MEGA

MPUMALANGA ECONOMIC GROWTH AGENCY

ANNUAL REPORT 2015 - 2016

Prosperity Through Partnerships

Prosperity Through Partnerships

economic development
& tourism
MPUMALANGA PROVINCE
REPUBLIC OF SOUTH AFRICA

MPUMALANGA
THE PLACE OF THE RISING SUN

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PART A

GENERAL INFORMATION

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PUBLIC ENTITY'S GENERAL INFORMATION

REGISTERED NAME:	MPUMALANGA ECONOMIC GROWTH AGENCY (MEGA)
REGISTRATION NUMBER (if applicable):	N/A
PHYSICAL ADDRESS:	ABSA SQUARE BUILDING NO.20 PAUL KRUGER STREET NELSPRUIT MPUMALANGA 1201
POSTAL ADDRESS:	P.O. BOX 5838 NELSPRUIT 1200
TELEPHONE NUMBER/S:	013 752 2440
FAX NUMBER:	013 755 1756
WEBSITE ADDRESS:	WWW.MEGA.GOV.ZA
EXTERNAL AUDITORS:	AUDITOR GENERAL SOUTH AFRICA
BANKERS:	ABSA
COMPANY/ BOARD SECRETARY:	Ms 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
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 DESIGN
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

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FOREWORD BY THE CHAIRPERSON

Mr. D Mculu Chairperson of the Board

The 2015/16 financial year for MEGA has been filled with both challenges and opportunities. The South African economy has not been spared from the global economic downturn. The impact of the downward trend in the economies of our trading partners and the consequent slowdown in commodity prices have had a major impact in the local economy. Business confidence is currently at such low levels that the level of investment is way below what is required to boost economic growth and job creation. Companies have, in fact, been shedding jobs. Some key industries in the province, like steel manufacture, have been severely affected by the downturn and been put in business rescue or liquidation. Thousands of people who depend on Highveld Steel for their livelihood now face the risk of being destitute as a result of the closure of that operation. The same story is manifesting in many other large industries and small businesses throughout the province and the country.

MEGA's role as a development finance institution is to stimulate the growth and development of the Mpumalanga economy by attracting and facilitating investment in the province. In times of economic downturns and rampant job losses, such as is the case at present, MEGA's role becomes even more important in cushioning the negative impact on businesses and society. It is in this context that we present this annual report.

The focus of the organisation for the 2015/16 financial year was on the following objectives:

i. Clarifying the corporate strategy and developing a credible business plan for the medium term;
ii. Developing and implementing a financial sustainability model that reduces dependence on government grants;
iii. Strengthening internal controls and improving financial management overall; and
iv. Implementing an organisational restructuring process to build a 'fit-for-purpose' organisation.

We are pleased to confirm that we are on track to build a capable, credible and resilient institution that effectively executes its mandate. The new corporate strategy is the cornerstone of the turnaround that the organisation has embarked on. We have clarified the organisation's purpose and developed a well-defined execution plan for the turnaround. We have adopted a lean structure that supports the strategy and enhances risk management. At the level of the board of directors and executive management, we now have in place a capable and committed leadership team with a shared purpose. We have developed a funding model that will reduce dependence on government grants and ensure the long term financial sustainability of the entity. We have made great strides in the execution of priority high impact strategic projects that will contribute significantly to the socio-economic development of Mpumalanga. Last but not least, we are making good progress in implementing an overhaul of the organisation that will build a fit-for-purpose MEGA, with effective, reliable processes and the right skills in the right roles.

We are conscious of the fact that the journey to turnaround the organisation will be difficult and that we will need the support of all our stakeholders to reach our desired destination. For the first time since the establishment of MEGA in 2010, the organisation has its full complement of directors, comprising eminently qualified professionals with vast experience in the areas of accounting, finance, banking, investment, law, engineering, information technology, economics and human resources. I would like to thank fellow board members who have served the organisation with distinction over the financial year under review. Your dedication and commitment is appreciated. On behalf of the board, I would like to express our gratitude to the management and staff of the organisation for all your hard work throughout the year. As a board we remain steadfast in support of the turnaround you have been tasked with implementing. Last but not least, I would like thank the Department of Economic Development and Tourism, MEC S.E Kholwane and his colleagues in the Executive Council, as well as Members of the Provincial Legislature for their continued guidance and support. We reaffirm our commitment to see to fruition the building of a MEGA that our shareholder and the citizens of Mpumalanga envision and deserve.

Mr. D Mculu
Chairperson
Mpumalanga Economic Growth Agency

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CHIEF EXECUTIVE OFFICER'S OVERVIEW

Mr. X.G.S Sithole Chief Executive Officer

INTRODUCTION

During the financial year under review MEGA focussed on building the necessary platform to build a capable, credible and resilient institution that fulfils its mandate. Since its inception in 2010 the institution has been grappling with fundamental sustainability issues around its capabilities and unresolved legacy challenges. In 2015 a corporate strategy was developed to address these challenges and put the institution on a path to lasting success. At its core, the strategy calls for MEGA to be an investment-centric institution, facilitating high impact investments in the province through partnership.

TURNAROUND PROGRESS

A key element of the business turnaround is to build the requisite skills within MEGA to successfully execute the strategy. Once the corporate strategy was clarified and adopted, a new competency framework and organisational structure were developed to guide the implementation of the strategy. The objective is to ensure that the institution has the right skills in the right roles. A new executive management team, that possesses the skills and experience outlined in the new competency framework, has been installed. The focus has now turned to cascading the new competency framework throughout all other levels below executive management. The success of the turnaround of MEGA as a business is predicated upon the successful conclusion of this organisational re-alignment process, which is expected to be concluded during the 2016/17 financial year.

HIGHLIGHTS

Among the highlights for the 2015/16 financial year were the following:

i) Completion of Phase 1 of the organisational re-alignment process which entailed the placement of a new executive management team;
ii) Commencement of the Phase 2 of the organisational re-alignment process which cascades the new competency framework downstream;
iii) Strengthening of governance through appointment by the shareholder of a full complement of directors with requisite skills and experience;
iv) Achievement of key milestones in the implementation of priority high impact projects such as the Mpumalanga International Fresh Produce Market and the Nkomazi Special Economic Zone;
v) Disbursements of R7 million to enterprises and home buyers;
vi) Acquisition of a benchmark property management system for value optimisation in the property portfolio; and
vii) The development of an infrastructure funding model that has been adopted by the province as a solution to resolving backlogs.

CHALLENGES

The key challenges that MEGA faced during the 2015/16 financial year were the following:

i) Until the organisational re-alignment process is complete, the entity remains stretched with respect to having the right skills in the right roles;
ii) The organisation had limited capital available to disburse to clients or invest in projects; and
iii) Legacy issues around the loan book and other assets continued to afflict the organisation and its performance.

FUTURE PROSPECTS

The turnaround process is on track and, although challenges remain, there is much that has been achieved. The injection of additional capital by the shareholder for growing the loan book and investing in projects is welcome and will improve impact in future years.

APPRECIATION

I would like to thank the Board of Directors for their guidance and support. I would also like to thank the management team and staff of MEGA for their dedication in service to the citizens of Mpumalanga and the country as a whole.

Mr. K.G.S Sithole
Chief Executive Officer

ANNEXURE

A

CONFIRMATION OF ACCURACY AND FAIR PRESENTATION

TO: Mr SE KHOLWANE, MPL
MEC: Economic Development and Tourism
DATE: **31 August 2016**
CC: The Auditor-General

ANNUAL REPORT FOR THE 2015/16 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 the International Financial Reporting Standards (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, 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 2016.
- 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 2016.

General

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

Yours faithfully

Mr. X.G.S Sithole
Chief Executive Officer

Mr. D Mculu
Chairperson of the Board

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STRATEGIC OVERVIEW

Vision

To be a capable, credible and resilient institution stimulating the sustainable growth and development of the economy of Mpumalanga to reduce unemployment, poverty and inequality.

Core Values

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

i. Being ever-mindful of our duty to serve the residents of Mpumalanga;

ii. Being good custodians of public funds and assets; and

iii. Using these funds and assets to advance the interests of the residents of Mpumalanga.

Mission

Our primary role is to foster the sustainable growth and development of the Mpumalanga economy by:

i. Attracting investment to the province;

ii. Facilitating investment in the province; and

iii. Maximizing the development impact of investment in the province.

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;

v. The objects of the Agency expressly exclude the objects of the Mpumalanga Tourism and Parks Agency, the Mpumalanga Regional Training Trust and the Mpumalanga Gambling Board. In achieving its objectives, the Agency shall endeavour to progressively increase its own revenue generation and collection.

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LEGISLATIVE AND OTHER MANDATES

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), Cooperatives (Co-ops) and other businesses thereby contributing to the constitutional imperative in Section 22 of the Constitution, which stipulates that citizens have a right to choose their trade, occupation or profession freely while also focusing on economic activity.

LEGISLATIVE MANDATES

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;

Public Finance Management Act No 1 of 1999

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

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.

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 re-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.

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.

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.

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.

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 of 2008 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.

POLICY MANDATES

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).

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;
x. Outcome 11: Create a better South Africa and contribute to a better and safer Africa in a better World;
xi. Outcome 10: Environmental assets and natural resources that are well protected and continually enhanced;
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	ii. Output 2: More labour absorption growth		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 cooperatives
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	Sub-output 1: Increased financing for industrial development	Sub-output 5: Green Economy		Sub-output 1: Reduced constraints and improved support to SMMEs and co-ops

(b) Outcome 6: An efficient, competitive and responsible 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

(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

(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

(e) Outcome 12: An efficient, effective and development 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.

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.

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

The IPAP 2013/14-2015/16 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.

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 Komatipoort Dry Port which will be designated as a special economic zone. The Port will provide an outlet for goods and products to foreign markets for businesses in the province and thereby increase foreign trade.

Mpumalanga Economic Growth and Development Path

The Mpumalanga Economic Growth and Development Path (MEGDP) outlines a set of strategic choices and potential paths that will contribute towards growing a sustainable Mpumalanga economy which provides economic opportunities and work for all 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.
Some of MEGA's key strategic initiatives aimed towards growing a sustainable Mpumalanga economy are outlined below:

Strategic Initiative #1: Massively Grow the Loan Book

This initiative is aimed at facilitating successful implementation of investment opportunities by working closely with partner investors and injecting own capital where possible.

MEGA will have to disburse a considerable amount of loans to SMMEs/Co-ops, agricultural enterprises and home buyers in order to ensure an increased funding to enterprises and stimulate job creation.

Strategic Initiative #2: Raise New Capital to Fund the Loan Book

MEGA is currently developing capability to raise capital; originate, evaluate, structure and implement investment opportunities; provide post-investment management for value creation; and exit investments timeously for maximum developmental and financial returns.

MEGA aims at raising borrowings from DFIs (e.g. SEFA, DBSA) and also collaborate with the Department of Human Settlements to access funds from the FLISP (Finance Linked Individual Subsidy Programme) to augment the provision of home loans in the gap market.

Strategic Initiative #3: Restructure Equity Investments

This initiative is aimed at corporatizing MEGA by establishing dedicated companies to house its equity investment portfolio, creating an opportunity to attract suitable investment partners in each entity.

MEGA is in a process of corporatizing Tekwane Lemon Farm and Loopspruit Winery, which are currently wholly owned divisions within MEGA, to ensure effective governance and create independent entities that new investors can evaluate for investment purposes.

Strategic Initiative #4a) and 4b): Invest in Property Portfolio and Build Infrastructure Capabilities

These initiatives are aimed at ensuring achievement of the following Strategic Objectives:

i. Facilitate successful implementation of investment opportunities by working closely with partner investors and injecting own capital where possible;
ii. Develop MEGA's capability to raise capital; originate, evaluate, structure and implement investment opportunities; provide post-investment management for value creation; and exit investments timeously for maximum developmental and financial returns;
iii. Develop and implement a funding model for the business that reduces dependence on government grants and ensures long term financial sustainability.

MEGA is currently pursuing the following priorities:-

i. Developing a Property Fund to invest in the revitalisation of the portfolio as well as packaging strategic development projects (industrial, commercial, residential) and attract private sector partners;
ii. Establishment of a R10bn Provincial Infrastructure Fund to invest in healthcare, education and economic infrastructure;
iii. Completion of feasibility study for the Fresh Produce Market, which will assist in attracting investors to implement the project;
iv. Submission of the designation application for the Nkomazi SEZ; and
v. Building capacity within MEGA to deliver on infrastructure funding mandate.

MEGA is in a process of corporatizing Tekwane Lemon Farm and Loopspruit Winery, which are currently wholly owned divisions within MEGA, to ensure effective governance and create independent entities that new investors can evaluate for investment purposes.

Strategic Initiative #5: Host Investor Conference

This initiative is aimed at identifying and attracting suitable investors based on an attractive value proposition and attractive investment opportunities.

The Province needs an anchor event that is the flagship platform for showcasing investment opportunities that it offers.

There is a sufficiently large and diverse portfolio of investment projects that can be presented to local and international investors (infrastructure, agriculture, mining, tourism, industrial, real estate).

MEGA will follow a targeted approach where a few high impact strategic projects are presented to a carefully selected group of investors and financiers (scheduled every two years for maximum impact).

Strategic Initiative #6: Secure Major Investment Project

This initiative is aimed at ensuring that MEGA proactively generates compelling investment propositions that are aligned to the province's competitive advantages.

This is done by facilitating strategic investment projects that can anchor the Provincial Industrial Plan.

Strategic Initiative #7: Complete OD Process

This initiative is aimed at developing MEGA's capability to raise capital; originate, evaluate, structure and implement investment opportunities; provide post-investment management for value creation; and exit investments timeously for maximum developmental and financial returns.

The Strategic Initiatives outlined above are aligned to MEGA's Long-term Strategic Objectives as depicted in the table (right: page 18):

Figure 1: Long-term Strategic Objectives

Broad Objectives	Strategic Objectives	Performance Indicators
Generate and facilitate the implementation of suitable high impact investment opportunities in the province[1]	**1.** Proactively generate compelling investment propositions that are aligned to the province's competitive advantages[2]	Value of signed / approved investment commitments facilitated by MEGA for SMMEs, Co-ops, Agriculture, Housing, Property and Infrastructure (including trade & investment initiatives)
	2. Facilitate successful implementation of investment opportunities by working closely with partner investors and injecting own capital where possible	Value or percentage of implemented / disbursed investment commitments facilitated by MEGA *for SMMEs, Co-ops, Agriculture, Housing, Property and Infrastructure (including trade & investment initiatives)*
	3. Ensure that each investment opportunity provides the maximum possible development impact	Number of jobs created / sustained; proportion of financing provided to target groups (women, youth, disabled), value of exports generated, BBBEE impact
Develop and leverage strategic partnerships	**4.** Identify and attract suitable investors based on an attractive value proposition and attractive investment opportunities[3]	Number of formal partnership arrangements with strategic investment partners
Develop and harness organization capabilities to successfully execute strategy	**5.** Develop MEGA's capability to: • raise capital; • originate, evaluate, structure and implement investment opportunities; • provide post-investment management for value creation; and • exit investments timeously for maximum developmental and financial returns	Value of capital raised, quality of loan book and equity portfolio, return on investment (ROI)
	6. Strengthen internal controls, systems and processes to ensure effective governance and risk management	Improvement in audit outcomes; systems and policies developed and implemented.

[1] Investment in this context refers to the economic definition i.e. the accumulation of newly produced physical entities e.g. factories, plant & machinery, infrastructure, housing and trading stock and NOT in the financial sense which is the purchase of portfolio assets such as shares, bonds etc. An SMME or Co-op buying trading stock, a farmer planting maize or a multinational conglomerate building a new steel mill are all examples of investment in this context.

[2] The primary criteria for the selection of suitable investment opportunities are development impact and financial sustainability.

[3] The measure of suitability for strategic partnerships is the extent to which the relationship advances MEGA's overall strategic objectives.

Figure 1: Long-term Strategic Objectives *(continued)*

Broad Objectives	Strategic Objectives	Performance Indicators
Develop and harness organization capabilities to successfully execute strategy *(continued)*	**7.** Build an enabling organizational culture to support the execution of the strategy	Improvement in results of an annual independent organizational climate survey
	8. Corporatize MEGA by establishing dedicated companies to house its equity investment portfolio, creating an opportunity to attract suitable investment partners in each entity	Established corporate entities with independent governance structures and business plans
	9. Improve MEGA's corporate image towards a capable, credible and resilient institution able to effectively execute on its strategy	Improvement of image and reputation through public relation initiatives
Reduce dependence on government grants and ensure long term financial sustainability	**10.** Develop and implement a funding model for the business that reduces dependence on government grants and ensures long term financial sustainability	Comprehensive funding model, supported by detailed financial analysis, to implement strategic choices.

07

HIGH LEVEL ORGANISATIONAL STRUCTURE

PART B

PERFORMANCE INFORMATION

01

STATEMENT OF RESPONSIBILITY FOR PERFORMANCE INFORMATION

Statement of Responsibility for Performance Information for the year ended 31 March 2016

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

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

In my opinion, the performance information fairly reflects the actual achievements against planned objectives, indicators and targets as per the strategic and annual performance plan of the public entity for the financial year ended 31 March 2016.

The Mpumalanga Economic Growth Agency's performance information for the year ended 31 March 2016 has been examined by the external auditors and their report is presented on page (to be inserted).

The performance information of the entity as set out on page 30 to 95 was approved by the board.

Mr. X.G.S Sithole
Chief Executive Officer

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 127-137 of the Report of the Auditor’s Report, published as Part E: Financial Information.

03

SITUATIONAL ANALYSIS

SERVICE DELIVERY ENVIRONMENT

MEGA has faced the following changes which have been affecting effective implementation of its targets as set out in its Corporate Plan:

- The complex merger of the previous MEGA, the Mpumalanga Agricultural Development Corporation (MADC) and the Mpumalanga Housing Finance Company (MHFCo) that was effected in 2010/11, which continued to affect many parts of the organisations' operations including ineffective financial controls and performance management;
- The entity has been internally-focused, reactive, and financially unsustainable which spent the bulk of its available capital on operating costs and making limited impact in terms of investment and economic development.

In order to address the challenges, the MEGA Board has developed a strategy for taking the entity forward in line with its mandate of fostering the growth and development of the provincial economy in order to help reduce unemployment, poverty and inequality. MEGA has refined its Strategic Plan and developed clear goals and measures to deliver on its mandate. This five-year Strategic Plan was translated into Corporate Plan and Budget and was monitored quarterly through Quarterly Performance Reports. Currently, the entity is in a process of aligning its organisational structure to its strategy through the Organisational Design process. The process is expected to be completed in the 2016/17 financial year and will improve operational performance and ensure that MEGA is fit for the execution of its mandate.

The entity plans on focusing its energy and scarce resources on the following areas that will ensure that it becomes a capable, credible and resilient development finance institution:

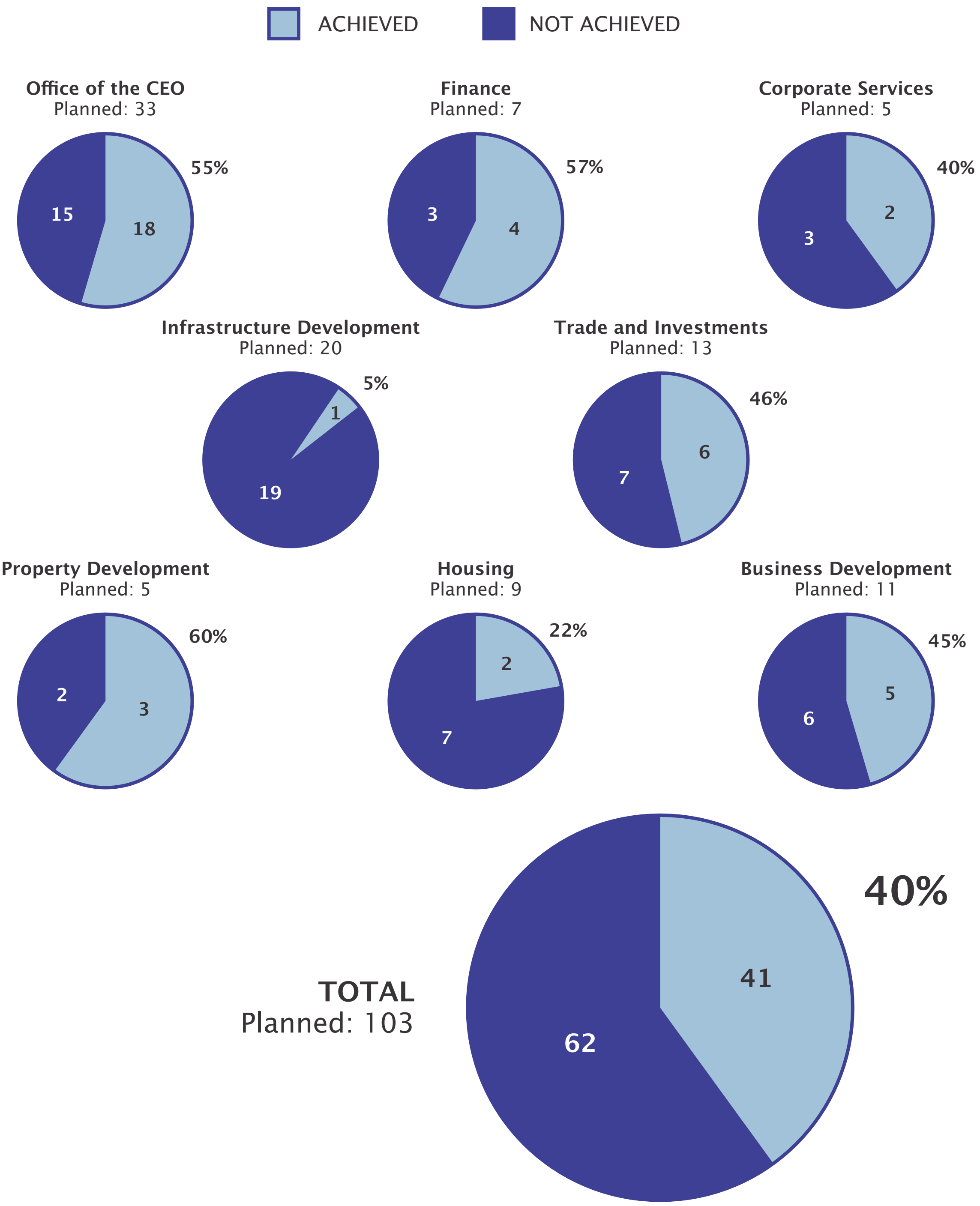
- Focusing on the correct investment opportunities
- Developing the correct partnerships and alliances
- Building the correct Organisational Capabilities

ORGANISATIONAL ENVIRONMENT

MEGA has planned 103 annual targets, achieved 41 and failed to achieve 62 of its planned targets. This translates to 40% achievement and 60% non-achievement. The reason for underperformance was mainly due to capacity challenges, cash flow constraints, vacancies in key positions and in certain instances misalignment between planned targets and budget allocation received in projects where MEGA is an implementing agent, such as the Mpumalanga International Fresh Produce Market and the Agri-hubs.

Performance Dashboard

Figure 3: Consolidated Annual Performance



04

KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

economic development & tourism
MPUMALANGA PROVINCE
REPUBLIC OF SOUTH AFRICA

The Department of Economic Development and Tourism (DEDT) recently embarked on a strategic review of its mandate, functions and operations that has resulted in an organisational restructuring that is currently under way. The essence of this restructuring is that DEDT will now focus on policy development, providing strategic direction and the evaluation and monitoring of the public entities under its control. Execution of the policies, by way of projects and programmes that may be residing in the department at the moment, will be transferred to the public entities. This approach is designed to ensure the clarification of roles and responsibilities between DEDT and its public entities in order to achieve effective execution of DEDT's mandate. MEGA has been advised by DEDT that certain functions will be transferred from the department to MEGA. The nature and extent of these functions are still to be determined but will include consolidation of DEDT's regional office network with MEGA's regional footprint. During the course of the 2016/17 financial year, MEGA will have to re-organise itself to assimilate the functions that are to be transferred.

05

STRATEGIC OUTCOME ORIENTED GOALS

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

Strategic Goal 1

Proactively generate compelling investment propositions that are aligned to the province's competitive advantages	
Goal statement	The goal aims at selecting suitable investment opportunities which have development impact and financial sustainability
Justification	Obtain suitable investment opportunities through signed investment commitments facilitated by MEGA (including approvals for SMMEs, Co-ops, Agriculture, Housing, Property and Infrastructure)
Links	Generate and facilitate the implementation of suitable high impact investment opportunities in the province

Strategic Goal 2

Facilitate successful implementation of investment opportunities by working closely with partner investors and injecting own capital where possible	
Goal statement	The goal aims at implementing suitable investment opportunities which have development impact and financial sustainability
Justification	Implement investment commitments facilitated by MEGA (including disbursements for SMMEs, Co-ops, Agriculture, Housing, Property and Infrastructure)
Links	Generate and facilitate the implementation of suitable high impact investment opportunities in the province

Strategic Goal 3

Ensure that each investment opportunity provides the maximum possible development impact	
Goal statement	The goal aims at contributing towards government priorities of reducing unemployment, poverty and inequality by ensuring that investment opportunities provide the maximum possible development impact
Justification	Jobs created and sustained; proportion of financing provided to target groups (women, youth, disabled), value of exports generated, BBBEE impact
Links	Generate and facilitate the implementation of suitable high impact investment opportunities in the province

Strategic Goal 4

Identify and attract suitable investors based on an attractive value proposition and attractive investment opportunities	
Goal statement	Ensure formal partnership arrangements with strategic investment partners
Justification	Secure funds available for investment by approved investors
Links	Develop and leverage strategic partnerships

Strategic Goal 5

Develop MEGA's capability to raise capital; originate, evaluate, structure and implement investment opportunities; provide post-investment management for value creation; and exit investments timeously for maximum developmental and financial returns	
Goal statement	Develop support value chain activities through MEGA 's value chain framework
Justification	Capital raised, quality of loan book and equity portfolio, return on investment
Links	Develop and harness organization capabilities to successfully execute strategy

Strategic Goal 6

Strengthen internal controls, systems and processes to ensure effective governance and risk management	
Goal statement	Provides strategic leadership, ensures good corporate governance and assurance thereby enabling MEGA to deliver on its mandate
Justification	Develop and align the different areas of the organization that drive strategy execution
Links	Strengthening performance and management of public resources in provincial departments, public entities and municipalities. (PFMA, MFMA & other relevant Legislations).

Strategic Goal 7	Build an enabling organizational culture to support the execution of the strategy
Goal statement	The goal aims at ensuring development and alignment of the different areas of the organization that drive strategy execution.
Justification	Improvement in results of an annual independent organizational climate survey
Links	Develop and harness organization capabilities to successfully execute strategy

Strategic Goal 8	Corporatize MEGA by establishing dedicated companies to house its equity investment portfolio, creating an opportunity to attract suitable investment partners in each entity
Goal statement	Corporatize MEGA by establishing dedicated companies to house its equity investment
Justification	Established corporate entities with independent governance structures and business plans
Links	Develop and harness organization capabilities to successfully execute strategy

Strategic Goal 9	Develop and implement a funding model for the business that reduces dependence on government grants and ensures long term financial sustainability
Goal statement	The goal aims to increase revenue streams, reduce expenses, restructure current debt, review investment portfolio for potential value extraction, secure new borrowings, secure off-balance sheet financing and secure capital injection from the shareholder (recapitalisation)
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

06

PERFORMANCE INFORMATION BY PROGRAMME

PROGRAMME 1: OFFICE OF THE CEO

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:

- **Risk Management** – provides an enterprise-wide risk management function through a structured, consistent and continuous process across the whole organization for identifying, assessing, deciding on responses to and reporting on opportunities and threats that affect the achievement of its objectives.
- **Strategy and Planning** - provides effective management of performance information in compliance with National Treasury guidelines.
- **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.
- **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.
- **Legal Services** - provides legal support and ensuring that MEGA complies with all statutory and legislative compliance thereby enabling MEGA to deliver on its mandate.
- **Marketing and Communication** - improves MEGA's corporate image through the development and implementation of MEGA's marketing and communication strategy.
- **Operations** – provides effective management of all operational aspects of the Agency in order to drive the continuous improvement of business operations, processes and ways of working to ensure that MEGA becomes a sustainable and profitable organization.

Highlights / progress made

- 1 Performance assessment for the Board and Board Audit, Risk and Compliance Committee (BARCC) conducted.
- 1 three-year risk-based strategic internal audit plan approved by BARCC and implemented in line with the prescribed IIA standards.
- 1 one-year internal audit operational plan approved by BARCC and implemented in line with the prescribed IIA standards.
- 4 Quarterly Performance Reports and 4 PFMA Compliance Checklists were submitted to the Executive Authority within prescribed timelines.
- An Annual Performance Plan and Annual Report was produced in line with Treasury's Framework and submitted to the Executive Authority within the prescribed timeline.
- A Shareholder's Compact was concluded with the Executive Authority.

SUB PROGRAMME 1.1: RISK MANAGEMENT

Strategic objectives, planned targets and actual achievements

Strategic Objectives	Baseline/Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement for 2015/2016	Comment on deviations
Strengthen internal controls, systems and processes to ensure effective governance and risk management	0	1 ERM Strategy developed and approved	0	1	There was no capacity to carry out the functions as the position of the Manager: Enterprise Risk was vacant. An internal resource was only secured during the last quarter of the financial year.
	0	4 ERM Quarterly Reports submitted to the Audit Committee and the Board	0	4	There was no capacity to carry out the functions as the position of the Manager: Enterprise Risk was vacant. An internal resource was only secured during the last quarter of the financial year.
	0	1 Fraud Risk Register and Fraud Prevention Plan approved	0	1	There was no capacity to carry out the functions as the position of the Manager: Enterprise Risk was vacant. An internal resource was only secured during the last quarter of the financial year.
	0	4 Quarterly Reports on monitoring Fraud Prevention Plan and Risk management Plan submitted to the Audit Committee and Board	0	4	There was no capacity to carry out the functions as the position of the Manager: Enterprise Risk was vacant. An internal resource was only secured during the last quarter of the financial year.
	1 Risk Identification and assessment workshop conducted and Risk Register developed and approved	1 Risk Identification and assessment workshop conducted and Risk Register developed and approved	2	-1	Positive deviation. Risk Assessment for 2015/16 was approved in the 1st Quarter and for 2016/17 in the 4th Quarter.

Key performance indicators, planned targets and actual achievements

Performance Indicator	Baseline/Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement for 2015/2016	Comment on deviations
Number of Enterprise Risk Management [ERM] Strategies developed and approved	0	1	0	1	There was no capacity to carry out the functions as the position of the Manager: Enterprise Risk was vacant. An internal resource was only secured during the last quarter of the financial year.
Number of reports submitted to the Audit Committee and the Board on the implementation of the Enterprise Risk Management Strategy	0	4	0	4	There was no capacity to carry out the functions as the position of the Manager: Enterprise Risk was vacant. An internal resource was only secured during the last quarter of the financial year.
Number of Fraud Risk Registers and Fraud Prevention Plans developed and approved	0	1	0	1	There was no capacity to carry out the functions as the position of the Manager: Enterprise Risk was vacant. An internal resource was only secured during the last quarter of the financial year.
Number of reports submitted to Board on the implementation of the Fraud Prevention Plan	0	4	0	4	There was no capacity to carry out the functions as the position of the Manager: Enterprise Risk was vacant. An internal resource was only secured during the last quarter of the financial year.
Number of Risk Identification and assessment reports and Risk Register developed and approved	1 Risk Identification and assessment workshop conducted and Risk Register developed and approved	1	2	-1	Positive deviation. Risk Assessment for 2015/16 was approved in the 1st Quarter and for 2016/17 in the 4th Quarter.

