TSHWANE ECONOMIC DEVELOPMENT AGENCY

ANNUAL REPORT

2017/2018

Municipal Entity of the City of Tshwane

CITY OF TSHWANE
IGNITING EXCELLENCE

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GLOSSARY OF TERMS

Term	Definition
Business plan	A document that summarises the work of a department or municipal entity. It highlights the functions of the department or entity, its organisational arrangements, planned activities, as well as the cost associated with delivering on its mandate. The planned activities of the Tshwane Economic Development Agency revolve around economic development interventions to address socio-economic challenges, such as unemployment, inequality, and poverty. A business plan also outlines related budget requirements for such interventions.
Deliverables	Set targets for a financial year that relate to the overall strategic objectives of the Tshwane Economic Development Agency. The deliverables must be in line with the five-year targets as reflected in the 2016 - 2021 Integrated Development Plan and demonstrate a progressive movement towards achieving the City of Tshwane's goals.
IDP scorecard	Identifies the strategic objectives for the five-year term in line with the long-term vision, Tshwane Vision 2030.
SDBIP scorecard	Drives service delivery using the Municipality's approved budget. Departments and municipal entities are expected to align their KPIs with the approved budget and related projects.
Departmental scorecard	Reflects the planned activities of a department or entity in line with its functions. Targets set in the departmental scorecard are broken down into quarterly targets. The scorecard is used to monitor a department or entity's performance on a quarterly basis.
Strategic focus area	Area of immediate importance that supports a strategic priority area and a department or entity's functional areas. The key focus areas represent the work of the department or entity and support the organisational strategy.
Functional area	Part of the approved organisational structure of the City of Tshwane (microstructure). It is an area of work of a department or municipal entity and has been budgeted for.

Indicator	Statement of measurement that is used to indicate whether progress is being made in achieving a goal. An indicator provides a framework for gathering data for measurement and reporting; translates a complex concept into a simple, measurable operational variable; enables the review of the goal and objectives; assists in policy review processes; and helps to provide feedback to the Municipality and staff. The approved IDP 2016 – 2021 and its first review contain such indicators. Departments and municipal entities are encouraged to improve their indicators in line with their set targets.
Key performance area	An area of focus that defines tasks and activities that are carried out in support of set objectives.
Strategic objectives (City of Tshwane)	The Performance Management Guidelines state that "components of the IDP need to be translated into a set of clear and tangible objectives. The statement of objectives requires a tangible, measurable, and unambiguous commitment to be made. In setting objectives, a municipality needs to carefully consider the results desired; review the precise wording and intention of the objective; avoid overly broad results statements; be clear about the scope and nature of change desired; and ensure that objectives are focused on outcome and impact. In line with the guidelines, the revised strategic objectives, as per the 2017 –2021 IDP revision, are the following: 1) To provide sustainable service infrastructure and human settlement management; 2) To promote shared economic growth and job creation; 3) To ensure sustainable, safer cities, and integrated social development; 4) To promote good governance and an active citizenry; 5) To ensure improved financial sustainability; and 6) To ensure continued organisational development, transformation, and innovation.
Strategic objective (TEDA)	What TEDA intends to do or produce in order to achieve its vision and mission.

ACRONYMS

AG	Auditor-General
AGSA	Auditor-General of South Africa
APR	Annual Performance Report
BP	Business Plan
BPO	Business Process Outsourcing
CAASA	Commercial Aviation Association of Southern Africa
DTI	Department of Trade and Industry
GIFA	Gauteng Infrastructure Financing Agency
GIIC	Gauteng Infrastructure Investment Conference
HoA	Heads of Agreement
ICT	Information and Communication Technology
IDP	Integrated Development Plan
KPI	Key Performance Indicator
MCAM	Municipal Continuous Audit Monitoring
MMC	Member of the Mayoral Committee
mSCOA	Municipal Standard Chart of Accounts
OPCA	Operation Clean Audit
SARS	South African Revenue Services
SCM	Supply Chain Management
SETA	Sector Education and Training Authority
TEDA	Tshwane Economic Development Agency
VAT	Value-Added Tax

PURPOSE

The Municipal Finance Management Act (Act 56 of 2003) (MFMA) and section 46 of the Municipal Structures Act, 1998 (Act 117 of 1998) require the Tshwane Economic Development Agency (TEDA), a municipal entity of the City of Tshwane, to prepare an annual report for each financial year. This annual report reflects the performance of TEDA for the period 1 July, 2017, to 30 June, 2018.

CHAPTER 1

FOREWORD BY THE CHAIRPERSON AND REPORTS OF THE CEO AND CFO

1.1 FOREWORD BY THE CHAIRPERSON

MR NILS FLAATTEN

The agency has played an important role in the work needed to achieve economic goals, as set out in Tshwane Vision 2030, and in the priorities, as defined by the IDP 2017 – 2021. Of particular importance is *Strategic Pillar 1: A city that facilitates economic growth and job creation*, in terms of which the agency facilitated and attracted investment worth R3 602 400 000 and contributed to the creation of 1 850 jobs.

The 2017/2018 financial year resulted in changes to the TEDA Board. I would like to welcome the newly elected members and look forward to working collectively to support and guide TEDA in achieving a high standard of performance on its delivery commitments.

As the new Board, we will continue monitoring the performance outcomes emanating from the revised mandate. These will include the operational structures, processes, and systems developed and overseen by management to ensure that the entity does not falter in its mission of retaining a clean audit report for 2017/2018.

I would also like to thank all previous non-executive directors who gave their time, energy, and effort in ensuring good governance and the attainment of a clean audit for the entity.

As we enter the 2018/19 financial year, we as the TEDA Board remain focused on ensuring that the entity remains a sustainable, relevant, and efficient entity of the City of Tshwane.

1.2 OVERVIEW OF THE CHIEF EXECUTIVE OFFICER

MR SOLLY MOGALADI

In the face of the institutional review of TEDA's mandate brought about by the 2016 election outcomes, TEDA continued to deliver on its mandate by ensuring that all performance targets were met. Below is a synopsis of the entity's performance over the review period, as reflected in greater detail in other sections of the report:

Total number of Key Performance Indicators (KPIs) = 17

Number of Key Performance Indicators (KPIs) achieved = 17

Number of Key Performance Indicators (KPIs) not achieved = 0

Percentage Key Performance Indicators (KPIs) achieved = 100%

The agency facilitated three investment projects in Tshwane to the value of R3 602 400 000, with a potential of 1 850 job opportunities against an annual target of R1,5 billion.

This is a result of increased confidence in the agency's capacity to embark on high-impact projects that respond to the economic and growth needs of Tshwane.

There was a strong focus on trade and investment missions during the financial year and engagement with foreign companies to bring about investments in Tshwane. During the financial year under review, a number of companies were assisted with export capabilities through the Exporter Development Programme. A significant number of Tshwane export-ready companies were taken on outward-selling missions aimed at gaining access to international markets.

The 2017/2018 financial year also saw TEDA's acumen in the conceptualisation of new projects destined to change the economic landscape of Tshwane. These include but are not limited to, the Clothing and Textile Hub and Vertical Agriculture projects, which have passed initial feasibility scrutiny.

When reflecting on the previous year, it is worth mentioning that the entity received its first clean audit opinion from the Auditor-General for the 2016/2017 financial year. This resulted from the collective effort of TEDA employees, who are key resources in achieving our strategic objectives. As an entity, we therefore continue to create a work environment that supports employee growth and development. The entity successfully hosted the Employee Recognition Awards on 29 June, 2018, to celebrate employees and show our appreciation of their contribution to building a high-performance workforce.

Looking ahead, the entity will continue strengthening its strategic relations, as per the stakeholder management plan, through initiatives aimed at building and strengthening linkages with the business community and key stakeholders.

1.3 REPORT OF THE CHIEF FINANCIAL OFFICER

MR THAMI MKWANAZI

SUMMARY OF BUDGETED REVENUE AND EXPENDITURE AS AT 30 JUNE, 2018

Budgeted revenue

The total approved budget has been revised to R61 506 144 after taking into account previous non-appropriated revenue/funds, such as an unspent grant from 2016/17 and refunds from SARS and SETA, as well as the elimination of the budgeted project management fees.

The adjusted budgeted revenue is broken down as follows:

- The City of Tshwane's grant of R58 432 180, including an unspent grant from 2016/17 of R4 282 180 and a grant of R54 150 000, has been received in full;Interest income of R393 976;
- Sale of tender documents of R20 000;
- Other income consisting of:
  - o Service SETA refunds of R58 581; and
  - o VAT refunds of R2 601 407.

Revenue earned as at the reporting date is broken down as follows:

- The City of Tshwane's spent grant of

Budgeted expenditure

Expenditure is reported net of VAT where applicable. Total expenditure as at 30 June, 2018, against the allocated budget is at 80%, amounting to R49 046 288, excluding commitments; it is broken down as follows:

- Employee costs at 84% (R28 429 915) of the budgeted amount, including provision for leave;
- Board fees at 54% (R753 629);
- General expenses at 70% (R11 297 670) of the budgeted amount, including depreciation and amortisation expenses;
- Investment promotion and funding at 86% (R5 051 882);
- Projects at 82% (R3 157 840); and
- Capital expenditure at 79% (R355 352).

The income and expenditure variance statement is presented on a modified accrual basis in order to optimise decision-making on spending patterns.

Budgeted vs earned revenue

Description	Approved budget	Unspent grant allocation from 2016/2017	Adjustments	Total Working Budget	Earned as at 30 June 2018	Earned %	Year to date Variance
Revenue by source:	a	b	c	d	e	f	g
Grant from CoT	54,150,000	1,364,723	2,917	58,432,180	48,785,811	83%	9,646,369
Project management fees	6,650,000	-	-6,650,000	-	-	0%	-
Interest income	213,075	-	180,901	393,976	516,354	131%	-122,378
Sale of tenders	-	-	20,000	20,000	25,219	126%	-5,219
Other income (taxable)	-	-	58,581	58,581	8,893	15%	49,688
Other income (non tax-able)			2,601,407	2,601,407	2,811,988	108%	-210,581
Total revenue	61,013,975	1,364,723	-871,654	61,506,144	52,148,270	85%	9,357,874

The table above depicts revenue per source as at the reporting date.

Grant from the City of Tshwane: This relates to the transfer received from the shareholder at the beginning of every quarter. A total of R54 150 000 has been received to date, with R4 282 180 received in the 2016/2017 financial year. Revenue earned from the operational grant shown in the revenue table above amounts to R48 785 811 as at the end of June, 2018, with a variance of about 17% above materiality of 10%.

Professional fees, projects: The earmarked project management fees have been revised to nil due to uncertainties caused by the review of the entity's mandate. The overall impact on the current financial year's operations is minimal due to savings from other items and refunds from SARS.

Interest income: The amount of R516 354 shown in Column E in the revenue table above has been earned from TEDA's primary and investment account.

Sale of tender documents: Revenue earned from the sale of tender documents amounts to R25 220 as at the reporting date.

Other income: This refers to revenue from the following streams:

- Refunds collected from the Service SETA are taxable and amounted to R8 893 earned in the current year, with the balance of R49 688 received and earned in the prior year, which were a ppropriated during the budget adjustment.
- VAT refunds from SARS amounted to R2 811 988 (non-taxable).

Budget vs actual expenditure as at 30 June, 2018

The table below summarises budget vs actual expenditure as at the end of June, 20

Description	Approved budget	Unspent grant allocation from 2016/2017	Adjustments	Total Working Budget	Earned as at 30 June 2018	Earned %	Year to date Variance	Commitments as at 30 June 2018	Remaining Budget after commitments
Expenditure by source:	a	b	c	d	e	f	g	h	i
Remuneration of Board Members	1,908,000	-	-500,000	1,408,000	753,629	54%	9,646,369	0	654,371
Employee Costs	34,512,120	-	-749,062	33,763,057	28,429,915	84%	-	0	5,333,142
General Expenses	15,186,693	-1,050,800	-60,046	16,177,447	11,297,670	70%	-122,378	704,588	4,175,188
Investment Promotion and Funding	4,019,051	69,5400	1,788,068	5,876,659	5,051,882	86%	-5,219	568,645	256,132
Projects	5,012,211	244,383	-1,425,613	3,830,981	3,157,840	82%	49,688	0	673,141
Capital Expenditure	375,000	-	75,000	450,000	355,352	79%	-210,581	72,844	21,803
Total expenditure	61,013,975	1,364,723	-871,653	61,506,144	49,046,288	80%	9,357,874	1,346,078	11,113,778

1.4 STRATEGIC OVERVIEW

Vision

The vision of the Tshwane Economic Development Agency is **to be a catalyst for economic growth and development in order to position Tshwane as a globally competitive capital city.**

Mission

The mission of the Tshwane Economic Development Agency is **to provide integrated and innovative economic development solutions through investment promotion and funding, programme management, and property management.**

Legislative mandate

TEDA is a municipal entity that was established in November, 2006, and is solely owned by the City of Tshwane. TEDA is largely governed by the Companies Act, 2008 (Act 71 of 2008), the Municipal Systems Act, 2000 (Act 32 of 2000), as amended, and the Municipal Finance Management Act, 2003 (Act 53 of 2003), as amended, and its regulations.

The entity is accountable to the Economic Development and Spatial Planning Department and the MMC for Economic Development and Spatial Planning, who exercises the political mandate and oversight. The City's Shareholder Unit provides administrative oversight, corporate governance compliance reporting, and reviews.

The service delivery agreement between TEDA and the City of Tshwane sets the mandate and the business plan for the entity. The predetermined objectives and targets set out in the business plan are attained through the entity's four strategic objectives, namely the following:

- To develop, facilitate, and promote viable foreign and local investment in Tshwane;
- To identify, design, develop, and manage projects with strategic economic and social benefits for the greater Tshwane community;
- To promote Tshwane as a viable destination for investment through the implementation of integrated marketing and communication programmes; and
- To establish and build TEDA as a strong and effective organisation in the context of good governance best practices.

To achieve the above-mentioned strategic objectives, TEDA has structured its operations around three programmes whose cross-cutting functions enable it to operate in an efficient and effective manner.

These programmes are the following:

- **Programme 1: Strategic Management, Finance, and Administration**

  The purpose of this programme is to provide effective and efficient management and strategic and administrative support to the organisation. The programme consists of strategic management, finance and governance, and corporate services.

- **Programme 2: Project Portfolio Management**

  The purpose of this programme is to deliver a range of developments and programmes aimed at achieving the goals outlined in Vision 2030, within the parameters of TEDA's mandate from the City of Tshwane, as approved by Council. The programme consists of infrastructure and industrial developments, and inner-city and designated areas' sub-programmes.

- **Programme 3: Investment Promotion and Funding**

  The purpose of this programme is to promote and facilitate trade and investment in Tshwane. The programme consists of investment promotion and aftercare, export development and promotion, as well as marketing and communication sub-programmes.

Key policy developments

There have been no significant changes to TEDA's legislation and mandate to date, save for the ongoing review process aimed at repositioning TEDA for improved performance and higher impact. TEDA's work is guided by the City of Tshwane's 2017 – 2021 Integrated Development Plan (IDP) and

CHAPTER 2

CORPORATE GOVERNANCE

2.1 CORPORATE GOVERNANCE

The following Board members were appointed on 1 February, 2018:

Table 1: Board of Directors

Board member	Capacity: Executive/Non-executive	Race	Gender	Board committee membership
Mr Nils Flaatten	Non-executive Director	White	Male	• Chairperson of the Board
Mr Andries Nkome	Non-executive Director	African	Male	• Human Resources and Remuneration Committee chairperson • Social and Ethics Committee member • Finance and Risk Committee member
Mr Faizal Docrat	Non-executive Director	Indian	Male	• Social and Ethics Committee chairperson • Projects and Investment Committee member • Finance and Risk Committee member
Mr Sihle Shange	Non-executive Director	African	Male	• Projects and Investment Committee chairperson • Human Resources and Remuneration Committee member
Mr Solly Mogaladi	Executive Director	African	Male	• CEO
Mr Thami Mkhwanazi	Executive Director	African	Male	• Social and Ethics Committee member • CFO
Ms Mpho Sedibe	Non-executive Director	African	Female	• Human Resources and Remuneration Committee member • Projects and Investment Committee member • Finance and Risk Committee member
Ms Tumelo Matlala-Mojapelo	Non-executive Director	African	Female	• Human Resources and Remuneration Committee member • Projects and Investment Committee member
Ms Nadira Singh	Non-executive Director	Indian	Female	• Finance and Risk Committee chairperson • Social and Ethics Committee member

The following Board members' term of office ended on 31 January, 2018:

Board member	Capacity: Executive/ Non-executive	Race	Gender	Board committee membership
Prof David Luka Mosoma	Chairperson	African	Male	Term of office expired
Mr Haralabos Gouvelis	Non-executive Director	White	Male	Term of office expired
Mr Solly Daniel Mogaladi	Executive Director	African	Male	Retained
Mr Thami Mkhwanazi	Executive Director	African	Male	Retained
Ms Zandile Mpungose	Non-executive Director	African	Female	Term of office expired
Ms Sizo Mzizi	Non-executive Director	African	Female	Term of office expired
Mr Fungai Khumbule Sibanda	Non-executive Director	African	Male	Term of office expired
Ms Nadira Singh	Non-executive Director	Indian	Female	Retained
Mr Jan Letsepe Thubakgale	Non-executive Director	African	Male	Term of office expired
Mr Mike William Yates	Non-executive Director	White	Male	Term of office expired

2.2 LEGISLATIVE FRAMEWORK THAT PRESCRIBES THE FUNCTIONS OF THE ENTITY

TEDA approved a Corporate Governance Policy Framework in April, 2014. The policy framework sets out, amongst other things, the roles and responsibilities of the shareholder, Board, and management. The framework was developed in line with the King Report on Corporate Governance (King IV, 2016). It also incorporates the Code of Conduct for employees and directors, the Fraud Prevention Policy, the Conflict of Interests Policy, and the ICT Governance Framework. TEDA adopted various human capital policies in compliance with labour market legislation. In this regard, HR policies were reviewed by the Board to be in line with the relevant legislation. TEDA reviewed and adopted a Delegations of Authority Framework and a Supply Chain Management Policy, which allocate powers and functions to the Board, management committees, the CEO, and individual executive managers.

TEDA strives to comply with the Constitution of the Republic of South Africa, 1996, and the enabling general legislative prescripts. In particular, TEDA is committed to comply with all the following relevant and applicable legislation:

- Companies Act, 2008 (Act 71 of 2008);
- Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003);
- Local Government: Municipal Systems Act, 2000 (Act 32 of 2000);
- Broad-Based Black Economic Empowerment Amendment Act, 2016 (Act 46 of 2016);
- National Environmental Management Act, 1998 (Act 107 of 1998);
- Occupational Health and Safety Act, 1993 (Act 85 of 1993);
- Labour Relations Act, 1995 (Act 66 of 1995);
- Basic Conditions of Employment Act, 1997 (Act 75 of 1997);
- Employment Equity Act, 1998 (Act 55 of 1998);
- Promotion of Access to Information Act, 2000 (Act 2 of 2000); and
- Skills Development Act, 1998 (Act 97 of 1998).

2.2.1 FUNCTIONING OF THE BOARD AGAINST THE 2016/17 WORK PLAN

The Board established the following committees to strengthen its oversight role:

2.2.1.1 PROJECTS AND INVESTMENT COMMITTEE

This committee advises the Board on the implementation of TEDA's projects portfolio, as well as the City of Tshwane's economic development initiatives, which include investment attraction and promotion. The committee uses the Projects Management Framework adopted by the Board in order to perform its functions. During the year under review, all projects were on course and starting to yield good results. In addition, the entity participated in several trade and investment missions aimed at promoting local companies and empowering small-, medium-, and micro-sized enterprises through various trade initiatives.

2.2.1.2 FINANCE AND RISK COMMITTEE

This committee's terms of reference include overseeing the development of financial and organisational performance policies, overseeing the development and management of risks, ensuring an effective internal audit function, and ensuring that the entity addresses external audit findings. The committee also monitors the entity's compliance with key legislation and the King IV report. The committee assisted the entity to achieve a clean audit opinion, and it aims to maintain the same audit outcome.

