2016/17

THE JOURNEY SO FAR
ANNUAL REPORT

MEGA
MPUMALANGA ECONOMIC GROWTH AGENCY

CONTENTS

PART A

GENERAL INFORMATION

01

PUBLIC ENTITY'S GENERAL INFORMATION

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

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LIST OF ABBREVIATIONS/ACRONYMS

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

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FOREWORD BY THE CHAIRPERSON

INTRODUCTION

The environment into which we entered the 2016/17 financial year was challenging in many respects. The South African economy has, for some years now, been experiencing a protracted period of low economic growth. In March 2017 the economy slid into a technical recession. Business and consumer confidence levels are low, dented in part by the recent credit downgrades and the fluid political environment that obtains at the moment. In the circumstances, corporates have been reluctant to invest and are now reportedly holding cash reserves in excess of R700 billion. Growth in public sector investment in infrastructure, which has been critical for fixed investment in the recent past, is slowing down, largely as a result of sluggish demand. In short, fixed investment, which is critical for stimulating economic growth, is on a downward trend. This trend holds locally and globally. Although there are some signs that world economic growth prospects are improving, translating those prospects into growth in real investment on the ground in South Africa is likely to take a considerable period. These conditions place an even greater burden on MEGA as it executes its mandate as the provincial economic development agency.

OUR CORPORATE STRATEGY

In the year under review we continued with the implementation of our corporate strategy which is aimed at building a capable, credible and resilient institution that makes a meaningful contribution towards the growth and development of the Mpumalanga economy.

Our mandate requires us utilize the resources at our disposal and our PFMA Schedule 3D status (provincial government business enterprise) to mobilise private sector capital and expertise for the development of the Mpumalanga economy.

During the 2016/17 financial year our focus was on the following key actions:

- Completing the organizational re-alignment process that will give MEGA a 'fit-for-purpose' organizational structure, filled with matching skilled resources;
- Strengthening overall financial management and governance in order to optimally utilize resources and manage risk;
- Securing strategic partnerships with the private sector and development finance institutions to fully exploit the economic potential of all our assets and co-invest with us in the execution of our mandate;
- Taking advantage of the expanded infrastructure mandate to increase sources of revenue and reduce dependence on government grants; and
- Providing effective support to the provincial government in the implementation of strategic high impact projects aimed at achieving inclusive economic growth.

THE JOURNEY SO FAR

Some significant progress has been achieved in the execution of our corporate strategy as evidenced by, amongst others, the following:

- the increased levels of funding approved and disbursed to SMMEs, Co-ops and homebuyers (an amount of R45 million was disbursed in 2016/17, which is almost equal to the R50 million that the entity disbursed for the five year period to 31 March 2016);

- we secured R50 million in grant funding from **the dti** for the revitalisation of our largest industrial park (Ekandustria), funding that will contribute towards redevelopment of this park and enhance its sustainability;
- we have partnered with Strategic Development Partners who have presented proposals for the redevelopment of three of our prime retail shopping centres and one major office development (these projects, which are expected to commence implementation in the 2017/18 financial year, will mobilise a minimum of R500 million from the private sector partners);
- the implementation of the organisational re alignment process is at an advanced stage;
- we commenced with the construction phase of the Mpumalanga International Fresh Produce Market; and
- we obtain an improved audit outcome and reduced the qualification matters to only two legacy matters, i.e. our investment properties and our loan book.

SOME KEY CHALLENGES REMAIN

The most pressing challenge that remains is to complete the organisational re alignment process, which will capacitate the entity with the requisite skilled resources to successfully implement our new corporate strategy. The process is on track to be completed during the current financial year. However, while it's still in progress, we will continue to face challenges in the execution of our corporate strategy, increasing our reliance on external consultants in the interim.

One of the critical deliverables in the execution of our corporate strategy is the establishment of a Provincial Infrastructure Fund. The Fund is intended to 'crowd in' private sector capital and expertise in order to accelerate the delivery of infrastructure in the province. The establishment of the Fund has taken longer than expected and we are now focused on the completing all the regulatory requirements necessary to successfully create the Fund.

With respect to the objective to obtain a clean audit outcome, we are encouraged by the fact that we have reduced the qualification matters to only two legacy issues. We will remain vigilant in our efforts to ensure that we do not reverse any of the gains we have made and that we improve the internal control environment overall. We are currently working towards obtaining a permanent solution to the outstanding qualification matters and we have confidence that these will be resolved in the year ahead.

THE YEAR AHEAD

The focus for the year ahead will primarily be on strategy execution based on the follow pillars:

- completing the organisational re alignment process and filling the new organogram with the requisite skilled resources;
- improving the internal control environment overall and obtaining an unqualified audit outcome; and
- utilising our Schedule 3D status optimally to secure external resources for the fulfilment of our mandated objectives.

ACKNOWLEDGEMENTS /APPRECIATION

On behalf of the Board, I wish to extend my sincere appreciation to the Honourable MEC, Mr. Kholwane, for his guidance, support and leadership during the financial year under review.

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

I am also grateful for the support and encouragement we have received from all of our external stakeholders.

Last but not least I would like to thank the management team and staff for their role in driving the entity towards the right direction under very challenging circumstances.

Mr DN Mculu
Mpumalanga Economic Growth Agency

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CHIEF EXECUTIVE OFFICER'S OVERVIEW

TRADING CONDITIONS

Over the past few years, the public sector has played a critical role in driving fixed investment as it rolled out its infrastructure programme. However, the IDC reports that public sector fixed investment in 2016 grew only by a paltry 1.6% (compared to 13.4% in 2015) as a result of "sluggish demand, amongst other factors, contributing to the postponement and cancellation of some investment plans". This downward trend is also confirmed by the 2017 Foreign Direct Investment (fDi) Report which tracks fixed direct investment trends globally. This means that fixed investment, which is critical for stimulating economic growth, is on a downward trend. In this context, we can expect the task of attracting local and foreign investors to be even harder. This calls for a more focused approach to our investment attraction and maintenance activities, based on a clear value proposition and more direct (one on one) engagements with existing and potential investors.

Since Mpumalanga's economic growth is closely correlated to the country's overall growth trajectory, the province is likely to experience low levels of growth in the short-to-medium term (1-3 years). This has serious implications for MEGA's operations since low levels of economic growth put pressure on businesses, including the ones that MEGA has funded, as unemployment increases and consumer expenditure falls. Furthermore, low levels of economic growth increase the risk of higher non-performing loans as our clients' businesses face difficult trading conditions. Such conditions make it even more critical for us to pay close attention to the non-financial post-investment support elements of the funding value chain.

This trend further places constraints on the national fiscus, leading to reduced budget allocations for our operations and our lending / investment activities. We have already experienced the impact of these reductions in our 2017/18 grant funding allocation.

This means that we need to be more creative in working with like-minded, financially strong strategic partners in the private sector and national development finance institutions. During a period of difficult trading conditions, any business is required to work even harder at improving the efficiency of its operations and its utilisation of capital. As MEGA we are required to look more carefully at innovative ways in which we can achieve those objectives.

OPERATIONAL MATTERS

In addition to these trying environmental conditions the organisational also faces some internal constraints to successful strategy execution. Most of these challenges are historical in nature and arise, in large part, from some unresolved legacy issues from the erstwhile entities that combined to form MEGA in 2010. Although some progress has been registered in resolving some of these issues, there remain some intractable ones that require further intervention.

A key area of focus is the building of a "fit-for-purpose" organisation, i.e. an organisation that is capable of meeting the needs of its customers and the aspirations of its stakeholders in a sustainable manner. The implementation of the organisational re alignment process is now at finalisation stage. We expect that by the end of the 2017/18 financial year we will have filled a substantial number of the critical roles that are vacant in the new organisational structure.

. It needs to be emphasized that organizational capability extends beyond the capability of employees. It combines people skills with the organization's processes, systems, culture and structures to deliver the desired the business outcomes. During the financial year under review, challenges were experienced in the development and implementation of an integrated ICT Strategy to support the new corporate strategy as a result of poor conduct by a service provider. The project has now been prioritised for execution in the current financial year.

CHIEF EXECUTIVE OFFICER'S OVERVIEW

SUPPLY CHAIN MANAGEMENT

Despite systems being put in place to ensure adherence to best practice and compliance with relevant prescripts, the entity has experienced some challenges in its supply chain management processes. Although some progress has been made in this respect, there continues to be significant internal control deficiencies. Document retention in particular continues to be an area of concern. The priority is to invest in technology that can improve SCM efficiency and effectiveness considerably. Through ICT innovations such as e procurement, the entity can derive the following benefits:

- Reduce the administrative burden for business;
- Improve consistent reporting of procurement information;
- Source strategically through better and intelligent analysis of procurement data; and
- Efficiently monitor procurement patterns, contracts and prices.

AUDIT REPORT MATTERS

A significant amount of effort has been expended towards resolving the audit qualifications that led to a disclaimer opinion in 2015/16. The following audit qualifications from 2015/16 have been resolved:

- Bulk infrastructure;
- Biological assets;
- Intangible assets (water rights);
- Revenue;
- WIP Impairment (inventory);
- Cash flow statement;
- Commitments.

For the 2016/17 financial year, the MEGA audit outcome has improved from a disclaimer to a qualified audit opinion. There are two areas of qualification that remain, i.e. investment property and other financial assets (loan book).

The primary reason for qualification in these areas is the lack of reliable supporting information to validate the completeness of the investment property register and the balances in the loan book.

Although much progress has been made in the current financial year to resolve these issues, they are still not completely resolved and require further effort. We are confident that they can be resolved in the new financial year.

OUTLOOK

One of the major opportunities that has historically been under exploited by the entity is its Schedule 3D status in terms of the PFMA (provincial government business enterprise).

This status allows MEGA to partner with the private sector and / or raise capital from the financial markets, subject to certain pre-conditions, to complement its internal resources in the execution of its mandate.

MEGA has now embarked on a variety of initiatives to achieve this objective. In order to increase impact and fulfil our mandate, we are actively pursuing strategic partnerships with a variety of investors and funders in order to mobilise the capital and expertise to complement our own resources.

ACKNOWLEDGEMENTS / APPRECIATION

We are grateful to all our stakeholders who have walked this journey with us under very difficult conditions.

I would like to thank the Board of Directors for their guidance and support thus far.

I would also like to thank the management team and staff for their dedication in the execution of our duty.

Mr. Sithole
Mpumalanga Economic Growth Agency

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STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY OF THE ANNUAL REPORT

TO: Mr. SE KHOLWANE, MPL **MEC:** Economic Development and Tourism
DATE: 31 August 2017 **CC:** The Auditor-General

ANNUAL REPORT FOR THE 2016/17 FINANCIAL YEAR END

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

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

Annual Financial statements

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

Performance Information

- The performance information fairly reflects the operations and actual outputs against planned targets for performance indicators as per the strategic and annual performance plan of the public entity for the financial year ended 31 March 2017.
- 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 2017.

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

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

In our opinion, the annual report fairly reflects the operations, the performance information, the Human Resource information and the financial affairs of the entity for the financial year ended 31 March 2017.

Mr. D.N Mculu
Chairperson of the Board

Mr. X.G.S Sithole
Chief Executive Officer

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STRATEGIC OVERVIEW

6.1 Vision

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

6.2 Mission

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

6.3 Core Values

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

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

6.4 Objectives

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

i. To provide funding in respect of property development including the granting of housing loans;
ii. To provide funding in respect of approved enterprise and agricultural development focusing primarily on previously disadvantaged individuals within the Province;
iii. To focus on project management, development, and management of immovable property; and
iv. To promote foreign trade and investment 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

7.1 CONSTITUTIONAL MANDATES

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

7.2 LEGISLATIVE MANDATES

7.2.1 MEGA Act 1 of 2010: Section 3

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

i. Provide funding in respect of property, business, enterprise, and agricultural development with an emphasis on Previously Disadvantaged Individuals (PDIs);
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:

i. Provide funding in respect of property development; approved enterprises; housing loans; and agricultural development; focusing primarily on Previously Disadvantaged Individuals within the Province;
ii. Focus on project management and development; and to manage immovable property; and
iii. Promote foreign trade and investment 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;

7.2.2 Public Finance Management Act No 1 of 1999

MEGA is a public institution listed under PFMA schedule 3D by being a provincial government business enterprise. PFMA Schedule 3D entities are regulated by Sections 47 and 76(4) of the PFMA. In terms of the Act, MEGA has a responsibility to adhere to several regulations that ensure the achievement of its objectives such as, 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.

7.2.3 National Credit Act No 34 of 2005

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

i. Promoting fair and non-discriminatory practices in the granting of loans;
ii. Promoting black economic empowerment and ownership in its funded SMMEs and Co-operatives by applying fair credit and credit-marketing practices;
iii. Promoting responsible credit granting by giving loans only to qualifying individuals;
iv. Providing debt restructuring and debt counselling 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.

7.2.4 Financial Intelligence Centre Act No. 38 of 2001

The Finance Intelligence Centre Act's objective is to establish a Financial Intelligence Centre and an Advisory Council 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.

7.2.5 Housing Act No. 107 of 1997

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

The Mpumalanga provincial government has placed the responsibilities outlined in the Act on MEGA. One of MEGA's strategic outcome oriented goals directly addresses this responsibility as it states that it aims "to increase access to affordable housing".

Programme 5's performance delivery objectives will facilitate the achievement of this goal through its loans management and housing development sub-programmes.

7.2.6 Agriculture Laws Extension Act No. 87 of 1996

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

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

7.2.7 Other Applicable Acts

The above Acts are legislative mandates that place critical responsibilities on the Board, executive and staff of MEGA in terms of how its 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.

7.3 POLICY MANDATES

7.3.1 National Development Plan

The Government-initiated National Development Plan (NDP) aims 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. Its 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 cooperatives.

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).

7.3.2 Medium Term Strategic Framework: Outcomes Delivery Agreement

This Medium Term Strategic Framework (MTSF) is Government's strategic plan for the 2014-2019 electoral term. It reflects the commitments made in the election manifesto of the governing African National Congress 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 identified in the NDP and Government's electoral mandate. There are 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*

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

ii. *Output 2: More labour absorption growth.*

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

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

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

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

(b)

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

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

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

(b)

Outcome 6: An efficient, competitive and responsive economic infrastructure network. conti...

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.*

(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.*

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

Millennium Development Goal (MDG) 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. It is directly linked to outcome 4: decent employment through inclusive growth.

MDG 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.

7.3.4 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 NDP. It is 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.

7.3.5 Spatial Development Initiatives (SDIs)

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

In line with this initiative, MEGA in conjunction with the Department of Trade and Industry (the dti) is involved in the establishment of the Nkomazi Special Economic Zone (SEZ) with a purpose of accelerating industrialisation, metallurgical development and reducing poverty and high unemployment in the province.

7.3.6 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 a strategic plan and policies to enable it to carry out its mandate in line with the MEGDP.

Some of MEGA's key strategic initiatives aimed towards growing a sustainable Mpumalanga economy are outlined below:

7.3.6.1 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 to ensure an increased funding to enterprises and stimulate job creation.

> We take our duty to the citizens of Mpumalanga seriously and always place their needs first in all that we do

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

MEGA is working towards raising 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 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.

7.3.6.3 Strategic Initiative #3: Restructure Equity Investments

This initiative is aimed at corporatising 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 corporatising 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.

7.3.6.4 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 to:

i. Facilitate successful implementation of investment opportunities by working closely with partner investors and injecting own capital where possible;

ii. Develop MEGA's capacity 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; and

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;

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

ii. Establishment of a R10bn Provincial Infrastructure Fund to invest in healthcare, education, and economic infrastructure; and

iii. Building capacity within MEGA to deliver on infrastructure funding mandate.

7.3.6.5 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 displaying 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, manufacturing, and properties).

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).

7.3.6.6 Strategic Initiative #6: Secure Major Investment Projects

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.

7.3.6.7 Strategic Initiative #7: Complete OD Process

This initiative is aimed at developing MEGA's capacity 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 below:

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. Proactively generate compelling investment propositions that are aligned to the province's competitive advantages.	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	Number of formal partnership arrangements with strategic investment partners.

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. A 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.*

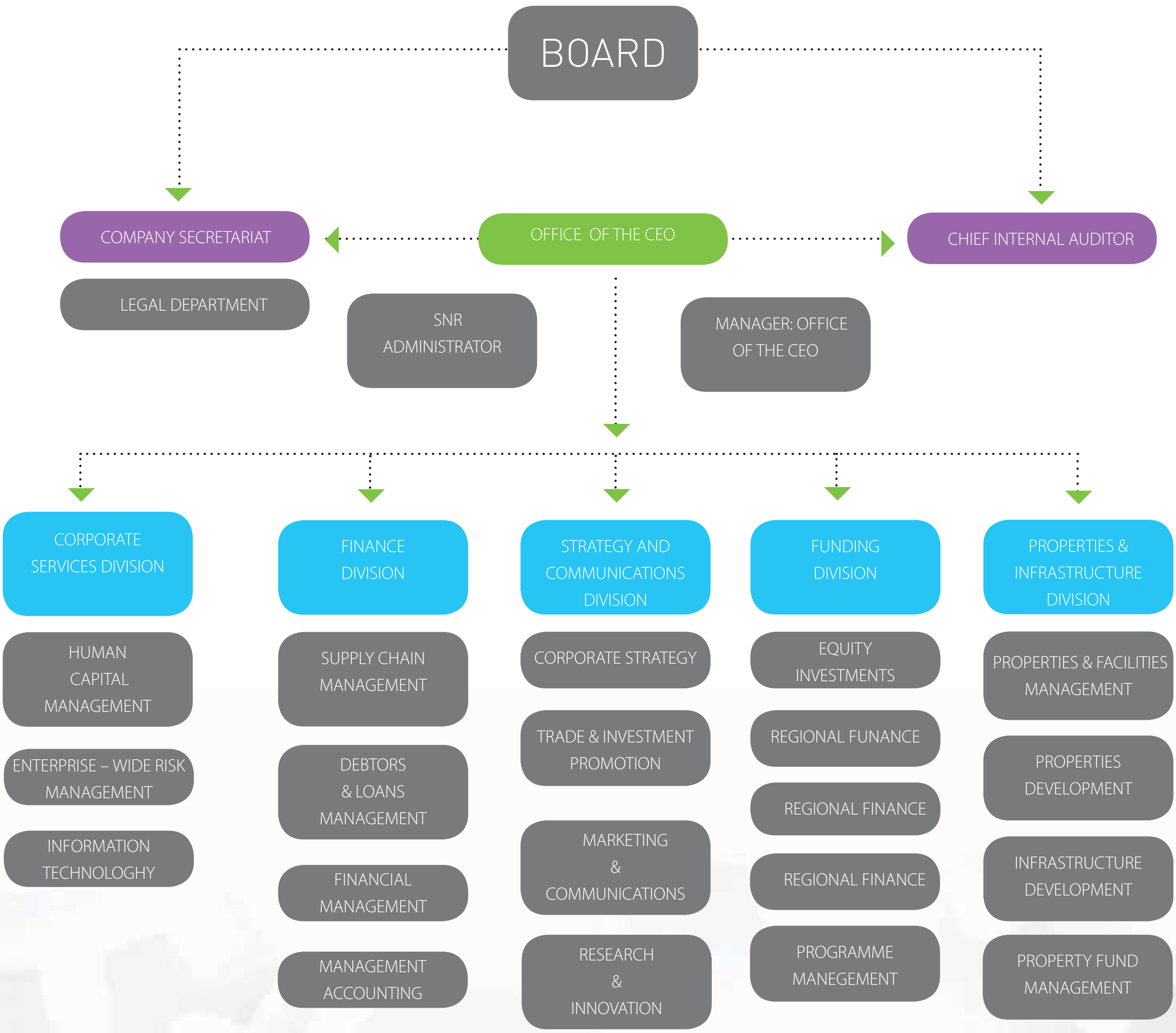
3 *The measure of suitability for strategic partnerships is the extent to which the relationship advances MEGA's overall strategic objectives.*

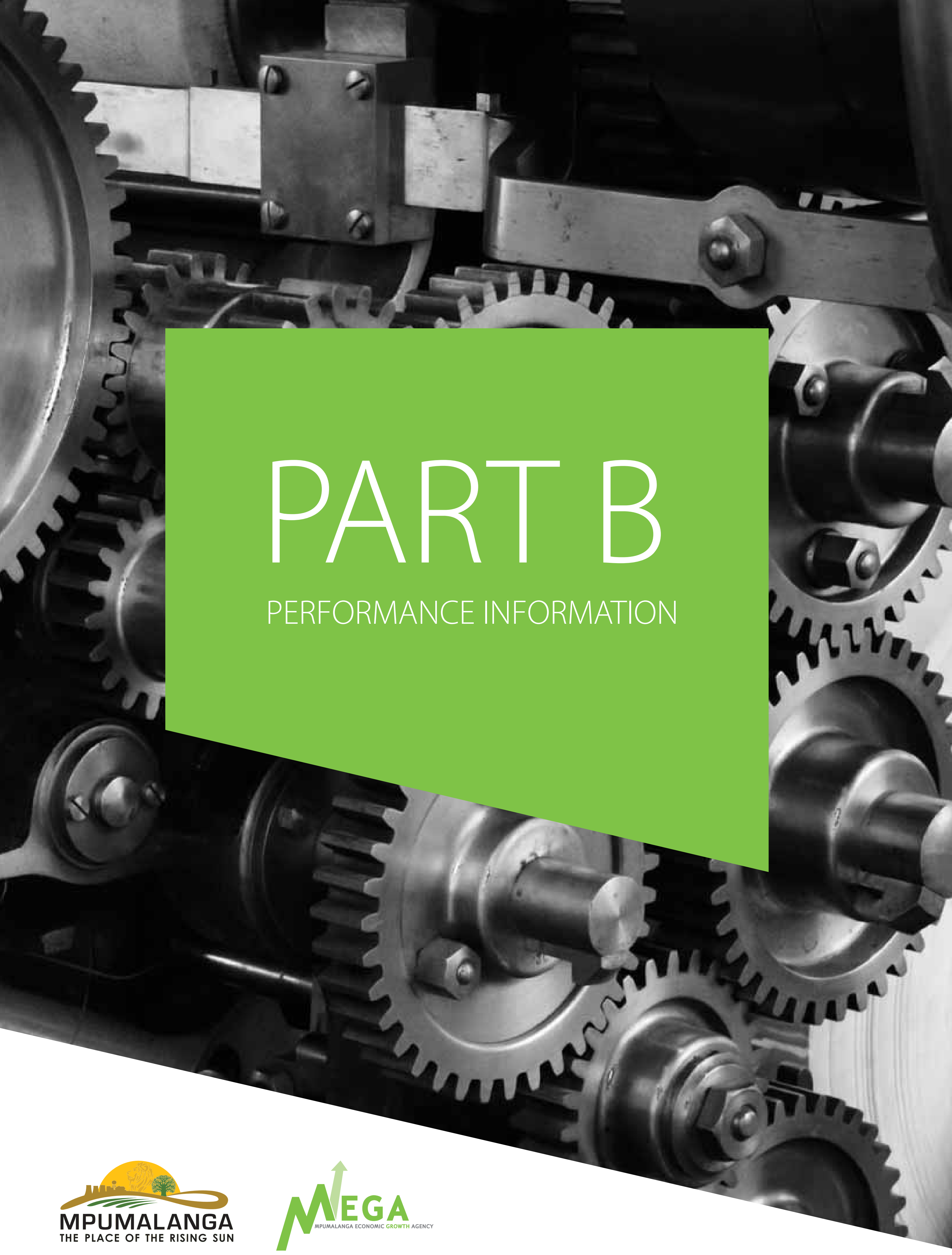
07 LEGISLATIVE AND OTHER MANDATES CONTI...

BROAD OBJECTIVES	STRATEGIC OBJECTIVES	PERFORMANCE INDICATOR
Develop and harness organisation capabilities to successfully execute strategy.	5. Develop MEGA's capacity 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). Value or percentage of implemented / disbursed investment commitments facilitated by MEGA for SMMEs, Co-ops, Agriculture, Housing, Property and Infra-structure (including trade & investment initiatives).
	6. Strengthen internal controls, systems, and processes to ensure effective governance and risk management.	Improvement in audit outcomes; systems and policies developed and implemented.
	7. Build an enabling organisational culture to support the execution of the strategy.	Improvement in results of an annual independent organisational climate survey.
	8. Corporatize MEGA by establishing dedicated companies to house its equity investment portfolio, creating an op-portunity 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 relations 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, sup-ported by detailed financial analysis, to implement strategic choices.

HIGH LEVEL ORGANISATIONAL STRUCTURE

Figure 2: High Level Organisational Structure





PART B

PERFORMANCE INFORMATION

01

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 101 of the Auditors Report, published as Part E: Financial Information.

02

SITUATIONAL ANALYSIS

2.1 Service Delivery Environment

The negative impact of the global economic developments since 2008 and national infrastructure constraints, such as the weak electricity supply, on the performance of the Mpumalanga economy are main contributors to the slow economic growth in the province. In addition, most industries in the province did not contribute appropriately in terms of average annual growth over the past 19 years.

The province needs to focus on speeding up the transition to a knowledge-based and service-orientated economy, adopting the appropriate industry development strategies and attracting investment to build infrastructure and stimulate growth.

Public infrastructure investment can play a leading role and must be equal to 10% of provincial GDP by 2030. The Mpumalanga government considers MEGA a critical institution in the execution of its economic policy and is eager to see the institution stabilise, grow sustainably and deliver on its mandate.

The provincial government, in turn has allocated additional responsibilities to MEGA related to the execution of the Mpumalanga Economic Growth and Development Path (MEGDP) and Vision 2030. In these circumstances, the role of MEGA becomes even more critical. The entity needs to leverage the resources at its disposal to stimulate economic growth in the province, thereby playing a leading role in tackling the triple challenges - unemployment, poverty, and inequality.

2.2 Organisational Environment

MEGA's objective is to build a capable, credible, and resilient development finance institution that uses smart partnerships with the private sector, leverages government ownership and optimises the use of its assets to make meaningful socio-economic impact. To achieve this goal, we need to make steady progress in the following areas:

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

Over the past two financial years, MEGA focused on building a sustainable institution with the requisite capabilities to fulfil its mandate. MEGA now has a clear strategy on how to achieve its objectives. The organisational development process currently being implemented will ensure that MEGA has the right skills in the right roles to execute the task given.
An accelerated implementation of strategic high impact projects will contribute to the stimulation of the provincial economy. The focus is on attracting major investments to Mpumalanga to stimulate economic activity and create jobs.

2.2.1 Performance Dashboard

MEGA has planned 94 annual targets, achieved 49 and failed to achieve 45. This translates to 52% achievement and 48% non-achievement. The reason for underperformance was mainly due to capacity challenges and cash flow constraints.

Figure 3: Consolidated Annual Performance:

CONSOLIDATED ANNUAL PERFORMANCE	PLANNED	ACHIEVED	NOT ACHIEVED	ANNUAL %
Office of the CEO	13	13	0	100%
Corporate Services	21	14	7	67%
Finance	5	1	4	20%
Strategy & Communications	21	10	11	48%
Properties & Infrastructure	13	1	12	8%
Funding	21	10	11	48%
TOTAL	**94**	**49**	**45**	**52%**

Non-achievement of targets was mainly due to the following reasons:

- *Limited resources (financial and human) which affected implementation of certain targets.*
- *Agriculture and related industries (co-operatives) were slowed down by the drought conditions during the financial year, resulting in lower investment in this sector.*
- *Disbursement targets for agriculture and co-operatives lagged owing to fewer applications received than anticipated.*

2.3 Key Policy Developments and Legislative Changes

In the previous financial year, the Department of Economic Development and Tourism (DEDT) embarked on a strategic review of its mandate, functions and operations that resulted in an organisational restructuring. The department's focus is on policy development, providing strategic direction, evaluation, and monitoring of the public entities under its control.

In the new financial year, i.e. 2017/18, execution of department's projects and the programmes 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 to achieve effective execution of DEDT's mandate.

2.4 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:

1

Strategic Goal 1	Goal statement
Proactively generate compelling investment propositions that are aligned to the province's competitive advantages.	The goal aims at selecting suitable investment opportunities which have development impact and financial sustainability

Justification	Links
Obtain suitable investment opportunities through signed investment commitments facilitated by MEGA (including approvals for SMMEs, Co-ops, Agriculture, Housing, Property, and Infrastructure).	Generate and facilitate the implementation of suitable high impact investment opportunities in the province.

2

Strategic Goal 2	Goal statement
Facilitate successful implementation of investment opportunities by working closely with partner investors and injecting own capital where possible.	The goal aims at implementing suitable investment opportunities which have development impact and financial sustainability.

Justification	Links
Implement investment commitments facilitated by MEGA (including disbursements for SMMEs, Co-ops, Agriculture, Housing, Property, and Infrastructure).	Generate and facilitate the implementation of suitable high impact investment opportunities in the province.

2.4 Strategic Outcome Oriented Goals Conti...

3

Strategic Goal	Goal statement
Ensure that each investment opportunity provides the maximum possible development impact.	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	Links
Jobs created and sustained; proportion of financing provided to target groups (women, youth, disabled), value of exports generated, B-BBEE impact .	Generate and facilitate the implementation of suitable high impact investment opportunities in the province.

4

Strategic Goal	Goal statement
Identify and attract suitable investors based on an attractive value proposition and attractive investment opportunities.	Ensure formal partnership arrangements with strategic investment partners.

Justification	Links
Secure funds available for investment by approved investors.	Develop and leverage strategic partnerships.

5

Strategic Goal	Goal statement
Develop MEGA's capacity 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	Develop support value chain activities through MEGA 's value chain framework.

Justification	Links
Capital raised, quality of loan book and equity portfolio, return on investment.	Develop and harness organisation capabilities to successfully execute strategy.

6

Strategic Goal	Goal statement
Strengthen internal controls, systems, and processes to ensure effective governance and risk management.	Provide strategic leadership, ensuring good corporate governance and assurance thereby enabling MEGA to deliver on its mandate.

6

Justification	Links
Develop and align the different areas of the organisation that drive strategy execution.	Strengthening performance and management of public resources in provincial departments, public entities, and municipalities. (PFMA, MFMA & other relevant Legislations).

7

Strategic Goal	Goal statement
Build an enabling organisational culture to support the execution of the strategy.	The goal aims at ensuring development and alignment of the different areas of the organisation that drive strategy execution.

Justification	Links
Improvement in results of an annual independent organizational climate survey.	Develop and harness organisation capabilities to successfully execute strategy.

8

Strategic Goal	Goal statement
Corporatise MEGA by establishing dedicated companies to house its equity investment portfolio, creating an opportunity to attract suitable investment partners in each entity.	Corporatise MEGA by establishing dedicated companies to house its equity investment.

Justification	Links
Established corporate entities with independent governance structures and business plans.	Develop and harness organisation capabilities to successfully execute strategy.

9

Strategic Goal	Goal statement
Develop and implement a funding model for the business that reduces dependence on government grants and ensures long-term financial sustainability.	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	Links
Comprehensive funding model, supported by detailed financial analysis, to implement strategic choices.	Reduce dependence on government grants and ensure long term financial sustainability.

As custodians of public funds, we take special care to ensure that these limited resources are appropriately deployed and preserved

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PERFORMANCE INFORMATION BY PROGRAMME /ACTIVITY/OBJECTIVE

3.1 PROGRAMME 1: OFFICE OF THE CEO

3.1.1 Programme Description:

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

The Programme is comprised of the following sub-programmes:
• Company Secretariat - provides effective administrative, secretarial, and advisory services to the Board to ensure that the its activities are carried out in line with the PFMA requirements and the Code of Good Practice.
• Legal Services - provides legal support by ensuring that MEGA complies with all statutory and legislative requirements thereby enabling it to deliver on its mandate.
• Internal Audit - provides an independent, objective assurance to the Board that the major business risks are being managed appropriately and that the risk management and internal control framework is operating effectively.

3.1.2 Highlights/progress made

• Shareholder's Compact: The Unit facilitated the development and approval of the Shareholder's Compact for 2016/17, which was concluded with the shareholder on 29th April 2016. Reports on the implementation of the Shareholder's Compact were compiled and submitted timeously to the Board for noting.

