the Board from time to time;
(f) Regularly review and evaluate the risks to the business of MEGA, including information technology ("IT") risks.
(g) Ensure the existence of comprehensive, appropriate internal controls to mitigate against such risks, as well as ensure that there is an effective risk-based internal audit;
(h) Exercise objective judgment on the affairs of MEGA, independent from management, but with sufficient management information to enable a proper and informed assessment to be made; and
(i) Identify and monitor non-financial aspects relevant to the business of MEGA, and ensure that MEGA acts responsibly towards all relevant stakeholders having a legitimate interest in its affairs in order to ensure that MEGA is seen to be a responsible corporate citizen.

4.2.3 Board Charter

The Board Charter defines the governance parameters within which the Board exists, sets out specific responsibilities to be discharged by the Board and members collectively, as well as certain roles and responsibilities incumbent upon members as individuals.

The Charter accordingly embraces the principles of good governance as set out in the King Code on Good Governance, the Mpumalanga Economic Growth Agency Act, No. 1 of 2010, the Public Finance Management Act, 1999, as amended, as well as the Treasury Regulations ("the PFMA"), the Promotion of Administrative Justice Act, 2000 ("PAJA"), as well as all applicable laws of the Republic of South Africa. The Charter is reviewed by the Board as and when necessary, to ensure that it remains relevant to the business objectives of MEGA.

4.2.4 Shareholders Compact

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

4.2.5 Delegation of Authority

The Board retains full and effective control over the organization. This responsibility is facilitated by a well-developed governance structure comprising of various Board Committees established in terms of Section 24 of the Act and a comprehensive Delegation of Authority Framework. The Delegation of Authority Framework assists in the control of the decision-making processes and does not dilute the duties and responsibilities of the Directors.

4.2.6 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 Agency. Continuous training is provided so that Members are able to:

(a) Make sensible and informed decisions and contribute independent, value-adding views to Board deliberations;
(b) Have an understanding of the legal and fiduciary responsibilities incumbent on Board members; and
(c) Discharge those responsibilities suitably and ensure that all Members are unequivocally committed to furthering the interests of MEGA.

4.2.7 Board Evaluation and Performance

Board Members are evaluated collectively and individually through a set of corporate governance questionnaires annexed to the Board Charter.The assessments in the main, serve as tools for improving governance practise thereby assisting the Board to better understand their own roles and responsibilities and how they can more effectively fulfil their fiduciary duties and obligations.

The Board evaluation also serves as a formal method to facilitate Board development and foster communications among Directors and between the Board and Management and increase accountability within the organization.

4.2.8 Remuneration of Board Members

The Board of Directors are remunerated in accordance with the rate as determined by National Treasury. The Board's travel and subsistence allowances are also paid for by MEGA in line with the HR Policy.

A detailed remuneration table of Board members is contained on page 187 of the Annual Financial Report.

4.2.9 Composition of the Board

The Board comprising of eleven [11] Members under the Chairpersonship of Mr. D.N Mculu was appointed in terms of Section 7 (4) of the Act and took office effective from 1st June 2015. A list of Board Members and their qualifications is contained in the table below:

BOARD MEMBER	QUALIFICATIONS	DATE OF APPOINTMENT
Mr. DN Mculu **Chairperson**	B Proc. and Higher Diploma in Company Law.	01/06/15
Ms. GA Deiner **Board Member**	BA; Higher Diploma in Education; Articles of Clerkship; B. Compt; Member of SAIPA; Qualified as Certified Estate Agent; Certificate in Risk Assessment and Control Management; Registered Tax Practitioner, GRAP Implementation Training	01/06/15
Mr. M Petje **Board Member**	Masters in Philosophy; Bachelor of Arts Degree and Bachelor of Education University; Senior Executive Programs; Public Financial Management Program; Inter-Governmental Fiscal Relations Program	01/06/15
Ms. T Masenya **Board Member**	BA Honours – UNISA; MPhil Courses in Sustainable Development Management & Planning, BA Human Resource Management.	01/06/15
Mr. S Khumalo **Board Member**	B.Eng. Management of Technology (Hons); B.Eng. Industrial Degree; Masters in Technology Management (current).	01/06/15
Ms. M Malumane **Board Member**	BSc Information and Knowledge Systems, MBA.	01/06/15
Mr. U Khumalo* **Board Member**	T2 Electrical Engineering; Professional Engineer; BSc Engineering (Electrical); MSc Engineering (Electrical); Executive Program; Management Advance Program; Marketing Certificate.	01/12/15
Mr. S Bhembe **Board Member**	Master of Business Administration- Finance & Corporate Strategy; Post-Graduate Diploma in Public Management; BA Honours: Economics	01/03/16
Mr. L Maloba* **Board Member**	Bachelor of Science in Urban Studies; Certificate in Urban Planning; Masters of Community Urban Planning; Property Development Program.	01/03/16
Ms. T Masasa **Board Member**	Chartered Accountant CA (SA), Bachelor of Commerce	01/03/16
Mr. R Lubisi **Board Member**	Chartered Accountant CA (SA), B. Compt Honours, Accounting.	01/08/16
Mr. XGS Sithole **CEO- ex officio**	BSc (Hons) (Microbiology).	01/01/14

Notes:
- *Mr. U Khumalo resigned on 31/05/17*
- *Mr. LT Maloba resigned on 08/02/18*

4.2.10 Board Meetings

Dates of meetings are scheduled annually in advance. In terms of the King Code on Good Governance, the Board and its Committees should at least have four (4) scheduled meetings per annum. Additional and or special meetings may be convened as and when material issues arise, requiring decisions by the Board. The quorum for Board meetings is 50 % + 1 (simple majority). The Board during the period under review, held twelve (12) meetings and the attendance by Members at these meetings was as follows:

BOARD MEMBER	MEETINGS ATTENDED
Mr. DN Mculu	12
Ms. GA Deiner	10
Mr. M Petje	08
Mr. R Lubisi	11
Ms. T Masenya	10
Mr. S Khumalo	05
Ms. M Malumane	09
Mr. S Bhembe	10
Mr. L Maloba*	03
Ms. T Masasa	06
Mr. U Khumalo*	02

Notes:
- *Mr U Khumalo resigned 31/05/17*
- *Mr. LT Maloba resigned 08/02/18*

4.2.11 Board Committees

The MEGA Board is empowered in terms of Section 24 of the Act to establish Board Committees. Section 24 (1) of the Act further provides that the Board may establish committees, with the power to co-opt other persons, for the purpose of assisting it with due and proper exercise and performance of any of its powers and functions, and may likewise dissolve, extend, enlarge or limit any committee so established.

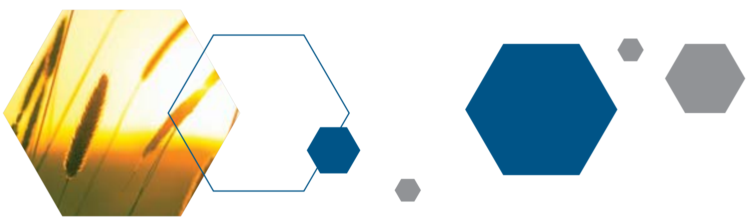
The Board had during its term constituted various Committees in order to assist the Board in discharging its responsibilities. This assistance is rendered in a form of recommendations and reports submitted to Board meetings ensuring transparency and full disclosure of Committee activities. All Committee Members are Non-Executive Directors and the Board currently consists of five [5] Committees namely:

1. Board Audit, Risk & Compliance Committee
2. Human Resources & Remuneration Committee
3. Finance & Investment Committee
4. Loans Committee
5. Governance, Social & Ethics Committee

4.2.11.1 Human Resources & Remuneration Committee

The Human Resources and Remuneration Committee is comprised of five [5] Non-Executive Directors. The objectives of the Committee are to:

(a) Oversee the development and implementation of a comprehensive Human Resources Strategy that supports the entity's values, vision, mission and aspirations.
(b) Review the organization's Human Resource Policies and recommend same for Board approval.
(c) Ensure that the organization has an effective organizational structure, and competitive human resources and practices.
(d) Recommend for approval by the Board a system to monitor and measure organizational development and performance.
(e) In collaboration with the Governance, Social and Ethics Committee, make recommendations to the Board on the selection and appointment processes for the Chief Executive Officer.
(f) Review at least annually, and recommend to the Board for approval, the CEO's compensation based on the evaluation of the CEO's performance in light of corporate and individual objectives.



The Human Resources Committee during the period under review, held six (6) meetings and the attendance by Committee members at these meetings was as follows:

COMMITTEE MEMBERS	MEETINGS ATTENDED
Ms. Masenya (Chairperson)	06
Mr. ST Khumalo	02
Mr. M Petje	06
Mr. R Lubisi	05
Mr. L Maloba	04
Mr. U Khumalo*	01

Notes:

- *Mr. U Khumalo resigned on 31/05/17.*

4.2.11.2 Finance and Investment Committee

The Finance and Investment Committee is comprised of five (5) Non-Executive Directors. The objectives of the Committee are inter alia to:

(a) Provide inputs on the Strategic Plan of the organization for subsequent approval by the Board.
(b) Review the accuracy of the draft budget as submitted by management, and ensure that management has aligned same with the approved Strategic Plan.
(c) Review the financial quarterly performance reports as submitted by management and recommend same for Board approval.
(d) Ensure that MEGA has and maintains sound financial policies.
(e) Ensure proper control over MEGA's investment projects.

The Finance and Investment Committee during the period under review, held five (5) meetings and the attendance by Committee members at these meetings was as follows:

COMMITTEE MEMBERS	MEETINGS ATTENDED
Mr. M Petje (Chairperson)	5
Ms. T Masenya	5
Ms. M Malumane	5
Mr. U Khumalo*	0
Mr. L Maloba*	0

Notes:

- *Mr U Khumalo resigned on 31/05/17*
- *Mr. L Maloba resigned on 08/02/18*

4.2.11.3 Loans Committee

The Loans Committee is comprised of five (5) Non-Executive Directors. The objectives of the Committee are inter alia to:

(a) Consider loan applications for Business Development, Agriculture and Housing between the values of R5m – R10m in terms of the Delegations of Authority Framework approved by the Board.
(b) Recommend all loans above R10m to the Board for approval.
(c) Recommend the design, selection, implementation, oversight and performance of any rating systems employed by the Agency.
(d) Recommend any debt write-offs to the Board, Audit Risk & Compliance Committee in line with MEGA's policies.
(e) Recommend debt restructuring to the Board with regards to clients affected by economic/climate conditions and any other conditions that may warrant Board's intervention.
(f) Recommend to the Board, any new lending product area, market or lending jurisdiction.
(g) Annually review the loan policies and procedures and present them to the Board for approval.
(h) Regularly analyse the loan portfolio and monitor lending areas for alignment to the Agency's risk appetite.
(i) Update the Board with regards to the market credit risks and any other matters connected therewith.

The Loans Committee during the period under review, held five (5) meetings and the attendance by Committee members at these meetings was as follows:

COMMITTEE MEMBERS	MEETINGS ATTENDED
Ms. M Malumane (Chairperson)	05
Mr. ST Khumalo	04
Mr. U Khumalo*	0
Mr. S Bhembe	05
Ms. T Masasa	04

Notes:
- *Mr U Khumalo resigned on 31/05/17*

4.2.11.4 Governance, Social & Ethics Committee

The Governance, Social & Ethics Committee is comprised of all Chairpersons of Board Committees (5) and is chaired by the Chairperson of the Board. The role of the Committee is categorised as follows:

i. Statutory Requirements (Regulation 43 of the Companies Act)

Monitoring the Agency's activities, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice, with regard to matters relating to:

a. Social and economic development including the Agency's standing in terms of the goals and purposes of-
(aa) the 10 principles set out in the United Global Compact Principles ("the UGCP");
(bb) the OECD recommendations regarding corruption;
(cc) the Employment Equity Act; and
(dd) the Broad-Based Black Economic Empowerment Act;

4.2.11.4 Governance, Social & Ethics Committee continued

b. Good corporate citizenship including the Agency's standing in terms of the goals and purposes of-

(aa) promotion of equality, prevention of unfair discrimination, and reduction of corruption;
(bb) contribution to development of the communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed; and
(cc) record of sponsorship, donations and charitable giving.

c. Environment, Health and Safety including the impact of the Agency's activities and of its products or services.

d. Consumer Relationships including the Agency's advertising, public relations and compliance with consumer protection laws;

e. Labour and employment including-
(aa) the Agency's standing in terms of the International Labour Organization Protocol on decent work and working conditions; and
(bb) the Agency's employment relationships, and its contribution towards the educational development of its employees;

ii. Corporate Governance
(a) Ensure alignment of the business or operating model of MEGA with its enabling legislation (MEGA Act No.1 of 2010).
(b) Receive, evaluate and interrogate the corporate or strategic plans of MEGA prior to them being tabled before the Board.
(c) In consultation with the HR Committee, administer and manage the selection process of the Chief Executive Officer (CEO) and make recommendations to the Board.
(d) Receive reports on the work of other Committees of the Board.
(e) Conduct an annual assessment of the performance of the Board and also review the effectiveness of all Board Committees.
(f) Periodically review the format and content of Board and Committee mandates so as to ensure that appropriate Board and Committee structures are in place.
(g) Ensure that the Shareholder's mandate is executed in other companies in which MEGA has a shareholding.
(h) Assess the extent of compliance with relevant legislation and codes relating to corporate governance and ethics.
(i) Oversee the development and implementation of continuing professional development programs for directors.

The Governance, Social & Ethics Committee during the period under review held four [4] meetings and the attendance by Committee members at these meetings was as follows:

COMMITTEE MEMBERS	MEETINGS ATTENDED
Mr. DN Mculu (Chairperson)	04
Ms. G Deiner	04
Ms. M Malumane	03
Mr. M Petje	04
Ms. T Masenya	04

05

THE ACCOUNTING OFFICER

5.1 Executive Management Committee

The Executive Management Committee (Exco) comprises of the Chief Executive Officer (Accounting Officer), Chief Financial Officer, Company Secretary, Internal Auditor and General Managers (Divisional Heads). The Committee is chaired by the Chief Executive Officer.

The Committee's role is to assist the Chief Executive Officer in guiding and controlling the overall direction of the organisation and in exercising executive oversight. The Committee is also responsible for ensuring effective management of the day to day operations of the entity.

During the period under review, the Executive Management Committee held [26] meetings and attendance by Committee members at these meetings was as follows:

COMMITTEE MEMBERS	QUALIFICATIONS	MEETINGS ATTENDED
Mr. X.G.S Sithole **Chief Executive Officer**	BSc (Hons) (Microbiology).	25
Mr. E.L Potgieter **Chief Financial Officer**	Chartered Accountant CA (SA); Certified Internal Auditor (CIA).	21
Adv. S.P Morgan **Company Secretary**	Admitted Advocate of the RSA; LLB Degree; Post Graduate Certificate in Corporate Governance; Post Graduate Certificate in Marketing Management; Higher Diploma in Education.	24
Ms. F Masuku **Internal Auditor (Acting)**	B Comm Accounting & Auditing; Higher Diploma in Computer Auditing; Master's in Business Administration.	22
Ms. T.C Mametja **GM: Corporate Services**	Diploma in Public Administration; Bachelor of Administration (B ADMIN); Honours; Short Programme on Community Development; Masters of Administration; Municipal Finance Management Programme. PhD- Local Government (Current studies).	8*
Ms. Q Mthembu **Acting GM: Corporate Services**	Bachelor of Commerce (BCOMM), Postgraduate Diploma in Business Management (current studies), Certified Risk Management Practitioner (CRM Prac. – in progress).	13
Mr. G.J Dladla **GM: Funding**	B. Comm Accounting; Masters of Business Administration (MBA); Certified Financial Analyst (CFA).	21
Mr. T Camane **GM: Properties & Infrastructure**	BSc Engineering (Civil); Master of Management (Finance and Investment); PhD Candidate.	18
Ms. D Ntshingila **GM: Strategy & Communications**	Diploma PR & Media Communications; Higher Diploma in Public Relations Law, Executive Brand Leadership, Management Advanced Programme (MAP)	13

Notes:

- *Ms. TC Mametja was seconded to Dipaleseng Local Municipality in 12/10/17 and Ms. Q Mthembu was appointed to act as GM: Corporate Services.*
- *Ms D Ntshingila was appointed GM: Strategy and Communications on 01/12/17.*

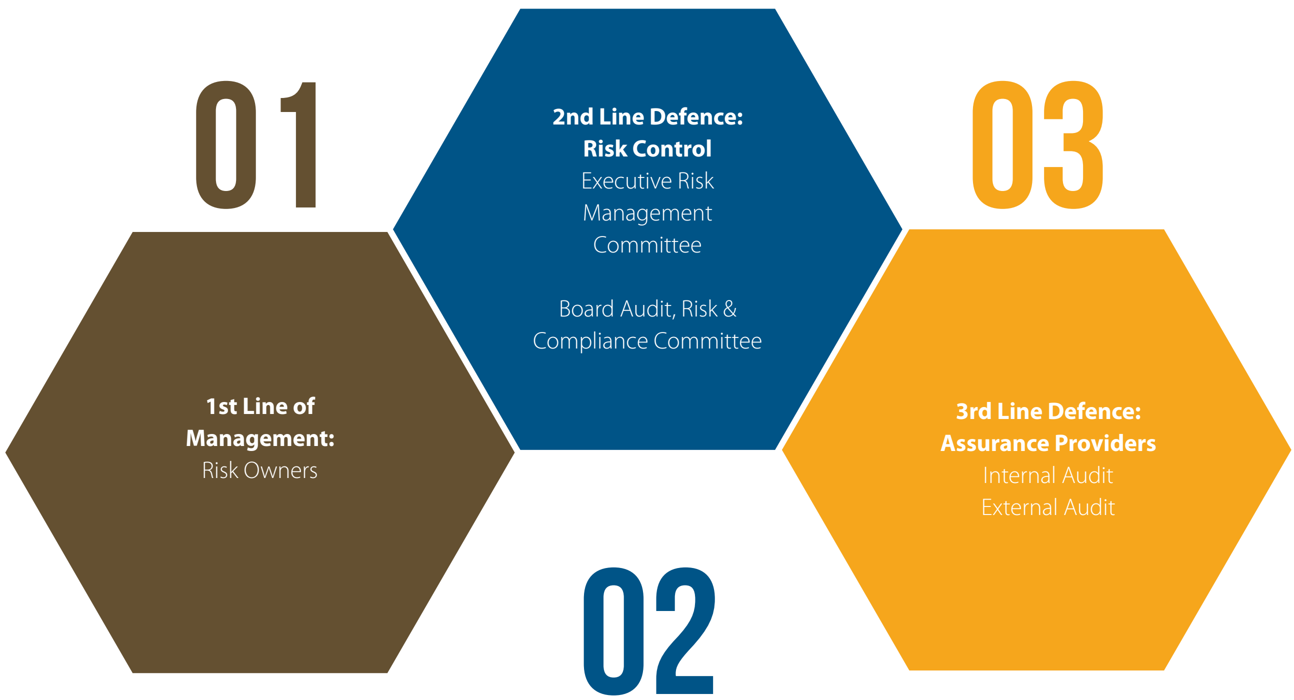
RISK MANAGEMENT

6.1 Nature of risk management – Enterprise Risk Management (ERM)

ERM is designed to identify potential events that may affect the organisation's ability to achieve its strategic objectives, manage risks within its risk appetite and ultimately provide assurance that MEGA will achieve its objectives. ERM is applied throughout the organisation and the process is supplemented by MEGA's ERM Framework and a comprehensive set of risk policies.

The policy framework is intended to facilitate the embedding of risk management techniques in day-to-day operations and thus better equip MEGA to identify events that affect its objectives and manage risk in a manner consistent with the Corporate Strategy. Within this context, all risks to MEGA, including those associated with sustainability are managed according to the "three lines of defence" governance model as outlined in the diagram below.

MEGA COMBINED ASSURANCE MODEL IS DEPICTED BELOW



1st Line of Defence: Risk ownership:

The MEGA Board of Directors and Management are responsible for the implementation of risk management, with Business Unit/Divisional Managers assuming responsibility and accountability for the implementation of risk management in their areas of operation as Risk Owners.

2nd Line of Defence:

Risk Control Functions: The Board Audit, Risk and Compliance Committee and the Risk Management Committee perform a policy setting and monitoring role to ensure the implementation of risk management, adherence to legislation and compliance with regulations.

3rd Line of Defence:

Risk assurance (Audit): Internal and external audit processes provide assurance of the effectiveness of risk management in the organisation.

6.2 Risk management strategies to identify risks and manage the risks

The ERM unit is responsible for coordinating the risk management process across the organisation and for embedding a risk culture in day-to-day processes. Below is a high-level overview of the Unit's objectives.