2.2.1.3 HUMAN RESOURCES AND REMUNERATION COMMITTEE

The mandate of this committee is to advise the Board on the development and implementation of TEDA's remuneration and recruitment policies, as well as other human capital policies. The committee spearheaded the process of reviewing organisational policies. It also assists the entity to recruit competent staff to deliver on TEDA's strategic objectives.

2.2.1.4 SOCIAL AND ETHICS COMMITTEE

This committee was established in terms of the 2011 Companies Regulations Act. Its terms of reference include monitoring the activities of the company on socio-economic development matters and the company's standing in regard to the principles set out in the UN Global Compact Principles, the Organisation for Economic Co-operation and Development recommendations in regard to corruption, the Employment Equity Act, 1998 (Act 55 of 1998), the Broad-Based Black Economic Empowerment Act, and TEDA's corporate social responsibility. The committee ensured that the entity submitted compliance reports to the relevant stakeholders.

BOARD COMMITTEE MEETINGS: 2017/18 FINANCIAL YEAR

Meetings during the year were attended as follows:

Table 2: Board and Board Committee Meetings and Attendance: (1 February, 2018 – 30 June, 2018)

Name of Board Member	Board	Finance and Risk Committee	Projects and Investment Committee	HR and Remuneration Committee	Social and Ethics Committee	Board Induction	Ad Hoc	AGM	TOTAL
Mr Nils Flaatten	2	-	-	-	-	2	-	1	5
Mr Andries Nkome	2	-	-	-	-	1	-	1	4
Mr Faizal Docrat	2	-	-	-	-	2	-	1	5
Mr Sihle Shange	2	-	-	-	-	2	-	1	5
Ms Mpho Sedibe	2	-	-	-	-	2	-	1	5
Ms Tumelo Matla-la-Mojapelo	1	-	-	-	-	2	-	-	3
Ms Nadira Singh*	6	5	-	-	-	2	2	1	16

**Retained*

Table 3: Previous Board and Board Committee Meetings and Attendance: (1 July, 2017 – 31 January, 2018)

Name of Board Member	Board	Finance and Risk Committee	Projects Committee	Trade and Investment Committee	HR and Remuneration Committee	Social and Ethics Committee	Board Induction	Ad Hoc	AGM	TOTAL
Mr FK Sibanda	5	-	-	2	5	-	-	-	-	12
Mr H Gouvelis	5	-	1	-	3	-	-	1	-	10
Adv L Thubakgale	5	2	-	-	4	-	-	1	-	12
Mr MM Yates	5	-	2	2	-	-	-	1	-	10
Ms Z Mpungose	3	-	-	2	4	-	-	1	-	10
Ms S Mzizi	4	5	2	-	-	-	-	-	-	11
Prof LD Mosoma	5	-	-		-	-	-	1	-	6

DIRECTORS' REMUNERATION

Table 4: Non-executive Directors' Remuneration: (1 February, 2018 – 30 June, 2018)

Number	Surname	Total
1	Mr Andries Nkome	R25 710
2	Ms Mpho Sedibe	R32 566
3	Ms Tumelo Matlala-Mojapelo	R25 710
4	Mr Sihle Shange	R32 566
5	Mr Nils Flaatten	R39 422
6	Mr Faizal Docrat	R32 566
	Total	**R188 540**

Table 5: Non-executive Directors' Remuneration: Previous Board (1 July, 2017 – 31 January, 2018)

Number	Surname	Total
1	Ms Nadira Singh (retained)	R126 304
2	Mr Fungani Khumbule Sibanda (term expired 31 January, 2018)	R73 702
3	Mr Haralabos Gouvelis (term expired 31 January, 2018)	R65 132
4	Mr Jan Letsepe Thubakgale (term expired 31 January, 2018)	R92 556
5	Mr Mike William Yates (term expired 31 January, 2018)	R70 274
6	Ms Zandile Mpungose (term expired 31 January, 2018)	R61 704
7	Ms Sizo Mzizi (term expired 31 January, 2018)	R68 560
8	Prof David Luka Mosoma (term expired 31 January, 2018)	R71 988
	Total	**R630 220**

2.3 RISK MANAGEMENT AND INTERNAL CONTROLS

2.3.1 RISK MANAGEMENT STRATEGY

TEDA adopted the Public Sector Risk Management Framework from the National Treasury and the King IV Report on Corporate Governance in order to ensure that the risk management processes within TEDA are streamlined according to best practices, as indicated in the Enterprise Risk Management Policy for the City of Tshwane and its entities.

2.3.2 RISK MANAGEMENT PLAN

A strategic risk register was developed by the Executive Committee and approved by the Board. It is monitored on a quarterly basis. The strategic risk register is a standing agenda item at Executive Committee meetings, is monitored on a quarterly basis, and reported to the Board through the Finance and Risk Management Committee. Managers are responsible for identifying and effectively managing all risks in their areas of responsibility, as well as for how they will mitigate risks through enhancing the internal control measures applied in their respective area of operations.

The aim of the risk review is to minimise the risks faced by the entity as much as possible and to fulfil the expectations of the shareholder and other stakeholders. TEDA management is responsible for ensuring that the risk management strategy and policy are implemented.

In the year under review, the entity identified eight strategic risks, and relevant action plans were put in place to mitigate those risks. The entity also had a total of 16 operational risks for the year under review. Of those risks, 81% are on a low and acceptable level; however, two risks that have a high dependency rate on the City of Tshwane were escalated to the strategic risk register during the year, namely the following:

Failure to implement mSCOA; and delays in issuing the long-term lease of portion 337 of the farm Elandshoek 137-JR, in regard to the implementation of the agro-processing project.

2.3.3 RISK MANAGEMENT ASSESSMENT PROCESS

TEDA's Executive Committee held a strategic risk review session in June, 2018, where the previous year's strategic risk register was revised in accordance with the 2018/19 business plan. The following six strategic risks were identified and will be monitored on a bimonthly basis in the 2018/19 financial year:

Risk Number	Risk Name	Residual Risk Rating
1	Inability to meet the demands of investors	Medium
2	Failure to fully implement the SDA	Medium
3	Inadequate promotion of Tshwane as an investment destination	Medium
4	Failure to implement mSCOA	Medium
5	Inadequate compliance with the governance framework	Low
6	Delays in the implementation of TEDA-conceptualised projects	Low

The Risk Management Division, together with the office of the Company Secretary, will co-ordinate efforts to highlight key risks to all risk and action owners in order to ensure optimal mitigation. Management will implement action plans to mitigate all risks identified in the departmental risk management plan for the financial year.

2.3.4 INTERNAL CONTROLS

Internal controls refer to the policies, practices, and systems that the entity has put in place to provide reasonable assurance that TEDA will achieve its objectives, prevent fraud and corruption, protect resources from waste, loss, theft or misuse, and ensure that resources are used efficiently and effectively.

TEDA has a system of internal controls to provide cost-effective assurance that the entities' goals will be achieved in an economical, effective, and efficient manner. The City's Internal Audit Unit provides the Audit and Performance Committee and Management with quarterly internal audit reports in terms of its approved audit coverage plan. The entity also has functional and effective management structures, such as the Executive Management Committee and its subcommittee, Operation Clean Audit (OPCA), to review, monitor, and evaluate programme performance and make corrective measures where necessary.

In accordance with the approved audit coverage plan, Internal Audit completed 14 audit projects to assess, amongst others, the adequacy and effectiveness of internal controls. Therefore, the table below represents the overall control assessment from the audit work completed as at Quarter 4 of the 2017/18 financial year. As can be seen in the table, the entity has maintained stable performance in its overall implementation of controls. Where implementation has been inadequate, it was as a result of external factors beyond the entity's control.

Audit Focus Areas/Process Areas	Overall Assessment of Controls		
	Control Design	Control Implementation	Trend
Project and contract management	☺	☺	Improved
Stakeholder management	☺	😐	Improved
Compliance with service delivery agreement between the entity and the City of Tshwane	😐	☹	N/A
Human capital management - **Recruitment** - **Payroll, termination, and overtime** - **Leave management**	☺	☺	Improved
Supply chain management	☺	☺	Improved
Operational review - **Marketing, communication, and events** - **Investment promotion and funding**	☺	😐	Improved
Annual audit of performance information	☺	☺	Neutral
Quarterly performance information review (Q3)	☺	☺	Improved

☺**:** Adequate/effective 😐**:** Requires improvement ☹**:** Inadequate/ineffective

Trend = either improving; neutral; deteriorating or N/A = not applicable

2.4 ENTITY'S SUPPLY CHAIN PROCESSES AND PROCEDURES

2.4.1 SUPPLY CHAIN MANAGEMENT PROCESS

Supply Chain Management (SCM) is an integral part of financial management. Its role is to provide support in terms of goods and professional services procured by TEDA. Goods and services are procured through a system that is fair, equitable, transparent, competitive, and cost-effective. Historically disadvantaged individuals and black economic empowerment are the chief driving forces when contracts are allocated.

SCM is divided into the following five phases:

- **Demand management:** Demand management deals with identifying the need for goods and services, ensuring that requirements are linked to the budget, the stakeholder analysis, specifications or terms of reference, preferential procurement strategies, evaluation criteria, lead and delivery times, the cost of goods and services, and the necessary approvals for the acquisition of goods and services. In this phase, the end user plays the biggest role and is assisted by the Procurement Unit. To facilitate this process, a specification committee is appointed, which committee consists of the end user, Supply Chain Management officials, and any other relevant role players.
- **Acquisition management:** During this phase, a decision is made on how to approach the market. The total cost of ownership is determined. Bid documents are compiled. Bids are invited and evaluated, and contracts are signed. This phase is executed by the Procurement Unit with some assistance from the end user and other role players. To facilitate this process, a bid evaluation committee is appointed, which committee consists of the end user, Supply Chain Management officials, and any other relevant role players. A tender committee (or bid adjudication committee) is also appointed to evaluate the adjudicated contracts.
- **Logistics management:** This phase elaborates on the requisitioning of goods in storage (inventory management) for issuing to end users on request. These items are kept in storage due to the repetitive or frequent nature of requests for them, which makes it impractical to invite price quotations for each request. Orders are placed with suppliers that are registered on a supplier database. The process of placing, receiving, and dispatching orders falls within the ambit of this phase.
- **Disposal management:** During this phase, unserviceable, redundant, or obsolete movable items are discarded. A disposal committee is appointed to recommend a proper disposal strategy. Disposal management is conducted in accordance with delegated powers or authority.
- **Supply chain performance:** This final phase focuses on monitoring projects at their completion stage, i.e. verifying whether the desired objectives and goals have been achieved.

SCM also takes care of the effective, efficient, economic, and transparent use, management, safeguarding, and maintenance of assets. Various forms are utilised to ensure proper control while relocating and/or moving assets around. Assets are physically assessed annually so as to determine their useful life. This is accomplished by inspecting the physical condition of the assets.

2.4.2 SUPPLY CHAIN MANAGEMENT CAPACITY IN TEDA

Currently, SCM is carried out by the following three permanent staff members:

DESIGNATION	RESPONSIBILITY
Senior Manager: Supply Chain Management	Supply chain performance and policy development
Manager: Supply Chain Management	Tender administration
Supply Chain Management Practitioner	Acquisition and asset management

2.4.3 APPROVAL OF SUPPLY CHAIN MANAGEMENT POLICY IN LINE WITH THE MUNICIPAL FINANCE MANAGEMENT ACT, 2003 (ACT 56 OF 2003)

All SCM policies are approved by the Board through the Finance, Risk, and Governance Committee. Before approval is granted or the policy is adopted, care is taken to ensure that the policy aligns with all relevant legislative frameworks, such as the SCM Guide for Municipal Accounting Officers, the Municipal Finance Management Act, 2003 (Act 56 of 2003), the Municipal Supply Chain Model, the Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000), Treasury regulations, as well as practice notes and circulars, etc.

The following table lists the SCM Committees and their related functions:

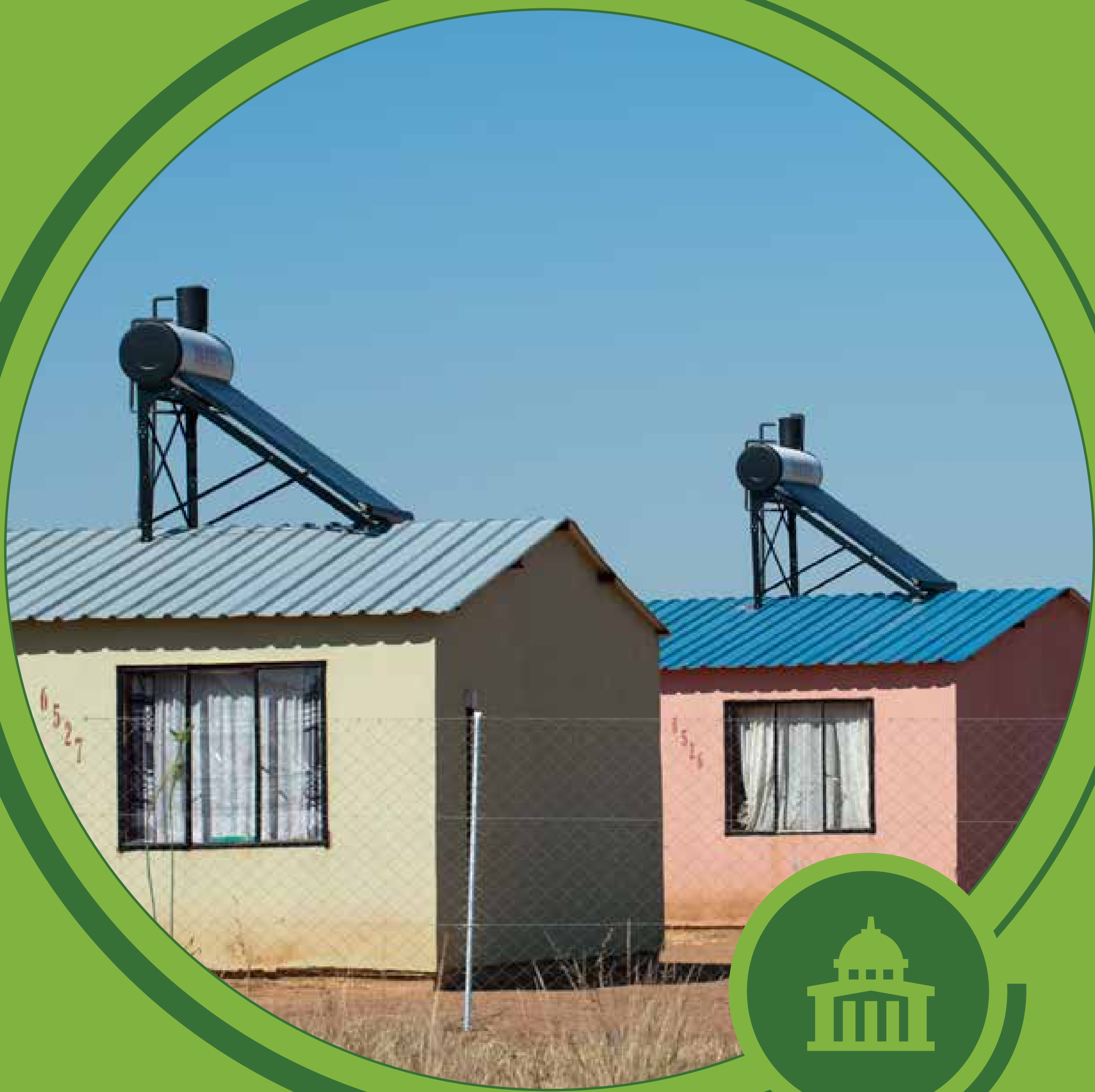
Table 6: TEDA's Supply Chain Committees and Functions

SUPPLY CHAIN MANAGEMENT COMMITTEE	GUIDELINES	FUNCTIONS AND PURPOSE OF COMMITTEE	NUMBER OF MEETINGS PLANNED	ACTUAL MEETINGS	REASONS FOR DEVIATION	INTERVENTION/ ACTION TAKEN
Bid Specification Committee	Supply Chain Management Policy	A bid specification committee compiles the specifications for each procurement of goods or services by the municipal entity. Such a committee is composed of one or more officials of the municipal entity, preferably including the manager responsible for the function involved, and it may, when appropriate, include external specialist advisors. No person, advisor, or corporate entity that is involved with the Bid Specification Committee, or the director of such a corporate entity, may bid for any resulting contracts.	15	15	None	Not applicable
Bid Evaluation Committee	Supply Chain Management Policy	A Bid Evaluation Committee must be cross-functional and consist of officials from the end user that requires the good, works, or services, and at least one Supply Chain Management official. The Bid Evaluation Committee must evaluate bids in accordance with the specifications and criteria specified in the bid documentation for a specific procurement, and it evaluates each bidder's ability to execute the contract. The committee checks, in respect of the recommended bidder, whether municipal rates and taxes and municipal service charges are in arrears, and it submits a report and recommendations to the Bid Adjudication Committee in regard to awarding the bid or any other related matters.	15	15	None	Not applicable

SUPPLY CHAIN MANAGEMENT COMMITTEE	GUIDELINES	FUNCTIONS AND PURPOSE OF COMMITTEE	NUMBER OF MEETINGS PLANNED	ACTUAL MEETINGS	REASONS FOR DE-VIATION	INTERVEN-TION/ ACTION TAKEN
Bid Adjudication Committee	Supply Chain Man-agement Policy	The Bid Adjudication Committee must be cross-functional, and at least one member should be a Supply Chain Management practitioner. A Bid Adjudication Committee must consist of at least four TEDA senior officials and a technical expert in the relevant field or an end user. The chairperson of the committee should be the Chief Financial Officer. Neither a member of a Bid Evaluation Committee nor an advisor or person that assists the Bid Evaluation Committee may be a member of a Bid Adjudication Committee. The Bid Adjudication Committee must consider the report and recommendations of the Bid Evaluation Committee and make recommendations to the Accounting Officer. The Bid Adjudication Committee must ensure that all necessary bid documents have been submitted, that disqualifications are justified, and that valid and accountable reasons and motivations were furnished for passing overbids. It must ensure that scoring has been fair, consistent, correctly calculated and applied, and that declarations of interest have been noted.	1	1	None	Not applicable

Table 7: TEDA Bid Adjudication Committee Structure and Non-compliance with the Requirements

VALUE OF PURCHASE	PROCUREMENT METHOD AND REQUIREMENTS	DELEGATED AUTHORITY	OVERSIGHT ROLE	PROCUREMENT REQUIREMENTS DEVIATIONS	REASONS	INTERVENTION/ ACTION TAKEN
0 to R2 000	Petty cash	CFO	CEO	n/a	n/a	n/a
R2 001 to R10 000	Verbal quotation	CFO	CEO	n/a	n/a	n/a
R10 001 to R30 000	Three formal written quotations and tax clearance compliance	CFO	CEO	n/a	n/a	n/a
R30 001 to R200 000	Three formal written quotations and Preferential Procurement Policy Framework Act (PPPFA), tax clearance compliance	CFO	CEO			
Unlimited	Competitive bidding process (tenders): Preferential Procurement Policy Framework Act (PPPFA), tax clearance compliance	CEO	Board of directors	n/a	n/a	n/a



CHAPTER 3

SERVICE DELIVERY PERFORMANCE

3. SERVICE DELIVERY PERFORMANCE

3.1 PERFORMANCE AGAINST TEDA'S SCORECARD FOR 2017/18

3.1.1 PERFORMANCE OVERVIEW

In the year under review, the entity achieved 17 of 17 Key Performance Indicators (KPIs) in accordance with the amended 2017/18 balanced scorecard below.