• Board Charter: The Board Charter approved in 2015/16 was reviewed during the first quarter and found to be still relevant and did not require amendments.

• Board Committees' Terms of Reference (TORs): The Terms of Reference for the Finance & Investment Committee, HR Committee and Loans Committee were reviewed and approved by the Board on 26th April 2016.

The Governance & Ethics Committee's Terms of Reference were reviewed following the reconstitution of the Committee in line with Regulation 43.1 of the Companies Act. The TORs of the new Committee, namely: Governance, Social and Ethics Committee were approved by the Board in October 2016.

• Board Assessments: Board and Board Committees' Assessment tools were developed and approved during the first quarter. The tools assisted the Unit in the facilitation of the assessments to ensure an improved governance practise.

• Historical Debts: All historical debt that has been handed over to Legal has been actioned and positive progress made in terms of collections.

• Title Deeds and Bond Registrations: All the MEGA properties, which were previously registered under the Mbombela Municipality have now been successfully transferred in the name of MEGA. The properties in question are reflected below:

i. Kabokweni Post Office (Erf 1201 Kabokweni - A);
ii. Erf 1389 Kabokweni – A;
iii. Kabokweni Shopping Centre (Erven 1606 - 1631 and Erf 1633 Kabokweni - A);
iv. Kabokweni Small Industrial Park (Erven 1490 - 1493 Kabokweni A.).

Overall, the afore-mentioned properties consist of 64 units. Worth noting, is that the Deeds Registry takes up to two (2) months for delivery of the original security documents after successful registration.

The Legal Unit has managed to secure lost title deeds (VAs) and endorsements for all Housing properties.

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

03 PERFORMANCE INFORMATION BY PROGRAMME / ACTIVITY / OBJECTIVE CONTINUED

3.1.3 SUB PROGRAMME 1.1: COMPANY SECRETARIAT

3.1.3.1 Strategic objectives, planned targets and actual achievements

Strategic Objectives	Baseline/Actual Achievement 2015/2016	Planned Target 2016/17	Actual Achievement 2016/2017	Deviation from planned target to Actual Achievement for 2016/2017	Comment on deviations
Develop Shareholders' Compact with Shareholder and obtain approval.	1 Shareholders' Compact concluded with the Executive Authority by March 2015	1 Shareholder's Compact concluded	1	0	None
	New Performance Indicator	4 reports submitted to the Board on the implementation of the Shareholder's Compact.	4	0	None
Develop Board Charter and obtain Board approval	1 Board Charter developed, reviewed & approved by March 2016	1 approved Board Charter	1	0	None
Review Committees' Terms of Reference and submit for Board approval.	4 Board Committees' Terms of Reference reviewed by March 2015	5 Committees with reviewed and approved Terms of References (TOR's)	5	0	None
Develop Board/ Committees assessment tools.	1 performance assessment for the Board and Board Committees conducted by 31 March 2015	1 Board and Board Committees' Assessment tools approved and Implemented	1	0	None
Coordinate Board Strategy Reviews.	New Performance Indicator	1 Board Strategy Reviews coordinated.	1	0	None

3.1.3.2 Key performance indicators, planned targets and actual achievements

Key Performance indicators	Baseline / Actual Achievement 2015/2016	Planned Target 2016/17	Actual Achievement 2016/2017	Deviation from planned target to Actual Achievement for 2016/2017	Comment on deviations
Number of concluded Shareholder's Compact	1	1	1	0	None
Number of reports submitted to the Board on the implementation of the Shareholder's Compact.	New Performance Indicator	4	4	0	None
Number of approved Board Charters	1	1	1	0	None
Number of Committees with reviewed and approved Terms of References (TOR's)	4	5	5	0	None
Number of Board and Board Committees' Assessment tools approved and Implemented	1	1	1	0	None
Number of Board Strategy Reviews coordinated.	New Performance Indicator	1	1	0	None

3.1.3.3 Strategy to overcome areas of underperformance

None.

3.1.3.4 Changes to planned targets

There were no changes to planned targets during the year.

3.1.3.5 Linking performance with budgets

	2016/2017			2015/2016		
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	2 482	2 393	89	2 716	2 815	(99)
TOTAL	**2 482**	**2 393**	**89**	**2 716**	**2 815**	**(99)**

03 PERFORMANCE INFORMATION BY PROGRAMME / ACTIVITY / OBJECTIVE CONTINUED

3.1.4 SUB PROGRAMME 1.2: LEGAL SERVICES

3.1.4.1 Strategic objectives, planned targets and actual achievements

Strategic Objectives	Baseline / Actual Achievement 2015/2016	Planned Target 2016/17	Actual Achievement 2016/2017	Deviation from planned target to Actual Achievement for 2016/2017	Comment on deviations
Quarterly report on the PFMA Checklist	4 PFMA Compliance Checklists compiled and submitted to Board.	4 PFMA Compliance Checklists compiled and submitted to Board.	4	0	None
Ensure that all MEGA assets are registered and transferred into MEGA's name	40% reduction in unregistered assets based on the current asset register.	100% reduction in unregistered assets based on the current asset register.	100%	0	None
Up-to-date Contracts Registers	New Performance Indicator	4 reviews and updates performed on Contracts Registers	4	0	None
Contracts Vetting	New Performance Indicator	100% of contracts vetted within 10 days of receipt	100%	0	None

3.1.4.2 Key performance indicators, planned targets and actual achievements

Key Performance indicators	Baseline / Actual Achievement 2015/2016	Planned Target 2016/17	Actual Achievement 2016/2017	Deviation from planned target to Actual Achievement for 2016/2017	Comment on deviations
Number of PFMA Compliance Checklists compiled and submitted to Exco	4	4	4	0	None
% reduction in unregistered assets based on the current asset register.	40%	100%	100%	0	None
Frequency of reviews and updates performed on Contracts Registers	New Performance Indicator	4	4	0	None
% of contracts vetted within 10 days of receipt	New Performance Indicator	100%	100%	0	None

3.1.4.3 Strategy to overcome areas of under performance

None.

3.1.4.4 Changes to planned targets

There were no changes to planned targets during the year.

3.1.4.5 Linking performance with budgets

	2016/2017			2015/2016		
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	7 141	5 855	1 286	4 902	2 212	2 690
TOTAL	**7 141**	**5 855**	**1 286**	**4 902**	**2 212**	**2 690**

3.1.5 SUB PROGRAMME 1.3: INTERNAL AUDIT

3.1.5.1 Strategic Objectives, planned targets and actual achievements

Strategic Objectives	Baseline / Actual Achievement 2015/2016	Planned Target 2016/17	Actual Achievement 2016/2017	Deviation from planned target to Actual Achievement for 2016/2017	Comment on deviations
Strategic internal audit plan	3-year risk based strategic internal audit plan developed, reviewed, and approved	3-year risk based strategic internal audit plan developed, reviewed, and approved	1	0	None
Internal audit operational plan	One-year internal audit operational plan approved	One-year internal audit operational plan approved	1	0	None
	New Performance Indicator	4 reports submitted to committees on the implementation of the internal audit operational plan	4	0	None

3.1.5.2 Key performance indicators, planned targets and actual achievements

Key Performance indicators	Baseline / Actual Achievement 2015/2016	Planned Target 2016/17	Actual Achievement 2016/2017	Deviation from planned target to Actual Achievement for 2016/2017	Comment on deviations
Number of 3-year risk based strategic internal audit plan developed, reviewed, and approved	1	1	1	0	None
One-year internal audit operational plan approved	1	1	1	0	None
Number of reports s ubmitted to committees on the implementation of the internal audit operational plan	New Performance Indicator	4	4	0	None

3.1.5.3 Strategy to overcome areas of under performance

None.

3.1.5.4 Changes to planned targets

There were no changes to planned targets during the year.

3.1.3.5 Linking performance with budgets

	2016/2017			2015/2016		
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	3 878	3 118	760	4 053	3 538	515
TOTAL	**3 878**	**3 118**	**760**	**4 053**	**3 538**	**515**

3.2 PROGRAMME 2: CORPORATE SERVICES

3.2.1 Programme Description:

The Programme is comprised of the following sub-programmes:

- Human Resources - Renders a comprehensive integrated human resources development and management service to assist MEGA in achieving its corporate strategic objectives and goals.
- Information Communication Technology - Renders a comprehensive information technology management service to assist MEGA in achieving its corporate strategic objectives and goals.
- Risk Management - Promotes risk awareness while monitoring and overseeing the management of key risks facing the organization in accordance with the Enterprise Risk Management (ERM) Framework.

3.2.2 Highlights / progress made:

- Progress on the OD process

The second phase of the OD project has progressed well although there were delays due to a prolonged engagement between the Union and Management.

The Migration Strategy and Implementation Plan for the placement of all employees below the level of General Manager was developed and approved. The Placement Committee was established and consists of General Managers, two Board members and three employee representatives (as observers) and the OD consultants as technical advisors.

All employees have undergone the Competency assessments, except five employees who did not turn up for the assessment. By 31st March 2017, the Placement Committee was near completion of the placement process and will present its report to the Board on 25th April 2017 for adoption and implementation.

Placement letters will be issued to employees in the ensuing reporting period. The next phase is the management of employees in the pool who could not be placed in accordance with the principles of the migration strategy and plan.

- Benchmarking with Other Public Entities

Benchmarking exercise with the IDC was conducted. The purpose of the exercise was to obtain the IDC's inputs on MEGA's overall organisational structure and re-alignment processes; benchmark on the Competency Framework, role profiles, remuneration framework and HR policies, discuss lessons learnt from the IDC's

- Benchmarking with Other Public Entities continued

Organisational Re-alignment and change management processes; and establish a formal mechanism for exchange of ideas and building a closer working relationship between the two organisations. Open engagements and learning between MEGA and the IDC will continue until a formal Memorandum of Understanding is entered into to allow for greater collaboration on capacity building and exchange of ideas.

- Risk Management

MEGA also participated in the commemoration of the World Aids Day and 16-day of awareness campaign that discourages violence against women and children.

Commemorations were through sharing of information, awareness campaigns on the intranet and displays in the workplace. Several tips on health and financial management were also circulated to employees.

By the end of the reporting period, an organisation-wide process aimed at facilitating the declaration of interests by all employees in the organization was near completion. As many as 89% registered declarations by staff were recorded.

Workshopping of the Business Code of Conduct and Ethics during Policy Roadshows was conducted at all offices apart from the Head Office, where the session had to be postponed to a later date.

The Risk Management Unit facilitated and coordinated the review of the Enterprise-wide Risk Management Policy Universe by the Risk Management Committee at its meeting held on 29 March 2017.

03 PERFORMANCE INFORMATION BY PROGRAMME / ACTIVITY / OBJECTIVE CONTINUED

3.2.3 SUB PROGRAMME 3.1: HUMAN RESOURCES

3.2.3.1 Strategic objectives, planned targets and actual achievements

Strategic Objectives	Baseline / Actual Achievement 2015/2016	Planned Target 2016/17	Actual Achievement 2016/2017	Deviation from planned target to Actual Achievement for 2016/2017	Comment on deviations
Implement Phase 2 of the organisational re-alignment process to make MEGA fit for the execution of its mandate	New Performance Indicator	100% completion of the OD process.	50% completion of the OD process.	50%	Delays in the finalisation of the placement process affected implementation
	New Performance Indicator	100% completion of placement process	86% completion of placement process	14%	Withdrawal of organised labour from the OD process has resulted in the delay of the process being concluded timeously
Implement HR Strategies, including the Employment Equity Act.	1 Organogram reviewed	1 Organogram reviewed	1 Organogram reviewed	0	None
	80% PMS implementation (Top Level)	100% PMS implementation (Top Level)	100% PMS implementation (Top Level)	0	None
	New Performance Indicator	4 HR Steering committee meetings held	9 HR Steering committee meetings held.	-5	More Steering Committee meetings held than planned owing to the need to fast track the implementation of the OD process
	New Performance Indicator	100% progress in implementation of HR Strategy.	86% progress in implementation of HR Strategy	14%	Delays in the finalisation of the placement process affected implementation
Implement targeted recruitment to achieve EE targets	New Performance Indicator	100% compliance to EE targets on gender equality	100% compliance to EE targets on gender equality	0	None
	New Performance Indicator	100% compliance to EE Targets on disability	100% compliance to EE Targets on disability	0	None
	New Performance Indicator	100% compliance to EE targets on youth.	86% compliance to EE targets on youth.	14%	Delays in the finalisation of the placement process affected implementation
Develop Business Code of Ethics	New Performance Indicator	1 Business Code of Ethics developed	1 Business Code of Ethics developed	0	None
Embark on team building exercise to boost employee morale.	New Performance Indicator	1 divisional Team Building exercise undertaken.	1 divisional Team Building exercise undertaken.	0	None

4 *The placement process is near completion and the placement committee will present its report to the Board in the first quarter of the 2017/18 financial year for adoption and implementation.*

5 *Since General Managers (Top Structure) were the only positions filled in terms of the new structure, EE targets on gender equality was calculated based on the Top structure. The EE target for the Top Structure was to have one (1) female General Manager. This was achieved, hence the achievement of 100%.*

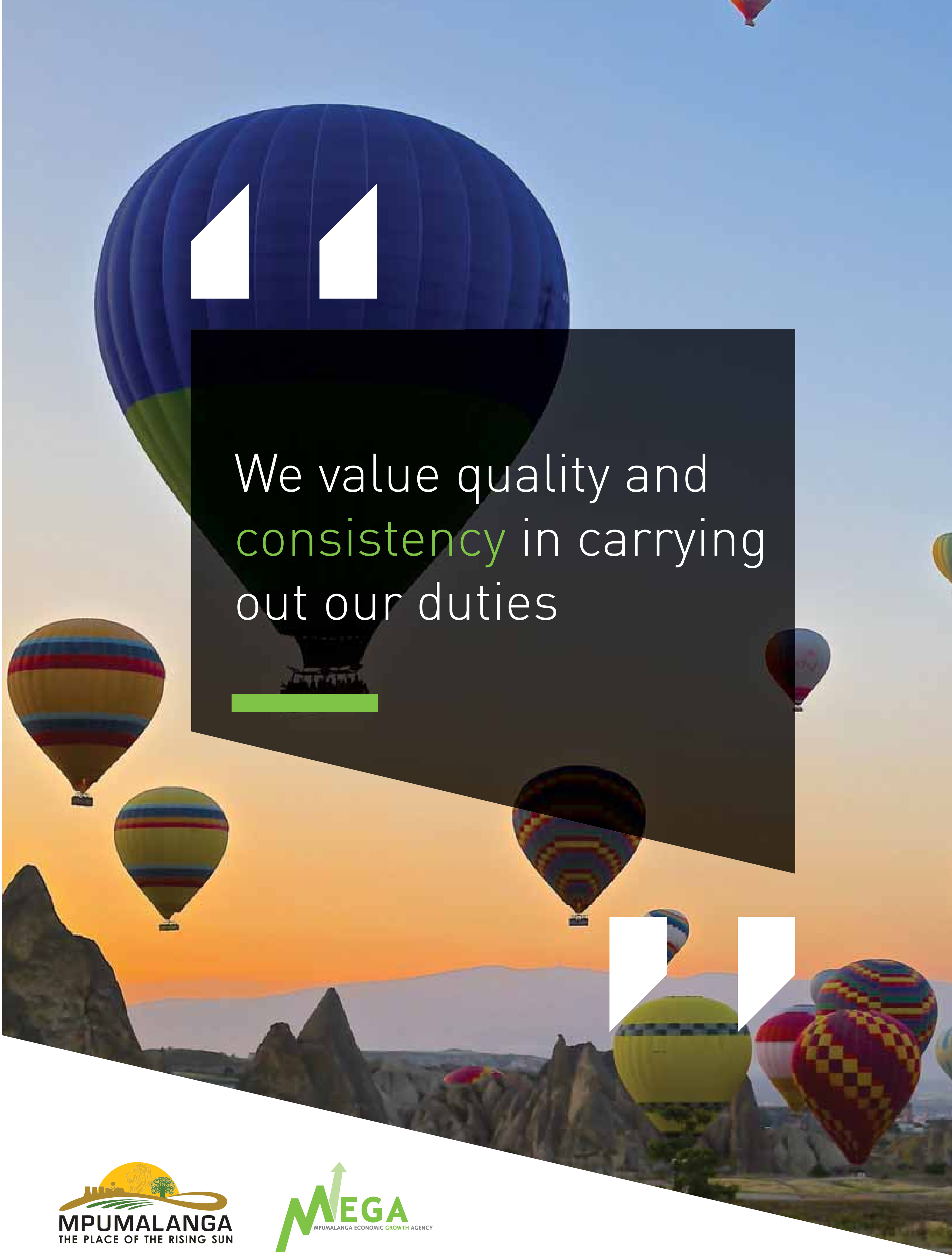
6 *The target on employee with disability as per the EE Plan was 1. This target was achieved, hence the achievement of 100%.*

7 *The target on youth was 15% of the total number of employees (185), which is equal to 28 employees. MEGA only has 21 employees falling within the youth category, which represents 11% of the total employees. This translates to 86% achievement (i.e. 21/28 x 100).*

3.2.3.2 Key performance indicators, planned targets and actual achievements

Key Performance indicators	Baseline / Actual Achievement 2015/2016	Planned Target 2016/17	Actual Achievement 2016/2017	Deviation from planned target to Actual Achievement for 2016/2017	Comment on deviations
% completion of the OD process.	New Performance Indicator	100%	50%	50%	Delays in the finalisation of the placement process affected implementation
% completion of place-ment process	New Performance Indicator	100%	86%	14%	Withdrawal of organised labour from the OD process has resulted in the delay of the process being concluded timeously
Number of Organogram reviewed	1	1	1	0	None
% PMS implementation (Top Level)	80%	100%	100%	0	None
Number of HR Steering committee meetings held.	New Performance Indicator	4	9	-5	More Steering Committee meetings held than planned owing to the need to fast track the implementation of the OD process
% progress in implementation of HR Strategy.	New Performance Indicator	100%	86%	14%	Delays in the finalisation of the placement process affected implementation
% compliance to EE targets on gender equality	New Performance Indicator	100%	100%	0	None
% compliance to EE Targets on disability	New Performance Indicator	100%	100%	0	None
% compliance to EE targets on youth.	New Performance Indicator	100%	86%	14%	Delays in the finalisation of the placement process affected implementation
Number of Business Code of Ethics developed	New Performance Indicator	1	1	0	None
Number of divisional Team Building exercise undertaken.	New Performance Indicator	1	1	0	None

8 *Although placement of staff is not yet complete, the process is at 86% since the placement committee has completed its work and will present its report to the Board on the 25th April 2017 for adoption and implementation.*



> We value quality and consistency in carrying out our duties

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3.2.3.3 Strategy to overcome areas of under performance

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i. Completion of the OD process

Management has subsequently managed to accelerate the process and will be presenting a placement and close-out report to the Board by 25 April 2017 with a view to move towards the finalisation of the OD process and acceleration of the change management process.

ii. Completion of the placement process

Management has subsequently managed to accelerate the process and will be presenting a placement and close-out report to the Board by 25 April 2017 with a view to move towards the finalisation of the OD process and acceleration of the change management process.

iii. Implementation of the HR strategy

Management has subsequently managed to accelerate the process and will be presenting a placement and close-out report to the Board by 25 April 2017 with a view to move towards the finalisation of the OD process and acceleration of the change management process.

iv. Implementation of employment equity targets for youth

Management has subsequently managed to accelerate the process and will be presenting a placement and close-out report to the Board by 25 April 2017 with a view to move towards the finalisation of the OD process and acceleration of the change management process.

3.2.3.4 Changes to planned targets

There were no changes to planned targets during the year.

3.2.3.5 Linking performance with budgets

	2016/2017			2015/2016		
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	3 878	3 118	760	5 810	4 664	1 146
TOTAL	**3 878**	**3 118**	**760**	**5 810**	**4 664**	**1 146**

3.2.4 SUB PROGRAMME 3.2: INFORMATION COMMUNICATION TECHNOLOGY

3.2.4.1 Strategic objectives, planned targets and actual achievements

Strategic Objectives	Baseline / Actual Achievement 2015/2016	Planned Target 2016/17	Actual Achievement 2016/2017	Deviation from planned target to Actual Achievement for 2016/2017	Comment on deviations
Development of Policies and Strategies	New Performance Indicator	1 IT Strategy developed and approved by the Board by June 2016	0	1	Limited capacity within the Unit
Establishment of relevant structures.to monitor compliance	New Performance Indicator	1 IT Steering Committee with Terms of Reference established	1 IT Steering Committee with Terms of Reference established	0	None
	New Performance Indicator	4 IT steering committee meetings held	1 IT steering committee meetings held.	3	Process of appointing an independent Chairperson took longer than expected resulting in fewer meetings being held
	New Performance Indicator	100% IT Strategy implemented	0%	100%	Lack of IT strategy due to limited capacity within the Unit
	New Performance Indicator	100% IT Maturity assess-ment conducted	0%	100%	Limited capacity within the Unit

3.2.4.2 Key performance indicators, planned targets and actual achievements

Key Performance indicators	Baseline / Actual Achievement 2015/2016	Planned Target 2016/17	Actual Achievement 2016/2017	Deviation from planned target to Actual Achievement for 2016/2017	Comment on deviations
Number of IT Strategy de-veloped and approved by the Board by June 2016	New Performance Indicator	1	0	1	Limited capacity within the Unit
Established IT Steering Committee with Terms of Reference	New Performance Indicator	1	1	0	None
Number of IT steering committee meetings held.	New Performance Indicator	4	1	3	Process of appointing an independent Chairperson took longer than expected resulting in fewer meetings being held
% implementation of IT Strategy.	New Performance Indicator	100%	0%	100%	Process of appointing an independent Chairperson took longer than expected resulting in fewer meetings being held
Conduct IT Maturity assessment	New Performance Indicator	100%	0%	100%	Limited capacity within the Unit

03 PERFORMANCE INFORMATION BY PROGRAMME / ACTIVITY / OBJECTIVE CONTINUED

3.2.4.3 Strategy to overcome areas of under performance

i. IT strategy development

External resource was engaged to assist with the drafting of the strategy.

ii. IT steering committee meetings

An independent Chairperson was appointed and the Committee established.

iii. IT strategy implementation

The Strategy to be implemented after approval.

iv. IT maturity assessment

External resource was engaged to assist with IT maturity assessment.

3.2.4.4 Changes to planned targets

There were no changes to planned targets.

3.2.4.5 Linking performance with budgets

	2016/2017			2015/2016		
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	8 457	8 430	27	1 025	1 053	(28)
TOTAL	**8 457**	**8 430**	**27**	**1 025**	**1 053**	**(28)**

3.2.5 SUB PROGRAMME 3.3: RISK MANAGEMENT

3.2.5.1 SUB PROGRAMME 3.3: RISK MANAGEMENT

Strategic Objectives	Baseline / Actual Achievement 2015/2016	Planned Target 2016/17	Actual Achievement 2016/2017	Deviation from planned target to Actual Achievement for 2016/2017	Comment on deviations
Approved Enterprise Risk Management Frameworks	New Performance Indicator	Enterprise Risk Management Frameworks and Policies developed and approved by the Board	Enterprise Risk Management Frameworks and Policies developed and approved by the Board.	0	None
Establish Risk Committees	New Performance Indicator	Risk Committee with an Independent Chairperson appointed	Risk Committee with an Independent Chairperson appointed	0	None
Submit risk management reports to the Committee	0	4 risk management reports submitted to the committees	4 risk management reports submitted to the committees	0	None
Conduct Risk Assessments	1 Risk Registers produced	1 Risk Registers produced	1 Risk Registers produced	0	None
Conduct Fraud Prevention Awareness campaigns	0	1 Conduct Fraud Prevention Awareness campaigns	1 Fraud Prevention Awareness campaigns conducted	0	None

3.2.5.2 Key performance indicators, planned targets and actual achievements

Key Performance indicators	Baseline / Actual Achievement 2015/2016	Planned Target 2016/17	Actual Achievement 2016/2017	Deviation from planned target to Actual Achievement for 2016/2017	Comment on deviations
Number of Enterprise Risk Management Frameworks and Policies developed and approved by the Board.	New Performance Indicator	1	1	0	None
Number of Risk Committees with an Independent Chairperson appointed	New Performance Indicator	1	1	0	None
Number of risk management reports submitted to the committees	0	4	4	0	None
Number of Risk Registers produced	1	1	1	0	None
Number of Fraud Prevention Awareness campaigns conducted	0	1	1	0	None

03 PERFORMANCE INFORMATION BY PROGRAMME / ACTIVITY / OBJECTIVE CONTINUED

3.2.5.3 Strategy to overcome areas of under performance

None.

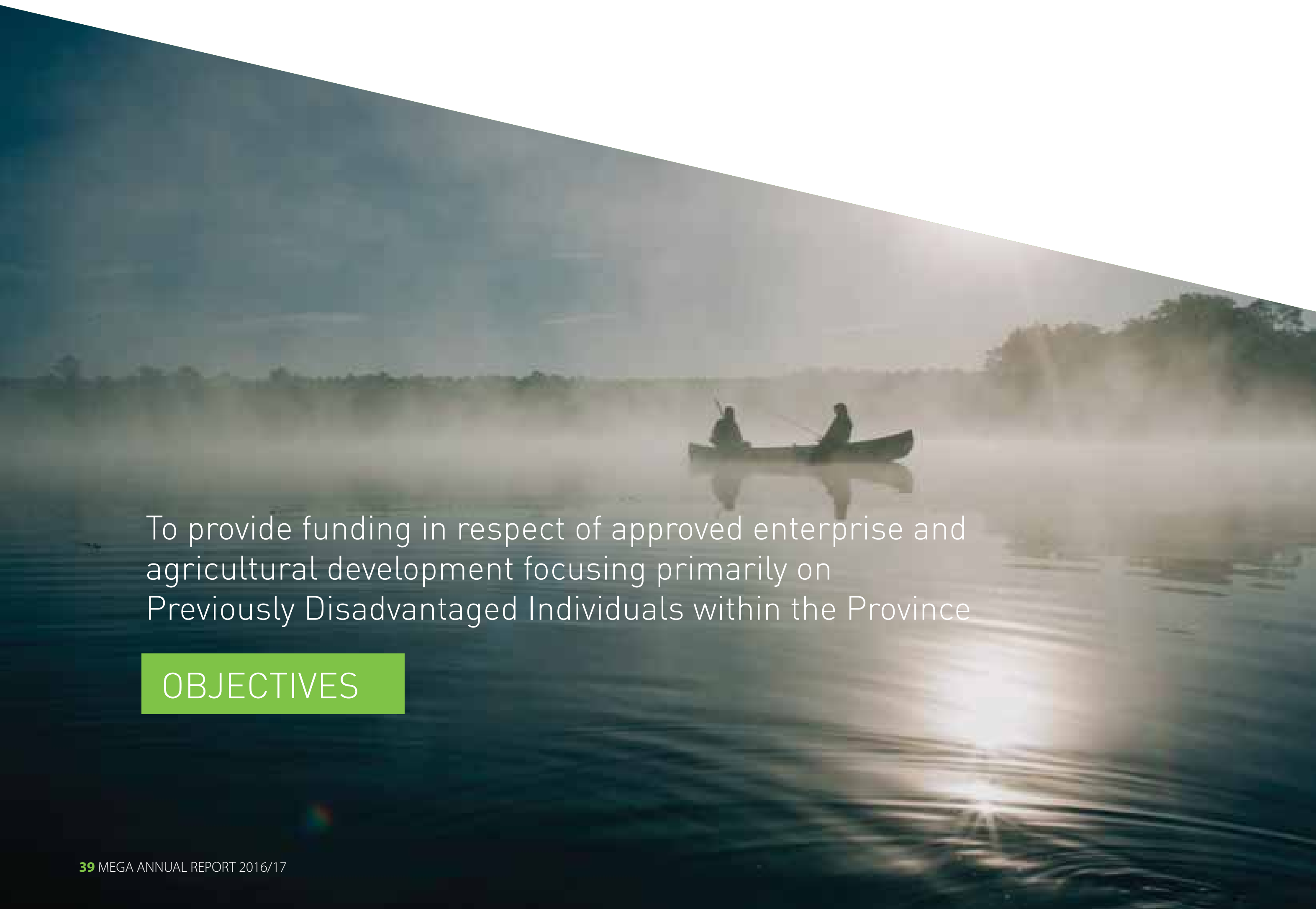
3.2.5.4 Changes to planned targets

There were no changes to planned targets during the year.

3.2.5.5 Linking performance with budgets

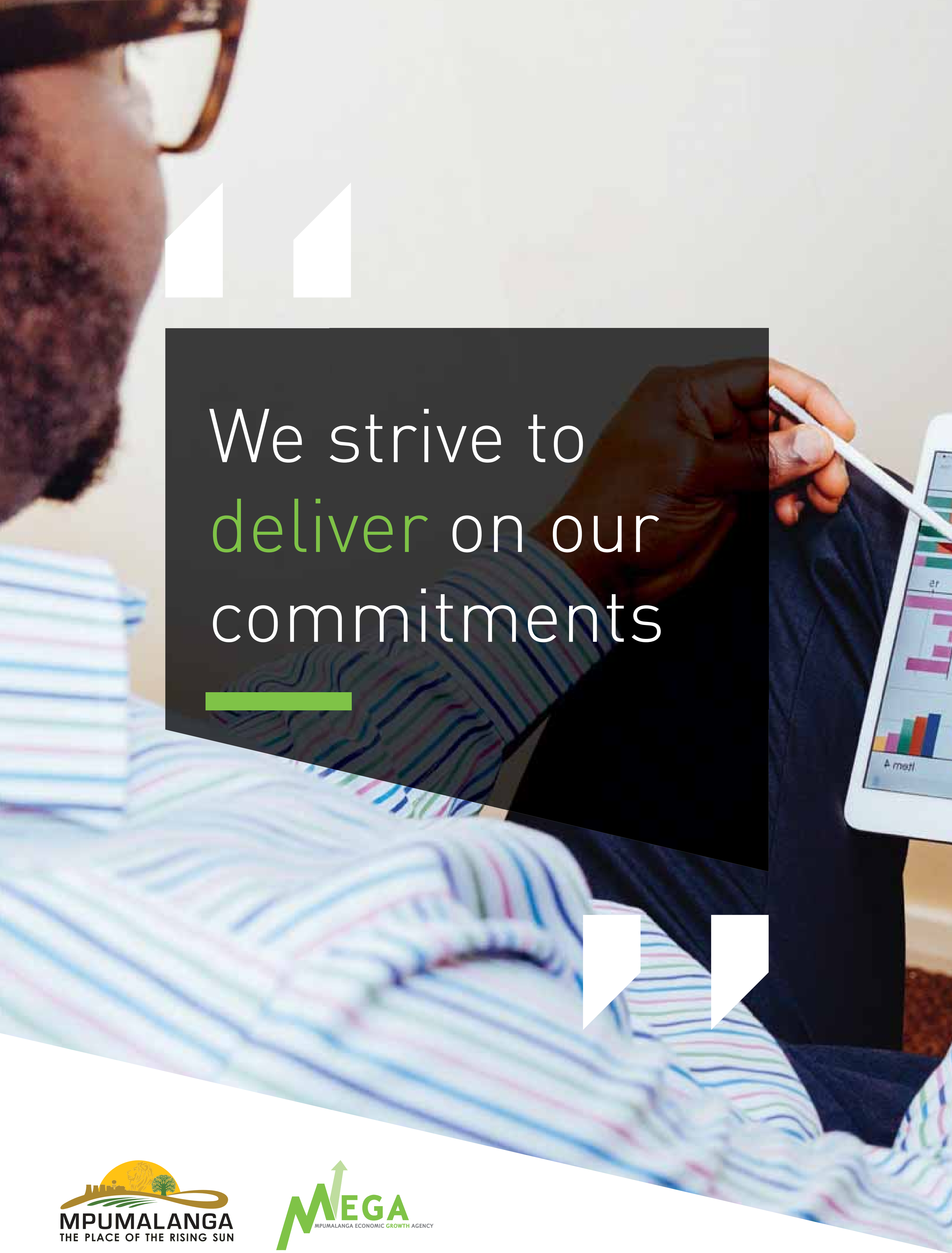
	2016/2017			2015/2016		
Sub- Programme Name	Budget (R'000)	Actual Expenditure (R'000)	(Over)/Under Expenditure (R'000)	Budget (R'000)	2015/2016 Actual Expenditure (R'000)	Expenditure (R'000)
Risk Management	225	121	104	44	0 [9]	0
TOTAL	**225**	**121**	**104**	**44**	**0**	**0**

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



To provide funding in respect of approved enterprise and agricultural development focusing primarily on Previously Disadvantaged Individuals within the Province

OBJECTIVES



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3.3 PROGRAMME 3: FINANCE

3.3.1 PROGRAMME 3: FINANCE

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

3.3.2 Highlights / progress made

The division recorded the following milestones regarding its roles and responsibilities, in line with its approved plans:

- Reviewed and obtained approval on the SCM policy and the Delegation of Authority document.
- Validation of the SMME loan book balances, processing of the adjustments processed in line with recommendations by the Auditor-General.
- Secured the services of a valuator to determine fair valuation for biological assets and investment properties.
- Managed the process of implementing the Audit Remedial Action Plan to ensure that audit findings are resolved and monitored to avoid future occurrence.
- Achieved 60:40 ratio on own revenue against grant funding.
- Executed the following activities as part of the development of the Funding Model: Review of the chart of accounts, review of the management account structure and determination of the variables to be considered in the development of the Model.

