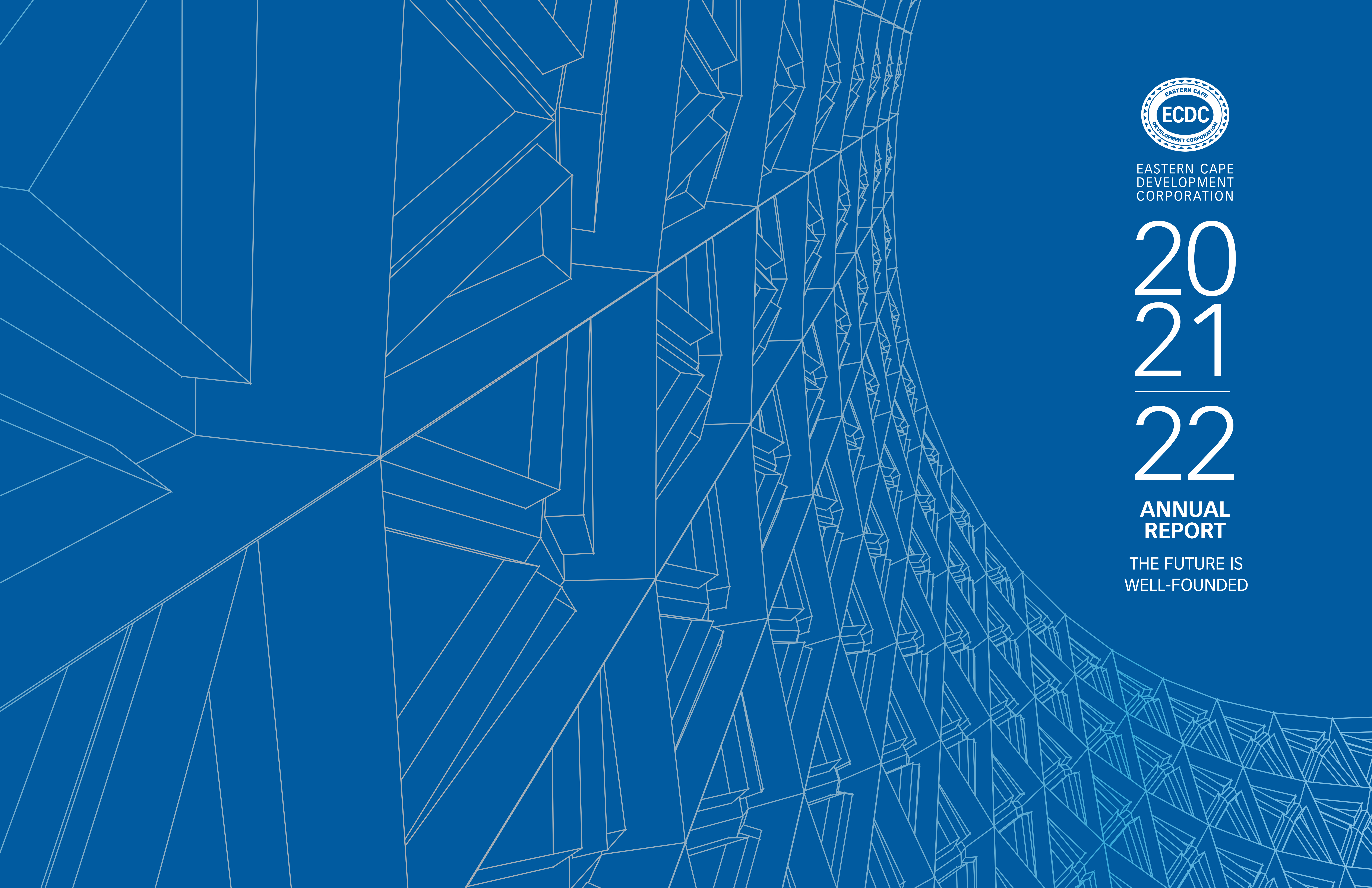


EASTERN CAPE
DEVELOPMENT
CORPORATION

2021
22

ANNUAL REPORT

THE FUTURE IS
WELL-FOUNDED

Tables and figures

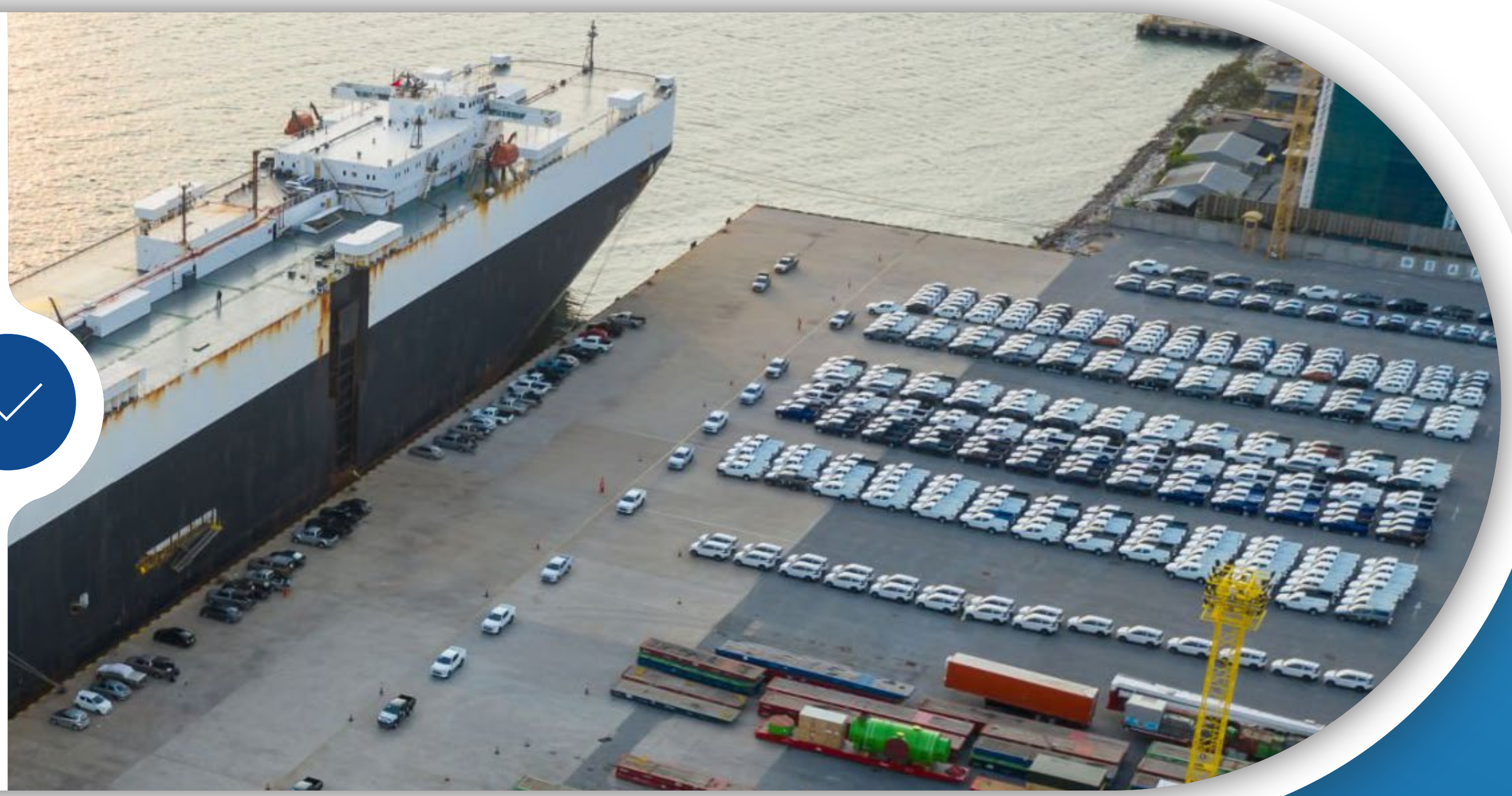
Published by: Eastern Cape Development Corporation
Ocean Terrace Park, Moore Street, Quigney, East London
PO Box 11197, Southernwood, 5231, South Africa