Performance highlights for the year are as follows:

- TEDA had an annual rand value target of landed investment projects into the City of Tshwane of R1,5 billion for the 2017/18 financial year. The target was achieved and exceeded as the entity evidenced the attraction of investment worth R3 602 400 000, with a potential of 1 850 job opportunities. This resulted from the following work:
    - o TEDA facilitated the launch of Rosslyn Hub: Phase 1. The development of Rosslyn Hub takes place in two main phases, with Phase 1 being the subject of the rand value of investment for this year, as it commenced in 2018. The rand value of the investment is R1,6 billion and will generate 1 850 direct jobs and a total of 8 500 jobs, which include indirect and induced jobs. The project has a high catalytic impact and socio-economic value in terms of creating sustainable growth, equity, and job creation for the City of Tshwane.
    - o In addition, the entity also realised two new quality investment projects worth R2 billion and R2,4 million respectively.
- As part of its mandate to facilitate trade and investment into Tshwane, TEDA conducted the following research studies:
    - o Funding entities and their funding instruments available in the country for investment opportunities in Tshwane.
    - o Trade intelligence report for the German Chamber of Commerce for the identification of export opportunities in the SADC region.
    - o In preparation for the trade and investment mission to the Netherlands, the entity prepared a research study to analyse the horticulture sector in the Netherlands. The horticulture sector was identified as one of the leading sectors in the trade of floriculture and accounts for 44% of the global trade.
    - o A trade intelligence report on Partnership for Action on Green Economy (leveraging trade in organic and biodiversity-based agricultural products through South African value chains) was produced. The report formed part of the preparations for the trade mission to the Netherlands that was undertaken in February, 2018.
- A further 15 new projects were attracted into the investment pipeline in the period under review and are likely to be realised within the next 24 to 36 months.
- The following foreign trade missions were facilitated in the period under review:
    - o TEDA embarked on one foreign buying trade mission. The entity led a delegation to the BME Symposium, which took place from 8 to 10 November, 2017, in Berlin, Germany. Altogether, ten South African companies participated at the BME Symposium and were exposed to German buyers who are interested in sourcing South African products.
    - o A trade exhibition of six Tshwane companies, funded by the Department of Trade and Industry (DTI), was held at the annual Spring Fair exhibition in Birmingham in February, 2018.
    - o A trade mission to the Netherlands was undertaken by five Tshwane companies in February, 2018.
    - o A trade delegation of aerospace companies went to China in March, 2018.

- TEDA collaborated with the South African Capital Equipment Export Council and led a trade mission to Tanzania from 13 to 19 May, 2018. The entity was accompanied by six companies in the mining and retail sector.
- TEDA undertook an investment promotion mission to Germany and Belgium. The purpose of the mission was to recruit foreign direct investment into the automotive, components, and aerospace sectors. These sectors form part of the key priority sectors for the City of Tshwane and, therefore, TEDA.

- TEDA participated in six exhibitions and trade shows as follows:
  - TEDA and the City of Tshwane participated at the Sectoral Pavilion at the Gauteng Infrastructure Investment Conference (GIIC) from 27 to 28 July, 2017. This was the second instalment of the GIIC, which is a government-led, interactive conference that enables delegates to have a 360-degree view of Gauteng infrastructure strategies, developments, investments, and opportunities. The Tshwane BPO Park and Tshwane Automotive City were the two City projects that were exhibited.
  - TEDA participated at the BME Symposium by staging an exhibition and distributing 200 booklets with information on Tshwane companies. The event took place from 8 to 10 November, 2017.
  - TEDA participated in the Africa Agri Indaba in Cape Town from 20 to 22 November, 2017, where an exhibition stand was set up and 200 booklets with information on Tshwane-based companies were distributed.
  - TEDA participated at the Italy–South Africa Matchmaking and Exhibition Event on Aerospace on 4 and 5 December, 2017.
  - TEDA participated in a DTI-funded trade exhibition of six Tshwane companies at the annual Spring Fair exhibition in Birmingham in February, 2018.
  - TEDA attended and exhibited at the first annual industry symposium of the Commercial Aviation Association of Southern Africa (CAASA) in May, 2018. The symposium was held at Lanseria and focused on encouraging and nurturing growth in the commercial aviation sector. The agency established a relationship with CAASA to jointly promote the aerospace industry and has signed a memorandum of understanding.

- Six capacity building workshops were held as follows:
  - United Nations Page Organic Workshop, where 26 companies attended. The workshop took place on 20 and 21 November, 2017, at the TEDA Business Lounge.
  - TEDA, in collaboration with the DTI, jointly hosted a Global Exporter Passport Programme (GEPP) training session for 30 participants. The programme aims to prepare companies to be export-ready and sustainable in export markets.
  - TEDA led a delegation to the African Agri Investment Indaba 2017, where three Tshwane-based companies were identified and participated at the Indaba; business-to-business meetings were also facilitated.
  - TEDA hosted the South African Electrotechnical Export Council (SAEEC) delegation on 19 February, 2018. The delegation comprised of 20 potential buyers of energy-related equipment, who were also attending the Africa Energy Indaba.
  - TEDA hosted the Innovation Workshop on 8 March, 2018, in partnership with SEEDLab, with a focus on Industry 4.0.

- o TEDA hosted an Export Compliance Workshop from 4 to 7 June, 2018. The workshop was attended by 30 companies with the purpose of training in the necessary South African customs, tax, and international export compliance in order to export efficiently. The workshop was facilitated by international trade and chamber consultants.

- o The impact of all these initiatives is measured consistently through back-to-office reports, which are accompanied by established business relations and concluded deals. These are submitted to the Board for scrutiny and further advice.

- TEDA successfully secured the assistance of the Gauteng Infrastructure Financing Agency (GIFA) regarding the prequalification process for the Agro-processing Hub project. This is part of the investor solicitation process and is aimed at testing investor appetite ahead of the planned master-lease option for the hub. The advertisements were concluded and briefing sessions with respondents are continuing.
- Regarding the Tshwane Bioenergy facility project, the preceding year ended with a pre-feasibility study. TEDA has successfully applied to GIFA for financial assistance of R6 million to continue with the project. The assistance was directed at infrastructure feasibility at the Daspoort Waste Water Treatment Plant, which was completed. The Daspoort Waste Water Treatment Plant, which will serve as a location for the bioenergy project, offers green energy, innovation, and competitiveness for the City. The project will enable the City of Tshwane to direct organic waste from the Fresh Produce Market to the project site. This allows extraction of biomethane – a processed and compressed natural gas (CNG) – that will be provided to the Tshwane Rapid Transit bus depot for the buses that run on CNG and operate on local commuter routes.
- The development of the Clothing and Textile Hub commenced with an investigation to define the viability of establishing a clothing and textile hub within the boundaries of the City of Tshwane. The detailed market and technical study report was completed in Quarter 4 of 2017/18. The report indicates that certain men's and women's apparel, as well as bed textiles, have the highest projected growth trajectory between 2018 and 2022. These products are recommended to be manufactured at the hub. A locality analysis and site suitability study will be conducted in the new financial year. Furthermore, collaboration discussions are in progress between TEDA, the Gauteng Department of Economic Development, and the National Department of Trade and Industry.
- Pursuit of the development of Groenkloof Nature Reserve began with the development of the Precinct Plan, which was concluded during Quarter 4.
- The development facilitation for the establishment of the "Super Terminal" (Tshwane Freight and Logistics Terminal) in Region 2 is progressing well, with TEDA playing a facilitation, co-ordination, and integration role. During Quarter 4, the following milestones were achieved:

  - o The heads of agreement (HOA) between Mzanzi Rail Technologies, Transnet, and TEDA were reviewed and signed by all members of the tripartite agreement.

  - o The Project Steering Committee meeting was convened to clearly introduce and present the status quo of the project and to define the strategic focus areas, roles, and responsibilities of each stakeholder.

  - o TEDA's commitment, as part of the HOA, has included packaging and submitting a funding application to GIFA to define and understand the market and socio-economic imperatives.

- In light of scarce water resources and declining agricultural activities within the boundaries of Tshwane, TEDA commissioned an investigation to define opportunities of alternative farming methodologies, such as controlled environment agriculture. The investigation assessed the viability of establishing a vertical farming facility in Tshwane. This facility will produce a variety of fresh produce within the parameters of the available technology. It is envisaged that the facility will be limited to controlled environment agriculture by using existing warehouses or factories in Tshwane, where arable land is not required and water resources are strained. The detailed feasibility study was concluded in Quarter 4 of the 2017/18 financial year.
- The report recommended products with the highest growth potential that can be grown in such a facility. Hydroponics, using the flood and drain irrigation process, is the preferred growing method for vertical farming. A pilot approach has been recommended from the study to include activities such as a pilot set-up – securing funding, leasing, and refurbishing a building; procuring pilot-size production equipment; obtaining permission for water use and waste management; recruiting staff; conducting training; procuring raw materials and consumables; conducting growing trials; and doing market testing. A locality analysis and site suitability study will be defined as part of the next logical steps.

3.1.2 PERFORMANCE ASSESSMENT (SCORECARD)

Strategic Objective 1: To Develop, Facilitate, and Promote Viable Foreign and Local Investment in Tshwane

Number	Performance Indicator	Annual Target	Actual Achievement	Achieved/ Not Achieved	Comments/ Reason for Deviation/ Corrective Measure
1.1	Investment intelligence acquired	Two intelligence reports acquired for planning	2	Target was achieved	None
1.2	Number of new quality investment projects attracted into the pipeline	Ten investment pipeline projects attracted	10	Target was achieved	None
1.3	Rand value of landed investment projects into the City of Tshwane	R1,5 billion of landed investment facilitated by TEDA	R3 602 400 000	Target was achieved	None
1.4	Number of job opportunities facilitated in Tshwane	350 job opportunities facilitated by TEDA via investment attraction	1 850 job opportunities	Target was achieved	None
1.5	Number of new quality investment projects realised	Two investment projects realised	2	Target was achieved	None
1.6	Trade intelligence acquired	Two trade intelligence reports acquired	2	Target was achieved	None
1.7	Number of capacity building workshops held for Tshwane companies	Three capacity-building workshops held for Tshwane companies	3	Target was achieved	None
1.8	Number of foreign outward missions facilitated by TEDA	Four foreign outward missions facilitated by	4	Target was achieved	None

Strategic Objective 2: To Identify, Design, Develop, and Manage Projects with Strategic Economic and Social Benefits for the Greater Tshwane Community

Number	Performance Indicator	Annual Performance Target	Annual Performance Achieved	Achieved/ Not Achieved	Comments/ Reasons for Deviation/ Corrective Measures
2.1	Development of the Agro-processing Hub	Solicitation of pre-qualification on proposals of the Agro-processing Hub	Bid Evaluation Committee report with recommendations on the pre-qualifying bidder/proposer	Target was achieved	None
2.2	Development of Tshwane Clothing and Textile Hub	Detailed market and technical feasibility study of Clothing and Textile Hub	Detailed market and technical feasibility study of Clothing and Textile Hub produced	Target was achieved	None
2.3	Development of a Tshwane bioenergy facility	Detailed feasibility study	Detailed feasibility study produced	Target was achieved	None
2.4	Number of area-based development studies produce d, reviewed, or updated	One area-based development study produced, reviewed, and up-dated	One area-based development study produced	Target was achieved	None
2.5	Facilitation of Tshwane Freight Terminal and Logistics Hub	Quarterly project reports	Four quarterly project reports produced	Target was achieved	None
2.6	Development of vertical agriculture in Tshwane	Detailed feasibility study	Detailed feasibility study produced	Target was achieved	None

Strategic Objective 3: To Promote Tshwane as a Viable Investment Destination through the Implementation of an Integrated Marketing and Communication programme

Number	Performance Indicator	Annual Performance Target	Annual Per-formance Achieved	Achieved/Not Achieved	Comments/Reasons for Deviation/ Corrective Measures
3.1	Production of quarterly newsletters to promote Tshwane as a preferred investment destination	Four editions produced	Four editions produced	Target was achieved	None
3.2	Number of exhibitions and trade shows participated in	4	4	Target was achieved	None

Strategic Objective 4: To Establish and Build TEDA as a Strong and Effective Organisation in the Context of Good Governance Best Practice

Number	Performance Indicator	Annual Performance Target	Annual Performance Achieved	Achieved/Not Achieved	Comments/Reasons for Deviation/Corrective Measures
4.1	Clean audit opinion achieved at the end of the audit	Clean audit opinion achieved at the end of the audit	Clean audit opinion achieved at the end of the audit	Target was achieved	None

3.1.3 PERFORMANCE IMPROVEMENT MEASURES

In the 2017/18 financial year, measures and corrective actions to ensure improved performance were implemented.

The entity is fully committed and geared towards improving its performance in the 2018/19 financial year. In light of the current process of reviewing TEDA's mandate, the entity will put more focus on areas that will finally be agreed upon as strategic sites for repositioning TEDA for effectiveness. Some significant work has commenced to achieve this objective. The TEDA 2018/19 business plan will have to be revised to take the revised mandate into consideration. A process to amend the business plan will commence in December, 2018, as part of the mid-year budget adjustment. To ensure that TEDA is best positioned to respond to the above-mentioned development priorities, the entity will ensure good governance and adequate capacity so as to support performance and respond to Vision 2030.

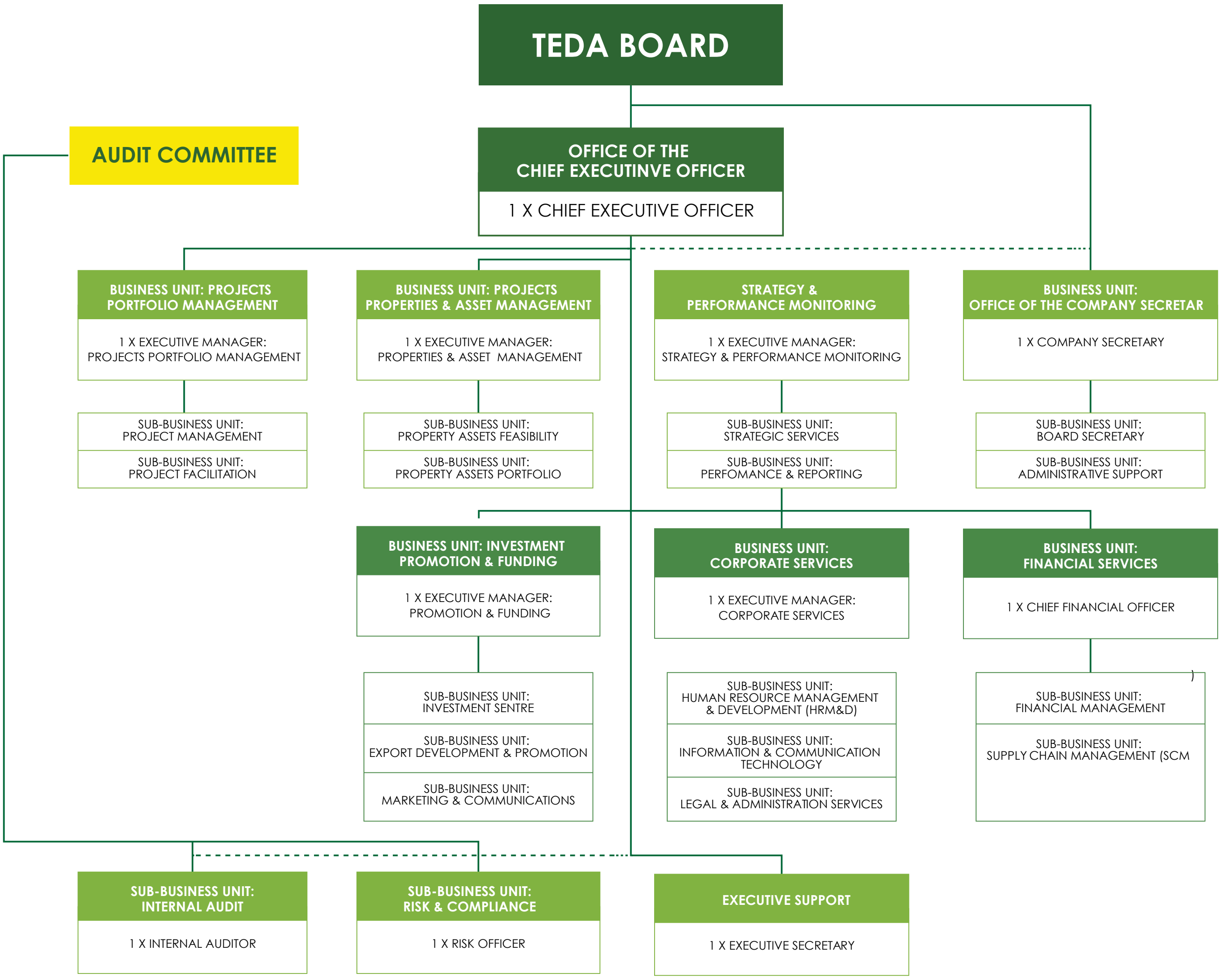
CHAPTER 4

ORGANISATIONAL DEVELOPMENT PERFORMANCE

4. ORGANISATIONAL DEVELOPMENT PERFORMANCE

4.1 TEDA ORGANOGRAM AND STAFF COMPONENT

As at 30 June, 2018, the entity had a total of 60 posts on the organisational structure, with 33 posts filled and 27 vacant. The following diagram illustrates TEDA's high-level organisational structure, which was approved by the Board in April, 2015.



4.2 MANAGING THE ENTITY'S WORKFORCE

4.2.1 TOTALS FOR INJURIES, SICKNESS, SUSPENSIONS, AND CAPACITY BUILDING/SKILLS DEVELOPMENT AND TRAINING

Injuries	Sickness	Suspensions	Capacity Building/Skills Development and Training
0	175	0	23

No injuries at work or suspensions were reported during the period under review. A total of 175 sick leave days were utilised and 23 training interventions took place.

4.2.2 EMPLOYEE EXPENDITURE

For the period under review, the total employee expenditure was R28 429 915.

4.2.3 TEDA'S EMPLOYEE TOTALS AND VACANCIES TURNOVER

Table 8: Number of Approved Positions Filled and Vacant

Business Units	Number of Posts	Number of Filled Posts	Number of Vacancies	Vacancy Percentage
Chief Executive Officer	7	3	4	42%
Finance Department	8	7	1	20%
Asset Management	6	0	6	100%
Company Secretary	3	3	0	0%
Corporate Services	13	8	5	33%
Investment Promotion and Funding	10	8	2	28%
Projects Portfolio Management	10	4	6	70%
Internal Audit	2	0	2	100%
Risk and Compliance	1	0	1	100%
TOTAL	**60**	**33**	**27**	**47%**

4.2.4 EMPLOYMENT EQUITY ACT REPORT

The entity continues to prioritise employment equity and, therefore, strives to achieve annual equity targets for race, gender, and disability among staff. The following table shows the employment equity profile of each job level:

JOB LEVELS	BLACK (A/C/I)		WHITE		FOREIGN NATIONALS		GENDER		DISABILITIES		
	M	F	M	F	M	F	M	F	M	F	TOTAL
Executives	3	1	0	1	0	0	3	2	0	0	5
Senior Management	6	1	0	0	0	0	6	1	0	0	7
Middle Management	2	5	0	0	0	0	2	5	0	0	7
Specialists	3	4	0	0	0	0	3	4	0	0	7
Support	3	4	0	0	0	0	3	4	0	0	7
Total Permanent	17	15	0	1	0	0	17	16	0	0	33
Temps and Interns	0	0	0	0	0	0	0	0	0	0	0
Grand Total	**17**	**15**	**0**	**1**	**0**	**0**	**17**	**16**	**0**	**0**	**33**

4.2.5 HIGHLIGHTS, CHALLENGES, AND INTERVENTIONS

Highlights

The entity implemented interventions to improve organisational culture, such as employee wellness and skills development initiatives for employees on various levels.

To encourage good performance, the entity implemented the Board-approved Rewards and Recognition Programme during the year under review.

A review of all its employment policies and practices was conducted to ensure full compliance with applicable prescripts.

The entity implemented the necessary systems and processes to ensure compliance with the relevant legislative prescripts and standards, such as Compensation for Occupational Injuries and Diseases (COID) and Employment Equity.

Challenges

There was one resignation at the executive level in the year under review.

4.3 TEDA'S TURNAROUND STRATEGY ON RECRUITMENT

TEDA continues to identify and fill critical positions that are deemed necessary to deliver on its mandate.

4.4 DISCLOSURES

Table 9: Remuneration of Executives

Name	Designation	Total Cost to Company
Solly Mogaladi	Chief Executive Officer	R2 050 861
Thami Mkhwanazi	Chief Financial Officer	R1 671 702
Boledi Seopela*	Executive Manager: Corporate Services	R1 690 804
Karin Liebenberg	Executive Manager: Investment Promotion and Funding	R1 290 428
Lebogang Mahaye	Company Secretary	R1 409 003
Sello Sefuthi*	Executive Manager: Strategy and Performance Monitoring	R1 166 000
Mogau Leshilo	Executive Manager: Projects Portfolio Management	R1 465 016
Total		**R10 743 814**

*Executive resigned during the year under review.