3.3.3 Strategic objectives, planned targets and actual achievement

Strategic Objectives	Baseline / Actual Achievement 2015/2016	Planned Target 2016/17	Actual Achievement 2016/2017	Deviation from planned target to Actual Achievement for 2016/2017	Comment on deviations
Develop and implement a 5-year sustainable funding model to increase revenue	New Performance Indicator	Funding model reviewed and updated	0	1	Delays in the finalization of the Model due to limited resources
	55:45 ratio of own revenue v/s grant funding	55:45 ratio of own revenue v/s grant funding	60:40 ratio of own revenue v/s grant funding	5%	Own revenue included bulk services purchases which were not yet invoiced by the supplier at the end of the financial year. Accrual of R16m to be raised
	New Performance Indicator	5% increase in collection	0%	5%	Decrease in collections mainly due to tenants placed under business rescue and/ or evacuated from the MEGA premises
Strengthen internal controls, systems, and processes to ensure a bsolute integrity on financial and accounting systems	Accounting policies as per AFS 2015 amended and approved.	3 Policies and Standard Operating Procedures approved (i) The SCM Policy (ii) Delegation of Authority document (iii) Investment Policy	2 Policies approved (i) The SCM Policy (ii) Delegation of Authority document	1	Investment Policy still to be developed in combination with the Funding Model. The process of finalizing the Model took longer than expected
	New Performance Indicator	4 processes/actions undertaken to ensure an improved audit outcome: (i) Confirm accuracy (ii) Appoint valuator and obtain fair valuation (iii) Obtain audit sign off (iv) Implement Audit Remedial Action Plan	1 process/action undertaken to ensure an improved audit outcome: (i) Implement Audit Remedial Action Plan	3	There are still several audit findings to be addressed including findings of a histori-cal nature, such as ownership and completeness of assets, validity and accuracy of loan and debtor balances, etc.

3.3.4 Key performance indicators, planned targets and actual achievements

Key Performance indicators	Baseline / Actual Achievement 2015/2016	Planned Target 2016/17	Actual Achievement 2016/2017	Deviation from planned target to Actual Achievement for 2016/2017	Comment on deviations
Approved comprehensive funding model, supported by detailed financial analysis	New Performance Indicator	1	0	1	Delays in the finalization of the Model due to limited resources
Ratio of own revenue v/s grant funding	55:45	55:45	60:40	5%	Own revenue included bulk services purchases which were not yet invoiced by the supplier at the end of the financial year. Accrual of R16m to be raised
% increase in collection by 5%	New Performance Indicator	5%	0%	5%	Decrease in collections mainly due to tenants placed under business rescue and/ or evacuated from the MEGA premises.
Number of Policies and Standard Operating Procedures approved	1	3	2	1	Investment Policy still to be developed in combination with the Funding Model. The process of finalizing the Model took longer than expected
Number of processes/ actions undertaken to ensure an improved audit outcome	New Performance Indicator	4	1	3	There are still several audit findings to be addressed including findings of a historical nature, such as ownership and completeness of assets, validity and accuracy of loan and debtor balances, etc.

3.3.5 Strategy to overcome areas of under performance

i. Approved comprehensive funding model, supported by detailed financial analysis

The following activities are being executed as part of the development of the funding model: review of the chart of accounts, review of the management account structure, determination of the variables to consider in the development of the funding model, approved Annual budget for 2017/18 as baseline of the model. MEGA is currently finalising the variable inputs needed to consider the different funding model options, such as the optimal capital structure (debt: equity ratio), adequate free cash flow levels, etc.

ii. Increase in collection

- Evacuation of non-paying clients.
- The top 30 accounts are being prioritised to resolve historical queries and regularise client payments.
- All debtors with outstanding balances of 90 days and more have been handed over to the Legal Department for collection.

iii. Policies and standard operating procedures

The process of developing an Investment Policy has been combined with that of the Funding Model.

iv. Processes/actions undertaken to ensure an improved audit outcome

Responsibility for the respective interventions has been assigned to Exco members to ensure appropriate actions are implemented in a timely manner to facilitate an improved audit outcome.

3.3.6 Changes to planned targets

There were no changes to planned targets during the year.

3.3.7 Linking performance with budgets

	2016/2017			2015/2016		
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	47 090	46 058	1 032	54 452	53 209	1 243
TOTAL	**47 090**	**46 058**	**1 032**	**54 452**	**53 209**	**1 243**

03 PERFORMANCE INFORMATION BY PROGRAMME / ACTIVITY / OBJECTIVE CONTINUED

3.4 PROGRAMME 4: STRATEGY AND COMMUNICATIONS

3.4.1 Programme Description:

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

- Strategy and Planning - Ensuring that the corporate strategy is reflected in the corporate plan and in divisional plans, which guide resource allocation and key decisions aimed at ensuring that the entity is achieving its purpose of fostering the sustainable growth and development of the Mpumalanga economy.
- Marketing and Communications - Coordinates communications efforts incorporating public and media relations, web design, graphic art, social media, publication development, and print and online content to deliver economic development information and corporate news in a timely manner.
- Trade and Investment Promotion - Promotes the Province as an Investment Destination and Foreign Trade and Logistics Hub, within various sectors and numerous industries.

3.4.2 Highlights / progress made:

- Strategy and Planning:
  The Strategy and Planning Unit achieved the following milestones against its planned targets:

i. The Unit provided coordination support on content documents for the Board Strategy Planning Session.

ii. Coordinated the Management Strategy Planning Session and Divisional Strategic Sessions. The session resulted in the development of the Corporate Plan which was ultimately submitted to the Executive Authority at the end of February 2017.

iii. The Annual Report for 2015/16 financial year was produced in line with the Treasury's Framework and submitted to all relevant stakeholders within prescribed deadlines.

iv. The Quarter Performance Reports highlighting achievements and non-achievements on set targets was developed and submitted to the Executive Authority and Treasury within prescribed deadlines.

v. Monitoring and Evaluation function was performed in July 2016 and a report containing results of the evaluation on first Quarter Performance Report was presented to ExCo.

- Marketing and Communications:
  The Unit achieved the following milestones against its planned targets:

i. Media activations were conducted through the local radio stations (Rise FM) in Mbombela (Lehawu), Middelburg, Nkomazi, and Bushbuckridge as part of MEGA's marketing campaign.

ii. "Meet and Greet" sessions with MEGA's tenants were conducted at Ekandustria, KaBokweni Industrial Park, Elukwatini Small Industrial Park and Shopping Complex, Mpuluzi Small Industrial Park and Shopping Complex and Nkomazi Shopping Complexes.

iii. Secured the appointment of the service provider for the marketing and communication services.

- Trade and Investment Promotion:
  The Unit achieved the following milestones against its planned targets:

i. Investor Conference: The service provider to manage the event was appointed and an in-house project team was established to supervise the work of the external service provider in implementing the project. The event shall take place in the 2017/18 financial year.

ii. Investment Promotion: The Unit facilitated investments valued at R606-million.

iii. The Unit ensured access to export opportunities for Mpumalanga export companies through the facilitation of foreign trade exhibitions/missions, local trade exhibitions/missions, foreign trade counselling and support to exporters, NEDP export training workshops, and EMIA / SSAS application facilitation.

3.4.2.1 Strategic objectives, planned targets and actual achievements

Strategic Objectives	Baseline / Actual Achievement 2015/2016	Planned Target 2016/17	Actual Achievement 2016/2017	Deviation from planned target to Actual Achievement for 2016/2017	Comment on deviations
High quality Legislative reports on implementation of strategic priorities and directives compiled and submitted to the Executive Authority and Treasury	1 strategic plan produced in line with Treasury's Framework and submitted to the Executive Authority and Treasury within prescribed deadlines	1 Strategic Plan produced in line with Treasury's Framework and submitted to the Executive Authority and Treasury within pre-scribed deadlines	1	0	None
	1 corporate plan produced in line with Treasury's Framework and submitted to the Executive Authority and Treasury within prescribed deadlines	1 Corporate Plan produced in line with Treasury's Framework and submitted to the Executive Authority and Treasury within pre-scribed deadlines	1	0	None
	1 annual report produced in line with Treasury's Framework and submitted to the Executive Authority, AG and Treasury, within prescribed deadlines	1 Annual Report produced in line with Treasury's Framework and submitted to the Executive Authority, AG and Treasury, within prescribed deadlines	1	0	None
	4 quarterly reports produced in line with Treasury's Framework and submitted to the Executive Author-ity within prescribed deadlines	4 Quarterly Reports produced in line with Treasury's Framework and submitted to the Ex-ecutive Authority within prescribed deadlines	4	0	None
Undertake independ-ent and systematic evaluations of the entity's performance, strategies, policies, programmes, activities, delivery support functions and systems.	Undertake independent and systematic evaluations of the entity's performance, strategies, policies, programmes, activities, delivery support functions and systems.	4 reports submitted to Exco on performance monitoring and evaluation with recommendations thereof	2	2	Inadequate capacity within the Unit
Promote culture of high performance by setting quality standards for the implementation of the entity's corporate targets	New Performance Indicator	6 mapped business processes/ Standard Operating Procedures developed	0	6	All bids received for this tender were non-responsive

3.4.2.2 Key performance indicators, planned targets and actual achievements

Key Performance indicators	Baseline / Actual Achievement 2015/2016	Planned Target 2016/17	Actual Achievement 2016/2017	Deviation from planned target to Actual Achievement for 2016/2017	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	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	1	1	0	None
Number of Annual Reports produced in line with Treasury's Framework and submitted to the Executive Authority, AG and Treasury, within prescribed deadlines	1	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	4	4	0	None
Number of reports submitted to Exco on performance monitoring and evaluation with recommendations thereof	1	4	2	2	Inadequate capacity within the Unit
Number of mapped business processes/ Standard Operating Procedures developed	New Performance Indicator	6	0	6	All bids received for this tender were non-responsive

03 PERFORMANCE INFORMATION BY PROGRAMME / ACTIVITY / OBJECTIVE CONTINUED

3.4.2.3 Strategy to overcome areas of under performance

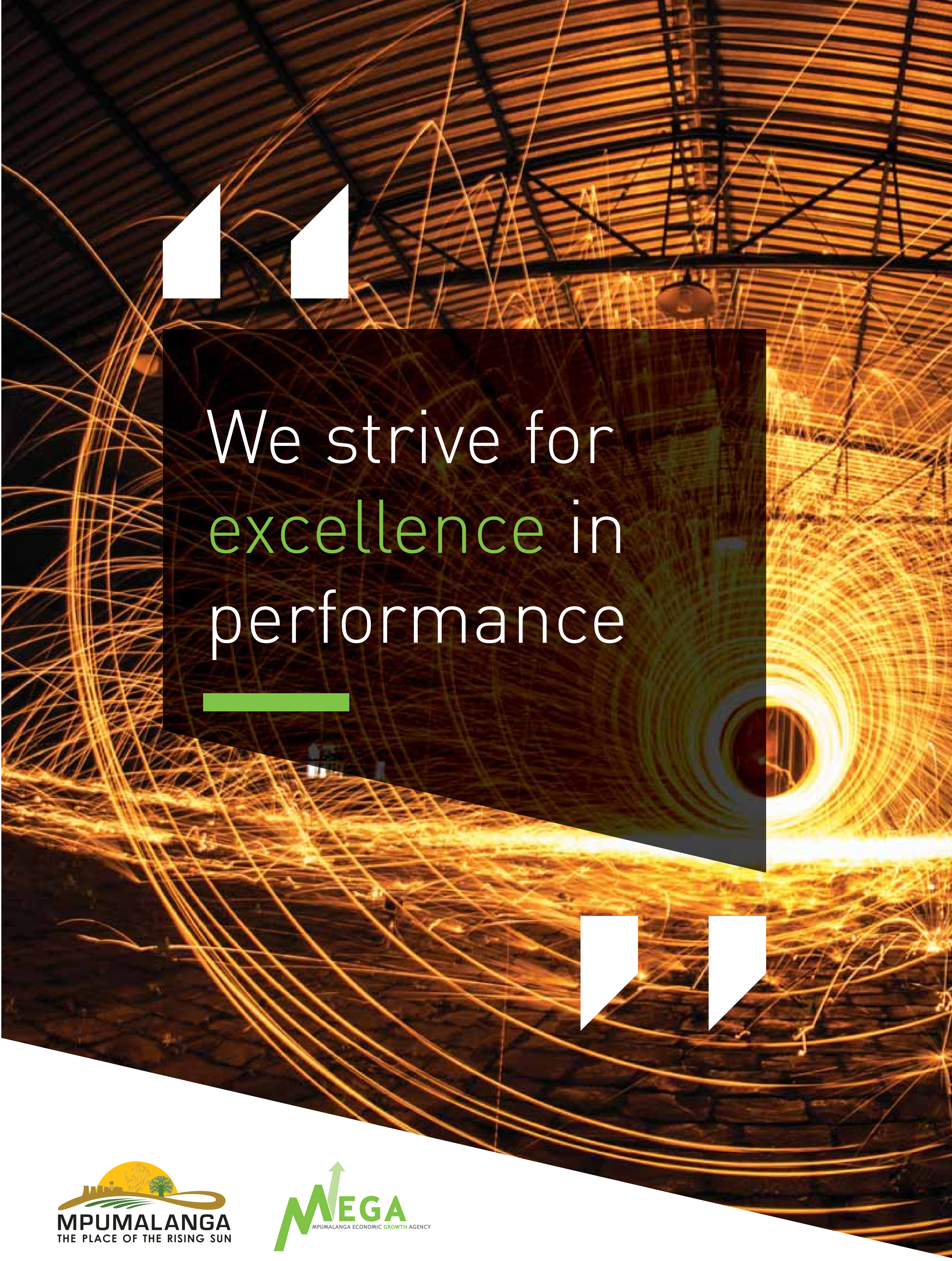
i. Performance monitoring and evaluation	ii. Business process mapping and standard operating procedures
Inadequate capacity is being addressed in line with the implementation of the OD process currently underway.	Appointment of a service provider for the business process mapping shall be done during the first quarter of the new financial year.

3.4.2.4 Changes to planned targets

There were no changes to planned targets for the year.

3.4.2.5 Linking performance with budgets

	2016/2017			2015/2016		
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	2 026	1 784	242	1 381	1 326	55
TOTAL	**2 026**	**1 784**	**242**	**1 381**	**1 326**	**55**



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03 PERFORMANCE INFORMATION BY PROGRAMME / ACTIVITY / OBJECTIVE CONTINUED

3.4.3 SUB PROGRAMME 4.2: MARKETING AND COMMUNICATIONS

3.4.3.1 Strategic objectives, planned targets and actual achievements

Strategic Objectives	Baseline / Actual Achievement 2015/2016	Planned Target 2016/17	Actual Achievement 2016/2017	Deviation from planned target to Actual Achievement for 2016/2017	Comment on deviations
Improve MEGA's corporate image towards a capable, credible, and resilient institution able to effectively execute on its strategy.	New Performance Indicator	4 marketing campaigns conducted	9 marketing campaigns conducted	-5	There was a compelling need to embark on Radio Activations in all provincial regions to ensure an increased MEGA Brand and Reputation, in line with MEGA's new Corporate Strategy
	New Performance Indicator	50% Improvement in brand survey outcomes	0% Improvement in brand survey outcomes	50%	Delays in the appointment of marketing and communications service provider to provide capacity
	New Performance Indicator	4 Media Relations Open Days arranged	1 Media Relations Open Day arranged	3	Could not get most media houses in one place at the same time.
	New Performance Indicator	4 Meet 'n Greet sessions with MEGA Tenants coordinated	5 Meet 'n Greet sessions with MEGA Tenants coordinated	-1	More sessions arranged to determine challenges experienced by tenants as some businesses were put under business rescue

3.4.3.2 Key performance indicators, planned targets and actual achievements

Key Performance indicators	Baseline / Actual Achievement 2015/2016	Planned Target 2016/17	Actual Achievement 2016/2017	Deviation from planned target to Actual Achievement for 2016/2017	Comment on deviations
Number of marketing campaigns conducted	New Performance Indicator	4	9	-5	There was a compelling need to embark on Radio Activations in all provincial regions to ensure an increased MEGA Brand and Reputation, in line with MEGA's new Corporate Strategy
% Improvement in brand survey outcomes	New Performance Indicator	50%	0%	50%	Delays in the appointment of marketing and communications service provider to provide capacity
Number of Media Relations Open Days arranged	New Performance Indicator	4	1	3	Could not get most media houses in one place at the same time.
Number of Meet 'n Greet with MEGA Tenants coordinated	New Performance Indicator	4	5	-1	More sessions arranged to determine challenges experienced by tenants as some businesses were put under business rescue

3.4.3.3 Strategy to overcome areas of under performance

i. Improvement in brand survey outcome

Survey to be conducted in the 2017/18 financial year.

ii. Media relations open days

The Unit focussed on targeting individual media houses i.e. Rise FM and Ligwalagwala FM.

3.4.3.4 Changes to planned targets

There were no changes to planned targets for the year.

3.4.3.5 Linking performance with budgets

	2016/2017			2015/2016		
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	3 870	3 396	474	1 965	1 549	416
TOTAL	**3 870**	**3 396**	**474**	**1 965**	**1 549**	**416**

3.4.4 SUB PROGRAMME 4.3: TRADE AND INVESTMENT PROMOTION

3.4.4.1 Strategic objectives, planned targets and actual achievements

Strategic Objectives	Baseline / Actual Achievement 2015/2016	Planned Target 2016/17	Actual Achievement 2016/2017	Deviation from planned target to Actual Achievement for 2016/2017	Comment on deviations
Investment Projects facilitation	5 Investment Projects facilitated	7 Investment Projects facilitated	3 Investment Projects facilitated	4	Fewer number of investment enquiries received graduated to facilitation stage due to local and international economic situation
Investment Projects facilitated	R61.5 billion Investment Projects facilitated	R400m Investment Projects facilitated	R606 million Investment Projects facilitated	-R206 million	The value of the investment projects facilitated were more than the estimated value compared to the estimated target
Host a high impact Investor Conference to highlight investment opportunities in the province	New Performance Indicator	High impact Investor Conference hosted	0	1	Due to DEDT's planned summit, Investor's conference planned for the 1st half of the financial year was postponed on the request of DEDT
	New Performance Indicator	3 Investment opportunities packaged and taken up by investors	0 Investment opportunities packaged and taken up by investors	3	The postponement of the Investor Conference affected the target.
Undertake Inward and outward investment missions	10 Investment and Trade Inward Missions hosted/participated	12 Investment and Trade Inward Missions hosted/ participated	13 Investment and Trade Inward Missions hosted/ participated	-1	More business delegations were hosted in the last quarter of the financial year
	4 Outward Missions hosted/ participated	6 Outward Missions hosted/ participated	3 Outward Missions hosted/ participated	3	T&I Events Programme was revised in July 2016
	4 Foreign Trade Exhibitions/Missions conducted	5 Foreign Trade Exhibitions/ Missions conducted	3 Foreign Trade Exhibitions/Missions conducted	2	Two Foreign Exhibitions planned for the third quarter were cancelled by **the dti**
	4 Local Trade Exhibitions/Missions conducted	4 Local Trade Exhibitions/ Missions conducted	3 Local Trade Exhibitions/Missions conducted	1	The revision of the T&I Events Programme in July affected this target
Provide support and facilitate awareness campaigns/ training / workshops to SMMEs and co-operatives on export opportunities	205 exporters provided with Foreign Trade Counselling and Support	140 exporters provided with Foreign Trade Counselling and Support	249 exporters provided with Foreign Trade Counselling and Support	-109	More requests received than planned
	7 NEDP export training workshops conducted	5 NEDP export training workshops conducted	7 NEDP export training workshops conducted	-2	There was a need to conduct more workshops than planned
	53 EMIA / SSAS Applications Facilitated	30 EMIA / SSAS Applications Facilitated	16 EMIA / SSAS Applications Facilitated	14	2016/2017 EMIA supported events were cut down by **the dti.**

3.4.4.2 Key performance indicators, planned targets and actual achievements

Key Performance indicators	Baseline / Actual Achievement 2015/2016	Planned Target 2016/17	Actual Achievement 2016/2017	Deviation from planned target to Actual Achievement for 2016/2017	Comment on deviations
Number of Investment Projects facilitated	5	7	3	4	Fewer number of investment enquiries received graduated to facilitation stage due to local and international economic situation
Value of Investment Projects facilitated	R61.5m	R400m	R606m	-R206m	The value of the investment projects facilitated were more than the estimated value compared to the estimated target
Number of high impact Investor Conference hosted	New Performance Indicator	1	0	1	Due to DEDT's planned summit, Investor's conference planned for the 1st half of the financial year was postponed on the request of DEDT
Number of Investment opportunities packaged and taken up by investors	New Performance Indicator	3	0	3	The postponement of the Investor Conference affected the target.
Number of Investment and Trade Inward Missions hosted/participated	10 Investment and Trade Inward Missions hosted/ participated	12	13	-1	More business delegations were hosted in the last quarter of the financial year
Number of Outward Missions hosted/ participated	Number of Outward Missions hosted/ participated	6	3	3	The revision of the T&I Events Programme in July affected this target
Number of Foreign Trade Exhibitions / Missions conducted	Number of Foreign Trade Exhibitions / Missions conducted	5	3	2	Two Foreign Exhibitions planned for the third quarter were cancelled by **the dti**
Number of Local Trade Exhibitions / Missions conducted	Number of Local Trade Exhibitions / Missions conducted	4	3	1	The revision of the T&I Events Programme in July affected this target
Number of exporters provided with Foreign Trade Counselling and Support	Number of exporters provided with Foreign Trade Counselling and Support	140	249	-109	More requests received than planned
Number of NEDP export training workshops conducted	7 NEDP export training workshops conducted	5	7	-2	7 NEDP export training workshops conducted
Number of EMIA / SSAS Applications Facilitated	53 EMIA / SSAS Applications Facilitated	30	16	14	2016/2017 EMIA supported events were cut down by **the dti.**

03 PERFORMANCE INFORMATION BY PROGRAMME / ACTIVITY / OBJECTIVE CONTINUED

3.4.4.3 Strategy to overcome areas of under performance

i. Investment Projects Facilitated

The Unit is following up on enquiries to ensure that they are converted into investment projects.

ii. High Impact Investor Conference

Investor Conference has been rescheduled to June 2017 and planning is in progress.

iii. Investment Opportunities Packaged and Taken Up by Investors

Investor Conference has been rescheduled to June 2017 where investment opportunities shall be presented to investors. In addition, 21 MEGA Investment Promotion Projects have been updated and are available for promotion and were also sent to Bank of China for 2017 China (Henan) SMEs Cross-Border Investment and Trade Fair (LD).

iv. Outward Missions Hosted

Since outward missions were affected, more inward business delegations were hosted instead.

v. Foreign Trade Exhibitions

The calendar for the Trade and Investment Promotion Events Programme was revised in line with MEGA's mandate to promote Mpumalanga as a trade and investment destination.

vi. EMIA / SSAS Applications

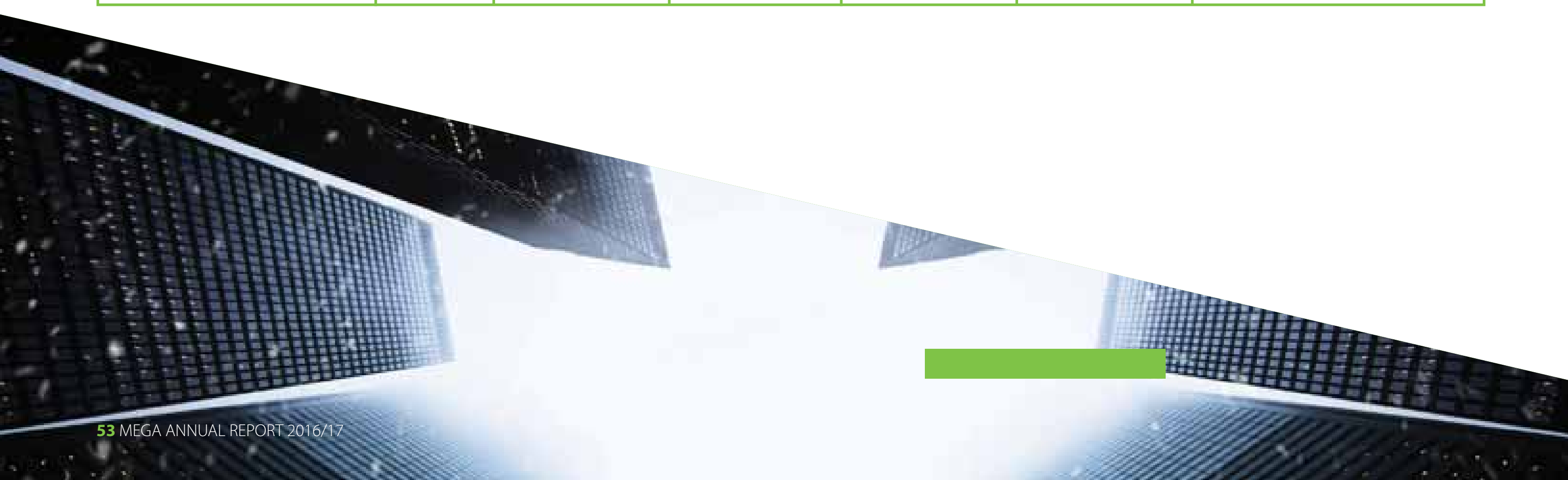
The Unit shall increase promotion of new EMIA funded events for 2017/2018.

3.4.4.4 Changes to planned targets

There were no changes to planned targets for the year.

3.4.4.5 Linking performance with budgets

	2016/2017			2015/2016		
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 & INVESTMENT PROMOTION	11 882	10 188	1 694	4 899	4 560	339
TOTAL	**11 882**	**10 188**	**1 694**	**4 899**	**4 560**	**339**



3.5 PROGRAMME 5: PROPERTIES AND INFRASTRUCTURE

3.5.1 Programme Description:

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

3.5.2 Highlights / Progress made:

- Mpumalanga International Fresh Produce Market

i. The feasibility study

The feasibility study conducted to ascertain the social, economic, and financial viability of the project has been completed.

ii. Infrastructure Development

- Completion of the bulk water supply: Reservoir 95% complete (structure complete, water tightness test out-standing), elevated tower is 95% complete (structure complete, water tightness test outstanding), pump house is 90% complete (structure complete, pumps and electrical switch gear awaiting power connection).

- Completion of the design and construction of internal services: Contractor for roads and storm water was appointed on 24th January 2017 and contractor for bulk earthworks was appointed on 11th January 2017. The detailed designs for water and sewer reticulation are complete whilst electricity reticulation designs will commence soon after the finalisation of the building designs.

- Designs and construction of market buildings: Designs for the following are at various stages of completion: Staging & Clearance, Gate House/Access Control, Gate House /Egress Control, Staging Ablutions, Bus Stop, Ticket Office & Ablutions, Pedestrian Access & Bridge, Workshop, Waste Management & Recycling, Market Building, Processing Facility, Taxi Rank &Taxi Rank Ablution.

Nkomazi Special Economic Zone

The application by the Mpumalanga Provincial Government for designation of the proposed Nkomazi Special Economic Zone was duly submitted on 24th June 2016 to the Department of Trade & Industry **(the dti)** in terms of the SEZ Act No. 16 of 2014. After the submission of the application for designation, MEGA through its PMU, engaged in a series of meetings with **the dti** to ensure that all regulatory requirements and administrative matters concerning the application are properly and adequately addressed.

Since the submission of the application, MEGA made concerted efforts towards improving the size and quality of its investor pipeline. It has since increased its letters of interests to the tune of R 5.6 billion and is still pursuing several potential investors.

Nkomazi Special Economic Zone conti...

An investment strategy has been developed to guide and focus our efforts to attract potential investors in the proposed Nkomazi SEZ. Forming part of the strategy is a list of several leading companies globally within agro-processing identified as potential investors to be approached.

A website for the SEZ has been developed and is constantly updated and upgraded to ensure that it meets appropriate standards.

Infrastructure Fund

Transaction Advisors for the establishment of the Infrastructure Fund were appointed and benchmark studies completed.

At the end of the period under review, the analysis of the regulatory environment was 80% complete whilst the institutional structure and governance was 60% complete.

Re-Development of Township Shopping Centres

Redevelopment proposals for shopping centres in KaBokweni, Siyabuswa and Elukwatini have been received from Strategic Development Partners. The total indicative investment in the three shopping centres amounts to R300m.

During the 1st Quarter of 2017/18, the next group of properties will be prepared for investment by the proposed Property Fund and/or Strategic Development Partners.

Revitalisation of Industrial Parks

The refurbishment of 2 factories at KaBokweni has been completed. These are earmarked for the warehousing facilities for the bulk buying groups for retailers. The balance of the projects (8 factories) are planned to be completed by the end of April 2017.

the dti funded R50m for the revitalisation of Ekandustria which commenced in February 2017.