PR: 179/2022
ISBN: 978-0-621-50437-8
Title of Publication: Eastern Cape Development Corporation (ECDC)
Annual Report 2021/22
Enquiries: Marketing and Communications Department
Eastern Cape Development Corporation
T: +27 43 704 5600 | F: +27 43 704 5700 info@ecdc.co.za | www.ecdc.co.za

EASTERN CAPE
DEVELOPMENT
CORPORATION

CONTENTS

2021/22 HIGHLIGHTS



R32m
loan disbursements

256
SMMEs received non-financial support

78
SMMEs received funding

R16,830m
Jobs Fund disbursed

478
jobs created through loan funding

1,683
jobs saved via Jobs Fund

R15,4m
Imvaba Co-operatives Fund disbursed

R162m
value of investments facilitated

54
co-operatives received Imvaba incentive

R19,165m
raised from two property auctions

R384m
value of exports facilitated

R10,2m
fee income from project implementation services

PART A

About Us

In 2020, the ECDC began reviewing its business model to ensure its long-term sustainability. The review resulted in a revised strategy approved by the Board on 3 December 2021. In support of the strategy, the ECDC has outlined its strategic goals as set out in the approved Corporate Plan for 2021/22:

The ECDC vision, mission and strategic objectives

VISION A leader in facilitating inclusive sustainable economic growth.

MISSION To promote and coordinate inclusive economic development through innovative finance and investment solutions.

OUTCOMES/ STRATEGIC OBJECTIVES

1. Competitive and sustainable micro, small and medium enterprises (MSME) sector that contributes to the socio-economic development of the Eastern Cape
2. A growing diversified and inclusive economy
3. A sustainable ECDC that offers competitive products and services.

A commitment to long-term financial sustainability underpins these objectives by making development the core of the business, securing optimal revenue streams, and ensuring sustainability during the implementation period. The Corporation will also ensure there are sound strategic partnerships and stakeholder engagements.

In addition to subscribing to the eight Batho Pele Principles, the ECDC has developed six values and related statements that promote an organisational culture and the requisite behaviour in all the people that represent the Corporation. These values are captured in the phrase "iPACTi":

The ECDC values

PROFESSIONALISM
We are defined by our positive, presentable demeanour and quest for continuous improvement.

ACCOUNTABILITY
We are answerable for our actions.

CUSTOMER CENTRISM
We place maximum value on the centrality of the customer in delivering our mandate.

TEAMWORK
We place maximum value on the centrality of the customer in delivering our mandate.

INTEGRITY
We are known for our spirit of honour, reliability, and ethical and moral standards in all our dealings with people.

The ECDC draws its mandate directly from the Eastern Cape Development Corporation Act (Act No. 2 of 1997) and is guided by the economic development priorities of the Eastern Cape provincial government.

These priorities are detailed in the Provincial Development Plan (PDP), Eastern Cape Provincial Industrial Development Strategy (PIDS) and the Provincial Economic Development strategy (PEDS), and the policy statements and budget speech of the Member of the Executive Council (MEC) of Economic Development, Environment Affairs and Tourism (DEDEAT).

The ECDC Act preamble states that the Corporation will:

> “plan, finance, coordinate, market, promote and implement development of the Province and its people in the fields of industry, commerce, agriculture, transport and finance”.

To ensure effective delivery of the mandate, the core service delivery pillars are:

a. Development Finance and Business Support.
b. Trade, Investment, and Innovation.
c. Properties (inclusive of infrastructure projects).

These are supported by:

a. Office of the CEO (Enterprise-Wide Risk and Internal Audit).
b. Finance inclusive of Supply Chain.
c. Corporate Services (HR, IT, Records and Document Management, Marketing, Communications and Stakeholder Management, Strategy, Monitoring and Evaluation and Economic Research.
d. Legal, Compliance and Corporate Governance.

The ECDC’s Head Office is located in East London. It implements its work through regional offices in the following regions:

a. East London (satellite offices in Qonce);
b. Gcuwa;
c. Mthatha;
d. Komani (satellite office in Aliwal North); and
e. Gqeberha.

In terms of the ECDC group governance structure, the Corporation has a number of subsidiaries which are outlined in Figure 1.