4.5 SKILLS DEVELOPMENT AND TRAINING

During the 2017/18 financial year, TEDA continued to develop its staff to ensure that the organisation has the skills and expertise available in order to meet the changing demands of its environment. A total of 21 skills development interventions were attended.

Table 10: Training and Development

Institution	Degree or Diploma	Male				Female				Total
		A	C	I	W	A	C	I	W	
Green Building Council South Africa	Green Star South Africa AP: New building workshop	2	-	-	-	-	-	-	-	2
Green Building Council South Africa	Green Star South Africa AP: Interiors	2	-	-	-	-	-	-	-	2
Green Building Council South Africa	Green Star South Africa AP: Existing building	2	-	-	-	-	-	-	-	2
Unisa	Income tax	3	-	-	-	-	-	-	-	3
Basitsana Training Consultants	Effective business writing and report writing skills	1	-	-	-	-	-	-	-	2
CL Skills Consultants	Business communication skills programme	1	-	-	-	1	-	-	-	2
University of Pretoria	Total quality management	1	-	-	-	-	-	-	-	1
University of Pretoria	Customer service excellence	1	-	-	-	-	-	-	-	1
Basitsana Training Consultants	Strategy formulation and implementation	1	-	-	-	4	-	-	-	5
Jamela Consulting	Change management	2	-	-	-	-	-	-	-	2
Jamela Consulting	Analytical thinking skills	4	-	-	-	-	-	-	-	4
Jamela Consulting	Finance for non-financial managers	-	-	-	-	2	-	-	-	2
Peniel	Job analysis and descriptions, evaluations, and grading workshop	-	-	-	-	2	-	-	-	2
Talent Hub	Organisational savvy	-	-	-	-	1	-	-	-	1
Pro-Active College	Municipal finance management programme	4	-	-	-	3	-	-	-	7
University of Pretoria	Minute taking	1	-	-	-	1	-	-	-	2
Pink Elephant	COBIT Foundation	1	-	-	-	-	-	-	-	1
Pelican	Contract and risk management	3	-	-	-	-	-	-	-	6
Bytes People Solutions	MS Project (2013)	1	-	-	-	-	-	-	-	1
Pro-Active College	Monitoring and evaluation	2	-	-	-	-	-	-	-	2
Peniel	Strategic human resources management and recruitment	1	-	-	-	-	-	-	-	1
Bytes People Solutions	MS Project Essentials (2013)	1	-	-	-	-	-	-	-	1
Bytes People Solutions	MS Project Advanced (2013)	1	-	-	-	-	-	-	-	1

4.6 MANAGEMENT OF LEAVE

Table 11: Leave Records

Types of Leave	2017/18			Days
	Description	Total Sick Leave	For Special and Sick Leave (Medical Certificate, Death Certificate, and Study Leave Information Provided)	
Sick leave	n/a	175	Required proof provided	175
Annual leave	n/a	n/a	n/a	105
Special (study) leave	n/a	n/a	Required proof provided	75

A total of 175 sick leave days, 75 study leave days, and 105 annual leave days were utilised in the 2017/18 financial year.

4.7 HUMAN RESOURCES

- The following vacancies were filled in the 2017/18 financial year:
- Senior Manager: Financial Management
- Supply Chain Officer
- Senior Manager: Investment Centre
- Senior Manager: Project Development Facilitation
- Events Co-ordinator
- Senior Manager: Strategic Services

Table 12: Staff Movements

Staff Movements	African		Coloured		Indian		White	
	Male	Female	Male	Female	Male	Female	Male	Female
Appointments	4	2	0	0	0	0	0	0
Resignations	1	1	0	0	0	0	0	0
Suspensions	0	0	0	0	0	0	0	0
Sick leave	79	96	0	0	0	0	0	1

The following key-value positions on middle and top management level are vacant:

Table 13: Employee Totals, Vacancies, and Turnover

Position	Status	Plan
Executive Manager: Corporate Services	Vacant	Awaiting finalisation of mandate review
Executive Manager: Strategy and Performance Monitoring	Vacant	Awaiting finalisation of mandate review
Manager: Performance and Reporting	Vacant	Short-listing
Manager: Budget, Reporting, and Management Accounting	Vacant	Suitable candidate commenced duties on 1 July, 2018

CHAPTER 5

AUDIT MATTERS

5. AUDIT MATTERS

5.1 PROGRESS ON INTERNAL AUDIT

In terms of section 165(2) of the Municipal Finance Management Act, the internal audit unit of a municipality or municipal entity must prepare a risk-based audit plan and an internal audit programme for each financial year, and advise the Accounting Officer and report to the Audit Committee on the implementation of the internal audit plan and matters relating to, among others, the following:

- Internal controls;
- Risk and risk management;
- Performance management; and
- Compliance with this act, the annual Division of Revenue Act, and any other applicable legislation.

As per the approved audit coverage plan, a total of 20 audits were planned from Quarter 1 to Quarter 4 of the 2017/18 audit cycle; 14 audits are complete (14 planned and zero ad hoc), representing 70% of the planned activity as at May, 2018. Furthermore, four of the planned audits are still in progress and two of the planned audits for Quarter 4 have not yet started.

The table below represents a high-level summary of significant audit findings and observations from the audit work completed at Quarter 4.

Description	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Ad Hoc Audits	Year-to Date
Planned audit 1	6	11	14	20	0	20
Finalised audits 2	6	7	12	14	0	14
Audits in progress	0	6	3	4	0	4
Audits not yet started	0	0	0	2	0	2

Notes:

The total number of planned audits per quarter (from Q1 to Q4) are cumulative.
The total number of finalised audits per quarter (from Q1 to Q4) are also cumulative.

5.2 PROGRESS ON RESOLUTION OF INTERNAL AUDIT FINDINGS

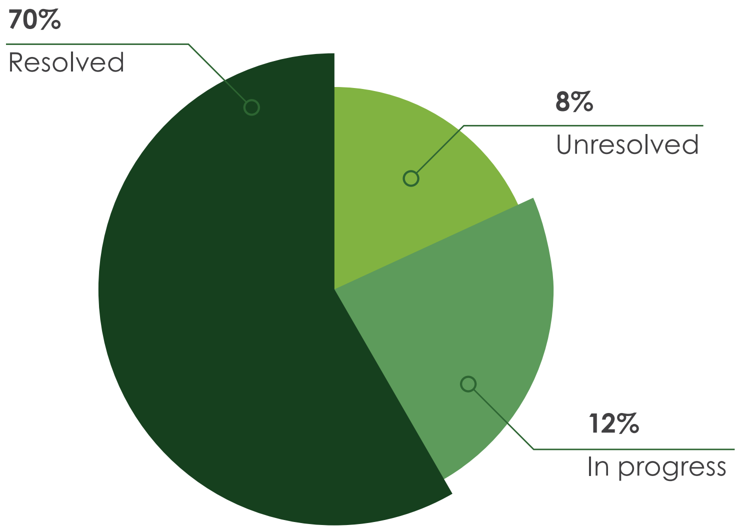
The parent municipality has created Municipal Continuous Audit Monitoring (MCAM), a structure to oversee governance issues and report on action. MCAM is chaired by the Group Chief Financial Officer of the parent municipality, and all Group Heads and Chief Executive Officers of entities are invited to attend its meetings. The purpose of the MCAM is to monitor the progress made on corrective action in response to issues raised in the AGSA management letter and previous internal audit findings, in order to ensure that those issues are ultimately resolved. The committee further focuses on the performance of risk management and the ability of municipal entities to deal with emerging and materialised risk by striving for clean administration, sound governance, and financial management.

As part of MCAM, the role of the City's Group Audit and Risk department includes validating issues, which management has reported as resolved, in order to give reasonable assurance that those issues are indeed resolved. The department also collaborates in seeking opportunities for continuous improvement and sustainable service delivery.

The table and graph below summarise the progress made in regard to the implementation of action plans to address the Auditor-General's log and the Internal Audit log for Quarter 2 and 3 respectively, per management assertions and also per internal audit validation.

Summary of Status of AGSA Issues as at January, 2018					Summary of Status of Internal Audit Issues as at June, 2018				
Total Number of AG Issues Log	Resolved by Management Assertions	In Progress	Resolved by IA Validation	Unre-solved Items	Total Number of IA Issues Log	Resolved by Manage-ment Assertion	In Progress	Resolved by IA Valida-tion	Unresolved Items
9	9	0	9	0	17	12	3	10	2
	100%	0%	100%	0%		70%	18%	83%	12%

Tshwane Economic Development Agency Status of Internal Audit Issues Log as at April 2018



TEDA's management is responsible for reporting the status of an action plan to address the issues raised in the AG's audit report and in internal audit reports.

Of particular importance is the fact that TEDA has obtained a clean audit report from the AG for the year ended 30 June, 2017. Furthermore, for the 2017/18 financial year, there were no issues to be followed up or validated by internal audit. In addition, it should be noted that there are significant improvements in the implementation of controls, as a number of areas highlighted above are shown to be effective, except for a few areas, such as compliance with the service delivery agreement with the parent municipality.

It is anticipated that TEDA will maintain its clean audit report during the 2017/18 financial year. The threat to this goal remains the issue of non-compliance with mSCOA, due to dependency on the City of Tshwane.

5.3 AUDITOR-GENERAL

The Auditor-General completed the 2017/18 regulatory audit in November, 2018, and TEDA has obtained a clean audit for the 2017/18 financial year.

Table 15: Audit Opinions

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Audit opinion	Unqualified with findings	Unqualified with findings	Unqualified with findings	Unqualified with findings	Clean audit	Clean audit

The following table depicts the progress of the action plan based on the 2017/18 audit outcome. The Auditor-General also identified areas of improvement for management. Recommendations included improvement of non-financial performance information controls and reporting. Management has since taken remedial action.

Table 16: Action Plan Based on the Auditor-General's 2017/18 Report

Classification	Number of Findings	Repeat Findings	Number of Findings Resolved	Number of Findings Not Yet Resolved
Annexure A: Matters affecting the audit report	0	-	-	-
Annexure B: Other important matters	3	1	3	0
Annexure C: Administrative matters	0	-	-	-
TOTAL	3	1	3	0

Table 17: OPCA Controls and Interventions

Number	Finding	Recommendations by the Auditor-General	Background	Action Plan	Responsible Person	Due Date	Progress
ANNEXURE B: OTHER IMPORTANT MATTERS							
1.	Overstatement of commitments	Audit finding It was noted that the amount disclosed in the financial statements under Note 33 includes some of the contracts that the entity entered into during the financial year under audit, which have been paid before year-end. Internal control deficiency Management did not ensure that the commitment schedules are adequately reviewed, and that contracts settled during the year are excluded from the schedule and financial statements. There was a lack of quality review and reasonable analysis of the commitments note by management before disclosure in the financial statements. Impact Misstatement of the commitments disclosure note will result in the adjustments of financial statements. Management should adjust the commitments amount disclosed in the financial statements.	Management comment on audit finding Management agrees with the audit finding that the amount disclosed under Commitments Note 33 erroneously included an amount that was paid before year-end, resulting in overstatement. As such, the commitments and the annual financial statements will be corrected. Management comment on internal control deficiencies Management agrees that there were internal control deficiencies in ensuring that the commitment schedule is adequately reviewed. The error is an isolated event since the commitment register is maintained on an Excel spreadsheet, which is inherently susceptible to m inor errors and as such, the commitment schedule will be reviewed and approved monthly by two independent officials, the approver being the Senior Manager.	No further action is re-quired as this was an isolated error that was corrected.	Acting Chief Financial Officer	Immedi-ate	No further action required as this was corrected.

Number	Finding	Recommendations by the Auditor-General	Background	Action Plan	Responsible Person	Due Date	Progress
		Recommendation Management should review internal controls relating to commitments to ensure that information provided for disclosure in the financial statements is relevant, accurate, and reliable. Management should monitor the contract management unit and obtain a list of all the contracts that the entity has entered into to determine the extent of the entity's commitments, based on all the approved contracts. The commitments register/ schedule must be prepared and reviewed monthly by the SCM or Finance Manager.	Management comment on recommendation Management will continue to review internal controls relating to commitments to ensure that information provided for disclosure in the financial statements is relevant, accurate, and reliable. Contract management will be enhanced in order to determine the extent of the entity's commitments, based on all the approved contracts. The commitments register/ schedule will be prepared and reviewed monthly by the SCM or Finance Manager.				

Number	Finding	Recommendations by the Auditor-General	Background	Action Plan	Responsible Person	Due Date	Progress
2.	Prede-termined objectives – Consis-tency of objectives	Audit finding During the usefulness test for the Audit of Prede-termined Objectives (AOPO), the following con-sistency issues were identified: Objective 4: Annual performance achieved in the Annual Performance Report (APR) is named as "Unqualified audit opinion achieved for 2017/18"; on the Business Plan (BP) it is stated as "Clean audit opinion achieved at end of audit." This raises the issue of consistency between the Annual Performance Plan and the APR and also creates a false impression, as the 2017/18 audit is still under review or in process.	Management comment on audit finding Management agrees with the finding regarding the consistency in the APR and BP. The KPI reflects the intention to attain the same outcome as was achieved in the 2016/17 financial year. That is why the planned target, as per the BP, refers to "at the end of the audit." Milestones to achieve this include the fact that the non-material findings in the 2016/17 audit by AGSA were ad-dressed during the audit. In addition, we have been reporting the fact that the agency has not had Unautho-rised, Irregular, Fruitless, and Wasteful (UIFW) in the various quarterly reports, which were internally audited. Secondly, while it is acknowledged that the use of different terminology could be read as being inconsistent, conceptually, "clean audit" refers to "unqualified without repeated find-ings." The inconsistency discovered be-tween the APR and BP on Strategic Objective 4 was an isolated incident, and management will correct the annual performance achieved on the APR.	No further action required as the finding was corrected.	Acting Chief Finan-cial Officer	Immedi-ate	No further action required as this was corrected.

Number	Finding	Recommendations by the Auditor-General	Background	Action Plan	Responsible Person	Due Date	Progress
		<u>Internal control deficiency</u> Performance Management: Prepare regular, accurate, and complete performance reports that are supported and evidenced by reliable information.	<u>Management comment on internal control deficiencies</u> Management agrees with the internal control deficiencies regarding adequate, proper reviews of the business plan and APR to eliminate inconsistencies, among others. Review of all completed work is always a primary objective for TEDA. One of the internal controls in place is that of TEDA's Executive Committee, which strives to ensure that accurate and complete performance reports are evidenced with reliable information.				
		<u>Recommendation</u> Management should ensure that adequate reviews are conducted on the business plan and APR to ensure that there is consistency and compliance with paragraph 5.3.6 of the Framework for Strategic and Annual Performance Plans (FSAPP).	<u>Management comment on the recommendation</u> Management agrees with the recommendation. Management will ensure the BP and APR are adequately reviewed for consistency and complies with the Framework for Strategic Plan and Annual Performance Plan.				

Number	Finding	Recommendations by the Auditor-General	Background	Action Plan	Responsible Person	Due Date	Progress
3.	Non-compliance with SARS payment dates	<u>Audit finding</u> During the audit of expenditure and employee costs, it was noted that the entity incurred fruitless and wasteful expenditure due to penalties charged by SARS. The fruitless expenditure resulted in non-compliance with the SARS requirement for payments to be made within seven days after the end of the month of submission – the entity submitted and paid eight days after the end of the month.	<u>Management comment on audit finding</u> Management agrees with the audit finding that the entity incurred fruitless and wasteful expenditure due to penalties and interest charged by SARS as a result of late payment for the May, 2018, PAYE. The late payment is an isolated incident that was due to changes in the banking platform from Standard Bank to Absa, where the batch released for payment did not transmit and clear on time into the SARS system.	Ensure that SARS payments and returns are processed before the cut-off date.	Acting Chief Financial Officer	On-going	SARS payments and returns as at the reporting date have been processed before the cut-off date.
		<u>Internal control deficiency</u> Performance management: Management did not ensure that there are adequate review processes in place to ensure that SARS payments and submissions are made on time. Management did not provide sufficient oversight controls over legislated timelines for submissions to ensure that they comply with SARS submission dates.	<u>Management comment on internal control deficiencies</u> Management agrees that the review process for ensuring that SARS payments and submissions are made on time is not adequate. Management has developed an action plan that aims to ensure that all statutory payments and submissions are processed timeously in order to eliminate non-compliance with the Income Tax Act.				
		<u>Recommendation</u> Management should review internal controls relating to compliance with applicable legislation to ensure that they are effective and that compliance with timelines is monitored. Management should monitor the returns submitted to SARS regularly and ensure that they submit and pay seven days before the cut-off dates in order to provide enough time for correcting errors and to ensure compliance.	<u>Management comment on recommendation</u> Management agrees with the recommendation; measures have been put in place to avoid the occurrences of such a nature. Payments to SARS for PAYE will be processed and submitted before the cut-off dates to provide enough time for correcting errors and ensuring compliance.				

CHAPTER 6

AUDITOR-GENERAL REPORT

6. AUDITOR-GENERAL REPORT

Report of the auditor-general to the Gauteng Provincial legislature and the council of the City of Tshwane metropolitan Municipality on Tshwane Economic Development Agency (SOC Ltd)

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Tshwane Economic Development Agency (SOC Ltd) set out on pages 54 to 120, which comprise the statement of financial position as at 30 June 2018, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Tshwane Economic Development Agency as at 30 June 2018, and its financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Companies Act of South Africa, 2008 (Act No. 71 of 2008) (Companies Act).

Basis for opinion

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

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

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

Emphasis of matter

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

Restatement of corresponding figures

7. As disclosed in note 37 to the financial statements, the corresponding figures for 30 June 2017 have been restated as a resulted of errors in the financial statements of the municipal entity for the year ended 30 June 2018.

Other matter

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

Unaudited disclosure notes

9. In terms of section 125(2) of the MFMA, the municipal entity is required to disclose particulars on non-compliance with the MFMA. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion on it.

Responsibilities of accounting officer for the financial statements

10. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with SA Standards of GRAP and the requirements of the MFMA and the Company's Act and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

11. In preparing the financial statements, the accounting officer is responsible for assessing the municipal 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 appropriate governance structure either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

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

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

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

Report on the audit of the annual performance report

Introduction and scope

14. 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 objectives presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.

15. My procedures address the reported performance information, which must be based on the approved performance planning documents of the 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.

16. 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 objectives presented in the annual performance report of the entity for the year ended 30 June 2018.

Objectives	Pages in the annual performance report
Strategic objective 1:To develop, facilitate and promote viable foreign and local investment in the City of Tshwane	27
Strategic objective 2:To identify, design, develop and manage projects with strategic economic and social benefits for the greater Tshwane	28
Strategic objective 3:To promote Tshwane as a viable investment destination through the implementation of an integrated marketing and communication programme	28
Strategic objective 4:To stablish and build TEDA as a strong and effective organisation in the context of good governance best practice.	29

17. I performed procedures to determine whether the reported performance information 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.

18. I did not raise any material findings on the usefulness and reliability of the reported performance information for these objectives.

Other matter

19. I draw attention to the matters below.

Achievement of planned targets

20. Refer to the annual performance report on pages 27 to 29 for information on the achievement of planned targets for the year and explanations provided for the under/ over achievement of targets.

Report on the audit of compliance with legislation

Introduction and scope

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

22. I did not raise material findings on compliance with the specific matters in key legislation as set out in the general notice issued in terms of the PAA

Other information

23. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report, which includes the directors' report, the audit committee's report and the company secretary's certificate as required by the Companies Act of South Africa, 2008 (Act No. 71 of 2008) (Companies Act). The other information does not include the financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported in this auditor's report.

24. 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.

25. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

26. If, based on the work I have performed, I conclude that there is a material misstatement of this other information; I am required to report that fact. I have nothing to report in this regards

Internal control deficiencies

27. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. I did not identify any significant deficiencies in internal control.

Other reports

28. There were no engagements conducted by various parties that had, or could have, an impact on the matters reported in the entity's financial statements, reported performance information, compliance with applicable legislation and other related matters.