Strategy to overcome areas of under performance

i. **1 ERM Strategy developed and approved**
The Risk Manager position is prioritised to be filled as a matter of urgency. In the interim an internal resource has been seconded to act as a Risk Manager.

ii. **4 ERM Quarterly Reports submitted to the Board**
The Risk Manager position is prioritised to be filled as a matter of urgency. In the interim an internal resource has been seconded to act as a Risk Manager.

iii. **1 Fraud Risk Register and Fraud Prevention Plan approved by April 2015**
The Risk Manager position is prioritised to be filled as a matter of urgency. In the interim an internal resource has been seconded to act as a Risk Manager.

iv. **4 Quarterly Fraud Prevention Plan Reports submitted to the Board**
The Risk Manager position is prioritised to be filled as a matter of urgency. In the interim an internal resource has been seconded to act as a Risk Manager.

Changes to planned targets

There were no changes in performance indicators during the year.

Linking performance with budgets

	2015/2016			2014/2015		
Sub- Programme Name	Budget (R'000)	Actual Expenditure (R'000)	(Over)/Under Expenditure (R'000)	Budget (R'000)	Actual Expenditure (R'000)	(Over)/Under Expenditure (R'000)
RISK MANAGEMENT	44	0[4]	0	0	0	0
TOTAL	**44**	**0**	**0**	**0**	**0**	**0**

[4]An internal resource was seconded from another division to act as a Risk Manager.

SUB PROGRAMME 1.2: STRATEGY AND PLANNING

Strategic objectives, planned targets and actual achievements

Strategic Objectives	Baseline/Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement for 2015/2016	Comment on deviations
Strengthen internal controls, systems and processes to ensure effective governance and risk management	1 Strategic Plan produced and submitted to the Executive Authority	1 Strategic Plan produced in line with Treasury's Framework and submitted to the Executive Authority by 31 March	1	0	None
	1 Corporate Plan produced and submitted to the Executive Authority	1 Corporate Plan produced in line with Treasury's Framework and submitted to the Executive Authority by 28 February	1	0	None
	4 Quarterly Reports submitted to the Executive Authority one month after the end of each quarter	4 Quarterly Reports produced in line with Treasury's Framework and submitted to the Executive Authority one month after the end of each quarter	4	0	None
	1 Annual Report for 2012/2013 submitted to the Executive Authority by 31 August	1 Annual Report submitted to the AG and Treasury by 31 May and to the Executive Authority by 31 August	1	0	None
	New Indicator/Not Planned	12 Performance Monitoring and evaluation reports submitted to exco	1	0	None
	0	1 Strategic Plan produced in line with Treasury's Framework and submitted to the Executive Authority by 31 March	1	11	There was inadequate internal capacity within the Unit, as a result, monitoring and evaluation function was not carried out as planned.

Key performance indicators, planned targets and actual achievements

Performance Indicator	Baseline/Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement for 2015/2016	Comment on deviations
Number of Strategic Plans produced in line with Treasury's Framework and submitted to the Executive Authority and Treasury within prescribed deadlines	1 Strategic Plan produced and submitted to the Executive Authority	1	1	0	None
Number of Corporate Plans produced in line with Treasury's Framework and submitted to the Executive Authority and Treasury within prescribed deadlines	1 Corporate Plan produced and submitted to the Executive Authority	1	1	0	None
Number of Quarterly Reports produced in line with Treasury's Framework and submitted to the Executive Authority within prescribed deadlines	4 Quarterly Reports submitted to the Executive Authority one month after the end of each quarter	4	4	0	None
Number of Annual Reports produced in line with Treasury's Framework and submitted to the Executive Authority within prescribed deadlines	1 Annual Report for 2012/2013 submitted to the Executive Authority by 31 August	1	1	0	None
Number of Annual Reports produced in line with Treasury's Framework and submitted to the AG and Treasury, within prescribed deadlines	New Indicator/Not Planned	1	1	0	None
Number of Performance Monitoring and evaluation reports submitted to exco	0	12	1	11	There was inadequate internal capacity within the Unit, as a result, monitoring and evaluation function was not carried out as planned.

Strategy to overcome areas of under performance

i. **4 Reports submitted to Exco on the Implementation of the Performance Information Management Policy**
The Unit shall be capacitated with adequate staff in order to perform all functions. This shall be done in line with the Organisational Design currently being implemented.

Changes to planned targets

There were no changes in performance indicators during the year.

Linking performance with budgets

	2015/2016			2014/2015		
Sub- Programme Name	Budget **(R'000)**	Actual Expenditure **(R'000)**	(Over)/Under Expenditure **(R'000)**	Budget **(R'000)**	Actual Expenditure **(R'000)**	(Over)/Under Expenditure **(R'000)**
STRATEGY AND PLANNING	1 381	1 326	55	358	372	(14)
TOTAL	**1 381**	**1 326**	**55**	**358**	**372**	**(14)**

SUB PROGRAMME 1.3: COMPANY SECRETARIAT

Strategic objectives, planned targets and actual achievements

Strategic Objectives	Baseline/Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement for 2015/2016	Comment on deviations
Strengthen internal controls, systems and processes to ensure effective governance and risk management	1 Shareholder's Compact concluded with the Executive Authority by March	1 Shareholder's Compact concluded with the Executive Authority by March 2015	1	0	None
	1 Board Charter developed, reviewed & approved	Board Charter developed, reviewed & approved by March 2015	1	0	None
	4 Board Committees' Terms of Reference reviewed by March	4 Board Committees' Terms of Reference reviewed by March 2015	4	0	None
	1 performance assessment for the Board and Board Committees conducted by 31 March	1 performance assessment for the Board and Board Committees conducted by 31 March 2015	1	0	None
	New Performance Indicator	100% compliance with legislations and relevant prescripts	100%	0	None

Key performance indicators, planned targets and actual achievements

Performance Indicator	Baseline/Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement for 2015/2016	Comment on deviations
Number of Shareholders Compact reviewed and approved by the Board.	1 Shareholder's Compact concluded with the Executive Authority	1	1	0	None
Number of Board Charter reviewed & approved	Board Charter developed, reviewed & approved	1	1	0	None
Number of Board Committees Terms of Reference revised & approved by the Board.	4 Board Committees' Terms of Reference reviewed	4	4	0	None
Number of Board assessment tools developed, approved & implemented.	1 performance assessment for the Board and Board Committees conducted	1	1	0	None
% compliance with legalisations and relevant prescripts	New Performance Indicator	100%	100%	0	None

Strategy to overcome areas of under performance

None

Changes to planned targets

There were no changes in performance indicators during the year.

Linking performance with budgets

	2015/2016			2014/2015		
Sub- Programme Name	Budget **(R'000)**	Actual Expenditure **(R'000)**	(Over)/Under Expenditure **(R'000)**	Budget **(R'000)**	Actual Expenditure **(R'000)**	(Over)/Under Expenditure **(R'000)**
COMPANY SECRETARIAT	2 716	2 815	(99)	230	229	1
TOTAL	**2 716**	**2 815**	**(99)**	**230**	**229**	**1**

SUB PROGRAMME 1.4: INTERNAL AUDIT

Strategic objectives, planned targets and actual achievements

Strategic Objectives	Baseline/Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement for 2015/2016	Comment on deviations
Strengthen internal controls, systems and processes to ensure effective governance and risk management	1 three-year risk-based strategic internal audit plan approved by the Audit Committee and Board	1 three-year risk-based strategic internal audit plan approved by the Audit Committee and Board	1	0	None
	1 one-year internal audit operational plan approved by the Audit Committee and Board	1 one-year internal audit operational plan approved by the Audit Committee and Board	1	0	None
	New Performance Indicator	100% implementation of the internal audit plan	100%	0	None

Key performance indicators, planned targets and actual achievements

Performance Indicator	Baseline/Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement for 2015/2016	Comment on deviations
Number of 3 year risk-based strategic internal audit plan approved by the Audit Committee meeting and Board	1 three-year risk-based strategic internal audit plan approved by the Audit Committee meeting the prescribed IIA standards	1	1	0	None
Number of 1 year internal audit operational plan approved by the Audit Committee meeting the prescribed IIA standards	1 one-year internal audit operational plan approved by the Audit Committee meeting the prescribed IIA standards	1	1	0	None
% implementation of the internal audit plan	New Performance Indicator	100%	100%	0	None

Strategy to overcome areas of under performance

None

Changes to planned targets

There were no changes in performance indicators during the year.

Linking performance with budgets

	2015/2016			2014/2015		
Sub- Programme Name	Budget (R'000)	Actual Expenditure (R'000)	(Over)/Under Expenditure (R'000)	Budget (R'000)	Actual Expenditure (R'000)	(Over)/Under Expenditure (R'000)
INTERNAL AUDIT	4 053	3 538	515	1 390	1 303	87
TOTAL	**4 053**	**3 538**	**515**	**1 390**	**1 303**	**87**

SUB PROGRAMME 1.5: LEGAL SERVICES

Strategic objectives, planned targets and actual achievements

Strategic Objectives	Baseline/Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement for 2015/2016	Comment on deviations
Strengthen internal controls, systems and processes to ensure effective governance and risk management	100% response rate to requests for legal advice and opinions	100% of contracts vetted within 10 days	100%	0	None
	1 Contracts Register reviewed and updated	1 Contracts Register reviewed and updated	1	0	None
	New Indicator	Litigation reduction measures implemented	0	1	There was inadequate internal capacity within the Unit as the legal manager position has been vacant for the whole financial year.
	New Indicator	80% of lodged cases successfully concluded	80%	0%	None
	4 PFMA Compliance Checklists submitted to Exco	4 PFMA Compliance Checklists submitted to Exco	4	0	None
	0%	50% reduction in unregistered asset based on the current asset register.	40%	10%	The process of appointing conveyancers took longer than anticipated.

Key performance indicators, planned targets and actual achievements

Performance Indicator	Baseline/Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement for 2015/2016	Comment on deviations
Percentage of contracts vetted within 10 days	100% response rate to requests for legal advice and opinions	100%	100%	0	None
Number of Contracts Registers Reviewed and updated	1 Contracts Register reviewed and updated	1	1	0	None
Litigation reduction measures implemented	New Indicator	1	0	1	There was inadequate internal capacity within the Unit as the legal manager position has been vacant for the whole financial year.
Percentage of lodged cases successfully concluded	New Indicator	80%	80%	0%	None
Number of PFMA Compliance Checklists compiled and submitted to Exco	4 PFMA Compliance Checklists submitted to Exco	4	4	0	None
% reduction in unregistered asset based on the current asset register.	0%	50%	40%	10%	The process of appointing conveyancers took longer than anticipated.

Strategy to overcome areas of under performance

i. **Litigation Reduction Measures**
The appointment of the Manager: Legal shall be done in line with the OD process currently being implemented. This will ensure that all the functions are carried out as planned.

ii. **Reduction in Unregistered Asset**
VA Applications and endorsements on the remaining 355 properties lodged with Deeds Registrar.

Changes to planned targets

There were no changes in performance indicators during the year.

Linking performance with budgets

	2015/2016			2014/2015		
Sub- Programme Name	Budget **(R'000)**	Actual Expenditure **(R'000)**	(Over)/Under Expenditure **(R'000)**	Budget **(R'000)**	Actual Expenditure **(R'000)**	(Over)/Under Expenditure **(R'000)**
LEGAL SERVICES	4 902	2 212	2 690	3 026	2 943	83
TOTAL	**4 902**	**2 212**	**2 690**	**3 026**	**2 943**	**83**

SUB PROGRAMME 1.6: MARKETING & COMMUNICATIONS

Strategic objectives, planned targets and actual achievements

Strategic Objectives	Baseline/ Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement for 2015/2016	Comment on deviations
Build an enabling organisational culture to support the execution of the strategy	0	80% impact of new corporate image measured through surveys	0%	80%	The survey was put on hold due to Organisational Redesign.
	0	Marketing Strategy and Branding policy developed and implemented	0	1	Inadequate capacity to carry out the functions due to a vacancy in a position of Manager: Marketing & Communication.
	0	Communication Strategy developed and implemented	0	1	Inadequate capacity to carry out the functions due to a vacancy in a position of Manager: Marketing & Communication.
	0	100% content updates in all relevant website contents obtained from divisions	0	1	There were delays in the appointment of the service provider to develop the new MEGA website which affected implementation.

Key performance indicators, planned targets and actual achievements

Performance Indicator	Baseline/ Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement for 2015/2016	Comment on deviations
Impact of new Corporate Image measured through surveys	0	80%	0%	80%	The survey was put on hold due to Organisational Redesign.
Number of Marketing Strategy and Branding policy developed and implemented	0	1	0	1	Inadequate capacity to carry out the functions due to a vacancy in a position of Manager: Marketing & Communication.
Number of Communication Strategy developed and implemented	0	1	0	1	Inadequate capacity to carry out the functions due to a vacancy in a position of Manager: Marketing & Communication.
Percentage of website contents obtained from divisions v/s contents updated	0	100%	0	1	There were delays in the appointment of the service provider to develop the new MEGA website which affected implementation.

Strategy to overcome areas of under performance

i. **Impact of new corporate image measured through surveys**
The Manager position shall be filled in the new financial year. This will ensure that the Unit is adequately capacitated in order to ensure that all planned targets are achieved.

ii. **Marketing Strategy and Branding policy developed and implemented**
The Manager position shall be filled in the new financial year. This will ensure that the Unit is adequately capacitated in order to ensure that all planned targets are achieved.

iii. **Communication Strategy developed and implemented**
The Manager position shall be filled in the new financial year. This will ensure that the Unit is adequately capacitated in order to ensure that all planned targets are achieved.

iv. **Content updates in all relevant website contents obtained from divisions**
The Manager position shall be filled in the new financial year. This will ensure that the Unit is adequately capacitated in order to ensure that all planned targets are achieved. In addition, the service provider for the development of the new MEGA website was appointed and the process of developing the website is at its final stage.

Changes to planned targets

There were no changes in performance indicators during the year.

Linking performance with budgets

	2015/2016			2014/2015		
Sub- Programme Name	Budget (R'000)	Actual Expenditure (R'000)	(Over)/Under Expenditure (R'000)	Budget (R'000)	Actual Expenditure (R'000)	(Over)/Under Expenditure (R'000)
MARKETING AND COMMUNICATION	1 965	1 549	416	1 570	1 002	568
TOTAL	**1 965**	**1 549**	**416**	**1 570**	**1 002**	**568**

SUB PROGRAMME 1.7: OPERATIONS

Strategic objectives, planned targets and actual achievements

Strategic Objectives	Baseline/ Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement for 2015/2016	Comment on deviations
To strengthen internal controls, systems and processes to ensure effective governance and risk management	New Indicator	Organisational business processes of 4 divisions documented	0	8	Activities put on hold due to re-alignment process necessitated by the new corporate strategy.
	New Indicator	8 Divisional Service Charters concluded and adopted	0	8	Activities put on hold due to re-alignment process necessitated by the new corporate strategy.
To build an enabling organisational culture to support the execution of the strategy	New Indicator	Change Management Strategy developed and 10% implemented per Plan	0%	10%	Activities put on hold due to re-alignment process necessitated by the new corporate strategy.
	New Indicator	Corporate Social Responsibility Strategy developed and elements thereof implemented (20%) per Plan	0%	20%	Activities put on hold due to re-alignment process necessitated by the new corporate strategy.

Key performance indicators, planned targets and actual achievements

Performance Indicator	Baseline/ Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement for 2015/2016	Comment on deviations
Number of divisional business processes documented	New Indicator	4	0	8	Activities put on hold due to re-alignment process necessitated by the new corporate strategy.
Number Service Standards and Charters developed and approved	New Indicator	8	0	8	Activities put on hold due to re-alignment process necessitated by the new corporate strategy.
Percentage implementation of the Change Management Strategy	New Indicator	10%	0%	10%	Activities put on hold due to re-alignment process necessitated by the new corporate strategy.
Percentage implementation of Corporate Social Responsibility Strategy	New Indicator	Corporate Social Responsibility Strategy developed and elements thereof implemented (20%) per Plan	0%	20%	Activities put on hold due to re-alignment process necessitated by the new corporate strategy.

Strategy to overcome areas of under performance

All areas of underperformance shall be addressed as soon as the implementation of the organizational realignment process has been completed.

Changes to planned targets

There were no changes in performance indicators during the year.

Linking performance with budgets

	2015/2016			2014/2015		
Sub- Programme Name	Budget **(R'000)**	Actual Expenditure **(R'000)**	(Over)/Under Expenditure **(R'000)**	Budget **(R'000)**	Actual Expenditure **(R'000)**	(Over)/Under Expenditure **(R'000)**
OPERATIONS	8	4	4	44	44	0
TOTAL	**8**	**4**	**4**	**44**	**44**	**0**

PROGRAMME 2: FINANCE

Programme Description:

The programme provides support through planning and monitoring of budgets and expenditure, accounting and finance procurement systems.

Highlights / progress made

- Reduction in dependency on government grants was achieved whereby own revenue collection of R203 216 777 is 59% of R342 996 353 of revenue and grant income combined. For calculation purposes of this target, the grant income excludes R48 million (VAT inclusive) once-off grant allocation received in December 2015 and January 2016 for the Donkerhoek project (R5 million) (VAT inclusive) and City of Tshwane debt (R43 million) (VAT inclusive).
- Reduction in other financial liabilities was achieved by 30% at the end of March 2016 in comparison to other financial liabilities due at 31 March 2015.

Other Financial liabilities

	R'000
31-Mar-15	56 709
31-Mar-16	39 766
	(16 943)
	30%

Strategic objectives, planned targets and actual achievements

Strategic Objectives	Baseline/ Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement for 2015/2016	Comment on deviations
Strengthen internal controls, systems and processes to ensure effective governance and risk management	Qualified Audit Opinion	Improvement from 2014/15 audit outcome	0	1	MEGA received a qualified opinion in 2014/15 as a result of the following findings by the AG: • Investment property – concerns over proof of ownership and fair value methodology used. • Other financial assets – concerns over interest calculations and limitation of loan agreements. • Inventory – lack of support for housing inventory and net realisable values not determined on Work In Progress (WIP). • Biological assets – concerns over valuation methodology used. • Irregular expenditure – not completely disclosed.
	New Indicator	Reduce irregular expenditure by 30%	0%	30%	Reduction in irregular expenditure was affected by reccuring irregular expenditure carried forward from previous financial years as well as inadequate capacity within the SCM unit.
	New Indicator	Review and implementati on of the approved policies	Accounting policies as per AFS 2015 amended and approved.	0	None
	Own revenue collection versus grant allocation 45:55	Own revenue collection versus grant allocation 55:45	55:45	0	None
	Reduction in operational cost by 14%	Decrease revenue spending on OPEX by 10%	1%	9%	Delays in finalizing the OD process which is aimed at reducing operating expenditure and ensure financial sustainability.
	0	Improve Cash flow position by 15% decrease of existing debt (other financial liabilities)	30%	-15%	Positive deviation as a result of an improved credit control system.

Key performance indicators, planned targets and actual achievements

Performance Indicator	Baseline/Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement for 2015/2016	Comment on deviations
Improvement in audit outcomes	Qualified Audit Opinion	Improvement from 2014/15 audit outcome	0	1	MEGA received a qualified opinion in 2014/15 as a result of the following findings by the AG: • Investment property – concerns over proof of ownership and fair value methodology used. • Other financial assets – concerns over interest calculations and limitation of loan agreements. • Inventory – lack of support for housing inventory and net realisable values not determined on Work In Progress (WIP). • Biological assets – concerns over valuation methodology used. • Irregular expenditure – not completely disclosed.
% reduction on irregular expenditure (baseline – R 43 million)	New Indicator	Reduce irregular expenditure by 30%	0%	30%	Reduction in irregular expenditure was affected by recurring irregular expenditure carried forward from previous financial years as well as inadequate capacity within the SCM unit.
Number of accounting policies and procedures reviewed and approved	New Indicator	Review and implementation of the approved policies	Accounting policies as per AFS 2015 amended and approved.	0	None
Number of sustainable funding model developed to support strategy	New Indicator	Develop a sustainable funding model to support strategy	Funding model developed and approved by Board and Cabinet	0	0
Increase on own revenue stream (baseline ratio – 51:49)	Own revenue collection versus grant allocation 45:55	Own revenue collection versus grant allocation 55:45	55:45	0	None
Decrease in revenue spending on OPEX (baseline – 73%)	Reduction in operational cost by 14%	Decrease revenue spending on OPEX by 10%	1%	9%	Delays in finalizing the OD process which is aimed at reducing operating expenditure and ensure financial sustainability.
% decrease on existing debt	0	Improve Cash flow position by 15% decrease of existing debt (other financial liabilities)	30%	-15%	Positive deviation as a result of an improved credit control system.

Strategy to overcome areas of under performance

i. Unqualified Audit Opinion
MEGA shall improve on the following:
- Acceptable method for valuations / fair values to be determined and implemented on non-utilisation of external valuator (every 3rd year an external valuator is consulted).
- Availability of supporting documentation, e.g. loan agreements, BID documents.
- Acceptable approach for debtor balance rectification exercise, e.g. availability of historical information, legal opinion.
- Time management.

ii. Reduction in irregular expenditure
The SCM Unit shall be capacitated to avoid additional irregular expenditure.

iii. Reduction in operational cost
The following is being undertaken:
- Rolling out of phase 2 of the OD realignment process.
- Possible corporatisation of Equity Investment Portfolio.
- Development of the Financial Sustainability Model.

Changes to planned targets

There were no changes in performance indicators during the year.

Linking performance with budgets

	2015/2016			2014/2015		
Sub-Programme Name	Budget (R'000)	Actual Expenditure (R'000)	(Over)/Under Expenditure (R'000)	Budget (R'000)	Actual Expenditure (R'000)	(Over)/Under Expenditure (R'000)
FINANCE	54 452	53 209	1 243	84 087	110 028	(25 941)
TOTAL	**54 452**	**53 209**	**1 243**	**84 087**	**110 028**	**(25 941)**

PROGRAMME 3: CORPORATE SERVICES

Programme Description:

The Programme is comprised of the following sub-programmes:

- **Human Resources** - Implements an effective talent management system from recruitment to termination with a focus on measures to enhance organizational performance through appropriate facilities and human management systems

- **Information Communication Technology** - Develops and implement a fully integrated Information and Communication Technology System (ICT), IT Governance and Operational Structure and Business Continuity.

Highlights / progress made:

- **HR Automation**
  VIP Premium is an integrated HR system which seeks to improve the efficiency of the HR functions. The system is being implemented and has improved the operations of the division.

- **On-line EAP**
  Careways was commissioned to render an online wellness programme to all employees and their immediate family. This system ensures that the wellbeing of employees is catered for by the employer in order to enhance service delivery.

- **Wellness day**
  A wellness day was held during the period under review and the main purpose was to create awareness about financial, physical and mental health issues to promote well-balanced beings in the organization. The event was a joint venture with the Department of Health, Virgin Active Gym, Mbombela Health Spa, Medical Aid Broker (MFS), Careways and ABSA. The events also promoted team building amongst employees.

- **Progress on the Organisational Realignment process**
  Phase 1 of the OD process which entailed the approval of the High level organisation structure has been completed with four positions of General Managers being filled.

- **Employee engagement**
  Management and labour held a Breakaway Session in order to reinforce and build a sustainable relationship that will create a conducive environment for proper consultation and engagement on work related matters. The Breakaway Session was facilitated by a well experienced Senior Commissioner of the CCMA. The vision and Corporate Strategy was shared with labour by the CEO.

  The outcome of the session was the establishment of a Transformation Committee which consists of middle management representatives (who are not part of the bargaining unit), Exco, NEHAWU and FAWU shopstewards. The Transformation Committee provides a platform to engage with both unionised and un-unionised employees (as represented in the Committee) to deal with issues as espoused in the Labour Relations Act which fall outside the bargaining unit.

SUB PROGRAMME 3.1: HUMAN RESOURCES

Strategic objectives, planned targets and actual achievements

Strategic Objectives	Baseline/ Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement for 2015/2016	Comment on deviations
Build an enabling organizational culture to support the execution of strategy	0	Conduct Organizational reviews	1	0	None
	0	70% of HR Strategy and Plan implementation	1	0	None
	34% PMDS implementation	Achieve 80% organizational performance	0	80%	Due to the OD process which necessitated re-alignment of functions, PMDS was not implemented.

Key performance indicators, planned targets and actual achievements

Performance Indicator	Baseline/ Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement for 2015/2016	Comment on deviations
Number of Organizational reviews conducted	0	1	1	0	None
% of HR Strategy and Plan implementation	0	70%	1	0	None
% organizational performance achieved	34% PMDS implementation	80%	0	80%	Due to the OD process which necessitated re-alignment of functions, PMDS was not implemented.

Strategy to overcome areas of under performance

i. **PMDS implementation**
Performance Management System shall be implemented in the next financial year upon conclusion of the OD process.

Changes to planned targets

There were no changes in performance indicators during the year.

Linking performance with budgets

	2015/2016			2014/2015		
Sub-Programme Name	Budget **(R'000)**	Actual Expenditure **(R'000)**	(Over)/Under Expenditure **(R'000)**	Budget **(R'000)**	Actual Expenditure **(R'000)**	(Over)/Under Expenditure **(R'000)**
HUMAN RESOURCES	5 810	4 664	1 146	3 400	3 252	148
TOTAL	**5 810**	**4 664**	**1 146**	**3 400**	**3 252**	**148**

SUB PROGRAMME 3.2: INFORMATION COMMUNICATION TECHNOLOGY

Strategic objectives, planned targets and actual achievements

Strategic Objectives	Baseline/ Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement for 2015/2016	Comment on deviations
Build an enabling organizational culture to support the execution of strategy	0	20% Implementation of efficient IT Governance Framework	10%	10%	Inadequate staff compliment in the unit.
Strengthen internal controls, systems and processes to ensure effective governance and risk management	0	Conduct DRP test and review	0	1	Inadequate staff compliment in the unit.

Key performance indicators, planned targets and actual achievements

Performance Indicator	Baseline/ Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement for 2015/2016	Comment on deviations
% IT strategy Implementation	0	20%	10%	10%	Inadequate staff compliment in the unit.
1 IT Disaster Recovery Plan (DRP) implemented	0	1	0	1	Inadequate staff compliment in the unit.

Strategy to overcome areas of under performance

i. **IT strategy implementation**
The Unit shall be capacitated in line with the OD process currently under implementation. This will ensure appointment of vacant critical positions which are necessary for achieving planned targets.

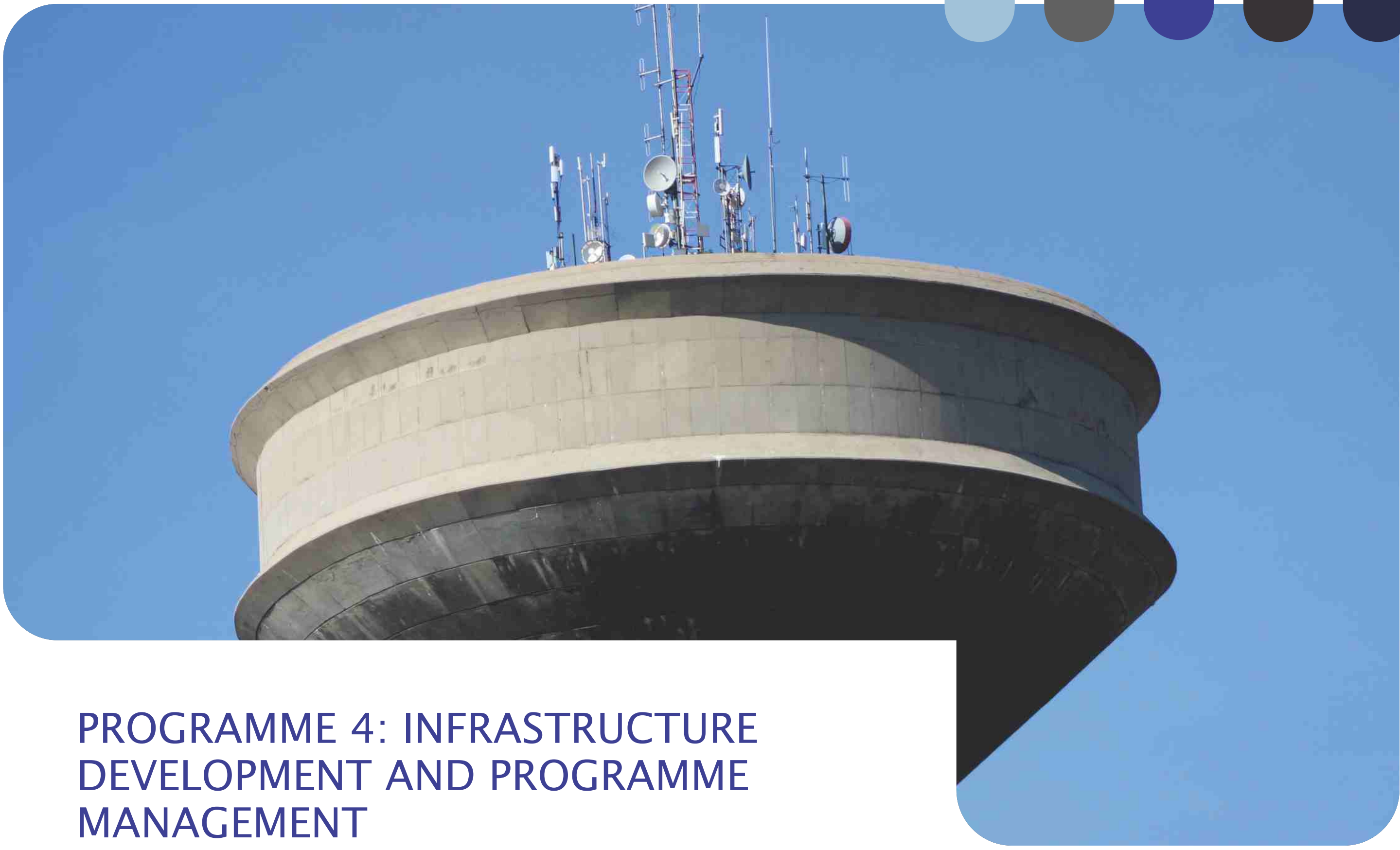
ii. **DRP test**
The Unit shall be capacitated in line with the OD process currently under implementation. This will ensure appointment of vacant critical positions which are necessary for achieving planned targets.

Changes to planned targets

There were no changes to planned targets.

Linking performance with budgets

	2015/2016			2014/2015		
Sub-Programme Name	Budget (R'000)	Actual Expenditure (R'000)	(Over)/Under Expenditure (R'000)	Budget (R'000)	Actual Expenditure (R'000)	(Over)/Under Expenditure (R'000)
ICT	1 025	1 053	(28)	1 588	1 682	(94)
TOTAL	**1 025**	**1 053**	**(28)**	**1 588**	**1 682**	**(94)**



PROGRAMME 4: INFRASTRUCTURE DEVELOPMENT AND PROGRAMME MANAGEMENT

Programme Description:

The programme aims at accelerating economic growth through the delivery and improvement of socio-economic infrastructure in the province.

The Programme is comprised of the following sub-programmes:

- **Mpumalanga International Fresh Produce Market** - establishment and development of the International Fresh Produce Market of Mpumalanga province;
- **Agri-hubs** - Establishment and development of the Agri-hubs in the 8 prioritized municipalities;
- **Special Economic Zones** - establishment of special economic and industrial zones in Mpumalanga.