Figure 1. ECDC Group structure

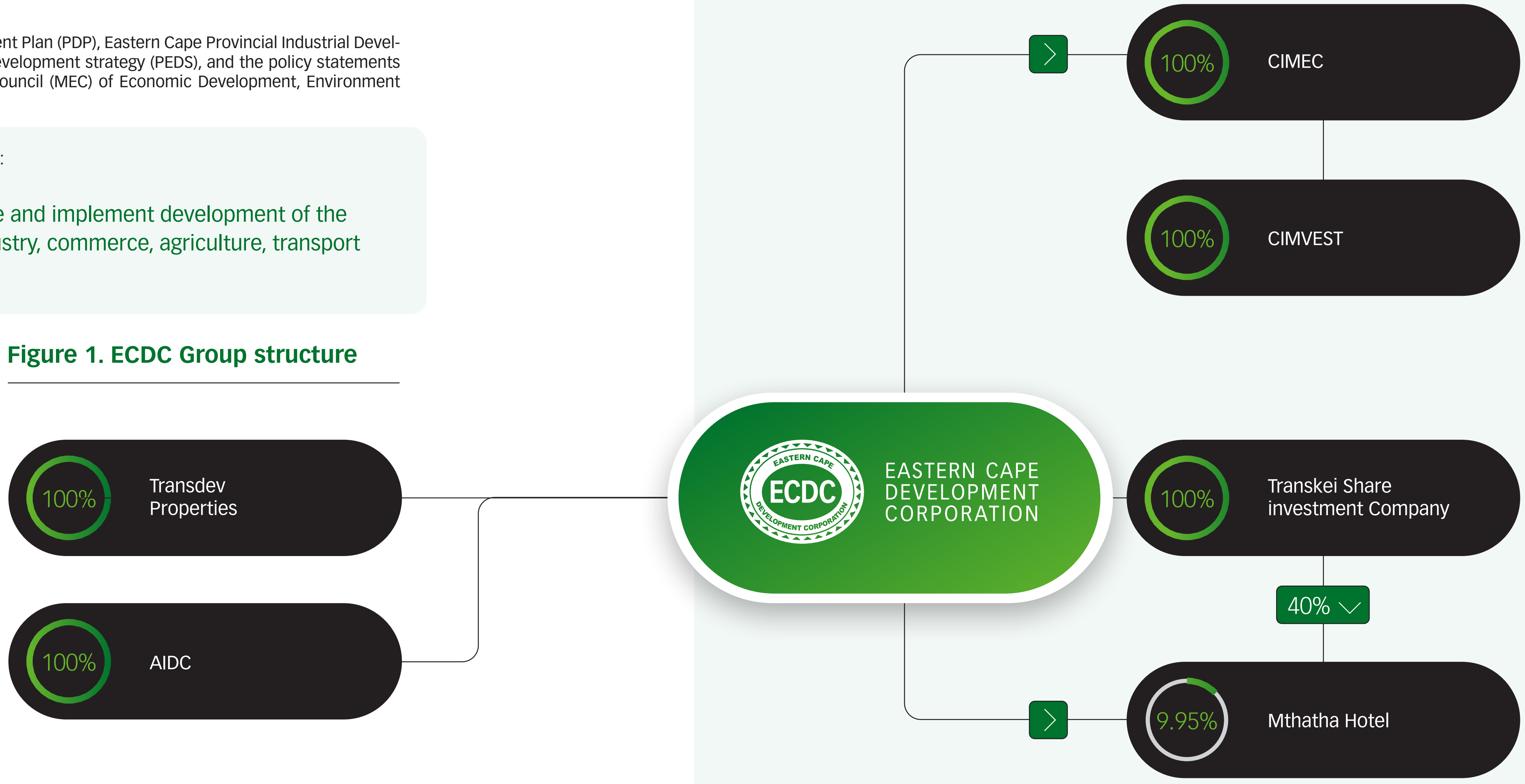
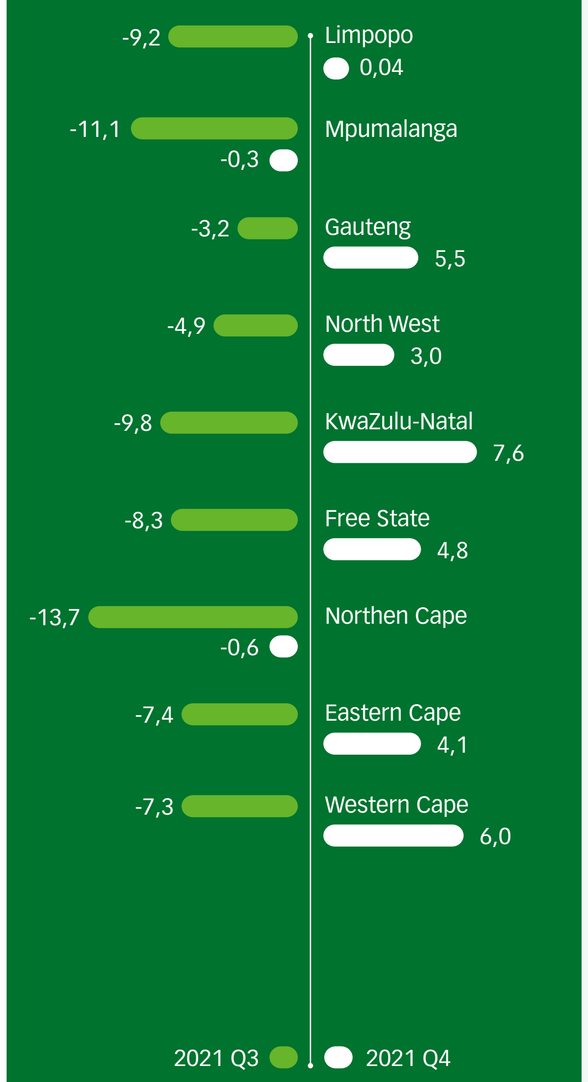


Figure 2. GDP growth by province 2021Q3 - 2021Q4 (%)



Source: Quantec estimates

2. Eastern Cape economic indicators

An overview of the economic indicators illustrates the economic environment within which the ECDC operates:

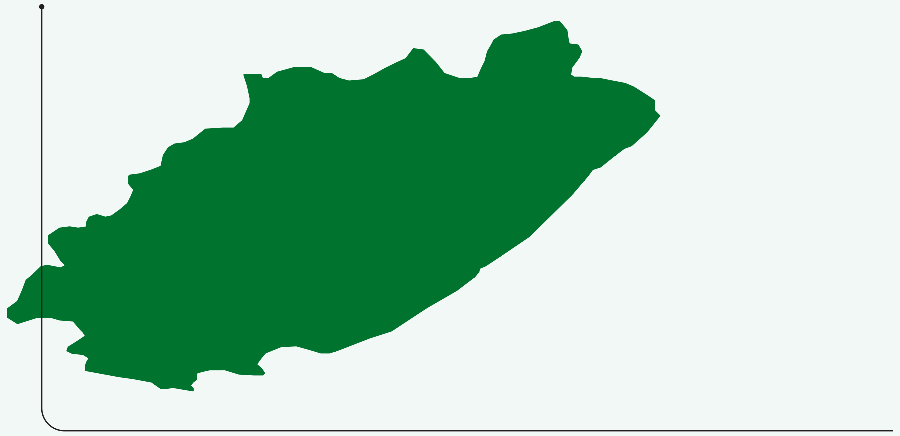


Figure 3. Eastern Cape sectorial performance 2020Q4 – 2021Q4 (%)

Source: Quantec estimates

Table 1. Eastern Cape industry GVA growth 2021Q2 – 2021Q4 (values in %)

Sectors	Quarter-on-Quarter Change			Year-on-Year Change		
	2021Q2	2021Q3	2021Q4	2021Q2	2021Q3	2021Q4
Agriculture, forestry and fisheries	44.8	-60.7	56.8	22.0	-2.9	2.3
Mining and quarry	20.5	9.7	-0.1	59.3	12.6	12.6
Manufacturing	-5.4	-15.2	12.5	41.3	0.2	-2.1
Electricity and water	0.5	-2.1	-16.4	12.3	-1.1	-5.3
Construction	-3.0	-1.6	-7.4	17.3	1.0	-2.7
Wholesale and retail trade	9.4	-24.0	5.8	31.7	-2.0	-2.0
Transport and communication	25.1	-9.5	5.0	26.5	4.8	3.0
Finance, real estate and business services	-3.6	3.2	-4.5	9.4	3.6	-0.3
Community, social and other services	9.9	1.6	10.5	9.0	5.1	6.0
General government services	-1.8	1.1	-1.3	0.1	0.2	-0.4

Source: Quantec estimates

Figure 4. Unemployment rate by province, 2021Q3 – 2021Q4

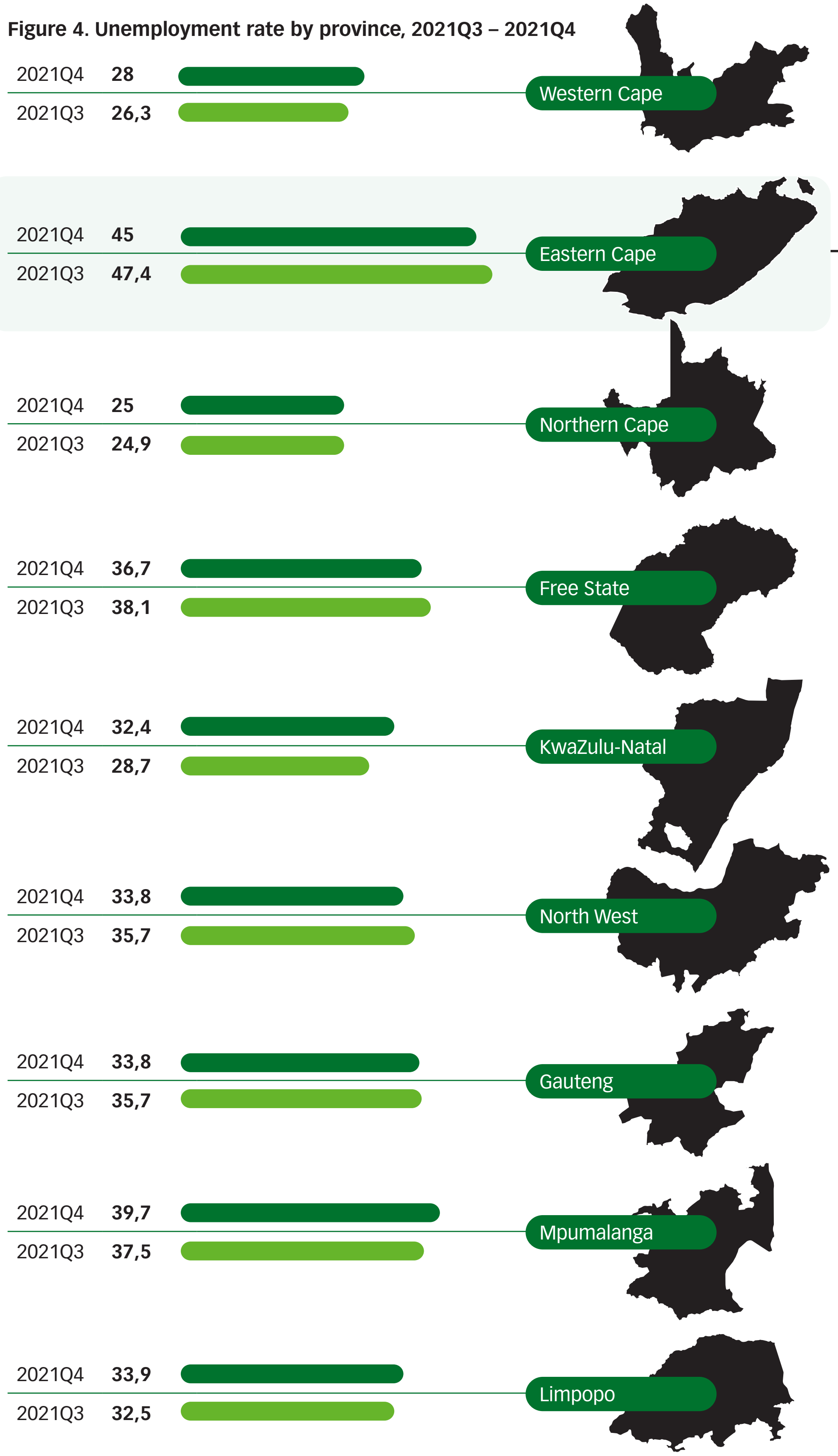


Table 2. Employment trends by industries in the Eastern Cape 2020Q4 – 2021Q4 (narrow definition)