MEGA ERM Strategic Objectives

- **Adopt** an enterprise-wide risk man-agemnt framework and related policies and plans;
- **Establish** relevant and comprehensive risk categories;
- **Aggregate** risk data across MEGA;
- **Develop** a Coporate Risk Register.

01

MANAGEMENT RISK AT PORTFOLIO LEVEL

- **Set** the 'tone at the top' that defines MEGA's Risk Attitude and demonstrates commitment to proactive risk management;
- **Define** MEGA's risk governance structure;
- **Define** ERM accountabilities;
- **Define** KPI's with respect to ERM including individual KPI's for employees.

02

ESTABLISHED AND MAINTAIN A RISK AWARE CULTURE

- **Define** MEGA's Risk Appetite;
- **Define** MEGA's Risk Tolerance; and
- **Define** and implement Key Risk Indicators (KRIs).

03

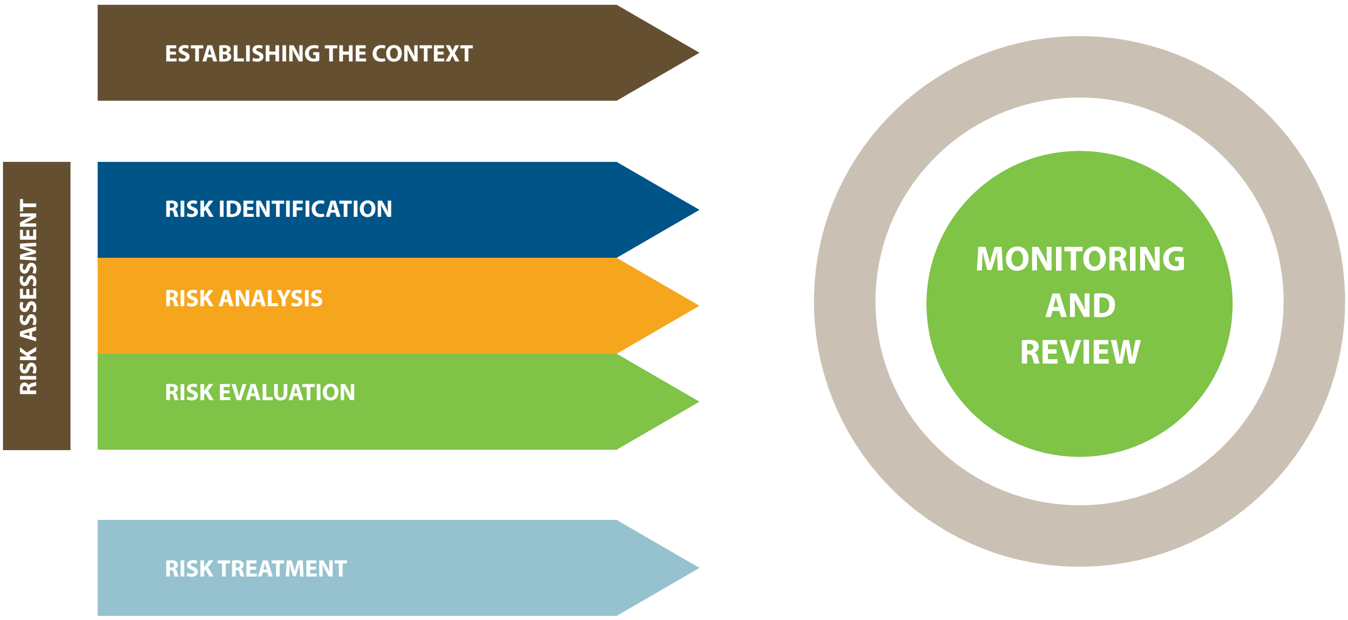
INTERGRATE RISK MANAGEMENT INFO DECISION MAKING

At process level and across all areas of the business, MEGA uses the process articulated below in the identification and management of its risks.

ERM Process Framework

MEGA uses a seven-stage process for managing its enterprise risks, as in the figure below. The process provides a logical and systematic method of establishing the context, identifying, analysing, integrating, evaluating, treating, monitoring, and communicating risks in a way that allows MEGA to make decisions and respond timely to risks and opportunities as they arise.

The figure below depicts the risk process framework as briefly discussed below:



- **Establishing the Context**

This stage of the process is concerned with the establishment of the risk management process by understanding the strategic objectives of the organisation, the environment in which MEGA operates, the risk management objectives, and the criteria against which the risks will be assessed.

- **Risk Assessment**

The risk assessment process enables management to understand the probability of risk and potential impact on the operations of the Agency, while the risk assessment methodology provides management with a portfolio of risks or risk profile.

The Risk Assessment process consists of the following phases:

- **Risk identification,** which aims at finding, recognising and describing the risk, i.e. specifies what can happen, the causes and sources of the risks. The objective is to identify a comprehensive list of risks and events that might impact the achievement of MEGA's strategic objectives, including missed opportunities.
- **Risk analysis,** which analyses the potential positive and/or negative consequences of risks and the likelihood that the risks will materialise. The existing controls are also taken into consideration. Thus, the objective of this phase is to estimate the magnitude of the likelihood and impact of risks.
- **Risk evaluation,** uses the understanding of risk obtained from the analysis stage to rank and prioritise risks in order to make decisions about risk treatment. This is because risk treatment usually has budgetary considerations, thus the importance of prioritisation as not all risks can be treated within a given period.

- **Risk Treatment**

The objective of risk treatment is to determine how MEGA responds to risks and involves identifying the range of options for treating risks, assessing these options, and preparation and implementation of treatment plans. MEGA's risk treatment options are listed below:

- **Terminate/Avoid** the risk by deciding not to start or continue with the activity that gives rise to the risk.
- **Treat** the risk in order to pursue an opportunity. This entails implementing additional measures to reduce the likelihood and/or consequences of the risk. These measures also include self-insurance.
- **Tolerate/Retain** risk by removing the risk source, i.e. changing the likelihood and consequences.
- **Transfer/Share** risk by moving it to another party through risk financing, outsourcing, hedging, etc.

- **Monitoring and Review**

This process entails the ongoing review to ensure that the risk management programme remains relevant and effective.

- **Communication and Consultation**

Effective communication and consultation increase awareness about the risk management programme. Awareness campaigns, training and education sessions, as well as newsletters, will be used to reach employees throughout the organisation. These will be aimed at improving employees' understanding of risks and the risk management process, ensure that varied views of stakeholders are considered and that all participants are aware of their roles and responsibilities.

6.3 Progress made in addressing risks identified

As at the end of the 2017/18 financial year, MEGA had made significant progress in embedding the risk management process at the strategic level, with regular reporting to governance structures on risk mitigation activities being a key feature.

Depicted below is a reflection on the strategic risk profile as at the end of the 2017/18 financial year, taking into account progress made in mitigating the key business risks. Below is the summarised Strategic Risk Profile as at 31 March 2018

Nr	RISKS	TRAJECTORY	COMMENTARY
R3	Lack of financial sustainability	▲	Risk mitigations ineffective in the short term
R8	Inadequate management of performance	◀ ▶	No change – system not yet implemented
R1	Lack of integration between IT and business	◀ ▶	No change – IT Strategy not yet in place
R2	Limited availability of bankable investment projects	◀ ▶	No change – expected in medium to long term
R4	Dilapidated property portfolio	▼	On downward trend
R5	Inability to attract investment	◀ ▶	No change – long range nature of interventions
R6	Failure to achieve unqualified audit opinion	◀ ▶	No change – await results at end of audit
R7	Misalignment of organisational structure with Corporate Strategy	▼	Risk mitigated as structure has been realigned and partially capacitated
R9	Negative image of MEGA	◀ ▶	Await perception survey results
R10	Labour unrest	▲	May materialise is short to medium term

The key factors contributing to the slow pace in the implementation of identified risk mitigation strategies include the following:-

- **Long-range nature of risk mitigation interventions.** In a number of instances, the risk mitigation activities are implemented within the timelines set, however, their effect on the risks is not realised in the short term.
- **Capacity constraints.** Most of the Divisions do not have the requisite capacity to execute on the strategy.
- **Slow SCM processes.** Given the inadequate capacity across many areas of the organisation, reliance has to be placed on external service providers in implementing, however, the SCM Unit itself has dire capacity constraints which generally impact the pace at which risk mitigation activities are executed.

07

INTERNAL AUDIT UNIT

7.1 Key activities and objectives of the internal audit unit

The internal audit unit is functioning in terms of an Internal 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.

7.2 Summary of audit work done

The internal audit unit has conducted audits in line with the approved internal audit plan for 2017/2018, 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 approved by the Board Audit, Risk and Compliance Committee and endorsed by the Board.
The following audits were undertaken as per the internal audit operational plan:

- Annual Financial Statement and Annual Report;
- Risk Management;
- Performance Information 1st quarter report;
- Follow up AG report and IA reports;
- Corporate services (Leave management and IT);
- Project Management;
- Financial and Assets Management;
- Property and Infrastructure;
- Performance Information 2nd quarter report;
- Interim Financial Statements;
- Supply Chain Management;
- Funding;
- Performance Information 3rd quarter report;
- Follow up AG report and IA reports.

INTERNAL AUDIT AND AUDIT COMMITTEES

8.1 Board Audit, Risk & Compliance Committee

The Board Audit, Risk & Compliance Committee has been established in terms of sections 51(1) (a) (ii) and 76(4) (d) of the PFMA and the Treasury Regulations to monitor the scope and effectiveness of the internal and external audit functions. The Committee is comprised of a minimum of three [3] Non- Executive Directors in line with the prescripts of the MEGA Act of 2010 and is chaired by an independent Non-Executive Director. The responsibilities of the Board Audit, Risk & Compliance Committee are to:

(a) Determine the adequacy and effectiveness of internal control systems;
(b) Evaluate the effectiveness of risk management;
(c) Perform the functions required of it by law;
(d) Review the significant accounting and reporting issues, including professional and regulatory pronouncements, and their impact on the financial statements with a view to ensure consistency with the appropriate accounting principles;
(e) Review the effectiveness of the internal audit function that is performed with the assistance of co-sourced external practitioners, whose major responsibilities include the examination and evaluation of the effectiveness and performance of operational activities and systems, together with the attendant business risks and financial control;
(f) Review the scope, performance, significant findings and recommendations made by the internal and external auditors; and
(g) Review any statement on ethical standards or requirements and the procedure to review compliance with the Code of Ethics.

The Board Audit, Risk & Compliance Committee during the period under review, held seven [7] meetings and the attendance by Committee members at these meetings was as follows:

COMMITTEE MEMBERS	QUALIFICATIONS	DATE OF APPOINTMENT	MEETINGS ATTENDED
Ms. G Deiner **(Chairperson)**	BA; Higher Diploma in Education; Articles of Clerkship; B. Compt; Admitted to South African Institute of Professional Accountants; Qualified as Certified Estate Agent; Certificate in Risk Assessment and Control Management; Registered Tax Practitioner	01/06/15 to date	07
Mr. M Petje	Masters in Philosophy; Bachelor of Arts Degree and Bachelor of Education, Senior Executive Certificate; Public Financial Management Certificate; Inter-Governmental Fiscal Relations Certificate	01/06/15 to date	06
Mr. R Lubisi	Chartered Accountant; Certificate in Theory of Accountancy; B Compt Honours; B Com-Accounting	Temporary Member from 01/08/16 to date	04
Ms. T Masasa	Chartered Accountant; Bachelor of Commerce	01/03/16	03
Mr. S Bhembe	Master of Business Administration- Finance & Corporate Strategy: Post-Graduate Diploma in Public Management; BA Honours: Economics	01/03/16	05

09 COMPLIANCE WITH LAWS AND REGULATIONS

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 included with 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 was identified during the audit.

10 FRAUD AND CORRUPTION

The fraud prevention plan is in place and is embedded in various processes which incorporate the consideration of preventative, detective and corrective controls in their execution. As the ERM Unit gets capacitated in the coming financial year, greater emphasis will be placed in ensuring full implementation of the fraud prevention plan which will include a comprehensive fraud risk assessment conducted independently. Following this, the ERM Unit will work with business in using the results of this assessment to facilitate the deployment of adequate controls to prevent such risks from materialising or mitigate their effect should they materialise.

11 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 association 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 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 Report on Corporate Governance. Further updating of the information is done as and when the need arises.

12

CODE OF CONDUCT

The Business Code of Conduct and Ethics (the Code) is enshrined in the Risk Management policies and breach of the code is dealt with through MEGA's disciplinary procedures. The Code is seen as the organisation's moral compass and promotes a culture of honesty, integrity, transparency and ethical business practices. Given its importance in driving a sound ethical culture, the Code is generally included in various fraud and corruption awareness campaigns that are conducted at least twice per annum. In the coming financial year, there will be greater focus in the promotion of the Code as the moral compass of the organisation and these will include enlisting written staff commitment to abide by the Code.

13

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.

A key challenge for the organisation in this area is the lack of capacity to drive the programme and thus it currently has a limited impact and the focus in this reporting period was largely on ensuring that basic minimum requirements are met. Notwithstanding, this challenge and more significantly, in the latter part of the 2017/18 financial year, MEGA commissioned a comprehensive independent occupational, health and safety audit across all of its business operations. The results of this assessment are going to be integrated into the organisation's risk management processes and will serve to focus the responsible Unit's efforts in driving strategic health and safety management in the ensuing financial year.

14

COMPANY SECRETARY

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 Report on Corporate Governance, MEGA Act 1 of 2010 and other relevant legislation and reports to the Board in this regard.

15

SOCIAL RESPONSIBILITY

During 2017/2018 financial year, due to challenges faced by the entity there has not been any improvement in this area, however, the matter will be prioritized in the next financial year.

16

AUDIT COMMITTEE REPORT

The Board Audit, Risk and Compliance Committee (BARCC) is pleased to present its report for the financial year ended 31 March 2018.

Audit Committee Responsibility

The Board Audit, Risk and Compliance Committee reports that it has complied with its responsibilities arising from Section 55 of the Public Finance Management Act (PFMA) and Treasury Regulation 3.1.10. The Board Audit, Risk and Compliance Committee 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.

The Effectiveness of Internal Control

In line with the PFMA and King Report on Corporate Governance requirements, Internal Audit provided the BARCC and management with assurance as to the effectiveness and adequacy of internal controls. The Internal Audit Plan for the year was based on the risk assessments conducted in the public entity. The Internal Audit reports presented to BARCC revealed a number of control deficiencies which impact negatively on the control environment. The BARCC raised the concerns around the control deficiencies with the management and provided guidance on strengthening the control environment.

The following areas inter alia of concern were raised:

- The inadequacy of Information Technology systems;
- The reliability and integrity of performance information reports especially with respect to the adequacy of supporting portfolios of evidence;
- Inefficient debt collection, loans management and accounting systems;
- The status of the organization's asset register and the slow progress in addressing this due to the extent thereof;
- The slow implementation and actions of management to address audit findings;
- The slow progress of negotiations and implementation of approved Organisational Redesign (OD) outcomes;
- The critical lack of capacity and the required level of skills particularly in the Finance and Funding divisions;
- The late submission of appropriate financial reports which continues to impact on the ability of the BARCC to provide the desired level of oversight.

The following internal audit work was completed during the year under review as per the Internal audit operational plan:-

- Performance Information 4th quarter report;
- Annual Financial Statement and Annual Report;
- Risk Management;
- Performance Information 1st quarter report;
- Follow up AG report and IA reports;
- Corporate services (Leave Management and IT);
- Project Management;
- Financial and Assets Management;
- Property and Infrastructure;
- Performance Information 2nd quarter report;
- Interim Financial Statements;
- Supply Chain Management;
- Funding;
- Performance Information 3rd quarter report;

16

In-Year Management and Monthly/Quarterly Report

The public entity has submitted monthly and quarterly reports to the Executive Authority and the BARCC is reasonably satisfied with the quality and content thereof, although there have been challenges specifically with the quality, integrity and accuracy of some reports prepared during the year. The completeness, accuracy and validity of reporting on performance information shows some improvement, however there is still a level of discomfort in the area of compilation of the portfolio of evidence to substantiate performance reporting. Furthermore, the timeliness and content of submissions of financial reports to BARCC for review continues to impact on the ability of the BARCC to provide the level of oversight and guidance it would wish to.

Evaluation of Financial Statements

The Board Audit, Risk and Compliance Committee has:

- Reviewed the audited Annual Financial statements to be included in the Annual Report.
- Reviewed the changes in accounting policies and practices;
- Reviewed the entity's compliance with legal and regulatory provisions;
- Reviewed the quality and timeliness of the financial information availed to the BARCC for oversight purposes during the year; and
- Reviewed the significant adjustments resulting from the audit.

There are significant prior period errors and changes in accounting policies, the details of which are reflected in the Annual Financial Statements and accompanying notes.

Management needs to ensure that proper action plans to address misstatements on the financial statements are developed, implemented and monitored throughout the financial year to minimize material misstatements on the Annual Financial Statements

AUDIT COMMITTEE REPORT CONTINUED

Management continues to grapple with a number of identified internal control deficiencies and challenges arising from legacy issues inherited from the erstwhile entities in existence prior to the merger in 2010. There is a noticeable improvement in the area of risk management, although this is still not adequately entrenched in the daily operations and in certain instances lack of accountability and particularly consequence management was noted. The delay in the final implementation of the organisational design (OD) process continues to impact on the delivery of set targets and in particularly the Finance, Internal Audit and Funding functions which lack capacity and adequate skills.

Executive Management has not made reliable progress in instilling accountability and responsibility in the organizational hierarchy. The failure by Executive Management on implementation of corrective actions and or recommendations made by Internal Audit is also a concern to the committee.

Internal Audit

The Board Audit, Risk and Compliance Committee is satisfied that the co-sourced Internal Audit function is operating effectively and that it has addressed the risks pertinent to the entity in its audits. The in-house Internal Audit unit will be appropriately resourced during the year ahead as the OD process is finalised.

Auditor-General South Africa Report

The Board Audit, Risk and Compliance Committee has reviewed the public entity's remedial action plan for audit issues raised in the prior year and have noted the efforts by management to resolve the matters in respect of high focus matters, while recognizing that there are still significant matters that call for serious attention.

The Board Audit, Risk and Compliance Committee has reviewed the audit report of the Auditor-General and concurs with the audit opinion and the emphasis of matters that have been raised in the report of the Auditor-General.

Appreciation

The Board Audit, Risk and Compliance Committee extends appreciation to the members of the Board, Chief Executive Officer, the Secretariat and management for the cooperation in assisting the Committee to discharge its responsibility. In addition, the efforts of the Chief Financial Officer and his team, as well as the significant value added by the co-sourced Internal Audit function and the office of the AGSA is highly appreciated.

Ms. G.A Deiner
Chairperson of the Audit, Risk, and Compliance Committee
Mpumalanga Economic Growth Agency

PART D

HUMAN RESOURCE MANAGEMENT

MPUMALANGA
THE PLACE OF THE RISING SUN

MEGA
MPUMALANGA ECONOMIC GROWTH AGENCY

01

INTRODUCTION

MEGA's strategic objective for Human Capital Management is to implement an effective human resource management system from recruitment to termination, with a focus on measures to enhance organizational performance through appropriate facilities and other supporting systems.

Some of the key priorities and interventions for the 2017/18 financial year are detailed hereunder:-

1.1 Completion of the Organisational Realignment process

In the year 2015, the entity adopted a new Corporate Strategy which necessitated an organisational realignment exercise aimed at developing and implementing an organisational structure and competency framework suited to the needs of the organisation and which would enable effective and efficient execution of the Business Model provided for in the Corporate Strategy.

In the year 2017/18, the following significant milestones were achieved in relation to the organisational realignment process:-

TARGET DESCRIPTION	TARGET NR.	ACTUAL AS 31 MARCH 2018
Conduct staff competency assessments	200	164
Place employees on the new organisational structure	200	118**
Facilitate adjudication of Appeals on Placement process	38	38
Issue Record of Decision on Appeals to all Appellants	38	38

***Nr of placed employees excludes 6 Executive Management staff (CEO&GMs)*

Of the total of thirty eight (38) appeals adjudicated, thirty six (36) were dismissed and two (2) were upheld. The statistics relating to placements and appeals are indicated below:-

EMPLOYEES PLACED
118**

EMPLOYEES NOT PLACED
45

APPEALS RECEIVED
38

APPEALS DISMISSED
36

APPEALS UPHELD
2

A high level classification of unplaced employees (the pool) is as follows:-

SALARY BAND	CATEGORY	NR. IN POOL
D	Middle management	7
C	Advisors, Officers, Senior Administrators	33
B	Administrators, Clerks	13
TOTAL		**53****

***includes employees who did not participate in the placement processes initiated by the employer, viz. competency assessments, competitive placement, etc.*

The completion of the Appeals process marked the conclusion of the last but one phase of the Organisational Realignment, namely, the management of the unplaced employees, a matter for consultation with Organised Labour. As at the end of the financial year, Management had initiated the consultative process with Organised Labour, the objective of which is to collectively develop a strategy and roadmap for the management of the unplaced employees which would then be implemented in terms thereof by Management. It is anticipated that this process will be concluded by the end of first quarter of the new financial year.