Highlights / progress made

- **Mpumalanga International Fresh Produce Market (MIFPM)**
  a) The township conditions of establishment were approved by Mbombela Local Municipality and the General Plan was submitted to the Surveyor-General for approval;
  b) The reservoir, tower and pump station project has commenced and currently at 30% complete;
  c) The installation of the boundary fence is 100% complete;
  d) The appointment of the lead, and internal services consultants have been finalised.

- **Special Economic Zone (SEZ) Mpumalanga International Fresh Produce Market**
  a) A commitment was made by the municipality to supply bulk infrastructure (water, sewer, electricity);
  e) A confirmation was received from the municipality on the ownership of the land on which the SEZ is to be developed;
  b) One letter of intent to invest was received from the investors;
  c) The designation application was submitted to the Department of Trade and Industry.

SUB PROGRAMME 4.1: MPUMALANGA INTERNATIONAL FRESH PRODUCE MARKET

Strategic objectives, planned targets and actual achievements

Strategic Objectives	Baseline/ Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement for 2015/2016	Comment on deviations
Facilitate successful implementation of investment opportunities by working closely with partner investors and injecting own capital where possible	New indicator	4 internal services designs (Water, Sewer, electricity, roads)	0	4	Appointed service providers could not proceed with detailed designs until the general plan was approved by the Surveyor General.
	New indicator	2 internal services projects (roads and water)	0	2	The budget allocated for the year was inadequate to cater for the construction of the internal services.
	New indicator	1 Road design	0	1	Appointed service providers could not proceed with detailed designs until the general plan was approved by the Surveyor General.
	New indicator	3 Bulk Projects (Water pipeline, Sewer, Water Structures)	2	1	Bulk Sewer and Water pipeline projects are complete. Water structures project is currently at 30% complete due to the delay in the appointment of the contractor.
	New indicator	1 Model developed and approved	0	1	Dispute between DARDLEA and previous appointed service provider resulted in a delay in the appointment of new service provider.
	New indicator	0 building designs	0	16	Delays in completing the feasibility study and the approval of the general plan have affected progress on detailed designs.
Ensure that each investment opportunity provides the maximum possible development impact	New indicator	10 jobs created	0	10	Delays in commencing with construction work have affected the target on job creation.

Key performance indicators, planned targets and actual achievements

Performance Indicator	Baseline/ Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement for 2015/2016	Comment on deviations
No. of completed internal services designs	New indicator	4	0	4	Appointed service providers could not proceed with detailed designs until the general plan was approved by the Surveyor General.
No. of completed internal services projects	New indicator	2	0	2	The budget allocated for the year was inadequate to cater for the construction of the internal services.
No of completed bulk services designs	New indicator	1	0	1	Appointed service providers could not proceed with detailed designs until the general plan was approved by the Surveyor General.
No. of completed bulk services projects	New indicator	3	2	1	Bulk Sewer and Water pipeline projects are complete. Water structures project is currently at 30% complete due to the delay in the appointment of the contractor.
No Ownership/Operating Models developed and approved	New indicator	1	0	1	Dispute between DARDLEA and previous appointed service provider resulted in a delay in the appointment of new service provider.
No. of completed and operational top structures (buildings)	New indicator	0	0	16	Delays in completing the feasibility study and the approval of the general plan have affected progress on detailed designs.
No of jobs created	New indicator	10	0	10	Delays in commencing with construction work have affected the target on job creation.

Strategy to overcome areas of under performance

i. Internal Services Designs

The approval of the general plan by the Surveyor General is required before the appointed service provider can proceed with detailed designs.

MEGA would seek intervention from DARDLEA to address the objection by the Department of Agriculture, Fisheries and Forestry which may prevent the opening of the township register which is necessary for the finalisation of the general plan by the Surveyor General.

ii. Internal Services Projects

The budget allocated in the current financial year was insufficient to cater for the construction of internal services.

Budget pronouncement by DARDLEA was made after MEGA's Annual Performance Plan was developed and approved, resulting in misalignment between planned targets and allocated budget. This misalignment between planned targets and budget allocation has been addressed in the new financial year.

iii. Major Road Design

The approval of the general plan by the Surveyor General is required before the appointed service provider can proceed with major road design.

MEGA would seek intervention from DARDLEA to address the objection by the Department of Agriculture, Fisheries and Forestry which may prevent the opening of the township register which is necessary for the finalisation of the general plan by the Surveyor General.

iv. Bulk Projects

Water structures project is currently at 30% complete due to the delay in the appointment of the contractor.

MEGA will improve in Supply Chain Management (SCM) processes and ensure that the SCM Unit is adequately capacitated to ensure effective and efficient procurement processes.

v. Ownership/Operational Model

Dispute between DARDLEA and previously appointed service provider resulted in a delay in the appointment of new service provider for the development of the Model. The service provider has been appointed and shall commence work during the beginning of the new financial year.

vi. Building Designs

Delays in completing the feasibility study and the approval of the general plan have affected progress on the detailed designs.

The service provider has been appointed to develop the Model and shall commence work during the beginning of the new financial year. MEGA shall also seek intervention from DARDLEA to address the objection by the Department of Agriculture, Fisheries and Forestry which may prevent the opening of the township register which is necessary for the finalisation of the general plan by the Surveyor General.

vi. Job Creation

Job creation targets shall be achieved as soon as construction of projects have commenced. It is expected that construction of building shall commence during Quarter 3 of 2016/17 financial year.

Changes to planned targets

There were no changes in performance indicators during the year.

Linking performance with budgets

	2015/2016			2014/2015		
Sub- Programme Name	Budget **(R'000)**	Actual Expenditure **(R'000)**	(Over)/Under Expenditure **(R'000)**	Budget **(R'000)**	Actual Expenditure **(R'000)**	(Over)/Under Expenditure **(R'000)**
FRESH PRODUCE MARKET	26 500	17 000	9 600	0	156	(156)
TOTAL	**26 500**	**17 000**	**9 600**	**0**	**156**	**(156)**

SUB PROGRAMME 4.2: AGRI-HUBS

Strategic objectives, planned targets and actual achievements

Strategic Objectives	Baseline/Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement for 2015/2016	Comment on deviations
Facilitate successful implementation of investment opportunities by working closely with partner investors and injecting own capital where possible	New Indicator	3 Hubs with completed bulk services designs	0	2	Delays in budget confirmation and Agri-hubs to be prioritised affected the timeframes of the project.
	New Indicator	3 Packhouse Top-structure designs	0	3	The budget for the service providers was exhausted before completion of the designs.
	New Indicator	3 Agrihub-sites with Bulk services	0	2	The budget for the service providers was exhausted before completion of the designs and thereby resulting in delays in commencement of the construction.
	New Indicator	1 Approved model	0	1	Dispute between DARDLEA and previous appointed service provider resulted in a delay in the appointment of new service provider.
	New Indicator	2 Packhouse Top-Strcutures complete	0	2	The confirmed budget of R8.5 million was inadequate to cater for the construction of two Packhouses.
Ensure that each investment opportunity provides the maximum possible development impact	New Indicator	10 jobs created	0	10	No jobs created due to delays in commencing with the designs and the construction of the Agri-hubs.

Key performance indicators, planned targets and actual achievements

Performance Indicator	Baseline/Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement for 2015/2016	Comment on deviations
No. of Agri-hubs with completed bulk services designs	New Indicator	3	0	2	Delays in budget confirmation and agrihubs to be prioritised affected the timeframes of the project.
No. of Packhouses with completed top structure designs	New Indicator	3	0	3	The budget for the service providers was exhausted before completion of the designs.
No. of Agri-hubs with completed bulk services for Packhouses	New Indicator	3	0	2	The budget for the service providers was exhausted before completion of the designs and thereby resulting in delays in commencement of the construction.
No Ownership/Operating Models developed and approved	New Indicator	1	0	1	Dispute between DARDLEA and previous appointed service provider resulted in a delay in the appointment of new service provider.
No. of completed top structures for Packhouses	New Indicator	2	0	2	The confirmed budget of R8.5 million was inadequate to cater for the construction of two Packhouses.
No jobs created and sustained	New Indicator	10	0	10	No jobs created due to delays in commencing with the designs and the construction of the Agri-hubs.

Strategy to overcome areas of under performance

i. **Agri-hubs Serviced Sites**

Delays in budget confirmation and Agri-hubs to be prioritised affected the timeframes of the project. This misalignment between planned targets and budget allocation has been addressed in the new financial year.

ii. **Top Structure Designs for Packhouses**

The budget for the service providers was exhausted before completion of the designs. The target is planned for completion in the next financial year.

iii. **Agri-hub Bulk Services**

The budget for the service providers was exhausted before completion of the designs thereby affecting the commencement of the construction of bulk services. The target is planned for completion in the next financial year.

iv. **Ownership/Operating Model**

Dispute between DARDLEA and previously appointed service provider resulted in a delay in the appointment of new service provider. The service provider has been appointed and shall commence work during the beginning of the new financial year.

v. **Packhouses Top Structures**

The confirmed budget of R8.5 million was inadequate to cater for the construction of two Packhouses. The target is planned for completion in the next financial year.

vi. **Job Creation**

Delays in commencing with the designs and the construction of the Agri-hubs resulted in the targets not being achieved. Target to be achieved as soon as construction has commenced.

Changes to planned targets

There were no changes in performance indicators during the year.

Linking performance with budgets

	2015/2016			2014/2015		
Sub- Programme Name	Budget (R'000)	Actual Expenditure (R'000)	(Over)/Under Expenditure (R'000)	Budget (R'000)	Actual Expenditure (R'000)	(Over)/Under Expenditure (R'000)
AGRI HUBS	1 338	85	1 253	0	0	0
TOTAL	**1 338**	**85**	**1 253**	**0**	**0**	**0**

SUB PROGRAMME 4.3: SPECIAL ECONOMIC ZONES

Strategic Objective: Establishment of special economic and industrial zones in Mpumalanga

Highlights / progress made:

Key Milestone	Planned Delivery	Status
Appointment of CDC	15 September 2015	Complete
Proposal of ownership model	13 November 2015	Complete
Review and compilation of business case	30 November 2015	Complete
Investigations Reports		
Geotech	14 July 2015	Complete
Environmental Impact Assessment	2 September 2015	Complete
Civil Engineering Services	15 February 2015	Complete
Electrical Assessment	28 November 2015	Complete
Traffic Impact Study	28 November 2015	Complete
Water quality study	15 February 2015	Ongoing
Approval / Permits		
Receipt of council resolution for land	13 June 2015	Complete
Record of decision (RoD)	15 November 2015	Outstanding
Water use licence	15 February 2015	Investigation Complete
Investor attraction		
Completion of marketing material	16 November 2015	Ongoing
Sourcing of letters of intent	30 November 2015	Ongoing
Compilation of application		
Completion of "acid test" PDNA docs	11 November 2015	Complete
Writing of submission	12 December 2015	Complete
Submission to **the dti**	30 December 2015	Complete

SUB PROGRAMME 4.4: SPECIAL ECONOMIC ZONES

Strategic objectives, planned targets and actual achievements

Strategic Objectives	Baseline/ Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement for 2015/2016	Comment on deviations
Facilitate successful implementation of investment opportunities by working closely with partner investors and injecting own capital where possible	New Indicator/Not Planned	1 Ownership Operational model	1	0	None
	New Indicator/Not Planned	1 Database	0	1	There were delays due to numerous challenges experienced i.e. insufficient resources, miscommunications between the key stakeholders and lack of support from stakeholder departments.
	New Indicator/Not Planned	5 (water, sewer, roads, electricity, reservoirs)	0	5	Project implementation has not commenced due to delays in the finalization of the SEZ application for designation.
	New Indicator/Not Planned	5 (water, sewer, roads, electricity, reservoirs)	0	5	Project implementation has not commenced due to delays in the finalization of the SEZ application for designation.
	New Indicator/Not Planned	4 (roads, sewer, water, reservoirs)	0	4	Project implementation has not commenced due to delays in the finalization of the SEZ application for designation.
	New Indicator/Not Planned	2 (water, sewer)	0	2	Project implementation has not commenced due to delays in the finalization of the SEZ application for designation.
Ensure that each investment opportunity provides the maximum possible development impact	New Indicator/Not Planned	10 jobs created	0	10	Project implementation has not commenced due to delays in the finalization of the SEZ application for designation.

Key performance indicators, planned targets and actual achievements

Performance Indicator	Baseline/Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement for 2015/2016	Comment on deviations
No of Ownership/Operational models developed and approved	New Indicator/Not Planned	1	1	0	None
No of investor databases as per the implementation programme	New Indicator/Not Planned	1	0	1	There were delays due to numerous challenges experienced i.e. insufficient resources, miscommunications between the key stakeholders and lack of support from stakeholder departments.
No of bulk infrastructure designs as per the implementation programme	New Indicator/Not Planned	5	0	5	Project implementation has not commenced due to delays in the finalization of the SEZ application for designation.
No of internal services designs as per the implementation programme	New Indicator/Not Planned	5	0	5	Project implementation has not commenced due to delays in the finalization of the SEZ application for designation.
No of bulk infrastructure projects at construction stage (20% progress) as per the implementation programme	New Indicator/Not Planned	3	0	3	Project implementation has not commenced due to delays in the finalization of the SEZ application for designation.
No of internal services constructed (20% progress) as per implementation programme	New Indicator/Not Planned	3	0	3	Project implementation has not commenced due to delays in the finalization of the SEZ application for designation.
No of jobs created	New Indicator/Not Planned	10	0	10	Project implementation has not commenced due to delays in the finalization of the SEZ application for designation.

Strategy to overcome areas of under performance

MEGA has addressed most of these challenges by supplementing the human resources, revitalizing the stakeholder relations and has reenergized the PMU. The PMU has completed the Nkomazi SEZ application for designation.

Changes to planned targets

There were no changes in performance indicators during the year.

Linking performance with budgets

	2015/2016			2014/2015		
Sub- Programme Name	Budget **(R'000)**	Actual Expenditure **(R'000)**	(Over)/Under Expenditure **(R'000)**	Budget **(R'000)**	Actual Expenditure **(R'000)**	(Over)/Under Expenditure **(R'000)**
SEZ	4 716	1 002	3 714	4 500	1 295	3 205
TOTAL	**4 716**	**1 002**	**3 714**	**4 500**	**1 295**	**3 205**

PROGRAMME 5: TRADE AND INVESTMENT PROMOTION

Programme Description:

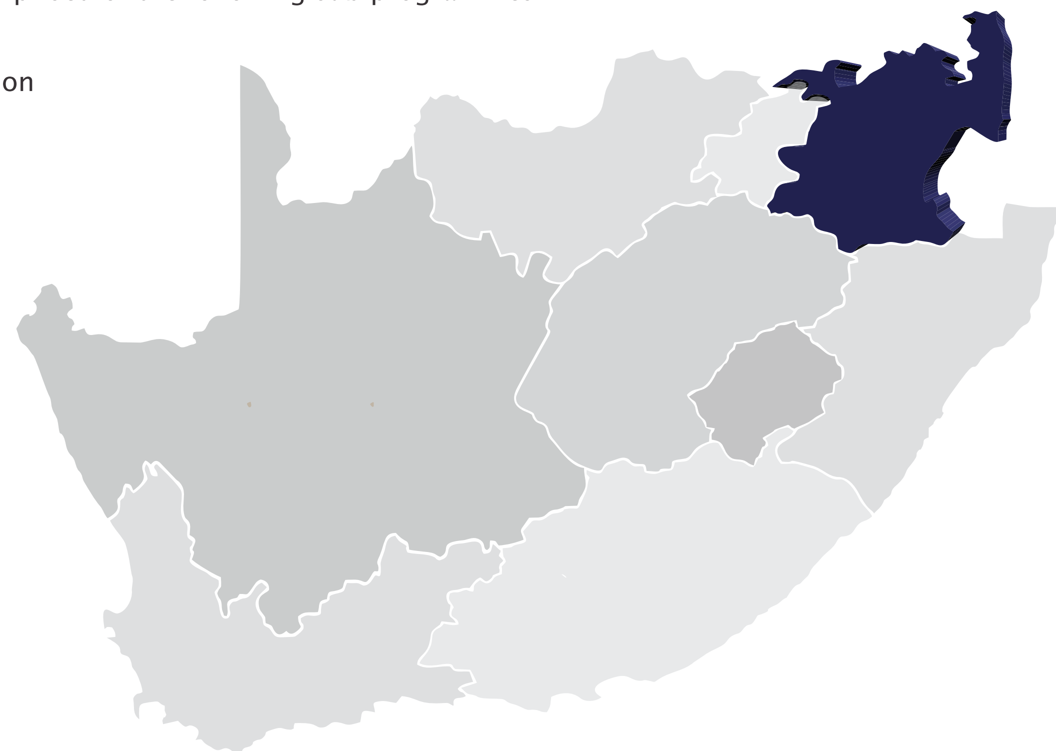
To grow domestic and foreign trade and attract both domestic and foreign investment into the province.

The programme's aims are to:

- Initiate and drive efficient and effective investment recruitment of foreign and domestic investment partners in order to increase the GDP of Mpumalanga.
- Promote investment opportunities to potential local and foreign investors through its project facilitation and advisory services.
- Grow exports resulting in sustained organic growth of traditional markets and increased penetration of new high growth markets.

The programme is comprised of the following sub-programmes:

- Trade Promotion
- Investment Promotion



Highlights / progress made

Foreign Trade Exhibitions:

- In August 2015 Foreign Trade Promotion hosted an Inward Foreign Visit from the Associação dos Jovens Agricultores de Portugal (AJAP) - Association of Young Farmers of Portugal.
- MEGA organised the Mpumalanga Provincial Pavilion at FACIM 2015 which took place from the 31st August to 6th September 2015 in the Marracuene district outside of Maputo. The Pavilion yielded R19.4 million of assessed annual business and follow-up with the SAITEX 2015 participants reported R772 500 of additional sales.
- The Foreign Trade Exhibition (Maputo Development Corridor Investment Conference and Exhibition) was conducted in Matola, Mozambique, on 29th October 2015.
- MEGA showcased the Agro-processing Sector of Mpumalanga Province on the South African National Pavilion hosted at the Gulfood 2016 Exhibition which took place from the 21st to 25th February 2016 at Dubai World Trade Centre in Dubai - United Arab Emirates. Three agro-processing companies from Mpumalanga were showcased, namely: Blue Skies Holding, Timbali Technology Incubator and Golden Macadamias. MEGA recorded 139 trade inquires during the event.

Local Trade Exhibitions:

- The Forum on China-Africa Cooperation Exhibition (FOCAC) was conducted in Johannesburg on 4th and 5th December 2015.
- MEGA successfully hosted the Mpumalanga Pavilion Local Exhibition at the South African International Trade Exhibition (SAITEX) at the Gallagher Convention Centre in Midrand, Gauteng from the 21st to 23rd June 2015. At SAITEX 2015 the nine participating companies on the Mpumalanga Pavilion estimated the annual value trade inquiries received during the exhibition at close to R32million.

National Exporter Development Programme:

- During the first quarter, MEGA hosted two National Exporter Development Programme Training Workshops in the Province. The NEDP Export Training Workshop in Bushbuckridge on the 25th June 2015 was attended by 55 emerging exporters and the NEDP Export Training Workshop in Middleburg on 26th June 2015 attracted 44 participants.
- During the Second Quarter, MEGA hosted two National Exporter Development Programme Training Workshops in the Province. The NEDP Export Training Workshop in Emalahleni from 9th to 11th Sep 2015 and the NEDP Export Training held in Mbombela from 21st to 23rd Sep 2015. This programme needs further funding.
- During the 4th Quarter, three National Exporter Development Programme training sessions were conducted in three different parts of the Province: Gert Sibande District Municipality; Nkangala District Municipality; Ehlanzeni District Municipality.

Investment Facilitation:

- During the first quarter, a potential investment from Coal India Limited based in Kolkata was facilitated. The investment enquiry was originated during MEGA's participation at ITI India during February 2015. Coal India limited is seeking to invest in South Africa generally and Mpumalanga specifically. This enquiry is coordinated by **the dti** through the Deputy Minister's office. MEGA is facilitating this investment in a coal mine – Mooivaal - in the Ermelo District valued at US$ 50 million.
- MEGA participated in the Outward Trade and Investment Promotion Mission arranged by the Department of Trade and Industry **(the dti)** in Vietnam and the Philippines from 25th to 29th May 2015. In both these countries presentations were made to the local business people at the Investment Seminars showcasing trade and investment opportunities in Mpumalanga Province.

SUB PROGRAMME 5.1: TRADE PROMOTION

Strategic objectives, planned targets and actual achievements

Strategic Objectives	Baseline/ Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement for 2015/2016	Comment on deviations
Proactively generate compelling investment propositions that are aligned to the province's competitive advantages	Facilitate exports valued at R189 million	Facilitate exports valued at R116 million	R55.52m	R60.48m	Exporters are reluctant to provide auditable information on facilitated exports due to confidentiality of information.
	Facilitate 4 Trade exhibitions and missions	4 Foreign Trade Exhibitions / Missions conducted	4	0	None
	Facilitate 4 local exhibitions	4 Local Trade and Investment Exhibitions conducted	4	0	None
	New Indicator	25 of EMIA / SSAS Applications Facilitated	53	-28	Positive deviation as a result of more requests received from exporters.
	Provide Trade support to 75 exporters	Provide Foreign Trade Counselling and Support to 130 Exporters	205	-75	Positive deviation as a result of more requests received from exporters.
	Facilitate 5 export training	Facilitate 5 NEDP export training workshops in MP	7	-2	Positive deviation as a result of more interest by local exporters.

Key performance indicators, planned targets and actual achievements

Performance Indicator	Baseline/Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement for 2015/2016	Comment on deviations
Value of Exports Facilitated	Facilitate exports valued at R189 million	R116 million	R55.52m	R60.48m	Assisted exporters are reluctant to provide auditable information on facilitated exports due to confidentiality of information.
Number of Foreign Trade Exhibitions / Missions conducted	Facilitate 4 Trade exhibitions and missions	4	4	0	None
Number of Local Trade and Investment Exhibitions conducted	Facilitate 4 local exhibitions	4	4	0	None
Number of EMIA / SSAS Applications Facilitated	New Indicator	25	53	-28	Positive deviation as a result of more requests received from exporters.
Number of Exporters provided with Foreign Trade Counselling and Support	Provide Trade support to 75 exporters	130	205	-75	Positive deviation as a result of more requests received from exporters.
Number of NEDP export training workshops conducted in MP	Facilitate 5 export training	5	7	-2	Positive deviation as a result of more interest by local exporters.

Strategy to overcome areas of under performance

i. Export Facilitated

Assisted exporters are reluctant to provide auditable information on facilitated exports due to confidentiality of information. The Unit shall reassess the performance indicator in the new financial year to ensure adherence to SMART principles.

Changes to planned targets

There were no changes in performance indicators during the year.

Linking performance with budgets

	2015/2016			2014/2015		
Sub- Programme Name	Budget **(R'000)**	Actual Expenditure **(R'000)**	(Over)/Under Expenditure **(R'000)**	Budget **(R'000)**	Actual Expenditure **(R'000)**	(Over)/Under Expenditure **(R'000)**
TRADE PROMOTION	4 899	4 560	339	1 498	1 382	116
TOTAL	**4 899**	**4 560**	**339**	**1 498**	**1 382**	**116**

SUB PROGRAMME 5.2: INVESTMENT PROMOTION

Strategic objectives, planned targets and actual achievements

Strategic Objectives	Baseline/Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement for 2015/2016	Comment on deviations
Identify and attract suitable investors based on an attractive value proposition and attractive investment opportunities	5 Investment Projects facilitated	8 Investment Projects facilitated	5	3	The number of enquiries graduating to projects that can be facilitated were very slow due to local and international economic slowdown.
	0	Investment Facilitated R 484 million	R61.5 billion	-R61 billion	Positive deviation. Masorini Steel Plant facilitated in Middelburg worth US $4.5 billion. The outcome of this investment is still awaited.
	Investment Implemented R220 Million	Investment Implemented R220 million	0	R220 million	Implemented projects reported above are still at their planning stages. Investment implementation shall commence once project implementation have commenced.
	5 Investment Outward Missions conducted	5 Investment Outward Missions conducted	4	1	The planned mission to China was rescheduled since it coincided with other mission, namely: Focus on China – Africa Cooperation.
	14 Investment and Trade Inward Missions hosted	11 Investment and Trade Inward Missions hosted	10	1	The number of foreign delegations visiting the country have slowed down due to turbulence in the local and foreign economy.
	248 investors assisted	300 investors assisted	4	296	The turbulence in local and foreign economy had a profound adverse effect on the operations of the investment section.
Ensure that each investment opportunity provides the maximum possible development impact	0	240 job opportunities created	0	240	No jobs were created due to lack of project implementation.

Key performance indicators, planned targets and actual achievements

Performance Indicator	Baseline/Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement for 2015/2016	Comment on deviations
Number of Investment Projects facilitated	5 Investment Projects facilitated	8	5	3	The number of enquiries graduating to projects that can be facilitated were very slow due to local and international economic slowdown.
Value of Investment Projects facilitated	0	R 484 million	R61.5 billion	-R61 billion	Positive deviation. Masorini Steel Plant facilitated in Middelburg worth US $4.5 billion. The outcome of this investment is still awaited.
Value of Investments implemented	Investment Implemented R220 Million	R220 million	0	R220 million	Implemented projects reported above are still at their planning stages. Investment implementation shall commence once project implementation have commenced.
Number of Investment Outward Missions conducted	5 Investment Outward Missions conducted	5	4	1	The planned mission to China was rescheduled since it coincided with other mission, namely: Focus on China – Africa Cooperation.
Number of Investment and Trade Inward Missions hosted	14 Investment and Trade Inward Missions hosted	11	10	1	The number of foreign delegations visiting the country have slowed down due to turbulence in the local and foreign economy.
Number of investors assisted	248 investors assisted	300	4	296	The turbulence in local and foreign economy had a profound adverse effect on the operations of the investment section.
Number of job opportunities created	0	240	0	240	No jobs were created due to lack of project implementation.

Strategy to overcome areas of under performance

More aggressive marketing of the province and sectors is to be done and projects that are being facilitated followed up to ensure implementation.

Changes to planned targets

There were no changes in performance indicators during the year.

Linking performance with budgets

	2015/2016			2014/2015		
Sub- Programme Name	Budget **(R'000)**	Actual Expenditure **(R'000)**	(Over)/Under Expenditure **(R'000)**	Budget **(R'000)**	Actual Expenditure **(R'000)**	(Over)/Under Expenditure **(R'000)**
INVESTMENT PROMOTION	4 899	4 559	340	1 497	1 383	115
TOTAL	**4 899**	**4 559**	**340**	**1 497**	**1 383**	**115**

PROGRAMME 6: PROPERTY DEVELOPMENT AND MANAGEMENT

Programme Description:

The programme aims at managing and developing a well maintained property portfolio owned and controlled by MEGA in order to generate income that will make the organization to be sustainable while facilitating employment creation through the infrastructure let out to tenants.

Highlights / progress made:

a) The Property Fund Proposal was developed and initial negotiations commenced with potential investors, such as PIC, IDC and other private sector financial institutions.
b) After the division acquired a comprehensive property management system during Q3, the focus during Q4 was to populate the system with property and lease information. Key property management reports can now be drawn from the system.
c) A new transformer was acquired for Ekandustria.
d) A plan to attract the private sector to invest in the portfolio was developed for implementation during the Q1 of 2016/17.

Strategic objectives, planned targets and actual achievements

Strategic Objectives	Baseline/Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement for 2015/2016	Comment on deviations
Proactively generate compelling investment propositions that are aligned to the province's competitive advantages	New Indicator	2 Partnership strategies and implementation plans for the development of vacant stands and refurbishment of shopping centres approved	2	0	None
Identify and attract suitable investors based on an attractive value proposition and attractive investment opportunities	New Indicator	5 Formal partnership arrangements with strategic investment partners for the development of vacant stands and for the refurbishment of shopping centres	1	4	There were delays in securing strategic partners due to a lengthy time taken to set up the Property Fund.
Develop MEGA's capability to exit investments timeously for maximum developmental and financial returns	New Indicator	1 compelling business case approved in order to exit Poorly performing investments and cut losses	1	0	None
Ensure that each investment opportunity provides the maximum possible development impact	17 new jobs created through EPWP	250 jobs Created targeting women, youth and people with disability	664	-414	Positive deviation as a result of more jobs created than planned due to new tenants occupying MEGA's properties.
Develop MEGA's capability to raise capital, originate, evaluate, structure and implement investment opportunities	New Indicator	Raise capital to the value R 40 million from financiers for refurbishment of industrial parks	R 21 million	R 19 million	Funding negotiations took longer than planned, as a result only the first phase of the programme will be implemented.

Key performance indicators, planned targets and actual achievements

Performance Indicator	Baseline/Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement for 2015/2016	Comment on deviations
Number of partnership strategies and implementation plans for the development of vacant stands approved	New Indicator	2	2	0	None
Number of formal partnership arrangements with strategic investment partners	New Indicator	5	1	4	There were delays in securing strategic partners due to a lengthy time taken to set up the Property Fund.
Value of implemented investment commitments facilitated by property division	New Indicator	1	1	0	None
Number of jobs created and sustained	17 new jobs created through EPWP	250	664	-414	Positive deviation as a result of more jobs created than planned due to new tenants occupying MEGA's properties.
Value of capital raised from financiers for refurbishment of industrial parks	New Indicator	R 40 million	R 21 million	R 19 million	Funding negotiations took longer than planned, as a result only the first phase of the programme will be implemented.

Strategy to overcome areas of under performance

i. **Formal partnership arrangements with strategic investment partners**
   Negotiations with strategic investment partners to be concluded.

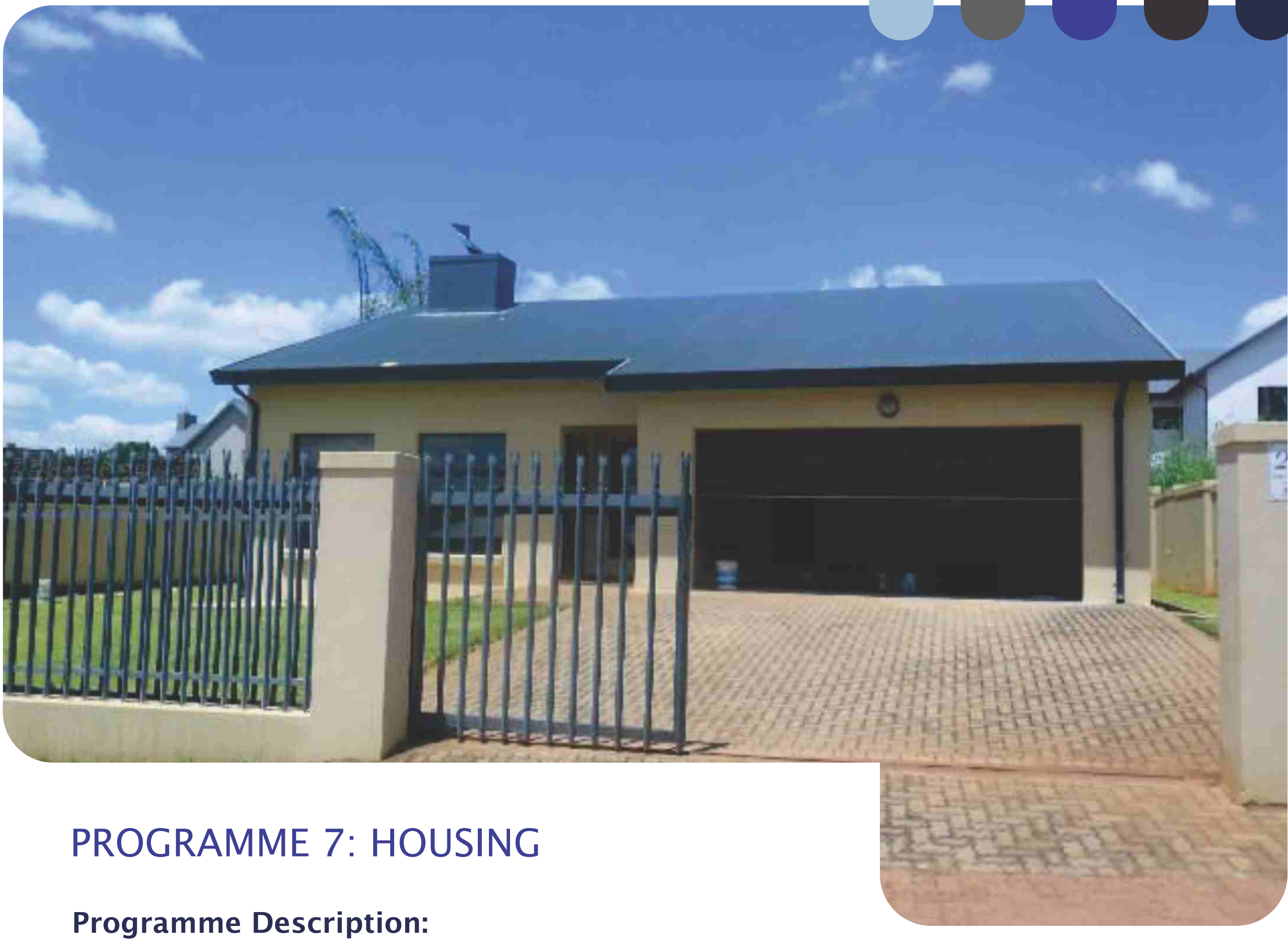
ii. **Raising capital from financiers for the refurbishment of industrial parks**
   Negotiations with financiers need to be speeded up and funding agreement concluded.