	2020Q4	2021Q1	2021Q2	2021Q3	2021Q4	Quarter-on-Quarter Change
Agriculture	101	101	82	107	108	1
Mining	2	1	1	1	4	3
Manufacturing	102	108	115	126	115	-11
Utilities	5	10	4	5	5	0
Construction	115	120	112	122	128	6
Trade	231	244	252	198	228	30
Transport	82	81	70	78	84	6
Finance	125	157	118	133	147	14
Community services	365	365	376	367	333	-34
Private households	107	111	105	79	97	18

Statement of responsibility and approval

The external auditors are engaged to express an independent opinion on the annual financial statements. The annual financial statements of the Corporation are prepared according to the International Financial Reporting Standards and are based upon the appropriate accounting policies consistently being applied and supported by reasonable and prudent judgments and estimates.

The directors place considerable importance on maintaining a strong control environment. To this end, the directors set the standards for internal control that aim to reduce the risk of error or loss cost-effectively. These 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. During the year under review, the controls were monitored throughout the Corporation as is reasonably possible, and all employees were required to maintain high ethical standards in ensuring the Corporation's business was conducted in a manner that was above reproach in all reasonable circumstances.

The Corporation's risk management focus is to identify, assess, manage and monitor all known forms of risk across the Corporation. While the Corporation acknowledges that operating risk cannot be fully eliminated, it endeavours to minimise it by ensuring that appropriate infrastructures, controls, systems and ethical behaviour are applied within predetermined procedures and constraints.

The Directors' opinion is that the internal control system provides reasonable assurance that the financial records may be relied upon to prepare the annual financial statements. Any internal control system can provide only reasonable, and not absolute, assurance against material misstatement or loss.

Chairperson

Chief Executive Officer

Chief Financial Officer

ECDC Board Members

Vuyani Jarana
Chairperson of the Board
Committees:
Governance & Nominations

Simpiwe Somdyala
Deputy Chairperson
Committees:
Governance & Nominations
Funding & Investment

Tracy Cumming CA(SA)
Committees:
Audit, Risk & Compliance

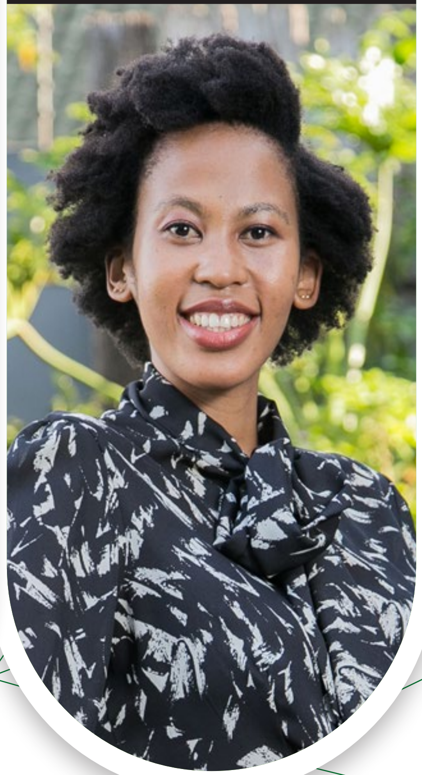
Nolitha Pietersen CA(SA)
Committees:
Audit, Risk & Compliance
Funding & Investment

Pumeza Bono
Committees:
Human Resources &
Social & Ethics

Dr Makaziwe Makamba
Committees:
Human Resources &
Social & Ethics

Thobile Buthelezi
Committees:
Human Resources &
Social & Ethics
Funding & Investment

Siyabuka Siko CA(SA)
Committees:
Funding & Investment
Human Resources &
Social & Ethics



Boniswa Koneti
Committees:
Funding & Investment
Human Resources &
Social & Ethics

PART B

Chairman's Statement

The journey has begun to rebuild the ECDC into a capable and fit-for-purpose development corporation capable of executing its mandate. The journey started in the 2021/2022 financial year, the inaugural year of the current Board. It began with the Board and executives undertaking a profound diagnosis of the challenges that have hampered the organisation over the past few years. The Board crisscrossed the province, physically and virtually, engaging with various stakeholders and listening to their inputs. The stakeholder engagement programme culminated in the finalisation of the ECDC's forward-looking strategy.

To all the stakeholders who took the time to engage with us, thank you for contributing to building a fit-for-purpose ECDC. We remain eternally indebted to you.

During the past few years, the ECDC's ability to assume its rightful role as the leading development organisation and development finance institution of the Eastern Cape has been severely curtailed. Our strategy diagnosis has revealed several challenges that need urgent intervention to renew the ECDC successfully. These include the management of the property portfolio, liquidity constraints in the lending business, internal organisational capabilities and business processes.

To fulfil its economic development mandate, the ECDC must be self-sustainable. It must generate sufficient revenues to cover its operating expenses and a surplus to finance the Eastern Cape's development. The ECDC'S primary revenue source is its property portfolio which it leases to businesses and individuals for commercial and residential use.

Over the years, the ECDC's property portfolio has performed poorly, thus negatively impacting the ECDC's financial sustainability. Weaknesses in the portfolio have also limited the ECDC's ability to build new trading spaces for new market entrants, especially youth and women-owned enterprises, and the provision of loans to small, micro and medium enterprises (SMMEs).

The illegal occupation of the ECDC's properties, whether through deliberate action by organisations such as the Public Assets Community-based Tenants and Owners Association (PACTOA) or by tenants refusing to pay rent, is the main contributor to the current crisis. The illegal occupants of our properties are exploiting the legal and judicial system to subvert the will of the people of the Eastern Cape.