[Sign as ‘Auditor-General’]

Johannesburg

30 November 2018

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general's responsibility for the audit

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

Financial statements

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

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

Communication with those charged with governance

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

CHAPTER 7

CONCLUSION

7. CONCLUSION

TEDA continues to achieve all Key Performance Indicators and their related targets.

Through the institutional review exercise, TEDA's mandate will be clarified and all ambiguities that currently prevail will be removed, thus paving the way for the entity's effective role as envisaged in the July, 2017, statement by the current administration.

ANNEXURE

AUDITED ANNUAL FINANCIAL STATEMENT
AS AT 30 JUNE, 2018

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Economic Development within the Tshwane Region
Directors	Mr N Flaatten (Chairperson) Mr A Nkome Mr F Docrat Ms T Matlala-Mojapelo Ms M Sedibe Mr S Shange Ms N Singh Mr T Mkhwanazi (Executive) Mr SD Mogaladi (Executive)
Business address	5th Floor, Anker Building 1279 Mike Crawford Road Centurion 0057
Postal address	P O Box 11751 Zwartkop 0051
Parent Municipality	City of Tshwane Metropolitan Municipality
Bankers	Standard and Absa Bank
Auditors	Auditor General of South Africa
Secretary	Ms J Molefe (Acting)
Company registration number	2006/019396/30
Tax reference number	9053619178

Index

The reports and statements set out below comprise the audited annual financial statements presented to the board of directors:

COID	Compensation for Occupational Injuries and Diseases
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
ME's	Municipal Entities
MFMA	Municipal Finance Management Act

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003) (MFMA) and the Companies Act No.71 of 2008, as amended, to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly represent the state of affairs of the municipal entity as at the end of the period and the results of its operations and cash flows for the period ended 30 June 2018.

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied unless otherwise stated and supported by reasonable and prudent judgments and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial controls established by the municipal entity and places considerable importance on maintaining a strongly controlled environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit 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 municipal entity and all employees are required to maintain the highest ethical standards in ensuring the municipal entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipal entity is on identifying, assessing, managing and monitoring all known forms of risk across the municipal entity. While operating risks cannot be fully eliminated, the municipal entity endevours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behavior are applied and managed within predetermined procedures and constraints.

The accounting officer is 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 deficit.

The accounting officer has reviewed the municipal entity's cash flow forecast for the period ended 30 June 2019 and current financial position. In the light of this review the accounting officer is satisfied that the entity has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the municipal entity's annual financial statements.

The annual financial statements have been audited by the municipal entity's external auditors in accordance with Section 126(1) of the Local Government: Municipal Finance Management Act and Companies Act, 2008 (Act No 71 of 2008).

The audited annual financial statements set out on pages 4 to 67, which have been prepared on the going concern basis.

Mr TS Mkhwanazi (CA) SA	Mr SD Mogaladi
Chief Financial Office	Chief Executive Office

Director's Report

The directors submit their report for the year ended 30 June 2018.

1. Incorporation

The company was incorporated in South Africa on 23 June 2006 and obtained its certificate to commence business on the same day.

2. Review of activities

Main business and operations

TEDA is a state owned entity that was established by the City of Tshwane as its sole owner. The operations of TEDA are governed by the Companies Act (Act 71 of 2008), Local Government: Municipal Systems Act (Act 32 of 2000) as amended and the Local Government: Municipal Finance Management Act (MFMA) (Act 53 of 2003) as amended and the Regulations thereof. The mandate of TEDA has been outlined in the Service Delivery Agreement (SDA) between the entity and the City of Tshwane. The operations of TEDA have been classified as follows:

a) Core business
- Projects Portfolio Management
- Investment Promotion and Funding

b) Support functions
- Strategy and Performance Monitoring
- Financial Services
- Office of the Company Secretary
- Corporate Services

TEDA was wholly dependent on the funds allocation from the City during the year under review. The operational grant received from the City of Tshwane is unconditional.

2.1. Important policy decisions and strategic issues facing the entity.
- The entity implemented policies and plans developed in the previous financial years to maintain a good corporate governance foundation that was established. As a result, the entity performance improved significantly with regard to its core business. In the 2017/18 financial year, the entity identified and started implementing high-impact projects. The entity attracted investment into the City of Tshwane.
- TEDA was expected to implement its Financial Sustainability Model which will see it being profitable and not entirely financially dependent from the City. However, the process of reviewing the entity's mandate is currently in process.

2.2. Comment on significant events that have taken place during the year.
- TEDA had an investment projects attraction target of R 1.5 billion for the 2017/2018 financial year. The target was exceeded as the entity evidenced the attraction of investment worth R3.84 billion with a potential of 1850 number of job opportunities.
- In addition, the entity also realized 2 new, quality investment projects worth R 2.24 billion for the Silverlakes Aerodrome and Aviation manufacturing facility as well as an investment worth R2.4 million in Silverton.

3. Going concern

GRAP 14, Paragraph 14 requires the entity to determine whether the going concern assumption is appropriate at the reporting date. Management has determined that the going concern assumption is appropriate due to the following:
- TEDA continues to operate as a going concern as the process of reviewing entity's mandate is not yet finalised. The entity's business plan and budget for 2018/19 was approved by the shareholder and there is no indication or intention to cease funding.
- We draw attention to the fact that at 30 June 2018, the entity had accumulated surplus of R17,644,776 and R10,165,190 in 2017 and the entity's total current assets exceed its current liabilities by R 14,389,799 in 2018.
- At the time of preparation of the annual financial statements for the period under review, the board members believed the entity will be a going concern in the foreseeable future. For this reason they continue to adopt a going concern basis in the preparation of these annual financial statements. Refer to note 40 for details.

Director's Report

4. Subsequent events

Events after reporting date are presented in Note 42 of the annual financial statements.

5. Directors' interest in contracts

The Directors have declared that they or persons related to them do not have any personal interests in the contracts entered into by the entity.

6. Directors

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

Name	Nationality	Changes
Mr N Flaatten (Chairperson)	South African	Appointed 01 February 2018
Mr A Nkome	South African	Appointed 01 February 2018
Mr F Docrat	South African	Appointed 01 February 2018
Mr FK Sibanda*	South African	Term expired 31 January 2018
Mr H Gouvelis	South African	Term expired 31 January 2018
Mr MW Yates*	South African	Term expired 31 January 2018
Ms T Matlala-Mojapelo	South African	Appointed 01 February 2018
Ms M Sedibe	South African	Appointed 01 February 2018
Mr S Shange	South African	Appointed 01 February 2018
Ms N Singh	South African	Appointed 26 April 2012 and retained
Ms SP Mzizi*	South African	Term expired 31 January 2018
Ms ZG Mpungose*	South African	Term expired 31 January 2018
Prof LD Mosoma (Chairperson)*	South African	Term expired 31 January 2018
Adv L Thubakgale*	South African	Term expired 31 January 2018
Mr T Mkhwanazi CFO (Executive)	South African	Appointed 01 August 2017
Mr SD Mogaladi CEO (Executive)	South African	Appointed 01 March 2015

*The previous board of director's term expired with effect from 31 Janaury 2018 and the new board of directors were appointed from 01 February 2018.

7. Corporate governance

General

The entity is committed to business integrity, transparency and professionalism in all its activities. As part of these commitments, the entity subscribes to international best practices and the King IV Report on Corporate Governance, 2016. The salient feature of the entity's adoption of the King IV Code is outlined herein.

The Chairperson of the Board is an independent non-executive director and the Chief Executive Officer is an executive director (as defined by the King IV). The roles of Chairperson and Chief Executive Officer are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion.

Director's Report

Board of directors

The board retains full control over the entity; its plans and strategy; acknowledge its responsibilities as to the strategy, compliance with internal policies, external laws and regulations; effective risk management and performance measurement, transparency and effective communication both internally and externally by the entity. The Board is of a unitary structure comprising of non-executive directors and executive director, all of whom are independent directors as defined in King IV.

Board Committees

The Board has delegated some of its functions to the following well-structured committees:

(i) Finance and Risk Committee

The committee comprises four non-executive directors and exercises oversight on the entity’s finance, corporate governance compliance and risk related matters.

(ii) Projects Committee

The committee comprises four non-executive directors and exercises oversight on the planning, implementation and management of projects in terms of the entity’s approved business plan.

(iii) Human Resources and Remuneration Committee

The committee comprises four non-executive directors and exercises oversight role on the entity’s human capital and remuneration matters.

(iv) Social and Ethics Committee

The committee was established in terms of section 43 of the Companies Act Regulations 2011, and has five members, three being prescribed officers. This committee exercises its responsibilities as outlined in subsection (5) of the Regulations.

(v) Trade and Investment Committee

The committee comprises four non-executive directors and exercises oversight on trade, investment promotion and marketing within Tshwane.

Remuneration

The City of Tshwane determines the upper limits of the remuneration of the Non-Executive Directors, Chief Executive Officer, and Chief Financial Officer, while the Board determines the remuneration of Executive Managers using the City's guidelines.

Audit and risk committee

(i) Group Audit Committee.

The audit committee function is performed by the Group Audit and Performance Committee established by the City of Tshwane for all its municipal entities.

(ii) Group Risk Management Committee.

The risk function is performed by the Group Risk Committee of the City of Tshwane and the Finance and Risk Committee of TEDA.

(iii) Internal Audit and Risk Management.

The entity utilises the shared service provided by the City's Group Internal Audit and Risk Unit to perform the risk and internal audit functions.

Director's Report

8. Share capital / contributed capital

There were no changes in the authorised or issued share capital of the entity during the year under review.

9. Dividends

No dividends were declared or paid to shareholder during the year.

10. Secretary

The Company Secretary is Ms. J Molefe and she performs the functions as required in terms of section 88 of the Companies Act, 2008.

11. Controlling entity

The entity is wholly owned by the City of Tshwane Metropolitan Municipality.

12. Auditor

The Auditor-General of South Africa will continue in office in accordance with section 90 of the Companies Act 71 of 2008, as amended and section 92 of the Municipal Finance Management Act.

Company Secretary's Certification

Declaration by the company secretary in respect of Section 88(2)(e) of the Companies Act

In terms of Section 88(2)(e) of the Companies Act 71 of 2008, as amended, I certify that the company has lodged with the Commissioner all of such returns as required in terms of the Companies Act and that such returns are true, correct and up to date.

Ms J Molefe
Acting Company Secretary
Centurion

Statement of Financial Position as at 30 June 2018

Figures in Rand	Note(s)	2018	2017 Restated*
Assets			
Current Assets			
Receivables from exchange transactions	4&5	27,003	241,409
VAT receivable	6	2,380,694	4,363,938
Prepayments	7	19,167	9,580
Cash and cash equivalents	8	17,907,119	7,407,812
Normal taxation	9	-	859,028
		20,333,983	**12,881,767**
Non-Current Assets			
Property, plant and equipment	11	3,224,873	4,095,480
Intangible assets	12	47,430	140,166
Deferred tax	16	59,351	-
		3,331,654	**4,235,646**
Total Assets		**23,665,637**	**17,117,413**
Liabilities			
Current Liabilities			
Normal taxation	9	3,042,792	-
Operating lease liability	10	149,898	-
Payables from exchange transactions	13	1,228,969	1,072,849
Provisions	14	1,560,884	1,429,688
Unspent conditional grants and receipts	15	-	4,285,319
		5,982,543	**6,787,856**
Non-Current Liabilities			
Operating lease liability	10	75,677	148,443
Deferred tax	16	-	14,924
		75,677	**163,367**
Total Liabilities		**6,058,220**	**6,951,223**
Net Assets		**17,607,417**	**10,166,190**
Share capital / contributed capital	17	1,000	1,000
Accumulated surplus		17,606,417	10,165,190
Total Net Assets		**17,607,417**	**10,166,190**

* See Note 37

Tshwane Economic Development Agency SOC Ltd

(Registration number 2006/019396/30)
Audited Annual Financial Statements for the year ended 30 June 2018

Statement of Financial Performance

Figures in Rand	Note(s)	2018	2017 Restated*
Revenue			
Revenue from exchange transactions			
Rental income	18	-	1,107,939
Sale of tender documents	18	29,987	11,404
Other income	18	8,893	47,178
Interest received	18	683,547	374,606
Total revenue from exchange transactions		**722,427**	**1,541,127**
Revenue from non-exchange transactions			
Transfer revenue			
Grant revenue recognised	18	58,435,319	53,892,709
Total revenue	18	**59,157,746**	**55,433,836**
Expenditure			
Employee related costs	19	(28,527,928)	(30,670,377)
Remuneration of board members	20	(818,761)	(1,337,783)
Depreciation and amortisation	21	(1,216,663)	(2,139,166)
Interest and penalties charged	22	(67,518)	-
Debt Impairment	23	(200,000)	-
Project management	24	(3,162,495)	(4,842,260)
Investment promotion and funding	25	(5,208,078)	(4,169,807)
Loss on disposal of assets	26	(128,583)	(145,247)
General expenses	27	(9,466,426)	(9,420,238)
Total expenditure		**(48,796,452)**	**(52,724,878)**
Surplus before taxation		**10,361,294**	**2,708,958**
Taxation	28	(2,920,067)	(758,508)
Surplus (Deficit) for the year		**7,441,227**	**1,950,450**
Attributable to:			
Owners of the controlling entity		7,441,227	1,950,450
Non-controlling interest		-	-
		7,441,227	**1,950,450**

* See Note 37

Statement of Changes in Net Assets

Figures in Rand	Share capital / contributed capital	Accumulated surplus	Total net assets
Balance at 01 July 2016	**1,000**	**8,214,740**	**8,215,740**
Changes in net assets			
Surplus (Deficit) for the year as previously reported	-	1,950,450	1,950,450
Total changes	-	1,950,450	1,950,450
Restated* Balance at 01 July 2017	**1,000**	**10,165,190**	**10,166,190**
Changes in net assets			
Surplus for the period	-	7,441,227	7,441,227
Total changes	-	7,441,227	7,441,227
Balance at 30 June 2018	**1,000**	**17,606,417**	**17,607,417**
Note(s)	17		

* See Note 37

Cash Flow Statement

Figures in Rand	Note(s)	2018	2017 Restated*
Cash flows from operating activities			
Receipts			
Taxation and VAT refunds		3,683,278	-
Grants		54,150,000	54,150,000
Interest income		698,643	353,618
Rental and other income		8,893	1,505,782
Sale of tender documents		29,987	11,404
		58,570,801	56,020,804
Payments			
Compensation of employees and board fees		(29,808,813)	(31,865,117)
Suppliers		(17,090,805)	(19,179,158)
Taxes on surpluses	9	(789,974)	(492,225)
VAT paid		-	(1,410,051)
		(47,689,592)	(52,946,551)
Net cash flows from operating activities	29	**10,881,209**	**3,074,253**
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(381,902)	(1,983,569)
Net increase/(decrease) in cash and cash equivalents		**10,499,307**	**1,090,684**
Cash and cash equivalents at the beginning of the year		7,407,812	6,317,128
Cash and cash equivalents at the end of the year	8	**17,907,119**	**7,407,812**

* See Note 37

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Sale of tender documents	-	20,000	**20,000**	29,987	**9,987**	Note 31
Other income	-	2,659,988	**2,659,988**	8,893	**(2,651,095)**	Note 31
Professional fees: commission on capital projects	6,650,000	(6,650,000)	**-**	-	**-**	Note 31
Interest received	213,075	180,901	**393,976**	683,547	**289,571**	Note 31
Total revenue from exchange transactions	**6,863,075**	**(3,789,111)**	**3,073,964**	**722,427**	**(2,351,537)**	
Revenue from non-exchange transactions						
Transfer revenue						
City of Tshwane - transfers	54,150,000	4,282,180	**58,432,180**	58,435,319	**3,139**	Note 31
Total revenue	**61,013,075**	**493,069**	**61,506,144**	**59,157,746**	**(2,348,398)**	
Expenditure						
Employees related costs	(34,512,120)	749,062	**(33,763,058)**	(28,527,928)	**5,235,130**	Note 31
Remuneration of board members	(1,908,000)	500,000	**(1,408,000)**	(818,761)	**589,239**	Note 31
Depreciation and amortisation	(2,805,015)	1,000,000	**(1,805,015)**	(1,216,663)	**588,352**	Note 31
Interest and penalties charged	-	-	**-**	(67,518)	**(67,518)**	
Debt Impairment	-	-	**-**	(200,000)	**(200,000)**	
Investment promotion and funding	(4,019,051)	(1,857,608)	**(5,876,659)**	(5,208,078)	**668,581**	Note 31
Project management	(5,012,211)	1,181,230	**(3,830,981)**	(3,162,495)	**668,486**	Note 31
General Expenses	(11,956,678)	(1,915,753)	**(13,872,431)**	(9,466,426)	**4,406,005**	Note 31
Total expenditure	**(60,213,075)**	**(343,069)**	**(60,556,144)**	**(48,667,869)**	**11,888,275**	
Operating surplus	**800,000**	**150,000**	**950,000**	**10,489,877**	**9,539,877**	
Loss on disposal of assets	-	-	**-**	(128,583)	**(128,583)**	Note 31
Surplus before taxation	**800,000**	**150,000**	**950,000**	**10,361,294**	**9,411,294**	
Taxation	(500,000)	-	**(500,000)**	(2,920,067)	**(2,420,067)**	Note 31
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**300,000**	**-**	**450,000**	**7,441,227**	**6,991,227**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Receivables from exchange transactions	336,475	-	**336,475**	27,003	**(309,472)**	
VAT receivable	-	-	**-**	2,380,694	**2,380,694**	
Prepayments	-	-	**-**	19,167	**19,167**	
Cash and cash equivalents	10,184,037	(216,213)	**9,967,824**	17,907,119	**7,939,295**	
	10,520,512	**(216,213)**	**10,304,299**	**20,333,983**	**10,029,684**	
Non-Current Assets						
Property, plant and equipment	7,907,479	-	**7,907,479**	3,224,873	**(4,682,606)**	
Intangible assets	764,656	-	**764,656**	47,430	**(717,226)**	
Deferred tax	-	-	**-**	59,351	**59,351**	
	8,672,135	**-**	**8,672,135**	**3,331,654**	**(5,340,481)**	
Total Assets	**19,192,647**	**(216,213)**	**18,976,434**	**23,665,637**	**4,689,203**	
Liabilities						
Current Liabilities						
Current tax payable	3,082,000	-	**3,082,000**	3,042,792	**(39,208)**	
Operating lease liability	-	-	**-**	149,898	**149,898**	
Payables from exchange transactions	2,178,000	-	**2,178,000**	1,228,969	**(949,031)**	
Provisions	2,000,000	-	**2,000,000**	1,560,884	**(439,116)**	
	7,260,000	**-**	**7,260,000**	**5,982,543**	**(1,277,457)**	
Non-Current Liabilities						
Operating lease liability	350,000	-	**350,000**	75,677	**(274,323)**	
Total Liabilities	**7,610,000**	**-**	**7,610,000**	**6,058,220**	**(1,551,780)**	
Net Assets	**11,582,647**	**(216,213)**	**11,366,434**	**17,607,417**	**6,240,983**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Share capital / contributed capital	1,000	-	**1,000**	1,000	**-**	
Reserves						
Accumulated surplus	11,581,647	(216,213)	**11,365,434**	17,606,417	**6,240,983**	
Total Net Assets	**11,582,647**	**(216,213)**	**11,366,434**	**17,607,417**	**6,240,983**	

Accounting Policies

1. Presentation of Audited Annual Financial Statements

The audited annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These audited annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these audited annual financial statements, are disclosed below.

1.1 Presentation currency

These audited annual financial statements are presented in South African Rand, which is the functional currency of the entity.

1.2 Key management personnel

The key management of TEDA refers to the Chief Executive Officer (CEO), Chief Financial Officer (CFO) and Executive Managers.

1.3 Going concern assumption

These audited annual financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

1.4 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed below.

Trade receivables

The entity assesses its trade receivables and loans and receivables for impairment at each statement of financial position date. In determining whether an impairment loss should be recorded in the statement of financial performance, the entity makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset. The entity 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 surplus or deficit, the entity makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset. Each receivable is reviewed individually at year end.

Impairment testing

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If the recoverable amount is less than the carrying amount, an impairment loss should be recognised in the statement of financial performance.

Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities.If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time.

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 14 - Provisions.

The provision is recognised at the best estimate of the consideration required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where the effect of time value of money is material, the provision is determined by discounting to present value.