Changes to planned targets

There were no changes in performance indicators during the year.

Linking performance with budgets

	2015/2016			2014/2015		
Sub- Programme Name	Budget **(R'000)**	Actual Expenditure **(R'000)**	(Over)/Under Expenditure **(R'000)**	Budget **(R'000)**	Actual Expenditure **(R'000)**	(Over)/Under Expenditure **(R'000)**
PROPERTY DEVELOPMENT AND MANAGEMNET	179 026	182 340	(3 314)	104 085	91 237	12 848
TOTAL	**179 026**	**182 340**	**(3 314)**	**104 085**	**91 237**	**12 848**



PROGRAMME 7: HOUSING

Programme Description:

The programme aims at providing access to affordable houses and to facilitate access to home ownership through the provision of finance to qualifying Mpumalanga residents who are unable to obtain finance through the mainstream commercial system.

Highlights / progress made:

- There has been a steady increase in the number of housing loans approved compared to the previous year i.e. 10 housing loans valued at R3.8m in 2014/15 and 16 housing loans valued at R7.3m in 2015/16.
- 7 housing loans have been disbursed valued at R2.5m.
- There has been a 93% repayment on the current loan book as at end of the year and 2.6% on the legacy loan book.
- Processed 100% of new loans for bond registration and 44% new bonds registered.

Strategic objectives, planned targets and actual achievements

Strategic Objectives	Baseline/ Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement for 2015/2016	Comment on deviations
Proactively generate compelling investment propositions that are aligned to the province's competitive advantages	Funded 10 Units valued at R3.8.m using internal funding	Housing loans valued at R9,942,000 approved	R7,297,320	R2,644,680	The number of loans increased, the average value is still a little low. Outreach programmes started to increase intake.
Facilitate successful implementation of investment opportunities by working closely with partner investors and injecting own capital where possible	0	Housing projects valued at R105,000,000 implemented	R0	R105,000,000	Delays in concluding SLA with the service provider for the Lydenburg project affected project implementation.
	0	Housing loans valued at R8,000,000 disbursed	R2,540,000	R5,460,000	Delays in the registration of bonds caused delays in disbursements.
Ensure that each investment opportunity provides the maximum possible development impact	0	4 Quarterly reports on job creation produced	4	None	None
Identify and attract suitable investors based on an attractive value proposition and attractive investment opportunities	0	2 investors identified and attracted to invest in housing projects	1	1	There was no interest in the market for investing in the Sabie Housing Project. Other financing institutions have not responded positively.
Provide post-investment management for value creation; and exit investments timeously for maximum developmental and financial returns	0	90% loan repayment rate achieved	93%	-3%	Positive deviation
	0	100% registration of bonds and title deeds on new loans	44%	66%	Instructions issued to attorneys but the process takes longer than expected. Attorneys engaged continuously to speed up the process.
	0	100% Lease agreements for all rental properties in place	34% Lease agreements signed	66% less than target	Legacy issues in some of the communities have led to the failure to sign 100% lease agreements. There is negative community response to engagement with individuals.
	0	Rental stock maintenance plan development process at 100% and implementation process at 40%	50% development and 0% implemented	50% development and 100% unimplemented	The technical support required was not available from the Infrastructure division.

Key performance indicators, planned targets and actual achievements

Performance Indicator	Baseline/Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement for 2015/2016	Comment on deviations
Value of signed investment commitments facilitated by MEGA	Funded 10 Units valued at R3.8.m using internal funding	R9,942,000	R7,297,320	R2,644,680	The number of loans increased, the average value is still a little low.
Value of housing projects implemented	0	R105,000,000	R0	R105,000,000	Delays in concluding SLA with the service provider for the Lydenburg project affected project implementation.
Value of housing loans disbursed	0	R8,000,000	R2,540,000	R5,460,000	Delays in the registration of bonds caused delays in disbursements.
Number of jobs created and sustained	0	4	4	None	None
Number of formal partnership arrangements with strategic investment partners	0	2	1	1	There was no interest in the market for investing in the Sabie Housing Project. Other financing institutions have not responded positively.
% of Loan repayment rate	0	90%	93%	-3%	Positive deviation
Number of bonds and title deeds registered and settled loans processed	0	100%	44% registration of new bonds and title deeds and 63% cancellations processed	66% registration of new bonds and title deeds and 37% cancellations processed	Instructions issued to attorneys but the process takes longer than expected. Stop order is allowed to run for 3 months after account is settled to cover for cancellation costs.
Number of lease agreements signed	0	100%	34%	66% less than target	Legacy issues in some of the communities have led to the failure to sign 100% lease agreements. There is negative community response to engagement with individuals.
Number of reports on the development and implementation of the rental stock maintenance plan	0	100% development and 40% implementation	50% development and 0% implementation	50% development and 100% implementation	The technical support required was not available from the infrastructure division.

Strategy to overcome areas of under performance

i. Housing loans approved

The number of loans increased while the average value is still a little low. The unit has embarked on an outreach programme to increase intake.

ii. Housing project implemented

Implementation of the Housing Project in Lydenburg has commenced and the service provider has been instructed to accelerate the implementation plan.

iii. Housing loans disbursed

Delays in the registration of bonds caused delays in disbursements. The attorneys are engaged continuously to speed up the registration process.

iv. Investors identified and attracted

Financing institutions have not responded positively regarding the investment opportunity in the Sabie Housing Project. MEGA will continuously find ways of raising funds for the project.

v. Registration of bonds and title deeds

Instructions for bond registrations were issued to attorneys but the process took longer than expected. The attorneys are engaged continuously to speed up the registration process.

vi. Lease agreement for all rental properties in place

A legal process has been initiated on existing clients that refuses to sign rental agreements. MEGA shall implement controls that would ensure that no new tenant will occupy MEGA's premises without signing lease agreements.

vii. Rental stock maintenance plan developed

The technical support required was not available from the Infrastructure division due to lack of adequate capacity. MEGA is in a process of building internal capacity to deliver on infrastructure funding mandate.

Changes to planned targets

There were no changes in performance indicators during the year.

Linking performance with budgets

	2015/2016			2014/2015		
Sub- Programme Name	Budget (R'000)	Actual Expenditure (R'000)	(Over)/Under Expenditure (R'000)	Budget (R'000)	Actual Expenditure (R'000)	(Over)/Under Expenditure (R'000)
HOUSING	23 510	22 411	1 099	8 486	2 747	5 739
TOTAL	**23 510**	**22 411**	**1 099**	**8 486**	**2 747**	**5 739**

PROGRAMME 8: BUSINESS DEVELOPMENT

Programme Description:

The programme provides financial and non-financial support to businesses as defined in the programme goal. Financial support is provided through loans, equity financing and facilitation of funding from other institutions. The nonfinancial support may take various forms but is mainly through the provision of services such as training, capacity-building, mentorship, counseling, market facilitation, linkages and organisational development. Some of these services may be provided in-house or outsourced but internally managed.

The programmes comprises of three sub programmes:

SMMEs Development

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

Financial support

Financial support is given to qualifying businesses by providing loans relating to:
- Bridging finance for construction projects; SDU
- 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 business 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 authority or body that regulates their products or services;
- Facilitating the preparation of business plans for submission to the Small Enterprise Development Agency (SEDA) which provides 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 business 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;
- Grant funding for infrastructure and non-financial services.

Agricultural Sector

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.

Revenue Generation

The programme has the following projects that are aimed at providing income streams to fund MEGA's operations namely:

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 Inkomati Anthracite Nkomazi
- Agriculture - 26% in Highveld Fruit Packers- Apple processing.

Tekwane Citrus Farm

The farm produces citrus fruit which is sold to the local and foreign market. 60% of the fruit is exported to Europe and the Far East.

Tekwane Citrus Farm has not been able to function optimally and thus generate 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, 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.

Loopspruit Wine Farm

The vineyard farm produces grapes which is processed into mampoer and wine and 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 various reasons, a result of which, the farm has consistently operated at a loss.

MEGA aims at providing interventions for the commercialization of Loopspruit Farm and its subsequent profitability.

Highlights / progress made:

The programme provides financial and non-financial support to businesses as defined in the programme goal. Financial support is provided through loans, equity financing and facilitation of funding from other

- Proportion of financing provided to designated groups were achieved as follows: 37% women, 44% youth and 6% people with disabilities;
- Non financing support provided to 110 SMMEs;
- The value of loans disbursed to 27 Agricultural Cooperatives amounted to R 1.9 million;
- The value of loans disbursed to 9 SMMEs amounted to R 2.4 million;
- R15 million was generated as additional revenue through MEGA's Agri-businesses (Tekwane)

SUB PROGRAMME 8.1: SMALL, MEDIUM AND MICRO ENTERPRISES (SMMEs)

Strategic objectives, planned targets and actual achievements

Strategic Objectives	Baseline/ Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement for 2015/2016	Comment on deviations
Facilitate successful implementation of investment opportunities by working closely with partner investors and injecting own capital where possible	4 loans approved to SMMEs and Co-operatives valued at R1.3.m	SMME loans to the value of R7,040,000 disbursed	R 2,361,462	R4,678,538	Fewer qualifying applications received as a result of the time of inactivity in the previous years.
Ensure that each investment opportunity provides the maximum possible development impact	4 loans approved to SMMEs and Co-operatives valued at R1.3.m	14 SMMEs financed	9	5	Fewer qualifying applications received as a result of the time of inactivity in the previous years.
	0% of already funded and existing businesses compliant with the BSM	104 SMMEs supported	110	-6%	Positive deviation
	301 job opportunities created through SMME funding	70 jobs created	58	12	Fewer qualifying applications received as a result of the time of inactivity in the previous years.
	New Indicator	33% proportion of financing provided to women	37%	-4%	Positive deviation
	New Indicator	60% proportion of financing provided to youth	44%	16%	Fewer applications received from youth owned business, most prefer grant funding than loans.
	New Indicator	2% proportion of financing provided to people with disability	6%	-4%	Positive deviation

Key performance indicators, planned targets and actual achievements

Performance Indicator	Baseline/Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement for 2015/2016	Comment on deviations
Value of loans disbursed to SMME's	4 loans approved to SMMEs and Co-operatives valued at R1.3.m	R7,040,000	R2,361,462	R4,678,538	Fewer qualifying applications received as a result of the time of inactivity in the previous years.
Number of SMME's financed	4 loans approved to SMMEs and Co-operatives valued at R1.3.m	14	9	5	Fewer qualifying applications received as a result of the time of inactivity in the previous years.
SMME's supported	0% of already funded and existing businesses compliant with the BSM	104	110	-6%	Positive deviation
Number of jobs created	301 job opportunities created through SMME funding	70	58	12	Fewer qualifying applications received as a result of the time of inactivity in the previous years.
% proportion of financing provided to women	New Indicator	33%	37%	-4%	Positive deviation
% proportion of financing provided to youth	New Indicator	60%	44%	16%	Fewer qualifying applications received as a result of the time of inactivity in the previous years.
% proportion of financing provided to people with disability	New Indicator	2%	6%	-4%	Positive deviation

Strategy to overcome areas of under performance

i. SMME loans disbursed

Fewer qualifying applications received as a result of the time of inactivity in the previous years. MEGA would need to ensure an increase in loan applications received (pipelines) to ensure an increase in the number of loans approved.

ii. SMMEs financed

Fewer qualifying applications received as a result of the time of inactivity in the previous years. MEGA would need to ensure an increase in loan applications received (pipelines) to ensure an increase in the number of loans approved and disbursed.

iii. Jobs created

Fewer qualifying applications received as a result of the time of inactivity in the previous years. MEGA shall prioritise sectors with job absorption propensity.

iv. Proportion of financing provided to youth

Fewer applications received from youth owned businesses; most prefer grant funding than loans. MEGA shall engage formalised youth business structures to sensitise them on the funding opportunities.

Changes to planned targets

There were no changes in performance indicators during the year.

Linking performance with budgets

	2015/2016			2014/2015		
Sub- Programme Name	Budget **(R'000)**	Actual Expenditure **(R'000)**	(Over)/Under Expenditure **(R'000)**	Budget **(R'000)**	Actual Expenditure **(R'000)**	(Over)/Under Expenditure **(R'000)**
SMME	12 284	12 009	275	6 001	3 632	2 369
TOTAL	**12 284**	**12 009**	**275**	**6 001**	**3 632**	**2 369**

SUB PROGRAMME 8.2: AGRICULTURE (COOPERATIVES)

Strategic objectives, planned targets and actual achievements

Strategic Objectives	Baseline/ Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement for 2015/2016	Comment on deviations
Facilitate successful implementation of investment opportunities by working closely with partner investors and injecting own capital where possible	New Indicator	Agricultural loans valued at R1,104 000 disbursed to cooperatives	R1,999,335	-R895,335	Positive deviation
Ensure that each investment opportunity provides the maximum possible development impact	New Indicator	11 Beneficiaries benefitted as a result of loans disbursed to agricultural cooperatives	27	-16	Positive deviation

Key performance indicators, planned targets and actual achievements

Performance Indicator	Baseline/Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement for 2015/2016	Comment on deviations
Value of loans disbursed to agricultural cooperative	New Indicator	R1,104,000	R1,999,335	-R895,335	Positive deviation
Number of beneficiaries	New Indicator	11	27	-16	Positive deviation

Strategy to overcome areas of under performance

Not applicable

Changes to planned targets

There were no changes in performance indicators during the year.

Linking performance with budgets

	2015/2016			2014/2015		
Sub- Programme Name	Budget **(R'000)**	Actual Expenditure **(R'000)**	(Over)/Under Expenditure **(R'000)**	Budget **(R'000)**	Actual Expenditure **(R'000)**	(Over)/Under Expenditure **(R'000)**
AGRICULTURE	17 209	18 207	(998)	5 305	3 477	1 828
TOTAL	**17 209**	**18 207**	**(998)**	**5 305**	**3 477**	**1 828**

SUB PROGRAMME 8.3: REVENUE GENERATION

Strategic objectives, planned targets and actual achievements

Strategic Objectives	Baseline/ Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement for 2015/2016	Comment on deviations
Reduce dependency on government grants and ensure long term financial sustainability	New indicator	R17,000,000 generate as additional revenue through Agri-businesses	R14,973,593	R2,026,407	Harvesting started late because of a delay in the appointment of seasonal workers as well as equipment breakdown. As a result of this, an opportunity for export sales was lost.
		200 000 lemon exports sales (15kg units)	95 370	104 630	
		R16,000,000 export sales	R13,352,477	R2,647,523	
		2 000 local sales (tons)	1 200	800	
		R1,000,000 local sales	R1,621,116	None	
Corporatise MEGA by establishing dedicated companies to house its equity	New indicator	1 due diligence report completed and approved towards the corporatizing of MEGA's Agri-businesses (Tekwane and Loopspruit)	0	1	Lack of internal capacity.

Key performance indicators, planned targets and actual achievements

Performance Indicator	Baseline/ Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement for 2015/2016	Comment on deviations
Value of revenue generated	New indicator	R17,000,000	R14,973,593	R2,026,407	Harvesting started late because of a delay in the appointment of seasonal workers as well as equipment breakdown. As a result of this, an opportunity for export sales was lost.
Volume of lemon exports sales (15kg units)	New indicator	200 000	95 370	104 630	Harvesting started late because of a delay in the appointment of seasonal workers as well as equipment breakdown. As a result of this, an opportunity for export sales was lost.
Value of export sales	New indicator	R16,000,000	R13,352,477	R2,647,523	Harvesting started late because of a delay in the appointment of seasonal workers as well as equipment breakdown. As a result of this, an opportunity for export sales was lost.
Volume of local sales (tons)	New indicator	2 000	1 200	800	Harvesting started late because of a delay in the appointment of seasonal workers as well as equipment breakdown. As a result of this, an opportunity for export sales was lost.
Value of local sales	New indicator	R1,000,000	R1,621,116	None	Positive deviation
Completed and approved due diligence report on the Corporatisatio n of the Agri-businesses	New indicator	1 due diligence report completed and approved towards the corporatizing of MEGA's Agri-businesses (Tekwane and Loopspruit)	0	1	Lack of internal capacity.

Strategy to overcome areas of under performance

i. **Generate additional revenue through Agri-businesses**

MEGA shall improve the orchard management at Tekwane and appoint a permanent farm manager.

ii. **Due diligence report on the corporatisation of MEGA's Agri-businesses**

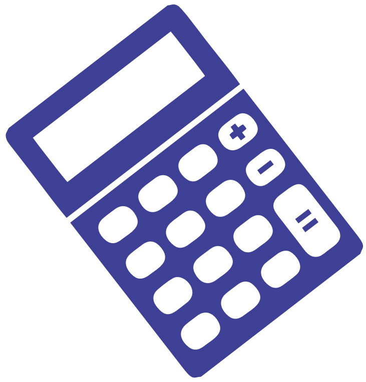
A Transactional advisor to be appointed in the new financial year to do due diligence.

Changes to planned targets

There were no changes in performance indicators during the year.

Linking performance with budgets

	2015/2016			2014/2015		
Sub- Programme Name	Budget (R'000)	Actual Expenditure (R'000)	(Over)/Under Expenditure (R'000)	Budget (R'000)	Actual Expenditure (R'000)	(Over)/Under Expenditure (R'000)
REVENUE GENERATION	18 665	17 198	1 467	0	0	0
TOTAL	**18 665**	**17 198**	**1 467**	**0**	**0**	**0**



07

SUMMARY OF FINANCIAL INFORMATION

REVENUE COLLECTION

	2015/2016			2014/2015		
Sources of revenue	Budget **(R'000)**	Actual Amount Collected **(R'000)**	(Over)/Under Collection **(R'000)**	Budget **(R'000)**	Actual Amount Collected **(R'000)**	(Over)/Under Collection **(R'000)**
Municipal Services	120,000	117,013	2,987	112,345	111,452	893
Rent	44,133	41,022	3,111	44,985	31,763	13,222
Loans Revenue	16,530	15,132	1,398	31,191	24,714	6,477
Other	215,414	214,869	545	9,046	2,961	6,085
Total	**396,077**	**388,036**	**8,041**	**197,567**	**170,089**	**27,478**

PROGRAMME EXPENDITURE

Programme Name	2015/2016 Budget (R'000)	2015/2016 Actual Expenditure (R'000)	2015/2016 (Over)/Under Expenditure (R'000)	2014/2015 Budget (R'000)	2014/2015 Actual Expenditure (R'000)	2014/2015 (Over)/Under Expenditure (R'000)
Office of the CEO	22,031	17,953	4,078	14,174	12,002	2,172
Finance	54,452	53,209	1,243	84,087	110,028	(25,941)
Corporate Services	35,690	31,466	4,224	131,143	130,328	815
Infrastructure Development	7,353	7,396	(43)	176	20	156
Trade & Investment Promotion	9,798	9,119	679	2,995	2,764	231
Property Development and Management	179,026	182,340	(3,314)	104,085	91,237	12,848
Housing	23,510	22,411	1,099	8,486	2,747	5,739
Business Development	48,158	47,493	665	18,306	7,397	10,909
Total	**380,018**	**371,387***	**8,631**	**363,452**	**356,523***	**6,929**

*Actual expenditure per programme exclude non-cash items (e.g. depreciation, bad debts) and include capital expenditure.

CAPITAL INVESTMENT, MAINTENANCE AND ASSET MANAGEMENT PLAN

Highlights on capital investment and asset management plan

- No facilities were closed down. A rationalisation exercise is being performed through the Organisational Design process.
- MEGA has recently developed a Property Portfolio Turnaround Strategy which is currently being implemented. The key pillar of the strategy is to establish a Property Fund to invest in the revitalisation of the property portfolio.
- Apart from the new transformer acquired towards the end of December 2015 in order to supplement the existing one at Ekandustria, no other major maintenance projects were performed. Normal day-to-day emergencies such as burst pipes, leaking pipes and leaking roofs were however carried out.
- In partnership with the Department of Trade and Industry ("**the dti**"), MEGA has developed a plan to address the maintenance backlog and refurbishment to be funded over a multi-year basis.
- MEGA is currently implementing three infrastructure projects, namely: Mpumalanga International Fresh Produce Market, Agri-hubs and the Nkomazi Special Economic Zones.
- No infrastructure projects were completed in the current year as all projects being implemented are multi-year projects.

The current state of the public entity's capital assets

	% Good	% Fair	% Poor
Plant and machinery	3.08	82.15	14.77
Furniture and fixtures	4.81	90.42	4.77
Motor vehicles	35.29	64.71	0.00
Office equipment	6.60	79.51	13.89
IT equipment	41.56	1.30	57.14

Maintenance Expenditure

	2015/2016			2014/2015		
Maintenance expenditure	Budget **(R'000)**	Actual Expenditure **(R'000)**	(Over)/Under Expenditure **(R'000)**	Budget **(R'000)**	Actual Expenditure **(R'000)**	(Over)/Under Expenditure **(R'000)**
Maintenance - Vehicles	72	52	20	132	144	-12
Maintenance - Equipment	130	255	-125	319	386	-67
Maintenance - Buildings	4,442	4,212	230	6,353	6,876	-523
Maintenance - Other	962	601	361	775	326	449
Total	**5,606**	**5,120**	**486**	**7,579**	**7,732**	**–153**

Note
- *Maintenance - Vehicles is allocated to Motor vehicle expenses in the Annual Financial Statements.*

PART C

GOVERNANCE

01

THE ACCOUNTING AUTHORITY BOARD

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 No.4 of 2005. MEGA is governed by a duly appointed Board of Directors. Schedule 3D entities are regulated by Sections 47 & 76(4) of the PFMA. The Board of Directors is the Accounting Authority 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 No. 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).

COMPOSITION OF 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 members. 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).

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 codes 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.

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 of Governance for South Africa 2009 ("King III"), 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.

SHAREHOLDERS COMPACT

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

DELEGATION OF AUTHORITY

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

BOARD INDUCTION AND ORIENTATION

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

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.

REMUNERATION OF BOARD MEMBERS

The Board of Directors are remunerated in accordance with the rate as determined and approved by the Shareholder. The Board's travel and subsistence allowances are also paid for by MEGA. A detailed remuneration table of Board members is contained on page 196 - 197 of the Annual Financial Report.

MEGA Board

An Interim Board comprising of nine (9) Members under the Chairpersonship of Mr. DN Mculu was appointed in terms of Section 7 (4) of the Act and took office effective from the 8th July 2014 to the 11th January 2015. The Interim Board's terms of office was extended for an additional period effective from the 12th January 2015 and was terminated on the 31st May 2015.

Following the end of term of office of the Interim Board, a permanent Board comprising of nine [9] Members was then appointed with effect from the 5th June 2015 and shall in accordance with Section 10(2) of the Act, terminate by no later than 30 May 2019. Two [2] Members were subsequently appointed on a temporary basis and one permanent Member resigned on the 30th December 2015. Three [3] additional permanent Members were appointed effective from the 1st March 2016 to 30th May 2019 which now makes up a full complement of the MEGA Board as contemplated in Section 5 (3) of the MEGA Act.

MEGA Interim Board [12/02/14 to 31/05/15]

The **Interim Board**, during the period under review consisted of the following nine [9] Members:

Board Member	Designation	Appointed	Terminated
Mr. DN Mculu	Chairperson	12/01/14	31/05/15
Ms. GA Deiner	Board Member	12/01/14	31/05/15
Mr. IH Jenkins	Board Member	12/01/14	31/05/15
Mr. M Petje	Board Member	12/01/14	31/05/15
Ms. NE Phakathi	Board Member	12/01/14	31/05/15
Mr. FV Mlombo	Board Member	12/01/14	31/05/15
Ms. PNZ Fakude-Nkuna	Board Member	12/01/14	31/05/15
Mr. BV Skosana	Board Member	12/01/14	31/05/15
Mr. D Moagi	Board Member	12/01/14	31/05/15

MEGA Permanent Board [01/06/15 to 30/05/19]

The **Permanent Board**, during the period under review consisted of the following members:

Board Member	Designation	Appointed	Terminated
Mr. DN Mculu	Chairperson	01/06/15	n/a
Ms. GA Deiner	Board Member	01/06/15	n/a
Mr. M Petje	Board Member	01/06/15	n/a
Mr. FV Mlombo	Board Member	01/06/15	n/a
Ms. T Masenya	Board Member	01/06/15	n/a
Mr. S Khumalo	Board Member	01/06/15	n/a
Ms. M Malumane	Board Member	01/06/15	n/a
Dr. PP Lombard*	Board Member	01/06/15	30/12/15
Mr. R Lubisi*	Board Member	01/09/15	29/02/16
Mr. U Khumalo*	Board Member	01/12/15	n/a
Mr. S Bhembe	Board Member	01/03/16	n/a
Mr. L Maloba	Board Member	01/03/16	n/a
Ms. T Masasa	Board Member	01/03/16	n/a
Mr. XGS Sithole	CEO - *ex officio member*	01/01/14	n/a

*Notes

(1) Dr. PP Lombard — Resigned (30/12/15)
(2) Mr. L Lubisi — Appointed temporary member (01/09/15 to 29/02/16)
(3) Mr. U Khumalo — Appointed temporary member (01/12/15 to 29/02/16)
Appointed permanent member (01/03/16)

BOARD MEETINGS

Dates of meetings are scheduled annually in advance. In terms of the King III Report on Corporate 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 the Board meetings is 50 % + 1 (simple majority).The attendance of the Board members at these meetings was as follows:

The **Interim Board** meeting attendance during the period under review was as follows:

Board Member	No. of Meetings Attended
Mr. DN Mculu (Deputy Chairperson)	1/1
Ms. GA Deiner	1/1
Mr. IH Jenkins	0/1
Mr. M Petje	1/1
Ms. NE Phakathi	1/1
Mr. FV Mlombo	1/1
Ms. PNZ Fakude-Nkuna	1/1
Mr. BV Skosana	1/1
Mr. D Moagi	1/1

The **Permanent Board** meeting attendance during the period under review was as follows:

Board Member	No. of Meetings Attended
Mr. DN Mculu	11/11
Ms. GA Deiner	11/11
Mr. M Petje	10/11
Mr. FV Mlombo	10/11
Ms. T Masenya	8/11
Mr. S Khumalo	8/11
Ms. M Malumane	10/11
Dr. PP Lombard*	5/11
Mr. R Lubisi*	8/11
Mr. U Khumalo*	3/11
Mr. S Bhembe	1/11
Mr. L Maloba	1/11
Ms. T Masasa	1/11

***Notes**

(1) Dr. PP Lombard resigned 30/12/15

(2) Mr. MR Lubisi appointed temporary Member from 01/08/15 to 29/ 02/16

(3) Mr. U Khumalo appointed temporary Member from 01/12/15 to 29/02/16

(4) Members S Bhembe, L Maloba & T Masasa appointed permanent members from 01/03/16

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 consists of five [5] Committees namely:

1. Audit, Risk & Compliance Committee

2. Human Resources & Remuneration Committee

3. Finance & Investment Committee

4. Loans Committee

5. Governance & Ethics Committee

Audit, Risk & Compliance Committee

The 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 function. 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 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 by co-sourced external practitioners (PwC), 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 **Interim** Board Audit, Risk & Compliance Committee during its tenure held two [2] meetings and the attendance by Committee members at these meetings was as follows:

Committee Members	Qualifications	Appointed	Meetings Attended
Ms. G Deiner (Chairperson)	Bachelor of Arts; Higher Diploma in Education; Bachelor of Accounting Science (B Compt), Professional Accountant (SA), Registered with SAIPA; Member of the Institute of Directors; Registered Tax Practitioner.	12/02/15 to 31/05/15	2/2
Mr. M Petje	Bachelor of Arts; University Education Diploma; Bachelor of Education Degree; Masters in Philosophy; Labour Relations & Negotiation Skills Program; Senior Executive Program; Inter-Governmental Fiscal Relations Course; Managing Young Global Enterprises Course.	12/02/15 to 31/05/15	2/2
Mr. FV Mlombo	Project Management	12/02/15 to 31/05/15	2/2
Mr. Daniel Moagi	Nuclear Management Program; International Executive Management Program; Senior Management program; Masters in Management; Monitoring & Evaluation with Impact Assessment; Advanced Post Graduate Certificate in Management; Post Graduate Diploma in Public & Development Management; Bachelor of Arts;	12/02/15 to 31/05/15	1/2

The **Permanent** Board Audit, Risk & Compliance Committee during its tenure held seven [7] meetings and the attendance by Committee members at these meetings was as follows:

Committee Members	Qualifications	Appointed	Meetings Attended
Ms. G Deiner (Chairperson)	Bachelor of Arts; Higher Diploma in Education; Bachelor of Accounting Science (B Compt), Professional Accountant (SA), Registered with SAIPA; Member of the Institute of Directors; Registered Tax Practitioner.	01/06/15 to date	7/7
Mr. M Petje	Bachelor of Arts; University Education Diploma; Bachelor of Education Degree; Masters in Philosophy; Labour Relations & Negotiation Skills Program; Senior Executive Program; Inter-Governmental Fiscal Relations Course; Managing Young Global Enterprises Course.	01/06/15 to date	7/7
Mr. FV Mlombo	Project Management	01/03/16 to date	7/7
Mr. MR Lubisi	Chartered Accountant: Certificate in Theory of Accountancy; B Compt Honours; B Comm-Accounting	01/09/15 to 29/02/16	5/7
Ms. T Masasa	Chartered Accountant; Bachelor of Commerce	01/03/16 to date	1/7
Mr. S Bhembe	Master of Business Administration- Finance & Corporate Strategy: Pos in Public Management; BA Honours: Economics	30/03/16	0/7

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 & 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 **Interim** Board Human Resources Committee during its tenure held two [2] meetings and the attendance by Committee members at these meetings was as follows:

Committee Members	No. Meetings Attended
Mr. FV Mlombo (Chairperson)	2/2
Mr. M Petje	2/2
Mr. BV Skosana	2/2
Ms. N Phakathi	1/2
Mr. IH Jenkins	2/2

The **Permanent** Human Resources Committee during its tenure held three [3] meetings and the attendance by Committee members at these meetings was as follows:

Committee Members	No. Meetings Attended
Mr. FV Mlombo (Chairperson)	3/3
Ms. Masenya	3/3
Mr. ST Khumalo	3/3
Dr. PP Lombard *	2/3
Mr. M Petje *	2/3
Mr. MR Lubisi *	1/1
Mr. L Maloba	0/0

***Notes**

Composition of Committees reviewed on 30 March 2016 following the appointment of new Directors.