The illegal occupation of the ECDC's properties, whether through deliberate action by organisations such as the Public Assets Community-based Tenants and Owners Association (PACTOA) or by tenants refusing to pay rent, is the main contributor to the current crisis. The illegal occupants of our properties are exploiting the legal and judicial system to subvert the will of the people of the Eastern Cape.

The people of the Eastern Cape want a growing economy, access to finance and trading facilities such as factories, and other commercial spaces to start and grow businesses. They need an economy that creates jobs and which improves livelihoods. A sustainable and fit-for-purpose ECDC should be at the epicentre of a transformed and vibrant provincial economy.

Unless we act together to regain control of the ECDC's properties, it will be difficult for the ECDC to achieve these critical goals.

Illegally occupying an ECDC building or refusing to pay rent is not only impacting the ECDC's ability to discharge its mandate, but such actions stand in the way of progress, and they are depriving the increasingly unemployed youth of economic opportunities.

To all those illegally occupying the ECDC's properties, including those who believe they have a legitimate reason to withhold rent from the ECDC by exploiting the judicial processes, we call upon you to join us as we rebuild the ECDC and create a better future for our youth in the province.

The review period has been yet another challenging year for the South African economy. Likewise, the Eastern Cape economy has been significantly impacted. Businesses are still struggling to recover from the impact of the COVID-19 pandemic. However, we are proud to have supported small businesses using instruments such as contract finance and the Jobs Stimulus Fund. We have achieved this milestone despite liquidity challenges which have limited the ECDC's ability to provide loan finance to SMMEs.

The Imvaba Co-operatives Fund has made tremendous strides in the province's co-operatives sector. Our property modernisation programme has commenced and is expected to reach peak acceleration during the latter half of the 2022 /2023 financial year.

To the entrepreneurs, especially youth start-ups looking to the ECDC for financing, we apologise for the years the ECDC has been unable to meet your needs. Thank you for your patience as we rebuild this vital organisation. The 2022/2023 financial year will see an early harvest from our endeavours in the renewal programme. We will deliver the necessary fruits for the picking.

The modernisation programme seeks to improve yields from the property portfolio through the disposal of non-strategic vacant land, residential and commercial properties, and the revitalisation of industrial parks and strategic commercial and residential properties.

Notwithstanding the complexities of land claims and other contestation, the ECDC raised about R19 million through the disposal of non-strategic properties in the period under review. The ECDC will partner with those institutions with title to the land, such as government entities, municipalities, communities or traditional authorities, to drive development.

Too much time and energy is spent contesting land ownership to the detriment of growth. However, commercial and legal agreements that stimulate development, regardless of the ownership of the underlying land could be concluded.

To the communities who might be engaged in lengthy land disputes and postpone development, a new social compact for development must be found to deal with these complexities and advance economic development.

As we set the organisation on a path of renewal towards a fit-for-purpose development corporation, we are mindful of how unsettling, and traumatic change can be to the internal organisation, its customers and its people. We have committed ourselves to a people-centred and inclusive organisational renewal programme.

A new high-performance and customer-focused culture, underpinned by integrity, trust and fairness must emerge as we transform the ECDC into a leading development organisation endowed with top-end skills, modern technology platforms and systems and effective partnership ecosystems.

To the employees of the ECDC, thank you for your dedication and trust in the change process. We can only create a better ECDC when we act purposefully together to deliver on our shared vision.

While Rome was not built in one day, the urgency to accelerate economic recovery and deal with chronic youth unemployment can never be over-emphasised. We recognise the role we ought to be playing in this regard.

To our shareholders and the rest of the government of the Eastern Cape, we thank you for the trust and support for the strategy and the impatience and push for results.

Vuyani Jarana
Chairperson of the Board

ECDC Executives

Ayanda Wakaba
Chief Executive Officer

Nielesh Ravgee
Chief Financial Officer

Mandla Mpikashe
Executive Manager:
Legal, Compliance and Governance

Dr Lesley Govender
Executive Manager:
Corporate Services

Mayibongwe Geqeza
Acting Head:
Development Finance and Business Support

Craig Thompson
Head:
Properties and Strategic Projects

Phakamisa George
Acting Head:
Trade, Investment and Innovation

PART C

Chief Executive Officer Report

I am pleased to present the Eastern Cape Development Corporation's annual report for the 2021/22 financial year. I assumed the Chief Executive Officer's position during this review period. Leading the ECDC is a formidable assignment as it carries, amongst others, the aspirations of thousands of entrepreneurs and enterprises which rely on its empowering business support instruments.

I took over the reins when the business atmosphere was significantly impacted, made more arduous by the lacklustre economic environment in which the Corporation operates. The effects of the COVID-19 pandemic, which threaten sustainability imperatives, continue to be felt across the entire business and socio-economic ecosystem.

In response, the Board impressed upon management the need to undertake a strategic appraisal of the organisation's performance aimed at identifying the pillars for the effective and efficient delivery of the mandate. The objective of the exercise is to create business support packages which promote business growth, sustainability and the overall competitiveness of small businesses.

STRATEGY REVIEW

The process resulted in a considered and timeous strategic review process which has helped rethink and reimagine the ECDC in shape, form and function. The strategy review clarified the Corporation's objectives and the roadmap it needs to follow to sharpen its efficacy as an economic development apparatus

The strategy review unearthed several internal weaknesses that needed urgent attention to ensure improved organisational performance. Similarly, the review highlighted numerous opportunities which should result in a reconfigured provincial socio-economic architecture. The review also reiterated the ECDC's commitment to driving a growing, diversified, inclusive and robust Eastern Cape economy.

The strategy review recognised the need for a renewal process that charts a new strategic direction for the Corporation. The renewal aims to unlock the Corporation's creative and human resource potential. The ECDC is now well-primed to support the development of a competitive and sustainable small, medium and micro enterprise (SMME) ecosystem that contributes to the province's socio-economic aspirations. The goal will be achieved through a sustainable ECDC that offers competitive products and services.

Subsequently, the ECDC has identified priority areas to consolidate its development agency and development finance institution aspirations. These include transforming the enterprise finance and property functions into commercially-viable concerns while establishing economic coordination and sector support capabilities. The priorities include the promotion of mid-tier and small-scale manufacturing as well as the re-introduction of the risk capital and project development functions. The Corporation is also prioritising the organisational development and recapitalisation conversations with the shareholder as well as strengthening economic development planning.