3.5.3 Sub Programme 4.1: Properties and Infrastructure

3.5.3.1 Strategic objectives, planned targets and actual achievements

Strategic Objectives	Baseline / Actual Achievement 2015/2016	Planned Target 2016/17	Actual Achievement 2016/2017	Deviation from planned target to Actual Achievement for 2016/2017	Comment on deviations
Implement major industrial investment to catalyse economic growth in the province	New Performance Indicator	2 agreements for Industrial parks and 2 agreements for Shopping Centres signed with strategic partners	0 agreements for Industrial parks and 0 agreements for Shopping Centres	2 agreements for Industrial parks and 2 agreements for Shopping Centres	Delay in the finalisation of clarifications of the financial offers and conditions by the Strategic Development Partners.
Invest in the revitalisation and development of the MEGA property portfolio to i) ensure long term financial sustainability and ii) stimulate economic development at a local level	New Performance Indicator	Planning processes for the development of two industrial parks completed	0	1	Planning processes for the development of two industrial parks completed
	New Performance Indicator	Commence the redevelopment of 66 Anderson Street office	0	1	Commence the redevelopment of 66 Anderson Street office
		Commence the development of the new MEGA Head office	0	1	Delay in the finalisation of clarifications of the financial offers and conditions by the Strategic Development Partners
	New Performance Indicator	Approved Feasibility Study for the Mpumalanga International Fresh Produce Market (MIFPM)	Feasibility Study approved	0	None

3.5.3 Sub Programme 4.1: Properties and Infrastructure

3.5.3.1 Strategic objectives, planned targets and actual achievements continued

Strategic Objectives	Baseline / Actual Achievement 2015/2016	Planned Target 2016/17	Actual Achievement 2016/2017	Deviation from planned target to Actual Achievement for 2016/2017	Comment on deviations
Invest in the revitalisation and development of the MEGA property portfolio to i) ensure long term financial sustainability and ii) stimulate economic development at a local level (Cont.….)	New Performance Indicator	Achieve 80% implementation of the MIFPM in line with the Project Plan:	Achieve 50% implementation of the MIFPM in line with the Project Plan:	30% non-achievement	As per comments below:
		Complete the designs of internal reticulation (roads, water, sewer) and water reservoir	Complete the designs of internal reticulation (roads, water, sewer) and water reservoir	0	None
		Appoint service provider for the construction of the internal reticulation and commence work	Service provider for the construction of the internal reticulation appointed and work commenced	0	None
		Procurement of the services for construction of the bulk services	Services for construction of the bulk services procured and work commenced	0	None
		Complete detailed feasibility study	Detailed feasibility study completed	0	None
		Complete final designs of top structures	Final designs of top structures still in progress	1	The concept designs had to be redesigned after changes to the master plan caused by input from feasibility studies.
		Commence with the construction of priority top structures	0	1	Procurement of the contractors could not commence due to unavailability of budget to commence construction of top structures
		Launch first phase	0	1	The launch of the Market was not possible because of the delay in the construction of top structures
		Secure funders and investors	0	1	Delay in the issuing of the Request for Information (RFI) because of extended time required to finalise a detailed project financial feasibility / Investment Memorandum

10 Phases of the Project Plan:

- *10% completion = Planning and EIA, Design and Construction of Bulk Electrical and Bulk Sewer and Water pipelines*
- *30% completion = Design internal services (water sewer, electrical services, and roads), earthworks and site preparation, construction of Bulk Water and Sewer pipelines.*
- *50% completion = Construction of Bulk Water Structures and construction of Internal Services (electricity, water, sewer, roads)*
- *80% completion = Completion of the following stages: designs of internal reticulation (roads, water, sewer), water reservoir, procurement of the services for construction of the bulk services, detailed feasibility study, Final designs of top structures, appointment of service provider for the construction of the internal reticulation, construction of the internal reticulation, construction of priority top structures, Launch first phase, secure funders, and investors*
- *10% operational = Operation of the first 2 buildings out of 16*

3.5.3 Sub Programme 4.1: Properties and Infrastructure

3.5.3.1 Strategic objectives, planned targets and actual achievements continued

Strategic Objectives	Baseline / Actual Achievement 2015/2016	Planned Target 2016/17	Actual Achievement 2016/2017	Deviation from planned target to Actual Achievement for 2016/2017	Comment on deviations
Invest in the revitalisation and development of the MEGA property portfolio in order to i) ensure long term financial sustainability and ii) stimulate economic development at a local level (Cont….)	New Performance Indicator	**4 stages completed towards implementation of the Nkomazi SEZ:**	**Only 2 stages completed towards implementation of the Nkomazi SEZ**	**2 stages outstanding**	**As per comments below:**
		Attend to and finalise queries from the SEZ Advisory Board	All queries from the SEZ Advisory Board attended to and finalized	0	None
		Attend to and finalise queries from the SEZ Advisory Board (include submission of the application for designation)	Application for designation submitted to the dti	0	None
		Procure professional service providers for the design of the bulk infrastructure and associated services	0	1	Nkomazi not yet designated as SEZ
		Procure contractor(s) for the construction of the bulk infrastructure and associated services	0	1	Nkomazi not yet designated as SEZ
Build internal capacity to deliver on MEGA's infrastructure delivery mandate	New Performance Indicator	Established and operational Provincial Infrastructure Fund	0	1	Delays in the appointment of Transaction Advisors
	New Performance Indicator	Established and operational Property Fund	0	1	Delays in the appointment of Transaction Advisors
	New Performance Indicator	100% completed activities towards the implementation of the infrastructure and top structures for the residential development projects in Mashishing and Secunda in line with the revised project plan	0%	100%	The project was not implemented in the 2016/17 financial year due to lack of budget.

Four Stage Implementation:

- *1 = Attend to and finalise queries from the SEZ Advisory.*
- *2 = Attend to and finalise queries from the SEZ Advisory Board (include submission of the application to the dti).*
- *3 = Procure professional service providers for the design of the bulk infrastructure and associated services.*
- *4 = Procure contractor(s) for the construction of the bulk infrastructure and associated services.*

12 The project was not implemented in the 2016/17 financial year due to lack of budget. Quarterly targets were not reflected during the quarterly performance reporting cycle.

"attracting, facilitating and maximizing the development impact of investment in the province, thereby reducing unemployment, poverty and inequality."

MPUMALANGA
THE PLACE OF THE RISING SUN

MEGA
MPUMALANGA ECONOMIC GROWTH AGENCY

03 PERFORMANCE INFORMATION BY PROGRAMME / ACTIVITY / OBJECTIVE CONTINUED

3.5.3 Sub Programme 4.1: Properties and Infrastructure

3.5.3.1 Strategic objectives, planned targets and actual achievements continued

Strategic Objectives	Baseline / Actual Achievement 2015/2016	Planned Target 2016/17	Actual Achievement 2016/2017	Deviation from planned target to Actual Achievement for 2016/2017	Comment on deviations
Build internal capacity to deliver on MEGA's infrastructure delivery mandate	New Performance Indicator	100% completed activities towards upgrade/ refurbishment of the existing property portfolio in line with the revised project plan	0%	100%	The delay in the commencement of the revitalisation due to late approval of funds by **the dti**
	New Performance Indicator	3 completed stages to ensure a fully capacitated Unit	0	3	Delay in the completion of the OD process
Identify and remove trade barriers and provide support to potential investors interested to. invest in the Province	New Performance Indicator	Commence with the Middleburg SEZ establishment (3 stages completed towards SEZ designation for Middelburg)	0	3	Lack of internal capacity to initiate the application process
Invest in the resuscitation of the township economy	New Performance Indicator	Launch township warehousing and retail development project	0	1	Delays in finalising some of the condition assessments. This delayed the commencement of the procurement process.
Track and monitor jobs created through properties and infrastructure initiatives to determine the impact	New Performance Indicator	750 jobs created through property/ infrastructure projects	464	286	Inadequate portfolio of evidence

Three Stage Implementation:

- *1 = Establish a core team to engage with key stakeholders.*
- *2 = Conduct basic studies on key investor requirements.*
- *3 = Commence the SEZ establishment process once the investment decision has been made.*

14 MEGA has reprioritised its budget and made some funding towards the commencement of the pre-feasibility study.

15 The Programme is being accelerated for completion in the 2017/18 financial year.

3.5.3.2 Key performance indicators, planned targets and actual achievements

Key Performance indicators	Baseline / Actual Achievement 2015/2016	Planned Target 2016/17	Actual Achievement 2016/2017	Deviation from planned target to Actual Achievement for 2016/2017	Comment on deviations
Number of signed agreements with strategic partners for 2 industrial parks and 2 shopping centres	New Performance Indicator	4	0	4	Delay in the finalisation of clarifications of the financial offers and conditions by the Strategic Development Partners.
Number of completed planning processes for the development of 2 new industrial parks	New Performance Indicator	1	0	1	The project was not implemented because of lack of funding
Number of completed planning processes for the implementation of priority office accommodation project	New Performance Indicator	2	0	2	Delay in the finalisation of clarifications of the financial offers and conditions by the Strategic Development Partners.
Feasibility Studies completed for the Fresh Produce Market	New Performance Indicator	1	1	0	None
% progress on implementation of Fresh Produce Market project in accordance with the Project Plan (Currently at 50%)	New Performance Indicator	Achieve 80% implementation of the MIFPM in line with the Project Plan	Achieved 50% implementation of the MIFPM in line with the Project Plan	30% non-achievement	• The procurement of the contractors could not commence due to unavailability of budget to commence construction of top structures • The concept designs had to be redesigned after changes to the master plan caused by input from feasibility studies • The launch of the Market was not possible because of the delay in the construction of top structures • Delay in the issuing of the Request for Information (RFI) because of extended time required to finalise a detailed project financial feasibility / Investment Memorandum
Number of stages completed towards implementation of the SEZ project: Complete Designation, Procure service providers for the bulk water, complete procurement for the contactors of the bulk infrastructure	New Performance Indicator	4	2	2	Nkomazi not yet designated as SEZ

3.5.3.2 Key performance indicators, planned targets and actual achievements continued

Key Performance Indicators	Baseline / Actual Achievement 2015/2016	Planned Target 2016/17	Actual Achievement 2016/2017	Deviation from planned target to Actual Achievement for 2016/2017	Comment on deviations
Established and operational Provincial Infrastructure Fund	New Performance Indicator	1	0	1	Delays in the appointment of Transaction Advisors
Established and operational Property Fund	New Performance Indicator	1	0	1	Delays in the appointment of Transaction Advisors
% completion towards infrastructure and top structures for the residential development projects in Mashishing and Secunda	New Performance Indicator	100%	0%	100%	The project was not implemented in the 2016/17 financial year due to lack of budget.
% completion towards upgrade/ refurbishment of the existing property portfolio (Rm)	New Performance Indicator	100%	0%	100%	The delay in the commencement of the revitalisation due to late approval of funds by **the dti**
Number of completed stages towards implementation of Infrastructure Unit Capacity Building Programme: Approved business case, Fill critical positions, fill the balance of the positions within the budgetary allowances	New Performance Indicator	3	0	3	Delay in the completion of the OD process
Number of stages completed towards the SEZ designation for Middelburg	New Performance Indicator	3	0	3	Delay in the completion of the OD process
Number of completed stages towards implementation of warehousing and retail development project	New Performance Indicator	1	0	1	Lack of internal capacity to initiate the application process
Number of jobs created through property/infrastructure projects	New Performance Indicator	750	464	286	Inadequate portfolio of evidence

3.5.3.3 Strategy to overcome areas of under performance

i. Signed agreements with strategic partners for 2 industrial parks and 2 shopping centres

The finalisation of the negotiations with strategic development partners to be accelerated for finalisation in 2017/18 financial year.

ii. Development of 2 new industrial parks

Project funding to be motivated for implementation in 2017/18 financial year.

iii. Implementation of priority office accommodation project

Strategic Development Partners appointed. Negotiations to be accelerated for finalisation in Q1 of 2017/18.

iv. Achieve 80% implementation of the MIFPM in line with the Project Plan

Procurement strategy for external funders finalised. Budget for the construction of the top structures will be motivated for allocation in 2017/18.

v. Implementation of the Nkomazi SEZ

All matters raised by **the dti** have been addressed and a revised application was submitted.

vi. SEZ designation for Middelburg

MEGA has reprioritised its budget and made some funding towards the commencement of the pre-feasibility study.

vii. Established and operational Provincial Infrastructure Fund and Property Fund

Benchmarking and structure of the Fund completed. Consultations with National and Provincial Treasury for necessary approvals have commenced

viii. Upgrade/ refurbishment of the existing property portfolio

The appointed contractor has been requested to accelerate the implementation for completion by end of Q1 of 2017/18

ix. Implementation of Infrastructure Unit Capacity Building Programme

Prioritise the filling in of positions at the early stages of the OD process.

x. Resuscitation of the township economy

The Programme is being accelerated for completion in the 2017/18 financial year.

xi. Job Creation

A comprehensive and auditable portfolio of evidence to be developed and implemented in the 2017/18 financial year.

3.5.3.4 Changes to planned targets

i. Residential development projects in Mashishing and Secunda
Project not implemented in the 2016/17 financial year due to lack of budget. Quarterly targets were not reflected during the quarterly performance reporting cycle.

ii. Middleburg SEZ establishment
Project transferred to MEGA after approval of the 2016/17 Annual Performance Plan. Implementation was therefore reflected in the quarterly performance reports.

iii. Launch township warehousing and retail development project
Project transferred to MEGA after approval of the 2016/17 Annual Performance Plan. Implementation was therefore reflected in the quarterly performance reports.

03 PERFORMANCE INFORMATION BY PROGRAMME / ACTIVITY / OBJECTIVE CONTINUED

3.5.3.5 Linking performance with budgets

	2016/2017			2015/2016		
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)
PROPERTIES AND INFRASTRUCTURE:	**170 774**	**160 793**	**9 981**	**211 580**	**200 427**	**11 253**
PROPERTY DEVELOPMENT AND MANAGEMENT	-	-	-	179 026	182 340	(3 314)
FRESH PRODUCE MARKET	-	-	-	26 500	17 000	9 600
AGRI-HUBS	-	-	-	1 338	85	1 253
SPECIAL ECONOMIC ZONES	-	-	-	4 716	1 002	3 714
TOTAL	**170 774**	**160 793**	**9 981**	**211 580**	**200 427**	**11 253**

3.6 PROGRAMME 6: FUNDING

3.6.1 Sub Programme 6.1: Funding

The Division is responsible for five main functions, namely, SMMEs and co-operatives finance, housing finance, agricultural finance, equity investments and regional networks.

3.6.1.1 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;
- 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 linking businesses to the relevant authority or body that regulates their products or services;
- Facilitating the preparation of business plans through the Small Enterprise Development Agency (SEDA) for submission to institutions which provide funds to existing and new enterprises.

Beneficiation

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

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

- Information on improving the packaging of their products and services;
- Grant funding for infrastructure and non-financial services.

3.6.1.2 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.

3.6.1.3 Equity Investments

The programme has the following projects aimed at providing additional 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 Nkomati Anthracite in Nkomazi
- Agriculture - 26% in Highveld Fruit Packers-Apple processing.

3.6 PROGRAMME 6: FUNDING CONTINUED

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 because of historical decisions relating to the employment of staff, incorrect application of fertilisers 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 for processing into mampoer and wine sold locally. Bottling of the wine is outsourced to businesses outside the province as Mpumalanga does not have a wine bottling plant.

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

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

3.6.2 Highlights / Progress:

During the period under review, loans approved amounted to R 83.6 million while the value of loans disbursed was R 45.4 million. Loans approved in the current financial year but not yet disbursed (commitments) amount to R 38.2 million and commitments from prior year amount to R 6.9 million.

A breakdown and allocation of approved funding and loan commitments is as per the tables below:

TABLE 1: LOANS APPROVED

INDICATOR	LOANS APPROVED	
	RAND VALUE	NUMBER
SMME	45, 872, 468	26
Co-operatives	6, 225, 128	3
Agricultural enterprises	20,187,304	11
Housing loans	11,293,094	21
TOTALS	**83,577,994**	**61**

TABLE 2: LOAN COMMITMENTS (YEAR-TO-DATE)

AUTHORISED CAPITAL EXPENDITURE	Opening Commitments	Loans approved	Loans disbursed	Outstanding Commitments
Agricultural loans	241,219	20,187,304	(9,389,924)	11,038,599
SMME loans	1,684,889	45,872,469	(21,990,256)	25,567,102
Co-ops	101,473	6,225,128	(5,279,841)	1,046,760
Housing loans	4,919,046	11,293,094	(8,701,000)	7,511,140
TOTAL	**6,946,627**	**83,577,995**	**(45,361,021)**	**45,163,601**

3.6 PROGRAMME 6: FUNDING CONTINUED

3.6.3 Sub Programme 6.1: Funding

3.6.3.1 Strategic objectives, planned targets and actual achievements

Strategic Objectives	Baseline / Actual Achievement 2015/2016	Planned Target 2016/17	Actual Achievement 2016/2017	Deviation from planned target to Actual Achievement for 2016/2017	Comment on deviations
Investment in Funding activities	1 formal partnership arrangements with strategic investment partners	1 signed corporate JVs and fund management arrangements	0	1	Negotiation with Standard Bank to raise a R500m SMME / Co-op Fund took longer than expected
Massively grow loan advances	9 SMMEs financed	15 SMMEs financed	26	-11	More SMME applications approved than targeted
	New Performance Indicator	3 Co-ops financed	3	0	None
	27 agricultural enterprises financed	11 agricultural enterprises financed	11	0	None
	New Performance Indicator	17 housing loans advanced	25	-8	More housing loan applications approved than targeted
	2 361 462 loans disbursed to SMMEs (Rm)	26 000 000 loans disbursed to SMMEs (Rm)	21 990 256	4 009 744	Actual disbursements lagged due to long term nature of implementation of projects funded
Raise new capital to fund the loan book	New Performance Indicator	8 000 000 Value of loans disbursed to Co-ops (Rm)	5 322 016	2 677 984	Co-op applications received must first receive infrastructure support from DARDLEA and DRDLR prior to accessing production loans
	1 999 335 loans disbursed to agricultural enterprises (Rm)	30 000 000 loans disbursed to agricultural enterprises (Rm)	9 348 747	20 651 253	Fewer applications received than anticipated. Drought affected the growth rate of agricultural sector negatively in the past season
	2 540 000 housing loans advanced (Rm)	16 000 000 housing loans advanced (Rm)	8 535 547	7 464 453	Delays in the finalisation of bond registrations on some of the loans approved limited actual loans paid out
	New Performance Indicator	64 000 000 capital raised from the shareholder (Rm)	64 000 000	0	None
	New Performance Indicator	100 000 000 capital raised from borrowings (Rm)	0	100 000 000	Negotiation with Standard Bank to raise a R500m SMME / Co-op Fund took longer than expected
	New Performance Indicator	6 000 000 capital raised internally (Rm)	13 828 484	-7 828 484	Improvement in loan repayments

3.6 PROGRAMME 6: FUNDING CONTINUED

3.6.3.1 Strategic objectives, planned targets and actual achievements conti...

Strategic Objectives	Baseline / Actual Achievement 2015/2016	Planned Target 2016/17	Actual Achievement 2016/2017	Deviation from planned target to Actual Achievement for 2016/2017	Comment on deviations
Raise new capital to fund the loan book conti...	New Performance Indicator	20 000 000 capital raised from corporate JVs and fund management arrangements (Rm)	0	20 000 000	Negotiation with Standard Bank to raise a R500m SMME / Co-op Fund took longer than expected
Post-investment management for value creation and exit investments timeously for maximum developmental and financial returns	110 SMMEs and Co-ops provided with non-financial support services	80 SMMEs and Co-ops provided with non-financial support services	60	20	Due to inadequate capacity, priority was given to existing businesses and new applications
	New Performance Indicator	75 Agricultural enterprises and Co-ops provided with non-financial support services	94	-19	Due to the drought that affected the growth rate of agricultural sector more visits were necessary
Restructure and attract private sector partners into these equity investments	0	2 equity investments corporatized	0	2	Threats of industrial action by organised labour opposing corporatization of wholly owned investments
	0	2 equity investments restructured	1	1	One of the equity investments (Kangwane Anthracite Mine) planned for restructuring was lately discovered to have been disposed of in 2011 to a private entity
Track and monitor jobs created through properties and infrastructure initiatives to determine the impact equity investments	62 job opportunities created from funding activities	150 job opportunities created from funding activities	109	41	Fewer agricultural loan applications received than anticipated affected creation of job opportunities
	37% funding provided to women-owned enterprises	30% funding provided to women-owned enterprises	68%	-38%	More applications received from businesses owned by women and business with women shareholding
	44% funding provided to youth owned enterprises	40% funding provided to youth owned enterprises	68%	-28%	More applications received from youth entrepreneurs
	6% funding provided to enterprises owned by disabled entrepreneurs	2% funding provided to enterprises owned by disabled entrepreneurs	3%	-1%	More applications received from businesses owned or with equity participation by disabled entrepreneurs

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3.6.3.2 Key performance indicators, planned targets and actual achievements

Key Performance Indicators	Baseline / Actual Achievement 2015/2016	Planned Target 2016/17	Actual Achievement 2016/2017	Deviation from planned target to Actual Achievement for 2016/2017	Comment on deviations
Number of signed corporate JVs and fund management arrangements (Rm)	1 formal partnership arrangements with strategic investment partners	1	0	1	Negotiation with Standard Bank to raise a R500m SMME / Co-op Fund took longer than expected
Number of SMMEs financed	9 SMMEs financed	15	26	-11	More SMME applications approved than targeted
Number of Co-ops financed	New Performance Indicator	3	3	0	None
Number of agricultural enterprises financed	27 agricultural enterprises financed	11	11	0	None
Number of housing loans advanced	New Performance Indicator	17	25	-8	More housing loan applications approved than targeted
Value of loans disbursed to SMMEs (Rm)	2 361 462 loans disbursed to SMMEs (Rm)	26 000 000	21 990 256	4 009 744	Actual disbursements lagged due to long term nature of implementation of projects funded
Value of loans disbursed to Co-ops (Rm)	New Performance Indicator	8 000 000	5 322 016	2 677 984	Co-op applications received must first receive infrastructure support from DARDLEA and DRDLR prior to accessing production loans
Value of loans disbursed to agricultural enterprises (Rm)	1 999 335 loans disbursed to agricultural enterprises (Rm)	30 000 000	9 348 747	20 651 253	Fewer applications received than anticipated. Drought affected the growth rate of agricultural sector negatively in the past season
Value of housing loans advanced (Rm)	2 540 000 housing loans advanced (Rm)	16 000 000	8 535 547	7 464 453	Delays in the finalisation of bond registrations on some of the loans approved limited actual loans paid out
Value of capital raised from the shareholder (Rm)	New Performance Indicator	64 000 000	64 000 000	0	None
Value of capital raised from borrowings (Rm)	New Performance Indicator	100 000 000	0	100 000 000)	Negotiation with Standard Bank to raise a R500m SMME / Co-op Fund took longer than expected
Value of capital raised internally (Rm)	New Performance Indicator	6 000 000	13 828 484	-7 828 484	Improvement in loan repayments
Value of capital raised from corporate JVs and fund management arrangements (Rm)	New Performance Indicator	20 000 000	0	20 000 000	Negotiation with Standard Bank to raise a R500m SMME / Co-op Fund took longer than expected
Number of SMMEs and Co-ops provided with non-financial support services	110	80	60	20	Due to inadequate capacity, priority was given to existing businesses and new applications
Number of Agricultural enterprises and Co-ops provided with non-financial support services	New Performance Indicator	75	94	-19	Due to the drought that affected the growth rate of agricultural sector more visits were necessary

3.6.3.2 Key performance indicators, planned targets and actual achievements conti...

Key Performance Indicators	Baseline / Actual Achievement 2015/2016	Planned Target 2016/17	Actual Achievement 2016/2017	Deviation from planned target to Actual Achievement for 2016/2017	Comment on deviations
Number of equity investments corporatized	0	2	0	2	Threats of industrial action by organised labour opposing corporatization of wholly owned investments
Number of equity investments restructured	0	2	1	1	One of the equity investments (Kangwane Anthracite Mine) planned for restructuring was lately discovered to have been disposed of in 2011 to a private entity
Number of job opportunities created from funding activities	62	150	109	41	Fewer agricultural loan applications received than anticipated affected creation of job opportunities
% funding provided to women-owned enterprises	37%	30%	68%	-38%	More applications received from businesses owned by women and business with women shareholding
% funding provided to youth owned enterprises	44%	40%	68%	-28%	More applications received from youth entrepreneurs
% funding provided to enterprises owned by disabled entrepreneurs	6%	2%	3%	-1%	More applications received from businesses owned or with equity participation by disabled entrepreneurs

3.6.3.3 Strategy to overcome areas of under performance

I. Signed corporate JVs and fund management arrangements

Partnership Agreement with Standard Bank to be concluded in the 1st quarter of the new financial year.

II. Loans disbursed to SMMEs

MEGA to ensure an increase in loan disbursements as per the projects implementation plans.

III. Loans disbursed to Co-operatives

MEGA to enter into a MOU with DARDLEA and DRDLR to offer a comprehensive package solution.

IV. Loans disbursed to Agricultural Enterprises

MEGA to facilitate the development and support of sustainable value chain in targeted agricultural sectors linked to government demand

V. Housing loans advanced

Timeous processing of bond registrations by MEGA's conveyancers.

VI. Capital raised from borrowings

Partnership Agreement with Standard Bank to be concluded in the 1st quarter of the new financial year.

3.6 PROGRAMME 6: FUNDING CONTINUED

3.6.3.3 Strategy to overcome areas of under performance conti...

VII. SMMEs and Co-ops provided with non-financial support services

Continue the implementation of post investment support plan in the 1st quarter of the new financial year.

VIII. Corporatisation of equity investments

Continue implementation while ensuring finalisation of the OD process and staff placement.

IX. Job opportunities created from funding activities

Facilitate the development and support of sustainable value chain in targeted agricultural sectors linked to government demand.

X. Proportion of financing provided to youth

Intensify engagements with formalised youth business structures to sensitize them on the funding opportunities at MEGA

3.6.3.4 Changes to planned targets

There were no changes to planned targets for the year.

3.6.3.5 Linking performance with budgets

	2016/2017			2015/2016		
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)
FUNDING	**143 951**	**109 389**	**34 562**	**71 668**	**69 825**	**1 843**
HOUSING	-	-	-	23 510	22 411	1 099
SMME	-	-	-	12 284	12 284	275
AGRICULTURE	-	-	-	17 209	18 207	(998)
REVENUE GENERATION	-	-	-	18 665	17 198	1 467
TOTAL	**143 951**	**109 389**	**34 562**	**71 668**	**69 825**	**1 843**

REVENUE COLLECTION

	2016/2017			2015/2016		
SOURCES OF REVENUE	**Budget**	**Actual Amount Collected**	**Over/Under Collection**	**Budget**	**Actual Amount Collected**	**Over/Under Collection**
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Municipal Services	101 557	97 201	(4 356)	130 210	126 239	(3 971)
Rent	38 428	31 271	(7 157)	33 373	32 384	(989)
Loans	16 648	13 890	(2 758)	15 729	17 205	1 476
Other	21 632	21 098	(534)	15 201	13 340	(1 861)
Total	**178 265**	**163 460**	**(14 805)**	**194 513**	**189 168**	**(5 345)**

4.1 Capital investment, maintenance, and asset management plan

4.1.1 Highlights on capital investment and asset management plan

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

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

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

4.1.3 Maintenance Expenditure

	2016/2017			2015/2016		
MAINTENANCE EXPENDITURE	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Maintenance – vehicles	173	220	(47)	163	52	111
Maintenance – equipment	122	92	30	115	236	(121)
Maintenance – buildings	4 748	4 490	258	4 471	4 206	265
Maintenance - infrastructure	971	558	413	817	284	533
Total	**6 014**	**5 360**	**654**	**5 566**	**4 778**	**788**

PART C

GOVERNANCE

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01

INTRODUCTION

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

It is also run in tandem with the principles contained in the King Report on Corporate Governance.

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

02

PORTFOLIO COMMITTEES

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

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

DATE OF THE SITTING	PURPOSE OF THE SITTING
1 September 2016	Deliberation on the 4th Quarter Report for 2015/16 financial year
1 September 2016	Deliberation on the 1st Quarter Report for 2016/17 financial year
25 October 2016	Deliberation on the 2015/16 Annual Report
25 October 2016	Progress report on the implementation of the House Resolutions emanating from the 2014/15 Annual Report
24 November 2016	Consideration of the Mpumalanga Adjustment Appropriation Bill, 2016
21 February 2017	Deliberation on the 2nd Quarter Report for 2016/17 financial year
24 March 2017	Deliberation on the 3rd Quarter Report for 2016/17 financial year

03

EXECUTIVE AUTHORITY

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

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

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

04

THE ACCOUNTING AUTHORITY / BOARD

4.1 Introduction

MEGA is a schedule 3D entity by it being the successor in title of the erstwhile MEGA, which was established by the then MEGA Act 4 of 2005. It 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 1 of 2010 (hereafter referred to as the "Act"). The Board shall, in respect of the exercise and performance of its powers and functions, be accountable to the Member of the Executive Council. (Section 5 (2) of the MEGA, Act 1 of 2010).

4.2 The Accounting Authority / Board

4.2.1 The Board

The Members of the Board are appointed in terms of the Act by the Member of the Executive Council responsible for Economic Development and Tourism for a period not exceeding four years, but are eligible for re-appointment. The composition of the Board is prescribed by the Act which permits a minimum of nine and a maximum of eleven 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).

4.2.2 The Role of the Board

In accordance with the 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 it acts responsibly towards all relevant stakeholders having a legitimate interest in its affairs to ensure that it is seen to be a responsible corporate citizen.

4.2.3 Board Charter

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

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

4.2.4 Shareholders Compact

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

4.2.5 Delegation of Authority

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

4.2.6 Board Induction and Orientation

New Directors are taken through an induction programme designed to enhance their understanding of MEGA's legislative framework, its governance processes and the nature and operations of the Agency. Continuous training is provided so that Members can:

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

4.2.7 Board Evaluation and Performance

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

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

4.2.8 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 163 of the Annual Financial Report.

4.2.9 Composition of the Board

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

BOARD MEMBER	QUALIFICATIONS	DATE OF APPOINTMENT
Mr. DN Mculu **Chairperson**	Proc. and Higher Diploma in Company Law.	01/06/15
Ms. GA Deiner **Board Member**	BA; Higher Diploma in Education; Articles of Clerkship; B. Compt; Member of SAIPA; Qualified as Certified Estate Agent; Certificate in Risk Assessment and Control Management; Registered Tax Practitioner, GRAP Implementation Training	01/06/15
Mr. M Petje **Board Member**	Masters in Philosophy; Bachelor of Arts Degree and Bachelor of Education University; Senior Executive Programs; Public Financial Management Program; Inter-Governmental Fiscal Relations Program	01/06/15
Mr. FV Mlombo **Board Member**	Project Management	01/06/15 Resigned 20/08/16
Ms. T Masenya **Board Member**	BA Honours – UNISA; MPhil Courses in Sustainable Development Management & Planning, BA Human Resource Management.	01/06/15
Mr. S Khumalo **Board Member**	B.Eng. Management of Technology (Hons); B.Eng. Industrial Degree; Masters in Public Administration (current).	01/06/15
Ms. M Malumane **Board Member**	BSc Information and Knowledge Systems, MBA.	01/06/15
Mr. U Khumalo **Board Member**	T2 Electrical Engineering; Professional Engineer; BSc Engineering (Electrical); MSc Engineering (Electrical); Executive Program; Management Advance Program; Marketing Certificate.	01/12/15
Mr. S Bhembe **Board Member**	Master of Business Administration- Finance & Corporate Strategy; Post-Graduate Diploma in Public Management; BA Honours: Economics	01/03/16
Mr. L Maloba **Board Member**	Bachelor of Science in Urban Studies; Certificate in Urban Planning; Masters of Community Urban Planning; Property Development Program.	01/03/16
Ms. T Masasa **Board Member**	Chartered Accountant CA (SA), Bachelor of Commerce	01/03/16
Mr. R Lubisi **Board Member**	Chartered Accountant CA (SA), B. Compt Honours, Accounting.	01/08/16
Mr. XGS Sithole **Ex-Officio Board Member**	BSc (Hons) (Microbiology).	01/01/14

Notes:

- *Mr. R Lubisi was appointed as a temporary board member from 01/08/16 to 30/11/16. Contract renewed on 15/12/16 to 15/02/17 and from 20/03/17 to 20/0617.*
- *Mr. FV Mlombo - Resigned on 20 August 2016*

BOARD OF DIRECTORS

MR. D MCULU
CHAIRMAN

MR. XGS SITHOLE
CEO

MR. M PETJE
BOARD MEMBER

MS. GA DEINER
BOARD MEMBER

MR. ST KHUMALO
BOARD MEMBER

MS. T MASENYA
BOARD MEMBER

MS. M MALUMANE
BOARD MEMBER

MR. U KHUMALO
BOARD MEMBER

MR. LT MALOBA
BOARD MEMBER

MS. TM MASASA
BOARD MEMBER

MR. SM BHEMBE
BOARD MEMBER

ADV. P MORGAN
COMPANY SECRETARY

4.2.10 Board Meetings

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

BOARD MEMBER	MEETINGS ATTENDED
Mr. DN Mculu	17/17
Ms. GA Deiner	17/17
Mr. M Petje	14/17
Mr. FV Mlombo*	7/17
Ms. T Masenya	12/17
Mr. S Khumalo	6/17
Ms. M Malumane	14/17
Mr. R Lubisi *	10/17
Mr. U Khumalo	9/17
Mr. S Bhembe	13/17
Mr. L Maloba	9/17
Ms. T Masasa	11/17

Notes:

- *Mr. R Lubisi - appointed temporary Member from 01/08/16 to 30/11/16. Contract renewed on 15/12/16 to 15/02/17 and from 20/03/17 to 20/0617*
- *Mr. FV Mlombo - resigned on 20 August 2016*

4.2.11 Board Committees

The MEGA Board is empowered in terms of Section 24 of the Act to establish Board Committees. Section 24 (1) of the Act further provides that the Board may establish committees, with the power to co-opt other persons, for 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 to assist it 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. Board Audit, Risk & Compliance Committee
2. Human Resources & Remuneration Committee
3. Finance & Investment Committee
4. Loans Committee
5. Governance, Social & Ethics Committee

4.2.11.1 Human Resources & Remuneration Committee

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

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

The Human Resources Committee during the period under review, held five [5] meetings and the attendance by Committee members at these meetings was as follows:

COMMITTEE MEMBERS	MEETINGS ATTENDED
Mr. FV Mlombo (Chairperson) *	3/5
Ms. Masenya (Chairperson)*	5/5
Mr. ST Khumalo	3/5
Mr. M Petje *	2/5
Mr. R Lubisi *	2/5
Mr. L Maloba	5/5

4.2.11.2 Finance and Investment Committee

The Finance and Investment Committee is comprised of five 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 Finance and Investment Committee during the period under review, held seven meetings and the attendance by Committee members at these meetings was as follows:

COMMITTEE MEMBERS	MEETINGS ATTENDED
Mr. M Petje (Chairperson)	7/7
Ms. Masenya	4/7
Mr. U Khumalo	2/7
Ms. M Malumane	6/7
Mr. L Maloba	5/7

Notes:
- *Mr. FV Mlombo resigned on 20/08/16*
- *Ms. T Masenya appointed Chairperson of the Committee following resignation of Mr. FV Mlombo.*
- *Mr. M Petje and Mr R Lubisi were apointed.*

4.2.11.3 Loans Committee

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

(a) Consider loan applications for Business Development, Agriculture, and Housing between the values of R 5m – R 10m in terms of the Delegations of Authority Framework approved by the Board.
(b) Recommend all loans above R 10m to the Board for approval.
(c) Recommend the design, selection, implementation, oversight and performance of any rating systems employed by the Agency.
(d) Recommend any debt write-offs to the Board, Audit Risk & Compliance Committee in line with the MEGA's policies.
(e) Recommend debt restructuring to the Board with regards to clients affected by economic/climate conditions and any other conditions that may warrant Board's intervention.
(f) Recommend to the Board, any new lending product area, market, or lending authority.
(g) Annually review the loan policies and procedures and present them to the Board for approval.
(h) Regularly analyses the loan portfolio and monitor lending areas for alignment to the Agency's risk appetite.
(i) Update the Board with regards to the market credit risks and any other matters connected therewith.