(1) Member Petje substituted by Member Maloba
(2) Dr. PP Lombard resigned 30/12/15
(3) Mr. MR Lubisi terminated 29/02/16

Finance and Investment Committee

The Finance, 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 and onward transmission to the Shareholder in accordance with section 52(a) of the PFMA.

(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 **Interim** Board Finance, Investment Committee during its tenure held one [1] meeting and the attendance by Committee members at these meetings was as follows:

Committee Members	No. of Meetings Attended
Mr. M Petje (Chairperson)	1/1
Mr. BV Skosana	1/1
Mr. I Jenkins	0/1
Mr. DN Mculu	1/1
Ms. PNZ Fakude- Nkuna	0/1
Mr. D Moagi	1/1

The **Permanent** Board Finance & Investment Committee during its tenure held five [5] meetings and the attendance by Committee members at these meetings was as follows:

Committee Members	No. Meetings Attended
Mr. M Petje (Chairperson)	5/5
Ms. Masenya	4/5
Mr. U Khumalo	1/5
Ms. M Malumane	5/5
Mr. L Maloba	0/5
Mr. MR Lubisi	4/5

*Notes

Composition of Committees reviewed on 30 March 2016 following the appointment of new Directors.

(1) Member Maloba appointed as Member of the Committee effective 30/03/16.

(2) Member Khumalo appointed Member of the Committee effective 01/01/16

(3) Mr. MR Lubisi terminated 29/02/16

Loans Committee

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

(a) Approve/disapprove all loan applications presented by the relevant officials, in line with the Board's delegated authority.
(b) Recommend the design, selection, implementation, oversight and performance of any rating systems employed by the Agency.
(c) Recommend any debt write-offs to the Board, Audit Risk & Compliance Committee in line with the MEGA's policies;
(d) Recommend debt restructuring to the Board to clients affected by climatic conditions and any other conditions that may warrant Board's intervention.
(e) Recommend to the Board any new lending product area, market or lending jurisdiction.
(f) Annually review the loan policies and procedures and present them to the Board for approval.
(g) Monitor lending areas for alignment to the Board risk appetite and to update the Board with regards to the market credit risks.

NB: The **Interim** Board Loans Committee during its tenure held no meetings.

The **Permanent** Board Finance & Investment Committee during its tenure held one [1] meeting and the attendance by Committee members at these meetings was as follows:

Committee Members	No. of Meetings Attended
Dr. PP Lombard (Chairperson)	1/1
Ms. T Masenya	1/1
Ms. M Malumane	1/1
Mr. ST Khumalo	1/1
Mr. U Khumalo	0/1
Mr. S Bhembe	0/1

***Notes**

Composition of Committees reviewed on 30 March 2016 following the appointment of new Directors.

(1) Ms. M Malumane appointed Chairperson of the Committee following resignation by Dr. Lombard.

(2) Mr. S Bhembe appointed Member of the Committee effective 30/03/16.

(3) Mr. U Khumalo appointed Member of the Committee effective 01/01/16

Governance & Ethics Committee

The Governance & Ethics Committee is comprised of all Chairpersons of Board Committees. The role of the Committee is to:

(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) Through the Board, recommend to the Board Shareholder any amendments to the enabling legislation or promulgation of any regulations in terms of MEGA Act.
(d) Perform the statutory duties of a Social and Ethics Committee in terms of the Companies Act and other functions assigned to it by the Board;
(e) Receive reports on the work of other Committees of the Board.
(f) Review regulatory compliance with regard to ICT Governance.
(g) Monitor compliance with the Delegation of Authority Framework in as far as the Committee's mandate is concerned.
(h) Monitor the delivery of targets in relation to the Shareholder's Compact.

The **Interim** Board Governance Committee during its tenure held one [1] meeting and the attendance by Committee members at these meetings was as follows:

Committee Members	No. of Meetings Attended
Mr. Mculu (Chairperson)	1/1
Mr. M Petje	0/1
Ms. G Deiner	1/1
Mr. FV Mlombo	1/1
Mr. BV Skosana	1/1

The **Permanent** Board Governance & Ethics Committee during its tenure held one [1] meeting and the attendance by Committee members at these meetings was as follows:

Committee Members	No. of Meetings Attended
Mr. DN Mculu (Chairperson)	1/1
Ms. G Deiner	1/1
Dr. PP Lombard	1/1
Mr. FV Mlombo	1/1
Ms. M Malumane *	0/1

***Notes**

- Composition of Committees reviewed on 30 March 2016 following the appointment of new Directors.
- Ms. M Malumane appointed Chairperson of the Loans Committee following resignation by Dr. Lombard.

02

RISK MANAGEMENT

NATURE OF RISK MANAGEMENT

The Risk Manager Position has not been filled as yet since filling of positions was deferred to the new financial year pending finalisation of the Organisational Design.

RISK MANAGEMENT STRATEGIES TO IDENTIFY RISKS AND MANAGE THE RISKS

A risk identification and assessment exercise was conducted in March 2015 and a Risk Register developed and approved for implementation.

PROGRESS MADE IN ADDRESSING RISKS IDENTIFIED

Due to the vacancy in the position of the Manager: Enterprise Wide Risk, there was slow progress in the implementation of the Risk Register for 2015/2016 and in addressing risks identified.

Full implementation of the Risk Register for 2016/2017 shall be done as soon as the Manager: Enterprise Wide Risk has been appointed.

03

INTERNAL AUDIT AND AUDIT COMMITTEES

KEY ACTIVITIES AND OBJECTIVES OF THE INTERNAL AUDIT

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.

SUMMARY OF AUDIT WORK DONE

The internal audit unit has conducted audits in line with the approved internal audit plan for 2015/2016, 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 Audit Committee and the following audits were done as per the internal audit operational plan:

- Performance Information 4th quarter report;
- Follow up IA reports;
- Annual Financial Statement and Annual Report;
- Housing;
- Performance Information 1st quarter report;
- Business Development;
- Property Development;
- Infrastructure Development;
- Performance Information 2nd quarter report;
- Supply Chain Management;
- Follow up AG report;
- Corporate Services (IT);
- Asset Management;
- Financial Management; and
- Performance Information 3rd quarter report.

04

COMPLIANCE WITH LAWS AND REGULATION

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.

05

FRAUD AND CORRUPTION

The fraud prevention plan is in place and its full implementation shall be done as soon as the Manager: Enterprise Wide Risk has been appointed.

06

MINIMISING CONFLICT OF INTEREST

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

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

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

07

CODE OF CONDUCT

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

08

HEALTH SAFETY AND ENVIRONMENTAL ISSUES

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

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

During 2015/2016 financial year, the following were achieved:

- The Occupational Health and Safety plan was Developed and implemented.
- All Health and Safety representatives were trained on role of the committee in ensuring a health and Safety workplace.
- Invested on training employees on waste management.
- Conducted regular health and Safety inspection and developed mitigation measures to address identified risk.
- Improved the tool of trades at Tekwane agri-business to reduced injuries on duty.

09

COMPANY/BOARD 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 III Report on Good Governance, MEGA ACT No:1 of 2010 and other relevant legislation and reports to the Board in this regard.

10

SOCIAL RESPONSIBILITY

During 2015/2016 financial year, due to challenges faced by the entity there has not been any improvement in this area, however, the matter will be prioritised in the next financial year.

11

AUDIT COMMITTEE REPORT

The Board Audit, Risk and Compliance Committee (BARCC) is pleased to present its report for the financial year ended 31 March 2016.

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 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 III Report on Corporate Governance requirements, Internal Audit provided the BARCC and management with assurance as to the effectiveness and adequacy of internal controls. Our review of the findings of the Internal Audit work, which was based on the risk assessments conducted in the public entity, revealed certain weaknesses, which were then raised with the public entity.

The following areas of concern were raised:

- The Internal Audit Reports presented to BARCC, revealed that there are a number of control deficiencies which impact negatively on the internal control environment;
- The inadequacy of Information Technology systems;
- The reliability and integrity of performance information reports;
- The issue of inefficient debt collection, loans management and accounting systems;
- The apparent poor status of the organization's asset register and the slow progress in addressing this due to the extent thereof;
- The slow implementation of management actions to address audit findings.

The following internal audit work was completed during the year under review as per the Internal Audit Operational Plan:

- Performance Information 4th quarter report;
- Follow up IA reports;
- Annual Financial Statement and Annual Report;
- Housing;
- Performance Information 1st quarter report;
- Business Development;
- Property Development;
- Infrastructure Development;
- Performance Information 2nd quarter report
- Supply Chain Management;
- Follow up Ag report;
- Corporate Services (IT);
- Asset Management;
- Financial Management, and
- Performance Informantion 3rd quarter report.

It is recognized that a number of audit findings have arisen from legacy issues inherited from erstwhile entities prior to the merger in 2010 and management has put in place processes to address the internal control deficiencies relating to these findings. However, it is still of concern that management has not adequately incorporated risk management into the daily operations and in certain instances a lack of accountability and consequence management was noted. Nevertheless, it is comforting to note that the organizational design (OD) process commenced during the year under review has started to positively impact on the entity, the effect of which will be measurable in the year ahead.

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. The significant improvement in the completeness, accuracy and validity of reporting on performance information is appreciated, however there is still room for improvement in certain areas in the compilation of the portfolio of evidence to substantiate performance reporting.

EVALUATION OF FINANCIAL STATEMENTS

The Committee has taken note of the concerns raised by the Auditor-General relating to the compilation of the 2015/16 Annual Financial Statements and the resultant disclaimer of opinion. The Committee is not entirely in agreement with the basis of the audit opinion. However, it will engage further with the Auditor General in order to bring resolution to the areas of concern.

The Board Audit, Risk and Compliance Committee has:

- Reviewed and discussed the Annual Financial Statements to be included in the Annual Report with the Accounting Officer and Management;
- 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
- Taken note of the significant adjustments resulting from the audit.

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, albeit on a largely consultative basis. The in-house Internal Audit unit will be appropriately resourced during the year ahead as the OD process unfolds.

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 significant efforts by management to resolve the matters in respect of high focus matters, while recognizing that there are still matters that call for serious attention.

The Committee noted with concern the disclaimer audit opinion expressed by the Auditor-General in relation to the 2015/16 Annual Financial Statements, but the Committee has taken note of the following:

- Progress made by management in implementing the Turnaround Strategy as encapsulated in MEGA's new corporate strategy;
- The roll-out of Phase 2 of the organizational realignment process to build a fit-for-purpose MEGA.
- Corrections subsequently made to some of the audit qualification matters.
- It is, however, imperative that management should address the legacy issues to ensure an improved audit outcome in the new financial year.

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 value added by the Internal Audit function and the office of the AGSA is highly appreciated.

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

PART

D

HUMAN RESOURCE MANAGEMENT

01

INTRODUCTION

The purpose of Human Resources is to implement an effective talent management system from recruitment to termination with a focus on measures to enhance organizational performance through appropriate facilities. The main focus for the period under-review is to build an enabling organizational culture in order to support the execution of strategy through the review of Organizational structure and Implement the HR Strategy and Plan.

REVIEW OF THE ORGANIZATIONAL STRUCTURE

Mpumalanga Economic Growth Agency (MEGA) was established through the MEGA Act of 2010 which informed the merger of the three entities. To effectively implement the merger, a process was conducted between 2012-2013 to ensure that efficient business processes are designed, approved and implemented; as well as to adapt and restructure the organization accordingly. Furthermore, placements where done according to job-match process into the new structure emanating from the merger. Early in 2015, MEGA undertook a rigorous process to define a robust new corporate strategy designed to ensure the fulfilment of its mandate.

This strategy further calls for leadership re-alignment in order to achieve measureable results, an efficient organization and a self-sustainable institution. Subsequent to the change in strategy, there was a need to reconfigure the organisational structure. Based on the new strategic focus, a revised high level structure was recently approved by the Board. The process of operationalizing the high level structure is in progress and is planned to be concluded by the third quarter of the ensuing financial.

HUMAN RESOURCES STRATEGY

In order to build an enabling organizational culture to support the execution of the Corporate Strategy a human resources strategy was developed, approved and is being implemented. The strategy includes the following programmes which are being implemented:

(a) Human Resources Automation
(b) Employee wellness program
(c) Employee engagement
(d) Long Services Awards and Commemoration of World Aids day.

HUMAN RESOURCES AUTOMATION

To ensure that Human Resources function is in line with best practices and trends in the HR space, an integrated Human Resources system has been implemented. The system is an extension of the VIP payroll system and it enables the effective management of employee's information throughout the employee employment cycle.

EMPLOYEE WELLNESS PROGRAM

An Employee Wellness Programme is in place and is being implemented. It includes an online service which is used to create awareness on financial, physical and mental health issues to promote well-balanced beings in the organization. An Employee Wellness Day event was held in collaboration with the Department of Health, Virgin Active Gym, Mbombela Health Spa, Medical Aid Broker (MFS), Careways (online wellness programme) and ABSA on the 18 March 2016. The programme included formal speeches from the sponsors and physical activities such as aerobics, soccer and body massage. Employees also had an opportunity of testing their blood for sugar levels and high blood pressure. The GM: Corporate Services and the CEO addressed the employees and emphasized the notion of healthy living under the theme: "a healthy employee is a productive employee". Below is a depiction of the wellness day event:

EMPLOYEE ENGAGEMENT

Management and labour held a Breakaway Session in order to reinforce and build a sustainable relationship that will create a conducive environment for proper consultation and engagement on work related matters. The Breakaway Session was facilitated by a well experienced Senior Commissioner of the CCMA, Mr. Glen Cormack. The vision and Corporate Strategy was shared with labour by the CEO.

At the end of the session, a genuinely positive event that bodes well both for the sustainability of the organisation and the workplace relations was jointly envisioned.

The outcome of the session was the establishment of a Transformation Committee which consists of middle management representatives (who are not part of the bargaining unit), Exco, NEHAWU and FAWU shopstewards. The Transformation Committee provides a platform to engage with both unionized and un-unionised employees (as represented in the Committee) to deal with issues as espoused in the Labour Relations Act which fall outside the bargaining unit.

LONG SERVICES AWARDS

In order to recognize and reward long service of employees and also showing appreciation for the commitment and loyalty demonstrated to MEGA, 24 employees received long service awards in the calendar year 2015, in a joint ceremony of commemorating the World Aids day.

02

HUMAN RESOURCE OVERSIGHT STATISTICS

PERSONNEL COST BY PROGRAM

Programme	Total Expenditure for the entity R	Personnel Expenditure R	Personnel exp. as a % of total exp.	No. of employees
CEO's office	11 318 369	10 186 346	90	10
Finance	14 390 035	12 960 961	90	26
Corporate Services	12 253 165	12 234 272	100	35
Infrastructure Development	7 007 078	6 296 011	90	7
Trade and investment	5 943 549	5 397 172	91	9
Property Management and Development	10 260 916	8 736 817	85	30
Housing	8 708 657	5 699 175	65	9
Business Development	27 192 114	24 446 775	90	58
SEZ	1 456 506	1 194 340	82	2
TOTAL	**98 530 389**	**87 151 871**	**88**	**186**
EPWP	597 078	597 078	100	26
Loopspruit & Tekwane	3 571 863	3 571 863	100	31
GRAND TOTAL	**102 699 329**	**91 320 811**	**89**	**243**

Notes

- *Included in the Personnel cost by Program is SEZ and EPWP cost which is allocated to grant expenditure in the annual financial statements.*
- *Excluded in the Personnel cost by Program is Employee wellness (R210 939) and Long service awards (R90 384), which is allocated to Employee costs in the annual financial statements.*

PERSONNEL COST BY SALARY BAND

Level	Total Expenditure for the entity R	Personnel Expenditure R	Personnel exp. as a % of total exp.	No. of employees
Top Management	2 437 507	2 401 920	99	1
Senior Management	12 234 271	11 286 575	92	7
Professionals	29 849 111	25 413 588	85	29
Skilled	36 721 274	31 544 755	86	65
Semi –Skilled	10 875 130	10 302 586	95	41
Unskilled (excludes EPWP and seasonal workers)	6 413 096	6 202 446	97	43
Total	**98 530 389**	**87 151 871**	**88**	**186**
Loop+Tekwane+EPWP	4 168 940	4 168 940	100	57
Grand Total	**102 699 329**	**91 320 811**	**89**	**243**

Notes

- *Included in the Personnel cost by Program is SEZ and EPWP cost which is allocated to grant expenditure in the annual financial statements.*
- *Excluded in the Personnel cost by Program is Employee wellness (R210 939) and Long service awards (R90 384), which is allocated to Employee costs in the annual financial statements.*

PERFORMANCE REWARDS

Performance incentives were not paid during the period under-review due to the organizational re-alignment of function and the system will be implemented on conclusion re-alignment process.

TRAINING COSTS

Programme	Personnel Expenditure R	Training Expenditure R	Training Expenditure as a % of Personnel Cost.	No. of employees trained	Average training cost per employee R
CEO's office	8,612,612.16	134,665.44	1.56	6	22,444.24
Finance	12,960,961.08	147,902.00	1.14	10	14,790.20
Corporate Services	12,234 272.16	33,587.54	0.27	5	6,717.51
Infrastructure Development	6,296,011.44	1,886.84	0.03	1	1,886.84
Trade and investment	5,397,172.08	0.00	0.00		0.00
Property Management and Development	8,736,817.44	36,431.00	0.42	3	12,143.67
Housing	5,699,174.76	22,500.00	0.39	3	7,500.00
Business Development	24,446,775.24	72,750.00	0.30	7	10392.86
SEZ	1,194,340.20	102,925.00	8.62	2	51,462.50
TOTAL	**85,578 136.56**	**552,647.82**	**0.65**	**37**	

EMPLOYMENT AND VACANCIES

Programme	2014/2015 No. of Employees	2015/2016 Approved Posts	No of filled position 20115/2016	2015/2016 Vacancy rate	Vacancy rate in %
CEO's office	18	20	8	12	5.1
Finance	28	39	26	13	5.5
Corporate Services	36	41	34	7	3.0
Infrastructure Development	5	8	7	1	0.4
Trade and Investment	8	11	7	4	1.7
Property Management	43	45	29	16	6.8
Housing	9	9	9	0	0.0
Business Development	30	25	23	2	0.8
Investment Revenue	30	38	33	5	2.1
SEZ			2		
TOTAL	**207**	**236**	**178**	**60**	**25**

The total number filled posts exclude the eight unplaced employees.

EMPLOYMENT AND VACANCIES PER SALARY BAND

Programme	2014/2015 No. of Employees	2015/2016 Approved Posts	No of filled positions 20115/2016	2015/2016 Vacancy rate	Vacancy rate in %
CEO's office	18	20	8	12	5.1
Finance	28	39	26	13	5.5
Corporate Services	36	41	34	7	3.0
Infrastructure Development	5	8	7	1	0.4
Trade and Investment	8	11	7	4	1.7
Property Management	43	45	29	16	6.8
Housing	9	9	9	0	0.0
Business Development	30	25	23	2	0.8
Investment Revenue	30	38	33	5	2.1
SEZ			2		
TOTAL	**207**	**236**	**178**	**60**	**25.4**

EMPLOYMENT CHANGES

Salary Band	Employment at beginning of period	Appointments	Termination	Employment at end of the period
Top Management	1			1
Senior Management	7	3	3	7
Professional qualified	31		1	30
Skilled	67		2	65
Semi-skilled	41		1	40
Unskilled	42	2	1	43
Total	189	5	8	186
Temporary employees	11			
TOTAL	200	5	8	186

REASONS FOR STAFF LEAVING

Reason	Number	% of total no. of staff leaving
Death		
Resignation	5	3
Dismissal		
Retirement	3	2
Ill health		
Other VSP		
Total no. of terminations	8	4
Total number of employees as of 31 March 2016		186

LABOUR RELATIONS:
MISCONDUCT AND DISCIPLINARY ACTION

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

Labour Litigations

Salary band	Number of employees	Description	Status
NEHAWU and FAWU	129	Dispute on salary increase	Employees who fall in the bargaining unit embarked on a protected strike. The offer by management was not changed and it was implemented unilaterally.
Professionally skilled	1	Unfair rescinding of an employment contract	The labour Court ruled against MEGA and the employee was re-instated.
Unskilled	5	Unfair dismissal of employees on a fixed-term contract.	All Cases were settled at conciliation.
Unskilled	1	Unfair dismissal of temporary employee.	
TOTAL	**136**		

Disciplinary Actions

Salary Band	Number of employees	Description	Status
Top Management	2	Dishonesty, Fraud, Corruption, insolence and insubordination Dereliction of duties, poor performance, gross negligence, insubordination and insolence	The cases were settled internally.
TOTAL	**2**		

EQUITY TARGETS AND EMPLOYMENT EQUITY STATUS

Equity Targets

Occupational level	Male				Female				Total	Foreigners	
	B	C	I	W	B	C	I	W		Male	Female
Top Management	1								1		
Senior Managers	6			1	5				12	1	
Professional qualified	20		1	1	15	2		5	44	3	
Skilled	35	2		2	26	3	1	5	74		
Semi-skilled	18				26	1		1	46		
Unskilled	18				33			51			
TOTAL	98	2	1	4	105	6	1	11	228	4	

Employment Equity Status

Occupational level	Male				Female				Total
	Black	Coloured	Indian	White	Black	Coloured	Indian	White	
Top Management	1								1
Senior Managers	5				2				7
Professional qualified	18		1	1	5	2		2	29
Skilled	35	2		2	21	2	1	2	65
Semi-skilled	18				21	1		1	41
Unskilled	19				24				43
TOTAL	96	2	1	3	73	5	1	5	186
TOTAL PER GENDER	102				84				

Disabled Staff

Occupational level	Male				Female				Total
	Black	Coloured	Indian	White	Black	Coloured	Indian	White	
Skilled	1								1
TOTAL	1								

PART E

FINANCIAL INFORMATION

01

ACCOUNTING OFFICER'S STATEMENT OF RESPONSIBILITY FOR ANNUAL FINANCIAL STATEMENTS

Statement of Responsibility for the Annual Financial Statements for the year ended 31 March 2016

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

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

In my opinion, the financial statements fairly reflect the operations of the public entity for the financial year ended 31 March 2016.

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

The Mpumalanga Economic Growth Agency's annual financial statements for the year ended 31 March 2016 have been audited by the external auditors and their report is presented on page 127 to 137.

The Annual Financial Statements of the public entity set out on page 140 have been approved.

Mr. X.G.S Sithole
Chief Executive Officer

Auditor's report

Mpumalanga Economic Growth Agency

31 March 2016

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

Report on the financial statements

Introduction

1. I was engaged to audit the financial statements of the Mpumalanga Economic Growth Agency set out on pages 140 to 206, which comprise the statement of financial position as at 31 March 2016, 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, comprising a summary of significant accounting policies and other explanatory information.

Accounting Authority's responsibility for the financial statements

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

Auditor-general's responsibility

3. My responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with International Standards on Auditing. Because of the matters described in the basis for disclaimer of opinion paragraphs, however, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion

Property, plant and equipment

4. The entity did not properly account for assets in line with the requirements of IAS 16, *Property, plant and equipment*. The entity did not appropriately valuate some of its buildings but allocated the value of land to the buildings affected. This resulted in land and buildings being misstated. In addition, the entity did not record some of its assets in the asset register, as I could not trace selected assets to the fixed asset register. This resulted in an understatement of property, plant and equipment. I was not able to quantify the amount of the misstatement, as it was impractical to do so. There was also a resultant impact on the depreciation and profit for the year.
5. In addition, I was unable to obtain sufficient appropriate audit evidence for bulk infrastructure assets, as the asset register did not contain reliable information on the description and location of the assets. I was unable to confirm the correctness of bulk infrastructure assets by alternative means.
6. Furthermore, the entity restated the comparative amount for property, plant and equipment by R60 901 443, but did not provide the supporting documents for the restatement. I could not confirm the correctness of the restatement by alternative means.
7. Consequently, I was unable to determine whether any adjustment was necessary relating to property, plant and equipment stated at R366 403 786 (2015: R366 043 979) and the related depreciation of R15 660 627 (2015: R12 078 482) as disclosed in note 5 and note 19 to the financial statements, respectively.

Investment property

8. IAS 40, *Investment property* defines investment property as property held to earn rental or for capital appreciation, or both. Some assets registered in the name of the entity were rented out, from which the entity earned rental, but they were not included in the asset register resulting in an understatement of investment properties. Furthermore, the entity incorrectly determined the fair value of the properties by utilising inappropriate inputs that were not in line with the supporting source documents. As a result, investment property and the related fair value adjustment are misstated. I was unable to quantify the amount of these misstatements, as it was impractical to do so.

9. In addition, the asset register included properties registered in the name of third parties. The entity did not provide supporting documents to confirm its rights to the properties. Furthermore, the entity restated the comparative amount for investment properties by R638 498 765, but did not provide the supporting documents for the restatement. I was unable to confirm the rights and adjustments by alternative means, as the entity's system did not permit this.

10. Consequently, I was unable to determine whether any adjustment was necessary relating to investment property stated at R1 556 156 216 (2015: R1 504 615 751) and fair value adjustments amounting to R46 469 008 (2015: R753 838 541) as disclosed in note 6 and note 20 to the financial statements, respectively.

Other financial assets

11. 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 records system did not permit this. Consequently, I was unable to determine whether any adjustment was necessary relating to other financial assets stated at R71 221 148 (2015: R77 053 329) as disclosed in note 10.1 to the financial statements and interest income of R30 638 246 (2015: R36 052 555) included in revenue as disclosed in note 14 to the financial statements.

Inventory

12. IAS 2, *Inventories* requires inventories to be measured at the lower of cost and net realisable value. The entity did not determine the net realisable value of work in progress that showed indications of impairment. I was unable to confirm the inventory amount by alternative means. Consequently, I was unable to determine whether any adjustment was necessary relating to inventory disclosed at R75 686 490 (2015: R75 669 387) in note 11 to the financial statements.

Biological assets

13. IAS 41 *Agriculture* requires biological assets to be measured at fair value less cost to sell. The entity inappropriately valued the vines and lemons by utilising the cost to plant new seedlings which did not take the maturity of these biological assets in to consideration. I was not able to quantify the amount of the misstatement, as it was impractical to do so. Consequently I was unable to determine whether any adjustment was necessary relating to biological assets amounting to R6 963 500 (2015: R6 754 595) as disclosed in note 7 to the financial statements.

Intangible assets

14. IAS 38 *Intangible assets* requires intangible assets to be initially measured at cost. The entity recognised the water right as an intangible asset at deemed cost as a prior period adjustment. The entity did not provide sufficient documents supporting the deemed cost utilised. I was not

able to quantify the amount of the misstatement, as it was impractical to do so. Consequently I was unable to determine whether any adjustment was necessary relating to intangible assets amounting to R21 121 440 (2015: R21 834 140) as disclosed in note 8 to the financial statements.

Trade and other receivables

15. I was unable to obtain sufficient appropriate audit evidence for trade and other receivables, as the entity did not provide documents supporting the adjustments amounting to R13 667 548 processed to trade and other receivables. I could not confirm the correctness of trade and other receivables by alternative means. Consequently, I was unable to determine whether any adjustment was necessary relating to trade and other receivables stated at R44 970 133 as disclosed in note 10.2 to the financial statements.

Revenue

16. IAS 18 *Revenue* requires recognition revenue when it is probable that any further benefit associated with an item of revenue will flow to the entity and, the amount can be measured reliably. The entity overcharged some of its customers for municipal services, resulting in the overstatement of revenue of R14 694 975.
17. I was unable to obtain sufficient appropriate audit evidence for revenue from sale of goods, as the entity did not provide documents supporting for export sales.
18. The entity did not provide all rental contracts selected, furthermore the entity did not maintain a complete and reliable rentals register. As a result, I could not confirm that all rental revenue is accounted for.
19. The record system of the entity did not permit the application of alternative procedures. Consequently, I was unable to determine whether any adjustment was necessary relating to Revenue stated at R203 216 776 as disclosed in note 14 to the financial statements.

Cash flow statement

20. I was unable to satisfy myself as to the correctness of the cash flow information, due to numerous items contributing to the disclaimer of opinion that affected the items in the statement of financial position and performance.

Commitments

21. IAS 1, *Presentation of financial statements* requires the disclosure of unrecognised contractual commitments. The entity did not disclose all unrecognised capital contractual commitments. Furthermore, I could not obtain sufficient appropriate audit evidence for commitments relating to loans offered, as the entity did not provide loan contracts as well as proof of disbursements and repayments for some of the loans. I could not confirm the correctness of commitments by

alternative means, as the entity's records system did not permit this. Consequently, I could not determine whether adjustments were necessary to commitments disclosed at R19 940 271 (2015:R14 573 241) in note 23 to the financial statements.

Disclaimer of opinion

22. Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.

Emphasis of matters

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

Restatement of corresponding figures

24. As disclosed in note 27 to the financial statements, the corresponding figures for 31 March 2015 have been restated as a result of an error discovered during 31 March 2016 in the financial statements of the public entity at, and for the year ended, 31 March 2015.

Material impairments

25. As disclosed in notes 10.1 and 10.2 to the financial statements, material impairments of R42 538 300 and R101 853 766 were incurred as a result of the provision for doubtful debts on trade and other receivables and other financial assets, respectively.

Material underspending of the conditional grant

26. As disclosed in note 10.6 to the financial statements, the public entity has materially underspent the conditional grant on Special Economic Zone Project to the amount of R16 376 029.

Report on other legal and regulatory requirements

27. 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 findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report, compliance with legislation and internal control. I performed tests to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

28. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected programmes presented in the annual performance report of the public entity for the year ended 31 March 2016:

    - Programme 4: Infrastructure Development and programme Management on pages 58 to 69
    - Programme 5: Trade and Investment Promotion on pages 70 to 77
    - Programme 6: Property development and management on pages 78 to 81
    - Programme 7: Housing on pages 82 to 85
    - Programme 8: Business Development on pages 86 to 95

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

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

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

Programme 4: Infrastructure Development

Usefulness of reported performance information

32. The FMPPI requires performance targets to be specific in clearly identifying the nature and required level of performance and measurable and specify the period or deadline for delivery. Important targets were not specific and measurable.

33. The FMPPI requires performance indicators to be well defined by having clear definitions so that data can be collected consistently and is easy to understand and use. Important indicators were not well defined.

34. The processes and systems that produced the indicator should be verifiable, as required by the FMPPI. Important indicators were not verifiable.

Reliability of reported performance information

35. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure reliable reporting of actual achievements against planned objectives, indicators and targets. The reported achievements against planned targets of important indicators were not reliable when compared to the evidence provided.

Programme 5: Trade and Investment Promotion

Usefulness of reported performance information

36. Treasury Regulation 30.1.3(g) requires the annual performance plan to form the basis for the annual report, therefore requiring consistency of objectives, indicators and targets between planning and reporting documents. Important reported targets were not consistent with those in the approved corporate plan.

37. The FMPPI requires performance targets to be specific in clearly identifying the nature and required level of performance and measurable and specify the period or deadline for delivery. Important targets were not specific and measurable.

38. The FMPPI requires performance indicators to be well defined by having clear definitions so that data can be collected consistently and is easy to understand and use. Important indicators were not well defined.