ORGANISATIONAL DEVELOPMENT

The ECDC is cognisant that the skill set of its human resources ought to be matched with the demands of the corporate strategy. The skill set matching ensures that human resources respond to the delivery of a broad and complex mandate. As such, in 2021/22, the ECDC invited qualified service providers to assist with planning, developing and implementing an appropriate organisational design to align its people, processes and systems with the revised corporate strategy. The service provider was appointed at the end of the third quarter of the 2021/22 financial year. A process to address challenges in the organisational structure commenced at the beginning of the fourth quarter. During the period under review, successful briefing sessions were held with various departments and organised labour.

As part of the organisational design process, the ECDC will also conduct a culture assessment in 2022/23. The roll-out of the culture assessment aims to bridge the gap between culture and strategy. The Board also approved a succession planning policy and operating procedures. The policy seeks to create another avenue for staff development that will be implemented as budgets become available.

The organisation is beginning to reap the rewards of this renewal exercise, particularly with its property management mandate. A breakthrough was achieved in 2021/22 with a budget allocation of R134m over three years (2022/23 – 2024/25) for the Corporation's property refurbishment programme. Although this figure is about half the requested amount, it is a significant allocation for the refurbishment programme.

I am grateful for the support of the stakeholder and business community for the renewal programme. In particular, I sincerely thank the shareholder and Eastern Cape Provincial Treasury for their positive engagement during various capitalisation conversations.

In 2021/22, the Corporation developed a property modernisation strategy. The implementation of the strategy has gained traction with the ECDC conducting an extensive review of its property portfolio holdings which included identifying core strategic assets and non-core assets. The modernisation strategy is pillared on rationalising for productivity, transforming for efficiency and investing for growth. The modernisation strategy is aimed at correcting the portfolio anomalies to produce sustainable economic returns.

During the period under review, the Corporation continued with the disposal of its non-core residential component. The capital raised from the disposal will fund the envisaged improvements in the commercial and industrial property portfolios. The Corporation is also pursuing private sector partnerships geared toward developing and operating high-potential commercial properties.

In 2021/22, the Corporation held two property disposal auctions that raised R19,2m from selling 56 non-core property assets. Land claims have hampered the public auctions in the Mthatha region, where the bulk of assets identified for disposal are located. The disposal programme has been revised to focus on property assets where no land claims exist and those in other property nodes.

R134m

budget allocation over three years for the Corporation's property refurbishment programme

R19,2m

raised from two property disposal auctions

56

non-core property assets sold

Another challenge is the 138 invaded properties in Mthatha, comprised mainly of residential flats. The invasions began in 2018 and are costing the institution about R11m a year. While criminal prosecutions have been slow, the Corporation is pleased that the National Prosecuting Authority is ready to prosecute these cases. It has resulted in some invaders approaching the ECDC to find ways to normalise the situation. Consequently, the ECDC and the Public Assets Community-based Tenants and Owners Association (PACTOA) have agreed to the orderly return of the invaded properties to avoid property damage and social upheaval in Mthatha.

OPERATIONAL ENVIRONMENT

The Corporation increased its resolve to stimulate robust economic growth through focused investment and development coordination of strategic sectors. The work of the Corporation is premised on the promotion of economic transformation, which promotes the global competitiveness of the local SMME sector and the deployment of customer-centric solutions. The ECDC's services must become a positive experience for the entrepreneurs dealing with the adverse after-effects of the COVID-19 pandemic.

The ECDC is responding to these prevailing economic realities and the challenges faced by SMMEs with innovative customer-centric solutions for its development finance and business support functions. The ECDC offers SMME support packages that include enterprise finance, business incubation, non-financial support, and the Jobs Stimulus and Imvaba Co-operative Funds to stimulate economic growth and activity.

In 2021/22, the Corporation undertook various trade and investment activities that support local entrepreneurs whose businesses were heavily impacted by their inability to access foreign markets due to the COVID-19 restrictions. These businesses are better empowered, due, in part, to the Corporation's trade missions and support programmes which prepared the companies for re-entry to global markets. The Corporation also responded by exploring opportunities in Africa's developing and fast-growing markets, the lucrative United States and European markets that will benefit Eastern Cape exporters. These efforts resulted in the ECDC establishing partnerships targeted at meeting trade objectives.

The investment climate in 2021/22 was strained, resulting in the ECDC embarking on campaigns to promote the province as an attractive and compelling investment destination. The ECDC's participation at the Dubai Expo was anchored on attracting European Union (EU) investment to the region. These campaigns resulted in new interest from EU and United Arab Emirates companies. The Corporation also engaged with the European Commission to identify new investment opportunities for the Eastern Cape.

The Corporation has continued to attract investment in the province's growing film industry. In 2021/22, the ECDC hosted the eighth series of the international television reality show, Survivor, with the ninth series also confirmed to take place in the province.

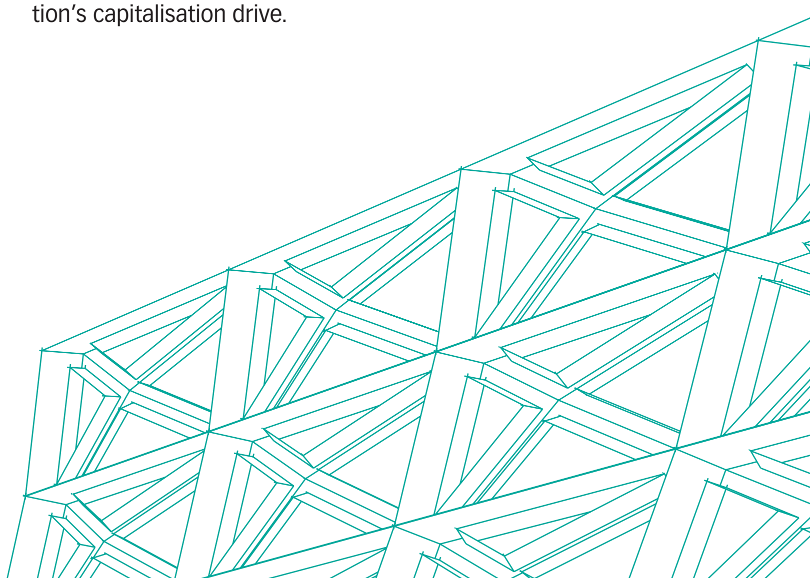
> The Corporation has concluded a partnership to establish a film studio at the Fish River Resort in the Ngqushwa Local Municipality.