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The entity recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The entity recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the entity to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the entity to realise the net deferred tax assets recorded at the statement of financial position date could be impacted.

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. The entity establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile. As the Company assesses the probability for litigation and subsequent cash from exchange transactions with respect to taxes as remote, no contingent liability has been recognised. Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable surplus will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable surplus together with future tax planning strategies.

Effective interest rate

The entity does not have significant exposure to interest rate risk and is not sensitive to interest rate changes thus the prime interest rate is used to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Property, plant and equipment

The entity's management determines the estimated useful lives and residual values of property, plant and equipment. These assessments are made on an annual basis and based on the indicator-approach. Where an indication exist the entity shall revise its useful life and residual values as a change in accounting estimate. Administrative computer equipment, office furniture and equipment, and motor vehicles are not componentised. These assets do not have significant parts that are considered to have an estimated useful life different to the estimated useful life of the asset as a whole.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

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

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

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

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

Item	**Average useful life**
Furniture and fixtures	3 -16 years
Motor vehicles	7 years
Office equipment	5 -8 years
Computer equipment	3-5 years
Leasehold improvements	Lease term
Library material	5 years

Accounting Policies

1.5 Property, plant and equipment (continued)

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset’s future economic benefits or service potential are expected to be consumed by the entity. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The entity assesses at each reporting date whether there is any indication that the entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

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

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

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

Assets which the entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The entity discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 27 and 11).

1.6 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management’s best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Accounting Policies

1.6 Intangible assets (continued)

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Average useful life
Computer software	6 years

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.7 Financial instruments

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

A financial asset is:
- cash;
- a residual interest of another entity; or
- a contractual right to:
  -receive cash or another financial asset from another entity; or
  -exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

Accounting Policies

1.7 Financial instruments (continued)

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Cash and cash equivalent	Financial asset measured at amortised cost
Receivable from exchange transactions	Financial asset measured at amortised cost
Receivable from non-exchange transactions	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Payables from exchange transactions	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

Transaction costs are recognised as part of the cost of the instrument. Subsequent to initial recognition these instruments are measured as set out above.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility in the case of a financial asset.

Accounting Policies

1.7 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at amortised cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:
- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Where a determination was made that the likelihood of recovering the amounts is nil impairment loss will be recognised.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly or by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Accounting Policies

1.7 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

Accounting Policies

1.7 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.8 Tax

Current tax assets and liabilities

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the Statement of Financial Position date.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable surplus will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable surplus will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised using the net liability method. .

Taxation expenses and VAT

Current and deferred taxes are recognised as income or an expense and included in surplus or deficit for the period, except to the extent that the tax arises from:
- a transaction or event which is recognised, in the same or a different period, to net assets; or
- a business combination.

Current tax and deferred taxes are charged or credited to net assets if the tax relates to items that are credited or charged, in the same or a different period, to net assets.

Revenue, expenses and assets are recognised net of the amount of VAT except:
- Where the VAT incurred on the 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 applicable; and
- Receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from or payable to, the taxation authority is reported separate from other receivables or payables in the statements of financial position.

The entity is registered with the South African Revenue Services (SARS) for VAT on the invoice basis, in accordance with the VAT Act (Act No. 89 of 1991).

Accounting Policies

1.9 Leases

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.

The difference between the amounts recognised as income and the contractual receipts are recognised as an operating lease asset or liability.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

When assets are leased out under an operating lease, the asset is included in the statement of financial position based on the natureof the asset.

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 or liability.

All leases that TEDA enters into as a lessee, and where the lessor retains substantially all the risks and rewards of ownership of the underlying asset, are classified as operating leases. Payments made under operating leases are charged against revenue on a straight-line basis over the term of the lease.

1.10 Income received in advanced and prepayments

In the case of comprehensive and/or medium and long-term contracts, advance payments are negotiated with customers and suppliers of the entity. These funds are paid by the entity to secure the right of use of the goods and/or services as agreed in the contract. Advance payments received are recognised as a current liability for an amount that is estimated to be settled within one year from reporting date and as a non-current liability for the amount to be settled after one year from reporting date. Advance payments made are recognised as a current assets for an amount (of an expected benefit) that is estimated to be realised within one year from reporting date and as a non-current assets for the amount (of an expected benefit) to be realised after one year from reporting date.

Subsequently advance payments are expensed upon receipt of an agreed goods and/ or service, and in the case of advance receipts are recognised as revenue when the entity has delivered as agreed in the statement of financial performance.

1.11 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal.

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

Useful life is either:
(a) the period of time over which an asset is expected to be used by the entity; or
(b) the number of production or similar units expected to be obtained from the asset by the entity.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The entity assesses at each reporting date whether there is any indication that a cash-generating 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 test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the entity applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the entity:
- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the entity expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the entity recognises a liability only to the extent that is a requirement in the Standard of GRAP.

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

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Cash-generating units

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 entity determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the entity use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:
- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

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

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:
- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.12 Share capital / contributed capital

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

1.13 Employee benefits

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the entity has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Medical benefits

The entity provides medical benefits for its employees through defined contribution plans. The entity has no further payment once contributions have been paid. The contributions are recognised as employee benefit expenses in profit or loss in the periods during which the services are rendered by the employees.

Accounting Policies

1.13 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Bonus plans

The entity recognises a provision for performance bonuses where contractually obliged or where there is a past practice that has created a constructive obligation as a result of services received from the employee and the obligation can be measured reliably.

The entity also recognises a libility for bonuses (13th Cheque) for employees who have structured their salaries as such.

Leave entitlement

Employee entitlements to annual leave are recognised when they accrue. An accrual is raised for the estimated liability for Annual leave as a result of services rendered by employees up to the reporting date. The related expense is recognised as employee benefit expenses in surplus or deficit.

Accounting Policies

1.13 Employee benefits (continued)

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.14 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 or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an from exchange transactions with respect to any one item included in the same class of obligations may be small.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are measured at the present value of the expenditures expected to be incurred to settle the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase isrecognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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 does not exceed the amount of the provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 41.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or nonoccurrence of one or more uncertain future events not wholly within the control of the entity.

Accounting Policies

1.14 Provisions and contingencies (continued)

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

1.15 Commitments

Commitments are legal obligations to undertake in a given way, at a given time in the future. Usually commitments refer to the requirement for parties to a futures contract to make or receive delivery of the underlying commodities on the expiration date of the contract or through a valid purchase order.

1.16 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of tender documents

Revenue from the sale of tender documents is recognised when all the following conditions have been satisfied:
- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Accounting Policies

1.16 Revenue from exchange transactions (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 reporting date. 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 or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by total services to be performed.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Rental income

Revenue from the rental of property is recognised on a straight-line basis over the lease term in accordance with the substance of the relevant agreements. Lease incentives granted are recognised as an integral part of the total rental income.

1.17 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the entity can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

1.17 Revenue from non-exchange transactions (continued)

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the entity has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised. Once the conditions are met, revenue is recognised and the corresponding liability is reduced.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

The transfer from City of Tshwane Metropolitan Municipality is recognised when it is probable that future economic benefits will flow to TEDA and when the amount can be measured reliably. A transfer is recognised as revenue as there is no further obligation arising from the receipt of transfer payment.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Taxes

The entity recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the entity controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Gifts and donations, including goods in-kind

Gifts,sponsorships and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

1.18 Investment income

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in the Statement of Financial Performance, using the effective interest method.

1.19 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.20 Comparative figures

Prior year comparatives.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by a Standard of GRAP.

The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.21 Offset

Where a legally enforceable right of offset exists for recognised financial assets and financial liabilities, and there is, an intention to settle the liability and realise the asset simultaneously, or to settle on a net basis, all related financial effects are offset.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

1.22 Unauthorised, irregular, fruitless and wasteful expenditure

Unauthorised expenditure means any expenditure incurred by the municipality otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (Act No. 56 of 2003), and includes:
- overspending of the total amount appropriated in the municipality’s approved budget;
- overspending of the total amount appropriated for a vote in the approved budget;
- expenditure from a vote unrelated to the department or functional area covered by the vote;
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of ‘‘allocation’’ otherwise than in accordance with any conditions of the allocation; or
- a grant by the municipality otherwise than in accordance with the Municipal Finance Management Act.

Accounting Policies

1.22 Unauthorised, irregular, fruitless and wasteful expenditure (continued)

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Irregular expenditure means expenditure, other than unauthorised expenditure, incurred in contravention of or not in accordance with a requirement of any applicable legislation, including the Municipal Finance Management Act, the State Tender Board Act, or any regulations made in terms of this act, or any provincial legislation providing for procurement procedures in that provincial government.

Irregular expenditure is treated as expenditure in the statement of financial performance after approval per the departmental delegations.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Fruitless and wasteful expenditure means expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure must be recovered from the responsible official (a debtor account should be raised), or the vote if the responsible official cannot be determined. It is treated as current assets in the statement of financial position until such expenditure is recovered from the responsible official or funded from future revenue.

1.23 Budget information

TEDA is typically subject to budgetary limits in the form of transfers from the City of Tshwane, which is given effect through authorising legislation or similar.

General purpose financial reporting by entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget, where management considers a material variance 10% which warrants explanation refer to note 31.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2017/07/01 to 2018/06/30.

The audited annual financial statements are on accrual basis and the budget is on accrual basis of accounting therefore a reconciliation between the statement of financial performance and the budget have been included in the audited annual financial statements. Refer to note 31 & 32.

Comparative information is not required.

1.24 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

TEDA consider the City of Tshwane (CoT) and its entities as related parties.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, management in their dealings with the entity.

Only transactions with related parties not at arm’s length or not in the ordinary course of business are disclosed.

Accounting Policies

1.25 Events after reporting date

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

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

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.26 Prior year adjustments

Prior year adjustments are omissions from, and misstatements in, an entity's financial statements for one or more prior periods arising from failure to use or the misuse of reliable information that was available when the financial statements for that period were issued, and could have been reasonably expected to be taken into account in those financial statements.

All prior year adjustments are corrected retrospectively to the earliest period practicable. Comparative amounts for prior years in which the error occurred are restated.

1.27 Accummulated surplus

Retained earnings or accummulated surplus (deficit) are the cumulative effect of differences between revenue and expenditure as per statement of financial performance.

Notes to the Audited 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:

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's audited annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:
- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual audited annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:
- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:
- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:
- Control;

Notes to the Audited Annual Financial Statements

2. New standards and interpretations (continued)

- Related party transactions; and
- Remuneration of management

The effective date of the standard is not yet set by the Minister of Finance.

The entity has adopted the standard for the first time when the Minister sets the effective date for the standard.

The impact of the standard is not material.

2.2 Standards and Interpretations early adopted

The entity has chosen to early adopt the following standards and interpretations:

GRAP 12 (as amended 2016): Inventories

Amendments to the Standard of GRAP on Inventories resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 12 on Inventories (IPSAS 12) as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:
- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12)
- IPSASB amendments: To align terminology in GRAP 12 with that in IPSAS 12. The term "ammunition" in IPSAS 12 was replaced with the term "military inventories" and provides a description of what it comprises in accordance with Government Finance Statistics terminology

The effective date of the amendment is for years beginning on or after 01 April 2018.

The entity has early adopted the amendment for the first time in the 2018 audited annual financial statements.

The impact of the amendment is not material.

GRAP 17 (as amended 2016): Property, Plant and Equipment

Amendments to the Standard of GRAP on Property, Plant and Equipment resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:
- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of property, plant, and equipment is revalued; To clarify acceptable methods of depreciating assets; To align terminology in GRAP 17 with that in IPSAS 17. The term "specialist military equipment" in IPSAS 17 was replaced with the term "weapon systems" and provides a description of what it comprises in accordance with Government Finance Statistics terminology; and To define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The entity has early adopted the amendment for the first time in the 2018 audited annual financial statements.

The impact of the amendment is not material.

Notes to the Audited Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 21 (as amended 2016): Impairment of non-cash-generating assets

Amendments to the Standard of GRAP on Impairment of Non-cash Generating Assets resulted from changes made to IPSAS 21 on Impairment of Non-Cash-Generating Assets (IPSAS 21) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:
- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The entity has early adopted the amendment for the first time in the 2018 audited annual financial statements.

The impact of the amendment is not material.

GRAP 26 (as amended 2016): Impairment of cash-generating assets

Amendments Changes to the Standard of GRAP on Impairment of Cash Generating Assets resulted from changes made to IPSAS 26 on Impairment of Cash-Generating Assets (IPSAS 26) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:
- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The entity has early adopted the amendment for the first time in the 2018 audited annual financial statements.

The impact of the amendment is not material.

GRAP 31 (as amended 2016): Intangible Assets

Amendments to the Standard of GRAP on Intangible Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 31 on Intangible Assets (IPSAS 31) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015.

The most significant changes to the Standard are:
- General improvements: To add the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of intangible assets is revalued; and To clarify acceptable methods of depreciating assets

The effective date of the amendment is for years beginning on or after 01 April 2018.

The entity has early adopted the amendment for the first time in the 2018 audited annual financial statements.

The impact of the amendment is not material.

GRAP 108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

Notes to the Audited Annual Financial Statements

2. New standards and interpretations (continued)

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The entity will adopt the for the first time when the Minister sets the effective date for the .

The impact of the standard is not expected to material.

2.3 Standards and interpretations issued, but not yet effective

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

GRAP 38: Disclosure of Interests in Other Entities

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:
- the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- the effects of those interests on its financial position, financial performance and cash flows.

It furthermore covers Definitions, Disclosing information about interests in other entities, Significant judgements and assumptions, Investment entity status, Interests in controlled entities, Interests in joint arrangements and associates, Interests in structured entities that are not consolidated, Non-qualitative ownership interests, Controlling interests acquired with the intention of disposal, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The entity expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

The impact of this standard is currently being assessed.

2.4 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the entity's accounting periods beginning on or after 01 July 2018 or later periods but are not relevant to its operations:

GRAP 34: Separate Financial Statements

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

It furthermore covers Definitions, Preparation of separate financial statements, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The entity does not envisage the adoption of the standard until such time as it becomes applicable to the entity's operations.

It is unlikely that the standard will have a material impact on the entity's audited annual financial statements.

GRAP 35: Consolidated Financial Statements

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

To meet this objective, the Standard:

Notes to the Audited Annual Financial Statements

2. New standards and interpretations (continued)

- requires an entity (the controlling entity) that controls one or more other entities (controlled entities) to present consolidated financial statements;
- defines the principle of control, and establishes control as the basis for consolidation;
- sets out how to apply the principle of control to identify whether an entity controls another entity and therefore must consolidate that entity;
- sets out the accounting requirements for the preparation of consolidated financial statements; and
- defines an investment entity and sets out an exception to consolidating particular controlled entities of an investment entity.

It furthermore covers Definitions, Control, Accounting requirements, Investment entities: Fair value requirement, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The entity does not envisage the adoption of the standard until such time as it becomes applicable to the entity's operations.

It is unlikely that the standard will have a material impact on the entity's audited annual financial statements.

GRAP 36: Investments in Associates and Joint Ventures

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

It furthermore covers Definitions, Significant influence, Equity method, Application of the equity method, Separate financial statements, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The entity does not envisage the adoption of the standard until such time as it becomes applicable to the entity's operations.

It is unlikely that the standard will have a material impact on the entity's audited annual financial statements.

GRAP 37: Joint Arrangements

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

To meet this objective, the Standard defines joint control and requires an entity that is a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement.

It furthermore covers Definitions, Joint arrangements, Financial statements and parties to a joint arrangement, Separate financial statements, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The entity does not envisage the adoption of the standard until such time as it becomes applicable to the entity's operations.

It is unlikely that the standard will have a material impact on the entity's audited annual financial statements.

GRAP 110: Living and Non-living Resources

The objective of this Standard is to prescribe the:

- recognition, measurement, presentation and disclosure requirements for living resources; and
- disclosure requirements for non-living resources

Notes to the Audited Annual Financial Statements

2. New standards and interpretations (continued)

It furthermore covers Definitions, Recognition, Measurement, Depreciation, Impairment, Compensation for impairment, Transfers, Derecognition, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The entity does not envisage the adoption of the standard until such time as it becomes applicable to the entity's operations.

It is unlikely that the standard will have a material impact on the entity's audited annual financial statements.

IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecogntion of Land

This Interpretation of the Standards of GRAP applies to the initial recognition and derecognition of land in an entity’s financial statements. It also considers joint control of land by more than one entity.

When an entity concludes that it controls the land after applying the principles in this Interpretation of the Standards of GRAP, it applies the applicable Standard of GRAP, i.e. the Standard of GRAP on Inventories, Investment Property (GRAP 16), Property, Plant and Equipment (GRAP 17) or Heritage Assets. As this Interpretation of the Standards of GRAP does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, the entity applies the applicable Standard of GRAP to account for the land once control of the land has been determined. An entity also applies the applicable Standards of GRAP to the derecognition of land when it concludes that it does not control the land after applying the principles in this Interpretation of the Standards of GRAP.

In accordance with the principles in the Standards of GRAP, buildings and other structures on the land are accounted for separately. These assets are accounted for separately as the future economic benefits or service potential embodied in the land differs from those included in buildings and other structures. The recognition and derecognition of buildings and other structures are not addressed in this Interpretation of the Standards of GRAP.

The effective date of the interpretation is for years beginning on or after 01 April 2019.

The entity does not envisage the adoption of the interpretation until such time as it becomes applicable to the entity's operations.

The impact of this interpretation is currently being assessed.

GRAP 16 (as amended 2016): Investment Property

Amendments to the Standard of GRAP on Investment Property resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IAS 40 on Investment Property (IAS 40) as a result of the IASB’s amendments on Annual Improvements to IFRSs 2011 – 2013 Cycle issued in December 2013.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IASB amendments: To clarify the interrelationship between the Standards of GRAP on Transfer of Functions Between Entities Not Under Common Control and Investment Property when classifying investment property or owner-occupied property.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The entity does not envisage the adoption of the amendment until such time as it becomes applicable to the entity's operations.

It is unlikely that the amendment will have a material impact on the entity's audited annual financial statements.

Notes to the Audited Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 106 (as amended 2016): Transfers of functions between entities not under common control

Amendments to the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control resulted from changes made to IFRS 3 on Business Combinations (IFRS 3) as a result of the IASB's amendments on Annual Improvements to IFRSs 2010 – 2012 Cycle issued in December 2013.

The most significant changes to the Standard are:
- IASB amendments: To require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting period.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The entity does not envisage the adoption of the standard until such time as it becomes applicable to the entity's operations.

It is unlikely that the amendment will have a material impact on the entity's audited annual financial statements.

GRAP 109: Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The entity does not envisage the adoption of the standard until such time as it becomes applicable to the entity's operations.

The impact of this standard is currently being assessed.

3. Risk management

Financial risk management

The entity's activities expose it to a variety of financial risks: credit risk and liquidity risk.

This note presents information about the entity's exposure to each of the above risks, the entity's objectives, policies and processes for measuring and managing risk, and the entity's management of capital. Further quantitative disclosures are included throughout these financial statements.The Board of Directors has overall responsibility for the establishment and oversight of the entity's risk management framework. The entity's risk management policies are established to identify and analyse the risks faced by the entity, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the entity's activities. The entity aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The quantitative disclosure is provided in this note.

Notes to the Audited Annual Financial Statements

Figures in Rand	2018	2017

3. New standards and interpretations (continued)

Credit risk

Credit risk is the risk of financial loss to TEDA if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises primarily receivables from exchange transactions.Credit risk is controlled through the application of a credit control measures and monitoring procedures.

TEDA limits its treasury counter-party exposure arising from money market by only dealing with well established financial institutions confirmed by the rating agency appointed by the Chief Financial Officer. TEDA only deals with financial institutions with a short term credit rating of A+ and long-term credit rating of AA- and higher at an International accredited creditrating agency.The entity's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst different types of approved investments and institutions.

Potential concentrations of credit risk consist mainly of cash and cash equivalents.

Exposure to credit risk

Credit risk consists mainly of cash deposits, cash equivalents and receivables from exchange transactions. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board.

There has been no significant change during the financial year, or since the end of the financial year, to the entity's exposure to credit risk, the approach of measurement or the objectives, policies and processes for managing this risk. The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses,represents the entity's maximum exposure to credit risk.