39. The processes and systems that produced the indicator should be verifiable, as required by the FMPPI. Important indicators were not verifiable.

Reliability of reported performance information

40. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure reliable reporting of actual achievements against planned objectives, indicators and targets. For important indicators, the reported achievements against planned targets were not reliable because I was unable to obtain sufficient appropriate audit evidence for these targets. In addition, the reported achievements against planned targets for important indicators were not reliable when compared to the evidence provided.

Programme 6: Property Development and Management

Usefulness of reported performance information

41. Treasury Regulation 30.1.3(g) requires the corporate plan to form the basis for the annual report, therefore requiring consistency of objectives, indicators and targets between planning and reporting documents. Important reported targets were not consistent with those in the approved corporate plan.

Reliability of reported performance information

42. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure reliable reporting of actual achievements against planned objectives, indicators and targets. The reported performance information was not reliable when compared to the evidence provided.

Programme 7: Housing

Usefulness of reported performance information

43. The FMPPI requires performance targets to be specific in clearly identifying the nature and required level of performance and measurable and specify the period or deadline for delivery. Important targets were not specific and measurable.
44. The FMPPI requires performance indicators to be well defined by having clear definitions so that data can be collected consistently and is easy to understand and use. Important indicators were not well defined.
45. The processes and systems that produced the indicator should be verifiable, as required by the FMPPI. Important indicators were not verifiable.

Reliability of reported performance information

46. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure reliable reporting of actual achievements against planned objectives, indicators and targets. The reported performance information was not reliable when compared to the evidence provided.

Programme 8: Business Development

Usefulness of reported performance information

47. The FMPPI requires performance targets to be specific in clearly identifying the nature and required level of performance and measurable and specify the period or deadline for delivery. Important targets were not specific and measurable.
48. The FMPPI requires performance indicators to be well defined by having clear definitions so that data can be collected consistently and is easy to understand and use. Important indicators were not well defined.
49. The processes and systems that produced the indicator should be verifiable, as required by the FMPPI. Important indicators were not verifiable.

Reliability of reported performance information

50. The FMPPI requires auditees to have appropriate systems to collect, collate, verify andstore performance information to ensure reliable reporting of actual achievements against planned objectives, indicators and targets. The reported performance information was not reliable when compared to the evidence provided.

Additional matters

51. I draw attention to the following matters:

Achievement of planned targets

52. Refer to the annual performance report on pages 30 to 95 for information on the achievement of the planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information on pages 132 to 134 of this report.

Compliance with legislation

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

Strategic planning and performance management

54. Effective, efficient and transparent systems of risk management and internal controls with respect to performance information and management was not maintained, as required by section 51(1) (a) (i) of the PFMA.

Annual financial statements, performance report and annual report

55. The financial statements submitted for auditing were not supported by full and proper records as required by section 55(1) (a) and (b) of the Public Finance Management Act. Material misstatements of non-current assets, current assets, revenue, expenditure and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a disclaimer audit opinion.

Procurement and contract management

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

Expenditure management

57. Effective steps were not taken to prevent irregular expenditure of R61 906 027 as disclosed in

note 33 to the financial statements, as required by section 51(1)(b)(ii) of the PFMA and treasury regulation 9.1.1.

Revenue management

58. Effective and appropriate steps were not taken to collect all money due, as required by section 51(1)(b)(i) of the Public Finance Management Act and Treasury Regulations 31.1.2(a) and (e).

Internal control

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

Leadership

60. Oversight responsibility was not exercised adequately to ensure appropriate financial and performance reporting including compliance with laws and regulations.
61. The board and management did not adequately develop and effectively monitor the implementation of action plans to timeously address internal control deficiencies.

Financial and performance management

62. The entity did not prepare regular, accurate and complete financial and performance reports that were supported and evidenced by reliable information.
63. The entity did not implement controls over the daily and monthly processing and reconciling of transactions.
64. The entity did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information was accessible and available to support financial and performance reporting.
65. Non-compliance with laws and regulations could have been prevented had compliance been properly reviewed and monitored.

Governance

66. The reviews performed by the board of directors on financial and performance information is not effective in detecting errors and omissions resulting in information not being reliable, accurate and complete.

67. Internal audit and audit committee recommendations are not effectively implemented by management.

Other reports

68. I draw attention to the following engagement that could potentially have an impact on the entity's financial, performance and compliance-related matters. My opinion is not modified in respect of this engagement that has been completed.

Investigations

69. The Office of the Premier performed an investigation based on an allegation of possible financial misconduct within the entity. The outcome of the investigation has been finalised and recommendations have been provided to the entity for implementation.

Auditor-General

Mbombela

30 July 2016

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

"Every challenge, every adversity, contains within it the seeds of opportunity and growth"

- Roy Bennett

MEGA
MPUMALANGA ECONOMIC GROWTH AGENCY

Annual financial statements
for the year ended 31 March 2016

General Information

Country of incorporation and domicile	South Africa
Registered office	20 Paul Kruger Street Absa Square Nelspruit 1200
Business address	20 Paul Kruger Street Absa Square Nelspruit 1200
Postal address	PO Box 5838 Nelspruit 1200
Bankers	ABSA Bank Limited Standard Bank Limited
Auditors	Auditor General South Africa
Company Secretary	S P Morgan

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

Published

31 May 2016

Accounting Authoritys' Responsibilities and Approval

The directors are required in terms of the MEGA Act 1 of 2010 and the Public Finance Management Act 1 of 1999 (PFMA) to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended.

The annual financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board (IASB) 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 2017 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 and their report is presented on pages 126 to 137.

The annual financial statements set out on pages 140 to 206, which have been prepared on the going concern basis, were approved by the board on 30 May 2016 and were signed on their behalf by:

Mr DN Mculu
Chairman of the Board

Accounting Authority's 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 2016.

1. Nature of business

MEGA is a Government Business Enterprise classified as a Schedule 3D entity in terms of the Public Finance Management Act.

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

There have been no material changes to the nature of the organisation'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 Framework (IFRS) and the requirements of the MEGA Act 1 of 2010 and the Public Finance Management Act 1 of 1999 (PFMA) . With the exception of adopting IFRS as an accounting framework the accounting policies have been applied consistently compared to the prior year apart from recognising "Grant Income" as "Other Income" instead of "Revenue".

The entity recorded a net profit for the year ended 31 March 2016 of R 70 403 892. This represents a decrease of 91% from the net profit of the prior year of R772 829 021.

Revenue increased by 11% from R182 576 826 in the prior year to R203 216 776 for the year ended 31 March 2016.

3. Directorate

The directors in office at the date of this report are reflected below:

Directors
Mr DN Mculu (Chairman of the
Board) Mr FV Mlombo
Ms GA
Deiner Mr
M Petje
Ms T
Masenya Mr S
Khumalo Ms
M Malumane
Mr L Maloba (appointed
01/03/2016) Mr S Bhembe
(appointed 01/03/2016) Ms T
Masasa (appointed 01/03/2016)
Mr U Khumalo (appointed as temporary member from 01/12/2015 to 29/02/2016 and as
permanent member from 01/03/2016)

4. Directors' interest in contracts

No directors had any interest in contracts awarded during the year.

5. Interim Board

The Interim Board, appointed in accordance with Section 7(4) of the MEGA Act of 2010, continued to exercise its oversight responsibilities until 31 May 2015 after which the current Board was appointed.

6. Events after the reporting period

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

7. 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.

Accounting Authority's Report

8. Auditors

The Auditor General South Africa continued in office as auditors for the entity for 2016 in accordance with section 55 of the MEGA Act and the Public Finance Management Act.

9. Company Secretary

The company secretary is Ms S P Morgan.

Statement of Financial Position as at 31 March 2016

Figures in Rand	Note(s)	2016	2015	As at 1 April 2014
Assets				
Non-Current Assets				
Property, plant and equipment	5	366 403 786	366 043 979	299 266 668
Investment properties	6	1 556 156 216	1 504 615 751	744 528 104
Biological assets	7	6 963 500	6 754 595	4 178 100
Intangible assets	8	21 121 440	21 834 140	21 616 856
Investments in associates	9	2 890 947	2 890 947	2 202 997
Other financial assets	10. 1	71 221 148	77 053 329	89 273 529
		2 024 757 037	**1 979 192 741**	**1 161 066 254**
Current Assets				
Inventories	11	75 686 490	75 669 387	75 949 564
Trade and other receivables	10. 2	44 970 133	53 866 165	51 276 624
Cash and cash equivalents	10. 3	64 118 948	51 309 400	67 932 747
		184 775 571	**180 844 952**	**195 158 935**
Total Assets		**2 209 532 608**	**2 160 037 693**	**1 356 225 189**
Equity and Liabilities				
Equity				
Reserves	12	133 331 913	122 419 091	46 404 369
Retained income		1 942 633 694	1 871 985 914	1 097 993 615
		2 075 965 607	**1 994 405 005**	**1 144 397 984**
Liabilities				
Non-Current Liabilities				
Provisions	13	345 188	337 886	330 739
Other financial liabilities	10. 4	17 784 637	25 583 053	46 104 809
		18 129 825	**25 920 939**	**46 435 548**
Current Liabilities				
Trade and other payables	10. 5	65 486 992	78 361 934	116 169 561
Unspent conditional grants	10. 6	17 205 613	13 323 060	6 879 739
Other financial liabilities	10. 4	21 981 520	31 126 364	26 178 538
Employee benefits		10 763 051	16 900 391	16 163 819
		115 437 176	**139 711 749**	**165 391 657**
Total Liabilities		**133 567 001**	**165 632 688**	**211 827 205**
Total Equity and Liabilities		**2 209 532 608**	**2 160 037 693**	**1 356 225 189**

Statement of Profit or Loss and Other Comprehensive Income

Figures in Rand	Note(s)	2016	2015
Revenue	14	203 216 776	182 576 826
Cost of sales	15	(101 162 570)	(74 483 043)
Gross profit		**102 054 206**	**108 093 783**
Other income	16	181 884 840	160 009 687
Operating expenses		(259 597 761)	(247 415 316)
Operating profit or loss	17	**24 341 285**	**20 688 154**
Investment revenue		2 391 829	1 754 694
Fair value adjustments	20	46 469 008	753 838 541
Income from equity accounted investments		-	687 950
Finance costs	21	(2 798 230)	(4 140 318)
Profit for the year		**70 403 892**	**772 829 021**
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Gains and losses on property revaluation		11 156 710	77 178 000
Other comprehensive income for the year net of taxation		**11 156 710**	**77 178 000**
Total comprehensive income for the year		**81 560 602**	**850 007 021**

MPUMALANGA ECONOMIC GROWTH AGENCY

ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2016

Statement of Changes in Equity

Figures in Rand	Revaluation reserve	Retained income	Total equity
Opening balance as previously reported	46 857 559	1 106 329 752	1 153 187 311
Prior year adjustments	(453 190)	(8 336 137)	(8 789 327)
Balance at 01 April 2014 as restated	**46 404 369**	**1 097 993 615**	**1 144 397 984**
Profit for the year	-	772 829 021	772 829 021
Transfer between reserves	(1 163 278)	1 163 278	-
Revaluation	77 178 000	-	77 178 000
Total comprehensive income for the year	**76 014 722**	**773 992 299**	**850 007 021**
Opening balance as previously reported	73 078 503	1 210 498 991	1 283 577 494
Prior year adjustments	49 340 588	661 486 923	710 827 511
Balance at 01 April 2015 as restated	**122 419 091**	**1 871 985 914**	**1 994 405 005**
Profit for the year	-	70 403 892	70 403 892
Transfer between reserves	(243 888)	243 888	-
Revaluation	11 156 710	-	11 156 710
Total comprehensive income for the year	**10 912 822**	**70 647 780**	**81 560 602**
Balance at 31 March 2016	**133 331 913**	**1 942 633 694**	**2 075 965 607**
Note(s)	12		

Statement of Cash Flows

Figures in Rand	Note(s)	2016	2015
Cash flows from operating activities			
Cash receipts from customers		393 959 080	339 996 787
Cash paid to suppliers and employees		(363 359 433)	(345 727 965)
Cash generated from operations	22	30 599 647	(5 731 178)
Interest income		2 391 829	1 754 694
Finance costs	21	(2 790 928)	(4 133 171)
Net cash from operating activities		**30 200 548**	**(8 109 655)**
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(4 877 608)	(2 030 577)
Proceeds from insurance of property plant and equipment	5	18 226	-
Increase in investment property	6	(5 280 362)	(8 872 426)
Purchase of other intangible assets	8	(61 300)	(747 295)
Decrease in financial assets	10.1	10 202 901	17 886 950
Dividends received		38 568	185
Loans disbursements		(4 370 718)	(5 619 919)
Net cash from investing activities		**(4 330 293)**	**616 918**
Cash flows from financing activities			
Repayment of other financial liabilities		(16 943 260)	(15 573 931)
Decrease in unspent conditional grants		3 882 553	6 443 321
Net cash from financing activities		**(13 060 707)**	**(9 130 610)**
Total cash movement for the year		**12 809 548**	**(16 623 347)**
Cash and cash equivalents at the beginning of the year		51 309 400	67 932 747
Total cash and cash equivalents at end of the year	10.3	**64 118 948**	**51 309 400**

Accounting Policies

1. Corporate Information

Mpumalanga Economic Growth Agency is a Schedule 3D public entity which is incorporated and domiciled in South Africa. The registered office is 20 Paul Kruger Street, Absa Square, Nelspruit,1200.

This note provides a list of significant accounting policies adopted in the preparation of the annual financial statements. These accounting policies are consistent with the previous period, except for the changes set out in note 2.3 "First-time adoption of International Financial Reporting Standards."

2. Significant accounting policies and basis of preparation

2.1 Basis of preparation

2.1.1 Compliance with IFRS

The annual financial statements of Mpumalanga Economic Growth Agency for the year ended 31 March 2016 have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRSIC) as issued by the International Accounting Standards Board (IASB) as well as the Mpumalanga Economic Growth Agency Act 1 of 2010 (MEGA Act) and the Public Finance Management Act 1 of 1999 (PFMA).

For all periods up to and including the year ended 31 March 2015, the entity prepared its financial statements in accordance with South Africa Generally Accepted Accounting Practice (SA GAAP). These financial statements for the year ended 31 March 2016 are the first the organisation has prepared in accordance with IFRS. Refer to Note 3 "Significant accounting judgements, estimates and assumptions" for the rationale in adopting IFRS as accounting framework.

The financial statements have been prepared on the historical cost basis, except for investment property, biological assets, financial assets at fair value through profit and loss and land and buildings and bulk infrastructure which are measured at fair value.

The financial statements have been prepared on the going concern basis and are presented in South African Rand which is MEGA's functional currency. All financial information has been rounded to the nearest Rand.

The financial statements provide comparative information in respect of comparative periods. In addition the organisation presents an additional statement of financial position at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, retrospective restatement, or a reclassification of items in the financial statements. An additional statement of financial position as at 1 April 2014 is presented in these financial statements due to the retrospective correction of errors.

2.1.2 Principles of consolidation and equity accounting

Investments in associates are accounted for using the equity method as detailed in note 2.2.5.

2.1.3 Changes in ownership interest

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit and loss where appropriate.

2.2 Summary of significant accounting policies

2.2.1 Biological assets

Vines and lemon trees are measured at fair value less costs to sell at initial recognition as well as subsequently. Changes in fair value less costs to sell are included in profit or loss in the period which they arise. The fair value of the vineyard and lemon orchards is based on the combined fair value of the land and the vines and orchards. The fair value of the land and land improvements is then deducted from the combined fair value to determine the fair value of the vineyards and orchards respectively.

Agricultural produce harvested from biological assets are measured at its fair value less costs to sell at the point of harvest. A gain or loss arising on initial recognition of agricultural produce at fair value less costs to sell shall be included in the profit and loss for the period in which it arises.

A biological asset is derecognised on disposal or when no future economic benefits is expected from its continued use.

Accounting Policies

2.2.2 Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial measurement, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise. Fair values are determined based on an annual evaluation performed by an accredited external, independent valuer, applying valuation models. 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.

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.

Investment property will be derecognised when it is sold or when the use of a property changes such that it is reclassified as either housing inventory or recognised as an item of property, plant and equipment. The fair value at the date of reclassification to housing inventory becomes its cost for subsequent accounting.

2.2.3 Property, plant and equipment

Land and buildings and bulk infrastructure are initially measured at cost. Subsequent to initial recognition land and buildings and bulk infrastructure are measured using the revaluation model being the fair value at the date of revaluation, less accumulated depreciation, and impairment losses . Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

A revaluation surplus is recognised in other comprehensive income and credited to the asset revaluation reserve in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in the statement of profit or loss, the increase is recognised in the statement of profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the asset’s original cost. Additionally, accumulated depreciation at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of items. The present value of the expected cost for the decommissioning of the landfill site after its use is included in the cost of the respective landfill site if the recognition criteria for a provision are met.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the organisation and the cost of an item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit and loss during the reporting period in which they are incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as set out below:

Item	Average useful life
Land	Infinite
Buildings	20 - 30
Bulk infrastructure	4 - 75
Plant and machinery	5 - 10
Furniture and fixtures	3 - 10
Motor vehicles	3 - 7
Office equipment	3 - 10
IT equipment	3 - 5

Accounting Policies

2.2.3 Property, plant and equipment (continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of items of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

2.2.4 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

The useful lives of intangible assets are assessed as either finite or indefinite.

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.

Amortisation is calculated on a straight-line basis over the estimated useful lives for intangible assets with finite useful lives and intangibles with an indefinite useful life will be tested annually for impairment as set out below:

Item	**Useful life**
Computer software	3 years
Water rights	Indefinite useful life

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

2.2.5 Investments in associates

An associate is an entity over which the entity has significant influence. 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. Under the equity method the investment in an associate is initially recorded at cost. The carrying amount of the investment in associate is adjusted to recognise the changes in the entity's share of net assets of the associate since acquisition date.

The statement of profit or loss reflects the organisation’s share of the results of operations of the associate. Any change in other comprehensive income of those investees is presented as part of other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the entity recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the entity and the associate are eliminated to the extent of the interest in the associate.

The aggregate of share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit.

The financial statements of the associate are prepared for the same reporting period. When necessary, adjustments are made to bring the accounting policies in line with those of the entity.

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 the statement of profit or loss.

Accounting Policies

2.2.5 Investments in associates (continued)

Upon loss of significant influence over the associate, the entity measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

2.2.6 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Classification

The organisation classifies its financial assets in the following categories:

- financial assets at fair value through profit and loss,
- loans and receivables,
- held-to-maturity investments, and
- available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period. Refer to note 10 for details about each type of financial asset.

Reclassification

The organisation may choose to reclassify a non-derivative financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the organisation may choose to reclassify financial assets that would meet the definition of loans and receivables out of held for trading or available-for-sale categories if the group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value become the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made.Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates and cash flows adjust effective interest rates prospectively.

Recognition

All financial assets are recognised initially at fair value plus, in the case of assets not at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit and loss.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

Financial assets at fair value through profit and loss

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

Accounting Policies

2.2.6 Financial instruments (continued)

Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value. Gains or losses arising from changes in fair value are recognised in profit or loss within other income or other expenses.The organisation has designated listed and unlisted equity instruments upon initial recognition as at fair value through profit or loss. Dividends received on financial assets at fair value through profit and loss are recognised in profit or loss as part of other income when the entity's right to receive payment is established.

Loans and receivables and held-to-maturity investments

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest method, less impairment. Interest on loans and receivables is recognised in the statement of profit and loss as part of revenue.

Available-for-sale financial investments

Available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time, the cumulative gain or loss is recognised in other operating income. If the investment is determined to be impaired, the cumulative loss is reclassified to the statement of profit or loss and removed from the available-for-sale reserve. Dividends received on available-for-sale financial investments are recognised in profit or loss as part of other income when the organisation's right to receive payment is established.

For a financial asset reclassified out of the available for sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest method. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest method. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of 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.

Derecognition

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

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

When the entity has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and, to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of its continuing involvement in it. In that case, the organisation recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the entity has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the entity could be required to repay.

Accounting Policies

2.2.6 Financial instruments (continued)

ii) Impairment of financial assets

Disclosures relating to impairment of financial assets are summarised in the following notes:

Accounting policy disclosures	Note 2.2.6
Disclosures for significant assumptions	Note 3
Financial assets	Note 10

The organisation assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is 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. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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.

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 the statement of 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 the statement of 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 year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a 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 organisation 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 — 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 organisation 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.

Accounting Policies

2.2.6 Financial instruments (continued)

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 year, 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 the statement of profit or loss, the impairment loss is reversed through the statement of profit or loss.

iii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings and payables as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The entity's financial liabilities include trade and other payables, the unspent portion of conditional grants and loans and borrowings including bank overdrafts.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as follows:

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.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IAS 39 are satisfied. The entity has not designated any financial liabilities as at fair value through profit or loss.

Loans and borrowings

Interest bearing loans and borrowings are subsequently measured at amortised cost. 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.

Derecognition

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.

iv) Offsetting of financial instruments

Financial assets and financial liabilities are offset with the net amount reported in the statement of financial position only if there is a current enforceable legal right to offset the recognised amounts and an intent to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Accounting Policies

2.2.7 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.

An operating lease is a lease other than a finance lease.

Entity as lessor

Operating lease income is recognised as revenue 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. The respective leased assets are included in the statement of financial position based on their nature.

Any contingent rents are recognised as revenue in the period incurred.

Entity as lessee

Finance leases that transfer to the entity substantially all of the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and a reduction in the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the organisation will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset (if pre-paid) or as an operating lease liability (if underpaid). This operating lease asset/liability is not discounted.

Any contingent rents are expensed in the period incurred.

2.2.8 Inventories

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

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 initially measured at cost on a first-in-first-out (FIFO) basis. Cost of inventories comprises all 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

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

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

Accounting Policies

2.2.9 Current vs non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle,
- Held primarily for the purpose of trading,
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle,
- It is held primarily for the purpose of trading,
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The entity classifies all other liabilities as non-current.

2.2.10 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 related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the following notes

Accounting policy disclosure	Note 2.2.10
Disclosures for valuation methods, significant estimates and assumptions`	Notes 3, 5, 6, 7, 10
Quantitative disclosures of fair value measurement hierarchy	Note 5, 6, 7, 10
Investment quoted and unquoted equity shares	Note 10
Property, plant and equipment under revaluation model	Note 5
Investment properties	Note 6
Biological assets	Note 7
Financial assets and liabilities (including those carried at amortised cost)	Note 10

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.

Accounting Policies

2.2.10 Fair value measurement (continued)

The organisation 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.

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 documents.

2.2.11 Impairment of non-financial assets

Disclosures relating to impairment of non-financial assets are summarised in the following notes:

Accounting policy disclosures	Note 2.2.11
Disclosures for significant assumptions	Note 3
Property, plant and equipment	Note 5
Intangible assets	Note 8

The entity assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the entity estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the entity estimates the asset's or cash-generating units recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

Accounting Policies

2.2.12 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 MEGA 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 of the annual financial statements.

2.2.13 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

2.2.14 Provisions and contingencies

General

Provisions are recognised when the organisation has a present obligation (legal or constructive) 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 amount of the obligation.

Where the organisation expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

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.

Provisions are not recognised for future operating losses.

Restructuring provisions

Restructuring provisions are recognised only when the organisation has a constructive obligation, which is when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, and an appropriate timeline, and the employees affected have been notified of the plan's main features.

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

Decommissioning liability

The organisation 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.

Onerous contract

A provision for onerous contracts is recognised when the expected benefits to be derived by the organisation from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

Before a provision is established, the entity recognises any impairment loss on the assets associated with the contract.

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.

2.2.15 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. 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.

A financial liability is recognised for the unspent portions of the grants in accordance with *IAS 32 - Financial instruments: Presentation.*

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.

Accounting Policies

2.2.16 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

The sale of goods comprises lemon and wines sales. 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.

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.

Rendering of services

Revenue from municipal services is recognised based on consumption when the outcome of a transaction can be measured reliably. 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.

Interest

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.

Rental Income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss.

Accounting Policies

2.2.17 Taxes

MEGA is not subject to taxation as it is a Government Business Enterprise registered as a Schedule 3D Public Entity. The organisation is only subject to Value Added Tax (VAT).

Value added tax (VAT)

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.

2.2.18 Cost of sales

Cost of sales comprises of direct costs incurred 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 a cost of sales expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write- down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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

2.2.19 Related party disclosures

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
- government departments with whom there are related party transactions.

Related party transactions are transfers of resources, services or obligations between MEGA and a related party regardless of whether a price is charged. They include all transactions with related parties, irrespective of whether they took place on arms length basis or not.

Disclosures relating to related parties and related party transactions are disclosed under Note 25.

2.2.20 Irregular, fruitless and wasteful and unauthorised expenditure 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.

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.

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.

Accounting Policies

2.3 First-time adoption of IFRS

MEGA adopted IFRS as its accounting framework for the first time for the year ended 31 March 2016. The previous accounting framework used was SA GAAP.

The impact of the change in accounting framework is detailed below in the reconciliation of MEGA's equity as at 1 April 2014 and 31 March 2015 respectively. The only material differences are the reclassifications of leave pay and bonuses from "Provisions" to "Employee benefits" and the reclassification of grant income from "Revenue" to "Other income".

MEGA, as a first-time adopter of IFRS applied the exemption from retrospective IFRS application, per IFRS 1, as detailed below as the results under SA GAAP and IFRS are broadly the same.

Property, plant and equipment

Moveable assets were measured at cost less accumulated depreciation and any impairment losses, in the statement of financial position. Bulk infrastructure and land and buildings were carried in the statement of financial position at revalued amounts on 31 March 2015. This is in accordance with the requirements of IAS 16: *Property, Plant and Equipment*. Included in land and buildings is an estimated cost of decommissioning a landfill site. The decommissioning liability was measured under SA GAAP at the best estimate of the expenditure required to settle the obligation as at 31 March 2015. Measurement and recognition of the decommissioning liability in accordance with SA GAAP is consistent with IFRIC 1: *Changes in existing decommissioning and restoration and similar liabilitie*s and IAS 37: *Provisions, Contingent liabilities and Contingent assets*.

Investment property and biological assets

Investment property and biological assets were carried in the statement of financial position at fair values on 31 March 2015 which is consistent with the requirements of IAS 40: *Investment property* and IAS 41: *Agriculture*.

Intangible assets

Intangible assets were measured at cost less accumulated amortisation and any impairment losses, in the statement of financial position and is in accordance with the requirements of IAS 38: *Intangible assets*.

Investments in associates

Equity accounting was used to measure investments in associates in the statement of financial position prepared in accordance with SA GAAP which is broadly comparable to IAS 27: *Separate financial statements*. Therefore deemed cost shall be used in the opening IFRS statement of financial position. The deemed cost shall be its previous GAAP carrying amount as at 1 April 2014.

Inventories

Inventories were measured at the lower of cost and net realisable value, consistent with IAS 2: *Inventories*.

Leases

Operating lease income (MEGA as lessor) and operating lease rentals (MEGA as lessee) were recognised on a straight line basis over the lease term in accordance with the provisions of IAS 17: *Leases*.

Management assessed that cash and short-term deposits, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale in accordance with IFRS requirements.

Accounting Policies

2.3 First-time adoption of IFRS (continued)

Estimates

The estimates at 1 April 2014 and at 31 March 2015 in accordance with IFRS requirements are consistent with those made for the same dates in accordance with SA GAAP.The estimates used by the entity to present these amounts in accordance with IFRS reflect conditions at 1 April 2014 and as at 31 March 2015 as well as the date of transition to IFRS.

The impact of the changes in accounting framework is detailed below in the reconciliation of MEGA's equity as at 1 April 2014 and 31 March 2015. Only material differences are reclassifications of leave pay from Provisions to Employee benefits and the reclassification of grant income from Revenue to Other income:

Reconciliation of equity at 1 April 2014

	Note	SA GAAP	Reclassified	IFRS at 1 April 2014
Property, plant and equipment		299 266 668	-	299 266 668
Investment property		744 528 104	-	744 528 104
Biological assets		4 178 100	-	4 178 100
Intangible assets		21 616 856	-	21 616 856
Investments in associates		2 202 997	-	2 202 997
Other financial assets		89 273 529	-	89 273 529
Total non-current assets		**1 161 066 254**	**-**	**1 161 066 254**
Inventories		75 949 564	-	75 949 564
Trade and other receivables		51 276 624	-	51 276 624
Cash and cash equivalents		67 932 747	-	67 932 747
Total current assets		**195 158 935**	**-**	**195 158 935**
Trade and other payables		116 169 561	-	116 169 561
Employee benefits	2.3.1	-	16 163 819	16 163 819
Unspent conditional grants		6 879 739	-	6 879 739
Provisions	2.3.1	16 163 819	(16 163 819)	-
Other financial liability		26 178 538	-	26 178 538
Total liabilities		**165 391 657**	**-**	**165 391 657**
Provisions		330 739	-	330 739
Other financial liabilities		46 104 809	-	46 104 809
Total non-current liabilities		**46 435 548**	-	**46 435 548**
Revaluation reserve		46 404 369	-	46 404 369
Retained income		1 097 993 615	-	1 097 993 615
Total equity		**1 144 397 984**	**-**	**1 144 397 984**

Accounting Policies

2.3 First-time adoption of IFRS (continued)

Reconciliation of equity at 31 March 2015

	Note	SA GAAP	Reclassified	As at 31 March 2015
Property, plant and equipment		374 916 404	-	374 916 404
Investment property		1 495 743 325	-	1 495 743 325
Biological assets		6 754 595	-	6 754 595
Intangible assets		21 834 140	-	21 834 140
Investments in associates		2 890 947	-	2 890 947
Financial assets		77 053 329	-	77 053 329
Total non-current assets		**1 979 192 740**	**-**	**1 979 192 740**
Inventories		75 669 387	-	75 669 387
Trade and other receivables		53 866 165	-	53 866 165
Cash and cash equivalents		51 309 400	-	51 309 400
Total current assets		**180 844 952**	**-**	**180 844 952**
Trade and other payables	2.3.1	78 361 933	-	78 361 933
Employee benefits	2.3.1	-	16 900 391	16 900 391
Unspent conditional grants		13 323 060	-	13 323 060
Provisions		16 900 391	(16 900 391)	-
Other financial liability		31 126 364	-	31 126 364
Total liabilities		**139 711 748**	**-**	**139 711 748**
Provisions		337 886	-	330 739
Other financial liabilities		25 583 053	-	46 104 809
Total non-current liabilities		**25 920 939**	-	**37 375 273**
Revaluation reserve		122 419 091	-	122 419 091
Retained income		1 871 985 914	-	1 871 985 914
Total equity		**1 994 405 005**	-	**1 994 405 005**

Reconciliation of profit for 2015

	Note	SA GAAP	Remeasured	IFRS for the year ended 31 March 2015
Revenue	2.3.2	182 576 826	(152 353 860)	30 222 966
Cost of sales		(74 483 043)	-	(74 483 043)
Gross profit		108 093 783	(152 353 860)	(44 260 077)
Other income	2.3.2	160 009 687	152 353 860	312 363 547
Operating expenses		(247 415 316)	-	(247 415 316)
Investment revenue		1 754 694	-	1 754 694
Fair value adjustments		753 838 541	-	753 838 541
Income from equity accounted investments		687 950	-	687 950
Finance costs		(4 140 318)	-	(4 140 318)
Net profit		**772 829 021**	**-**	**772 829 021**

Notes

Accounting Policies

2.3 First-time adoption of IFRS (continued)

2.3.1 Bonus and leave pay accrual

In the prior year the leave pay and bonus accruals were included under provisions. Under IFRS, amounts payable arising from leave benefits and bonuses due to the employees constitute an accrual to be accounted for under IAS 19: *Employee benefits* and not as a provision as per IAS 37: *Provisions, Contingent liabilities and Contingent assets*. Leave accruals and bonuses are now included under employee benefits.