The Loans Committee during the period under review, held six [6] meetings and the attendance by Committee members at these meetings was as follows:

COMMITTEE MEMBERS	MEETINGS ATTENDED
Ms. M Malumane (Chairperson)	6/6
Mr. ST Khumalo	2/6
Mr. U Khumalo	5/6
Mr. S Bhembe	5/6
Ms. T Masasa	3/6

4.2.11.4 Governance, Social & Ethics Committee

The Governance, Social & Ethics Committee is comprised of all Chairpersons of Board Committees. The role of the Committee is categorised as follows:

Statutory Requirements (Regulation 43 of the Companies Act)

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

a. Social and economic development including the Agency's standing in terms of the goals and purposes of-

(aa) the 10 principles set out in the United Global Compact Principles ("the UGCP");
(bb) the OECD recommendations regarding corruption;
(cc) the Employment Equity Act; and
(dd) the Broad-Based Black Economic Empowerment Act;

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

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

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

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

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

CORPORATE GOVERNANCE

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

The Governance, Social & Ethics Committee during the period under review held two [2] meetings and the attendance by Committee members at these meetings was as follows:

COMMITTEE MEMBERS	MEETINGS ATTENDED
Mr. DN Mculu (Chairperson)	2/2
Ms. G Deiner	2/2
Mr. FV Mlombo *	1/2
Ms. M Malumane	2/2
Mr. M Petje	1/2
Ms. T Masenya *	1/2

Notes:
- *Mr. FV Mlombo resigned on 20/08/16*
- *Ms. T Masenya appointed Member of the Committee following resignation of Mr. FV Mlombo.*

05

THE ACCOUNTING OFFICER

5.1 Executive Management Committee

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

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

During the period under review, the Executive Management Committee held [30] meetings and attendance by Committee members at these meetings was as follows:

COMMITTEE MEMBERS	QUALIFICATIONS	MEETINGS ATTENDED
Mr. X.G.S Sithole **Chief Executive Officer**	BSc (Hons) (Microbiology).	24/30
Mr. E.L Potgieter **Chief Financial Officer**	Chartered Accountant CA (SA); Certified Internal Auditor (CIA).	29/30
Ms. S.P Morgan **Company Secretary**	Admitted Advocate of the RSA; LLB Degree; Post Graduate Certificate in Corporate Governance; Post Graduate Certificate in Marketing Management; Higher Diploma in Education.	25/30
Ms. F Nyathi **Internal Auditor (Acting)**	B Comm Accounting & Auditing; Higher Diploma in Computer Auditing; Master's in Business Administration.	23/30
Ms. T.C Mametja **GM: Corporate Services**	Diploma in Public Administration; Bachelor of Administration (B ADMIN); Bachelor of Administration (B ADMIN) Honours; Short Programme on Community Development; Masters of Administration; Municipal Finance Management Programme. PhD- Local Government (Current studies).	27/30
Mr. G.J Dladla **Mr. G.J Dladla**	B. Comm Accounting; Masters of Business Administration (MBA); Chartered Financial Analyst (CFA).	27/30
Mr. T Camane **GM: Properties & Infrastructure**	BSc Engineering (Civil); Master of Management (Finance and Investment); PhD Candidate.	22/30
Mr. T Nobela **GM: Strategy & Communications (Acting)**	B Comm Accounting; Certificate in Project Management.	20/30

06

RISK MANAGEMENT

6.1 Nature of risk management

The Risk Manager position has been prioritised for filling through the OD process which is currently under implementation. An Acting Risk Manager was appointed in the period under review while awaiting finalisation of the OD process.

6.2 Risk management strategies to identify risks and manage the risks

A risk identification and assessment exercise was conducted in the third quarter and a Risk Register developed and approved for implementation.

6.3 Progress made in addressing risks identified

Full implementation of the Risk Register for 2016/2017 was done and progress in addressing the risks identified were reported monthly to management.

The Entity has adopted the following key principles in implementing an effective risk management system: -

- Gradual maturity of risk management – embedding and refining basic governance policies and structures through a series of procedures, systems and tools that enhances the ability of the organisation to manage risks effectively;
- Embedding risk management through management ownership and accountability; and
- Effective monitoring and reporting on risk management efforts.

The enterprise-wide approach to risk management that is adopted by MEGA is designed to identify potential events that may affect the Entity's ability to achieve its strategic objectives and to manage risks within its risk appetite.

Some of the practical steps that the entity has put in place to drive the implementation of the principles highlighted above include the following: -

- Adoption of a risk management framework that is aligned to international best practice;
- Adoption of an enabling risk management policy which defines the organisation's philosophy for risk Management, assigns accountability and responsibility for risk management throughout the organization and establishes appropriate supporting governance structures for the appropriate and effective implementation of risk management. These structures include the Risk Management Committee which is chaired by an independent Chairperson with direct accountabilty to the Chief Executive Officer and to whom the Board Audit, Risk & Compliance Committee has unfettered access for receipt of assurance on the effectiveness of risk management efforts;
- Risk assessments are conducted annually at a strategic as well as operational levels, the outcome of which provides a structured approach to ongoing implementation of risk mitigation efforts, while providing an opportunity for a continual review of the risk profile and the effect of such efforts thereon;
- Risk owners (General Managers) assume ownership of risks identified as part of the risk assessments and are required to report on a regular basis on the implementation of risk mitigation efforts. This also provides an opportunity for the identification of emerging risks in the respective areas of operation; and
- Reports are aggregated and presented before the Risk Management Committee through to the Executive Committee and thereafter to the Board Audit, Risk & Compliance Committee and ultimately, the Board which assumes overall accountability for effective risk management.

In the 2017/18 financial year, MEGA plans to iterate the above processes and will also prioritise a risk maturity assessment which will enable the organisation to adopt a systematic and informed approach in its journey to risk intelligence.

07

INTERNAL AUDIT UNIT

7.1 Key activities and objectives of the internal audit unit

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

7.2 Summary of audit work done

The internal audit unit has conducted audits in line with the approved internal audit plan for 2016/2017, 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:.

- Annual Financial Statement and Annual Report;
- Human Resource Management;
- IT Governance;
- Performance Information 1st quarter report;
- Follow up AG report and IA reports;
- Trade and Investment;
- Financial and Assets Management;
- Property and Infrastructure;
- Performance Information 2nd quarter report;
- Interim Financial Statements;
- Supply Chain Management;
- Funding;
- Performance Information 3rd quarter report;
- Follow up AG report and IA reports.

08

COMPLIANCE WITH LAWS AND REGULATIONS

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

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

09

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.

10

MINIMISING CONFLICT OF INTEREST

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

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

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

11

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.

12

HEALTH SAFETY AND ENVIRONMENTAL ISSUES

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

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

During 2016/2017 financial year, the following was achieved:

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

COMPANY SECRETARY

13

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

14

SOCIAL RESPONSIBILITY

During 2016/2017 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.

15

AUDIT COMMITTEE REPORT

The Board Audit, Risk and Compliance Committee (BARCC) is pleased to present its report for the financial year ended 31 March 2017

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

The following areas *inter alia* of concern were raised:

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

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

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

- Performance Information 4th quarter 2016 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.

Management continues to grapple with the significant internal control deficiencies and challenges arising from legacy issues inherited from the erstwhile entities in existence prior to the merger in 2010.

There is a noticeable improvement in risk management, although this is still not adequately entrenched in the daily operations and in certain instances lack of accountability and consequence management was noted.

The delay in the organisational design (OD) process is regrettable and it is hoped that the finalisation thereof will have a positive effect on particularly the Finance function which is severely understaffed and remains a concern.

AUDIT COMMITTEE REPORT CONTINUED

In-Year Management and Monthly/Quarterly Report

The public entity has submitted monthly and quarterly reports to the Executive Authority and the BARCC is reasonably satisfied with the quality and content thereof, although there have been challenges specifically with the quality of some reports prepared during the year.

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

Furthermore, the timeliness and content of submissions of financial reports to BARCC for review continues to impact on the ability of the BARCC to provide the level of oversight and guidance it would wish to.

Evaluation of Financial Statements

The Board Audit, Risk and Compliance Committee has:

- Due to the extremely late submission of the draft Annual Financial Statements (and subsequent numerous adjustments) BARCC, performed a limited review and discussed the draft Annual Financial Statements to be included in the Annual Report, with the Chief Executive Officer and Management to the extent that they were able in the very limited time available prior to approval by the Board and submission for audit;
- Reviewed the changes in accounting policies and practices;
- Reviewed the entity's compliance with legal and regulatory provisions;
- Reviewed the quality and timeliness of the financial information availed to the BARCC for oversight purposes during the year; and
- Reviewed the significant adjustments resulting from the audit.

There are significant prior period errors and changes in accounting policies, the details of which are reflected in the Annual Financial Statements and accompanying notes. As a result of the late submission to the BARCC, the Committee was not able to provide absolute assurance as to the accuracy of these changes.
The Committee however continued to engage on the significant changes post 31 May 2017.

Internal Audit

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

Auditor-General South Africa Report

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

The BARCC has reviewed the audit report of the AG and concurs with the findings while recognising that there has been significant progress in addressing the matters which resulted in the disclaimer of the previous 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.

In my capacity as Chairperson of the Committee I wish to extend my appreciation to the members of BARCC for their unfaltering dedication, commitment and professional advice to ensure a more favourable audit opinion.

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

17

INTERNAL AUDIT AND AUDIT COMMITTEES

16.1 Board Audit, Risk & Compliance Committee

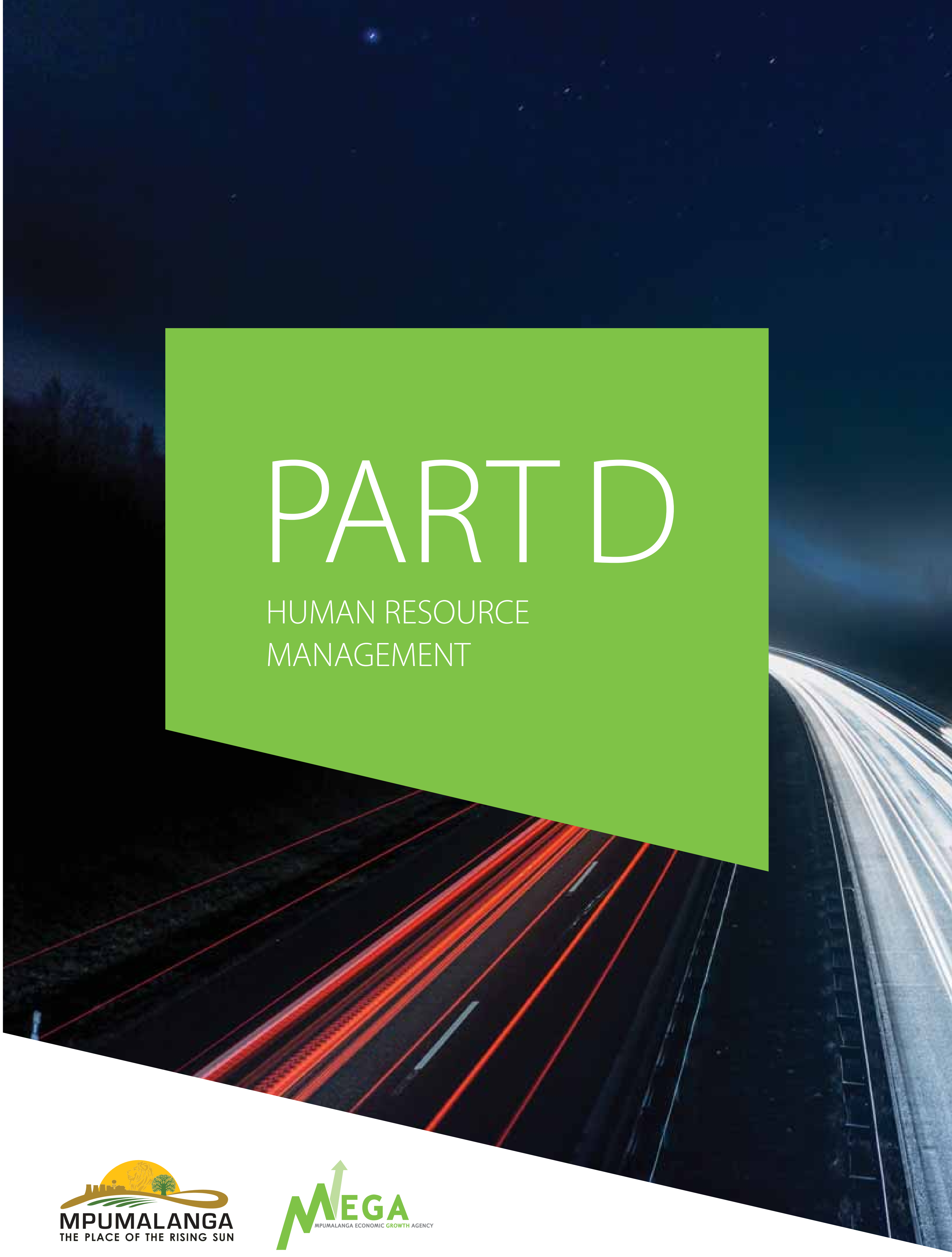
The Board Audit, Risk & Compliance Committee has been established in terms of sections 51(1) (a) (ii) and 76(4) (d) of the PFMA and the Treasury Regulations to monitor the scope and effectiveness of the internal and external audit functions.

The Committee is comprised of a minimum of three Non- Executive Directors in line with the prescripts of the MEGA Act of 2010 and is chaired by an independent Non-Executive Director.

(a) Determine the adequacy and effectiveness of internal control systems;
(b) Evaluate the effectiveness of risk management;
(c) Perform the functions required of it by law;
(d) Review the significant accounting and reporting issues, including professional and regulatory pronouncements, and their impact on the financial statements with a view to ensure consistency with the appropriate accounting principles;
(e) Review the effectiveness of the internal audit function that is performed with the assistance of co-sourced external practitioners (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.

During the period under review, the Board Audit held [9] meetings and attendance by Committee members at these meetings was as follows:

COMMITTEE MEMBERS	QUALIFICATIONS	DATE OF APPOINTMENT	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	9/9
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	6/9
Mr. FV Mlombo	Project Management	01/06/15 & resigned 20/06/16	1/9
Mr. R Lubisi	Chartered Accountant CA (SA; B Compt Honours; B Comm-Accounting	Temporary Member from 01/08/16 to 30/11/16. Contract renewed on 15/12/16 to 15/02/17 & from 20/03/17 to 20/06/17	2/9
Ms. T Masasa	Chartered Accountant CA (SA; Bachelor of Commerce	01/03/16	4/9
Mr. S Bhembe	Master of Business Administration- Finance & Corporate Strategy: Post-Graduate Diploma in Public Management; BA Honours: Economics	01/03/16	5/9



PART D

HUMAN RESOURCE MANAGEMENT

MPUMALANGA
THE PLACE OF THE RISING SUN

MEGA
MPUMALANGA ECONOMIC GROWTH AGENCY

01

INTRODUCTION

The objective of the Human Resources Department is to render a comprehensive integrated human resource development and management service to assist MEGA in achieving its corporate objectives and goals.

The main deliverables for the 2016/17 financial year was the review of the organizational structure.

Implementation of Phase II of the Organisational Re-alignment project

In the previous financial year (2015/2016), MEGA undertook a vigorous step to define a new corporate strategy to ensure the fulfilment of its mandate. This strategy further called for the re alignment of the entity to achieve measurable results, as well as improve the operational efficiencies of the organisation thus resulting in a self-sustainable institution. After the change in strategy, there was a need to reconfigure the organisational structure. Based on the new strategic focus, MEGA embarked on a re-alignment process, in terms of which, the organisational structure was revised and approved by the Board.

Job Evaluation and Competency assessment

The re-alignment process led to the review of job profiles and evaluation of all jobs. A competency framework was also developed and approved. The purpose of the framework is to ensure that the competencies of employees match the required skills and competencies for the execution of the strategy. Competency assessments were conducted in all levels to determine the current skills competencies, identify gaps as well as inform the placement of employees on to the new structure.

Governance Structures

Governance structures were established to ensure effective implementation of the project and these structures included the: -

(i) **Transformation Committee,** which was the consultation forum between Management and employee representatives and was utilised to consult on the OD issues;

(ii) **Project Team:** to deal with technical aspects of the project and included employee representatives and management;

(iii) **Steering Committee,** responsible for the assessment of the output of the Transformation Committee and Project Team and make recommendations to the Board; and

(iv) **Placement Committee** responsible for making recommendations on placement of employees to the Board and it consisted of members of the Board HR Committee and Senior Managers. Union and other employee representatives were observers in Placement Committee meetings.

Placement process

The Placement Committee concluded the placement process and tabled its report to the Board in April 2017 where it was approved. Placement letters will be issued to all employees in the first quarter of the ensuing financial year.

Staff engagement

Staff engagement was intensified during the period under review. Several staff meetings were held with the CEO to discuss among other issues, change management interventions and the OD process. MEGA celebrated and commemorated the Heritage month, women's month, World Aids day, 16 days of Activism for no violence against Women and children as well as condom week. Issues related to cultural diversity activities were discussed and employees highlighted their different cultures. Women had an opportunity to interact and discuss women's issues in the workplace and socially.

MEGA also participated in the Provincial Sports Day and Team Building session where various organisations participated in different sporting codes including a fun run and indigenous games.

Staff recognition

A Long Service Awards Ceremony was held wherein 26 employees received awards as a demonstration of Management's appreciation for their loyalty and commitment to MEGA. The ceremony incorporated the promotion of organisational values.

Employee Wellness programme

MEGA continues to facilitate the Employee Wellness programme which includes an on-line service, information sharing and awareness sessions. The use of the on-line programme has improved as employees have become more accepting of the tool and have gradually become confident in its ability to address their issues in a confidential manner. Furthermore, a survey was conducted to assess the effectiveness of the system and based on the outcome of the survey, more interventions will be created to improve this service offering to our employees.

During the period under review, several partnerships were established to promote a healthy lifestyle in the workplace and this included amongst other, Mopani Pharmacy, Nelspruit Marathon club, distributors of health products, Bonita's, MFS Medical Brokers and Virgin Active.

02 HUMAN RESOURCE OVERSIGHT STATISTICS

2.1 Personnel Cost by programme

PERSONNEL COST BY PROGRAMME	TOTAL EXPENDITURE FOR THE ENTITY	PERSONNEL EXPENDITURE	PERSONNEL EXP AS % OF TOTAL EXP	NO. OF EMPLOYEES @ 31 MAR 17
CEO'S office	R9,122,586	R8,089,906	8	11
Finance	R15,113,549	R13,526,695	14	28
Corporate Services	R14,298,004	R13,514,624	14	36
Strategy & Communication	R8,046,574	R6,992,870	7	11
Funding	R41,145,707	R34,339,218	35	68
Infrastructure & Properties	R12,533,988	R14,241,669	15	36
SEZ	R2,930,533	R2,536,120	3	3
TOTAL	**R103,190,940**	**R93,241,102**	**96**	**193**
EPWP 1	R812,982	R597,078	1	25
Loopspruit+Tekwane	R5,329,555	R3,451,923	4	241
Total	**R6,142,537**	**R4,049,001**		**266**
GRAND TOTAL	**R109,333,477**	**R97,290,103**	**100**	**459**

2.2 Personnel cost by salary band

Due to the placement process in progress information on employment and vacancies could not be provided because only the CEO and Senior Management have been placed on the approved organogram.

2.3 Performance Rewards

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

2.4 Training Costs

PROGRAMME	PERSONNEL EXPENDITURE	TRAINING EXPENDITURE	TRAINING EXPENDITURE AS A % OF PERSONNEL COST.	NO. OF EMPLOYEES PER PROGRAMME	AVERAGE TRAINING COST PER EMPLOYEE
CEO's office	R8,089,906	R 29,762	0.4	7	R 4,252
Finance	R13,526,695	R 110,173	0.8	10	R 11,017
Corporate Services	R13,514,624	R 80,780	0.6	16	R 5,049

2.4 Training Costs continued

Funding	R34,339,218	R 126,039	0.4	12	R 10,503
Property Management and Infrastructure	R14,241,669	R 123,840	0.9	9	R 13,760
Strategy and Communication	R6,992,870	R 28,318	0.4	4	R 7,080
SEZ	R2,536,120	R 0	0.0		
TOTAL	**R93,241,102**	**R 498,912**	**0.5**	**58**	

2.5 Employment and vacancies

Due to the placement process in progress information on employment and vacancies could not be provided because only the CEO and Senior Management has been placed on the approved organogram.

2.6 Employment and vacancies per salary band

PROGRAMME	2015/2016 APPROVED POSTS	2015/2016 NO. OF EMPLOYEES	2016/2017 APPROVED POSTS	2016/2017 NO. OF EMPLOYEES	TOTAL NO. OF FILLED POSITION	VACANCY RATE IN %
Top Management	1	1	1	1	0	0%
Senior Management	8	7	7	5	2	29%
Professional qualified	36	29	29	26	3	10%
Skilled	84	65	63	62	1	2%
Semi-skilled	51	41	41	39	2	24%
Unskilled	56	43	43	43	0	0%
TOTAL	**236**	**186**	**184**	**176**	**8**	**4%**

Notes:
*The total number of employees is 184 , 176 positions are filled and eight 8 employees were not placed in the period under-review. The total number of employees also include two employees appointed under the SEZ projects and one (1) secondment from **the dti***

• *No of temporary employees*	*9*
• *No. of permanent , fixed-term employee including SEZ*	*184*
Total no. of employees including nine (9) fixed-term employees is	***193***

2.7 Employment changes

DESCRIPTION	NUMBER
Employment at the beginning of period	186
Terminations	2
Employment at the end of period	**184**

2.8 Reasons for staff leaving

REASON	NUMBER	% OF TOTAL NO. OF STAFF LEAVING
Death	1	1
Resignation	1	1
Dismissal		
Retirement		0
Ill health		
Other VSP		
Total no. of terminations	**2**	**2**

2.9 Labour Relations: Misconduct and disciplinary action

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

2.9.1 Labour Litigations

SALARY BAND	SALARY BAND	DESCRIPTION	STATUS
Professionally qualified	1	Unfair labour practice regarding Equal pay for equal work	The matter was dismissed by the CCMA because it lacked authority on the matters related to remuneration since it does not amount to unfair labour practice

2.9.2 Disciplinary Actions

None.

2.9.3 Equity Targets and Employment Equity Status

2.9.3.1 Equity Targets

OCCUPATIONAL LEVEL	MALE				FEMALE				TOTAL
	B	C	I	W	B	C	I	W	
Top Management	1				0				1
Senior Managers	5				2	0		0	7
Professional qualified	18		1	1	5	2		2	29
Skilled	34	2		2	21	1	1	2	63
Semi-skilled	18				21	1		1	41
Unskilled	19				24				43
TOTAL	**95**	**2**	**1**	**3**	**73**	**4**	**1**	**5**	**184**

2.9.3.2 Employment Equity status

LEVEL	MALE				FEMALE				TOTAL
	B	C	I	W	B	C	I	W	
Top Management	1				0				1
Senior Managers	4			1	2	0		0	7
Professional qualified	18		1	1	5	2		2	29
Skilled	34	2		2	21	1	1	2	63
Semi-skilled	18				21	1		1	41
Unskilled	19				24				43
TOTAL	**94**	**2**	**1**	**4**	**73**	**4**	**1**	**5**	**184**
Temporary employees	**4**	**0**	**0**	**0**	**5**	**0**	**0**	**0**	**9**
TOTAL NO. OF EMPLOYEES	**98**	**4**	**1**	**4**	**78**	**4**	**1**	**5**	**193**

2.9.3.3 Disabled Staff

OCCUPATIONAL LEVEL	MALE
	BLACK
Top Management	
Senior Managers	
Professional qualified	
Skilled	1
Semi-skilled	
Unskilled	

PART E

FINANCIAL INFORMATION

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

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Mpumalanga Economic Growth Agency set out on pages 112 to 182, which comprise the statement of financial position as at 31 March 2017, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, except for the possible effects of the matters described in the basis for qualified opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Mpumalanga Economic Growth Agency as at 31 March 2017, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No.1 of 1999) (PFMA).

Basis for qualified opinion

Investment property

3. International Accounting Standard 40, *Investment property* defines investment property as property held to earn rental or for capital appreciation, or both. Contrary to this requirement, some assets registered in the name of the entity were rented out and earned rental for the entity but they were not included in the asset register, resulting in an understatement of investment property. As a result, investment property and the related fair value adjustment were misstated. I was unable to quantify the amount of these misstatements, as it was impractical to do so.

4. 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.

5. Consequently, I was unable to determine whether any adjustment was necessary relating to investment property stated at R823 178 638 (2016: R794 134 364) and fair value adjustments amounting to R17 604 707 (2016: R27 585 542) as disclosed in note 4 and note 23 to the financial statements, respectively.

Other financial assets

6. I was unable to obtain sufficient appropriate audit evidence for other financial assets, as the entity did not provide contracts as well as disbursement and payment confirmations to confirm that loans and related interest had been accounted for properly in the financial statements. I could not confirm the correctness of the loan amounts and related interest by alternative means, as the entity's record system did not permit this. Consequently, I was unable to determine whether any adjustment was necessary relating to other financial assets stated at R95 772 718 (2016: R71 653 907) as disclosed in note 8 to the financial statements and interest income of R25 818 012 (2016: R30 286 511) included in revenue as disclosed in note 20 to the financial statements.

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

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

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

Emphasis of matters

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

Restatement of corresponding figures

11. As disclosed in note 33 to the financial statements, the corresponding figures for 31 March 2016 have been restated as a result of an error in the financial statements of the public entity at, and for the year ended, 31 March 2017.

Material impairments

12. As disclosed in notes 8 and 10 to the financial statements, material impairments of R61 169 923 (2016: R42 538 300) and R136 776 206 (2016: R101 853 766) were incurred as a result of the provision for the impairment of other financial assets, and trade and other receivables, respectively.

Responsibilities of the accounting authority for the financial statements

13. The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the financial statements in accordance with the IFRS and the requirements of the PFMA, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Report on the audit of the annual performance report

Introduction and scope

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

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

19. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the public entity for the year ended 31 March 2017:

Programmes	Pages in the annual performance report
Programme 4 – strategy and communication	44 – 53
Programme 5 – properties and infrastructure	54 – 63
Programme 6 – funding	64 – 71

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

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

Programme 4 – strategy and communication

Various targets

22. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of reported targets. This was due to limitations placed on the scope of my work and documents submitted that were not valid. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement for the following targets:

Target description	Reported achievement
Value of investment projects facilitated	R606 000 000
Number of exporters provided with Foreign Trade Counselling and Support	249
Number of EMIA / SSAS Applications Facilitated	16
Number of Investment and Trade Inward Missions hosted/participated	13

Number of investment projects facilitated

23. The public entity did not have an adequate performance management system to maintain records to enable reliable reporting on the achievement of targets. Sufficient appropriate audit evidence could not be provided in some instances, while in other cases the evidence provided did not agree to the recorded achievements. This resulted in a misstatement of the target achievement reported, as the evidence provided indicated that it was 0 and not 3. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any further adjustments were required to the reported achievements.

Programme 5 – property and infrastructure

Various indicators and targets

24. The following indicators and targets were reported in the annual performance report but were not included in the approved annual performance plan, contrary to the requirements of treasury regulation 30.1.3(g):

- Feasibility studies completed for the fresh produce market
- Established and operational property fund
- Percentage completion towards infrastructure and top structures for the residential development projects in Mashishing and Secunda

25. The following targets as reported in the annual performance report were not consistent with the approved targets as per the annual performance plan, contrary to the requirements of treasury regulation 30.1.3(g):

- Number of stages completed towards the SEZ designation from Middelburg
- Number of stages completed towards implementation of the Nkomazi SEZ

Number of jobs created through property/infrastructure projects

26. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of this target. This was due to a lack of proper performance management systems and processes as well as formal standard operating procedures or documented system descriptions that predetermined how the achievement would be measured, monitored and reported, as required by the Framework for Managing Programme Performance Information (FMPPI). I was unable to confirm whether the reported achievement of this indicator was reliable by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement of 464 jobs created.

Programme 6 – funding

Various targets

27. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of reported targets. This was due to limitations placed on the scope of my work and documents submitted that were not valid. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement for the following targets:

Target description	Reported achievement
Value of housing loans advanced	R8 535 547
Percentage funding provided to enterprises owned by disabled persons	3%
Value of capital raised internally	R13 828 484
Value of loans disbursed to agricultural enterprises	R9 348 747
Number of housing loans advanced	25
Number of Co-ops financed	3

Various targets

28. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of reported targets. This was due to a lack of proper performance management systems and processes as well as formal standard operating procedures or documented system descriptions that predetermined how the achievement would be measured, monitored and reported, as required by the FMPPI. I was unable to confirm whether the reported achievement of the indicator was reliable by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement of the following targets:

- Number of equity investments restructured reported achievement of one
- Number of jobs created from funding activities reported achievement of 109

Number of Agricultural enterprises and Co-ops provided with non-financial support services

29. The reported achievement for this target was misstated, as the evidence provided indicated 85 and not 94 as reported.

Number of agricultural enterprises financed

30. The public entity did not have an adequate performance management system to maintain records to enable reliable reporting on the achievement of targets. Sufficient appropriate audit evidence could not be provided in some instances, while in other cases the evidence provided did not agree to the recorded achievements. This resulted in a misstatement of the target achievement reported, as the evidence provided indicated that it was 9 and not 11. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any further adjustments were required to the reported achievements.