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

Financial instrument

	2018	**2017**
Trade and other receivables	27,003	241,409
Cash and cash equivalents	17,907,119	7,407,812
	17,934,122	**7,649,221**

At 30 June 2018, there is no significant concentration of credit risk that had not been adequately provided for.

No security is held against Cash and Cash Equivalents.

Notes to the Audited Annual Financial Statements

Figures in Rand	2018	2017

3. New standards and interpretations (continued)

Liquidity risk

Liquidity risk is the risk that TEDA will not be able to meet its financial obligations as they fall due.

The entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the entity's reputation.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses,the entity maintains flexibility in funding by maintaining availability under committed credit lines.

The entity receives government grants every year based on budget requirements and additional revenue from other undertakings.

Cash flow forecasts are prepared and adequately monitored.

The table below analyses the entity's non-derivative financial instruments which will be settled on a gross basis into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amount disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
• Payables from exchange transactions	1,170,573	-	-	-

At 30 June 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
• Payables from exchange transactions	1,072,848	-	-	-

No financial guarantee contracts were issued by the entity and non-derivative finanacial liabilities as at the reporting date.

Market risk

Interest rate risk

TEDA has ensured that the entity's income and operating cash flows are substantially independent of changes in market interest rates, due to the underlying nature of the business. TEDA has no interest bearing assets or liabilities. Accordingly the entity's income and expenses are substantially independent of changes in markets rates of interest. As a result, changes in the market rate of interest have a negligible impact on the financial performance of the entity.

The entity's interest rate risk arises from short-term investments. Investments are made at a quoted variable rate and the capital invested is secured/guarenteed which limits the entity's exposure to cash flow interest rate risk. Changes in the interest rate do not have significant effect on surplus and deficit.

Capital risk management

TEDA has developed systems and internal controls that are sufficient and effective in maintaining efficient levels of both components of working capital, current assets and current liabilities. The working capital management ensures that TEDA has sufficient cash flow in order to meet its short-term debt obligations and operating expenses.

Notes to the Audited Annual Financial Statements

Figures in Rand	2018	2017

4. Receivables from exchange transactions

Board members and employees	18,104	18,104
Trade and other receivables	203,386	203,307
Interest income accrued	23,617	38,102
Provision for impairment	(218,104)	(18,104)
	27,003	**241,409**

No trade and other receivables has been pledged as security by TEDA nor have they been ceded to a third party.

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 historical information about counterparty default rates. The entity does not have direct customers other than ad hoc customers who are not subjected to stringent credit quality controls.

Trade and other receivables impaired

An amount of R218,104 (2017: R18,104) was provided for as at 30 June 2018.

The ageing of this amount is as follows:

Current to 3 months	23,696	38,102
Over 6 months	3,307	203,307

Reconciliation of provision for impairment of trade and other receivables

Opening balance	18,104	18,104
Provision for impairment	200,000	-
	218,104	**18,104**

The creation and release of the provision for impaired receivables has been included in operating expenses in (note 23). Amounts charged to the allowance account are generally written off when there is no expectation of recovery.

5. Consumer debtors disclosure

Gross balances		
Consumer debtors - Trade and other receivables	203,386	203,307
Less: Allowance for impairment		
Consumer debtors - Trade and other receivables	200,000	-
Net balance		
Consumer debtors - Trade and other receivables	3,386	203,307
Trade and other receivables		
> 365 days	3,307	203,306

6. VAT receivable

VAT	2,380,694	4,363,938

VAT receivable is calculated at the standard rate of 14% and 15% from the 1st April 2018 on all qualifiying goods and services delivered to/by TEDA.

Notes to the Audited Annual Financial Statements

Figures in Rand	2018	2017

6. VAT receivable (continued)

VAT is calculated on all qualifiying goods and services delivered to/by TEDA on an accrual basis monthly.

The current year movement is due to VAT refunds received from SARS.

7. Prepayments

Prepayments	19,167	9,580

Prepaid expenses relate to subscriptions expense paid in advance of R11,476 and overpayment of R7,691 pertaining to March 2018 PAYE.

8. Cash and cash equivalents

Cash and cash equivalents consist of the following:

Cash on hand	441	1,089
Bank balances*	17,454,517	6,978,682
Short-term deposits^	452,161	428,041
	17,907,119	**7,407,812**

TEDA is a municipal entity controlled by the City of Tshwane Metropolitan Municipality which monitors and control the use of available funds and the operational grant limited to the approved business plan.

*The entity has a primary and a salaries bank account with both Standard and Absa bank which is used to meet the entity's obligations.

^The entity has a short-term deposit account with Investec Bank.

The total amount of undrawn facilities available for future operating activities and commitments	17,907,119	7,407,812

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates.

The carrying amount of cash and cash equivalents approximates fair value due to the relatively short-term maturity of these financial assets where changes in interest rate do not affect the financial position of the entity.

Cash and cash equivalents pledged as collateral

No cash and cash equivalents has been pledged as security as at 30 June 2018.

Notes to the Audited Annual Financial Statements

Figures in Rand	2018	2017

8. Cash and cash equivalents (continued)

The entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2018	30 June 2017	30 June 2016	30 June 2018	30 June 2017	30 June 2016
Standard Bank - Cheque Account - Primary Account - 410791830*	-	6,973,374	2,909,873	-	6,973,374	2,909,873
Standard Bank - Cheque Account - Salaries Account - 011057491*	-	5,307	6,059	-	5,307	6,059
Investec Bank- Investment Account-50009061311	452,161	428,041	3,399,915	452,161	428,041	3,399,915
Absa Bank - Account Type - Primary Account - 4093241083	17,454,517	-	-	17,454,517	-	-
Total	**17,906,678**	**7,406,722**	**6,315,847**	**17,906,678**	**7,406,722**	**6,315,847**

*The standard bank accounts have been closed as at 28 June 2018.

9. Taxation movement

	2018	2017
Balance at beginning of the year	(859,028)	(1,176,843)
Current tax for the year recognised in surplus or deficit	2,994,342	810,040
Provisional tax paid	(523,690)	(492,225)
Normal income tax paid topup for prior year	(266,284)	-
Normal income tax refund from SARS	1,697,452	-
Balance at end of the year	**3,042,792**	**(859,028)**

10. Operating lease asset (accrual)

	2018	2017
Non-current liabilities	(75,677)	(148,443)
Current liabilities	(149,898)	-
	(225,575)	**(148,443)**

Operating lease liability is from the rental of offices used by TEDA situated at: 5th Floor; The Anker Building; 1279 Mike Crawford Road; Centurion for the period of three years starting from 1st of November 2016. It is caused by the escalation on rental payable at every anniversary date.

Refer to note 33 for detailed a disclosure on operating leases as per GRAP 13 paragraph 50.

11. Property, plant and equipment

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	1,674,174	(703,784)	970,390	1,674,174	(536,367)	1,137,807
Motor vehicles	1,067,708	(928,287)	139,421	1,067,708	(858,587)	209,121
Office equipment	2,197,686	(1,408,576)	789,110	1,190,306	(466,729)	723,577
IT equipment	525,038	(122,912)	402,126	1,457,268	(964,246)	493,022
Leasehold improvements	1,899,344	(979,622)	919,722	1,863,465	(337,914)	1,525,551
Minor Assets below R2000	1,687	(1,687)	-	-	-	-
Library material	11,488	(7,384)	4,104	11,488	(5,086)	6,402
Total	**7,377,125**	**(4,152,252)**	**3,224,873**	**7,264,409**	**(3,168,929)**	**4,095,480**

Reconciliation of property, plant and equipment - June 2018

	Opening balance	Additions	Disposals	Other changes, movements	Depreciation	Total
Furniture and fixtures	1,137,807	-	-	-	(167,417)	970,390
Motor vehicles	209,121	-	-	-	(69,700)	139,421
Office equipment	723,577	94,040	(3,140)	167,791	(193,158)	789,110
Computer equipment	493,022	250,296	(71,592)	(167,791)	(101,809)	402,126
Leasehold improvements	1,525,551	35,879	-	-	(641,708)	919,722
Minor Assets below R2000	-	1,687	-	-	(1,687)	-
Library material	6,402	-	-	-	(2,298)	4,104
	4,095,480	**381,902**	**(74,732)**	**-**	**(1,177,777)**	**3,224,873**

Reconciliation of property, plant and equipment - June 2017

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	1,307,186	-	(1,706)	(167,673)	1,137,807
Motor vehicles	422,663	-	-	(213,542)	209,121
Office equipment	916,676	-	(36,142)	(156,957)	723,577
Computer equipment	807,068	120,105	(107,399)	(326,752)	493,022
Leasehold improvements	885,819	1,863,464	-	(1,223,732)	1,525,551
Library material	8,848	-	-	(2,446)	6,402
	4,348,260	**1,983,569**	**(145,247)**	**(2,091,102)**	**4,095,480**

Pledged as security

No carrying value of assets has been pledged as security as at the reporting date.

Change in accounting estimates

During the year ended 30 June 2018 TEDA reviewed the useful lives of its assets using the indicator-approach.In assessing whether there is any indication that the expected useful life of an asset has changed, the entity considers the following indications:

Notes to the Audited Annual Financial Statements

Figures in Rand	2018	2017

11. Property, plant and equipment (continued)

(a) The use of the asset has changed, because of the following:

i) The entity has changed the manner in which the asset is used.

ii) The entity has changed the utilisation rate of the asset.

iii) The entity has made a decision to dispose of the asset in a future reporting period(s) such that this decision changes the expected period over which the asset will be used.

iv) Technological, environmental, commercial or other changes that occurred during the reporting period that have, or will, change the use of the asset.

v) Legal or similar limits placed on the use of the asset have changed.

vi) The asset was idle or retired from use during the reporting period.

The asset is approaching the end of its previously expected useful life.

Planned repairs and maintenance on, or refurbishments of, the asset and/or its significant components either being undertaken or delayed.

As a result of the assessement the property, plant and equipment useful life and residual values were changed as follow:

Motor vehicles	Straight line	7 years

The overall net effect of the change is a reduction in the depreciation charge of R143,841 in the current year and future periods limited to the useful life.

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

	2018	2017
Computer equipment monitor screen	-	4,638
Motor vehicle repairs	4,548	10,752
	4,548	**15,390**

A register containing the information required by section 96 of the Municipal Finance Management Act is available for inspection at the registered office of the entity.

12. Intangible assets

	2018			2017		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software	159,264	(111,834)	47,430	279,264	(139,098)	140,166

Reconciliation of intangible assets - June 2018

	Opening balance	**Disposals**	**Amortisation**	**Total**
Computer software	140,166	(53,850)	(38,886)	47,430

Notes to the Audited Annual Financial Statements

Figures in Rand	2018	2017

12. Intangible assets (continued)

Reconciliation of intangible assets - June 2017

	Opening balance	Amortisation	Total
Computer software	188,231	(48,065)	140,166

Pledged as security

No intangible assets are pledged as security.

Change in accounting estimates

During the year ended 30 June 2018 TEDA reviewed the useful lives of its assets. Computer softwares were reviewed, and the useful lives were not changed.

Impairment test

Impairment test is performed by management annually on the 1st of June, on all fixed assets including intangible assets using the following impairment indicators;

- Inspection of any physical damage,
- Disposal plans,
- Performance of the assets and
- Changes in technological environment

As a result of the impairment test TEDA management could not find any asset/s that warrant(s) being impaired and damages discovered during the asset verification process have been fixed and also no significant technological changes were identified which have an adverse effect on computer software and other assets sensitive to technological changes.

13. Payables from exchange transactions

	2018	2017
Trade creditors	903,482	685,100
Board of directors accrued expenses	67,518	223,683
Employees accrued expenses	257,969	164,066
	1,228,969	**1,072,849**

Notes to the Audited Annual Financial Statements

Figures in Rand	2018	2017

14. Provisions

Reconciliation of provisions - June 2018

	Opening Balance	Additions	Utilised during the year	Total
Employee benefit - Leave pay entitlement	1,429,688	2,643,094	(2,511,898)	1,560,884

Reconciliation of provisions - June 2017

	Opening Balance	Additions	Utilised during the year	Total
Employee benefit - Leave pay entitlement	1,314,430	2,952,656	(2,837,398)	1,429,688

Employee benefit - Leave pay entitlement

The provision is for leave entitlement not utilised by employees as at 30 June 2018 and it is only payable in cash upon resignation. Leave days should be utilised within six months after the end of the cycle to avoid forfeiture and due to operational demands employees are allowed to apply for an extension which creates uncertainties on the expected timing on leave balances.

15. Unspent grants and receipts

Unspent grants and receipts comprises of:

	2018	2017
Transfers from City of Tshwane	-	4,285,319

Movement during the period

	2018	2017
Balance at the beginning of the year	4,285,319	4,028,029
Additions during the year	54,150,000	54,149,999
Income recognition during the year	(58,435,319)	(53,892,709)
	-	**4,285,319**

The unspent grant is a transfer from the CoT to enable the entity to achieve its strategic objectives as per the Service Delivery Agreement and business plan.

The operational grant received from CoT for the period under review and future periods is no longer a conditional grant and the funds are recognised as revenue when invoiced or received, the unspent portion of the grant will be utilised on commitments and the remainder as a saving.

Notes to the Audited Annual Financial Statements

Figures in Rand	2018	2017

16. Deferred tax

Deferred tax liability

Property, plant and equipment	(481,293)	(457,921)
Provision for doubtful debts	45,802	3,802
Provision for leave	437,048	400,313
Unspent grant	289,470	1,199,889
Section 24C allowance	(289,470)	(1,199,889)
Straight lining of operating lease	63,161	41,564
Prepayment	(5,367)	(2,682)
Total deferred tax (liability)/Asset	**59,351**	**(14,924)**

The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:

Reconciliation of deferred tax liability

At beginning of year	(14,924)	(66,455)
Increases (decrease) in tax loss available for set off against future taxable income	-	(37,256)
Movement on property,plant and equipment as well as intangible assets	(23,373)	63,642
Movement in provision for doubtful debts	42,000	(1,267)
Movement in provision for leave pay	36,735	32,272
Movement on unspent grant	(910,420)	71,162
Section 24C allowance	910,420	(71,162)
Operating lease straight lining	21,597	(4,858)
Prepayment	(2,684)	(1,002)
	59,351	**(14,924)**

Recognition of deferred tax asset

An entity shall disclose the amount of a deferred tax asset and the nature of the evidence supporting its recognition, when:

- the utilisation of the deferred tax asset is dependent on future taxable surpluses in excess of the surpluses arising from the reversal of existing taxable temporary differences; and
- the entity has suffered a deficit in either the current or preceding period in the tax jurisdiction to which the deferred tax asset relates.

17. Share capital / contributed capital

Authorised		
1000 Ordinary shares of R1 each	1,000	1,000
Reconciliation of number of shares issued:		
Reported as at 01 July 2017	1,000	1,000
Issued		
Ordinary	1,000	1,000

Notes to the Audited Annual Financial Statements

Figures in Rand	2018	2017

18. Revenue

Rental income	-	1,107,939
Sale of tender documents	29,987	11,404
Other income	8,893	47,178
Interest income earned - bank accounts	683,547	374,606
Grant revenue recognised	58,435,319	53,892,709
	59,157,746	**55,433,836**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Rental income	-	1,107,939
Sale of tender documents	29,987	11,404
Other income	8,893	47,178
Interest earned- bank current account	683,547	374,606
	722,427	**1,541,127**

The amount included in revenue arising from non-exchange transactions is as follows:		
Transfer revenue		
Grant revenue recognised	58,435,319	53,892,709

19. Employee related costs

Basic	26,210,667	28,191,604
Medical aid - company contributions	932,051	1,022,176
Leave pay charge movement	131,196	115,258
Defined contribution plans	1,181,933	1,223,053
Other payments*	72,081	118,286
	28,527,928	**30,670,377**

*Other payments refer to garnishes amongst others.

Detailed information on the remuneration of key personnel refer to Note 20.

Notes to the Audited Annual Financial Statements

Figures in Rand

20. Remuneration of Executive Managers and Board of Directors

Executive Managers

June 2018

	Basic salary	Other	Cellphone allowance	Car allowance	Medical aid	Defined contributions	Total
Chief Executive Officer (Mr S Mogaladi)	1,958,641	-	36,000	-	92,220	-	2,086,861
Chief Financial Officer (Mr T Mkhwanazi)	1,671,703	6,755	24,000	-	-	-	1,702,458
Executive Manager Corporate Services- (Ms B Seopela)	1,129,525	-	16,646	-	-	55,733	1,201,904
Executive Manager Marketing & Communications* (Ms K Mahlare)	167,305	-	2,000	20,000	10,798	2,248	202,351
Executive Manager: Strategy and Performance Monitoring^ (Mr S Sefuthi)	555,697	-	10,000	-	22,530	33,848	622,075
Executive Manager Projects Portfolio Management (Mr M Leshilo)	1,134,596	56,324	24,000	108,000	25,368	98,526	1,446,814
Company Secretary (Ms L Mahaye)	1,341,444	519	24,000	-	67,560	-	1,433,523
Executive Manager Investment Promotion and Funding (Ms K Liebenberg)	979,714	65,390	24,000	120,000	60,714	65,000	1,314,818
Acting Executive Manager Corporate Services- (Ms N Kgatla)	277,484	56,764	3,600	-	6,588	-	344,436
	9,216,109	**185,752**	**164,246**	**248,000**	**285,778**	**255,355**	**10,355,240**

-Executive Manager Corporate Services resigned on the 09 March 2018 and Ms N Kgatla is appointed in an acting capacity from the 09 March 2018.

*Executive Manager Marketing & Communications resigned on the 31 July 2017.

^Executive Manager: Strategy and Performance Monitoring resigned on the 30 November 2017.

June 2017

	Basic salary	Other	Cellphone allowance	Car allowance	Medical aid	Defined contributions	Total
Chief Executive Officer (Mr S Mogaladi)	1,847,862	-	36,000	-	83,580	-	1,967,442

Notes to the Audited Annual Financial Statements

Figures in Rand

20. Remuneration of Executive Managers and Board of Directors (continued)

Chief Financial Officer (Mr T Mkhwanazi)	1,443,471	7,743	22,000	-	-	-	1,473,214
Executive Manager Corporate Services (Ms B Seopela)	1,467,044	393,723	24,000	-	45,528	79,388	2,009,683
Executive Manager Marketing & Communications (Ms K Mahlare)	1,218,298	2,494	24,000	240,000	108,282	26,087	1,619,161
Executive Manager Strategy and Performance Monitoring (Mr S Sefuthi)	1,043,001	-	24,000	-	51,192	78,559	1,196,752
Executive Manager Projects Portfolio Management (Mr M Leshilo)	1,148,803	29,868	24,000	108,000	21,858	91,283	1,423,812
Company Secretary (Ms L Mahaye)	1,265,088	-	24,000	-	61,392	-	1,350,480
Executive Manager Trade and Investment (Mr T Mafela)	988,945	17,813	24,000	110,000	55,800	60,636	1,257,194
Executive Manager Investment Promotion and Funding (Ms K Liebenberg)	605,662	787,446	10,000	90,000	32,160	-	1,525,268
	11,028,174	**1,239,087**	**212,000**	**548,000**	**459,792**	**335,953**	**13,823,006**

Board of Directors

June 2018

	Directors' fees	Committees fees	Other (AGM,Induction and Retainer)	Audit and performance committee fees	Total
Prof LD Mosoma (Chairperson, retired 31 Jan 2018)	66,846	5,142	-	-	71,988
Mr N Flaatten (Chairperson)	17,140	-	22,282	-	39,422
Mr H Gouvelis (retired 31 Jan 2018)	41,136	23,996	-	-	65,132
Mr F Docrat	11,998	-	20,568	-	32,566
Ms ZG Mpungose (retired 31 Jan 2018)	23,996	37,708	-	-	61,704
Ms SP Mzizi (retired 31 Jan 2018)	32,566	35,994	-	-	68,560
Ms T Matlala-Mojapelo	8,570	-	17,140	-	25,710
Mr FK Sibanda (retired 31 Jan 2018)	41,136	32,566	-	-	73,702
Ms N Singh	44,564	39,422	38,891	3,428	126,305
Adv JL Thubakgale (retired 31 Jan 2018)	41,136	51,420	-	-	92,556
Mr MW Yates (retired 31 Jan 2018)	41,136	29,138	-	-	70,274

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20. Remuneration of Executive Managers and Board of Directors (continued)

Mr A Nkome	11,998	-	13,712	-	25,710
Ms M Sedibe	11,998	-	20,568	-	32,566
Mr S Shange	11,998	-	20,568	-	32,566
	406,218	**255,386**	**153,729**	**3,428**	**818,761**

June 2017

	Directors' fees	Committees fees	Audit and performance committee fees	Total
Prof LD Mosoma (Chairperson)	116,553	35,138	-	151,691
Ms RS Bahula- Ermias (Resigned 30 June 2017)	102,840	-	-	102,840
Mr H Gouvelis	97,698	17,569	-	115,267
Ms ZG Mpungose	131,978	17,569	-	149,547
Mr CR Mpyane (Resigned 30 June 2017)	130,264	17,569	-	147,833
Ms SP Mzizi	116,552	17,569	-	134,121
Mr FK Sibanda	82,272	17,569	-	99,841
Ms N Singh	121,694	17,569	10,284	149,547
Adv JL Thubakgale	109,696	17,569	-	127,265
Mr MW Yates	142,262	17,569	-	159,831
	1,151,809	**175,690**	**10,284**	**1,337,783**

Notes to the Audited Annual Financial Statements

Figures in Rand	2018	2017

21. Depreciation and amortisation

Minor assets	1,687	-
IT equipment	101,809	326,752
Furniture and fixtures	167,417	167,672
Office equipment	193,158	156,957
Leasehold improvements	641,708	1,223,732
Library material	2,298	2,446
Motor vehicles	69,700	213,542
Intangible assets	38,886	48,065
	1,216,663	**2,139,166**

22. Interest and penalties charged

Interest and penalties charged by SARS	67,518	-

23. Debt impairment

Debt impairment	200,000	-

The debt impairment is for amounts where a determination was made that the likelyhood of recovering the amounts is nil.