2.3.2 Government grants

Government grants are operational and conditional in nature. In previous financial years operational grants were recognised as revenue and conditional grants to the extent that conditions were met.

Based on the IFRS definition of revenue per IAS 18 - *Revenue'* amounts which constitute contributions from equity participants are not to be accounted for as revenue. Therefore grants revenues have been reclassified as other income. The unspent portion of the grant is a financial liability payable to the government in accordance with *IAS 32 - Financial instruments: Presentation*. No adjustments were therefore necessary to the statement of financial position in respect of unspent conditional grants as it is already included under liabilities.

Explanation of material adjustments to the statement of cash flows for 2016

Unspent conditional grants will be reclassified from cash generated operating activities to cash from financing activities. Leave pay and bonus accruals does not have any impact on the cash flow statement.

Accounting Policies

3 Significant accounting judgements, estimates and assumptions

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

3.1 Judgements

In applying the organisation's accounting policies, management has made the following judgements, which may have a significant impact on the amounts recognised in the annual financial statements:

3.1.1 Adoption of IFRS

MEGA previously used SA GAAP as its accounting framework. Management applied the criteria specified in Directive 12: *The selection of an appropriate reporting framework* to determine the most appropriate accounting framework that should be used by MEGA in future.

According to Directive 12, Paragraph 11 an entity shall apply IFRS if it is a financial institution. Paragraph 12 defines a financial institution as:

For the purposes of this Directive, an entity is a financial institution if it is a financial institution as defined in the Financial Services Board Act, Act No. 97 of 1990. For entities that are not financial institutions as defined in that Act, management should consider whether the primary activities of the entity are the provision of financial services to clients or members, that include managing of deposits and investments, and/or the provision of loans and credit in accordance with the National Credit Act, Act No. 34 of 2005. The clients or members that provide assets to such entities, to hold in a fiduciary capacity, are key stakeholders who rely on the information provided in the financial statements.

Management has based its judgement on the fact that MEGA provides loans (home loans, agricultural and SMME loans) in accordance with the National Credit Act, Act No. 34 of 2005. Based on the corporate strategy, management want to ensure that MEGA becomes a capable, credible and resilient development finance institution using smart partnerships with the private sector, leveraging government ownership and optimising the utilisation of its assets to make a meaningful socio-economic impact. A financial sustainability model will be developed to reduce MEGA's dependency on government grants. This will include inter alia the establishment of a property fund and a provincial infrastructure fund to mobilise funding from partners such as private sector institutional investors and other development financial institutions.

3.1.2 Operating lease commitments — lessor/ lessee

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.

Leases entered into where the entity is a lessee have also been classified as operating leases based on the same judgements applied where the entity is a lessor.

3.1.3 Associate accounting of entities in which the entity holds less than a majority of voting rights

MEGA has shareholding in Kangwane Anthracite (Pty) Ltd (40%), Hi-veld Fruit Packers (Pty) Ltd (26%) and Nkomati Anthracite (Pty) Ltd (40%). 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.

3.1.4 Water rights

MEGA has water rights for 221.42ha for Tekwane registered with the Manchester Noordwick 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

3.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The entity based its assumptions and estimates on parameters available when the annual financial statements are prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the organisation. Such changes are reflected in the assumptions when they occur.

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

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 as at 31 March 2016.

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 of 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. Bulk infrastructure was revalued at 31 March 2016 with reference to the Bureaux for Economic Research (BER) index, having been fair valued using the depreciated replacement cost model as at 31 March 2015.

The key assumptions used to determine the fair value of the property, plant and equipment, investment properties and biological assets are further explained in note 5, 6 and 7 respectively.

3.2.2 Fair value measurement of financial instruments

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 risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. Refer to note 10 for details on the fair value hierarchy levels.

3.2.3 Provision for decommissioning

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 13.

3.2.4 Inventories

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.

3.2.5 Impairment of non-financial assets

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 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.

Accounting Policies

3.2.6 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 whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

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

3.2.7 Intangible asset useful life

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 the useful life of the asset changes to finite useful life, this will be accounted for as a change in accounting estimate.

Notes to the Annual Financial Statements

4. New Standards and Interpretations

4.1 Standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2016 reporting periods and have not been early adopted except for equity accounting method applied for its investments in associates as detailed in Note 4.1.6. MEGA's assessment of the impact of these new standards and interpretations is set out below.

4.1.1* IFRS 9 *Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

MEGA plans to adopt the new standard on the effective date. During 2016 a high-level impact assessment of all three aspects of IFRS 9 was performed. Based on the preliminary assessment no significant impact on its statement of financial position is excepted for the effect of applying the impairment requirements of IFRS 9. The new impairment model is an expected credit loss model which may result in earlier recognition of credit losses.

(a) Classification and measurement

The entity does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value.

Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Thus, the entity expects that these will continue to be measured at amortised cost under IFRS 9. However, the entity will analyse the contractual cash flow characteristics of those instruments in more detail before concluding whether all those instruments meet the criteria for amortised cost measurement under IFRS 9.

(b) Impairment

IFRS 9 requires the entity to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The entity expects to apply the simplified approach and record lifetime expected losses on all trade receivables. The impact may be material due to the unsecured nature of its loans and receivables, but it will need to perform a more detailed assessment over the next 12 months to determine the extent of the impact.

4.1.2* IFRS 15 *Revenue from contracts with customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2017, but the - new standard permits a more modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application.

The sale of lemons on a consignment basis may possibly be impacted by the new standard, but management cannot currently estimate the impact thereof on the financial statements. A more detailed assessment of the impact will be performed during the next 12 months.

4.1.3* Amendments to IFRS 11 *Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles on business combinations. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

Notes to the Annual Financial Statements

4. New Standards and Interpretations (continued)

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on MEGA.

4.1.4* Amendments to IAS 16 and IAS 38: *Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the entity given that the entity has not used a revenue-based method to depreciate its non-current assets.

4.1.5* Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41 on biological assets. Instead, IAS 16 on property, plant and equipment will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted.

These amendments are expected to have an impact as MEGA does have bearer plants in the form of lemon trees and vines.The lemon trees and vines are at a stage of maturity and will therefore be subsequently measured using the revaluation model.

4.1.6* Amendments to IAS 27: *Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the MEGA’s financial statements as equity method is already applied on the investments in associates. MEGA has therefore decided to early adopt the standard.

4.1.7* Amendments to IFRS 10 and IAS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors’ interests in the associate or joint venture. These amendments must be applied prospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on MEGA.

4.1.8* Annual Improvements *2012-2014 Cycle

These improvements are effective for annual periods beginning on or after 1 January 2016. They include:

IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*

Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively. These amendments are expected to have no impact on MEGA.

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4. New Standards and Interpretations (continued)

IFRS 7 *Financial Instruments: Disclosures*

(i) Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively. These amendments are expected to have no impact on MEGA.

IAS 34 *Interim Financial Reporting*

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively. These amendments are expected to have no impact on MEGA.

4.1.9* Amendments to IAS 1 *Disclosure Initiative

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and other comprehensive income. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are expected to have an insignificant impact on MEGA.

4.1.10* Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are expected to have an insignificant impact on the entity in regards to investments in associates.

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5. Property, plant and equipment

	2016			2015			As at 1 April 2014		
	Cost or revaluation	**Accumulated depreciation**	**Carrying value**	**Cost or revaluation**	**Accumulated depreciation**	**Carrying value**	**Cost or revaluation**	**Accumulated depreciation**	**Carrying value**
Land and buildings	104 266 362	(10 260 427)	94 005 935	97 933 932	(6 748 155)	91 185 777	45 136 921	(2 777 955)	42 358 966
Plant and machinery	2 532 692	(1 767 514)	765 178	2 498 428	(1 339 398)	1 159 030	2 251 361	(1 006 215)	1 245 146
Motor vehicles	1 702 526	(1 119 249)	583 277	1 702 526	(928 210)	774 316	1 766 526	(760 765)	1 005 761
Office equipment	3 264 211	(1 961 434)	1 302 777	3 159 475	(1 482 776)	1 676 699	3 134 740	(1 128 334)	2 006 406
IT equipment	3 668 742	(1 634 507)	2 034 235	2 973 840	(1 023 028)	1 950 812	1 777 901	(570 962)	1 206 939
Bulk Infrastructure	300 432 619	(32 720 235)	267 712 384	290 560 485	(21 263 140)	269 297 345	261 493 380	(10 049 930)	251 443 450
Total	**415 867 152**	**(49 463 366)**	**366 403 786**	**398 828 686**	**(32 784 707)**	**366 043 979**	**315 560 829**	**(16 294 161)**	**299 266 668**

Notes to the Annual Financial Statements

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Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Revaluations	Depreciation	Closing balance
Land and buildings	91 185 777	-	-	5 550 421	(2 730 263)	94 005 935
Plant and machinery	1 159 030	34 264	-	-	(428 116)	765 178
Motor vehicles	774 316	-	-	-	(191 039)	583 277
Office equipment	1 676 699	104 735	-	-	(478 657)	1 302 777
IT equipment	1 950 812	716 651	(13 887)	-	(619 341)	2 034 235
Bulk Infrastructure	269 297 345	4 021 958	-	5 606 292	(11 213 211)	267 712 384
	366 043 979	**4 877 608**	**(13 887)**	**11 156 713**	**(15 660 627)**	**366 403 786**

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Revaluations	Depreciation	Closing balance
Land and buildings	42 358 966	-	-	49 274 175	(447 364)	91 185 777
Plant and machinery	1 245 146	485 205	-	-	(571 321)	1 159 030
Motor vehicles	1 005 761	-	(25 952)	-	(205 493)	774 316
Office equipment	2 006 406	189 765	(178 467)	-	(341 005)	1 676 699
IT equipment	1 206 939	1 355 607	(148 365)	-	(463 369)	1 950 812
Bulk Infrastructure	251 443 450	-	-	27 903 825	(10 049 930)	269 297 345
	299 266 668	**2 030 577**	**(352 784)**	**77 178 000**	**(12 078 482)**	**366 043 979**

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Revaluations	Depreciation	Total
Land and buildings	29 911 027	10 348 000	-	3 718 705	(1 618 766)	42 358 966
Plant and machinery	1 693 087	55 934	-	-	(503 875)	1 245 146
Motor vehicles	1 174 835	221 950	-	-	(391 024)	1 005 761
Office equipment	2 208 458	373 676	(1 651)	-	(574 077)	2 006 406
IT equipment	968 452	632 526	(27 666)	-	(366 373)	1 206 939
Bulk Infrastructure	247 584 938	-	-	13 373 239	(9 514 727)	251 443 450
	283 540 797	**11 632 086**	**(29 317)**	**17 091 944**	**(12 968 842)**	**299 266 668**

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 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 2016. As at the date of revaluation on 31 March 2016, the properties' fair values are based on valuations performed by Ducharme Consulting (land and buildings) and SMEC (bulk infrastructure) accredited independent valuers who have valuation experience for similar properties and infrastructure.

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The following table provides the fair value hierarchy disclosures for revalued land and buildings:

	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Property, plant and equipment:					
Land	31 March 2016	30 548 326	-	-	30 548 326
Buildings	31 March 2016	63 457 609	-	-	63 457 609
Bulk Infrastructure	31 March 2016	263 690 427	-	-	263 690 427
Property, plant and equipment:					
Land	31 March 2015	29 631 877	-	-	29 631 877
Buildings	31 March 2015	61 553 900	-	-	61 553 900
Bulk Infrastructure	31 March 2015	269 297 345	-	-	269 297 345
Property, plant and equipment:					
Land	1 April 2014	10 919 870	-	-	10 919 870
Buildings	1 April 2014	31 439 096	-	-	31 439 096
Bulk Infrastructure	1 April 2014	251 443 450	-	-	251 443 450

Significant unobservable valuation input:	
Price per square metre - land	74.87 - 221.07
Price per hectare - grazing land	8 500 - 10 000
Price per hectare - irrigation land	50 000 – 150 000
Price per square metre - buildings	2 660.18 – 3171.97
Price per square metre - farm buildings	3 172.07 – 4 621.80 Less 90% depreciation
Bereaux for economic research - bulk infrastructure	2016: 2.18 2015: 11.58 2014: 5.63

Significant increases (decreases) in estimated price per square metre in isolation would result in a significantly higher (lower) fair value.

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

Buildings	**2016**	**2015**	**As at 1 April 2014**
Cost	29 753 503	29 753 503	29 753 503
Accumulated depreciation and impairment	(2 214 211)	(1 615 740)	(1 017 270)
Net carrying amount	**27 539 292**	**28 137 763**	**28 736 233**

Bulk infrastructure	**2016**	**2015**	**As at 1 April 2014**
Cost	268 973 602	251 119 706	247 261 194
Accumulated depreciation and impairment	(11 213 210)	(10 049 930)	(9 514 727)
Net carrying amount	**257 760 392**	**241 069 776**	**237 746 467**

Notes to the Annual Financial Statements

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6. Investment properties

	2016	2015	As at 1 April 2014
	Valuation	**Valuation**	**Valuation**
Investment property	1 556 156 216	1 504 615 751	744 528 104

Reconciliation of investment properties - 2016

	Opening balance	Additions	Fair value adjustments	Total
Investment property	1 504 615 751	5 280 362	46 260 103	1 556 156 216

Reconciliation of investment properties - 2015

	Opening balance	Additions	Fair value adjustments	Total
Investment property	744 528 104	8 872 426	751 215 221	1 504 615 751

Reconciliation of investment properties - 2014

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	694 837 541	(23 784 296)	73 474 859	744 528 104

The entity's investment properties consist 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, residential and vacant land based on the nature, characteristics and risks of each property.

As at 31 March 2016 and 2015, respectively, the fair values of the properties are based on valuations performed by Ducharme Consulting an accredited independent valuer. Ducharme Consulting is a specialist in valuing these types of investment properties. A valuation model in accordance with that recommended by the International Valuation Standards Committee has been applied.

Fair value hierachy

The following table provides the fair value hierarchy disclosures for the entity's investment:

Quantitative disclosures fair value measurement hierarchy as at 31 March 2016, 31 March 2015 and 1 April 2014

	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value:					
Investment properties:					
Commercial	31 March 2016	22 471 988	-	-	22 471 988
Farms	31 March 2016	101 468 931	-	-	101 468 931
Industrial	31 March 2016	802 802 867	-	-	802 802 867
Land	31 March 2016	614 216 649	-	-	614 216 649
Residential	31 March 2016	1 042 934	-	-	1 042 934
Investment properties:					
Commercial	31 March 2015	21 797 828	-	-	21 797 828

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6. Investment properties (continued)

Farms	31 March 2015	98 424 863	-	-	98 424 863
Industrial	31 March 2015	778 718 781	-	-	778 718 781
Land	31 March 2015	595 790 149	-	-	595 790 149
Residential	31 March 2015	1 011 704	-	-	1 011 704
Investment properties:					
Commercial	31 March 2014	52 572 000	-	-	52 572 000
Farms	31 March 2014	13 236 000	-	-	13 236 000
Industrial	31 March 2014	563 555 100	-	-	563 555 100
Land	31 March 2014	114 153 300	-	-	114 153 300
Residential	31 March 2014	1 011 704	-	-	1 011 704

Reconciliation of fair value:

	Commercial	Farms	Industrial	Land	Residential
Opening balance as at 1 April 2014	52 572 000	13 236 000	563 555 100	114 153 300	1 011 704
Re-measurement recognised in profit and loss	(30 774 172)	85 188 863	215 163 681	481 636 849	-
Opening balance as at 1 April 2015	21 797 828	98 424 863	778 718 781	595 790 149	1 011 704
Re-measurement recognised in profit and loss	674 160	3 044 068	24 084 086	18 426 500	31 230
Closing balance as at 31 March 2016	**22 471 988**	**101 468 931**	**802 802 867**	**614 216 649**	**1 042 934**

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

	Valuation technique	Significant observable inputs	Range (weighted average)
Occupied commercial and industrial properties	Rental income capitalisation method	Rent per square metre	132.48 221.07
Vacant commercial and industrial properties	Comparable sales method	Rent per square metre	132.48
Farms	Comparable sales method	Rent per square metre	74.87
Land	Comparable sales method	Rent per square metre	74.87 221.07
Residential	Vacant Land Building	Rent per square metre	132.48 221.07 3 170.21

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7. Biological assets

	2016	2015	As at 1 April 2014
	Valuation	**Valuation**	**Valuation**
Vines	1 056 000	1 024 320	633 600
Lemon trees	5 907 500	5 730 275	3 544 500
Total	**6 963 500**	**6 754 595**	**4 178 100**

Reconciliation of biological assets - 2016

	Opening balance	Gains arising from changes in fair value	Total
Vines	1 024 320	31 680	1 056 000
Lemon trees	5 730 275	177 225	5 907 500
	6 754 595	**208 905**	**6 963 500**

Reconciliation of biological assets - 2015

	Opening balance	Gains arising from changes in fair value	Total
Vines	633 600	390 720	1 024 320
Lemon trees	3 544 500	2 185 775	5 730 275
	4 178 100	**2 576 495**	**6 754 595**

Reconciliation of biological assets - 2014

	Opening balance	Gains arising from changes in fair value	Total
Vines	576 576	57 024	633 600
Lemon trees	3 225 495	319 005	3 544 500
	3 802 071	**376 029**	**4 178 100**

Notes to the Annual Financial Statements

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7. Biological assets (continued)

Methods and assumptions used in determining fair value

The following table provides the fair value hierarchy disclosures for biological assets:

	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Biological assets:					
Vines	31 March 2016	1 056 000	-	-	1 056 000
Lemon trees	31 March 2016	5 907 500	-	-	5 907 500
Biological assets					
Vines	31 March 2015	1 024 320	-	-	1 024 320
Lemon trees	31 March 2015	5 730 275	-	-	5 730 275
Biological assets					
Vines	31 March 2014	633 600	-	-	633 600
Lemon trees	31 March 2014	3 544 500	-	-	3 544 500

	Valuation technique	Significant observable inputs	Range (weighted average)		
			2016	2015	As at 1 April 2014
Vines	Direct comparison method	Comparable sales on 7.9 - 81 ha	R35k/ha - R60k/ha	R35k/ha- R60k/ha	R19k/ha - R30k/ha
Lemon trees	Direct comparison method	Comparable sales on 7.6 - 856.2 ha	R51k/ha - R55k/ha	R51k/ha - R55k/ha	R19k/ha - R30k/ha

The vineyards of 21.1 hectares at Loopspruit Estate is situated on the banks of the Loopspruit river, 30 kilometers north of Bronkhorstspruit. The lemon orchard of 118.15 hectares is at Tekwane Estate in the Mbombela District. The fair value of the vineyards and lemon orchard for the year ended 31 March 2016 was determined based on valuations performed by Ducharme Consulting an accredited independent valuer. The appraiser is registered as a professional valuer of the South African Board of Valuers.

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8. Intangible assets

	2016			2015			As at 1 April 2014		
	Cost / Valuation	**Accumulated Amortization**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation**	**Carrying value**
Water rights	20 833 400	-	20 833 400	20 833 400	-	20 833 400	20 833 400	-	20 833 400
Computer software	1 142 913	(854 873)	288 040	1 665 613	(664 873)	1 000 740	918 318	(134 862)	783 456
Total	**21 976 313**	**(854 873)**	**21 121 440**	**22 499 013**	**(664 873)**	**21 834 140**	**21 751 718**	**(134 862)**	**21 616 856**

Notes to the Annual Financial Statements

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8. Intangible assets (continued)

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Impairment loss	Total
Water rights	20 833 400	-	-	-	20 833 400
Computer software	1 000 740	61 300	(563 333)	(210 667)	288 040
	21 834 140	**61 300**	**(563 333)**	**(210 667)**	**21 121 440**

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Amortisation	Total
Water rights	20 833 400	-	-	20 833 400
Computer software	783 456	747 295	(530 011)	1 000 740
	21 616 856	**747 295**	**(530 011)**	**21 834 140**

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Water rights	-	20 833 400	-	20 833 400
Computer software	14 205	935 376	(166 125)	783 456
	14 205	**21 768 776**	**(166 125)**	**21 616 856**

Water rights

The water rights have not been impaired since the fair value increased based on the revaluations done on Loopspruit and Tekwane Estates therefore no indicators of impairment have been identified.

Notes to the Annual Financial Statements

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9. Investments in associates

The investment in associates are summarised in the table below:

Name of company	Place of business	% ownership interest 2016	% ownership interest 2015	% ownership interest 2014	Carrying amount 2016	Carrying amount 2015	Carrying amount 2014
KaNgwane Anthracite (Pty) Ltd	Johannesburg	40%	40%	40%	492 628	492 628	492 628
Hi-veld Fruit Packers (Pty) Ltd	Ermelo	26%	26%	26%	2 890 947	2 890 947	2 203 083
Nkomati Anthracite (Pty) Ltd	Nkomati	40%	40%	40%	93 180	93 180	93 180
					3 476 755	3 476 755	2 788 891
Impairment of investments in associates		21%	21%	21%	(585 808)	(585 808)	(585 894)
					2 890 947	2 890 947	2 202 997

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

Associates with different reporting dates

The end of the reporting year of KaNgwane Anthracite (Pty) Ltd is 30 June 2015.

The end of the reporting year of Hi-Veld Fruit Packers (Pty) Ltd is 31 October 2015.

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10. Financial assets and liabilities

The organisation holds the following financial instruments:

Financial assets	Assets at FVPL	Financial assets at amortised cost	Total
2016			
Trade and other receivables*	-	39 790 213	39 790 213
Unlisted shares	1 389 328	-	1 389 328
Loans and receivables	-	69 831 820	69 831 820
Cash and cash equivalents	-	64 118 948	64 118 948
	1 389 328	**173 740 981**	**175 130 309**
2015			
Trade and other receivables*	-	49 143 396	49 143 396
Unlisted shares	1 389 328	-	1 389 328
Loans and receivables	-	75 664 001	75 664 001
Cash and cash equivalents	-	51 309 400	51 309 400
	1 389 328	**176 116 797**	**177 506 125**
As at 1 April 2014			
Trade and other receivables*	-	47 179 987	47 179 987
Unlisted shares	1 342 504	-	1 342 504
Loans and receivables	-	87 931 025	87 931 025
Cash and cash equivalents	-	67 932 747	67 932 747
	1 342 504	**203 043 759**	**204 386 263**

*Excluding prepayments and rental straight lining

Financial liabilities	Liabilities at amortised cost	Total
2016		
Trade and other payables**	43 904 512	43 904 512
Borrowings	39 766 157	39 766 157
Unspent conditional grants	17 205 613	17 205 613
	100 876 282	**100 876 282**
2015		
Trade and other payables**	61 337 551	61 337 551
Borrowings	56 709 417	56 709 417
Unspent conditional grants	13 323 060	13 323 060
	131 370 028	**131 370 028**
As at 1 April 2014		
Trade and other payables**	102 963 491	102 963 491
Borrowings	72 283 347	72 283 347
Unspent conditional grants	6 879 739	6 879 739
	182 126 577	**182 126 577**

** excluding non-financial liabilities

Notes to the Annual Financial Statements

Figures in Rand	2016	2015	As at 1 April 2014
10. 1 Loans and receivables			
Housing loans Housing loans are generally repayable over 20 years at 12% p.a. fixed over the term of the loan.	53 386 004	79 242 624	149 689 670
SMME loans The loans entail business capital funding and or bridging finance over a maximum term of 5 years. Interest rates are capped at the prevailing prime lending rate.	26 021 499	38 337 070	55 934 575
Agricultural loans The loans are for the financing of live stock and crops with repayment term varying from 3 months to 8 years all at 8% p.a.	10 763 013	32 275 393	57 057 802
Equity loans The loans consist of capital funding with participation in redeemable preference shares over a maximum term of 5 years.	10 297 130	10 472 228	9 991 797
Govan Mbeki Housing Company loan The loan is repayable in monthly instalments after the full amount has been disbursed. Interest will accrue from this date at a fixed rate of 12%.	11 662 263	11 662 263	11 662 263
Other loans and receivables	240 211	240 211	301 048
	112 370 120	172 229 789	284 637 155
Loans and receivables (impairments)	(42 538 300)	(96 565 788)	(196 706 130)
	69 831 820	**75 664 001**	**87 931 025**

Notes to the Annual Financial Statements

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10. Financial assets and liabilities (continued)

Other financial assets	2016			2015			As at 1 April 2014		
	Non-current	**Current**	**Total**	**Non-current**	**Current**	**Total**	**Non-current**	**Current**	**Total**
Housing loans	41 253 872	12 132 132	53 386 004	37 925 563	41 317 069	79 242 632	41 253 962	108 435 708	149 689 670
Provision for impairment	(2 503 120)	(4 795 637)	(7 298 757)	(1 769 154)	(26 586 788)	(28 355 942)	(1 496 696)	(81 956 376)	(83 453 072)
	38 750 752	7 336 495	46 087 247	36 156 409	14 730 281	50 886 690	39 757 266	26 479 332	66 236 598
SMME loans	4 104 252	23 318 869	27 423 121	6 091 909	33 646 785	39 738 694	5 926 625	51 409 573	57 336 198
Provision for impairment	(2 163 468)	(13 721 865)	(15 885 333)	(4 102 857)	(23 463 930)	(27 566 787)	(5 430 946)	(43 248 774)	(48 679 720)
	1 940 784	9 597 004	11 537 788	1 989 052	10 182 855	12 171 907	495 679	8 160 799	8 656 478
Agricultural loans	2 722 300	8 040 713	10 763 013	2 179 313	30 096 080	32 275 393	2 560 642	54 497 159	57 057 801
Provision for impairment	(2 983 846)	(7 565 633)	(10 549 479)	(1 909 334)	(29 794 072)	(31 703 406)	(1 957 298)	(54 193 036)	(56 150 334)
	(261 546)	475 080	213 534	269 979	302 008	571 987	603 344	304 123	907 467
Equity loans	-	10 297 130	10 297 130	-	10 472 228	10 472 228	-	9 991 797	9 991 797
Provision for impairment	-	(8 804 731)	(8 804 731)	-	(8 939 652)	(8 939 652)	-	(8 423 005)	(8 423 005)
	-	1 492 399	1 492 399	-	1 532 576	1 532 576	-	1 568 792	1 568 792
Govan Mbeki Company Housing loans	11 662 263	-	11 662 263	11 662 263	-	11 662 263	11 662 263	-	11 662 263
	11 662 263	-	11 662 263	11 662 263	-	11 662 263	11 662 263	-	11 662 263
Other loans and receivables	-	240 211	240 211	-	240 211	240 211	-	301 048	301 048
	-	240 211	240 211	-	240 211	240 211	-	301 048	301 048
Loans and receivables	52 092 253	19 141 189	71 233 442	50 077 703	26 987 931	77 065 634	52 518 552	36 814 094	89 332 646

Notes to the Annual Financial Statements

Figures in Rand	2016	2015	As at 1 April 2014

10. Financial assets and liabilities (continued)

Impairment and risk exposure

Refer to note 28 for Information about the impairment of loans and receivables, their credit quality and the organisation's exposure to credit risk and interest rate risk.

At fair value through profit or loss - designated

Unlisted shares	1 389 328	1 389 328	1 342 504

Changes in fair values of financial assets at fair value through profit and loss.

Other financial assets			
Loans and receivables	69 831 820	75 664 001	87 931 025
Unlisted shares	1 389 328	1 389 328	1 342 504
	71 221 148	**77 053 329**	**89 273 529**

10.2 Trade and other receivables

	2016	**2015**	**As at 1 April 2014**
Trade receivables and other receivables	136 078 964	159 490 137	168 843 944
Impairment	(101 853 766)	(116 559 822)	(127 228 972)
	34 225 198	**42 930 315**	**41 614 972**
Other receivables	5 565 015	6 213 081	5 565 015
Prepayments	1 789 753	1 332 602	1 055 594
Rental straightlining asset	3 390 167	3 390 167	3 041 043
Total	44 970 133	53 866 165	51 276 624

i) Other receivables

These amounts generally arise from transactions outside the usual operating activities of the organisation.

ii) Fair values 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.

iii) Impairment and risk exposure

Information about the impairment of trade and other receivables, their credit quality and the organisation's exposure to credit risk, foreign currency and interest rate risk refer to Note 28.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015	As at 1 April 2014

10. Financial assets and liabilities (continued)

10. 3 Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	8	90 185	94 837
Bank balances	64 118 940	51 219 215	67 837 910
	64 118 948	**51 309 400**	**67 932 747**

i) Reconciliation to cash flow statement

The above figures reconcile to the amount of cash flows at the end of the financial year as follows:

Balance as per above	64 118 948	51 309 400	67 932 747

ii) Classification as cash equivalents

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 with 24 hours notice with no loss of interest.

Notes to the Annual Financial Statements

Figures in Rand

10. Financial assets and liabilities (continued)

10. 4 Borrowings

Secured borrowings	2016			2015			As at 1 April 2014		
	Non-current	**Current**	**Total**	**Non-current**	**Current**	**Total**	**Non-current**	**Current**	**Total**
Bank loans	12 968 273	7 798 415	20 766 688	20 766 689	7 175 212	27 941 901	27 941 901	6 611 804	34 553 705
Total secured borrowings	12 968 273	7 798 415	20 766 688	20 766 689	7 175 212	27 941 901	27 941 901	6 611 804	34 553 705
Unsecured borrowings									
Bank loans	-	-	-	-	10 283 464	10 283 464	10 283 463	9 066 734	19 350 197
Other loans	4 816 364	14 183 105	18 999 469	4 816 364	13 667 688	18 484 052	7 879 445	10 500 000	18 379 445
Total unsecured borrowings	4 816 364	14 183 105	18 999 469	4 816 364	23 951 152	28 767 516	18 162 908	19 566 734	37 729 642
Total borrowings	17 784 637	21 981 520	39 766 157	25 583 053	31 126 364	56 709 417	46 104 809	26 178 538	72 283 347

Notes to the Annual Financial Statements

Figures in Rand	2016	2015	As at 1 April 2014

10. Financial assets and liabilities (continued)
i) Secured borrowings

Development Bank of South Africa - Housing loans

Repayable in bi-annual instalments of R4 964 283 including capital and interest at 8% and 8,5% per annum with a final instalment due on 30 September 2018. The loan is secured by notarial bond over housing loans.

Development Bank of South Africa - Trade and Investment

The loan is interest free and the capital to be repaid in equal monthly instalments R350 775 with the final instalment paid in March 2016. The loan is secured by guarantees from the Mpumalanga Provincial Government.

ii) Unsecured borrowings

Thaba Chweu Municipality

Repayable as and when stands in Sabie, Extension 10 are sold. The loan is interest free.

Mafisa loan

Mafisa reappointed MEGA as one of its implementing agents and consequently this amount must be invested in an interest bearing account with no immediate repayments due to Mafisa.

10. 5 Trade and other payables

Trade payables	19 365 140	45 744 679	72 273 983
Amounts received in advance	43 347	40 573	18 201
VAT	9 117 018	10 307 404	9 823 973
Deposits received	3 442 807	3 440 534	3 088 507
Other payables	27 246 837	18 137 822	28 478 699
Accrued expenses	6 271 842	690 921	2 486 198
	65 486 991	**78 361 933**	**116 169 561**

Trade payables are unsecured and are usually paid within 30 days of recognition. The carrying amounts of trade and other payables are assumed to be the same as their fair values, due to their short-term nature.