Value of capital raised by the shareholder

31. The reported achievement for this target was misstated, as the evidence provided indicated R80 000 000 and not R64 000 000 as reported.

Number of SMMEs financed

32. The public entity did not have an adequate performance management system to maintain records to enable reliable reporting on the achievement of targets. Sufficient appropriate audit evidence could not be provided in some instances, while in other cases the evidence provided did not agree to the recorded achievements. This resulted in a misstatement of the target achievement reported, as the evidence provided indicated that it was 19 and not 26. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any further adjustments were required to the reported achievements.

Other matter

33. I draw attention to the matter below.

Achievement of planned targets

34. Refer to the annual performance report on pages 44 to 53, 54 to 63 and 64 to 71; for information on the achievement of the planned targets for the year and the explanations provided for the under- or overachievement of a significant number of targets. This information should be considered in the context of the material findings expressed on the usefulness and reliability of the reported performance information in paragraphs 23 to 33 of this report.

Report on the audit of compliance with legislation

Introduction and scope

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

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

Annual financial statements, performance report and annual report

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

38. The annual performance report did not contain the actual performance results against the objectives, indicators and targets as per the 2016-17 annual performance plan, as required by section 40(3)(a) of the PFMA and treasury regulations 5.2.4 and 18.3.1(b).

Expenditure management

39. Effective steps were not taken to prevent irregular expenditure, as required by section 51(1)(b)(ii) of the PFMA.

Revenue management

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

Asset management

41. Proper control systems to safeguard and maintain assets were not implemented, as required by sections 50(1)(a) and 51(1)(c) of the PFMA.

Other information

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

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

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

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

46. I have not yet received the final annual report containing the other information. When I do receive this information, and if I conclude that it contains a material misstatement, I am required to communicate the matter to those charged with governance and to request that the other information be corrected. If the other information is not corrected, I may have to re-issue my auditor's report amended as appropriate.

Internal control deficiencies

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

Leadership

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

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

Financial and performance management

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

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

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

Governance

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

Auditor-General

Mbombela

31 July 2017

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general's responsibility for the audit

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

Financial statements

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

   - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control.

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

- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements by the board of directors, which constitutes the accounting authority. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the public entity to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of the auditor's report. However, future events or conditions may cause the public entity to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

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

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

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

MPUMALANGA
THE PLACE OF THE RISING SUN

MEGA
MPUMALANGA ECONOMIC GROWTH AGENCY

ANNEXURE – AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

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

Financial statements

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

- identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one r esulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control.

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

- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements by the board of directors, which constitutes the accounting authority. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the public entity to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of the auditor's report. However, future events or conditions may cause the public entity to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

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

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

GENERAL INFORMATION

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

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

Published

31 May 2017

ACCOUNTING AUTHORITY'S RESPONSIBILITY AND APPROVAL

The directors are required in terms of the MEGA Act no.1 of 2010 and PFMA Act no.1 of 1999 to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based -upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates. The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity.

While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints. The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements.

However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.The directors have reviewed the entity's cash flow forecast for the year to 31 March 2018 and, in light of this review and the current financial position, they are satisfied that the entity has or had access to adequate resources to continue in operational existence for the foreseeable future.The external auditors are responsible for independently auditing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors. The annual financial statements set out on pages 4 to 66, which have been prepared on the going concern basis, were approved by the board on 30 May 2017 and were signed on their behalf by:

Mr DN Mculu (Chairman)

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 2017.

1. Nature of business

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

2. Review of financial results and activities

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

The entity recorded a net profit after tax for the year ended 31 March 2017 of R 127 934 596. This represented an increase of 76% from the net profit after tax of the prior year of R72 649 701.

Entity revenue decreased from R205 122 786 in the prior year to R190 936 401 for the year ended 31 March 2017

ACCOUNTING AUTHORITY'S REPORT

3.Directorate

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

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

4. Directors' interests in contracts

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

5. 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.

6. Going concern

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

7. Auditors

Auditor-General of South Africa continued in office as auditors for the entity for 2017 in accordance with section 55 of the MEGA Act and the PFMA Act.

8. Secretary

The company secretary is Advocate SP Morgan.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017

	Note(s)	2017 R	2016 Restated * R	1 April 2015 Restated * R
Assets				
Non-Current Assets	3	397 620 450	382 946 453	371 653 696
Property, plant and equipment	4	823 178 638	794 134 643	761 268 739
Investment property	5	20 149 647	14 177 626	10 851 052
Biological assets	6	8 493 878	8 718 051	9 430 751
Intangible assets	7	3 160 114	2 890 947	2 890 947
Investments in associates	8	74 261 597	52 672 565	73 406 988
Other financial assets		**1 326 864 324**	**1 255 540 285**	**1 229 502 173**
Current Assets				
Inventories	9	59 997 437	59 015 019	61 199 502
Trade and other receivables	10	98 538 980	62 891 888	64 303 309
Other financial assets	8	21 511 121	18 981 342	1 612 940
Cash and cash equivalents	11	132 519 900	64 393 814	51 568 876
		312 567 438	**205 282 063**	**178 684 627**
Total Assets		**1 639 431 762**	**1 460 822 348**	**1 408 186 800**
Equity and Liabilities				
Equity				
Reserves	13	92 055 677	69 276 346	45 605 135
Retained income		1 412 048 203	1 283 756 104	1 210 123 913
		1 504 103 880	**1 353 032 450**	**1 255 729 048**
Liabilities				
Non-Current Liabilities				
Other financial liabilities	14	9 314 998	17 784 637	25 583 053
Provisions	16	971 779	1 013 278	1 001 296
		10 286 777	**18 797 915**	**26 584 349**
Current Liabilities				
Other financial liabilities	14	22 787 743	21 981 520	31 126 364
Provisions	16	11 697 915	10 843 051	10 902 435
Trade and other payables	17	76 774 579	41 588 934	68 105 181
Unspent conditional grants	18	13 780 868	14 578 478	15 739 423
		125 041 105	**88 991 983**	**125 873 403**
Total Liabilities		**135 327 882**	**107 789 898**	**152 457 752**
Total Equity and Liabilities		**1 639 431 762**	**1 460 822 348**	**1 408 186 800**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note(s)	2017 R	2016 Restated * R
Revenue	20	190 936 401	205 122 786
Cost of sales	21	(102 906 375)	(113 927 962)
Gross profit		**88 030 026**	**91 194 824**
Other operating income	22	311 342 167	196 909 726
Other operating gains (losses)	23	38 053 758	41 856 875
Other operating expenses	24	(315 451 716)	(256 965 411)
Operating profit	25	**121 974 235**	**72 996 014**
Investment income	26	7 688 327	2 506 917
Finance costs	27	(1 996 296)	(2 853 230)
Income from equity accounted investments		268 330	-
Profit for the year		**127 934 596**	**72 649 701**
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Gains on property revaluation		23 136 834	24 653 701
Other comprehensive income for the year net of taxation		**23 136 834**	**24 653 701**
Total comprehensive income for the year		**151 071 430**	**97 303 402**

STATEMENT OF CHANGES IN EQUITY

	Note(s)	Revaluation Reserve R	Retained Income R	Total Equity R
Opening balance as previously reported		122 419 091	1 871 985 914	1 994 405 005
Adjustments Change in accounting policy		-	20 219 059	20 219 059
Prior year adjustments		(76 813 956)	(682 081 060)	(758 895 016)
Restated balance at 01 April 2015		**45 605 135**	**1 210 123 913**	**1 255 729 048**
Profit for the year		-	72 649 701	72 649 701
Other comprehensive income		24 653 701	-	24 653 701
Total comprehensive income for the year		**24 653 701**	**72 649 701**	**97 303 402**
Transfer between reserves		(982 490)	982 490	-
Total contributions by and distributions to owners of entity recognised directly in equity		**(982 490)**	**982 490**	-
Balance at 01 April 2016		**69 276 346**	**1 283 756 104**	**1 353 032 450**
Profit for the year		-	127 934 596	127 934 596
Other comprehensive income		23 136 834	-	23 136 834
Total comprehensive income for the year		**23 136 834**	**127 934 596**	**151 071 430**
Transfer between reserves		(357 503)	357 503	-
Total contributions by and distributions to owners of company recognised directly in equity		**(357 503)**	**357 503**	-
Balance at 31 March 2017	13	**92 055 677**	**1 412 048 203**	**1 504 103 880**

STATEMENT OF CASH FLOWS

	Note(s)	2017 R	2016 Restated * R
Cash flows from operating activities			
Cash receipts from customers		176 804 086	224 453 835
Government grants		290 515 330	195 400 460
Cash paid to suppliers and employees		(339 500 906)	(435 622 939)
Cash generated from operations	28	127 818 510	(15 768 644)
Interest income		7 670 445	2 468 349
Finance costs		(1 922 835)	(2 790 928)
Net cash from operating activities		**133 566 120**	**(16 091 223)**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(2 698 091)	(4 877 609)
Sale of property, plant and equipment	3	-	(192 439)
Purchase of investment property	4	(11 557 855)	(5 280 363)
Sale of investment property	4	118 568	-
Purchase of other intangible assets	6	-	(61 300)
Acquisition of new investments in associates		(837)	-
Loan disbursements		(45 378 577)	(4 370 718)
Loan repayments		2 519 902	61 764 227
Dividends received		17 882	38 568
Net cash from investing activities		**(56 979 008)**	**47 020 366**
Cash flows from financing activities			
Repayment of other financial liabilities		(7 663 416)	(16 943 260)
Movement in unspent conditional grants		(797 610)	(1 160 945)
Net cash from financing activities		**(8 461 026)**	**(18 104 205)**
Total cash movement for the year		68 126 086	12 824 938
Cash at the beginning of the year		64 393 814	51 568 876
Total cash at end of the year	11	**132 519 900**	**64 393 814**

ACCOUNTING POLICIES

Corporate information

Mpumalanga Economic Growth Agency is a Schedule 3D public entity incorporated and domiciled in South Africa. The registered office is:

20 Paul Kruger Street
ABSA Square
Nelspruit.

1. Significant accounting policies

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

1.1 Basis of preparation

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

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

These accounting policies are consistent with the previous period, except for the changes set out in note 34.

1.2 Investments in associates

An associate is an entity over which the entity has significant influence and which is neither a subsidiary nor a joint arrangment. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Investments in associates are accounted for using the equity method, except when the investment is classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in associates are carried in the Statement of Financial Position at cost adjusted to recognise the changes in the entity's share of net assets of the associate since acquisition date.

The entity's share of post-acquisition profit or loss is recognised in profit or loss, and its share of movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. Profits or losses on transactions between the entity and an associate are eliminated to the extent of the entity's interest therein.

Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by 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 theinvestment 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 ofprofit of an associate' in profit or loss.

When the entity reduces its level of significant influence or loses significant influence, the entity proportionately reclassifies the related items which were previously accumulated in equity through other comprehensive income to profit or loss as are classification adjustment. In such cases, if an investment remains, that investment is measured to fair value, with the fair value adjustment being recognised in profit or loss as part of the gain or loss on disposal.

1.3 Significant judgements and sources of estimation uncertainty

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

Critical judgements in applying accounting policies

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

ACCOUNTING POLICIES

Lease classification

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

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

Water rights

MEGA has water rights for 221.42ha 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.

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

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

KEY SOURCES OF ESTIMATION UNCERTAINTY

Trade receivables and loans and receivables

MEGA assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the organisation makes judgements as to 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.

Inventory

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

Fair value estimation

Several assets and liabilities of the entity are either measured at fair value or disclosure is made of their fair values.

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

Refer to note 8 for details on the fair value hierarchy levels and information about the specific technicques and inputs.

Impairment testing

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

Provisions

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

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

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

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

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 specificmarket factors such as nature, location and condition of the property.

The last revaluation of land and buildings was at 31 March 2016. Bulk infrastructure was revalued at 31 March 2017 with reference to the consumer price index (CPI). The key assumptions used to determine the fair value for property, plant and equipment and investment property are further explained in note 3 and 4 respectively.

Useful lives of intangible assets

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

1.4 Biological assets

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

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits associated with the asset will flow to the entity; and
- the fair value or cost of the asset can be measured reliably.

Biological assets excludes bearer plants, which are included in the property, plant and equipment.

Biological assets are measured at their fair value less costs to sell A gain or loss arising on initial recognition of agricultural produce at fair value less costs to sell is included in profit or loss for the period in which it arises.

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

1.5 Investment property

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

Fair value

Subsequent to initial measurement investment property is measured at fair value, which reflects market conditions at the reporting date. A gain or loss arising from a change in fair value is included in net profit or loss for the period in which it arises. Fair values are determined based on an annual evaluation performed by an accredited external, independent valuer, applying valuation models. Transfers are made to (or from) investment property only when there is a change in use. Repossessed properties will only be classified as investment property if it is management's intention to retain the properties to earn rentals or for capital appreciation. If management's intention is to dispose of the repossessed properties, such properties will be classified as housing inventory until sold. The fair value at the date of reclassification to housing inventory becomes its cost for subsequent accounting. Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the statement of profit or loss in the period of derecognition.

ACCOUNTING POLICIES

1.6 Property, plant and equipment

Property, plant and equipment are tangible assets which the entity holds for its own use or for rental to others and which are expected to be used for more than one year.

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the company, and the cost of the item can be measured reliably. Bearer plants are included in property, plant and equipment. Bearer plants are living plants which are used in the production or supply of agricultural produce and are expected to bear produce for more than one period. They only qualify as bearer plants if there is only a remote likelihood of them being sold as agricultural produce.

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate.

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

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting year. When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

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 profit or loss, the increase is recognised in 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.

The revaluation reserve related to a specific item of property, plant and equipment is transferred directly to retained income as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset, net of deferred tax. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained income.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when itis 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 of an asset commences when the asset is available for use as intended by management.

Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the entity. Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the entity will obtain ownership by the end of the term, the asset is depreciated over the the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount.

Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised. The useful lives of items of property, plant and equipment have been assessed as follows:

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

ACCOUNTING POLICIES

1.6 Property, plant and equipment (continued)

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

1.7 Intangible assets

Intangible assets are initially recognised at cost. 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. Other intangible assets are carried at cost less any accumulated amortisation and any impairment losses. The amortisation period and the amortistion method for intangible assets are reviewed every period-end. 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 provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

ITEM	USEFUL LIFE
Water rights	indefinite
Computer software	3 years

1.8 Financial instruments

Classification

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

- Financial assets at fair value through profit or loss - designated
- Held-to-maturity investment
- Loans and receivables
- Available-for-sale financial assets
- Financial liabilities at fair value through profit or loss - designated
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition.

Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

Initial recognition and measurement

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

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

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

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

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

ACCOUNTING POLICIES

1.8 Financial instruments (continued)

Subsequent measurement

Financial instruments at fair value through profit or loss

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

Loans and receivables

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

Available-for-sale financial assets

Available-for-sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in equity until the asset is disposed of or determined to be impaired. Interest on available-for-sale financial assets calculated using the effective interest method is recognised in profit or loss as part of other income. Dividends received on available-for-sale equity instruments are recognised in profit or loss as part of other income when the entity's right to receive payment is established.

Financial liabilities at amortised cost

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

Financial liabilities at fair value through profit or loss

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

Derecognition

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

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

Impairment of financial assets

At each reporting date the entity assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.
An impairment existsif one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

For amounts due to the entity, significant financial difficulties of the debtor, delinquency in interest of principal payments, probability that the debtor will enter bankruptcy, other financial reoganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as arrears or economic conditions to correlate with defaults, are all considered indicators of impairment.

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

ACCOUNTING POLICIES

1.8 Financial instruments (continued)

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 profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in profit or loss. Loans, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the entity. If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other income in profit or loss

Available-for-sale financial investments

For available-for-sale financial investments, the entity assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss — is removed from other comprehensive income and recognised in profit or loss.

Impairment losses on equity investments are not reversed through profit or loss in a subsequent period. Increases in their fair value after impairments are recognised in other comprehensive income. The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the entity evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss.

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

Cash and cash equivalents

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

1.9 Fair value measurement

The entity measures financial instruments, such as unquoted equity instruments, and non-financial assets such as investmentproperties, biological assets, and land and buildings and bulk infrastructure at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

ACCOUNTING POLICIES

1.9 Fair value measurement (continued)

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

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilise the asset in its highest and best use. The entity uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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 l evel input that is significant to the fair value measurement isdirectly or indirectly observable.
- **Level 3 —** Valuation techniques for which the lowest level input that is significant to the fair value measurement isunobservable.

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.

1.9 Fair value measurement (continued)

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.

1.10 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in anarrangement

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership.
A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases – lessee

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

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Operating leases - lessor

Operating lease income is recognised as an income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income. The respective leased assets are included in the statement of financial position based on their nature. Income for leases is disclosed under revenue in profit or loss. Any contingent rent are recognised as revenue in the period incurred.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted. Any contingent rents are expensed in the period they are incurred.

ACCOUNTING POLICIES

1.11 Inventories

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

Inventories are measured at the lower of cost and net realisable value on the first-in-first-out basis.
Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Where inventories are acquired at no cost or for nominal consideration, the cost is deemed to be the fair value as at the date of acquisition. Direct costs relating to unsold properties are accumulated for each separately identifiable development.

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

1.12 Impairment of assets

The entity assesses intangible assets that have an indefinite useful life annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Other assets are assessed at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset.

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

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

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

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

That reduction is an impairment loss. An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease. An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

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

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

1.13 Share capital and equity

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

1.14 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation-leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted. The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of performance 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.

ACCOUNTING POLICIES

1.14 Employee benefits (continued)

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.

Long-term service employee benefits

The entity has an obligation to provide long-term service allowance benefits to all of its employees.

For long-term service benefits the cost of providing the benefits is determined using the projected unit credit method. Actuarial valuations are conducted on an annual basis by independent actuaries.

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

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

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

The entity determines the appropriate discount rate at the end of each year. In determining the appropriate discount rate, the entity considers current market practice government bond yields, as the South African corporate bond market is not considered to be sufficiently developed. The discount rate is set to be equal to a single point estimate on the BESA zero-coupon yield curve, with a term corresponding to the expected duration of the liabilities, based on the current membership data, as at the valuation date.

Benefits paid is the actual amount paid to eligible members during the valuation period.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs.

1.15 Provisions and contingencies

Provisions are recognised when:

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

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation. If the effect of the time value of money is material, provisions are discounted using a current rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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

Provisions are not recognised for future operating losses.

ACCOUNTING POLICIES

Restructuring provisions

A constructive obligation to restructure arises only when an entity:

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

Contingencies

Contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 30.

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

Decommissioning liability

The entity records a provision for decommissioning costs of a landfill site. Decommissioning costs are provided for at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the relevant asset. The cash flows are discounted at the current rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed in the statement of profit or loss as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs, or in the discount rate applied, are added to or deducted from the cost of the asset.

Leave provision

The annual leave provision is expected to be settled within 12 months after the end of the period in which the employees render the related service. The provision is not discounted and is measured at the expected cost to settle the obligation using the accrued leave days at reporting date multiplied by the rate per day. Leave, if not taken, is forfeited 6 months after the end of the employee's leave cycle. Leave is only paid out on resignation or death.

1.16 Government grants

Government grants are recognised when there is reasonable assurance that:

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

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

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

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

1.17 Revenue

Sale of goods

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

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

ACCOUNTING POLICIES

1.17 Revenue (continued)

Rendering of services

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

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

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

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

Interest

Interest is recognised, in profit or loss, using the effective interest rate method. For all financial instruments measured at amortised cost and loans and receivables, interest income and or expense is recorded using the effective interest method. The effective interest method is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in investment income and interest expense in finance cost in the statement of profit or loss.

Dividends

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

1.18 Cost of sales

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

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

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

1.19 Translation of foreign currencies Foreign currency transactions

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

At the end of the reporting period:

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

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

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

ACCOUNTING POLICIES

1.20 Commitments

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

Capital commitments arise when the entity has entered into a contract on or before the end of the financial year to incur expenditure during subsequent accounting periods relating to the construction of infrastructure assets, the purchase of major items of property, plant and equipment and commitments made to provide funding to the entity's clients.

Approved and contracted for capital commitments are where the expenditure has been approved and the contract has been awarded at the reporting date.

Approved and not yet contracted for capital commitments are where the expenditure has been approved, but the contract has not yet been awarded or is awaiting finalisation at the reporting date.

Commitments are not recognised in the statement of financial position and statement of financial performance but are included in the disclosure notes. Refer to note 29.

1.21 Income Tax and Value Added Tax

Income Tax

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

Value Added Tax

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

1.22 Related party disclosure

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

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

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

1.23 Irregular expenditure

Irregular expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the total value of the irregularity unless it is impracticable to determine, in which case reasons therefore are provided in the note. Irregular expenditure is removed from the note when it is either condoned by the relevant authority or transferred to receivables for recovery. Irregular expenditure receivables are measured at the amount that is expected to be recoverable and are de- recognised when settled or subsequently written-off as irrecoverable.

1.24 Fruitless and wasteful expenditure

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

1.25 Unauthorised expenditure

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

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the entity has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Amendment to IFRS 5: Non-current Assets Held for Sale and Discontinued Operations: Annual Improvements project

The amendment clarifies that non-current assets held for distribution to owners should be treated consistently with non-current assets held for sale. It further specifies that if a non-current asset held for sale is reclassified as a non-current asset held for distribution to owners or vice versa, that the change is considered a continuation of the original plan of disposal.

The effective date of the amendment is for years beginning on or after 01 January 2016.

The entity has adopted the amendment for the first time in the 2017 annual financial statements.

The impact of the amendment is not material as currently the entity has no assets classified as non-current assets held for sale.

Amendment to IFRS 7: Financial Instruments: Disclosures: Annual Improvements project

The amendment provides additional guidance regarding transfers with continuing involvement. Specifically, it provides that cash flows excludes cash collected which must be remitted to a transferee. It also provides that when an entity transfers a financial asset but retains the right to service the asset for a fee, that the entity should apply the existing guidance to consider whether it has continuing involvement in the asset.

The effective date of the amendment is for years beginning on or after 01 January 2016.

The entity has adopted the amendment for the first time in the 2017 annual financial statements. The impact of the amendment is not material.

Amendment to IAS 19: Employee Benefits: Annual Improvements project

The amendment clarifies that when a discount rate is determined for currencies where there is no deep market in high quality corporate bonds, then market yields on government bonds in that currency should be used.

The effective date of the amendment is for years beginning on or after 01 January 2016.

The entity has adopted the amendment for the first time in the 2017 annual financial statements. The impact of the amendment is not material.

Disclosure Initiative: Amendment to IAS 1: Presentation of Financial Statements

The amendment provides new requirements when an entity presents subtotals in addition to those required by IAS 1 in its annual financial statements. It also provides amended guidance concerning the order of presentation of the notes in the annual financial statements, as well as guidance for identifying which accounting policies should be included. It further clarifies that an entity's share of comprehensive income of an associate or joint venture under the equity method shall be presented separately into its share of items that a) will not be reclassified subsequently to profit or loss and b) that will be reclassified subsequently to profit or loss.

The effective date of the amendment is for years beginning on or after 01 January 2016.

The entity has adopted the amendment for the first time in the 2017 annual financial statements.

The impact of the amendment is not material.

Amendment to IAS 34: Interim Financial Reporting. Annual Improvements project

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

The amendment allows an entity to present disclosures required by paragraph 16A either in the interim annual financial statements or by cross reference to another report, for example, a risk report, provided that other report is available to users of the annual financial statements on the same terms as the interim annual financial statements and at the same time.

The effective date of the amendment is for years beginning on or after 01 January 2016.

The entity has adopted the amendment for the first time in the 2017 annual financial statements. The impact of the amendment is not material as the entity does not publish interim financial reports.

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

The amendment defines bearer plants and include bearer plants within the scope of IAS 16 Property, Plant and Equipment. A bearer plant is defined as a living plant used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce. Bearer plants were previously within the scope of IAS 41 Agriculture.

The effective date of the amendment is for years beginning on or after 01 January 2016.

The entity has adopted the amendment for the first time in the 2017 annual financial statements. The impact of the amendment is set out in note 34 Changes in Accounting Policy.

Amendments to IFRS 10, 12 and IAS 28: Investment Entities. Applying the consolidation exemption

The amendment clarifies the consolidation exemption for investment entities. It further specifies that an investment entity which measures all of its subsidiaries at fair value is required to comply with the "investment entity" disclosures provided in IFRS 12. The amendment also specifies that if an entity is itself not an investment entity and it has an investment in an associate or joint venture which is an investment entity, then the entity may retain the fair value measurement applied by such associate or joint venture to any of their subsidiaries.

The effective date of the amendment is for years beginning on or after 01 January 2016.

The entity has adopted the amendment for the first time in the 2017 annual financial statements. The impact of the amendment is not material as the entity does not have any subsidiaries.

IFRS 14 Regulatory Deferral Accounts

The new standard is an interim standard applicable to entities subject to rate regulation. The standard is only applicable to entities adopting IFRS for the first time. It permits entities to recognise regulatory deferral account balances in the statement of financial position. When the account has a debit balance, it is recognised after total assets. Similarly, when it has a credit balance, it is recognised after total liabilities. Movements in these accounts, either in profit or loss or other comprehensive income are allowed only as single line items.

The effective date of the standard is for years beginning on or after 01 January 2016.

The entity has adopted the standard for the first time in the 2017 annual financial statements. The impact of the standard is not material as the entity is not subject to rate regulation.

Amendment to IAS 27: Equity Method in Separate Financial Statements

The amendment adds the equity method to the methods of accounting for investments in subsidiaries, associates and joint ventures in the separate annual financial statements of an entity.

The effective date of the amendment is for years beginning on or after 01 January 2016.

The entity has adopted the amendment for the first time in the 2017 annual financial statements.

The impact of the amendment is not material as the entity does not prepare separate financial statements.

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

The amendment clarifies that a depreciation or amortisation method that is based on revenue that is generated by an activity that includes the use of the asset is not an appropriate method. This requirement can be rebutted for intangible assets in very specific circumstances as set out in the amendments to IAS 38.

The effective date of the amendment is for years beginning on or after 01 January 2016.

The entity has adopted the amendment for the first time in the 2017 annual financial statements.

The impact of the amendment is not material as the entity does not use a depreciation or amortisation method that is based on revenue.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amendment to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations

The amendments apply to the acquisitions of interest in joint operations. When an entity acquires an interest in a joint operation in which the activity of the joint operation constitutes a business, as defined in IFRS 3, it shall apply, to the extent of its share, all of the principles on business combinations accounting in IFRS 3, and other IFRSs, that do not conflict with the guidance in this IFRS and disclose the information that is required in those IFRSs in relation to business combinations. This applies to the acquisition of both the initial interest and additional interests in a joint operation in which the activity of the joint operation constitutes a business.

The effective date of the amendments is for years beginning on or after 01 January 2016.

The entity has adopted the amendments for the first time in the 2017 annual financial statements. The impact of the amendments is not material as the entity does not have any joint arrangements.

2.2 Standards and interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 01 April 2017 or later periods:

Standard/ Interpretation:	Effective Date: Years beginning on Or after	Expected Impact:
• Amendment to IAS 40: Investment Property regarding the transfer of property	01 January 2018	Unlikely there will be a material impact
• IFRIC 22: Foreign Currency Transactions and Advance Consideration	01 January 2018	Not relevant - the entity does not have foreign currency transactions relating to the acquisition of non-monetary assets or non-monetary liabilities
• Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	01 January 2099	Unlikely there will be a material impact
• IFRS 16 Leases	01 January 2019	Impact is currently being assessed
• IFRS 9 Financial Instruments	01 January 2018	Impact is currently being assessed
• IFRS 15 Revenue from Contracts with Customers	01 January 2018	Not expected to impact results but may result in additional disclosure
• Amendments to IFRS 15: Clarifications to IFRS 15 Revenue from Contracts with Customers	01 January 2018	Unlikely there will be a material impact

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

STANDARD/ INTERPRETATION:	EFFECTIVE DATE: YEARS BEGINNING ON OR AFTER	EXPECTED IMPACT:
• Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions	01 January 2018	Not relevant - the entity does not make use of share-based payment transactions
• Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	01 January 2018	Not relevant - the entity is not an insurer as defined by IFRS 4
• Amendments to IAS 7: Disclosure initiative	01 January 2017	Not expected to impact results but may result in additional disclosure
• Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses	01 January 2017	Not relevant - entity not registered for income tax

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

3. Property, plant and equipment

	2017			2016			2015		
	Cost or Revaluation	Accumulated Depreciation	Carrying Value	Cost or Revaluation	Accumulated Depreciation	Carrying Value	Cost or Revaluation	Accumulated Depreciation	Carrying Value
Bearer plants	17 579 943	(3 104 822)	14 475 121	17 579 943	(2 281 081)	15 298 862	17 579 943	(1 457 341)	16 122 602
Buildings	34 192 974	-	34 192 974	34 876 365	-	34 876 365	33 830 074	-	33 830 074
Bulk infrastructure	294 614 099	-	294 614 099	274 035 612	-	274 035 612	267 462 476	-	267 462 476
Capital - Work in progress	-	-	-	4 021 958	-	4 021 958	-	-	-
IT equipment	4 020 625	(1 948 771)	2 071 854	3 668 742	(1 634 507)	2 034 235	2 973 840	(1 023 028)	1 950 812
Land	50 028 189	-	50 028 189	50 028 189	-	50 028 189	48 677 687	-	48 677 687
Motor vehicles	1 658 526	(1 168 719)	489 807	1 702 526	(1 119 249)	583 277	1 702 526	(928 210)	774 316
Office equipment	2 957 413	(2 003 119)	954 294	3 264 211	(1 961 434)	1 302 777	3 159 475	(1 482 776)	1 676 699
Plant and machinery	2 213 077	(1 418 965)	794 112	2 532 692	(1 767 514)	765 178	2 498 428	(1 339 398)	1 159 030
TOTAL	**407 264 846**	**(9 644 396)**	**397 620 450**	**391 710 238**	**(8 763 785)**	**382 946 453**	**377 884 449**	**(6 230 753)**	**371 653 696**

Reconciliation of property, plant and equipment

2017

	Opening Balance	Additions	Disposals	Transfers	Revaluations	Depreciation	TOTAL
Bearer plants	15 298 862	-	-	-	-	(823 741)	14 475 121
Buildings	34 876 365	-	-	-	-	(683 391)	34 192 974
Bulk infrastructure	274 035 612	482 193	-	5 091 062	23 136 833	(8 131 601)	294 614 099
Capital - Work in progress	4 021 958	1 069 104	-	(5 091 062)	-	-	-
IT equipment	2 034 235	814 223	(102 178)	-	-	(674 426)	2 071 854
Land and buildings	50 028 189	-	-	-	-	-	50 028 189
Motor vehicles	583 277	-	(11 000)	-	-	(82 470)	489 807
Office equipment	1 302 777	97 347	(102 960)	-	-	(342 870)	954 294
Plant and machinery	765 178	235 224	(80 768)	-	-	(125 522)	794 112
	382 946 453	**2 698 091**	**(296 906)**	**-**	**23 136 833**	**(10 864 021)**	**397 620 450**

Reconciliation of property, plant and equipment (continued)

2016

	Opening Balance	Additions	Disposals	Revaluations	Depreciation	Impairment Reversal	Total
Bearer plants	16 122 602	-	-	-	(823 740)	-	15 298 862
Buildings	33 830 074	-	-	1 383 338	(637 080)	300 033	34 876 365
Bulk infrastructure	267 462 476	-	-	14 192 469	(7 619 333)	-	274 035 612
Capital - Work in progress	-	4 021 958	-	-	-	-	4 021 958
IT equipment	1 950 812	716 651	(13 887)	-	(619 341)	-	2 034 235
Land	48 677 687	-	-	1 350 502	-	-	50 028 189
Motor vehicles	774 316	-	-	-	(191 039)	-	583 277
Office equipment	1 676 699	104 735	-	-	(478 657)	-	1 302 777
Plant and machinery	1 159 030	34 265	-	-	(428 117)	-	765 178
	371 653 696	**4 877 609**	**(13 887)**	**16 926 309**	**(10 797 307)**	**300 033**	**382 946 453**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Reconciliation of property, plant and equipment

2015

	Opening Balance	Additions	Disposals	Revaluations	Depreciation	Impairment Reversal	Total
Bearer plants	16 946 343	-	-	-	-	(823 741)	16 122 602
Buildings	27 426 030	13 714 952	-	879 975	(7 595 271)	(595 612)	33 830 074
Bulk infrastructure	259 690 569	-	-	14 964 554	-	(7 192 647)	267 462 476
IT equipment	1 206 939	1 355 607	(148 365)	-	-	(463 369)	1 950 812
Land	12 930 870	2 157 231	-	33 589 586	-	-	48 677 687
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
Plant and machinery	1 245 146	485 205	-	-	-	(571 321)	1 159 030
	322 458 064	**17 902 760**	**(352 784)**	**49 434 115**	**(7 595 271)**	**(10 193 188)**	**371 653 696**

Property, plant and equipment encumbered as security

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

Other information

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

	2017 R	2016 Restated * R	1 April 2015 Restated * R
BUILDINGS			
Cost		38 672 639	38 672 639
Accumulated depreciation and impairment		(2 531 330)	(1 784 206)
		36 141 309	**36 888 433**
BULK INFRASTRUCTURE			
Cost		264 940 079	259 366 824
Accumulated depreciation and impairment		(21 673 362)	(14 385 184)
		243 266 717	**244 981 640**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

3. Property, plant and equipment (continued)

Details of bearer plants

The vineyards of 21.1 hectares at Loopspruit. Estate is situated on the banks of the Loopspruit river, 30km north of Bronkhorstspruit.
The lemon orchard of 118.5 hectares is at Tekwane Estate in the Mbombela Municipality, Ehlanzeni District.