In line with the Migration Strategy & Implementation Plan, following the finalisation of the Appeals process, the recruitment process for the filling of prioritised vacant positions was activated. The process is well underway and it is anticipated that by the end of the 2nd quarter of the financial year a significant number of the positions would have been filled.

1.2 Strategy development

During the year 2017/18 financial year, the Human Capital Management Unit embarked on the development of a new Human Resources Strategy and a Talent Management Strategy. Still in their draft format, the documents are ready for consultation with relevant stakeholders and subsequent approval by the Board. It was necessary to review the current strategies in order to ensure that the organisation has in place, an HR and Talent Management strategy that directly responds to the needs of the organisation as articulated in the Corporate Strategy. It is anticipated that the consultation and subsequent approval processes will be finalised within the first two quarters of the new financial year.

1.3 Employee Performance Management Framework

In the latter part of the 3rd quarter of the financial year, the Human Capital Management Unit initiated a project aimed at developing a Performance Management Framework and Policy. Although planned for implementation from 1 April 2018, the project experienced delays and could not be concluded by the end of the financial year. It is intended that the policy will be implemented in phases, beginning with executive management, followed by senior and middle management, etc. such that by the end of the ensuing financial year, all levels of employees would have been brought on board.

As at the end of the financial year, significant progress had been made, including the following key milestones:-

- Engagement with Organised Labour to introduce the project, making the case thereof and soliciting input on key elements to be included in the framework;
- Engagement with all staff to introduce the project, making the case thereof and soliciting input on key elements to be included in the framework;
- Engagement with middle and executive management to introduce the project, making the case thereof and soliciting input on key elements to be included in the framework;
- Engagement with the Board Human Resources Committee to introduce the project, making the case thereof and soliciting input on key elements to be included in the framework;
- Development of a high-level framework and draft policy and processes;
- Development of Divisional Performance Scorecards (executive management) to be cascaded down to lower levels; and
- Identification and procurement of a performance management system which suits the requirements as articulated in the framework and policy

The immediate next steps entail the finalization of the divisional performance scorecards and automation thereof and consultation on the policy in order to facilitate its approval.

1.4 Policy development

Apart from the draft Performance Management Policy cited above, no new policies were developed in the current financial year. It is however envisaged that as part of the Performance Management and Development System project, a Rewards Policy will be developed and the same is targeted for completion before the end of the 1st quarter of the ensuing financial year.

Within the area of policy management, the Unit initiated a policy review exercise which was aimed conducting a gap analysis exercise on its policy universe. This was concluded by the end of the financial year. The immediate next step is to amend the policies in line with the recommendations from the gap analysis exercise and thereafter subject them to the approval processes following consultation with relevant stakeholders.

1.5 Employee Wellness programmes

The Entity continues to provide an Employee Wellness Programme through the selected provider, Careways. It was noted however that in the year 2017/18 utilisation of the tool had dropped significantly and it is management's plan to robustly market the programme as it is useful in assisting employees to manage day-to-day challenges which may have direct or indirect effect on their general wellbeing and performance in the work place.

One of the key initiatives implemented in the latter part of the financial year entailed engagement sessions which were held in all workstations where employees were empowered on with effective techniques for building resilience when faced with change. As part of this, an onsite Therapist was availed to employees for individual therapy services as required. Management intends to continue offering interventions of a similar nature in an effort to assist employees to cope with the rapid changes within the organisation specifically and in general.

In addition to the above and in an effort to promote teamwork, the Unit facilitated Team building sessions for divisions wherein employees were exposed to a number of teambuilding activities and were also empowered on emotional intelligence and the importance of teams in the corporate environment. Ahead of the sessions, each employees' behavioural attributes were assessed using an online battery and individual personal profiles were drawn up and the information thereon enabled employees to better understand how they contribute to the effectiveness of their teams and the areas that they need to work on for their personal growth.

1.6 Training and development

The Unit had targeted to develop 50% of its workforce through various training interventions and this target had been achieved by the end of the financial year. The training interventions included those highlighted in the outcomes of the competency assessments conducted at end of the year 2016/17. A significant highlight in this area relates to the launch of the Adult Basic Education and Training (ABET) Programme in January 2018 for general workers. A total of twenty-nine (29) employees were initially assessed in order to determine current literacy levels and ensure that they would be placed in the most appropriate programme based on their current competency levels. The assessment was based on communication in English and mathematical literacy, the outcome of which is reflected below:

LEVEL	NO. OF EMPLOYEES/LEARNERS
3	1
2	2
3	1
Oral bridge	16

The programme has been running for a couple of months and has been well received by employees who believe that it is making a positive impact in their lives.

Executive Coaching Programme

In February 2017, MEGA contracted Connemara to offer executive coaching services to MEGA's executive management team. Amongst others, the programme is aimed at coaching executive management individually in order to facilitate leadership effectiveness, operational success and strategic alignment. Each of the General Managers were assigned a total of 12 one-on-one coaching sessions with a professional coach and by the end of the current financial year, the following sessions had been concluded per executive:-

EXECUTIVE	SESSIONS COMPLETED BY 31 MARCH 2018
Chief Executive Officer	5
Chief Financial Officer	12
General Manager: Corporate Services	10
General Manager: Funding	12
General Manager: Properties & Infrastructure	8
General Manager: Strategy & Communications	0 (joined organisation in December 2017 and 1st session scheduled for 1 April 2018)

Executive Coaching Programme Continued

As part of driving team effectiveness and strategic alignment within the executive team, the Human Capital Management Unit will be facilitating a team effectiveness session for EXCO at the beginning of the financial year and these sessions will be run on an ongoing basis.

1.7 Challenges

The key challenges within HR were centred on the impact of the OD project on capacity and performance across the organisation and within the Unit itself. This is expected to persist until some of the vacant positions can be filled between the 1st quarter and 2nd quarter of the ensuing financial year.

1.8 Future HR plans

The key priorities for the Unit in the coming financial year include but are not limited to the following:-

(i) Implementation of the Performance Management & Development System;
(ii) Approval and implementation of the HR and Talent Management Strategies;
(iii) Capacitation of the organisational structure;
(iv) Completion of the final phase of the organisational re-alignment project, namely, management of the pool of unplaced employees; and
(v) Implementation of employee Personal Development Plans in line with the outcomes of the competency assessments.

02 HUMAN RESOURCE OVERSIGHT STATISTICS

2.1 Personnel Cost by programme

PROGRAMME	TOTAL EXPENDITURE	PERSONNEL EXPENDITURE	PERSONNEL EXP AS % OF TOTAL EXP	NO. OF EMPLOYEES @ 31 MAR 18
CEO's Office	8,817,918	8,600,313	9	10
Finance	14,623,529	14,048,374	15	33
Corporate Services	15,415,944	15,115,170	16	48
Strategy and Communications	9,223,011	8,818,976	9	14
Funding	37,015,916	35,955,562	37	68
Infrastructure and Properties	11,420,048	11,072,081	12	36
SEZ	1,883,593	1,758,896	2	3
TOTAL	**98,399,959**	**95,369,372**	**100**	**212**
EPWP	801,981	0		31
Loopspruit & Tekwane	7,417,761	0		355
TOTAL	**106,619,701**	**0**		**598**

2.1 Personnel Cost by programme Continued

The total number of employees (212) includes temporary, fixed-term employees, interns and employees who were terminated during the period under review because MEGA incurred expenditure until their last day of service.

2.2 Personnel cost by salary band

OCCUPATIONAL LEVEL	PERSONNEL EXPENDITURE
Top Management	11,775,255
Senior Managers and Professionals	29,486,077
Skilled	35,924,974
Semi-skilled	10,675,060
Unskilled	7,508,006
TOTAL	**95,369,372**

2.3 Performance Rewards

Performance incentives were not paid during the period under review pending the implementation of the Performance Management & Development System and conclusion of the organisational re-alignment process.

2.4 Training Costs

PROGRAMME	PERSONNEL EXPENDITURE	TRAINING EXPENDITURE	TRAINING EXPENDITURE AS A % OF PERSONNEL COST.	NO. OF EMPLOYEES TRAINING PER PROGRAMME	AVERAGE TRAINING COST PER EMPLOYEE
CEO's office	8,600,313	16,200	0.2	1	16,200
Finance	14,048,374	88,700	0.6	6	14,783
Corporate Services	15,115,170	103,777	0.7	15	6,918
Funding	8,818,976	170,928	1.9	26	6,574
Property Management and Infrastructure	35,955,562	32,512	0.1	2	16,256
Strategy and Communication	11,072,081	184,950	1.7	9	20,550
SEZ	1,758,896		0.0		
TOTAL	**95,369,372**	**597,067**		**59**	

2.5 Employment and vacancies

OCCUPATIONAL LEVEL	NO. OF APPROVED POSITIONS 2017/2018	2017/2018 NO OF FILLED POSITIONS	2017/2018 VACANCIES	VACANCY RATE IN %
Top Management	6	6	0	-
Senior Management	21	7	14	5
Professional qualified	58	14	44	17
Skilled	95	31	64	25
Semi-skilled	21	5	16	6
Unskilled	58	55	3	1
SEZ	0	0	0	
TOTAL	**259**	**118**	**141**	**54%**

2.6 Employment changes

PROGRAMME	EMPLOYMENT AT BEGINNING OF PERIOD	APPOINTMENT	TERMINATION	EMPLOYMENT AT END OF THE PERIOD
Top Management	5	1		6
Senior Management	3			7
Professional qualified	28		6	20
Skilled	64		3	64
Semi-skilled	38			21
Unskilled	43		2	53
TOTAL	**184**	**1**	**(13)**	**172**

2.7 Reasons for staff leaving

REASON	NUMBER	% OF TOTAL NO. OF STAFF LEAVING
Death	1	7.7%
Resignation	1	7.7%
Dismissal	Nil	Nil
Retirement	4	30.8%
Ill health	1	7.7%
Expiry of contract	6	46.1%
Other: VSP	Nil	Nil
TOTAL	**13**	**100%**

2.8 Labour Relations: Misconduct and disciplinary action

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

2.8.1 Labour Litigations

REASON	NUMBER OF EMPLOYEES	DESCRIPTION	STATUS
NEHAWU (2 cases)	126	Non-disclosure of critical information by Management during the Organizational Re-alignment (OD) process	Both cases were withdrawn by the Union at the CCMA
Professional	1	Unfair dismissal	CCMA ruled in-favour of MEGA
Professional	1	Unfair demotion during the OD process	The matter was not resolved at conciliation.

2.8.2 Disciplinary Actions

None.

2.9 Equity Targets And Employment Equity Status

As a designated employer, the Entity is committed to address the imbalances of the past by building the capacity of designated groups, including people with disabilities in to order to ensure equitable representation in all occupational categories and levels in the workplace. Amongst others, this will be achieved through targeted recruitment of candidates whose appointments will enable the Entity to achieve its pre-determined targets, thus enabling it to close identified gaps in the various occupational categories. Included below are the Entity's employment equity targets in relation to the fifty two (52) prioritised vacant positions to be filled from the 2018/19 financial year, subject to budget availability.

2.9.1 Equity Targets And Employment Equity status – Females

OCCUPATIONAL LEVEL	AFRICAN		COLOURED		INDIAN		WHITE	
	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET
Top Management	2	0	0	0	0	0	0	0
Senior Managers	3	6	1	1	0	0	1	1
Professional qualified	3	7	0	1	0	1	0	2
Skilled	12	10	1	0	0	1	0	2
Semi-skilled	7	1	0	0	0	0	1	0
Unskilled	31	0	0	0	0	0	0	0
TOTAL	**58**	**24**	**2**	**2**	**0**	**2**	**2**	**5**

TOTAL: CURRENT	62
TOTAL: TARGET	33

2.9.2 Equity Targets And Employment Equity status – Males

OCCUPATIONAL LEVEL	AFRICAN		COLOURED		INDIAN		WHITE	
	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET
Top Management	3	0	0	0	0	0	1	0
Senior Managers	2	3	0	1	0	0	0	2
Professional qualified	9	3	0	1	0	1	1	2
Skilled	17	3	1	0	0	1	2	2
Semi-skilled	4	0	0	0	0	0	0	0
Unskilled	16	0	0	0	0	0	0	0
TOTAL	**51**	**9**	**1**	**2**	**0**	**2**	**4**	**6**

TOTAL: CURRENT	**56**
TOTAL: TARGET	**19**

2.9.3 Equity Targets and Employment Equity Status: Disabled Staff

OCCUPATIONAL LEVEL	MALE		FEMALE	
	CURRENT	TARGET	CURRENT	TARGET
Top Management	0	0	0	0
Senior Managers	0	1	0	1
Professional qualified	0	1	0	1
Skilled	1	1	0	1
Semi-skilled	0	0	0	0
Unskilled	0	0	0	0
TOTAL	**1**	**3**	**0**	**3**

TOTAL: CURRENT	**1**
TOTAL: TARGET	**6**

PART E

FINANCIAL INFORMATION

MPUMALANGA
THE PLACE OF THE RISING SUN

MEGA
MPUMALANGA ECONOMIC GROWTH AGENCY

Report of the auditor-general to the Mpumalanga Provincial Legislature on the Mpumalanga Economic Growth Agency

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Mpumalanga Economic Growth Agency set out on pages 134 to 197 which comprise the statement of financial position as at 31 March 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, except for the possible effects of the matters described in the basis for the qualified opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Mpumalanga Economic Growth Agency as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No.1 of 1999) (PFMA).

Basis for opinion

Other financial assets

3. I was unable to obtain sufficient appropriate audit evidence for other financial assets, as the entity did not provide the contracts and the disbursement and payment confirmations to confirm that loans and related interest had been accounted for properly in the financial statements. I could not confirm the correctness of the loan amounts and related interest by alternative means, as the entity's record system did not permit this. Consequently, I was unable to determine whether any adjustment was necessary relating to other financial assets stated at R119 892 198 (2017: R93 634 648) as disclosed in note 8 to the financial statements, and interest income of R33 784 052 (2017: R25 452 616) included in revenue as disclosed in note 20 to the financial statements.

Context for the opinion

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

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

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

Emphasis of matters

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

Restatement of corresponding figures

8. As disclosed in note 34 to the financial statements, the corresponding figures for 31 March 2017 have been restated as a result of an error in the financial statements of the public entity at, and for the year ended, 31 March 2018.

Material impairments

9. As disclosed in notes 8 and 10 to the financial statements, material impairments of R70 157 643 (2017: R61 169 923) and R177 031 195 (2017: R136 776 206) were incurred as a result of the provision for the impairment of other financial assets, and trade and other receivables, respectively.

Irregular expenditure

10. As disclosed in note 40 to the financial statements, irregular expenditure of R147 010 019 (2017: R40 187 991) was incurred, as a proper procurement process had not been followed.

Responsibilities of the accounting authority for the financial statements

11. The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the financial statements in accordance with the IFRS and the requirements of the 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.

12. In preparing the financial statements, the accounting authority is responsible for assessing the public entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting authority either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

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

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

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

Report on the audit of the annual performance report

Introduction and scope

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

16. My procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

17. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the public entity for the year ended 31 March 2018:

Programmes	Pages in the annual performance report
Programme 4 – strategy and communication	52 - 64
Programme 5 – properties and infrastructure	65 - 69
Programme 6 – funding	71 - 84

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

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

Programme 4 – strategy and communication

Various indicators

20. The indicators below were changed without the necessary approval:

Planned indicators per annual planning document	Reported indicators per annual performance report
Number of investment opportunities packaged and taken up by investors	Number of packaged investment opportunities taken up by investors
Number of investment and trade inward missions hosted/participated	Number of inward investment and trade inward missions hosted
Number of outward missions hosted/participated	Number of outward missions conducted

Number of high impact investor conference hosted

21. The planned target for this indicator was not specific in clearly identifying the nature and required level of performance, as it was indicated to have a target of zero.

Export opportunities accessed for MP export companies

22. The planned target for this indicator was not specific in clearly identifying the nature and required level of performance, as it was unclear whether the target was measured as a percentage or a number.

Various indicators

23. The reported achievement in the annual performance report did not agree to the supporting evidence provided for the indicators listed below. The supporting evidence provided indicated that the achievements of these indicators were as follows:

Performance indicator	Reported achievement	Audited value
Value of investment attracted	420 000 000,00	320 000 000,00
Export opportunities accessed for MP export companies	17	6
Number of investment projects facilitated	7	0

Programme 5 – properties and infrastructure

Various indicators

24. The systems and processes that enable reliable reporting of the achievement against the indicator were not adequately designed for the following targets:

- Facilitate creation of job opportunities during the construction of projects
- Facilitate creation of job opportunities during the operation of completed projects and the property portfolio

Number of investment projects in the pipeline

25. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of the target of 15 investment projects in the pipeline. This was due to limitations placed on the scope of my work. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the achievement of 19 as reported in the annual performance report.

Various indicators

26. The reported achievement in the annual performance report did not agree to the supporting evidence provided for the indicators listed below. The supporting evidence provided indicated that the achievements of these indicators were as follows:

Target description	Reported achievement	Audited value
Value of investments attracted to the SEZ	R12 000 000 000 000	R4 751 760 000
Allocate work to local companies with at least level 4 BBBEE rating in line with approved procurement plan	40%	0%

Programme 6 – funding

Various strategic objectives

27. The strategic objectives listed below were changed without obtaining the necessary approval:

Planned strategic objectives per annual performance plan	Reported strategic objectives per annual performance report
Support local suppliers within the local supplier development initiative	Provide support for the sanitary towel programme
Value of loans disbursed to SMMES using internal funding	Disburse loans to SMMES using internal funding
Value of loans disbursed to agricultural businesses using internal funding	Disburse loans to agricultural businesses using internal funding
Value of loans disbursed to cooperatives using internal funding	Disburse loans to cooperatives using internal funding
Value of home loans disbursed using internal funding	Disburse home loans using internal funding

Planned strategic objectives per annual performance plan	Reported strategic objectives per annual performance report
Value of financial support disbursed through government nutrition and social enterprise programmes	Provided financial support through government nutrition and social enterprise programmes
Value of financial support disbursed through local tyre initiative programme	Provided support to the sanitary towel initiative programme
Value of financial support disbursed through local tyre initiative programme	Provided financial support through local tyre initiative programme
Value of financial support disbursed through creative industries initiative	Provided financial support through creative industries initiative

Various indicators

28. The indicators listed below were changed without obtaining the necessary approval:

Planned indicators per annual performance plan	Reported indicators per annual performance report
Value of financial support: local supplier development initiative	Value of financial support for the sanitary towel programme
Disburse loans to SMMES using internal funding	Value of loans disbursed to SMMES using internal funding
Disburse loans to agricultural businesses using internal funding	Value of loans disbursed to agricultural businesses using internal funding
Disburse loans to cooperatives using internal funding	Value of loans disbursed to cooperatives using internal funding
Disburse home loans using internal funding	Value of home loans disbursed using internal funding
Provided financial support through government nutrition and social enterprise programmes	Value of financial support disbursed through government nutrition and social enterprise programmes
Provided financial support through local tyre initiative programme	Value of financial support for the sanitary towel programme
Provided financial support through local tyre initiative programme	Value of financial support disbursed through local tyre initiative programme
Provided financial support through creative industries initiative	Value of financial support disbursed through creative industries initiative

Number of loans approved to entrepreneurs and companies within the designated group

29. The target approved in the annual performance plan was 58. However, the target was changed to 68 without the necessary approval.