10. 6 Unspent conditional grants

Department of Trade and Industry (Special Economic Zones Project)	16 376 029	11 433 235	4 423 002
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.			
Industrial Development Corporation Program	838 660	1 307 656	1 427 950
Funds were received from the IDC for the purpose of upgrading the factory sites located at the Kabokweni Industrial Area.			
MTN SA Foundation CSI Grant	-	375 745	1 028 787
Funds were received from the MTN Foundation for the purpose of running and managing a Business Support Centre in Albert Lethuli Municipality, situated in Mpumalanga, on behalf of the Foundation.			
Expanded Public Works Program	(9 076)	206 424	-
Funds were received from the Department of Public Works to create work opportunities in the Infrastructure, Non-State, Environment and Culture and Social sectors.			
	17 205 613	**13 323 060**	**6 879 739**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015	As at 1 April 2014

10. Financial assets and liabilities (continued)

iii) Compliance with loan covenants

MEGA has complied with the financial covenants of its borrowing facilities during the 2016, 2015 and 2014 reporting periods.

iv) Set-off of assets and liabilities

MEGA does not have any offsetting arrangements.

v) Fair value

For majority of the borrowings, the fair values are not materially different to their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short term nature.

vi) Risk exposure

Details of the organisation exposure to risks arising from current and non-current borrowings are set out in note 28.

vii) Fair value hierachy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the organisation has classified its financial instruments into three levels described under the accounting policies.

Recurring fair value measurements	**Level 1**	**Level 2**	**Level 3**	**Total**
As at 31 March 2016				
Financial assets				
Financial assets at FVPL	1 343 553	45 775	-	1 389 328
As at 31 March 2015				
Financial assets at FVPL	1 343 553	45 775	-	1 389 328
As at 1 April 2014				
Financial assets at FVPL	1 299 279	43 225	-	1 342 504

Recognised fair value measurements

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year. The organisation policy is to recognise transfers into and transfers out of fair value hierachy levels as at the end of the reporting period.

11. Inventories

	2016	2015	As at 1 April 2014
Work in progress	67 882 538	67 882 538	67 882 538
Housing inventory	6 393 599	6 393 599	6 393 599
Consumables	1 410 353	1 393 250	1 673 427
	75 686 490	**75 669 387**	**75 949 564**

Amounts recognised in profit and loss

Expired inventory amounting to R34 375 was written off in 2016. The write off was included as an expense during the year ended 31 March 2016.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015	As at 1 April 2014

12. Revaluation reserve

Opening balance	122 419 091	46 404 396	29 847 629
Transfer to retained income	(243 888)	(1 163 278)	(535 204)
Additions	11 156 710	77 178 000	17 091 944
	133 331 913	**122 419 091**	**46 404 369**

13. Provisions

Reconciliation of provisions - 2016

	Opening balance	Additions	Total
Environmental rehabilitation	337 886	7 302	345 188

Reconciliation of provisions - 2015

	Opening balance	Additions	Total
Environmental rehabilitation	330 739	7 147	337 886

Reconciliation of provisions - 2014

	Opening balance	Additions	Total
Environmental rehabilitation	323 744	6 995	330 739

14. Revenue

Sale of goods	13 360 952	4 040 337
Rendering of services	117 620 101	104 017 606
Rental income	41 597 478	38 466 329
Interest received (trading)	30 638 246	36 052 555
	203 216 777	**182 576 827**

15. Cost of sales

Goods sold	3 032 969	1 605 235
Rendering of services	98 129 601	72 877 808
	101 162 570	**74 483 043**

16. Other income

Administration and management fees received	147 645	189 515
Fees earned	225 767	1 190 397
Commissions received	566 659	296 186
Bad debts recovered	295 769	(4 433)
Dividends received	38 568	185
Interest from other loans	62 520	436
Insurance received	17 759	5 983 541
Government grants	180 530 152	152 353 860
	181 884 839	**160 009 687**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

17. Operating profit or loss

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

• Operating lease: Premises	6 519 579	7 081 598
• Operating lease: Equipment	745 250	819 197
	7 264 829	**7 900 795**

Scrapping of property, plant and equipment - Refer to Note 5	206 326	352 780
Amortisation on intangible assets - Refer to Note 8	563 334	530 011
Depreciation on property, plant and equipment - Refer to Note 5	15 660 627	12 078 482
Employee costs - Refer Note 18	100 947 068	110 883 692
Foreign exchange losses	633 154	-
Consulting and professional fees	13 593 123	7 493 775
Audit fees	6 783 571	5 484 190

18. Employee cost

Basic	95 374 967	98 172 356
WCA	-	6 232 954
Leave pay	877 405	1 788 237
Other allowances	3 120 963	2 926 102
Directors' fees - Refer note 26	1 573 734	1 764 043
	100 947 069	**110 883 692**

19. Depreciation, amortisation and impairments

The following items are included within depreciation, amortisation and impairments:

Depreciation		
Property, plant and equipment	15 660 627	12 078 482
Amortisation		
Intangible assets	563 334	530 011
Impairments		
Trade and other receivables	55 105 391	48 001 202
Total depreciation, amortisation and impairments		
Depreciation	15 660 627	12 078 482
Amortisation	563 334	530 011
Impairments	55 105 391	48 001 202
	71 329 352	**60 609 695**

20. Fair value adjustments

Investment property	46 260 103	750 824 147
Biological assets	208 905	2 967 570
Other financial assets	-	46 824
	46 469 008	**753 838 541**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

21. Finance costs

Provisions: unwinding of discount	7 302	7 147
Interest paid	2 790 928	4 133 171
	2 798 230	**4 140 318**

22. Cash generated from operations

Profit for the year	70 403 892	772 829 021
Adjustments for:		
Depreciation and amortisation	16 223 961	12 608 492
Net profit on disposal of property, plant and equipment	206 326	352 780
Income from equity accounted investments	-	(687 950)
Dividends received	(38 568)	(185)
Interest received - investment	(2 391 829)	(1 754 694)
Finance costs	2 798 230	4 140 318
Fair value adjustments	(46 469 008)	(753 838 541)
Movements in employee benefits and provisions	(6 137 344)	736 572
Changes in working capital:		
Inventories	(17 103)	280 177
Trade and other receivables	8 896 032	(2 589 540)
Trade and other payables	(12 874 942)	(37 807 628)
	30 599 647	**(5 731 178)**

23. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Authorised loans already contracted but not yet paid by the financier	9 641 609	2 515 647
• Suppliers contracted	1 960 926	3 719 858
• Govan Mbeki Housing Company	8 337 736	8 337 736
	19 940 271	**14 573 241**

Operating lease expense

Minimum lease payments due		
- within one year	4 027 132	916 530
- in second to fifth year inclusive	5 614 452	-
	9 641 584	**916 530**

MEGA has an existing operating lease contract with Eris and Broll for the lease of office properties. The Eris rentals escalate at 9% per year and the contract expires on 30 November 2018. The Broll lease escalates at 9% and expires on 30 June 2018.

24. Contingencies

Contingent assets

Porkus Abattoir - Arrear rental and electricity payments

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

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

24. Contingencies (continued)

Contingent liabilities

G-Tech (Grant Murray)

G-Tech Electronics, an information technology contractor, initiated claims of R5 150 332 and 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 set. Awaiting new trial dates.

Isifiso Steel

Isifiso Steel Works instituted an action against MEGA, for non payment of R1 410 654.41 arising from a contract for the construction and extension of Cinqplast Factory situated at Ekandustria, Bronkhorstspruit. It claims that, in terms of the contract, MEGA would withhold payment of the said amount as a retention fee, for a period of one year, to cover potential defect liabilities. Despite the fact that the one year period lapsed and the defects cured, MEGA refuses to make payment of the said amount. The matter was not heard on the 8th of March 2016 as initially set. Court trial set for the 1st of February 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.

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 finalization of criminal case by SARS. The criminal case by SARS was finalized and Musa Masango now claims payment.

The aforementioned cases are still before the various courts and the finalisation thereof are dependant on the court processes and hence the excepted conclusion dates are not known

25. Related parties

Relationships

Mr GJ Dladla	Key member of management
Mr TS Nobela	Key member of management
Department of Agriculture, Forestry and Fisheries	Government department
Associates	Refer to note 9
Department of Agriculture, Rural Development, Land and Environmental Affairs	Government department
Department of Economic Development, Environment and Tourism	Government department
Department of Human settlements	Government department
Members of the Board	Refer to note 26

Related party balances

	2016	2015
Mr GJ Dladla	1 545 475	1 581 471
Mr TS Nobela	138 329	159 603
Mr GC Nel - Home loan repayable to MEGA	-	-
Department of Human Settlements - Building cost not recoverable from DHS	5 528 326	5 528 326
Department of Agriculture, Forestry and Fisheries - (MAFISA)	(14 183 104)	(13 667 688)
Department of Economic Development, Environment and Tourism - Expenses incurred on behalf DEDET	-	1 490 985
Department of Agriculture, Rural Development, Land and Environmental Affairs	584 844	2 101 794

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

25. Related parties (continued)

Related party transactions

	2016	2015
Home loans repaid to MEGA		
Mr GJ Dladla	224 000	243 000
Mr TS Nobela	42 000	42 000
Mr GC Nel	-	719 117
Grants received		
Department of Economic Development and Tourism	-	150 000 000
Department of Agriculture, Rural Development, Land and Environmental Affairs	645 991	337 596
Compensation to directors and other key management		
Short-term employee benefits - Refer to note 26	1 573 734	1 764 043

26. Directors' and Executive officers' emoluments

Executive
2016

	Emoluments
Mr DN Mculu (Chairman of the Board)	369 279
Ms GA Deiner	160 166
Mr BV Skosana	29 216
Mr. FV Mlombo	169 088
Mr IH Jenkins	4 352
Ms NE Phakathi	15 168
Mr DM Moagi	19 520
Mr M Petje	166 520
Mr S Khumalo	72 505
Ms M Malumane	105 880
Ms T Masenya	144 488
Dr. PP Lombard (appointed 01/06/2015, and resigned on 30/12/2015)	66 041
Mr. MR Lubisi (appointed as temporary member on 01/09/2015 and resigned on 29/02/2016)	83 528
Mr S Bhembe (appointed 01/03/2016)	4 592
Ms T Masasa (appointed: 01/03/2016)	9 184
Mr. L Maloba (appointed 01/03/2016)	4 592
Mr. U Khumalo (appointed as temporary member from 01/12/2015 to 29/02/2016 and as permanent member from 01/3/2016)	25 256
	1 449 375

2015

	Emoluments
Mr DN Mculu (Chairman of the Board)	402 652
Ms GA Deiner	147 904
Mr BV Skosana	158 080
Mr FV Mlombo	192 896
Mr IH Jenkins	74 528
Ms NE Phakathi	97 280
Mr DM Moagi	138 496
Mr M Petje	140 416
Mr SJ Vilakazi	20 000
ADV JL Mothibi	27 000
Mr DP Mhlanga	28 000
Mr JP Linda	42 000
Mr SA Xulu	29 000
Ms H Ralinala	3 500
Mr S Mahlangu	43 440
	1 545 192

Notes to the Annual Financial Statements

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26. Directors' and Executive officers' emoluments (continued)

Executive officers

2016

	Emoluments	Other benefits	Total
Mr XG Sithole (CEO)	2 505 227	35 372	2 540 599
Mr EL Potgieter (CFO) (appointed 20/10/15)	755 004	34 226	789 230
Ms SP Morgan	1 363 071	64 961	1 428 032
Mr GJ Dladla	2 034 447	71 346	2 105 793
Mr TS Nobela	1 301 395	26 293	1 327 688
Mr CT Camane (appointed 1/02/16)	299 452	-	299 452
Mrs TC Mametja (appointed 1/02/16)	232 837	-	232 837
	8 491 433	**232 198**	**8 723 631**

2015

	Emoluments	Other benefits	Total
Mr XG Sithole (CEO)	590 881	-	590 881
Ms SP Morgan	1 006 683	101 677	1 108 360
Mr MT Biyela	1 237 258	128 110	1 365 368
Ms Z Mbatha	1 360 806	39 882	1 400 688
Mr GJ Dladla	1 670 005	162 780	1 832 785
Ms. CM Nkambule	1 360 806	86 626	1 447 432
Mr TS Nobela	1 068 384	420 563	1 488 947
Mr PJ Velelo	1 264 236	116 273	1 380 509
Mr E Warambwa	1 360 806	100 374	1 461 180
Ms ZC Sibanda	929 967	77 880	1 007 847
	11 849 832	**1 234 165**	**13 083 997**

27. Prior period errors

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

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

Impact on equity (increase/(decrease) in equity)

Description	**2015**	**2014**
Non-current assets		
Biological assets	(1 292 207)	(16 740 157)
Investment property	638 498 765	(23 784 296)
Property, plant and equipment	60 901 443	11 544 256
Intangible assets	-	20 809 483
Other financial assets	(1 414 851)	(776 868)
Current assets		
Inventories	1 899 049	-
Trade and other receivables	5 278 583	5 117 002
Cash and cash equivalents	29 556	205 068
Reserves		
Revaluation reserve	48 809 932	(453 190)
Retained income	669 825 060	(8 336 137)
Non current liabilities		
Other financial liabilities	(9 148 096)	(4 513 409)
Current liabilities		
Trade and other payables	(3 043 369)	(5 163 817)
Unspent conditional grants	(548 750)	-
Other financial liabilities	9 148 096	4 513 409

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

27. Prior period errors (continued)

Impact on statement of profit or loss (increase/(decrease) in profit)

Revenue	153 654 836	-
Cost of sales	(1 360 114)	-
Other income	(153 497 565)	-
Operating expenses	(6 677 759)	-
Investment revenue	(320 987)	-
Fair value adjustments	(660 990 852)	-
Profit for the year	**(669 192 439)**	-

Biological assets

Biological assets values as at 31 March 2015: R20 918 257 (31 March 2014: R24 786 960) were based on an in-house valuation performed by management. During the year 2015/2016 an accredited independent valuator, Ducharme Consulting, was appointed to perform a valuation of biological assets resulting in an increase in value of biological assets for Loopspruit of R781 794 and a decline in value for Tekwane of R2 074 002 with a net effect on retained income of R 1 292 208 in 2015. 2014 valuations for biological assets for Tekwane significantly declined by R16 740 157 consequently resulting in a decline in retained income by the same amount. There were no changes in value for biological assets for Loopspruit in 2014.

Investment Property

Ducharme Consulting an accredited independent valuator was appointed during the year 2015/2016 to perform investment property valuations. As a result investment property and retained income increased in 2015 by R653 410 635 due to fair value adjustments. The decrease as at 1 April 2014: R23 784 296 was due to reclassification of investment property commercial to property, plant and equipment of R24 796 000 and initial recognition of residential investment property of R1 011 704 resulting in R23 784 296 net effect on retained income.

Property Plant and Equipment

An accredited independent valuator, Ducharme Consulting, was appointed to perform valuations of land and buildings during the 2015/16 year which resulted in revaluation adjustments in 2015 amounting to Land: R18 712 006 and Buildings; cost: R34 085 005 and accumulated depreciation: R3 522 837, resulting in increase of both land and buildings and the revaluation reserve. Adjustments were also made to bulk infrastructure revaluations for 2015 amounting to cost: R264 821 and accumulated depreciation: R99 792 resulting in increase in bulk infrastructure, revaluation reserve and retained income.

2014 increases in property, plant and equipment is due to reclassifications from investment property commercial to land and buildings amounting to cost: R10 348 000 and accumulated depreciation: R344 933. Adjustments to bulk infrastructure revaluations amounting to cost: R1 538 851 and accumulated depreciation: R80 819 resulting in increase in bulk infrastructure, revaluation reserve and retained income As well as other small changes made to other assets amounting to R1 144.

Intangible assets

MEGA has water rights for 221.42ha for Tekwane registered with the Manchester Noordwick Irrigation Board (22.82ha) and Crocodile River Irrigation Board (198.6ha) respectively. Management recognised (initial recognition) these water rights as an intangible asset with an indefinite useful life as at 1 April 2014 R20 833 400 resulting in increase in intangible assets and retained income. The remainder of the balance is write off of IT software amounting to cost: R31 774 and accumulated depreciation: R7 857 resulting in a decrease in intangible assets and retained income.

Other financial assets

Management undertook a full review and recalculation of Home, Agricultural and SMME loans during the year which resulted in adjustments as at 31 March 2015 of Home loans: R1 434 285, SMME loans: R80 272 and 1 April 2014 of Home loans: R659 652, Agricultural loans: -R398.96 and SMME loans: R478 601.98. Interest relating to WIP Secunda Ext 23 was reversed in 2014 financial year amountng to R2 215 771. As well there were reclassifications of long term portion of receivables from trade and other receivables to other financial assets amounting to 2015: R240 211 and 2014: R301 048.

Inventories

Inventories reconciliations were performed during the year inventory records to the inventory count performed as at 31 March 2015 resulting in an increase in inventories and retained income of R1 899 049.

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Trade and other receivables

Trade receivables written off during 2014/15 included debtor accounts that were still being repaid. Management took the decision to reverse the write offs on these active debtor accounts resulting in adjustments to trade receivables in 2015: accounts receivables: R3 120 977, and provision for bad debts R3 129 967. Other adjustments to trade and other receivables included adjustments to rental debtors highveld: R744 418, rental debtors lowveld: R302 517, municipal debtors: R23 144, agricultural sundry debtors: R1 559 265. Reclassifications from trade and other receivables to other financial assets of long term portion of receivables amounting to 2015: R240 211.

The decision taken by management to reverse the write offs on active debtor's accounts also resulted in increase in municipal debtors: R237 827 and rental debtors: R17 910 for 2014 period. Reclassifications from trade and other receivables to other financial assets of long term portion of receivables amounting to 2014: R301 048.

Cash and cash equivalents

FNB and Nedbank bank accounts were omitted in MEGA accounting records and consequently omitted from the 2014 annual financial statements. The accounts ommitted include FNB - fixed deposit 71038307825: R72 674, Nedbank - fixed deposit 09137472: R39 551 and Nedbank - fixed deposit 09534822: R92 842 amounting to R205 068.

Other financial liabilities

Prior year reclassifications of short term portion of long tem debt were errorneously calculated resulting in incorrect amounts being reallocated to current liabilities. Short term portion of long term debt (current liabilities) was understated by 2015: R13 661 505 and 2014: R4 513 409 and long term portion of long term debt (non current liabilities) overstated with the same amounts.

Trade and other payables

Management review of trade creditors, LONA and fresh produce market during the year 2015/2016 resulted in 2015 adjustments; decrease in creditors: R4 790 847 and increase in VAT: R876 021, recognition of LONA debit balance: R1 138 351, decrease in fresh produce market debit balance: R2 341 084. Other adjustments to creditors amounted to an increase of 2015: R12 649 and 2014: R1 500.

Unspent conditional grants

Unspent conditional grant adjustment of R548 750 is due to understatement of goverment project dti: R573 226 and overstatement of idc: R24 477.

28. Risk management

Capital risk management

The primary objective of the organisation's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise stakeholder value.

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 organisation manages its capital structure and makes adjustments to it in light of changes in economic conditions and the requirements of the financial covenants.

Consistent with others in the industry, the organisation monitors capital on the basis of the gearing ratio. The organisation monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The organisation's policy is to keep the gearing ratio between 55:45. The organisation includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and cash equivalents.

Notes to the Annual Financial Statements

Figures in Rand

28. Risk management (continued)

	Note	2016	2015	1 April 2014
Interest-bearing loans and borrowings	10.4	39 766 157	56 709 417	72 283 347
Trade and other payables	10.5	65 486 991	78 361 933	116 169 561
Unspent conditional grants	10.6	17 205 613	13 323 060	6 879 739
Employee benefits		10 763 051	16 900 391	16 163 819
Less cash and cash equivalents	10.3	(64 118 948)	(51 309 400)	(67 932 747)
Net debt		**69 102 864**	**113 985 401**	**143 563 719**
Equity		2 075 965 607	1 994 405 005	1 144 397 984
Capital and net debt		**2 145 068 471**	**2 108 390 406**	**1 287 961 703**

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 loans and borrowings. There have been no breaches of the financial covenants of any interest bearing loans and borrowing in the current period.

No changes were made in the objectives, policies or processes for managing capital during the year ended 31 March 2016.

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 entity 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 2016: R64 118 948 (2015: R51 309 400, 1 April 2014: R67 932 747) that are expected to readily generate cash inflows for managing liquidity risk. Due to the dynamic nature of the underlying businesses finance committee maintains flexibilitt in funding by managing availability under committed credit lines.

The entity's objective is to maintain a balance between continuity of funding and flexibility through the use of loans and borrowings. 31% of the entity's debt will mature in less than one year at 31 March 2016 (2015: 31%, 1 April 2014: 30%) based on the carrying value of borrowings reflected in the financial statements. 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 entity's financial liabilities which will be settled on a gross basis into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amount 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.

Notes to the Annual Financial Statements

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28. Risk management (continued)

Contractual maturities of financial liabilities

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Above 5 years
Trade and other payables	61 337 551	-	-	-
Other liabilities	21 981 520	12 968 273	-	4 816 364
Unspent conditional grants	17 205 613	-	-	-

At 31 March 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	56 709 417	-	-	-
Other liabilities	31 126 364	7 798 416	12 968 273	4 816 364
Unspent conditional grants	13 323 060	-	-	-

At 1 April 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	102 963 491	-	-	-
Other liabilities	26 178 538	20 521 756	20 766 689	4 816 364
Unspent conditional grants	6 879 739	-	-	-

Risk from 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 risks 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 lemons and wine prices. MEGA does not anticipate that lemons 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.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise three types of risk: interest rate risk, foreign currency risk and other risk such as commodity price risk and equity price risk. Financial instruments affected by market risk include: loans and borrowings, deposits, financial assets at fair value through profit and loss and available for sale financial assets.

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 organisation's potential exposure to the risk of changes in market interest rates relates primarily to the entity's long-term debt obligations. The organisation'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.

Notes to the Annual Financial Statements

Figures in Rand

28. Risk management (continued)

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 organisation's exposure to the risk of changes in foreign exchange rates relates primarily to lemon export sales of R11 654 519 (2015: R1 265 823). 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.

Commodity price risk

The organisation'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 organisation'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.

At the reporting date, the exposure to unlisted shares at fair value was only limited to R39 449.75 therefore any significant change in the price will have an insignificant impact on MEGA.

The remainder of the balance amounting to R1 240 438.60 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.

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.

Loans and receivables and Trade and other receivables

Customer credit risk is managed by risk control unit subject to the organisation'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 scorecard 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 maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 10. 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

Figures in Rand

28. Risk management (continued)

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

2016

Loans and receivables	Carrying value	Less than one year	Over one year
Housing loans	46 202 256	12 121 499	34 080 766
SMME loans	7 606 018	7 481 134	124 884
Agricultural loans	466 935	247 088	219 847
Equity loans	1 492 399	1 492 399	-
	55 767 608	**21 342 120**	**34 425 497**

Trade receivables	Current	Overdue but not impaired	Overdue and impaired
Municipal debtors	9 320 599	8 231 975	21 685 552
Rental debtors	141 238	3 218 141	53 024 230
	9 461 837	**11 450 116**	**74 709 782**

2015

Loans and receivables	Carrying amount	Less than one year	Over one year
Housing loans	51 661 314	5 016 568	46 644 746
SMME loans	10 211 409	8 326 994	1 884 415
Agricultural loans	572 386	241 488	330 898
Equity loans	1 532 576	1 133 302	399 274
	63 977 685	**14 718 352**	**49 259 333**

Trade receivables	Current	Overdue but not impaired	Overdue and impaired
Municipal debtors	9 493 923	11 330 892	30 127 517
Rental debtors	1 079 299	20 200 245	69 763 929
	10 573 222	**31 531 137**	**99 891 446**

1 April 2014

Loans and receivables	Carrying amount	Less than one year	Over one year
Housing loans	65 576 947	59 749 936	5 827 010
SMME loans	6 776 253	4 885 452	1 890 802
Agricultural loans	907 867	187 558	720 309
Equity loans	1 568 792	1 169 518	399 274
	74 829 859	**65 992 464**	**8 837 395**

Trade receivables	Current	Overdue but not impaired	Overdue and impaired
Municipal debtors	8 351 895	9 119 861	29 350 567
Rental debtors	2 231 355	18 824 293	76 436 141
	10 583 250	**27 944 154**	**105 786 708**

Notes to the Annual Financial Statements

Figures in Rand

28. Risk management (continued)

Movements in the provision for impairment of other financial assets and trade and other receivables that are assessed for impairment collectively are as follows:

Loans and receivables	**2016**	**2015**
At 1 April	96 565 787	196 706 130
Provision for impairment recognised during the year	(55 843 969)	(100 140 343)
As at 31 March	**40 721 818**	**96 565 787**

Trade and other receivables	**2016**	**2015**
At 1 April	116 559 822	127 228 972
Provision for impairment recognised during the year	(13 221 202)	(10 669 150)
As at 31 March	**103 338 620**	**116 559 822**

Amounts recognised in profit or loss

During the year, the following gains/ (losses) were recognised in profit or loss in relation to impaired receivable:

Loans and receivables Impairment	**2016**	**2015**
Individually impaired receivables	64 121 778	115 716 771
Movement in provision for impairment	(55 843 969)	(100 140 343)
	8 277 809	**15 576 428**

Trade and other receivables Impairment	**2016**	**2015**
Individually impaired receivables	58 221 693	43 094 076
Movement in provision for impairment	(13 221 202)	(10 669 150)
	45 000 491	**32 424 926**

Past due but not impaired

During the year, the following trade receiveables were past due but not impaired:

Trade and other receivables	**2016**	**2015**	**1 April 2014**
30 days	-	9 719 489	5 721 025
60 days	-	2 534 639	2 505 598
90 days	-	3 957 180	4 396 415
120 days	-	4 036 522	3 650 665
150 days	-	4 982 356	3 150 571
180 days	-	6 300 952	8 519 880
	-	**31 531 138**	**27 944 154**

28. 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.

28. Events after the reporting period

Management is not aware of any subsequent events that occurred after the reporting period.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

28. Retirement benefit plan

Defined contribution plan

The assets of the plan are held separately from those of MEGA, in funds under the control of trustees.The employees of MEGA are members of a privately managed retirement benefit plan.

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

The total expense recognised in profit or loss of R3 510 389 (2015: R2 854 487) represents contributions paid to these plans by MEGA.

32. Fruitless and wasteful expenditure

	2016	2015
Opening balance	14 934	-
Interest and penalties on overdue accounts	-	14 934
	14 934	**14 934**

33. Irregular expenditure

	2016	2015
Opening balance	194 169 739	77 688 073
Three quotations not obtained for transactions between R10,000 and R500,000 (PN 8 if 2007/2008)	1 800 498	180 142
Payments made to suppliers in excess of the approved contract or quoted amount (TR 8.2)	6 522	3 894 069
Preference point system not applied for procurement of goods and services above R30,000 (PPPF Act Section 2(a))	3 240 380	2 217 095
Prior periods contraventions in awarding tenders carried forward to the current period (including contracts extended on a month-to-month basis)	23 698 350	7 168 826
Awards made to suppliers to whom awards were made did not submit declarations to declare that they are in the service of a state institution PN 7 of 2009/10	8 507 551	4 510 660
Awards were made to suppliers who are listed on the National Treasury's database as persons prohibited from doing business with the public sector in contravention of TR 16A9.1(b).	-	69 905
Limitation of scope due to MEGA unable to provide bid or other documentation to prove that transactions were in compliance with laws and regulations	12 788 882	20 175 963
Payments made to suppliers not listed on the MEGA Database and for which deviations were not obtained	21 370	163 417
Payments made to suppliers whose contracts were extended without valid deviations	8 611 494	6 340 770
Payments made without the required approval per the Delegation of Authority document	-	66 362 482
Non-adherence to CIDB requirements	1 517 197	904 304
Tax clearance certificates were not obtained for transactions greater than R30,000 (PN 8 of 2007/08)	1 713 783	4 494 033
	256 075 766	**194 169 739**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

34. Deviations from Supply Chain Management Regulations

Suppliers not listed in MEGA SCM databese	-	583 822
Sole supplier	689 008	422 193
Single sourcing of quotations due to emergencies	1 057 045	116 452
Other	830 302	995 844
Media coverage	905 155	-
	3 481 510	**2 118 311**

Goods and services amounting to R3 481 510 (2015:R2 118 311) were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) of Government Gazette No. 27636 issued on 30 May 2005. This paragraph states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Detailed Income Statement

Figures in Rand	Note(s)	2016	2015
Revenue			
Lemon and wine sales		13 360 952	4 040 337
Municipal services		117 620 101	104 017 606
Rental income		41 597 478	38 466 329
Interest received (trading)		30 638 246	36 052 555
	14	**203 216 777**	**182 576 827**
Cost of sales	15	**(101 162 570)**	**(74 483 043)**
Gross profit		**102 054 207**	**108 093 784**
Other income			
Administration and management fees received		147 645	189 515
Fees earned		225 767	1 190 397
Commissions received		566 659	296 186
Recoveries		295 769	(4 433)
Dividends received		38 568	185
Interest from other loans		62 520	436
Other income		17 759	5 983 541
Interest received		2 391 829	1 754 694
Government grants		180 530 152	152 353 860
Fair value adjustments	20	46 469 008	753 838 541
Income from equity accounted investments		-	687 950
		230 745 676	**916 290 872**
Expenses (Refer to page 67)		**(259 597 759)**	**(247 415 317)**
Operating profit	17	**73 202 124**	**776 969 339**
Finance costs	21	(2 798 230)	(4 140 318)
Profit for the year		**70 403 894**	**772 829 021**

The supplementary information presented does not form part of the annual financial statements and is unaudited.

Detailed Income Statement

Figures in Rand	Note(s)	2016	2015
Operating expenses			
Advertising		(2 433 214)	(992 861)
Auditors remuneration		(6 783 571)	(5 484 190)
Bad debts		(55 105 391)	(48 001 202)
Bank charges		(210 017)	(201 468)
Cleaning		(223 669)	(348 007)
Commission paid		(2 155)	(6 783)
Computer expenses		(1 508 183)	(1 604 564)
Consulting and professional fees		(13 593 123)	(3 276 250)
Depreciation, amortisation and impairments		(16 223 961)	(12 608 492)
Donations		(92 392)	(11 933)
Employee costs		(100 947 068)	(110 883 692)
Entertainment		(884 082)	(1 173 409)
Grant expenditure		(3 944 191)	(2 315 380)
Farming expenses		(73 697)	(293 168)
Gifts		(12 728)	(176 974)
Insurance		(5 626 389)	(4 594 961)
Lease rentals on operating lease		(7 264 830)	(7 900 795)
Legal expenses		(1 991 399)	(1 426 692)
Levies		(156 572)	(95 181)
Motor vehicle expenses		(65 509)	(167 565)
Municipal expenses		(13 155 844)	(12 304 564)
Other consulting and professional fees		(1 691 778)	(1 471 282)
Other expenses		(3 427 528)	(7 114 933)
Postage		(62 818)	(148 314)
Printing and stationery		(888 295)	(1 256 094)
Loss on the scrapping of assets		(206 326)	(352 780)
Protective clothing		(4 278)	(115 825)
Repairs and maintenance		(5 067 752)	(7 588 230)
Security		(10 228 545)	(8 681 186)
Staff welfare		(751 886)	(516 175)
Subscriptions		(382 973)	(295 872)
Telephone and fax		(2 964 343)	(2 673 755)
Training		(552 648)	(900 567)
Transport and freight		(475 433)	(112 022)
Travel - local		(2 492 725)	(2 189 013)
Travel - overseas		(102 446)	(131 138)
		(259 597 759)	**(247 415 317)**

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