Revaluations

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

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

Fair value hierarchy of assets at revalued amounts through revaluation reserve

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

Level 3	Land	Buildings	Bulk Infrastructure	Total
31 March 2017	50 028 189	34 192 974	294 614 099	378 835 262
31 March 2016	50 028 189	34 876 365	274 035 612	358 940 166
31 March 2015	48 677 687	33 830 074	267 462 476	349 970 237
	148 734 065	**102 899 413**	**836 112 187**	**1 087 745 665**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

4. Investment property

	2017 Fair Value	2016 Fair Value	2015 Fair Value
Investment property	823 178 638	794 134 643	761 268 739

Reconciliation of investment property

2017

	Opening Balance	Additions	Disposals	Fair Value Adjustments	Total
Investment property	794 134 643	11 557 855	(118 568)	17 604 708	823 178 638

Reconciliation of investment property

2016

	Opening Balance	Additions	Fair Value Adjustments	Total
Investment property	761 268 739	5 280 363	27 585 541	794 134 643

Reconciliation of investment property

2015

	Opening Balance	Additions	Fair Value Adjustments	Total
Investment property	744 687 741	8 990 993	7 590 005	761 268 739

Other disclosures

MEGA is currently administering 55 buildings on land belonging to tribal authorities which are not currently included as investment properties. These properties will be recognised when MEGA's rights and obligations have been confirmed by the Department of Co-Operative Governance and Traditional Affairs.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

4. Investment property (continued)

Details of valuation

The entity's investment property consists of commercial, industrial, farming and residential properties and vacant land. Management determined that the investment properties consist of five classes of assets commercial, industrial, farming and residential properties and vacant land based on the nature, characteristics and risks of each property . Fair value is determined using a combination of rental capitalisation method and comparable sales method. The most recent valuation was performed at 31 March 2017. The fair value 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 hierarchy of assets at fair amounts are as follows:

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

Level 3			
Commercial	21 001 795	24 951 157	23 351 199
Farms	23 089 681	23 089 681	22 396 991
Industrial	161 496 613	140 197 215	132 501 075
Land	584 915 980	584 661 309	567 096 783
Residential	1 074 289	1 074 289	1 042 060
	791 578 358	**773 973 651**	**746 388 108**

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

Significant unobservable data	
Occupied commercial and industrial properties - price range per square meter	R8 - R45
Farms - price per square meter	R20
Land - price range per square meter	R100

5. Biological assets

	2017	2016	2015
	Fair Value	Fair Value	Fair Value
Produce - Lemons	**20 149 647**	**14 177 626**	**10 851 052**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

5. Biological assets (continued)

Reconciliation of biological assets

2017

	Opening Balance	Decreases Due To Harvest	Gains Arising From Changes In Fair Value	Total
Produce - Lemons	**14 177 626**	**(14 177 626)**	**20 149 647**	**20 149 647**

Reconciliation of biological assets

2016

	Opening Balance	Decreases Due To Harvest	Gains Arising From Changes In Fair Value	Total
Produce - Lemons	**10 851 052**	**(10 851 052)**	**14 177 626**	**14 177 626**

Reconciliation of biological assets

2015

	Opening Balance	Decreases Due To Harvest	Gains Arising From Changes In Fair Value	Total
Produce - Lemons	**1 344 975**	**(1 344 975)**	**10 851 052**	**10 851 052**

6. INTANGIBLE ASSETS

	2017			2016			2015		
	Cost / Valuation	Accumulated Amortisation	Carrying Value	Cost / Valuation	Accumulated Amortisation	Carrying Value	Cost / Valuation	Accumulated Amortisation	Carrying Value
Water rights	8 430 011	-	8 430 011	8 430 011	-	8 430 011	8 430 011	-	8 430 011
Computer software	1 142 913	(1 079 046)	63 867	1 142 913	(854 873)	288 040	1 665 613	(664 873)	1 000 740
TOTAL	**9 572 924**	**(1 079 046)**	**8 493 878**	**9 572 924**	**(854 873)**	**8 718 051**	**10 095 624**	**(664 873)**	**9 430 751**

Reconciliation of intangible assets

2017

	Opening Balance	Amortisation	Total
Water rights	8 430 011	-	8 430 011
Computer software	288 040	(224 173)	63 867
	8 718 051	**(224 173)**	**8 493 878**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

6. INTANGIBLE ASSETS (CONTINUED)

Reconciliation of intangible assets

2016

	Opening Balance	Additions	Amortisation	Impairment Loss	Total
Water rights	8 430 011	-	-	-	8 430 011
Computer software	1 000 740	61 300	(563 333)	(210 667)	288 040
	9 430 751	**61 300**	**(563 333)**	**(210 667)**	**8 718 051**

Reconciliation of intangible assets

2015

	Opening Balance	Opening Balance	Amortisation	Total
Water rights	8 430 011	-	-	8 430 011
Computer software	783 456	747 295	(530 011)	1 000 740
	9 213 467	**747 295**	**(530 011)**	**9 430 751**

Pledged as security

No intangible assets are pledged as security.

Other information

Water rights impairment

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

7. Investments in associates

	2017 R	2016 Restated * R	1 April 2015 Restated * R
Dalamba Victorius Trading Enterprise and Projects (Pty) Ltd	335	-	-
Fuma Investments (Pty) Ltd	251	-	-
Hi-Veld Fruit Packers (Pty) Ltd	3 159 277	2 890 947	2 890 947
KaNgwane Anthracite (Pty) Ltd	492 628	492 628	492 628
Nkomati Anthracite (Pty) Ltd	93 180	93 180	93 180
S'Buthe Mntimandze (Pty) Ltd	251	-	-
Impairment of investments in associates	(585 808)	(585 808)	(585 808)
	3 160 114	**2 890 947**	**2 890 947**

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

7. Investments in associates

Material associates

	Place Of Business And Country Of Incorporation	Method	% Ownership interest 2017	2016	2015
Hi-Veld Fruit Packers (Pty) Ltd	Ermelo | RSA	Equity	26 %	26 %	- %
KaNgwane Anthracite (Pty) Ltd	Johannesburg | RSA	Equity	40 %	40 %	- %
Nkomati Anthracite (Pty) Ltd	Nkomati | RSA	Equity	40 %	40 %	- %
Dalamba Victorius Trading Enterprise and Projects	Kinross | RSA	Equity	25,1 %	- %	- %
Fuma Investments (Pty) Ltd	Bushbuckridge | RSA	Equity	25,1 %	- %	- %
S'Buthe Mntimandze (Pty) Ltd	Hectorspruit | RSA	Equity	25,1 %	- %	- %

Associates with different reporting dates

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

The end of reporting year of KaNgwane Anthracite (Pty) Ltd and Nkomati Anthracite (Pty) Ltd is 30 June each year.

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

The end of reporting year of Dalamba Victorius Trading Enterprise and Projects (Pty) Ltd, Fuma Investments (Pty) Ltd and S'Buthe Mntimandze (Pty) Ltd is 28 February each year.

8. Other Financial Assets

	2017 R	2016 Restated * R	1 April 2015 Restated * R
At fair value through profit or loss - designated	1 281 087	1 389 328	1 389 328

Unlisted shares

AGRI Limited shares @R7.10/share (2016:R7.10), KWV Holdings Limited shares @R12.05/share (2016: R6.51), Stellenbosch Vineyards Group Limited shares @R0.75/share (2016: R3.70), Onderberg Verwerkingskooperasie Beperk shares @R0.25/share (2016: R0.34) and Capespan Group Limited shares @R4.90/share (2016: R5.24).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

8. Other Financial Assets (continued)

	2017 R	2016 Restated * R	1 April 2015 Restated * R
Loans and receivables	62 427 307	53 919 930	79 249 711
Housing loans Housing loans are generally repayable over 20 years at 12% interest per annum, which is fixed over the term of the loan.			
Small, medium and micro enterprises (SMME) loans The loans entail business capital funding and bridging finance over a maximum of 5 years. Interest rates are charged at the prevailing variable lending rates	42 319 230	24 137 085	36 452 656
Agricultural loans The loans are for the financing of livestock and crops, with repayment terms varying from 3 months to 8 years. Interest is charged at variable percentages per annum.	28 659 565	12 706 107	32 279 166
Equity loans The loans consist of capital funding with participation in redeemable preference shares over a maximum period of 5 years.	10 107 853	9 897 856	10 072 954
Govan Mbeki Housing Company loan The loan is repayable in monthly instalments after the full amount has been distributed. Interest will accrue from this date at a fixed rate of 12%.	11 662 263	11 662 263	11 662 263
Other loans and receivables	485 336	479 638	479 638
	155 661 554	112 802 879	170 196 388
Less impairment on loans and receivables	(61 169 923)	(42 538 300)	(96 565 788)
	94 491 631	**70 264 579**	**73 630 600**
Total other financial assets	**95 772 718**	**71 653 907**	**75 019 928**
Non-current assets			
Designated as at FV through profit and loss (fair value through income)	1 281 087	1 389 328	1 389 328
Loans and receivables	72 980 510	51 283 237	72 017 660
	74 261 597	**52 672 565**	**73 406 988**
Current assets			
Loans and receivables	21 511 121	18 981 342	1 612 940
	95 772 718	**71 653 907**	**75 019 928**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

8. Other Financial Assets (continued)

Fair value information

Financial assets at fair value through profit or loss are recognised at fair value, which is therefore equal to their carrying amounts.

The following classes of financial assets at fair value through profit or loss are measured to fair value using quoted market prices:

- Class 1 - listed shares
- Class 2 - unlisted shares

Fair value hierarchy of financial assets at fair value through profit or loss

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements.

Level 1 represents those assets which are measured using unadjusted quoted prices for identical assets.

Level 2 applies inputs other than quoted prices that are observable for the assets either directly (as prices) or indirectly (derived from prices).

Level 3 applies inputs which are not based on observable market data.

Level 1			
Class 2	1 247 405	1 343 553	1 343 553
Level 2			
Class 2	33 675	45 775	45 775
	1 281 080	**1 389 328**	**1 389 328**

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

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

Fair values of loans and receivables

Loans and receivables	94 491 631	70 264 579	73 630 600

The fair values are not materially different to the carrying amounts, since the interest levied on these financial assets is either close to current market rates or the financial assets are of a short-term nature.

Loans and receivables past due but not impaired

Loans and receivables which are less than 1 month past due are not considered to be impaired.
At 31 March 2017, R 64 230 136 were past due but not impaired.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

8. Other Financial Assets (continued)

The ageing of amounts past due but not impaired is as follows:

	2017 R	2016 Restated * R	1 April 2015 Restated * R
Current	3 157 840	-	-
30 - 90 days	13 884 325	-	-
Over 90 days	47 187 971	-	-

Loans and receivables impaired

As of 31 March 2017, loans and receivables of R 66 867 506 (2016: R64 121 778, R2015: R115 716 771) were impaired and provided for.

The amount of the provision was R 61 169 923 as of 31 March 2017 (2016: R 42 538 300 ; 2015: R 96 565 788).

The ageing of these loans is as follows.

Current	536 260	-	-
30 - 90 days	2 036 097	-	-
Over 90 days	64 295 149	-	-

Reconciliation of provision for impairment of loans and receivables

Loans and receivables assessed for impairment collectively			
Opening balance	42 538 300	96 565 788	196 706 130
Provision for impairment	18 631 623	(54 027 488)	(100 140 342)
	61 169 923	**42 538 300**	**96 565 788**

Credit quality of other financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

9. Inventories

Work in progress	57 462 252	57 462 252	59 806 252
Consumables	2 535 185	1 552 767	1 393 250
	59 997 437	**59 015 019**	**61 199 502**

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. An assessment of work in progress inventory indicated damages and an indication of estimated cost of repairs was impaired. The amount of write-down of inventories recognised as an expense for 2017 is R0 (2016: R2 344 000). Refer to note 24.

Inventory pledged as security

None of the inventory is pledged as security.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

10. Trade And Other Receivables

	2017 R	2016 Restated * R	1 April 2015 Restated * R
Trade receivables	41 453 503	34 322 319	41 823 901
Prepayments	1 722 899	1 797 270	1 332 602
VAT	29 096 681	15 351 060	9 913 535
Operating lease straight-lining asset	4 179 360	4 701 169	3 529 438
Department of Economic Development and Tourism	20 035 681	917 534	311 188
Department of Arts and Culture	42 191	41 213	41 213
Other receivables	2 008 665	5 761 323	7 351 432
	98 538 980	**62 891 888**	**64 303 309**

Trade and other receivables pledged as security

Some trade and other receivables are pledged as security for the DBSA loan of R 12 968 273 (2016: R 20 766 689 ; 2015: R 51 893 053). Refer to note14 for more disclosure on the DBSA loan.

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Fair value of trade and other receivables

Due to the short-term nature of the current receivables, their carrying amounts are assumed to be the same as their fair value.

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 1 month past due are not considered to be impaired. At 31 March 2017, R19 014 546 (2016: R 16 539 699 ; 2015: R 31 531 138) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

	2017 R	2016 Restated * R	1 April 2015 Restated * R
0 - 90 days	18 944 173	16 337 851	16 211 308
Over 90 days	70 373	201 848	15 319 830

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Trade and other receivables impaired

As of 31 March 2017, trade and other receivables of R 155 092 396 (2016: R 104 857 659 ; 2015: R 117 465 910) were impaired and provided for.

The amount of the provision was R (136 776 206) as of 31 March 2017 (2016: R (101 853 766) ; 2015: R (116 559 822)).

The ageing of these receivables is as follows:

	2017 R	2016 Restated * R	1 April 2015 Restated * R
Current	2 849 996	3 765 747	10 452 789
30 - 90 days	12 548 710	18 147 176	10 534 128
Over 90 days	139 693 690	82 944 736	96 478 993

Reconciliation of provision for impairment of trade and other receivables

Opening balance	101 853 766	116 559 822	127 228 972
Provision for impairment	34 922 440	(14 706 056)	(10 669 150)
	136 776 206	**101 853 766**	**116 559 822**

11. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	66	9	90 185
Bank balances	132 519 834	64 393 805	51 478 691
	132 519 900	**64 393 814**	**51 568 876**

Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable within 24 hours notice with no loss of interest.

12. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

2017

	Loans and receivables	Fair value Through profit or loss - Designated	Total
Other financial assets	94 491 631	1 281 087	95 772 718
Trade and other receivables	63 540 040	-	63 540 040
Cash and cash equivalents	132 519 900	-	132 519 900
	290 551 571	**1 281 087**	**291 832 658**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

12. Financial assets by category (continued)

2016

	Loans and receivables	Fair value Through profit or loss - Designated	Total
Other financial assets	70 264 579	1 389 328	71 653 907
Trade and other receivables	41 042 389	-	41 042 389
Cash and cash equivalents	64 393 814	-	64 393 814
	175 700 782	**1 389 328**	**177 090 110**

Trade and other receivables excludes prepayments, operating lease straight lining assets and VAT as these receivables are not financial assets.

13. REVALUATION RESERVE

The revaluation reserve is attributable to the revaluation adjustment on land and buildings and bulk infrastructure. The transfer to retained income refers to the revaluation reserve of a specific item of property, plant and equipment that is transferred directly to retained income as the asset is used.

14. OTHER FINANCIAL LIABILITIES

	2017 R	2016 Restated * R	1 April 2015 Restated * R
Held at amortised cost			
Development Bank of South Africa (DBSA) DBSA - housing loans	12 968 273	20 766 689	51 893 053
The loans are secured by a notarial bond over the housing loans, The loans are repayable in bi-annual instalments of R4 964 283, including capital and interest, interest is charged at 8% and 8.5% per annum with the final instalment due on 30 September 2018.			
Thaba Chweu Municipality	4 816 364	4 816 364	4 816 364
The loan is unsecured, interest free and repayable as and when the stands in Sabie, extension 10 are sold.			
Micro Agricultural Financial Institutions of South (MAFISA)	14 318 104	14 183 104	-
MAFISA reappointed MEGA as one of its implementing agents and consequently this amount must be reinvested in an interest bearing account with no immediate repayment due to MAFISA.			
	32 102 741	**39 766 157**	**56 709 417**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 Restated * R	1 April 2015 Restated * R
14. OTHER FINANCIAL LIABILITIES (CONTINUED)			
Non-current liabilities			
At amortised cost	9 314 998	17 784 637	25 583 053
Current liabilities			
At amortised cost	22 787 743	21 981 520	31 126 364
	32 102 741	**39 766 157**	**56 709 417**
Fair value of the financial liabilities carried at amortised cost			
Bank loans	12 968 273	20 766 689	51 893 053
Other	19 134 468	18 999 468	4 816 364
	32 102 741	39 766 157	56 709 417

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

15. EMPLOYEE BENEFITS

Defined contribution plan

It is the policy of the entity to provide retirement benefits to all its employees. The assets of the plan are held separately from those of MEGA, in funds under the control of trustees. The employees of MEGA are members of a privately managed retirement benefit plan. MEGA is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The entity is under no obligation to cover any unfunded benefits. The only obligation of MEGA with respect to the retirement benefit plan is to make the specified contributions.

The total contribution to such schemes	9 373 957	8 736 855	8 246 064

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

16. Provisions

Reconciliation of provisions

2017

	Opening Balance	Additions	Utilised during The year	Actuarial Gain	Unwinding of Discount	Total
Environmental rehabilitation	345 188	-	-	-	7 461	352 649
Leave provision	10 763 051	9 962 041	(9 216 334)	-	-	11 508 758
Workmen's Compensation Commissioner	-	75 157	-	-	-	75 157
Long service awards	748 090	52 000	(79 960)	(53 000)	66 000	733 130
	11 856 329	**10 089 198**	**(9 296 294)**	**(53 000)**	**73 461**	**12 669 694**

Reconciliation of provisions

2016

	Opening Balance	Additions	Utilised during The year	Actuarial Gain	Unwinding of Discount	Total
Environmental rehabilitation	337 886	-	-	-	7 302	345 188
Leave provision	10 824 435	8 588 918	(8 650 302)	-	-	10 763 051
Long service awards	741 410	53 000	(78 320)	(23 000)	55 000	748 090
	11 903 731	**8 641 918**	**(8 728 622)**	**(23 000)**	**62 302**	**11 856 329**

Reconciliation of provisions

2015

	Opening Balance	Additions	Utilised during The year	Actuarial Gain	Unwinding of Discount	Total
Environmental rehabilitation	330 739	-	-	-	7 147	337 886
Leave provision	10 407 857	9 066 880	(8 650 302)	-	-	10 824 435
Long service awards	789 000	57 000	(108 590)	(62 000)	66 000	741 410
	11 527 596	**9 123 880**	(8 758 892)	**(62 000)**	**73 147**	**11 903 731**

Non-current liabilities	971 779	1 013 278	1 001 296
Current liabilities	11 697 915	10 843 051	10 902 435
	12 669 694	**11 856 329**	**11 903 731**

Leave provision

The provision is measured at the expected cost to settle the obligation using the accrued leave days at reporting date multiplied by the rate per day.

The rate per day is calculated as follows:

- Permanent and temporary staff - gross remuneration per month divided by 21.75 days
- Seasonal / contract staff - minimum wage as determined by the Department of Labour

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

16. Provisions (continued)

Annual leave days entitlement is calculated as follows:

- Permanent staff: 2.0833 days for every 25 days worked
- Temporary staff: 1.75 days for every 21 days worked
- Seasonal staff: 1 day for every 17 days worked

Long service awards

The entity has an obligation to provide long service awards benefits to all its permanent employees. An employee is eligible for a long service award for the first five years of continuous service, and every five years continuous service subsequent to that. The actuarial valuation of the present value of the obligation at 31 March 2015, 2016 and 2017 was carried out by PricewaterhouseCoopers Assurance Services (Proprietary) Limited. MEGA expects to pay out R114 000 in the next financial year.

Assumptions used on last valuation on 31 March 2017.

	2017 R	2016 Restated * R	1 April 2015 Restated * R
Discount rates used	8,30%	9,00%	7,60%
Expected retirement age	63 years	63 years	63 years
Benefit awards inflation	5,40%	6,80%	5,50%

17. Trade and other payables

Accrued bonus	-	-	6 075 957
Accrued expenses	1 076 984	6 487 413	690 921
Amounts received in advance	-	4 057	47 673
Deposits received	3 923 863	3 488 117	3 440 534
Other payables	12 779 448	10 177 275	12 105 417
Trade payables	58 994 284	21 432 072	45 744 679
	76 774 579	**41 588 934**	**68 105 181**

Trade payables are usually paid within 30 days of recognition. The carrying amount approximate the fair value.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 Restated * R	1 April 2015 Restated * R
18. Unspent conditional grants			
Department of Trade and Industry (Special Economic Zone Project)	9 890 676	11 391 170	11 433 235
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.			
Department of Public Works (Expanded Public Works Program)	11 616	-	206 424
Funds were received from the Department of Public Works to create work opportunities in the infrastructure, non-state, environmental and culture and social sectors.			
Industrial Development Corporation	854 303	838 660	1 307 656
Funds were received from the IDC for the purpose of upgrading the factory sites located at the Kabokweni industrial area.			
MTN SA Foundation	-	-	375 745
Funds were received from the MTN Foundation for the purpose of running and managing a Business Support Centre in Chief Albert Lethuli Municipality, situated in Mpumalanga, on behalf of the Foundation.			
Department of Arts and Culture (Bushbuckridge craft project)	720 000	-	-
Funds were received from the Department of Arts and Culture to support crafters in the Bushbuckridge area and to address developmental needs of crafters in the Ga-Mathibela community.			
Department of Arts and Culture (Promoting sports and culture project)	2 304 273	2 348 648	2 416 363
Funds were received from the Department of Arts and Culture to support socio-economic development by establishing sport and culture as an economic investment and to promote existing cultural facilities for communities.			
	13 780 868	**14 578 478**	**15 739 423**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

19. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

2017

	Financial Liabilities at Amortised cost	Total
Other financial liabilities	32 102 741	32 102 741
Trade and other payables	76 774 579	76 774 579
Unspent conditional grants	13 780 868	13 780 868
	122 658 188	**122 658 188**

2016

	Financial Liabilities at Amortised cost	Total
Other financial liabilities	39 766 157	39 766 157
Trade and other payables	41 588 934	41 588 934
Unspent conditional grants	14 578 478	14 578 478
	95 933 569	**95 933 569**

	2017 R	2016 Restated * R
20. Revenue		
Interest received (trading)	25 818 012	30 286 511
Municipal services	103 695 838	117 568 869
Rental income	40 344 300	42 137 814
Sale of lemons - export	18 666 567	13 423 159
Sale of lemons - local	2 393 087	1 672 938
Sale of wine	18 597	33 495
	190 936 401	**205 122 786**
21. Cost of sales		
Bulk purchases	84 504 439	100 043 941
Sale of lemons and wine	18 401 936	13 884 021
	102 906 375	**113 927 962**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 Restated * R
22. Other operating income		
Administration and management fees received	201 750	148 145
Commissions received	2 577 570	655 699
Fees earned	3 334 491	389 424
Government grants	290 515 330	195 400 460
Insurance claims received	14 194 620	17 759
Recoveries	518 406	298 239
	311 342 167	**196 909 726**
23. Other operating gains (losses)		
Gains (losses) on disposals, scrappings and settlements		
Property, plant and equipment	(296 903)	(206 326)
Fair value gains (losses)		
Biological assets	20 854 195	14 177 626
Investment property	17 604 707	27 585 542
Financial instruments at fair value through profit or loss:		
Designated as such at initial recognition	(108 241)	300 033
	38 350 661	**42 063 201**
Total other operating gains (losses)	**38 053 758**	**41 856 875**
24. Other operating expenses		
Advertising	2 013 203	2 433 214
Amortisation	224 172	563 334
Auditors remuneration - external auditors	5 901 873	6 783 571
Bad debts	64 536 603	52 797 130
Bank charges	207 538	210 017
Cleaning	258 611	225 154
Commission paid	671	2 155
Computer expenses	1 810 675	1 511 182
Consulting and professional fees	22 006 817	11 275 250
Depreciation	10 864 021	10 797 307
Donations	1 857 815	92 392
Employee costs	108 675 398	101 140 017
Entertainment	1 306 065	884 082
Farming expenses	149 602	73 697

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 Restated * R
24. Other operating expenses (continued)		
Gifts	13 700	12 728
Grant expenditure	22 197 867	8 919 974
Insurance	5 944 778	5 626 389
Lease rentals on operating lease	6 630 238	7 264 829
Legal expenses	5 706 468	1 991 399
Levies	116 337	156 572
Motor vehicle expenses	269 351	65 509
Municipal expenses	17 417 030	13 155 845
Other expenses - deductible	3 938 926	3 100 147
Postage	79 765	62 818
Printing and stationery	1 172 066	900 176
Protective clothing	87 059	4 278
Repairs and maintenance	5 597 524	5 055 023
Security	11 353 141	10 228 545
Staff welfare	584 588	751 886
Subscriptions	363 748	384 033
Telephone and fax	2 937 642	2 964 343
Transport and freight	994 768	475 433
Training	651 327	552 648
Travel - local	2 619 676	2 476 208
Travel - overseas	370 529	102 446
VAT apportionment expense	6 592 124	1 581 680
Work in progress written down	-	2 344 000
	315 451 716	**256 965 411**

25. Operating profit (loss)

Operating profit for the year is stated after charging (inter alia) the following expenses:

Auditor's remuneration - external		
Audit fees	5 901 873	6 783 571

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

25. Operating profit (loss) (continued)

	2017 R	2016 Restated * R
Employee costs		
Salaries, wages, bonuses and other benefits	103 685 721	96 394 536
Other short term costs	3 121 237	3 141 747
Directors' fees	1 869 440	1 573 734
Long term incentive scheme	(1 000)	30 000
Total employee costs	**108 675 398**	**101 140 017**
Long term incentive scheme		
Actuarial gains	(53 000)	(23 000)
Current service cost	52 000	53 000
	(1 000)	**30 000**

26. Investment income

	2017 R	2016 Restated * R
Dividend income		
From investments in financial assets measured at fair value through profit or loss:		
Unlisted investments	17 882	38 568
Interest income		
From investments in financial assets:		
Loans and receivables at amortised cost	7 670 445	2 468 349
Total investment income	**7 688 327**	**2 506 917**

27. Finance costs

	2017 R	2016 Restated * R
Non-current borrowings	1 922 835	2 790 928
Unwinding of discount on provisions for environmental rehabilitation cost	7 461	7 302
Unwinding of discount on long-term employee benefit obligation	66 000	55 000
Total finance costs	**1 996 296**	**2 853 230**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 Restated * R
28. Cash generated from operations		
Profit for the year	127 934 596	72 649 701
Adjustments for:		
Depreciation and amortisation	11 088 193	11 360 641
Losses on disposals, scrappings and settlements of assets and liabilities	296 903	206 326
Income from equity accounted investments	(268 330)	-
Dividend income	(17 882)	(38 568)
Interest income	(7 670 445)	(2 468 349)
Finance costs	1 922 835	2 790 928
Fair value gains	(38 350 661)	(42 063 201)
Movement in provisions	813 365	(47 402)
Impairment losses on fixed assets	-	210 667
Increase / (decrease) in impairment provision for other financial assets	18 631 623	(54 027 488)
Produce harvested	14 177 626	10 851 052
Inventory written down to lower of cost and net realisable value	-	2 344 000
Revaluation reserve	-	7 727 393
Changes in working capital:		
Inventories	(277 871)	(159 517)
Trade and other receivables	(35 647 087)	1 411 420
Trade and other payables	35 185 645	(26 516 247)
	127 818 510	**(15 768 644)**

29. Commitments and lease arrangements

Authorised capital expenditure

Already approved and contracted

	2017	2016
• Loans approved but not yet paid	45 162 601	6 946 627
• Suppliers commitments	29 171 220	48 970 853
• Govan Mbeki Housing Company	8 337 736	8 337 736
• Commitments incurred as implementing agent	345 078 478	59 143 459

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

		2017 R	2016 Restated * R

29. Commitments and lease arrangements (continued)

Operating leases – as lessee (expense)

Minimum lease payments due			
-	within one year	6 825 595	4 027 132
-	in second to fifth year inclusive	2 348 174	5 614 452
		9 173 769	**9 641 584**

Operating lease payments represent rentals payable for office and storage space, terms vary between 2 to 3 years and vary escalations between 8% and 9%. No contingent rent is payable.

Operating leases – as lessor (income)

Minimum lease receipts due			
-	within one year	24 989 304	31 231 587
-	in second to fifth year inclusive	32 062 527	56 167 016
-	later than five years	3 201 896	4 086 711
		60 253 727	**91 485 314**

Certain of the entity's property is held to generate rental income. Lease agreements vary from month-to-month, indefinite to 20 years. There are no contingent rents receivable.

30. Contingencies

1. March 2017 and March 2016: G-Tech (Grant Murray)

G-Tech Electronics, an information technology contractor, initiated claims of R5 150 332 and R2 113 610 (2016:R2 113 610) respectively for loss of income and arrear amounts based on alleged verbal agreement. These cases have been consolidated. The matter was not heard on the 26th of April 2016 as initially scheduled. MEGA awaiting new trial dates to be set.

2. March 2017 and March 2016: Marley Tiles

Marley Tiles instituted action against MEGA for losses incurred during the electricity cut-off by Tshwane Municipality to the value of R43 698.60. MEGA has filed notice to defend, and is awaiting a trial date to be allocated.

3. March 2017 and March 2016: Musa Masango and Associates

Musa Masango & Associates instituted action proceedings against MEGA, for non payment of an amount of R 759 154.09, arising from a contract for the construction and extension of Cinqplast. Musa Masango now claims that MEGA withheld its professional fees pending finalisation of criminal case by SARS. The criminal case by SARS was finalised and Musa Masango now claims payment. MEGA did not enter appearance to defend the matter on time, which resulted in Musa Masango obtaining judgment by default. MEGA were however successful in rescinding the aforesaid judgment. We have filed a plea to the claim, and the matter has not as yet been allocated a trial date.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

30. CONTINGENCIES (CONTINUED)

4. March 2017: Bicacon (Pty) Ltd

Bicacon has instituted legal proceedings against MEGA for breach of contract, to the amount of R520 716, relating to the construction of a bulk water pipeline. MEGA ceded its rights to Umkhondo Local Municipality, but according to the municipality no contract was concluded with Bicacon. MEGA has instructed its attorneys to defend the High Court Action and a plea has been drafted and forwarded to Counsel.