Various indicators

30. The planned targets listed below were not specific in clearly identifying the nature and required level of performance and/or were not measurable:

- Number of job opportunities facilitated during loan origination (agriculture)
- Value of loans approved to agricultural businesses
- Value of loans disbursed to agricultural businesses using internal funding

Various indicators

31. The source information, evidence and method of calculation for achieving the planned indicators below were not clearly defined:

- Strategic partners identified by target date
- Potential partners profiled by target date
- Negotiation with potential partners concluded by target date
- Number of partnership agreements signed by target date
- Number of loans approved to entrepreneurs and companies within the designated groups
- Black owned (BEE) %
- Rural based %
- Women-owned businesses %
- Youth-owned businesses (18-35 years old) %
- Businesses owned by people living with disabilities %
- Repayment rate (%)

Various targets

32. I was unable to obtain sufficient appropriate audit evidence for the reported achievements in the annual performance report of the indicators listed below. This was due to a lack of technical indicator descriptions as well as proper performance management systems and processes with formal standard operating procedures that predetermined how the achievement would be measured, monitored and reported. I was unable to confirm that the reported achievements of these indicators were reliable by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievements for the following indicators:

Target description	Planned target	Reported achievement
Value of financial support: government nutrition and social enterprise programmes	R17m	R41m
Value of financial support: local tyre initiative programme	R3m	R43k
Value of financial support disbursed through government nutrition and social enterprise programmes	R17m	R41m
Value of financial support disbursed through local tyre initiative programme	R3m	R43k
Number of job opportunities facilitated during loan origination (cooperatives)	40	5

Number of potential jobs created through the nutrition	50	69
Repayment rate (%)	90%	53%
Strategic partners identified by target date	1	1
Potential partners profiled by target date	1	1
Negotiation with potential partners concluded by target date	1	1

Various indicators

33. The reported achievement in the annual performance report did not agree to the supporting evidence provided for the indicators listed below. The supporting evidence provided indicated that the achievements of these indicators were as follows:

Target description	Reported achievement	Audited value
Number of partnership agreements signed by target date	1	0
Number of loans approved to entrepreneurs and companies within the designated groups	9	11
Rural based %	67%	55%
Number of job opportunities facilitated during loan origination (SMME)	31	6

Other matters

34. I draw attention to the matters below.

Achievement of planned targets

35. Refer to the annual performance report on pages **19 to 87** for information on the achievement of planned targets for the year and explanations provided for the under- or overachievement of a significant number of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 20 to 33 of this report.

Adjustment of material misstatements

36. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of the strategy and communication, the properties and infrastructure, and the funding programmes. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.

Report on the audit of compliance with legislation

Introduction and scope

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

38. The material findings in respect of the compliance criteria for the applicable subject matters are as follows:

Annual financial statements, performance report and annual report

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

Procurement and contract management

40. Some goods, works and services were not procured through a procurement process that is fair, equitable, transparent and competitive, as required by section 51(1)(a)(iii) of the PFMA.

Expenditure management

41. Effective steps were not taken to prevent irregular expenditure amounting to R147 010 019, as disclosed in note 40 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA.

Revenue management

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

Other information

43. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.

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

45. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact.

46. I have read the other information included in the draft annual report and have nothing to report in this regard.

Internal control deficiencies

47. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.

Leadership

48. Oversight responsibility was not exercised adequately by management to ensure appropriate financial and performance reporting as well as compliance with laws and regulations.

49. The monitoring mechanisms used by the board of directors were not effective in ensuring that their resolutions were fully implemented by management, resulting in some of the prior year audit findings not being addressed.

Financial and performance management

50. Management did not ensure the effective and timely implementation of the audit action plan that was developed to address prior year audit findings.

51. The entity did not formulate and implement a record management policy and related procedures to ensure that all documentation was properly maintained and controlled.

52. Management did not implement recommendations from the various governance and oversight structures aimed at improving significant deficiencies in the internal control environment, resulting in material misstatements in the annual financial statements and annual performance report as well as non-compliance with legislation.

Governance

53. The reviews performed by the audit committee on financial and performance information was not effective in detecting errors and omissions, resulting in information not being reliable, accurate and complete.

Auditor-General

Mbombela

31 July 2018

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general's responsibility for the audit

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

Financial statements

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

   - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
   - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control
   - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting authority
   - conclude on the appropriateness of the use of the going concern basis of accounting by the board of directors, which constitutes the accounting authority, in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the public entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease continuing as a going concern
   - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication with those charged with governance

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

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

ANNUAL FINANCIAL STATEMENTS

MPUMALANGA
THE PLACE OF THE RISING SUN

MEGA
MPUMALANGA ECONOMIC GROWTH AGENCY

As a secondary objective, **MEGA strives to prove** that property development and management can yield sustainable good and achieve significant growth.

GENERAL INFORMATION

Country of incorporation and domicile	South Africa
Nature of business and principal activities	An official development finance institution and the trade andinvestment promotion arm of the Provincial Government ofMpumalanga, dedicated to positioning the province as an investmentdestination of choice and a regional trade hub.
Directors	Mr DN Mculu (Chairman) Mr SM Bhembe Ms GA Deiner Mr ST Khumalo Mr MR Lubisi Ms M Malumane Ms TM Masasa Ms T Masenya Mr M Petje Mr XGS Sithole (ExOfficio)
Registered office	20 Paul Kruger Street Absa Square Nelspruit 1200
Business address	20 Paul Kruger Street Absa Square Nelspruit 1200
Bankers	Absa Bank Limited Standard Bank Limited
Auditors	Auditor-General of South Africa
Secretary	Advocate SP Morgan

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DIRECTORS' RESPONSIBILITIES AND APPROVAL

The directors are required in terms of the MEGA Act no.1 of 2010 and PFMA Act no.1 of 1999 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 International Financial Reporting Standards.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or 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 risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements.

However, any system of internal financial control can provide only reasonable, and not absolute assurance against material misstatement or loss. The directors have reviewed the entity's cash flow forecast for the year to 31 March 2019 and, in light of this review and the current financial position, they are satisfied that the entity has or had 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.

The annual financial statements set out on pages 2 to 62 which have been prepared on the going concern basis, were approved by the board on 31 May 2018 and were signed on their behalf by:

Mr DN Mculu (Chairman)

DIRECTORS' REPORT

The directors have pleasure in submitting their report on the annual financial statements of Mpumalanga Economic Growth Agency for the year ended 31 March 2018.

1

Nature of business

Mpumalanga Economic Growth Agency (MEGA) was incorporated in South Africa and is a Government Business Enterprise classified as a schedule 3D entity in terms of the PFMA Act, no. 1 of 1999. Mpumalanga Economic Growth Agency operates principally in Mpumalanga, South Africa. The entity provides development funding to qualifying businesses and individuals for housing purposes. MEGA also manages and developed 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 more finance from the financial markets.

There have been no material changes to the nature of the entity's business from the prior year.

2

Review of financial results and activities

The annual financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the MEGA Act no.1 of 2010 and PFMA Act no.1 of 1999. With the exception of changes in accounting policies set out in note 34, the accounting policies have been applied consistently compared to the prior year, except for the adoption of new or revised accounting standards as set out in note 34.

The entity recorded a net loss for the year ended 31 March 2018 of R113,391,890. This represented a decrease from the net profit recorded in the prior year of R111,413,899. Revenue increased from R190,978,706 in the prior year to R196,362,260 for the year ended 31 March 2018.

3

Going concern

The directors believe that the entity has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the entity is in a sound financial position. The directors are not aware of any new material changes that may adversely impact the entity. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the entity.

4

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.

DIRECTORS' REPORT

5.Directorate

The directors in office at the date of this report are as follows:

DIRECTORS	DESIGNATION	NATIONALITY	CHANGES
Mr DN Mculu (Chairman)	Non-executive	South African	
Mr SM Bhembe	Non-executive	South African	
Ms GA Deiner	Non-executive	South African	
Mr ST Khumalo	Non-executive	South African	
Mr U Khumalo	Non-executive	South African	Resigned 31 May 2017
Mr MR Lubisi	Non-executive	South African	
Mr LT Maloba	Non-executive	South African	Resigned 08 February 2018
Ms M Malumane	Non-executive	South African	
Ms TM Masasa	Non-executive	South African	
Ms T Masenya	Non-executive	South African	
Mr M Petje	Non-executive	South African	
Mr XGS Sithole (Ex-Officio)	Executive	South African	

6

Directors' interests in contracts

During the financial year, no contracts were entered into which directors or officers of the entity had an interest in.

7

Auditors

Auditor-General of South Africa continued in office as auditors for the entityfor 2018 in accordance with section 55 of the MEGA Act and the PFMA Act.

8

Secretary

The company secretary is Advocate SP Morgan.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

	Note(s)	2018 R	2017 Restated * R	1 April 2016 Restated * R
Assets				
Non-Current Assets				
Property, plant and equipment	3	435,079,759	402,180,075	386,980,243
Investment property	4	391, 213,330	399,633,956	389,568,170
Biological assets	5	945,961	20,149,647	14,177,626
Intangible assets	6	8,441,949	8,478,236	8,718,052
Investments in associates	7	2,172,712	1,983,056	2,032,361
Other financial assets	8	62,014,438	72,116,275	51,070,309
		899,868,149	**904,541,245**	**852,546,761**
Current Assets				
Inventories	9	58,900,223	59,997,437	59,015,019
Trade and other receivables	10	106,161,907	102,816,293	64,480,480
Other financial assets	8	57,877,760	21,518,373	18,988,594
Cash and cash equivalents	11	56,705,760	132,526,757	64,400,670
		279,645,650	**316,858,860**	**206,884,763**
Total Assets		**1,179,513,799**	**1,221,400,105**	**1,059,431,524**
Equity and Liabilities				
Equity				
Reserves		104,021,147	92,071,347	69,284,396
Retained income		882,554,455	994,419,250	882,647,848
		986,575,602	**1,086,490,597**	**951,932,244**
Liabilities				
Non-Current Liabilities				
Other financial liabilities	14	4,816,364	9,314,998	17,784,637
Provisions	16	1,083,018	971,779	1,013,278
		5,899,382	**10,286,777**	**18,797,915**
Current Liabilities				
Trade and other payables	17	148,350,867	76,356,205	41,298,316
Other financial liabilities	14	23,037,699	22,787,743	21,981,520
Provisions	16	10,310,574	11,697,915	10,843,051
Unspent conditional grants	18	5,339,675	13,780,868	14,578,478
		187,038,815	**124,622,731**	**88,701,365**
Total Liabilities		**192,938,197**	**134,909,508**	**107,499,280**
Total Equity and Liabilities		**1,179,513,799**	**1,221,400,105**	**1,059,431,524**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note(s)	2018 R	2017 Restated * R
Revenue	20	196,362,260	190,978,706
Cost of sales	21	(128,608,485)	(102,906,375)
Gross profit		**67,753,775**	**88,072,331**
Other operating income	22	174,435,961	313,664,306
Other operating gains	23	(9,731,085)	19,656,150
Other operating expenses	24	(352,809,485)	(315,620,777)
Operating (loss)/ profit	25	**(120,350,834)**	**105,772,010**
Investment income	27	7,778,011	7,688,327
Finance costs	28	(1,008,723)	(1,996,296)
Income from equity accounted investments		189,656	(50,142)
(Loss)/ profit for the year		**(113,391,890)**	**111,413,899**
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Gains on property revaluation		13,476,896	23,136,834
Other comprehensive income for the year		**13,476,896**	**23,136,834**
Total comprehensive (loss)/ income for the year		**(99,914,994)**	**134,550,733**

STATEMENT OF CHANGES IN EQUITY

	Revaluation Reserve R	Retained Income R	Total Equity R
Opening balance as previously reported	69,284,396	1,283,756,104	1,353,040,500
Prior year adjustments	-	(401,108,256)	(401,108,256)
Restated balance at 01 April 2016	**69,284,396**	**882,647,848**	**951,932,244**
Profit for the year	-	111,413,899	111,413,899
Other comprehensive income	23,144,454	-	23,144,454
Total comprehensive income for the year	**23,144,454**	**111,413,899**	**134,558,353**
Transfer between reserves	(357,503)	357,503	-
Total contributions by and distributions to owners of entity recognised directly in equity	**(357,503)**	**357,503**	**-**
Balance at 01 April 2017	**92,071,347**	**994,419,250**	**1,086,490,597**
Loss for the year	-	(113,391,890)	(113,391,890)
Other comprehensive income	13,476,895	-	13,476,895
Total comprehensive income/ (loss) for the year	**13,476,895**	**(113,391,890)**	**(99,914,995)**
Transfer between reserves	(1,527,095)	1,527,095	-
Total contributions by and distributions to owners of entity recognised directly in equity	**(1,527,095)**	**1,527,095**	**-**
Balance at 31 March 2018	**104,021,147**	**882,554,455**	**986,575,602**

STATEMENT OF CASH FLOWS

	Note(s)	2018 R	2017 Restated * R
Cash flows from operating activities			
Cash receipts from customers		229,116,347	175,865,330
Government grants		139,170,809	289,717,720
Cash paid to suppliers and employees		(377,198,834)	(357,741,562)
Cash (utilised in)/generated from operations	29	(8,911,677)	107,841,488
Interest income		7,778,011	7,670,445
Finance costs		(942,104)	(1,922,835)
Net cash from operating activities		**(2,075,770)**	**113,589,098**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(30,188,105)	(2,693,366)
Reconstruction of investment property	4	(4,388,442)	(11,557,855)
Proceeds from sale of investment property	4	-	118,568
Acquisition of Investments in associates		-	(837)
Loan disbursements		(34,528,762)	(45,378,578)
Loan repayments		(391,240)	21,141,838
Dividends received		-	17,882
Net cash from investing activities		**(69,496,549)**	**(37,799,595)**
Cash flows from financing activities			
Repayment of other financial liabilities		(4,248,678)	(7,663,416)
Net cash from financing activities		**(4,248,678)**	**(7,663,416)**
Total cash movement for the year		**(75,820,997)**	**68,126,087**
Cash at the beginning of the year		132,526,757	64,400,670
Total cash at end of the year	11	**56,705,760**	**132,526,757**

ACCOUNTING POLICIES

Corporate information

Mpumalanga Economic Growth Agency is a Schedule 3D public entity incorporated and domiciled in South Africa.
The registered office is: 20 Paul Kruger Street, Absa Square, Nelspruit.

1. Significant accounting policies

The principal accounting policies applied in the preparation of these annual financial statements are set out below.

1.1 Basis of preparation

The annual annual financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these annual financial statements and the MEGA Act no. 1 of 2010 and PFMA Act no.1 of 1999 of South Africa, as amended.

The annual financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Rands, which is the entity's functional currency. All financial information has been rounded to the nearest Rand.

These accounting policies are consistent with the previous period, except for the changes set out in note 35.

1.2 Significant judgements and sources of estimation uncertainty

The preparation of annual financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Critical judgements in applying accounting policies

The critical judgements made by management in applying accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognised in the financial statements, are outlined as follows:

Lease classification

The entity is party to leasing arrangements, both as a lessee and as a lessor. The treatment of leasing transactions in the annual financial statements is mainly determined by whether the lease is considered to be an operating lease or a finance lease. In making this assessment, management considers the substance of the lease, as well as the legal form, and makes a judgement about whether substantially all of the risks and rewards of ownership are transferred.

MEGA has entered into commercial property leases on its investment property portfolio. The entity has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

Water rights

MEGA has water rights for 221.42 ha for Tekwane registered with Manchester Noordwyk Irrigation Board (22.82ha) and Crocodile River Irrigation Board (198.6ha) respectively. Management recognised these water rights as an intangible asset with an indefinite useful life. Water rights are measured at cost.

ACCOUNTING POLICIES

1.2 Significant judgements and sources of estimation uncertainty continued

Entities in which the entity holds less than half of the voting rights

MEGA has between 25.1% and 40% shareholding in various unlisted entitties. Refer to note 7 for a list of these entities. Management has considered the existence of significant influence such as representation on the board of directors, participation in the policy-making process, including participation in decisions about dividends or other distributions, material transactions between the entity and the investee, interchange of managerial personnel, or provision of essential technical information in determining the level of influence exercised over its investments. Management considers that it has significant influence over these entities and is therefore of the view that classification of these investments as associates is appropriate.

Key sources of estimation uncertainty

Trade receivables and loans and receivables

MEGA assesses its trade receivables 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 organisation makes judgements as to whetherthere is observable data indicating a measurable decrease in the estimated future cash flows from the financial asset.
The impairment for trade receivables is calculated on a portfolio basis, based on historical data, and adjustments for national and industry-specific economic conditions and other indicators present at the reporting date.

Inventory

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

Fair value estimation

Several assets and liabilities of the entity are either measured at fair value or disclosure is made of their fair values. When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.
Refer to note 8 for details on the fair value hierachy levels and information about the specific techniques and inputs.

Impairment testing

Intangible assets that have an indefinite useful life are not subject to amortisation and are annually tested for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length for similar assets or observable market prices less incremental costs for disposing of the asset.

The value in use calculation is based on a discounted cash flow model which is an estimation process. The cash flows estimated do not include restructuring activities that the entity is not yet committed to or significant future investments that will enhance the asset's performance of the cash-generating unit being tested.

Provisions

Provisions are inherently based on assumptions and estimates using the best information available. Additional disclosure of these estimates of provisions are included in note 16.

MEGA has recognised a provision for decommissioning obligations associated with its landfill site at Ekandustria.
In determining the provision amount, assumptions and estimates are made in relation to discount rates, the expected cost to rehabilitate the environment and the expected timing of those costs as detailed in note 16.

ACCOUNTING POLICIES

Revaluation of property, plant and equipment, biological assets and investment property

Investment properties and biological assets are recorded at fair value, with changes in fair value being recognised in the statement of profit or loss. In addition, land and buildings and bulk infrastructure are measured at revalued amounts with changes in fair value being recognised in other comprehensive income and accumulated in the revaluation reserve. The entity engaged an independent valuation specialist to assess fair value of bulk infrastructure assets as at 31 March 2017.
Land and buildings are revalued with sufficient regularity to ensure that the carrying value does not differ significantly from fair value. No valuation was obtained for the year ended 31 March 2018.

The fair values of investment properties and biological assets were based on the market comparable approach that reflects recent transaction prices for similar properties, where there is an active market and depreciated replacement cost for properties that do not have an active market. In estimating the fair values the properties, the highest and best use of the properties is their current use. Land and buildings were revalued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property. The last revaluation of land and buildings was at 31 March 2016. Bulk infrastructure was revalued as 31 March 2017 with reference to the consumer price index (CPI).
The key assumptions used to determine the fair value for property, plant andequipment and investment property are further explained in note 3 and 4 respectively.

Useful lives of intangible assets

Annual reviews are conducted for intangible assets with indefinite useful life to determine whether events and circumstances still continue to support an indefinite useful life assessment for the asset. If the indefinite useful life is no longer appropriate and the useful life of the asset changes to finite useful life, this will be accounted for as a change in accounting estimate.

1.3 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 excludes bearer plants, which are included in property, plant and equipment. Biological assets are measured at their fair value less costs to sell. A gain or loss arising on initial recognition of agricultural produce at fair value less costs to sell is included in profit or loss for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset,discounted at a current market-determined rate is used to determine fair value. Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

1.4 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 enterprise, 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.

Fair value

Subsequent to initial measurement investment property is measured at fair value, reflects market conditions as the reporting date.

A gain or loss arising from a change in fair value is included in net profit or loss for the period in which it arises. Fair values are determined based on an annual evaluation performed by an accredited external, independent valuer, applying valuation methods.

Transfers are made to (or from) investment property only when there is a change in use. Repossessed properties will only be classified as investment property if it is management's intention to retain the properties to earn rentals or for capital appreciation. If management's intention is to dispose of the repossessed properties, such properties will be classified as housing inventory until sold. The fair value at the date of reclassification to housing inventory becomes its cost for subsequent accounting.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the statement of profit or loss in the period of derecognition.

ACCOUNTING POLICIES

1.5 Property, plant and equipment

Property, plant and equipment are tangible assets which the entity holds for its own use or for rental to others and which are expected to be used for more than one year. 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, and the cost of the item can be measured reliably. Bearer plants are included in property, plant and equipment.

Bearer plants are living plants which are used in the production or supply of agricultural produce and are expected to bear produce for more than one period. They only qualify as bearer plants if there is only a remote likelihood of them being sold as agricultural produce.

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate. The initial estimate of the costs of dismantling and removing an item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the company is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Expenditure incurred subsequently in respect of major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the company and the cost can be measured reliably.

Day to day servicing costs are included in profit or loss in the year in which they are incurred. Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised. Major spare parts and stand by equipment which are expected to be used for more than one year are included in property, plant and equipment.

Subsequent to initial recognition, property, plant and equipment is measured at cost less accumulated depreciation and any accumulated impairment losses, except for land and buildings which are stated at revalued amounts. The revalued amount is the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

Property, plant and equipment is subsequently stated 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 year. When an item of property, plant and equipment is revalued, the gross carrying amount is adjusted consistently with the revaluation of the carrying amount.
The accumulated depreciation at that date is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses. When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is recognised in other comprehensive income and accumulated in the revaluation reserve in equity. 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 year.
The decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation reserve inrespect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in the revaluation reserve in equity.