24. Project management

Agro processing-hub project	-	1,395,000
Area based development	873,180	-
Tshwane Vertical Farming Facility Projec	1,034,444	-
Revatilisation of inner city and design	17,000	106,925
Bioenergy facility	534,315	2,193,512
Clothing and textile hub	703,556	1,146,823
	3,162,495	**4,842,260**

25. Investment promotion and funding

Events	-	667,704
Marketing productions	-	174,561
Trade conferences and missions	2,035,813	976,157
Public relations	575,204	68,231
Trade and investment intelligence	539,807	728,772
Investment attraction	608,073	930,460
Export development and promotion	764,784	375,527
Branding	684,397	248,395
	5,208,078	**4,169,807**

26. Loss on assets written off

Carrying amounts of assets written off	128,583	145,247

The assets written off is due to losses that were reported and have been approved by the Board of Directors.

Notes to the Audited Annual Financial Statements

Figures in Rand	2018	2017

27. General expenses

Admin fees (pension and group risk)	160,398	165,948
Advertising	299,154	47,290
Auditors fees	510,402	518,744
Bank charges	50,082	56,188
Consulting and professional fees	565,378	721,579
Catering and office refreshments	175,398	142,676
Office space rental	3,860,973	5,051,163
Insurance	153,986	119,451
IT expenses	207,337	222,884
Staff recruitment	35,681	8,618
Printing and stationery	492,603	405,913
Staff welfare	573,834	110,047
Subscriptions and membership fees	45,340	19,889
Communication expense	11,037	23,982
Training and development	460,786	459,226
Travel and subsistence	696,832	325,063
Assets expensed less than R2000	16,156	1,852
Municipal services	448,278	504,828
Uniforms	36,240	-
Conferences and delegation	119,249	10,716
Repairs and maintenance	4,548	15,390
Compensation for Occupational Injuries and Diseases	82,346	121,481
Occupational Health and Safety	5,600	200
Publications and periodicals	397,303	154,142
Other expenses	57,485	212,968
	9,466,426	**9,420,238**

28. Taxation

Major components of the tax expense

Current		
Current year	2,994,342	810,040
Deferred		
Current year	(74,275)	(51,532)
	2,920,067	**758,508**

Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

Applicable tax rate	28.00 %	28.00 %
Total non-temporary differences	0.18 %	- %
	28.18 %	**28.00 %**

A provisional tax payment of R523,690 (2017: R492,225) has been made as at 30 June 2018.

Notes to the Audited Annual Financial Statements

Figures in Rand	2018	2017

29. Cash generated from operations

	2018	2017
Surplus	7,441,225	1,950,451
Adjustments for:		
Depreciation and amortisation	1,216,663	2,139,166
Gain on sale of assets and liabilities	128,583	145,247
Debt impairment	200,000	-
Movements in operating lease assets and accruals	77,132	(17,351)
Movements in provisions	131,196	115,258
Changes in working capital:		
Receivables from exchange transactions	214,406	326,581
Consumer debtors	(200,000)	-
Prepayments	(9,587)	141,743
Payables from exchange transactions	156,120	(758,686)
VAT	1,983,244	(1,491,730)
Taxes	3,827,546	266,284
Unspent conditional grants and receipts	(4,285,319)	257,290
	10,881,209	**3,074,253**

30. Financial instruments disclosure

Categories of financial instruments

June 2018

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	27,003	27,003
Cash and cash equivalents	17,907,119	17,907,119
	17,934,122	**17,934,122**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	1,228,969	1,228,969

June 2017

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	241,409	241,409
Cash and cash equivalents	7,407,812	7,407,812
	7,649,221	**7,649,221**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	1,072,849	1,072,849

31. Budget differences

Material differences between budget and actual amounts

The entity's approved adjusted budget is R61,506,144 after taking into account previously not appropriated revenue/funds such as unspent grant from 2016/17 and refunds from SARS and SETA as well the elimination of the budgeted project management fees. The approved adjusted budget covers the period from 01 July 2017 to 30 June 2018. The budget and accounting bases are the same. The financial statements are prepared on the accrual basis using a classification on the nature of expenses in the statement of financial performance.

A reconciliation between the actual amounts on the comparable basis as presented in the statement of comparison of budget and actual amounts and the actual amounts in the cash flow statement for the period ended 30 June 2018 is presented below. The financial statements and budget documents are prepared for the same period. There is a basis difference between the budget and the cash flow statement presented by the reconciliation statement below which is attributed to the purchase of property, plant and equipment.

TEDA considers 10% a material variance in monitoring spending trends.A detail explanation of the variance is important in order to aid planning and decision making. The budget is as per the economic classification and explanation on revenue collection and spending is as follows;

Revenue Analysis

Revenue for the entity constitute of the grant received from CoT, rental income and other income, professional fees on capital projects, interest income from a favourable bank balances and short term investments as well as sale of tender documents.

- Grant revenue from CoT is transfered to TEDA every quarter in four equal installments. As at the reporting date 100% of the budgeted revenue has been received and the unspent grant from 2016/17 has been appropriated during the budget adjustment process. Realised revenue from the grant as at the reporting date is 100%, since the grant is no longer conditional any unspent grant is deemed as a saving.
- Rental income was previously earned from the subletting of office space to CoT and the contract ended in October 2016, thus there was no rental income in the current year.
- Other income earned emanates from the Service SETA refunds on training which are not budgeted for and the receipts are adhoc whiles the budgeted revenue is for refunds from SARS received in the year.
- Professional fees from capital projects revenue was envisaged from the management of projects by TEDA onbehalf of CoT, due to the review of TEDA's mandate no projects have been transferred to TEDA as such the budget was adjusted down since the budgeted revenue would not be forthcoming to TEDA as planned.
- Interest income earned for the period is above expectation, attributed to the savings in expenditure during the year.
- Revenue from the sale of tender documents is above expectation with more than 100% earned as at the reporting date, this is also an adhoc revenue item.

Expenditure Analysis

Total expenditure for the period is at 80% of the total budget excluding taxation and capital expenditure, below is the detailed expenditure analysis per type:

- Remuneration of employees is at 84%, this is due to resignations during the year and delayes in filling of vacancies.
- Remuneration of board of directors is at 58% attributed to the reduced board activity.
- Depreciation and ammortisation are non-cash items and the expense is at 63% and as planned.
- Interest and penalties have been charged by SARS on a PAYE for May 2018, the charge is disputed by management where a notice of objection has been submitted with response from SARS is imminent. The funds are not yet paid.
- Debt impairment emanates from the sponsorship revenue that is not yet received from ABSA bank, efforts to collect the funds are in place with the process moving slower than anticipated.
- Investment promotion and funding spending is at 88% below budgeted, however all planned activitites as per the business plan have been achieved thus unspent funds are deemed as savings to be utilised in the 2018/19 financial year.
- Projects spending is at 83% where all planned actitivies were achieved and unused funds will be utilised in subsequent financial year.

Notes to the Audited Annual Financial Statements

Figures in Rand	2018	2017

31. Budget differences (continued)

- General expenses spending is at 68% the spending is below the budgeted amount attributed to cost containment measures employed during the financial year and the curtailment of other activities. Savings will be used during the 2018/19 financial year.
- Taxation expense is above the budgeted amount attributed to a higher income realised in the financial statements resulted from the operational grant received from CoT not conditional. The change in the treatment of the grant from conditional to unconditional meant that the Section 24 C Allowance on future expenditure previously claimed on the unspent portion of the grant is now limited to the commitments thus higher income tax expense.

32. Reconciliation between budget and cash flow statement

Reconciliation of budget surplus/(deficit) with the net cash generated from operating, investing and financing activities:

	2018	2017
Operating activities		
Actual amount as presented in the budget statement	7,479,585	1,950,451
Basis differences	3,401,624	1,123,802
Net cash flows from operating activities	**10,881,209**	**3,074,253**
Investing activities		
Basis differences	(381,902)	(1,983,569)
Net cash flows from investing activities	**(381,902)**	**(1,983,569)**
Net cash generated from operating, investing and financing activities	**10,499,307**	**1,090,684**

33. Commitments

Authorised operational expenditure

	2018	2017
Already contracted for and authorised		
• Commitments less than one year	1,137,410	1,306,283
Total operational commitments		
Already contracted for and authorised	1,137,410	1,306,283

Operating leases commitments - as lessee (expense)

	2018	2017
Minimum lease payments due		
- within one year	4,010,871	3,783,841
- in second to fifth year inclusive	1,362,668	5,373,539
	5,373,539	**9,157,380**

Operating lease commitment is the rental of offices used by TEDA situated at: 5th Floor; The Anker Building; 1279 Mike Crawford Road; Centurion for the period of three years starting from 1st of November 2016. No contingent rent is payable.

Operating leases commitments - as lessor (income)

TEDA entered into a sub-letting agreement with the CoT which allowed the CoT permission to utilise the 1st Floor of the rented offices used by TEDA situated at: 349 Witch-Hazel Avenue; Eco-origin Building; Block F; Highveld Extension 70; Centurion for the period of 27 months starting from 1st of May 2014. There are no contigent rents receivable. The contract ended on the 31 October 2016.

Notes to the Audited Annual Financial Statements

Figures in Rand	2018	2017

34. Related parties

Relationships

Board of directors and executive management	Refer to directors' report note
Controlling entity	City of Tshwane Metropolitan Municipality
Municipal entity under the same control	Housing Company Tshwane
Municipal entity under the same control	Sandspruit Water Works Association

Related party balances

	2018	2017
Amounts included in Trade receivable/(Trade Payable)		
City of Tshwane Metropolitan Municipality	2,900	2,900
City of Tshwane Metropolitan Municipality	(4,200)	-

Related party transactions

	2018	2017
Transfers received from related party		
City of Tshwane Metropolitan Municipality	54,150,000	54,150,000
Rent (paid to) received from related parties		
City of Tshwane Metropolitan Municipality	-	1,159,468
Expenses incurred and paid by the related party on behalf of TEDA		
CoT (Interns remuneration)	-	60,000
Expenses incurred and paid to the related party by TEDA		
City of Tshwane Metropolitan Municipality	(1,400)	-

TEDA benefited from the use of the following services provided by the related party at no cost to TEDA:
- Risk mangement and internal audit resources from CoT,
- Audit and Performance Committee from CoT,
- Use of network, telecommunication, desktop and server support provided by CoT,
- SAP migration implementation by CoT,
- OHS services and Records management from CoT,
- Insurance management by CoT and JOC Services from CoT,and
- QPR - Performance Management Solution.

Remuneration of management

Executive management and board members

*Refer to note 20

No loans were awarded to key management of TEDA during the year.

None of the key management has or had significant influence in any entity with whom TEDA had significant transactions during the

Key management has or had no significant influence in any entity with whom TEDA had significant transactions during the year.

35. Fruitless and wasteful expenditure

	2018	2017
Opening balance	-	424,272
Fruitless and wasteful expenditure - current year	67,518	-
Written off	(67,518)	(424,272)
	-	-

The following fruitless and wasteful expenditure were incurred and discovered as at 30 June 2018.

Notes to the Audited Annual Financial Statements

Figures in Rand	2018	2017

35. Fruitless and wasteful expenditure (continued)

- Interest and penalties of R67,518 from SARS on the May 2018 PAYE for late payment, a notice of objection has been submitted and a response from SARS is pending as such the amount charged it has not yet being paid by the entity. TEDA is of the opinion that the charges will be waivered by SARS.

The following fruitless and wasteful expenditure were reported in the year ended 30 June 2016 and were subsequently written off after the finalisation of the investigation in the period ended 30 June 2017 .

- Interest charged by SARS under the Voluntary Disclosure Programme (VDP) on VAT 201 returns that were not submitted correctly amounted to R382,449 with only **R12,824** payable.
- Understatement charge on VAT201 and EMP201 totaling to R41,823.

36. Irregular expenditure

- TEDA did not incur irregular expenditure for the period ended 30 June 2018 and 30 June 2017.

37. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Errors

The following prior period error adjustments occurred.

Depreciation for furniture and fixtures was incorrerctly calculated due to an error in the fixed asset register when calculating depreciation at the end of June 2017. The error resulted in the understatement of the deprecition expense by R6,900.

Office space rental expense was overstated by R184,498 and the operating lease straight lining was incorrectly calculated by R10,040 due to rates and taxes being included in the operating lease ammortisation schedule.

Assessment rates from the office space rental expense have been reallocated to the municipal services expense account amounting to R184,498

The following prior period error adjustments occurred:

Statement of financial position

2017

	Note	As previously reported	Correction of error	Restated
Property, plant and equipment	11	4,102,381	(6,901)	4,095,480
Normal Taxation	9	858,149	879	859,028
Unspent conditional grants and receipts	15	(4,282,180)	(3,139)	(4,285,319)
Deferred Tax	16	(14,045)	(879)	(14,924)
Operating lease liability	10	(158,483)	10,040	(148,443)
		505,822	**-**	**505,822**

Statement of finanical performance

2017

	Note	As previously reported	Correction of error	Restated
Grant revenue recognised	18	53,895,848	(3,139)	53,892,709
Depreciation and amortisation	21	(2,132,265)	(6,901)	(2,139,166)
Office space rental	27	(5,245,701)	194,538	(5,051,163)
Municipal services	27	(320,330)	(184,498)	(504,828)
		46,197,552	**-**	**46,197,552**

Notes to the Audited Annual Financial Statements

Figures in Rand	2018	2017

37. Prior-year adjustments (continued)

Cash flow statement

2017

	Note	As previously reported	Change in accounting policy	Restated
Cash flow from operating activities				
Movements in operating lease assets and accruals	29	(7,311)	(10,040)	(17,351)
Unspent conditional grants and receipts	29	254,151	3,139	257,290
		246,840	**(6,901)**	**239,939**

Reclassifications

The following reclassifications adjustment occurred:

Reclassification 1

In the statement of financial performance ''Rental income and other income' of R1,155,116” has been split into two accounts namely ''Rental income' of R1,107,9398”' with the other account being ''Other income' of R47,178”.

Under general expenses the ''electricity account' has been renamed to ''Municipal services'.

Reclassification 2

The operating lease commitment for office space rental included the rates and taxes amounts which have been reclassified to municipal services expense account and as a result the operating lease minimum lease payments has changed. The reclassification is due to the escalation of the rates and taxes which is diferrent from the main lease as well as the time of the escalation.

38. Regulation 45

The financial statements of a municipality must disclose particulars of any award of more than R2 000 to a person who is a spouse, child or parent of a person in the service of the state or has been in the service of the state in the previous 6 months indicating:

- The name of that person,
- The capacity in which that person is in the service of the state/municipality; and
- The amount of the award

No Awards were made in terms of regulation 45.

39. Additional disclosure in terms of Municipal Finance Management Act

Consultants/Professional Services

	2018	2017
Opening balance	12,412	29,367
Current year fees	565,378	721,579
Amount paid - current year	(513,787)	(709,167)
Amount paid - previous years	(12,412)	(29,367)
Accrual	**51,591**	**12,412**

Audit fees

	2018	2017
Current year fees	510,402	518,744
Amount paid - current year	(510,402)	(518,744)
	-	-

Figures in Rand	2018	2017

39. Additional disclosure in terms of Municipal Finance Management Act (continued)

PAYE and UIF

Current year payroll deductions	8,340,392	9,189,818
Amount paid - current year	(8,348,084)	(9,189,818)
Accrual/(Prepayment)	**(7,692)**	**-**

Pension and Medical Aid Deductions

Current year raised	2,142,519	2,245,229
Amount paid - current year	(2,142,519)	(2,245,229)
	-	-

The entity has a defined contribution plan for pension fund with Momentum where employees pay a fixed amount and the employer pays for the administration fees.

The entity has a group risk plan with Discovery Life where employees pay a fixed amount and the employer pays for the administration fees.

Medical Aid contributions are with Discovery Medical Aid Scheme and Bonitas Medical Aid Scheme.

VAT

VAT receivable	2,380,694	4,363,938

VAT is calculated on all qualifiying goods and services delivered to/by TEDA on an invoice basis. All VAT returns have been submitted by the due date throughout the year.

Supply chain management regulations

Paragraph 12(1)(a)-(d)of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a:
- Written or verbal quotation for values up to R2,000 up to R10,000 (VAT included),
- Formal written quotations for values over R10,000 up to R200,000 (VAT included), and
- Competitive bidding process for values above R200,000 (VAT Included).

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and then reports them to the next meeting of the accounting officer and includes a note to the interim financial statements.

In terms of section 36(1)(a) of the Supply Chain Management Regulations, the accounting officer may dispense with the official procurement processes in the following instances:
- in an emergency.
- if such goods or services are produced or available from a single provider only.
- for the acquisition of special works of art or historical objects where specifications are difficult to complete.
- in any other exceptional case where it is impractical or impossible to follow the official procurement processes.

TEDA deviated from the official procurement processes during the financial year due to the entity being under review, where expired contracts could not be re-advertised until the review was completed. TEDA had to extend the expired contracts on a month to month basis until the review was completed, as a result the following was incurred:

Incident		
Re-appointment of service providers to continue with the service	-	142,100
Contracts extended on a month to month basis with service providers	814,980	2,587,694
	814,980	**2,729,794**

Notes to the Audited Annual Financial Statements

Figures in Rand	2018	2017

40. Going concern

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

GRAP 14, Paragraph 14 requires the entity to determine whether the going concern assumption is appropriate at the reporting date. Management has determined that the going concern assumption is not appropriate due to the following:

- GRAP 14, Paragraph 15 states that "An entity shall not prepare its financial statements on the going concern basis if management determines after the reporting date either that there is an intention to liquidate the entity or to cease operating, or that there is no realistic alternative but to do so".There is no intention by the shareholder to liquidate the entity, cease operations or transfer the functions and activities of the entity.
- The entity's business plan and budget for 2018/19 was approved by the shareholder which guarantees TEDA's existence in the foreseeable future.

41. Contingencies

The entity had no contingent liabilities as at 30 June 2018.

The entity had the following contingent liabilities reported in the period ended 30 June 2017:

- Litigation is in the process on a dispute with a service provider whereby the service provider is seeking damages of R873,125 including legal costs and disbursements. The matter was resolved in the 2017/18 financial year, where no settlement was incurred by TEDA with only legal cost amounting to R47,077.

42. Events after the reporting date

The directors are not aware of any matter or circumstance arising since the end of the period that requires adjustment to or disclosure in the financial statements.




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