5. March 2017: Global Business Worldwide Ltd

Fortune Magazine is claiming an amount of 19 000 Euros (R290 000), for MEGA's failure to honour the purported advertising contract with Fortune magazine. MEGA is defending the matter.

6. March 2016: V Mqhum: Labour dispute

The former CFO of MEGA, is alleging unfair dismissal. This matter comes after a settlement agreement was reached and six months remuneration was granted as a full and a final settlement of the employment agreement. MEGA is defending the matter. The maximum claim is estimated at R2 504 756.

7. March 2017: Khabran Investment (Pty) Ltd

The plaintiff, Khabran Investment (Pty) Ltd, is a consultant appointed by a former CEO and Chairperson. The plaintiff constitutes payment amounting to R707 176 for apparent services rendered. MEGA is defending the matter.

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

31. Related parties

Relationships	
Associates	Refer to note 7
Members of the board	Refer to note 32
Members of key management	Refer to note 32
Government departments	Department of Agriculture, Forestry and Fisheries Department of Agriculture, Rural Development, Land and Environmental Affairs Department of Economic Development and Tourism Department of Human Settlements Department of Trade and Industry Department of Arts and Culture Department of Public Works
Close family member of key management	Mr ZL Dlabazama

	2017 R	2016 Restated * R
Related party balances		
Loan accounts - Owing (to) by related parties		
Department of Agriculture, Forestry and Fisheries - MAFISA	(14 318 104)	(14 183 104)
Mr GJ Dladla	1 512 491	1 545 475
Mr TS Nobela	-	138 329
Mr ZL Dlabazama	1 925 880	1 925 880

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

31. Related parties (continued)

	2017 R	2016 Restated * R
Amounts included in Trade receivable (Trade Payable) regarding related parties		
Department of Agriculture, Rural Development, Land and Environmental Affairs	-	584 844
Department of Arts and Culture	(2 982 082)	(2 307 435)
Department of Economic Development and Tourism	20 024 065	917 534
Department of Human Settlements	5 528 326	5 528 326
Department of Trade and Industry	(9 890 676)	(11 391 170)
Department of Public Works	(841 137)	(545 520)
KaNgwane Anthracite (Pty) Ltd	492 588	492 588
Related party transactions		
Home loans repaid to (received from) MEGA		
Mr GJ Dladla	216 000	224 000
Mr TS Nobela	164 693	42 000
Grants received from		
Department of Agriculture, Rural Development, Land and Environmental Affairs MEGA managed the Mpumalanga International Fresh Produce Market on behalf of DARDLEA – and earned 5% commission on all related expenditure.	-	735 031
Department of Economic Development and Tourism - Operational grant in the running of daily operations.	154 910 000	201 056 000
Department of Economic Development and Tourism - Expanded Public Works Program Funds were received to create work opportunities in the infrastructure, non-state, environmental and culture and social sectors.	1 000 000	600 000
Department of Economic Development and Tourism - Establishment of Provincial Infrastructure Fund Funds were received to establish an Infrastructure Fund to mobilise private sector capital for the rollout of critical infrastructure projects within the Province.	6 000 000	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

31. Related parties (continued)

	2016 Restated * R	2016 Restated * R
Department of Economic Development and Tourism - Establishment of Infrastructure Unit Funds were received to establish an infrastructure unit to improve the condition of MEGA's property portfolio to attract suitable investments in future.	7 000 000	-
Department of Economic Development and Tourism - SMME & Co-operatives Support Funds were received for the funding of new loans to small enterprises. The purpose of the loans is to empower small enterprises to contribute more positively to the economic growth of the province.	80 000 000	-
Department of Economic Development and Tourism - Township Revitalisation Funds were received to create economies of scale through bulk procurement, to ensure financial sustainability of township and rural enterprises, while also providing infrastructure for incubation of small enterprises.	50 000 000	-
Department of Economic Development and Tourism - Establishment of Agri-hubs and Mpumalanga International Fresh Produce Market Funds were received for the revitalisation of agriculture and the processing value chain as key economic drivers for the Province, by construction of the Mpumalanga Fresh Produce market.	86 000 000	-
Department of Economic Development and Tourism - Donkerhoek Project Funds were received from the department of economic development and Tourism for operationalising and commercialising of Donkerhoek Water Bottling Plant on behalf of the Provincial Government.	-	5 000 000
Department of Arts & Culture Funds were received from the Department of Arts and Culture to support crafters in the Bushbuckridge are and to address developmental needs of grafters in the Ga- Mathibela community	720 000	-
Department of Trade and Industry (SEZ) Funds were received from **the dti** in order to plan and prepare for the establishment of a SEZ in Mpumalanga and to develop a suitable business model to attract investors for such a SEZ.	5 171 755	7 398 147
Rent collected on behalf of Department of Public Works	295 618	277 055

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

32. Board members and key management emoluments

Board members

2017

	Emoluments	Total
Mr DN Mculu (Chairman)	349 110	349 110
Mr SM Bhembe	122 356	122 356
Ms GA Deiner	207 745	207 745
Mr ST Khumalo	47 060	47 060
Mr U Khumalo	75 353	75 353
Mr MR Lubisi	84 537	84 537
Mr LT Maloba - appointed 01/03/2016	105 885	105 885
Ms M Malumane	164 710	164 710
Ms TM Masasa - appointed 01/03/2016	103 532	103 532
Ms T Masenya	192 946	192 946
Mr FV Mlombo - resigned 20/08/2016	75 296	75 296
Mr M Petje	200 005	200 005
Total re-imbursements	131 493	131 493
	1 860 028	**1 860 028**

2016

	Emoluments	Total
Mr DN Mculu (Chairman)	369 279	369 279
Mr SM Bhembe - appointed 01/03/2016	4 592	4 592
Ms GA Deiner	160 166	160 166
Mr IH Jenkins - term ended 29/05/2015	4 352	4 352
Mr ST Khumalo	72 505	72 505
Mr U Khumalo	25 256	25 256
Mr PP Lombard - resigned 30/12/2015	66 041	66 041
Mr MR Lubisi	83 528	83 528
Mr LT Maloba - appointed 01/03/2016	4 592	4 592
Ms M Malumane	105 880	105 880
Ms TM Masasa - appointed 01/03/2016	9 184	9 184
Ms T Masenya	139 896	139 896
Mr FV Mlombo	169 088	169 088
Mr DM Moagi - term ended 29/05/2015	19 520	19 520
Mr M Petje	166 520	166 520
Ms NE Phakathi - term ended 29/05/2015	15 169	15 169
Mr BV Skosana - term ended 29/05/2015	29 216	29 216
Total re-imbursements	128 950	128 950
	1 573 734	**1 573 734**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

32. Board members and key management emoluments (continued)

Key management

2017

	Emoluments	Total
Mr CT Camane	1 796 715	1 796 715
Mr GJ Dladla	1 848 500	1 848 500
Mrs TC Mametja	1 569 015	1 569 015
Adv SP Morgan	1 356 719	1 356 719
Mr TS Nobela	1 288 482	1 288 482
Mr EL Potgieter (CFO)	1 655 195	1 655 195
Mr XGS Sithole (CEO)	2 760 266	2 760 266
Total re-imbursements for the year	849 147	849 147
	13 124 039	**13 124 039**

2016

	Emoluments	Total
Mr CT Camane - appointed 01/02/2016	299 452	299 452
Mr GJ Dladla	2 034 447	2 034 447
Mrs TC Mametja - appointed 01/02/2016	232 837	232 837
Adv SP Morgan	1 363 071	1 363 071
Mr TS Nobela	1 301 395	1 301 395
Mr EL Potgieter (CFO) - appointed 20/10/2015	755 004	755 004
Ms ZC Sibanda	581 400	581 400
Mr XGS Sithole (CEO)	2 505 227	2 505 227
Total re-imbursements for the year	263 471	263 471
	9 336 304	**9 336 304**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

33. Prior period errors

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

Related party disclosures

Management's review of related parties during the year resulted in the identification of additional related party balances and transactions as well as to adjustments of existing balances and transactions disclosed. For the prior year the related party balances disclosure increase with a new related party balances identified - Mr ZL Dlabazama: R1 925 880, Department of Economic Development and Tourism: (R4 346 350) and R917 534, Department of Arts & Culture: (R2 348 648) and R41 213 and Department of Trade and Industry: (R11 391 170). Related party transaction disclosure increased with the identification of new related party transactions - grants received: Department of Economic Development and Tourism: R181 825 368, grants received: Department of Trade and Industry: R7 398 147 and a decrease to the grants received transaction with Department of Agriculture, Rural Development, Land and Environmental Affairs: R9 708.

Fruitless and wasteful expenditure

During the current year investigation of fruitless and wasteful expenditure interest paid on late payment of suppliers amounting to R12 538 was identified for 2016. Current year expenditure incurred in note 38 for 2016 has been increased by the R12 538.

Commitments already contracted for but not provided for

During the current year investigations additional commitments amounting to R103 458 404 were identified for the prior year. Note 29 has been updated as follows for the prior year: Authorised loans already contracted but not paid by financier decreased with (R2 694 892), supplier contracted increased with R47 009 927 and Commitments incurred as implementing agent increased with R59 143 459.

	2016 Restated * R
Statement of financial position	
Property, plant and equipment	366 403 786
Balance as previously reported	10 345 186
Bulk infrastructure - Correction of unit costs and recognition of additional components not previously recognised	(9 101 381)
Land and buildings - new valuations obtained	15 298 862
Bearer plants - change in accounting policy - refer to note 33	**382 946 453**
Investment property	
Balance as previously reported	1 556 156 216
Revalued investment property	(768 029 778)
Incorrect classification between inventory and investment property	6 008 205
	794 134 643
Intangible assets	
Balance as previously reported	21 121 440
Water rights - More relevant and appropriate comparable sales information was used to determine the fair value recognised as deemed cost	(12 403 389)
	8 718 051

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

33. Prior period errors (continued)

	2016 Restated * R
Other financial assets	
Balance as previously reported	71 221 148
Loans receivable	2 716 447
Clear reconciling items for difference between age analysis and ledger	(2 283 688)
	71 653 907
Inventories	
Balance as previously reported	75 686 490
Work-in-progress - write down to lower than cost and net realisable value	(10 420 286)
Incorrect classification between inventory and investment property	(6 008 205)
Double accounting of some housing inventory	(385 393)
Consumable inventory adjustment	142 413
	59 015 019
Trade and other receivables	
Balance as previously reported	44 970 133
Grants	211 624
VAT - review was performed on VAT	24 275 219
Receivables	876 242
Payables	92
Clear reconciling items for difference between age analysis and ledger	(8 048 101)
Account for straight lining of operating lease income	1 311 002
Lemon sales	1 768 640
Reclassify balances of account between payables and receivables due to restatement	(10 689 350)
Classify accounts with debit balances as receivables	958 750
Recognise receivables for irregular expenditure	6 860 000
Billing errors	422 338
Income received in advance corrections	(24 701)
	62 891 888

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

33. Prior period errors (continued)

	2016 Restated * R
Cash and cash equivalents	
Balance as previously reported	64 118 948
Recognise balance on investment account previously not accounted for	274 866
	64 393 814
Employee benefit obligations	
Balance as previously reported	(10 763 051)
Correct the classification of leave provision	10 763 051
	-
Trade and other payables	
Balance as previously reported	(65 486 992)
Additional expenditure incurred relating to conditional grant	(233 637)
Receivables with credit balances reclassified	(2 075 422)
Additional payables recorded	647 760
Clear reconciling items for difference between age analysis and ledger	4 118 815
Reclassify balances of account between payables and receivables due to restatement	10 689 350
Classify accounts with debit balances as receivables	(958 750)
Correctly classify unspent grants previously recognised as trade and other payables	6 694 998
Correct the accrual for workmen's compensation	5 521 174
Income received in advance corrections	(506 230)
	(41 588 934)
Unspent conditional grants	
Balance as previously reported	(17 205 613)
Correctly classify unspent grants previously recognised as trade and other payables	(6 694 998)
Recognition of grant expenditure incurred on **the dti** projects which was incorrectly accounted for as professional fees	4 975 782
Recognise unspent grant from Department of Economic Development and Tourism (Donkerhoek project) as revenue	4 346 351
	(14 578 478)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

33. Prior period errors (continued)

	2016 Restated * R
Provisions - current	
Balance as previously reported	-
Correct the classification of leave provision	(10 763 051)
Recognition of long service award liability current portion	(80 000)
	(10 843 051)
Provisions - non-current	
Balance as previously reported	(345 188)
Recognition of long service award liability not previously recorded	(748 090)
Recognition of long service award liability current portion	80 000
	(1 013 278)
STATEMENT OF CHANGES IN EQUITY	
Revaluation reserve - balance as at 1 April 2015	
Balance as previously reported	(122 419 091)
Bulk infrastructure - Correction of unit costs and recognition of additional components not previously recognised	12 939 271
Land and buildings	17 150 324
Clearing of revaluation reserve balance at 1 April 2015 to retained income	46 857 554
Correction of impairment loss incorrectly recognised to revaluation reserve	(133 193)
	(45 605 135)
Revaluation reserve - movement for 2016	
Balance as previously reported	(10 912 822)
Bulk infrastructure - Correction of unit costs and recognition of additional components not previously recognised	(8 586 175)
Land and buildings	(4 899 040)
Revaluation loss incorrectly recognised to revaluation reseve	300 034
Realise reserve due to utilisation of assets	426 792
	(23 671 211)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

33. Prior period errors (continued)

	2016 Restated * R
Retained income - balance as at 1 April 2015	
Balance as previously reported	(1 871 985 914)
Recognition of long service award liability not previously recorded	663 000
Water rights - More relevant and appropriate comparable sales information was used to determine the fair value recognised as deemed cost	12 403 389
Bulk infrastructure - Correction of unit costs and recognition of additional components not previously recognised	(11 104 403)
Land and buildings	(3 786 984)
Work-in-progress - write down to lower than cost and net realisable value	8 076 286
Grants	184 206
VAT - review was performed on VAT	(20 288 092)
Recognise balance on investment account previously not accounted for	(259 476)
Other financial assets - loans receivable	(298 996)
Clear reconciling items for difference between age analysis and ledger	5 682 251
Receivables	368 047
Payables	(659 268)
Clear reconciling items for difference between age analysis and ledger	530 724
Account for straight lining of operating lease income	(139 271)
Correct the accrual for workmen's compensation	(5 654 259)
Investment property	749 355 217
Bearer plants - change in accounting policy - refer to note 33	(20 219 059)
Receivables	85
Land and buildings - revaluation reserve transferred to retained income	311 812
Clearing of revaluation reserve balance at 1 April 2015 to retained income	(46 857 554)
Correction of impairment loss incorrectly recognised to revaluation reserve	133 193
Recognise receivables for irregular expenditure	(6 860 000)
Income received in advance corrections	275 565
Double accounting of some housing inventory	385 393
Billing errors	(379 805)
	(1 210 123 913)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

33. Prior period errors (continued)

	2016 Restated * R
Retained income - profit for the year	
Balance as previously reported	(70 403 892)
Restated as set out below in disclosure for Statement of Profit or Loss and Other Comprehensive	(2 245 809)
Income	**(72 649 701)**
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	
Revenue	
Balance as previously reported	(203 216 776)
VAT - review was performed on VAT	(20 632)
Loans	(18 273)
Receivables	839 191
Account for straight lining of operating lease income	(1 171 731)
Lemon sales	(1 768 640)
Billing errors	(42 533)
Income received in advance corrections	276 608
	(205 122 786)
Cost of sales	
Balance as previously reported	101 162 570
Land and buildings	2 730 263
Grants	(815 923)
Bearer plants - change in accounting policy - refer to note 33	10 851 052
	113 927 962
Other operating income	
Balance as previously reported	(181 884 840)
Reclassify dividends and interest received to investment income	101 089
Recognition of grant expenditure incurred on **the dti** projects which was incorrectly accounted for as professional fees	(4 975 781)
VAT - review was performed on VAT	5 548 175)
Loans	(1 000)
Receivables	(91 011)
Income received in advance corrections	(21 244)
Recognise unspent grant from Department of Economic Development and Tourism (Donkerhoek project) as revenue	(4 346 351)
Consumable inventory adjustment	(142 413)
	(196 909 726)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

33. Prior period errors (continued)

	2016 Restated * R
Other operating (gains)/losses	
Reclassify fair value adjustments to other operating (profit)/loss	(46 262 682)
Bearer plants - change in accounting policy - refer to note 33	(13 968 721)
Investment property	18 674 561
Revaluation loss incorrectly recognised to revaluation reserve	(300 033)
	(41 856 875)
Other operating expenses	
Balance as previously reported	259 597 761
Bearer plants - change in accounting policy - refer to note 33	823 741
Reclassify profit on sale of assets to other operating gains / (losses)	(206 328)
Recognition of long service award liability not previously recorded	30 000
Bulk infrastructure - Correction of unit costs and recognition of additional components not previously recognised	(3 593 879)
Land and buildings	(2 093 182)
Work-in-progress - write down to lower than cost and net realisable value	2 344 000
Grants	653 730
VAT - review was performed on VAT	1 581 680
Loans	(2 398 178)
Receivables	81 564
Payables	11 416
Correct the accrual for workmen’s compensation	133 086
	256 965 411
Investment revenue	
Balance as previously reported	(2 391 829)
Reclassify dividends and interest received to investment income	(101 088)
Recognise balance on investment account previously not accounted for	(15 389)
Receivables	1 389
	(2 506 917)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

33. Prior period errors (continued)

	2016 Restated * R
Fair value adjustments	
Balance as previously reported	(46 469 008)
Reclassify fair value adjustments to other operating (profit)/loss	46 469 008
	-
Finance cost	
Balance as previously reported	2 798 230
Recognition of long service award liability not previously recorded	55 000
	2 853 230
Gains / (losses) on property revaluation	
Balance as previously reported	(11 156 710)
Bulk infrastructure - Correction of unit costs and recognition of additional components not previously recognised	(8 586 175)
Land and buildings	(4 899 040)
Land and buildings - revaluation reserve transferred to retained income	(311 812)
Revaluation loss incorrectly recognised to revaluation reserve	300 036
	(24 653 701)

34. Changes in accounting policy

The annual financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year except for the adoption of the following new or revised standards.

Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)

During the current year, the entity adopted the amendments to IAS 16 Property, plant and equipment and IAS 41 Agriculture.

The amendments require that bearer plants should be accounted for as property, plant and equipment and no longer as biological assets. Bearer plants have been defined, in the amendment, as living plants which are used in the production or supply of agricultural produce, which are expected to bear such produce for more than one period, and which have a remote likelihood of themselves being sold as agricultural produce, except for incidental sales.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

34. Changes in accounting policy (continued)

The entity has identified vines and fruit trees as meeting the definition of bearer plants and has reclassified them accordingly. The amendment has been applied retrospectively.

Change in the treatment of the asset on revaluation date

During the year, the entity changed its accounting policy with respect to the treatment of property, plant and equipment on revaluation date. Previously the entity adjusted the carrying amount of the asset to the revalued amount in a manner that is consistent with the revaluation of the carrying amount. The entity now adjust the carrying amount of asset by eliminating the accumulated depreciation against the gross carrying amount.

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 31 March 2017 is as follows:

	2017 R	2016 Restated * R	1 April 2015 Restated * R
Statement of Financial Position			
Property, plant and equipment			
Increase in cost	17 597 943	17 597 943	17 597 943
Increase in accumulated depreciation	(2 471 222)	(1 647 481)	(823 741)
Increase in accumulated impairment	(633 600)	(633 600)	(633 600)
	14 493 121	**15 316 862**	**16 140 602**
Biological assets			
Increase in fair value	13 186 147	7 214 126	4 096 457
Accumulated surplus			
(Increase) / decrease in balance as at 31 March	(22 512 987)	(20 219 059)	(14 113 218)
Profit or Loss			
Depreciation			
Increase in depreciation	823 741	823 741	823 741
Other operating (gains)/losses			
Increase in fair value for biological assets	(20 149 647)	(13 968 721)	(8 274 557)
Cost of sales			
Increase in sale of lemons and wine	14 177 626	10 851 052	1 344 975

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

35. Risk management

Capital risk management

The capital structure of the organisation consists of debt which includes the borrowings, cash and cash equivalents, unspent government grants and equity as disclosed in the statement of financial position.

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

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Consistent with others in the industry, the entity monitors capital on the basis of the gearing ratio. The entity monitors capital using a debt to equity ratio, which is net debt divided by total capital plus net debt. The entity's policy is to keep the debt to equity ratio below 1:2. The entity includes within net debt, interest bearing loans and borrowings, trade; and other payables, less cash and cash equivalents. Total equity is represented in the statement of financial position

In order to achieve this overall objective, the entity's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call up loans and borrowings. There have been no breaches of the financial covenants of any interest bearing loans and borrowings in the current period.

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

The debt: equity ratio at 31 March 2017 and 31 March 2016 respectively were as follows:

	Note(s)	2017 R	2016 Restated * R
Total borrowings			
Other financial liabilities	14	32 102 741	39 766 157
Trade and other payables	17	76 774 579	41 588 934
Unspent conditional grants	18	13 780 868	14 578 478
		122 658 188	**95 933 569**
Less: Cash and cash equivalents	11	(132 519 900)	(64 393 814)
Net debt		(9 861 712)	31 539 755
Total equity		1 504 103 880	1 353 032 450
Total capital		**1 494 242 168**	**1 384 572 205**
Debt equity ratio		(0,66)	2,33

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

35. Risk management (continued)

Financial risk management

The principal financial liabilities comprise loans and borrowings, trade and other payables, and unspent conditional grants. The main purpose of these financial liabilities is to finance the operations. The principal financial assets include loans and receivables, trade and other receivables, and cash and cash equivalents that arrive directly from its operations.

The 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 2017: R132 519 900 (2016: R64 393 814) that are expected to readily generate cash inflows for managing liquidity risk. Due to the dynamic nature of the underlying entity's finance committee maintains flexibility in funding by managing availability under committed credit lines.

The entity's objective is to maintain a balance between continuity of funding and flexibility through the use of loans and borrowings. Based on the carrying value of borrowings reflected in the financial statement, 95% of the entity's debt will mature in less than one year at 31 March 2017 (2016: 59%). 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 and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

AT 31 MARCH 2017	LESS THAN 1 YEAR	BETWEEN 1 AND 2 YEARS	BETWEEN 2 AND 5 YEARS
Trade and other payables	76 774 579	-	-
Unspent conditional grants	13 780 868	-	-
Other financial liabilities	22 787 743	4 498 634	4 816 364

AT 31 MARCH 2016	LESS THAN 1 YEAR	BETWEEN 1 AND 2 YEARS	BETWEEN 2 AND 5 YEARS
Trade and other payables	41 588 934	-	-
Unspent conditional grants	14 578 478	-	-
Other financial liabilities	21 981 520	12 968 273	4 816 364

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

35. Risk management (continued)

Risk from bearer plants and biological assets

Biological assets are lemon orchards and grapevines managed by MEGA. Agricultural produce is the harvested product obtained from the biological asset. These biological assets are exposed to various production, ecological and market risks.

Production risk includes weather conditions, pests, and diseases. Ecological risks includes production, climate change, and management of natural resources such as water rights. Market risks includes output and input price variability.

MEGA has put in place measures and controls to mitigate losses from the above risks. These measures and controls include, inter alia, insurance, irrigation and monitoring of pests and treating them accordingly at the first signs of infestation through use of pesticides. As well as ensuring that the area around the lemon trees, grapevines is free from debris and weeds that harbour fungal disease as well as insects.

MEGA is exposed to financial risks arising from changes in lemon and wine prices. MEGA does not anticipate that lemon and wine prices will decline significantly in the foreseeable future. MEGA has not entered into any derivative contracts to manage the risk of a decline in lemon and wine prices. MEGA reviews its outlook for lemon and wine prices regularly in considering the need for active financial risk management.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The entity's potential exposure to the risk of changes in market interest rates relates primarily to the entity's long-term debt obligations. The entity's long term debt obligations are both interest free and fixed term borrowings. The entity manages its interest rate risk by having a balanced portfolio of interest free and fixed rate loans and borrowings.

Interest rate sensitivity is not analysed as the organisation is borrowing at fixed interest rates.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The entity is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institution and other financial instruments.

Credit risk consists mainly of cash deposits, cash equivalents, loans and receivables and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

35. Risk management (continued)

Credit risk

Customer credit risk is managed by the risk control unit subject to the entity's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on an extensive credit rating 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 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.

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

	2017 R	2016 Restated * R
Other financial assets		
Housing loans	62 427 307	53 919 930
Small, medium and micro enterprises (SMME) loans	42 319 230	24 137 085
Agricultural loans	28 659 565	12 706 107
Equity loans	10 107 853	9 897 856
Govan Mbeki Housing Company loan	11 662 263	11 662 263
Other loans and receivables	485 336	479 638
	155 661 554	**112 802 879**
Trade and other receivables		
Rental and municipal receivables	178 229 706	136 176 087

Foreign exchange risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The entity's exposure to the risk of changes in foreign exchange rates relates primarily to lemon export sales of R18 666 567 (2016: R13 423 159). The lemons are sold to the Middle East through an export sales agent. The export sales agent sells the lemons in US dollars. The entity receives the rand equivalent less the agent fees.

The entity reviews its foreign currency exposure, including commitments on an ongoing basis.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

35. Risk management (continued)

Price risk

Commodity price risk

The entity's operating activities involve leasing of residential and industrial properties, housing, agricultural and SMME financing and sale of lemons and wines. The nature of the products are such that they are not significantly affected by volatility as they are not volatile in nature.

Equity price risk

The entity's unlisted shares are susceptible to market-price risk arising from uncertainties about future values of the investment. The organisation manages the equity price risk by limiting such investment to shares necessary to carry out its agricultural activities.

At the reporting date, the exposure to unlisted shares at fair value was only limited to R6 967 (2016: R24 735) therefore any significant change in the price will have an insignificant impact on MEGA.

The remainder of the balance amounting to R1 240 438 (2016: R1 318 811) 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.

36. 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.

37. Events after the reporting period

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

38. Fruitless and wasteful expenditure

	2017 R	2016 Restated * R
Opening balance	27 472	14 934
Current year expenditure incurred	24 184	12 538
	51 656	**27 472**

Fruitless and wasteful expenditure consists of interest on overdue accounts.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 Restated * R
39. Irregular expenditure		
Opening balance	256 075 766	194 169 739
Current year expenditure incurred	40 187 991	61 906 027
Additional 2012/13 irregular expenditure identified	117 330	-
Additional 2013/14 irregular expenditure identified	4 628 535	-
Additional 2014/15 irregular expenditure identified	22 585	-
Additional 2015/16 irregular expenditure identified	375 000	-
2012/13 items investigated and found not to be irregular	(1 219 746)	-
2013/14 items investigated and found not to be irregular	(138 487)	-
2014/15 items investigated and found not to be irregular	(3 945 303)	-
2015/16 items investigated and found not to be irregular	(6 938 680)	-
Less: 2011/12 amounts to be recovered from DEDT	(6 860 000)	-
Less: Transgressions of Delegation of Authority condoned by the MEGA Board	(51 274 420)	-
	231 030 571	**256 075 766**

Detail of current year expenditure incurred

i)	Three quotations not obtained for transactions between R2 000 and R500 000 (PN 8 of 2007/2008)	503 000	1 800 498
ii)	Payments made to suppliers in excess of the approved contract or quoted amount (TR 8.2)	1 075 015	6 522
iii)	Preference point system not applied for procurement of goods and services above R30,000 (PPPF Act Section 2(a))	625 962	3 240 380
iv)	Prior periods contraventions in awarding tenders carried forward to the current period (including contracts extended on a month-to-month basis)	29 284 651	23 837 131
v)	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
vi)	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
vii)	Payments made to suppliers not listed on the MEGA Database and for which deviations were not obtained	47 376	21 370
viii)	Payments made to suppliers whose contracts were extended without valid deviations	8 325 365	8 472 713
ix)	Non-adherence to CIDB requirements	-	1 517 197
x)	Tax clearance certificates were not obtained for transactions greater than R30,000 (PN 8 of 2007/08)	326 622	1 713 783
		40 187 991	**61 906 027**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

40. Deviations from supply chain management regulations

The Accounting Officer may under certain circumstances deviate from following normal procurement processes. Any such deviations are reported on a monthly basis to Provincial Treasury and can be summarised as follows:.

	2017 R	2016 Restated * R
Media coverage	1 290 801	905 155
Other	3 127 586	830 302
Procurement from another organ of state	6 645 384	-
Single sourcing of quotations due to emergencies	832 144	1 057 045
Sole supplier	3 964 552	689 008
	15 860 467	**3 481 510**

DETAILED INCOME STATEMENTS

	Note(s)	2017 R	2016 Restated * R
Revenue			
Sale of lemons - export		18 666 567	13 423 159
Sale of lemons - local		2 393 087	1 672 938
Sale of wines		18 597	33 495
Municipal services		103 695 838	117 568 869
Other rental income		40 344 300	42 137 814
Interest received (trading)		25 818 012	30 286 511
	20	**190 936 401**	**205 122 786**
Cost of sales	21	**(102 906 375)**	**(113 927 962)**
Gross profit		**88 030 026**	**91 194 824**
Other operating income		201 750	148 145
Administration and management fees received		3 334 491	389 424
Fees earned		2 577 570	655 699
Commissions received		518 406	298 239
Recoveries		14 194 620	17 759
Insurance claims received		290 515 330	195 400 460
Government grants	22	**311 342 167**	**196 909 726**

Detailed Income Statement (continued)

	Note(s)	2017 R	2016 Restated * R
Other operating gains (losses)			
Losses on disposal of assets		(296 903)	(206 326)
Fair value gains		38 350 661	42 063 201
	23	**38 053 758**	**41 856 875**
Expenses (Refer to note 24)		**(315 451 716)**	**(256 965 411)**
Operating profit	25	**121 974 235**	**72 996 014**
Investment income	26	7 688 327	2 506 917
Finance costs	27	(1 996 296)	(2 853 230)
Income from equity accounted investments		268 330	-
Profit for the year		**127 934 596**	**72 649 701**

	Note(s)	2017 R	2016 Restated * R
Other operating expenses			
Advertising		(2 013 203)	(2 433 214)
Amortisation	6	(224 172)	(563 334)
Auditors remuneration - external auditors	25	(5 901 873)	(6 783 571)
Bad debts		(64 536 603)	(52 797 130)
Bank charges		(207 538)	(210 017)
Cleaning		(258 611)	(225 154)
Commission paid		(671)	(2 155)
Computer expenses		(1 810 675)	(1 511 182)
Consulting and professional fees		(22 006 817)	(11 275 250)
Depreciation	3	(10 864 021)	(10 797 307)
Donations		(1 857 815)	(92 392)
Employee costs		(108 675 398)	(101 140 017)
Entertainment		(1 306 065)	(884 082)
VAT apportionment expense		(6 592 124)	(1 581 680)
Farming expenses		(149 602)	(73 697)
Gifts		(13 700)	(12 728)
Grant expenditure		(22 197 867)	(8 919 974)
Insurance		(5 944 778)	(5 626 389)
Lease rentals on operating lease		(6 630 238)	(7 264 829)
Legal fees		(5 706 468)	(1 991 399)
Levies		(116 337)	(156 572)
Motor vehicle expenses		(269 351)	(65 509)

Detailed Income Statement (continued)

	Note(s)	2017 R	2016 Restated * R
Other operating expenses			
Municipal expenses		(17 417 030)	(13 155 845)
Other expenses		(3 938 926)	(3 100 147)
Postage		(79 765)	(62 818)
Printing and stationery		(1 172 066)	(900 176)
Protective clothing		(87 059)	(4 278)
Repairs and maintenance		(5 597 524)	(5 055 023)
Security		(11 353 141)	(10 228 545)
Staff welfare		(584 588)	(751 886)
Subscriptions		(363 748)	(384 033)
Telephone and fax		(2 937 642)	(2 964 343)
Training		(651 327)	(552 648)
Transport and freight		(994 768)	(475 433)
Travel - local		(2 619 676)	(2 476 208)
Travel - overseas		(370 529)	(102 446)
Work in progress written down		-	(2 344 000)
	24	**(315 451 716)**	**(256 965 411)**

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