The revaluation reserve related to a specific item of property, plant and equipment is transferred directly to retained income as the asset is used. 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.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the entity. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

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

ACCOUNTING POLICIES

1.5 Property, plant and equipment continued

ITEM	DEPRECIATION METHOD	AVERAGE USEFUL LIFE
Buildings	Straight line	20-30 years
Plant and machinery	Straight line	5-10 years
Furniture and fixtures	Straight line	3-10 years
Motor vehicles	Straight line	3-7 years
Office equipment	Straight line	3-10 years
IT equipment	Straight line	3-5 years
Bearer plants	Straight line	25-30 years
Bulk infrastructure	Straight line	4-100 years
Land		Infinite

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.
An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

1.6 Intangible assets

Intangible assets are initially recognised at cost.

MEGA has water rights for 221.42ha for Tekwane registered with the Manchester Noordwyk Irrigation Board (22.82ha) and Crocodile River Irrigation Board (198.6ha) respectively. Management recognised these water rights as an intangible asset with an indefinite useful life. Water rights are measured at cost.

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

Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired.
The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category consistent with the function of the intangible assets.

Expected future reduction in the selling price of an item that was produced using an intangible assets could indicate the expectation of technical or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

An amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate. The revenue generated by an activity that includes the use of an intangible asset typically reflects factors that are not directly linked to the consumption of the economic benefit embodied in the intangible asset.

ACCOUNTING POLICIES

1.6 Intangible assets

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

ITEM	USEFUL LIFE
Water rights	Indefinite
Computer software	3 years

1.7 Investments in associates

An associate is a company over which the entity has significant influence and which is neither a subsidiary nor a joint arrangement. 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.

Investments in associates are accounted for using the equity method, except when the investment is classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in associates are carried in the Statement of Financial Position at cost adjusted to recognise the changes in the entity's share of net assets of the associate since acquisition date.

The entity's share of post-acquisition profit or loss is recognised in profit or loss, and its share of movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. Losses in an associate in excess of the entity's interest in that associate, including any other unsecured receivables, are recognised only to the extent that the entity has incurred a legal or constructive obligation to make payments on behalf of the associate. After application of the equity method, the entity determines whether it is necessary to recognise an impairment loss on its investment in its associate.

At each reporting date, the entity determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the entity calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss as 'Share of profit of an associate' in profit or loss. When the entity reduces its level of significant influence or loses significant influence, the entity proportionately reclassifies the related items which were previously accumulated in equity through other comprehensive income to profit or loss as are classification adjustment. In such cases, if an investment remains, that investment is measured to fair value, with the fair value adjustment being recognised in profit or loss as part of the gain or loss on disposal.

1.8 Financial instruments

Classification

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

- Financial assets at fair value through profit or loss - designated
- Held-to-maturity investment
- Loans and receivables
- Available-for-sale financial assets
- Financial liabilities at fair value through profit or loss - designated
- 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 re-assessed 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 the entity becomes a party to the contractual provisions of the instruments. 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.

Transaction costs on financial instruments at fair value through profit or loss are recognised in profit or loss.

Regular way purchases of financial assets are accounted for at trade date.

ACCOUNTING POLICIES

Initial recognition and measurement continued

Subsequent measurement

Financial instruments at fair value through profit or loss

Financial instruments at fair value through profit or loss are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in profit or loss for the period. Net gains or losses on the financial instruments at fair value through profit or loss include dividends and interest. Dividend income is recognised in profit or loss as part of other income when the entity's right to receive payment is established.

Loans and receivables

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses. Interest on loans and receivables is recognised in profit or loss as part of revenue.

Available-for-sale financial assets

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.

Financial liabilities at amortised cost

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds net of transaction costs and the redemption amount is recognised in the profit and loss over the period of the borrowing using the effective interest method.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held-for-trading if they are acquired for the purpose of selling in the near term. Gains or losses on liabilities held-for-trading are recognised in the statement of profit or loss.

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. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires or the grant is fully expended in accordance with stipulated conditions. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability.
The difference in the respective carrying amounts is recognised in the statement of profit or loss.

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.

An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. For amounts due to the entity, significant financial difficulties of the debtor, delinquency in interest of principal payments, probability that the debtor will enter bankruptcy, other financial re-organisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as arrears or economic conditions to correlate with defaults, are all considered indicators of impairment. 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.

Financial assets carried at amortised cost

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

ACCOUNTING POLICIES

1.8 Financial instruments (continued)

Financial assets carried at amortised cost

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

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. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in profit or loss.

Loans, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the entity. If, in a subsequent period,the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other income in profit or loss.

Available-for-sale financial investments

For available-for-sale financial investments, the entity assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity investments are not reversed through profit or loss in a subsequent period. Increases in their fair value after impairments are recognised in other comprehensive income.

The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the entity evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost. In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise of cash at banks and on hand and short-term deposits with a maturity of three months or less which are subject to an insignificant risk of changes in value. These are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest method.

1.9 Fair value measurement

The entity measures financial instruments, such as unquoted equity instruments, and non-financial assets such as investment properties, biological assets, and land and buildings and bulk infrastructure at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the entity.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilise the asset in its highest and best use.

The entity uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

ACCOUNTING POLICIES

1.9 Fair value measurement continued

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole

Level 1	Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
Level 2	Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3	Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis the entity determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Management determines the policies and procedures for both recurring fair value measurement, such as investment properties, biological assets and land and buildings and bulk infrastructure and unquoted available-for-sale equity instruments.

External valuers are involved for valuation of significant assets, investment properties, biological assets, land and buildings and bulk infrastructure. The involvement of external valuers is decided upon annually by management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management discuss which valuation techniques and inputs to use for each case.

At each reporting date, management analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the organisation's accounting policies. For this analysis management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant document

1.10 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases – lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the entity's incremental borrowing rate.The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance chargeis allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Operating leases - lessor

Operating lease income is recognised as an income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Income for leases is disclosed under revenue in profit or loss. Any contingent rents are recognised as revenue in the period incurred.

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 liability.

This liability is not discounted. Any contingent rents are expensed in the period they are incurred.

1.11 Inventories

Inventories consist of work-in-progress on housing developments, housing inventory (repossessed properties), wine and consumables. Inventory on hand is recognised as an asset where it is controlled by the organisation as a result of a past event from which probable future benefits will flow and it has a cost which can be measured reliably.

Inventories are measured at the lower of cost and net realisable value on the weighted average basis. 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. Where inventories are acquired at no cost or for nominal consideration, the cost is deemed to be the fair value as at the date of acquisition. Direct costs relating to unsold properties are accumulated for each separately identifiable development.

ACCOUNTING POLICIES

1.11 Inventories (continued)

When inventories are sold, the carrying amount of those inventories are 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 non-financial assets

The entity assesses intangible assets that have an indefinite useful life annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Other assets are assessed 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.

1.12 Impairment of non-financial assets continued

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. 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 good will 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 capital 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.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in future payments is available.

Termination benefits

Termination benefits are recognised as an expense when the entity is demonstrably committed without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

Termination benefits for voluntary redundancies are recognised as an expense if the entity has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

ACCOUNTING POLICIES

1.14 Employee benefits

Long-term service employee benefits

The entity has an obligation to provide long-term service allowance benefits to all of its employees. For long-term service benefits the cost of providing the benefits is determined using the projected unit credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries. Current service costs is the increase in the liability resulting from eligible members having worked for an additional year. An additional year of service increases the proportion of their total liability that is regarded as accrued under the Projected Unit Credit Method. Current service costs are recognised in the year in which they arise, in other comprehensive income.

The value of the liability will change over the year due to changes in actuarial assumptions as well as actual membership experience (withdrawals, deaths, retirements, etc.) being different from that assumed at the previous valuation date. The changes are accounted for as actuarial gains and losses. Actuarial gains and losses are recognised in the year in which they arise, in other comprehensive income.

Net interest expense represents the increase in the liability resulting from the future benefits being one year closer to the valuation date. It is calculated as the opening liability plus the current service cost less benefit payments expected during the year multiplied by the discount rate used in the previous valuation. Net interest expense is recognised in other comprehensive income.

The entity determines the appropriate discount rate at the end of each year. In determining the appropriate discount rate, the entity considers current market practice government bond yields, as the South African corporate bond market is not considered to be sufficiently developed.

The discount rate is set to be equal to a single point estimate on the BESA zero-coupon yield curve, with a term corresponding to the expected duration of the liabilities, based on the current membership data, as at the valuation date.

Benefits paid is the actual amount paid to eligible members during the valuation period. The amount recognised in the Statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs.

1.15 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; and
- 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. If the effect of the time value of money is material, provisions are discounted using a current rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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.

Restructuring provisions

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; and-when the plan will be implemented; and

- 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.

ACCOUNTING POLICIES

1.15 Provisions and contingencies continued

Contingencies

Contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 30. Before a provision is established, the entity recognises any impairment loss on the assets associated with the contract.

Decommissioning liability

The entity records a provision for decommissioning costs of a landfill site. Decommissioning costs are provided for at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the relevant asset.

The cash flows are discounted at the current rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed in the statement of profit or loss as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs, or in the discount rate applied, are added to or deducted from the cost of the asset.

Leave provision

The annual leave provision is expected to be settled within 12 months after the end of the period in which the employees render the related service.

The provision is not discounted and is measured at the expected cost to settle the obligation using the accrued leave days at reporting date multiplied by the rate per day. Leave, if not taken, is forfeited 6 months after the end ofthe employee's leave cycle. Leave is only paid out on resignation or death.

1.16 Government grants

Government grants are recognised when there is reasonable assurance that:

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

When the grant relates to an expense item, it is recognised as other income in the same period as the period during which the related expenses qualifying for the grant have been incurred. Where the grant relates to an asset, it is recognised as other income in a systematic manner over the expected useful life of the related asset.

When the entity receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments. 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.

1.17 Revenue

Sales of goods

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.

ACCOUNTING POLICIES

1.17 Revenue continued

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the 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; and
- 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. For all financial instruments measured at amortised cost and loans and receivables, interest income and or expense is recorded using the effective interest method. The effective interest method is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

Interest income is included in investment income and interest expense in finance cost in the statement of profit or loss.

Dividends

Dividends are recognised, in profit or loss, when the entity's right to receive payment has been established, which is generally when shareholders approve the dividend.

1.18 Cost of sales

Cost of sales comprises direct costs incurred in lemon and wine sales, direct farming costs as well as municipal services, electricity and water consumption for bulk infrastructure under lease agreements at Ekandustria. 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.

1.18 Cost of sales continued

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.

- costs that relate directly to the specific contract;
- costs that are attributable to contract activity in general and can be allocated to the contract; and
- such other costs as are specifically chargeable to the customer under the terms of the contract.

1.19 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

ACCOUNTING POLICIES

1.20 Commitments

A commitment represents goods and services that have been approved and/or contracted for, but where delivery has not taken place at the reporting date. A commitment converts to a liability when the delivery of the contracted goods or services has taken place.

Capital commitments arise when the entity has entered into a contract on or before the end of the financial year to incur expenditure during subsequent accounting periods relating to the construction of infrastructure assets, the purchase of major items of property, plant and equipment and commitments made to provide funding to the entity's clients. Approved and contracted for capital commitments are where the expenditure has been approved and the contract has been awarded at the reporting date.

Approved and not yet contracted for capital commitments are where the expenditure has been approved, but the contract has not yet been awarded or is awaiting finalisation at the reporting date. Commitments are not recognised in the statement of financial position and statement of financial performance but are included in the disclosure notes. Refer to note 29.

1.21 Income Tax and Value Added Tax

Income Tax

The entity is not subject to income taxation as it is a Government Business Enterprise registered as a Schedule 3D Public Entity.

Value Added Tax

Revenues, expenses and assets are recognised net of the amount of VAT except where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

1.22 Related party disclosure

A related party is a person or entity that is related to MEGA. A person or an entity is related to MEGA if that person or entity:

- is a member of the key management personnel of MEGA;
- has control or significant influence over MEGA;
- is an associate; or
- is a Department within the national Sphere of Government because they operate together to achieve a common objective determined by Cabinet and Provincial Legislature.

Related party transactions are transfers of resources, services or obligations between MEGA and a related party irrespective of whether the transaction took place on arm's length basis or not.

1.23 Irregular expenditure

Irregular expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the total value of the irregularity unless it is impracticable to determine, in which case reasons therefore are provided in the note.

Irregular expenditure is removed from the note when it is either condoned by the relevant authority or transferred to receivables for recovery. Irregular expenditure receivables are measured at the amount that is expected to be recoverable and are de-recognised when settled or subsequently written-off as irrecoverable.

1.24 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the total value of the fruitless and wasteful expenditure incurred. Fruitless and wasteful expenditure receivables are measured at the amount that is expected to be recoverable and are derecognised when settled or subsequently written off as irrecoverable.

1.25 Unauthorised expenditure

Unauthorised expenditure is recognised in the statement of financial position until such time as the expenditure is either:

- approved by Parliament or the Provincial Legislature with funding and the related funds are received; or
- approved by Parliament or the Provincial Legislature without funding and is written off against the appropriation in the statement of financial performance; or
- transferred to receivables for recovery.

Unauthorised expenditure is measured at the amount of the confirmed unauthorised expenditure.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, MEGA did not adopt any standards and interpretations.

2.2 Standards and interpretations not yet effective

The entity has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2018 or later periods:

STANDARD/ INTERPRETATION:	EFFECTIVE DATE: YEARS BEGINNING ON OR AFTER	EXPECTED IMPACT:
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	01 January 2019	Unlikely there will be a material impact
Insurance Contracts	01 January 2021	Impact is currently being assessed
Uncertainty over Income Tax Treatments	01 January 2019	Impact is currently being assessed
IFRS 16 Leases	01 January 2019	Not expected to impact results, but may result in additional disclosure
IFRS 9 Financial Instruments	01 January 2018	Unlikely there will be a material impact
IFRS 15 Revenue from Contracts with Customers	01 January 2018	Unlikely there will be a material impact
Amendments to IFRS 15: Clarifications to IFRS 15 Revenue from Contracts with Customers	01 January 2018	Unlikely there will be a material impact
Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions	01 January 2018	Not expected to impact results, but may result in additional disclosure
Amendments to IAS 28: Annual Improvements to IFRS2014 - 2016 cycle	01 January 2018	Unlikely there will be a material impact
Amendments to IFRS 1: Annual Improvements to IFRS2014 - 2016 cycle	01 January 2018	Unlikely there will be a material impact

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2.2 Standards and interpretations not yet effective continued

STANDARD/ INTERPRETATION:	EFFECTIVE DATE:YEARS BEGIN-NING ON ORAFTER	EXPECTED IMPACT:
Transfers of Investment Property: Amendments to IAS 40	01 January 2018	Unlikely there will be a material impact
Foreign Currency Transactions and Advance Consideration	01 January 2018	Unlikely there will be a material impact
Amendments to IFRS 4: Insurance Contracts	01 January 2018	Unlikely there will be a material impact
Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	01 January 2018	Unlikely there will be a material impact

3. Property, plant and equipment

	2018			2017			2016		
	Cost or Revaluation	Accumulated Depreciation	Carrying Value	Cost or Revaluation	Accumulated Depreciation	Carrying Value	Cost or Revaluation	Accumulated Depreciation	Carrying Value
Bearer plants	17,579,943	(3,928,563)	13,651,380	17,579,943	(3,104,822)	14,475,121	17,579,943	(2,281,081)	15,298,862
Buildings	51,758,475	(1,710,731)	50,047,744	37,292,164	(763,918)	36,528,246	37,292,164	(40,263)	37,251,901
Bulk infrastructure	299,529,871	(10,054)	299,519,817	294,713,530	(8,043)	294,705,487	274,134,319	(6,033)	274,128,286
Capital - Work in progress	4,685,224	-	4,685,224	580,600	-	580,600	4,021,958	-	4,021,958
IT equipment	5,134,114	(2,775,989)	2,358,125	4,020,625	(1,949,219)	2,071,406	3,668,742	(1,634,507)	2,034,235
Land	51,584,389	-	51,584,389	51,584,389	-	51,584,389	51,584,389	-	51,584,389
Motor vehicles	1,658,526	(1,192,499)	466,027	1,658,526	(1,168,719)	489,807	1,702,526	(1,119,249)	583,277
Office equipment	3,403,379	(2,230,078)	1,173,301	2,957,413	(2,003,167)	954,246	3,264,211	(1,954,815)	1,309,396
Plant and machinery	13,935,882	(2,342,130)	11,593,752	2,208,357	(1,417,584)	790,773	2,532,692	(1,764,753)	767,939
TOTAL	**449,269,803**	**(14,190,044)**	**435,079,759**	**412,595,547**	**(10,415,472)**	**402,180,075**	**395,780,944**	**(8,800,701)**	**386,980,243**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Reconciliation of property, plant and equipment

2018

	Opening Balance	Additions	Disposals	Transfers	Revaluations	Depreciation	TOTAL
Bearer plants	14,475,121	-	-	-	-	(823,741)	13,651,380
Buildings	36,528,246	12,622,312	-	1,844,000	-	(946,814)	50,047,744
Bulk infrastructure	294,705,487	-	-	-	13,476,894	(8,662,564)	299,519,817
Capital - Work in progress	580,600	4,104,624				-	4,685,224
IT equipment	2,071,406	1,153,920	(23,634)	-	-	(843,567)	2,358,125
Land	51,584,389	-	-	-	-	-	51,584,389
Motor vehicles	489,807	-	-	-	-	(23,780)	466,027
Office equipment	954,246	471,332	(2,565)	-	-	(249,712)	1,173,301
Plant and machinery	790,773	11,835,917	(11,046)	-	-	(1,021,892)	11,593,752
	402,180,075	**30,188,105**	**(37,245)**	**1,844,000**	**13,476,894**	**(12,572,070)**	**435,079,759**

Reconciliation of property, plant and equipment

2017

	Opening Balance	Additions	Disposals	Transfers	Revaluations	Depreciation	TOTAL
Bearer plants	15,298,862	-	-	-	-	(823,741)	14,475,121
Buildings	37,251,900	-	-	-	-	(723,654)	36,528,246
Bulk infrastructure	274,128,286	482,192	-	5,091,062	23,144,454	(8,140,507)	294,705,487
Capital - Work in progress	4,021,958	1,649,704	-	(5,091,062)	-	-	580,600
IT equipment	2,034,235	814,223	(102,178)	-	-	(674,874)	2,071,406
Land	51,584,389	-	-	-	-	-	51,584,389
Motor vehicles	583,277	-	(11,000)	-	-	(82,470)	489,807
Office equipment	1,309,396	97,347	(102,960)	-	-	(349,537)	954,246
Plant and machinery	767,939	230,504	(80,768)	-	-	(126,902)	790,773
	386,980,242	**3,273,970**	**(296,906)**	**-**	**23,144,454**	**(10,921,685)**	**402,180,075**

Reconciliation of property, plant and equipment

2016

	Opening Balance	Additions	Disposals	Revaluations	Depreciation	TOTAL
Bearer plants	16,122,603	-	-	-	(823,741)	15,298,862
Buildings	36,245,873	-	-	1,683,371	(677,343)	37,251,901
Plant & machinery	1,166,693	29,363	-	-	(428,117)	767,939
Motor vehicles	774,316	-	-	-	(191,039)	583,277
Office equipment	1,683,318	104,735	-	-	(478,657)	1,309,396
IT equipment	1,950,812	716,651	(13,887)	-	(619,341)	2,034,235
Land	50,233,887	-	-	1,350,502	-	51,584,389
Bulk infrastructure	267,558,643	-	-	14,197,516	(7,627,873)	274,128,286
Capital - Work in progress	-	4,021,958	-	-	-	4,021,958
	375,736,145	**4,872,707**	**(13,887)**	**17,231,389**	**(10,846,111)**	**386,980,243**

Property, plant and equipment encumbered as security

None of the property, plant and equipment is encumbered as security for borrowings.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

3. Property, plant and equipment (continued)

Other information

If buildings and bulk infrastructure were measured using the cost model, the carrying amount would be as follows:

	2018 R	2017 Restated * R	1 April 2016 Restated * R
BUILDINGS			
Cost		53,979,378	41,088,349
Accumulated depreciation and impairment		(3,604,876)	(2,611,857)
		50,374,502	**38,476,492**
BULK INFRASTRUCTURE			
Cost		265,364,632	265,364,632
Accumulated depreciation and impairment		(28,833,923)	(21,699,894)
		236,530,709	**243,664,738**

Details of bearer plants

The vineyards of 21.1 hectares at Loopspruit Estate is situated on the banks of the Loopspruit river, 30km north of Bronkhorstspruit.

The lemon orchard of 118.5 hectares is at Tekwane Estate in the Mbombela District.

Revaluations

The entity uses the revaluation model of measurement of land and buildings and bulk infrastructure. Management determined that these constitute classes of asset under IFRS 13 Fair Value Measurement, based on the nature, characteristics and risks of the property.

Fair value is determined using a market comparable method. Valuations performed by the valuer are based on active market prices, significantly adjusted for any difference in the nature, location or condition of the specific property. The date of the most recent revaluation was 31 March 2017 for bulk infrastructure and 31 March 2016 for land and buildings.

Fair value hierarchy of assets at revalued amounts through revaluation reserve

- Level 1 represents those assets which are measured using unadjusted quoted prices in an active market
- Level 2 applies inputs which are based on observable market data
- Level 3 applies inputs with are based on significant unobservable inputs

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

3. Property, plant and equipment (continued)

Level 3	Land	Buildings	Bulk Infrastructure	Total
31 March 2018	51,584,389	50,047,744	299,519,817	401,151,950
31 March 2017	51,584,389	36,528,247	294,705,487	382,818,123

4. Investment property

	2018 Fair Value	2017 Fair Value	2016 Carrying value
Investment property	**391,213,330**	**399,633,956**	**389,568,170**

Reconciliation of investment property - 2018

	Opening balance	Additions	Transfers	Fair Value Adjustments	Total
Investment property	**399,633,956**	**8,493,066**	**(5,948,624)**	**(10,965,068)**	**391,213,330**

Reconciliation of investment property - 2017

	Opening balance	Additions	Disposals	Transfers	Fair Value Adjustments	Total
Investment property	**389,568,170**	**11,557,855**	**(118,568)**	**(580,600)**	**792,901)**	**399,633,956**

Reconciliation of investment property - 2016

	Opening balance	Additions	Fair Value Adjustments	Total
Investment property	**380,773,568**	**5,280,362**	**3,514,240**	**389,568,170**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

4. Investment property (continued)

Other disclosures

MEGA is currently administering 33 buildings valued at R18 760 000 (2017: R18 498 000) on land belonging to tribal authorities which are not currently included as investment properties. These properties will be recognised when MEGA's rights and obligations have been confirmed by the Department of Co-operative Governance and Traditional Affairs.

In addition to the aforesaid there are 34 residential properties with a fair value of R24 340 000 (2017: R23 623 000) and 17 commercial properties with a fair value of R23 166 000 (2017: R22 964 000) which are controlled by MEGA but not registered in the entity's name and are consequently not recognised as investment property by MEGA.

Details of valuation

The entity's investment property consists of commercial, industrial, farming and residential properties and vacant land. Management determined that the investment properties consist of five classes of assets commercial, industrial, farming and residential properties and vacant land based on the nature, characteristics and risks of each property. Fair value is determined using a combination of rental capitalisation method and comparable sales method. The most recent valuation was performed at 31 March 2018 by Mills Fitchet.

Fair value hierarchy of assets at fair amounts are as follows:

- Level 1 represents those assets which are measured using unadjusted quoted prices in an active market
- Level 2 applies inputs which are based on observable market data
- Level 3 applies inputs with are based on significant unobservable inputs

Level 3	2018	2017	2016
Commercial	30,561,000	30,289,000	30,019,000
Farms	7,731,000	7,663,000	7,597,000
Industrial	222,280,000	215,110,000	212,179,000
Land	116,275,500	115,258,860	114,250,920
Residential	14,484,400	14,109,200	13,672,100
	391,331,900	**382,430,060**	**377,718,020**

4. Investment property (continued)

Description of valuation techniques used and key inputs to value investment properties:

Significant unobservable data

Category	Rate per square meter
Commercial properties	R15 - R30
Industrial properties	R12.50-R17.50
Vacant land	R17 - R100
Farms	R1.30

A capital growth rate of between 0.88% and 0.97% was used to determine historical values.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

5. Biological assets

	2018 Fair Value	2017 Fair Value	2016 Carrying value
Produce - Lemons	945,961	20,149,647	14,177,626

Reconciliation of biological assets

2018

	Opening balance	Decreases due to harvest / sales	Gains (losses) arising from changes in fair value	Total
Produce - Lemons	20,149,647	(20,149,647)	945,961	945,961

The material decrease in the fair value of the biological assets can be attributed to the deterioration in the quality of the lemons and a decline in the USD selling prices of lemons per class of fruit.

Reconciliation of biological assets

2017

	Opening balance	Decreases due to harvest / sales	Gains arising from changes in fair value	Total
Produce - Lemons	14,177,626	(14,177,626)	20,149,647	20,149,647

Reconciliation of biological assets

2016

	Opening balance	Decreases due to harvest / sales	Gains arising from changes in fair value	Total
Produce - Lemons	10,851,052	(10,851,052)	14,177,626	14,177,626

Nature of the entity's biological assets

Tekwane estate is engaged in the production of lemons for supply to export markets. At 31 March 2018 the farm had 118.1h of mature lemons trees in full production. No new trees have been planted/replaced in the current financial year. The forecasted harvest has been estimated at 60 080 cartons (2017: 133 000 cartons) for the export market at an average fair value of R112.16 per carton (2017: R126 per carton), and 2 055 tons (2017: 2 049 tons) for juicing for the local market at R1700 per ton (2017: R1 600 per ton).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

6. Intangible assets

	2018			2017			2016		
	Cost / Valuation	Accumulated Amortisation	Carrying Value	Cost / Valuation	Accumulated Amortisation	Carrying Value	Cost / Valuation	Accumulated Amortisation	Carrying Value
Water rights	8 430 011	-	8,430,011	8,430,011	-	8,430,011	8,430,011	-	8,430,011
Computer software	1,182,413	(1,170,475)	11,938	1,182,413	(1,134,188)	48,225	1,182,413	(894,372)	288,041
TOTAL	**9,612,424**	**(1,170,475)**	**8,441,949**	**9,612,424**	**(1,134,188)**	**8,478,236**	**9,612,424**	**(894,372)**	**8,718,052**

Reconciliation of intangible assets

2018

	Opening Balance	Amortisation	Total
Water rights	8,430,011	-	8,430,011
Computer software	48,225	(36,287)	11,938
	8,478,236	**(36,287)**	**8,441,949**

Reconciliation of intangible assets

2017

	Opening Balance	Amortisation	Total
Water rights	8,430,011	-	8,430,011
Computer software	288,041	(239,816)	48,225
	8,718,052	**(239,816)**	**8,478,236**

Reconciliation of intangible assets

2016

	Opening Balance	Additions	Amortisation	Impairment Loss	Total
Water rights	8,430,011	-	-	-	8,430,011
Computer software	1,000,740	61 300	(563 333)	(210 666)	288, 041
	9,430,751	**61 300**	**(563 333)**	**(210 666)**	**8,718,052**

Pledged as security

No intangible assets are pledged as security.

Other information

Water rights impairment

The water rights have not been impaired as no indicators of impairment were identified. The fair value of these rights increased based on the valuations done on Loopspruit and Tekwane Estates.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

7. Investments in associates

	2018 R	2017 Restated * R	1 April 2016 Restated * R
Dalamba Victorius Trading Enterprise and Projects (Pty) Ltd	335	335	-
Fuma Investments (Pty) Ltd	251	251	-
Hi-Veld Fruit Packers (Pty) Ltd	2,172,126	1,982,219	2,032,361
KaNgwane Anthracite (Pty) Ltd	492,628	492,628	492 628
Nkomati Anthracite (Pty) Ltd	93,180	93,180	93,180
S'Buthe Mntimandze (Pty) Ltd	-	251	-
Impairment of investments in associates	(585,808)	(585,808)	(585 808)
	2,172,712	**1,983,056**	**2,032,361**

KaNgwane Anthracite (Pty) Ltd and Nkomati Anthracite (Pty) Ltd have had accumulated losses in the prior years and impairments have therefore been recognised against these investments.

Material associates

	Principal activity	Place of incorporation and principal place of business	Accounting method	Proportion of ownership interestand voting rights held by the group		
				2018	2017	2016
Hi-Veld Fruit Packers (Pty) Ltd	Fruit packing	Ermelo /RSA	Equity	26%	26%	26%
KaNgwane Anthracite (Pty) Ltd	Mining of Coal	Johannesburg/RSA	Equity	40%	40%	40%
Nkomati Anthracite (Pty) Ltd	Mining of Coal	Nkomati/RSA	Equity	40%	40%	40%
Dalamba Victorius Trading Enterprise and Projects	Property Developer/ Construction	Kinross/RSA	Equity	25.1%	25.1%	-%
Fuma Investments (Pty) Ltd	Property Developer/ Construction	Bushbuckridge/ RSA	Equity	25.1%	25.1%	-%
S'Buthe Mntimandze (Pty) Ltd	Property Developer/ Construction	Hectorspruit/RSA	Equity	25.1%	25.1%	-%

7. Investments in associates

Associates with different reporting dates

The end of the reporting year of Mpumalanga Economic Growth Agency is 31 March.

The end of reporting year of KaNgwane Anthracite (Pty) Ltd and Nkomati Anthracite (Pty) Ltd is 30 June each year.

The end of reporting year of Hi-Veld Fruit Packers (Pty) Ltd is 31 October each year.

The end of reporting year of Dalamba Victorius Trading Enterprise and Projects (Pty) Ltd is 31 July, Fuma Investments (Pty)Ltd is 31 August and S'Buthe Mntimandze (Pty) Ltd is 28 February each year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

7. Investments in associates (continued)

Restrictions relating to associates

No significant restriction are applicable to all the associates as presented.

	2018 R	2017 Restated * R	1 April 2016 Restated * R
Unrecognised share of losses of associates			
The unrecognised share of loss of a Associate for the year			
KaNgwane Anthracite (Pty) Ltd	1,423,060	492,628	-
Nkomati Antracite (Pty) Ltd	130,862,006	93,180	-
S'Buthe Mntimandze (Pty) Ltd	271,380	123,291	-
	132,556,446	**709,099**	**-**

Cumulative share of loss of a Associate

No cumulative share of losses in the associates.

Nature of relationship with the associates	Nature of relationship
KaNgwane Anthracite (Pty) Ltd	KaNgwane Anthracite (Pty) Ltd was acquired in 2011. MEGA has a 40% shareholding in KaNgwane Anthracite (Pty) Ltd, mainly for income generation and to stimulate economic growth in the surrounding communities in Nkomazi. However, the investment is under care and maintenance.
Nkomati Antracite (Pty) Ltd	Nkomati Anthracite (Pty) Ltd was historically acquired in 1980. MEGA currently holds a 40% interest in Nkomati Anthracite. The interest was acquired to generate income and to stimulate economic growth in the surrounding areas of Nkomazi.
Hi-veld Fruit Packers (Pty) Ltd	MEGA has a 26% shareholding in Highveld fruit packers, acquired in 2006. MEGA provided finance for the expansion and restructuring of Highveld fruit packers to allow for its continued positive economic impact in the surrounding communities in Ermelo.
Dalamba Victorius Trading Enterprise and Projects (Pty)Ltd	A loan of R6 390 000 was issued to Dalamba Victorious Trading Enterprise and Projects (Pty) Ltd for the construction of a shopping mall (creation of economic hubs) in Kinross. The loan was in the form of preference shares redeemable over a period of 12 years. 639 preference shares were issued by Dalamba (Pty) Ltd to MEGA. In addition, MEGA subscribed to 335 Ordinary shares resulting in the 25.1% shareholding, to allow MEGA to influence the direction of the company.
Fuma Investments (Pty) Ltd	A loan of R9 210 702 was issued to Fuma Investments (Pty) Ltd for the construction of a shopping mall (creating economic hubs) in Bushbuck ridge. The loan was in the form of preference shares redeemable over a period of 12 years. 921 preference shares were issued by Fuma (Pty) Ltd to MEGA. In addition, subscribed to 251 Ordinary shares, resulting in the 25.1% shareholding, to allow MEGA to influence the direction of the company.
S'Buthe Mntimandze (Pty) Ltd	A loan of R3 718 540 was issued to Shopmore Enterprises (S'buthe Mntimadze (Pty) Ltd for construction and development of a shopping center (Creation of economic hubs) in Nkomazi. The loan was in the form of preference shares redeemable over 5 years. 163 preference shares were issued by S'Buthe Mntimandze (Pty) Ltd MEGA. In addition, MEGA subscribed to 251 Ordinary shares, resulting in the 25.1% shareholding, to allow MEGA to influence the strategic direction of the company.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

8. Other financial assets

	2018 R	2017 Restated * R	1 April 2016 Restated * R
At fair value through profit or loss - designated	1,606,355	1,281,087	1,389,328
Unlisted shares			
AGRI Limited shares @R7.06/share (2017:R7.10), KWV Holdings Limited shares @R12.50/share (2017: R12.05), Stellenbosch Vineyards Group Limited shares @R5/share (2017: R0.75), Onderberg Verwerkingskoopera-sie Beperk shares @R0.25/share (2017: R0.25)and Capespan Group Limited shares @R6.18/share (2017: R4.90).			
Loans and receivables			
Housing loans	67,402,415	60,502,317	52,495,320
Housing loans are generally repayable over 20 years at 12% interest per annum, which is fixed over the term of the loan.			
Small, medium and micro enterprises (SMME) loans	64,559,452	42,254,818	24,152,832
The loans entail business capital funding and bridging finance over a maximum of 5 years. Interest rates are charged at the prevailing variable lending rates.			
Agricultural loans	35,006,643	28,503,645	12,512,714
The loans are for the financing of livestock and crops, with repayment terms varying from 3 months to 8 years. Interest is charged at variable percentages per annum.			
Equity loans	9,320,125	10,107,853	9,897,856
The loans consist of capital funding with participation in redeemable preference shares over a maximum period of 5 years.			
Govan Mbeki Housing Company loan	11,662,263	11,662,263	11,662,263
The loan is repayable in monthly instalments after the full amount has been distributed. Interest will accrue from this date at a fixed rate of 12%.			
Other loans and receivables	492,588	492,588	486,890
	188,443,486	153,523,484	111,207,875
Less impairment on loans and receivables	(70,157,643)	(61,169,923)	(42,538,300)
	118,285,843	**92,353,561**	**68,669,575**
Total other financial assets	**119,892,198**	**93,634,648**	**70,058,903**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

8. Other financial assets continued

	2018 R	2017 Restated * R	1 April 2016 Restated * R
Non-current assets			
Designated as at FV through profit and loss (fair value through income)	1,606,355	1,281,087	1,389,328
Loans and receivables	60,408,083	70,835,188	49,680,981
	62,014,438	**72,116,275**	**51,070,309**
Current assets			
Loans and receivables	57,877,760	21,518,373	18,988,594
	119,892,198	**93,634,648**	**70,058,903**

Fair value information

Financial assets at fair value through profit or loss are recognised at fair value, which is therefore equal to their carrying amounts.

The following classes of financial assets at fair value through profit or loss are measured to fair value using quoted market prices:

- Class 1 - Listed shares
- Class 2 - Unlisted shares

Fair value hierarchy of financial assets at fair value through profit or loss

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements.

Level 1 represents those assets which are measured using unadjusted quoted prices for identical assets.
Level 2 applies inputs other than quoted prices that are observable for the assets either directly (as prices) or indirectly (derived from prices).
Level 3 applies inputs which are not based on observable market data.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

8. Other financial assets continued

	2018 R	2017 Restated * R	1 April 2016 Restated * R
Level 1			
Class 2	1,574,705	1,247,405	1,343,553
Level 2			
Class 2	31,650	33,675	45,775
	1,606,355	**1,281,080**	**1,389,328**

There were no transfers between level 1 and level 2 for recurring fair value measurements during the year. The entity's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

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

Loans and receivables	118,285,843	95,319,543	71,082,804

The fair values are not materially different to the carrying amounts, since the interest levied on these financial assets is either close to current market rates or the financial assets are of a short-term nature.

Loans and receivables past due but not impaired

Loans and receivables which are less than 1 months past due are not considered to be impaired. At 31 March 2018 R102,433,100 were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

Neither past due or impaired	15,155,726	3,157,840	-
Past due 1 - 30 days	6,972,675	-	-
Past due 31 - 90 days	2,465,914	13,884,325	-
Past due 91 - 120 days	1,410,556	-	-
Past due 121 - 180 days	5,976,899	-	-
Past due over 180 days	70,451,331	47,187,971	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

8. Other financial assets continued

Loans and receivables impaired

As of 31 March 2018, loans and receivables of R 79,126,922.08 (2017: R66,867,506; R2016: R115 716 771) were impaired and provided for. The amount of the provision was R70,157,643 as of 31 March 2018 (2017: R 61,169,923 ; 2016: R 42,538,300).

The ageing of these loans is as follows.

	2018 R	2017 Restated * R	1 April 2016 Restated * R
Current	-	536,260	-
Past due 1 - 30 days	-	2,036,097	-
Past due over 180 days	79,126,922	64,295,149	-

Reconciliation of provision for impairment of loans and receivables

Loans and receivables assessed for impairment collectively

	2018 R	2017 Restated * R	1 April 2016 Restated * R
Opening balance	61,169,923	42,538,300	-
Provision for impairment	8,987,720	18,631,623	(54,027,488)
	70,157,643	**61,169,923**	**(54,027,488)**

Credit quality of other financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Other financial assets pledged as security

Some Other financial asstest are pledged as security for the DBSA loan of R 8,538.972 (2017: R 12,968,273; 2016: R20,766.689).
Refer to note 14 for more disclosure on the DBSA loan.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

9. Inventories

Work in progress	57,462,251	57,462,252	57,462,252
Consumables	1,399,327	2,535,185	1,552,767
Nutrition Programme Inventories	38,645	-	-
	58,900,223	**59,997,437**	**59,015,019**

An assessment of work in progress inventory indicated damages and an impairment was recognised for the estimated cost of repairs.

The amount of write-down of inventories recognised as an expense for 2018 is R0. Refer to note 24.

Inventory pledged as security

None of the inventory is pledged as security.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2018 R	2017 Restated * R	1 April 2016 Restated * R

10. Trade and other receivables

Trade receivables	35,420,379	43,188,435	35,168,849
Prepayments	1,951,841	1,722,899	1,797,270
VAT	33,073,171	28,953,163	15,316,629
Operating lease straight-lining asset	2,761,938	5,110,476	5,477,662
Department of Economic Development and Tourism	23,914,436	21,790,464	917,534
Department of Arts and Culture	42,191	42,191	41,213
Other receivables	8,997,951	2,008,665	5,761,323
	106,161,907	**102,816,293**	**64,480,480**

Trade and other receivables pledged as security

Trade and other receivables are not pledged as security.

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Fair value of trade and other receivables

Due to the short-term nature of the current receivables, their carrying amounts are assumed to be the same as their fair value.

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired.

At 31 March 2018 R7,888,552 (2017: R19,014,546 ; 2016: R16,539,699) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

Neither past due or impaired	5,615,402	-	-
Past due 1 - 30 days	1,546,521	18,944,173	16,337,851
Past due 31 - 90 days	726,629	-	-
Past due 91 - 120 days	-	70,373	201,848

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

10. Trade and other receivables continued

Trade and other receivables impaired

As of 31 March 2018, trade and other receivables of R194,829,318 (2017: R155,092,666; 2016: R104,857,659) were impaired and provided for. The amount of the provision was R177,031,195 as of 31 March 2018 (2017: R 136,776,206 - ; 2016: R 101,853,766.

The ageing of these receivable is as follows:

	2018 R	2017 Restated * R	1 April 2016 Restated * R
Current	637,450	2,849,996	3,765,747
Past due 1- 30 days	4,348,911	-	-
Past due 31 - 90 days	446,107	12,548,710	18,147,176
Past due 91 - 120 days	1,001,826	-	-
Past due 121 - 180 days	215,319,723	166,574,600	120,871,015
	221,754,017	**181,973,306**	**142,783,938**

Reconciliation of provision for impairment of trade and other receivables

Opening balance	136,776,206	101,853,766	116,559,822
Provision for impairment	40,559,481	34,922,440	(14,706,056)
	177,335,687	**136,776,206**	**101,853,766**

11. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	86	66	9
Bank balances	56,705,674	132,526,691	64,400,661
	56,705,760	**132,526,757**	**64,400,670**

Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable within 24 hours notice with no loss of interest.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

12. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

2018

	Loans and receivables	Fair value through profit or loss - designated	Total
Other financial assets	119,892,198	1,606,355	121,498,553
Trade and other receivables	106,161,907	-	106,161,907
Cash and cash equivalents	56,705,760	-	56,705,760
	282,759,865	**1,606,355**	**284,366,220**

2017

	Loans and receivables	Fair valuethrough profitor loss - designated	Total
Other financial assets	92	1,281,087	1,281,179
Trade and other receivables	66,722,171	-	66,722,171
Cash and cash equivalents	132,526,757	-	132,526.757
	199,249,020	**1,281,087**	**200,530,107**

2016

	Loans and receivables	Fair value through profit or loss - designated	Total
Other financial assets	71,082,894	1,389,328	72,472,132
Trade and other receivables	41,526,085	-	41,526,085
Cash and cash equivalents	64,400,670	-	64,400,670
	177,009,559	**1,389,328**	**178,398,887**

Trade and other receivables excludes prepayments, operating lease straight lining assets and VAT as these receivables are not financial assets.

13. Revaluation reserve

The revaluation reserve is attributable to the revaluation adjustment on land and buildings and bulk infrastructure. The transfer to retained income refers to the revaluation reserve of a specific item of property, plant and equipment that is transferred directly to retained income as the asset is used.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

14. Other financial liabilities

	2018 R	2017 Restated * R	1 April 2016 Restated * R
Held at amortised cost			
Development Bank of South Africa (DBSA)			
DBSA - housing loans	8,538,972	12,968,273	20,766,689
The loans are secured by a notarial bond over the housing loans, The loans are repayable in bi-annual instalments of R4 964 283, including capital and interest. Interest is charged at 8% and 8.5% per annum respectively with the final instalments due on 30 September 2018.			
Thaba Chweu Municipality	4,816,364	4 816 364	4 816 364
The loan is unsecured, interest free and repayable as and when the stands in Sabie, extension 10 are sold.			
Micro Agricultural Financial Institutions of South (MAFISA)	14,498,727	14,318,104	14,183,104
MAFISA reappointed MEGA as one of its implementing agents and consequently this amount must be reinvested in an interest bearing account with no immediate repayment due to MAFISA.			
	27,854,063	**32,102,741**	**39,766,157**
Non-current liabilities			
At amortised cost	4,816,364	9,314,998	17,784,637
Current liabilities			
At amortised cost	23,037,699	22,787,743	21,981,520
	27,854,063	**32,102,741**	**39,766,157**
Fair value of the financial liabilities carried at amortised cost			
Bank loans	8,538,972	12,968,273	20,766,689
Other	19,315,091	19,134,468	18,999,468
	27,854,063	**32,102,741**	**39,766,157**

For the majority of the borrowings, the fair values are not materially different to their carrying amounts, since the interest payable on these borrowings is either close to current market rates or the borrowings are of a short term nature.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

15. Employee benefits

Defined contribution plan

It is the policy of the entity to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose. The entity is under no obligation to cover any unfunded benefits.

	2018 R	2017 Restated * R	1 April 2016 Restated * R
The total contribution to such schemes	9,311,730	9,373,957	8,736,855

16. Provisions

Reconciliation of provisions

2018

	Opening Balance	Additions	Utilised during The year	Unwinding of discount	Total
Environmental rehabilitation	352,649	-	(75,157)	7,619	360,268
Leave provision	11,508,758	9,667,259	(10,865,443)	-	10,310,574
Workmen's Compensation Commissioner	75,157	-	-	-	-
Long service awards	733,130	46,000	(115,380)	59,000	722,750
	12,669,694	**9,713,259**	**(11,055,980)**	**66,619**	**11,393,592**

Reconciliation of provisions

2017

	Opening Balance	Additions	Utilised during the year	Actuarial gain	Unwinding of discount	Total
Environmental rehabilitation	345,188	-	-	-	7,461	352,649
Leave provision	10,763,051	9,962,041	(9,216,334)	-	-	11,508,758
Workmen's Compensation Commissioner	-	75,157	-	-	-	75 157
Long service awards	748,090	52,000	(79,960)	(53,000)	66,000	733,130
	11,856,329	**10,089,198**	**(9,296,294)**	**(53,000)**	**73,461**	**12,669,694**

Reconciliation of provisions

2016

	Opening Balance	Additions	Utilised during the year	Actuarial gain	Unwinding of discount	Total
Environmental rehabilitation	337,886	-	-	-	7,302	345,188
Leave provision	10,824,435	8,588,918	(8,650,302)	-	-	10,763,051
Long service awards	741,410	53,000	(78,320)	(23,000)	55,000	748,090
	11,903,731	**8,641,918**	**(8,728,622)**	**(23,000)**	**62,302**	**11,856,329**

Non-current liabilities	1,083,018	971,779	1,013,278
Current liabilities	10,310,574	11,697,915	10,843,051
	11,393,592	**12,669,694**	**11,856,329**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

16. Provisions continued

Environmental rehabilitation

The provision is made for the estimated cost of rehabilitating the landfill site. The provision has been estimated using the valuation report of the provision for the final closure and rehabilitation costs of the Ekandustria landfill site. The valuation was prepared by Environmental and Sustainability Solutions a specialist consultancy in environmental accounting that was appointed by MEGA, for 31 March 2015. A discounted rate of 2.16% has been applied to discount the current prices.

Leave provision

The provision is measured at the expected cost to settle the obligation using the accrued leave days at reporting date multiplied by the rate per day.

The rate per day is calculated as follows:
- Permanent and temporary staff - gross remuneration per month divided by 21.75 days
- Seasonal / contract staff - minimum wage as determined by the Department of Labour

Annual leave days entitlement is calculated as follows:
- Permanent staff: 2.0833 days for every 25 days worked
- Temporary staff: 1.75 days for every 21 days worked
- Seasonal staff: 1 day for every 17 days worked

Long service awards

The entity has an obligation to provide long service awards benefits to all its permanent employees. An employee is eligible for a long service award for the first five years of continuous service, and every five years continuous service subsequent to that. The actuarial valuation of the present value of the obligation at 31 March 2015, 2016, 2017 and 2018 was carried out by PricewaterhouseCoopers Assurance Services (Proprietary) Limited. Assumptions used on last valuation on 31 March 2017 are:

	2018 R	2017 Restated * R	1 April 2016 Restated * R
Discount rates used	8,30%	8,30%	9,00%
Expected retirement age	63 years	63 years	63 years
Benefit awards inflation	5,40 %	5,40%	6,80%

17. Trade and other payables

Accrued expenses	7,968,499	1,081,484	6,487,413
Amounts received in advance	-	-	4,057
Deposits received	4,102,360	3,923,863	3,488,117
Other payables	17,772,809	12,356,574	9,886,657
Trade payables	118,507,199	58,994,284	21,432,072
	148,350,867	**76,356,205**	**41,298,316**

Trade payables are usually paid within 30 days of recognition. The carrying amount approximate the fair value.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

18. Unspent conditional grants

	2018 R	2017 Restated * R	1 April 2016 Restated * R
Department of Trade and Industry (Special Economic Zone Project) Funds were received from **the dti** in order to plan and prepare for the establishment of a SEZ in Mpumalanga and to develop a suitable business model to attract investors for such a SEZ.	1,443,597	9,890,676	11,391,170
Department of Public Works (Expanded Public Works Program) Funds were received from the Department of Public Works to create work opportunities in the infrastructure, non-state, environmental and culture and social sectors.	-	11,616	-
Industrial Development Corporation Funds were received from the IDC for the purpose of upgrading the factory sites located at the Kabokweni industrial area.	871,805	854,303	838,660
Department of Arts and Culture (Bushbuckridge craft project) Funds were received from the Department of Arts and Culture to support crafters in the Bushbuckridge area and to address developmental needs of crafters in the Ga-Mathibela community.	720,000	720,000	-
Department of Arts and Culture (Promoting sports and culture project) Funds were received from the Department of Arts and Culture to support socio-economic development by establishing sport and culture as an economic investment and to promote existing cultural facilities for communities.	2,304,273	2,304,273	2,348,648
	5,339,675	**13,780,868**	**14,578,478**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

19. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

	2018 R	2017 Restated * R

2018

	Financial liabilities at amortised cost	Total
Other financial liabilities	27,854,063	27,854,063
Trade and other payables	148,350,867	148,350,867
Unspent conditional grants	5,339,675	5,339,675
	181,544,605	**181,544,605**

2017

	Financial liabilities at amortised cost	Total
Other financial liabilities	32,102,741	32,102,741
Trade and other payables	76,356,205	76,356,205
Unspent conditional grants	13,780,868	13,780,868
	122,239,814	**122,239,814**

2016

	Financial liabilities at amortised cost	Total
Other financial liabilities	39,766,157	39,766,157
Trade and other payables	41,298,316	41,298,316
Unspent conditional grants	14,578,478	14,578,478
	95,642,951	**95,642,951**

20. Revenue

Nutritional programme	31,201,066	-
Interest received (trading)	33,784,052	25,452,616
Municipal services	78,547,428	103,692,459
Rental income	34,955,057	40,755,380
Sale of lemons - export	14,217,196	18,666,567
Sale of lemons - local	3,617,122	2,393,087
Sale of wine	40,339	18,597
	196,362,260	**190,978,706**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2018 R	2017 Restated * R
21. Cost of sales		
Sale of lemons and wine	25,567,271	18,401,936
Bulk purchases	60,665,391	84,504,439
Nutrition Programme	42,375,823	-
	128,608,485	**102,906,375**
22. Other operating income		
Administration and management fees received	178,496	201,750
Commissions received	12,496,788	4,332,354
Fees earned	120,324	3,489,211
Government grants	156,612,002	290,515,330
Insurance claims received	3,070,175	14,199,620
Operating cost income	1,628,266	420,635
Recoveries	329,910	505,406
	174,435,961	**313,664,306**
23. Other operating gains (losses)		
Losses on disposals, scrappings and settlements		
Property, plant and equipment	(37,245)	(296,903)
Fair value gains (losses)		
Biological assets	945,961	20,854,195
Investment property	(10,965,068)	(792,901)
Financial instruments at fair value through profit or loss:		
Designated as such at initial recognition	325,267	(108,241)
	(9,693,840)	**19,953,053**
Total other operating (Losses)/gains	**(9,731,085)**	**19,656,150**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2018 R	2017 Restated * R

24.Other operating expenses

Advertising	1,392,021	2,013,203
Amortisation	36,287	239,817
Auditors remuneration	7,087,178	5,901,873
Bad debts	49,547,201	64,700,294
Bank charges	233,772	207,538
Cleaning	389,490	258,611
Commission paid	-	671
Computer expenses	1,964,453	1,810,675
Consulting and professional fees	32,335,910	22,006,817
Depreciation	12,572,070	10,921,685
Donations	1,271,824	1,857,815
Employee costs	110,011,243	108,679,898
Entertainment	3,723,310	1,306,065
Farming expenses	476,838	149,602
Gifts	30,757	13,700
Grant expenditure	21,192,821	22,197,867
Insurance	6,824,380	5,944,778
Lease rentals on operating lease	6,361,053	6,650,111
Legal expenses	6,418,715	5,706,468
Levies	186,450	116,337
Motor vehicle expenses	188,591	269,351
Municipal expenses	19,006,043	17,316,552
Other expenses - deductible	4,651,015	3,938,926
Postage	199,201	79,765
Printing and stationery	458,138	1,172,066
Protective clothing	82,908	87,059
Repairs and maintenance	5,386,588	5,602,243
Security	14,985,492	11,353,141
Staff welfare	581,992	584,588
Subscriptions	433,580	363,748
Telephone and fax	1,886,335	2,937,642
Transport and freight	1,348,602	994,768
Training	743,546	651,327
Travel - local	3,089,729	2,623,123
Travel - overseas	360,750	370,529
VAT apportionment expense	7,159,337	6,592,124
Government Nutrition Programme expenses	30,191,865	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2018 R	2017 Restated * R

25. Operating profit (loss)

Operating (loss)/ profit for the year is stated after charging (inter alia) the following expenses:

Auditor's remuneration		
Audit fees	7,087,178	5,901,873

26. Employee costs

Basic	99,618,535	96,053,165
Bonus	5,987,277	6,625,088
Leave pay provision charge	27,553	915,749
Other short term costs	3,217,599	3,125,737
Workmens' compensation contributions	(300,734)	91,719
Directors' fees	1,415,013	1,869,440
Long-term benefits - incentive scheme	46,000	(1,000)
Total employee costs	**110,011,243**	**108,679,898**

27. Investment income

Dividend income		
From investments in financial assets measured at fair value through profit or loss:		
Unlisted investments	-	17,882
Interest income		
From investments in financial assets:		
Loans and receivables at amortised cost	7,778,011	7,670,445
Total investment income	**7,778,011**	**7,688,327**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2018 R	2017 Restated * R
28. Finance costs		
Non-current borrowings	942,104	1,922,835
Unwinding of discount on provisions for environmental rehabilitation cost	7,619	7,461
Unwinding of discount on long-term employee benefit obligation	59,000	66,000
Total finance costs	**1,008,723**	**1,996,296**

29. Cash (used in)/generated from operations

	2018 R	2017 Restated * R
Profit for the year	(113,391,890)	111,413,899
Adjustments for:		
Depreciation and amortisation	12,608,357	11,161,502
Losses on disposals, scrappings and settlements of assets and liabilities	37,245	296,903
Income from equity accounted investments	(189,656)	50,142
Dividend income	-	(17,882)
Interest income	(7,778,011)	(7,670,445)
Finance costs	942,104	1,922,835
Fair value gains	9,693,840	(19,953,053)
Movements in provisions	7,619	7,461
Movements in employee benefits	59,000	66,000
Movement in provisions	(1,342,721)	739,904
Increase in debtors impairment	49,547,201	-
Produce harvested	20,149,647	14,177,626
Changes in working capital:		
Inventories	1,097,214	(277,870)
Trade and other receivables	(43,905,095)	(38,335,813)
Trade and other payables	71,994,662	35,057,889
Decrease in unspent grants	(8,441,193)	(797,610)
	(8,911,677)	**107,841,488**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2018 R	2017 Restated * R
30. Commitments and lease arrangements		
Authorised capital expenditure		
Already contracted for but not provided for		
Loans approved but not yet paid	20,501,710	45,955,537
Suppliers commitments	20,532,625	29,171,220
Govan Mbeki Housing Company	8,337,736	8,337,736
Commitments incurred as implementing agent	100,745,715	345,078,478
Operating leases – as lessee (expense)		
Minimum lease payments due		
- within one year	2,682,176	5,758,475
- in second to fifth year inclusive	1,590,218	2,091,089
	4,272,394	**7,849,564**

Operating lease payments represents rentals payable for office and storage space, terms vary between 2 - 5 years and escalations vary between 5% and 10%. The lease agreement is renewable at the end of the lease term. No contingent rent is payable.

	2018 R	2017 Restated * R
Operating leases – as lessor (income)		
Minimum lease payments due		
- within one year	28,380,177	32,963,254
- in second to fifth year inclusive	35,076,787	48,629,847
- later than five years	19,560	256,481
	63,476,524	**81,849,582**

Certain of the entity's property is held to generate rental income. Lease agreements vary from month-to-month, to 20 years. There are no contingent rents receivable.

31. Contingencies

1. March 2018 and March 2017: G-Tech (Grant Murray)

G-Tech Electronics, an information technology contractor, initiated claims of R5 150 332 and R2 113 610 (2017: R2 113 610) respectively for loss of income and arrear amounts based on alleged verbal agreement. These cases have been consolidated. The matter was not heard on the 26th of April 2016 as initially scheduled. MEGA is awaiting new trial dates to be set.

2. March 2018 and March 2017: Marley Tiles

Marley Tiles instituted action against MEGA for losses incurred during the electricity cut-off by Tshwane Municipality to the value of R43 698.60. MEGA has filed notice to defend, and is awaiting a trial date to be allocated.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

31. Contingencies continued

3. March 2018 and March 2017: Musa Masango and Associates

Musa Masango & Associates instituted action proceedings against MEGA, for non payment of an amount of R 759 154.09, arising from a contract for the construction and extension of Cinqplast. Musa Masango now claims that MEGA withheld its professional fees pending finalisation of criminal case by SARS. The criminal case by SARS was finalised and Musa Masango now claims payment. MEGA did not enter appearance to defend the matter on time, which resulted in Musa Masango obtaining judgment by default. MEGA was however successful in rescinding the aforesaid judgment. We have filed a plea to the claim, and the matter has not as yet been allocated a trial date.

4. March 2018 and March 2017: Bicacon (Pty) Ltd

Bicacon has instituted legal proceedings against MEGA for breach of contract, to the amount of R520 716, relating to the construction of a bulk water pipeline. MEGA ceded its rights to Umkhondo Local Municipality, but according to the municipality no contract was concluded with Bicacon. MEGA has instructed its attorneys to defend the High Court Action. A plea has been drafted and forwarded to Counsel.

5. March 2018 and March 2017: Global Business Worldwide Ltd

Fortune Magazine is claiming an amount of 19 000 Euros (R290 000), for MEGA's failure to honour the purported advertising contract with Fortune magazine. MEGA is defending the matter.

6. March 2018 and March 2017: V Mqhum: Labour dispute

The former CFO of MEGA, is alleging unfair dismissal. This matter comes after a settlement agreement was reached and six months remuneration was granted as a full and a final settlement of the employment agreement. MEGA is defending the matter. The maximum claim is estimated at R2 504 756.

7. March 2018 and March 2017: Khabran Investment (Pty) Ltd

The plaintiff, Khabran Investment (Pty) Ltd, is a consultant appointed by a former CEO and Chairperson. The plaintiff constitutes payment amounting to R707 176 for apparent services rendered. MEGA is defending the matter.

The aforementioned cases are still before the various courts and the finalisation thereof is dependent on the court processes and hence the excepted conclusion dates are not known.

32. Related parties

Relationships

Relationships
Associates
Members of the Board
Members of Key management
Close family member of key management
Government departments

Refer to note7
Refer to note33
Refer to note33
Mr. ZL Dlabazama
Department of Agriculture, Forestry and Fisheries
Department of Agriculture, Rural Development, Land and Environmental Affairs
Department of Economic Development and Tourism
Department Human Settlements
Department of Trade and Industry
Department of Arts and Culture
Department of Public Works
Department of Education
Department of Social Development
Department of Health

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

32. Related parties continued

	2018 R	2017 Restated * R
Related party balances		
Loan accounts - Owing (to) by related parties		
Department of Agriculture, Forestry and Fisheries - MAFISA	(14,498,727)	(14,318,104)
Mr. GJ Dladla	1,473,354	1,512,491
Mr ZL Dlabazama	1,925,880	1,925,880
Dalamba Victorius Trading Enterprise and Projects (Pty) Ltd	6,972,675	6,437,176
Fuma Investments (Pty) Ltd	9,164,579	9,060,702
S'Buthe Mntimandze (Pty) Ltd	2,254,686	-
Amounts included in Trade receivable (Trade Payable) regarding related parties		
Department of Arts and Culture	(2,982,082)	(2,982,082)
Department of Economic Development and Tourism	(23,842,564)	20,024,065
Department of Human Settlement	5,528,326	5,528,326
Department of Trade and Industry	(1,443,597)	(9,890,676)
Expanded Public Works Programme	(841,137)	(841,137)
KaNgwane Anthracite (Pty) Ltd	492,588	492,588
Amounts owed by client departments for the Government Nutrition Programme		
Department of Education	3,452,357	-
Department of Health	2,730,135	-
Department of Social development	39,015	-
Related party transactions		
Home loans repaid to MEGA		
Mr. GJ Dladla	216,000	216,000
Mr. TS Nobela	-	164,693

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

32. Related parties continued

	2018 R	2017 Restated * R
Grants received from		
Department of Economic Development and Tourism - Operational grant in the running of daily operations.	128,000,000	154,910,000
Department of Economic Development and Tourism - Creative Industries	5,000,000	-
Department of Economic Development and Tourism - EPWP Funds were received to create work opportunities in the infrastructure, non-state, environmental and culture and social sectors.	900,000	1,000,000
Department of Economic Development and Tourism - Establishment of Provincial Infrastructure Fund Funds were received to establish an Infrastructure Fund to mobilise private sector capital for the rollout of critical infrastructure projects within the Province.	-	6,000,000
Department of Economic Development and Tourism - Establishment of Infrastructure Unit Funds were received to establish an infrastructure unit to improve the condition of MEGA's property portfolio to attract suitable investments in future.	-	7,000,000
Department of Economic Development and Tourism - SMME & Co-operatives Support Funds were received for the funding of new loans to small enterprises. The purpose of the loans is to empower small enterprises to contribute more positively to the economic growth of the province.	-	80,000,000
Department of Economic Development and Tourism - Township Revitalisation Funds were received to create economies of scale through bulk procurement, to ensure financial sustainability of township and rural enterprises, while also providing infrastructure for incubation of small enterprises.	-	50,000,000
Department of Economic Development and Tourism - Establishment of Agri-hubs and Mpumalanga International Fresh Produce Market Funds were received for the revitalisation of agriculture and the processing value chain as key economic drivers for the Province, by construction of the Mpumalanga Fresh Produce market.	307,000,000	86,000,000
Department of Economic Development and Tourism - Economic Rejuvination	20,000,000	-
Department of Arts & Culture Funds were received from the Department of Arts and Culture to support crafters in the Bushbuckridge area and to address developmental needs of crafters in the Ga-Mathibela community	-	720,000
Department of Trade and Industry (SEZ) Funds were received from **the dti** in order to plan and prepare for the establishment of a SEZ in Mpumalanga and to develop a suitable business model to attract investors for such a SEZ.	-	5,171,755

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

32. Related parties continued

	2018 R	2017 Restated * R
Grants received from (continued)		
Department of Economic Development and Tourism - SABS certification	6,757,000	-
Department of Economic Development and Tourism - Sanitary programme	1,500,000	-
Department of Economic Development and Tourism - SMME kickstart	2,500,000	-
Department of Economic Development and Tourism - Trye business programme	3,000,000	-
Department of Economic Development and Tourism - Fashion show	2,000,000	-
Rent collected on behalf of Department of Public Works	163,744	295,618
Revenue from the Government Nutrition programme		
Department of Education	25,938,537	-
Department of Health	4,466,119	-
Department of Social Development	39,015	-
Loan accounts repayments		
Fuma Investments (Pty) Ltd	736,856	-

33. Board members and key management emoluments

Board members

	2018 Emoluments	2017 Emoluments
Mr DN Mculu (Chairman)	269,220	349 110
Mr SM Bhembe	104,026	122 356
Ms GA Deiner	157,675	207 745
Mr ST Khumalo	66,001	47 060
Mr U Khumalo	9,672	75 353
Mr MR Lubisi	104,286	84 537
Mr LT Maloba	39,468	105 885
Ms M Malumane	126,373	164 710
Ms TM Masasa	64,558	103 532
Ms T Masenya	208,312	192 946
Mr FV Mlombo	-	75,296
Mr M Petje	180,739	200 005
Travel and Subsistence reimbursement	137,846	131 493
	1,468,176	**1 860 028**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

33. Board members and key management emoluments continued

Key management	2018 Total Cost to Company	2017 Total Cost to Company
Mr CT Camane	1,906,744	1,796,715
Mr GJ Dladla	1,996,729	1,848,500
Mrs TC Mametja	1,675,699	1,569,015
Ms SP Morgan	1,441,008	1,356,719
Mr TS Nobela	851,519	1,288,482
Mr EL Potgieter (CFO)	1,776,134	1,655,195
Ms LD Ntshingila - appointed (01/12/2017)	534,862	-
Mr XGS Sithole (CEO)	2,826,073	2,760,266
Total re-imbursements for the year	368,526	849,147
	13,377,294	**13,124,039**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

34. Prior period errors

During the current financial year prior period errors were discovered. Retrospective adjustments to the prior period were made due to the significant nature of the effect of the errors. The correction of the error(s) results in adjustments as follows:

	2018 R	2017 Restated * R
Statement of financial position		
Property, plant and equipment		
Balance as previously reported		397,620,450
Bulk infrastructure: Depreciation on decommissioning assets previously not calculated		91,388
IT Equipment: Correction of prior year depreciation		(448)
Office equipment: Correction of prior year depreciation		(48)
Plant and machinery: Correction of prior year depreciation		(3,339)
Land and buildings		4,472,073
		402,180,076
Investment property		
Balance as previously reported		823,178,638
Revaluation and reversal		(423,544,682)
		399,633,956
Investments in associates		
Balance as previously reported		3,160,114
Correction of Hi-veld Fruit packers profits incorrectly calculated		(1,177,058)
		1,983,056
Other financial assets		
Balance as previously reported		95,772,718
Housing loans: Reversals of debt- write offs and writing back interest		(1,924,990)
SMME loans: Interest adjustment		(64,412)
Agricultural loans		(155,920)
Other loans and receivables		7,252
		93,634,648
Cash and cash equivalents		
Balance as previously reported		132,519,900
Bank balances: Opening balance of the old bank account		6,857
		132,526,757

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

34. Prior period errors continued

	2018 R	2017 Restated * R
Trade and other receivables		
Balance as previously reported		98,538,980
VAT - review was performed on VAT		(143,517)
Trade receivables: Municipal services consumption and Rental debtors adjustments		1,734,929
Account for straight lining of operating lease income		931,116
Department of Economic Development and Tourism		1,754,783
		102,816,291
Trade and other payables		
Balance as previously reported		76,774,579
Accrued expenses: Reallocation of accruals		4,500
Other payables: Reallocation of accruals		(446,316)
Other payables: Provision for Straight-line contracts		19,873
Reclassification for trade receivables - Credit balances in debtor		3,569
		76,356,205
Statement of changes in equity		
Retained income - balance as at 1 April 2016		
Balance as previously reported		1,283,756,104
Bulk infrastructure - Correction of prior year depreciation.		92,674
Investment property - Reversal		(402,263,836)
Investment in associates - Correction of unlisted investments adjusting for prior profits.		(858,586)
Other financial assets - Home loans		(1,424,610)
Other financial assets - SMME loan		15,747
Cash and cash equivalents - Old bank account balance		6,856
Trade and other receivables - VAT		(34,431)
Trade and other receivables - Operating lease straight-lining asset		776,493
Trade and receivables - Municipal debtores		40,118
Trade and other receivables - Rental debtors		806,411
Trade and other payables - Rent guarantees		(2,000)
Trade and other payables - Disability and pension fund		292,618
Insurance re-constructs - Factory 213		(2,302,637)
Trade and other receivables - Long term loan debtors		7,252
Land and buildings		3,931,736
Plant and machinery		2,761
Office equipment		6,619
Other financial assets - Agricultural loans		(193,394)
		882,655,895
Revaluation reserve - movement for 2017		
Balance as previously reported		92,055,677
Bulk infrastructure - Correction of unit costs and recognition of additional components not previously recognised		15,670
		92,071,347

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

34. Prior period errors continued

	2018 R	2017 Restated * R
Statement of Profit or Loss and Other Comprehensive Income		
Revenue		
Balance as previously reported		190,936,401
Interest received: Correction of interest on Home loans and SMME loans		(365,396)
Municipal services: Own consumption adjustments		(3,379)
Rental income: Correction of rental income charged as well as effects of rental straight-lining		411,081
		190,978,707
Other operating income		
Balance as previously reported		311,342,167
Commission received: Prior year commission		1,754,784
Fees earned		154,720
Operating cost income: Not accounted for in prior year		420,635
Recoveries: Bad debts recovered		(13,000)
Insurance claims received		5,000
		313,664,306
Other operating expenses		
Balance as previously reported		315,451,716
Depreciation: Prior year depreciation on movables and decommissioned assets		57,664
Employee costs: Accrual adjusment		4,500
Municipal expenses: Adjustment of own consumption		(100,478)
Repairs and maintenance: Plant and machinery		4,719
Bad debts written off		163,691
Correction of operating lease liability		19,873
Car hire		3,446
Depreciation: IT Software		15,646
		315,620,777
Other operating (gains)/losses		
Balance as previously reported		38,053,758
Investment property: Fair value adjustments		(18,397,608)
		19,656,150
Income from equity accounted investments		
Balance as previously reported		268,330
Correction of Hi-veld Fruit packers profits incorrectly calculated		(318,472)
		(50,142)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

35. Changes in accounting policy

The annual financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year except for the change in the accounting policy for inventory.

Change in the Inventory accounting policy

During the year, the entity changed its accounting policy to determine the cost of inventories from the first-in-first-out method to weighted average cost. The entity in practice already applied the weighted average cost method in prior years. This change in accounting policy will therefore not have an impact on the results of the entity.

36. Risk management

Capital risk management

The capital structure of the organisation consists of debt which includes the borrowings, cash and cash equivalents, unspent government grants and equity as disclosed in the statement of financial position. The entity manages its capital structure and makes adjustments to it in light of changes in economic conditions and the requirements of the financial covenants. There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Consistent with others in the industry, the entity monitors capital on the basis of the gearing ratio. The entity monitors capital using a debt to equity ratio, which is net debt divided by total capital plus net debt. The entity's policy is to keep the debt to equity ratio below 1:2. The entity includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and cash equivalents. Total equity is represented in the statement of financial position. In order to achieve this overall objective, the entity's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call up loans and borrowings. There have been no breaches of the financial covenants of any interest bearing loans and borrowings in the current period.

No changes were made in the objectives, policies or processes for managing capital during the period ended 31 March 2018.

The debt: equity ratio at 31 March 2018 and 31 March 2017 respectively were as follows:

	Note(s)	2018 R	2017 Restated * R
Total borrowings			
Other financial liabilities	14	27,854,063	32,102,741
Trade and other payables	17	148,350,867	76,356,205
Unspent conditional grants	18	5,339,675	13,780,868
		181,544,605	**122,239,814**
Less: Cash and cash equivalents	11	(56,705,760)	(132,526,757)
Net debt		124,838,845	(10,286,943)
Total equity		986,575,602	1,086,490,597
Total capital		**1,111,414,447**	**1,076,203,654**
Debt equity ratio		12.65	(0.95)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

36. Risk management continued

Financial risk management

The principal financial liabilities comprise loans and borrowings, trade and other payables, and unspent conditional grants. The main purpose of these financial liabilities is to finance the operations. The principal financial assets include loans and receivables, trade and other receivables, and cash and cash equivalents that arrive directly from its operations.

The company is exposed to market risk, credit risk and liquidity risk.

The entity's senior management oversees the management of these risks. The entity's senior management is supported by a financial risk committee that advises on financial risks and the appropriate financial risk governance framework for the entity. The financial risk committee provides assurance to the entity's senior management that the entity's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with entity policies and entity risk appetite.
The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash deposits and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. At the end of the reporting period the entity held deposits of R56 705 760 (2017: R132 526 757) that are expected to readily generate cash inflows for managing liquidity risk.
Due to the dynamic nature of the underlying entity's finance committee maintains flexibility in funding by managing availability under committed credit lines.

The company's objective is to maintain a balance between continuity of funding and flexibility through the use of loans and borrowings.
Based on the carrying value of borrowings reflected in the financial statement, 97% of the entity's debt will mature in less than one year at 31 March 2018 (2017: 95%). The entity assessed the concentration of risk with respect to refinancing its debt and concluded it to be low.
Access to sources of funding is sufficiently available.

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

At 31 March 2018		Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Other financial liabilities		23,037,699	4,498,634	4,816,364
Unspent conditional grants		5,339,675	-	-
Trade and other payables		148,350,867	-	-

At 31 March 2017		Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Other financial liabilities		22,787,743	4,498,634	4,816,364
Unspent conditional grants		13,780,868	-	-
Trade and other payables		76,323,763	-	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

36. Risk management continued

Risk from bearer plants and biological assets

Biological assets are lemon orchards and grapevines managed by MEGA. Agricultural produce is the harvested product obtained from the biological asset. These biological assets are exposed to various production, ecological and market risks.

Production risk includes weather conditions, pests, and diseases. Ecological risks includes production, climate change, and management of natural resources such as water rights. Market risks includes output and input price variability.

MEGA has put in place measures and controls to mitigate losses from the above risks. These measures and controls include, inter alia, insurance, irrigation and monitoring of pests and treating them accordingly at the first signs of infestation through use of pesticides. As well as ensuring that the area around the lemon trees, grapevines is free from debris and weeds that harbour fungal disease as well as insects.

MEGA is exposed to financial risks arising from changes in lemon and wine prices. MEGA does not anticipate that lemon and wine prices will decline significantly in the foreseeable future. MEGA has not entered into any derivative contracts to manage the risk of a decline in lemon and wine prices. MEGA reviews its outlook for lemon and wine prices regularly in considering the need for active financial risk management.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The company's potential exposure to the risk of changes in market interest rates relates primarily to the entity's long-term debt obligations. The entity's long term debt obligations are both interest free and fixed term borrowings. The entity manages its interest rate risk by having a balanced portfolio of interest free and fixed rate loans and borrowings.

Interest rate sensitivity is not analysed as the organisation is borrowing at fixed interest rates.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The entity is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institution and other financial instruments.

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

Customer credit risk is managed by the risk control unit subject to the entity's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on an extensive credit rating score card and individual credit limits are defined in accordance with this assessment. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. Outstanding customer receivables are regularly monitored.

The requirement for an impairment is analysed at each reporting date on an individual basis. The calculation is based on actual incurred historical data. The entity does not hold collateral as security. The entity evaluates the concentration of risk with respect to trade receivables as high due to the volatility of the current market conditions.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

36. Risk management continued

Credit risk continued

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

	2018 R	2017 Restated * R
Other financial assets		
Housing loans	67,402,415	60,502,317
Small, medium and micro enterprises (SMME) loans	64,559,452	42,254,818
Agricultural loans	35,006,643	28,503,645
Equity loans	9,320,125	10,107,853
Govan Mbeki Housing Company loan	11,662,263	11,662,263
Other loans and receivables	492,588	492,588
	188,443,486	**153,523,484**
Trade and other receivables		
Rental and municipal receivables	212,451,577	179,964,635

Foreign exchange risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The entity's exposure to the risk of changes in foreign exchange rates relates primarily to lemon export sales of R14 217 196 (2017: R18 666 567). The lemons are sold to the Middle East through an export sales agent. The export sales agent sells the lemons in US dollars. The entity receives the rand equivalent less the agent fees.

The company reviews its foreign currency exposure, including commitments on an ongoing basis.

Price risk

Commodity price risk
The company's operating activities involve leasing of residential and industrial properties, housing, agricultural and SMME financing and sale of lemons and wines. The nature of the products are such that they are not significantly affected by volatility as they are not volatile in nature.

Equity price risk
The entity's unlisted shares are susceptible to market-price risk arising from uncertainties about future values of the investment.
The organisation manages the equity price risk by limiting such investment to shares necessary to carry out its agricultural activities.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

36. Risk management continued

At the reporting date, the exposure to unlisted shares at fair value was only limited to R34 100 (2017: R6 967) therefore any significant change in the price will have an insignificant impact on MEGA.

The remainder of the balance amounting to R1 539 098 (2017: R1 240 438) is not exposed to market-price risk as the shares relating to Afgri Limited and Capespan Group Limited will be bought back at a fixed price.

37. 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.

38. Events after the reporting period

Management is not aware of any subsequent events that occurred after the reporting period.

39. Fruitless and wasteful expenditure

	2018 R	2017 Restated * R
Opening balance	51,656	27,472
Current year expenditure incurred	10,271	24,184
	61,927	**51,656**

Fruitless and wasteful expenditure consists of interest on overdue accounts.

40. Irregular expenditure

	2018 R	2017 Restated * R
Opening balance	231,030,571	256,075,766
Current year expenditure incurred	147,010,019	40,187,991
Additional 2012/13 irregular expenditure identified	-	117,330
Additional 2013/14 irregular expenditure identified	-	4,628,535
Additional 2014/15 irregular expenditure identified	-	22,585
Additional 2015/16 irregular expenditure identified	-	375,000
2012/13 items investigated and found not to be irregular	-	(1,219,746)
2013/14 items investigated and found not to be irregular	-	(138,487)
2014/15 items investigated and found not to be irregular	-	(3,945,303)
2015/16 items investigated and found not to be irregular	-	(6,938,680)
Less: 2011/12 amounts to be recovered from DEDT	-	(6,860,000)
Less: Transgressions of Delegation of Authority condoned by the MEGA Board	-	(51,274,420)
	378,040,590	**231,030,571**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

40. Irregular expenditure continued

Detail of current year expenditure incurred

i) Three quotations not obtained for transactions between R2 000 and R500 000 (PN 8of 2007/2008)	-	503,000
ii) Payments made to suppliers in excess of the approved contract or quoted amount (TR 8.2)	115,789,681	1,075,015
iii) Preference point system not applied for procurement of goods and services above R30,000 (PPPF Act Section 2(a))	-	625,962
iv) Prior periods contraventions in awarding tenders carried forward to the currentperiod (including contracts extended on a month-to-month basis)	31,220,338	29,284,651
vii) Payments made to suppliers not listed on the MEGA Database and for which deviations were not obtained	-	47,376
viii) Payments made to suppliers whose contracts were extended without valid deviations	-	8,325,365
ix) Tax clearance certificates were not obtained for transactions greater than R30,000(PN 8 of 2007/08)	-	326,622
	147,010,019	**40,187,991**

41. Deviations from Supply Chain Management Regulations

The Accounting Officer may under certain circumstances deviate from following normal procurement processes. Any such deviations are reported on a monthly basis to Provincial Treasury and can be summarised as follows:.

	2018 R	2017 Restated * R
Media coverage	110,467	1,290,801
Other	3,304,107	3,127,586
Procurement from another organ of state	-	6,645,384
Single sourcing of quotations due to emergencies	876,402	832,144
Sole supplier	9,830,418	3,964,552
Technical professional services	1,355,126	-
	15,476,520	**15,860,467**

MEGA has been specifically mandated to **stimulate growth** in various sectors

DETAILED INCOME STATEMENT

	Note(s)	2018 R	2017 Restated * R
Revenue			
Sale of lemons - export		14,217,196	18,666,567
Sale of lemons - local		3,617,122	2,393,087
Sale of wines		40,339	18,597
Municipal services		78,547,428	103,692,459
Other rental income		34,955,057	40,755,380
Interest received (trading)		33,784,052	25,452,616
Government Nutrition Programmes		31,201,066	-
	20	**196,362,260**	**190,978,706**
Cost of sales	21	**(128,608,485)**	**(102,906,375)**
Gross profit		**67,753,775**	**88,072,331**
Other operating income			
Administration and management fees received		178,496	201,750
Fees earned		120,324	3,489,211
Commissions received		12,496,788	4,332,354
Recoveries		329,910	505,406
Operating cost income		1,628,266	420,635
Insurance claims received		3,070,175	14,199,620
Government grants		156,612,002	290,515,330
	22	**174,435,961**	**313,664,306**

DETAILED INCOME STATEMENT

	Note(s)	2018 R	2017 Restated * R
Other operating gains (losses)			
Losses on disposal of assets		(37,245)	(296,903)
Fair value (losses) gains		(9,693,840)	19,953,053
	23	**(9,731,085)**	**19,656,150**
Expenses (Refer to note 24)		**(352,809,485)**	**(315,620,777)**
Operating (loss)/profit	25	**(120,350,834)**	**105,772,010**
Investment income	27	7,778,011	7,688,327
Finance costs	28	(1,008,723)	(1,996,296)
Income from equity accounted investments		189,656	(50,142)
(Loss)/ profit for the year		**(113,391,890)**	**111,413,899**
Other operating expenses			
Advertising		(1,392,021)	(2,013,203)
Amortisation	6	(36,287)	(239,817)
Auditors remuneration	25	(7,087,178)	(5,901,873)
Bad debts		(49,547,201)	(64,700,294)
Bank charges		(233,772)	(207,538)
Cleaning		(389,490)	(258,611)
Commission paid		-	(671)
Computer expenses		(1,964,453)	(1,810,675))
Consulting and professional fees		(32,335,910)	(22,006,817)
Depreciation	3	(12,572,070)	(10,921,685)
Donations		(1,271,824)	(1,857,815)
Employee costs		(110,011,243)	(108,679,898)
Entertainment		(3,723,310)	(1,306,065)
VAT apportionment expense		(7,159,337)	(6,592,124)
Government Nutrition Programme expenses		(30,191,865)	-
Farming expenses		(476,838)	(149,602)
Gifts		(30,757)	(13,700)
Grant expenditure		(21,192,821)	(22,197,867)

DETAILED INCOME STATEMENT

	Note(s)	2018 R	2017 Restated * R
Other operating expenses continued			
Insurance		(6,824,380)	(5,944,778)
Lease rentals on operating lease		(6,361,053)	(6,650,111)
Legal fees		(6,418,715)	(5,706,468)
Levies		(186,450)	(116,337)
Motor vehicle expenses		(188,591)	(269,351)
Municipal expenses		(19,006,043)	(17,316,552)
Other expenses		(4,651,015)	(3,938,926)
Postage		(199,201)	(79,765)
Printing and stationery		(458,138)	(1,172,066)
Protective clothing		(82,908)	(87,059)
Repairs and maintenance		(5,386,588)	(5,602,243)
Security		(14,985,492)	(11,353,141)
Staff welfare		(581,992)	(584,588)
Subscriptions		(433,580)	(363,748)
Telephone and fax		(1,886,335)	(2,937,642)
Training		(743,546)	(651,327)
Transport and freight		(1,348,602)	(994,768)
Travel - local		(3,089,729)	(2,623,123)
Travel - overseas		(360,750)	(370,529)
	24	**(352,809,485)**	**(315,620,777)**

Thank you for being an **important** part of our journey

PR406/2018
ISBN: 978-0-621-46782-6

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