The Corporation has identified film festivals as an attractive and profitable marketing outlet for Eastern Cape film productions.

FINANCIAL SUSTAINABILITY

> The Corporation realises the need to maintain a tight balancing act to deliver on its development mandate while remaining cognisant of its financial sustainability imperatives.

The Corporation's viability requires a diligent and resourceful use of financial and other assets to promote sustainability. This is an absolute imperative for an institution charged with a complex development mandate that includes planning, financing, coordinating and marketing high-value economic development programmes. It is, therefore, crucial that the audit outcomes of the ECDC reflect a firm commitment to sound corporate governance principles. I am, therefore, pleased that the ECDC has attained its seventh consecutive unqualified audit opinion in the 2021/22 financial year. Sensible use of the ECDC's financial resources builds public confidence and boosts shareholder trust and support for the Corporation's capitalisation drive.



OPERATIONAL HIGHLIGHTS

Despite a complex operational environment in 2021/22, the ECDC remains resilient and continues to offer high-value SMME support packages that improve performance, productivity and sustainability.

However, due to fiscal and budgetary constraints, the enterprise finance function only offered two short-term loan products in 2021/22. These loans are order and invoice-based, and are predominantly taken up by SMMEs with government contracts. Due to their short-term nature, the ECDC has experienced excellent collection rates on new loans advanced through these products.

Of the total loan portfolio, R60m (46%) was primarily old and historic debt. Loans amounting to R17,9m (14%) of the total portfolio are at risk and, therefore, doubtful. The level of non-performing or impaired loans is high. This requires the strengthening of credit risk management.

During the 2021/22 financial year, the ECDC disbursed R32m in enterprise finance to 78 SMMEs. This was due to an increased number of applications for invoice-based loans indicating a sustained need for the facility. Most disbursements - R17,8m - went to businesses in the services sector, largely made up of supply and delivery activities. A total of R14,2m went to construction loans. Loan repayments in 2021/22 totalled R43.8m. The average loan collection rate in 2021/22 was 74%.

R32m

in enterprise finance disbursed to 78 SMMEs

R17,8m

to businesses in the services sector

R14,2m

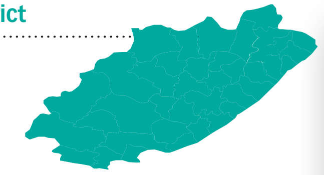
went to construction loans

74%

average loan collection rate

Enterprise finance helped create 475 jobs during the period under review. Of this number, 174 were youth jobs. Of the 78 businesses that received loan funding, 24 were women-owned, accounting for R11,6m of the disbursements while R5,4m was disbursed to 22 youth-owned businesses. The district breakdown for loans granted shows that the OR Tambo district accounted for the largest share (R11,2m) of the disbursements. It was followed by the Alfred Nzo (R10,8m), Amathole (R5m), Joe Gqabi (R2,1m), Chris Hani (R1,3m), Nelson Mandela Bay (R1,4m) and Sarah Baartman (R286,000) districts.

Loan distribution by district



OR Tambo: R11,2m
Alfred Nzo: R10,8m
Amathole: R5m
Joe Gqabi: R2,1m
Chris Hani: R1,3m
Nelson Mandela Bay: R1,4m
Sarah Baartman: R286,000

In 2021/22, the Jobs Stimulus Fund supported the retention of 1,707 jobs or 95% of the jobs retention goal. Funding commitments at year-end provided additional support, which will see the number of jobs protected increasing to 1,894 jobs and marginally exceeding the annual target of 1,800 jobs. The total amount disbursed during the year under review amounted to R37.1m which went to 65 businesses. The funding of the jobs component accounted for R17.1m of the disbursements; R20m was for working capital.

R11,6m

received in disbursment went to women owned business

24/78

women owned businesses

The Imvaba Co-operative Fund approved R13.2m for 27 co-operatives. During the period under review, R15.34m was disbursed to 54 co-operatives, including approvals from the previous financial years.

During the review period, the business support programme reached 2,538 people through training activities and business seminars. The total number of enterprises that participated in training activities was 1,393, with 889 businesses participating in ECDC-hosted business seminars throughout the province. In addition, another 256 enterprises benefited from direct business development services.

In 2021/22, the ECDC provided 55 training programmes in business operations, basic food and occupational health and safety training, business plan production, tender advice training, introduction to export training, co-operative governance and product development. Close on 1,500 (1,487) people attended the training programmes with 1,393 enterprises participating. Of the 1,487 attendees, 764 were women, 467 were youth, and 82 were people living with disabilities.

Thirty-five business seminars and workshops were held, in which 920 people participated. Of these participants, 494 were women, 353 were youth, and five were people living with disabilities. A total of 889 enterprises participated.

The Trade, Investment and Innovation unit facilitated the creation of 1,001 jobs against a target of 351 jobs in the 2021/22 financial year. The rand value of exports facilitated in 2021/22 was R384m against a target of R70m.

Sixty-two Eastern Cape enterprises participated in export promotion activities organised and managed by the ECDC.

The ECDC also facilitated investments valued at R162 million during the same period. It also recorded seven economic projects that attracted investment and created jobs in the Eastern Cape.

The property portfolio responded positively to strategic interventions during the review period. Key financial indicators demonstrate improving trends compared to previous financial years. Rental billing (rand value) increased by 13%, rental collection (rand value) rose by 14% with the rental collection, as a percentage of billing, increasing to 58% from 56%.

These improving trends resulted from a focused drive to improve the division's human resource capacity, management systems, credit control and debt collection during the period under review.

2,538

people reached with training activities and business seminars

889

businesses participated in ECDC hosted seminars

55

training programmes provided by the ECDC in the following:

- **Basic food and occupational health and safety training**
- **Business plan production**
- **Tender advice training**
- **Introduction to export training**
- **Co-operative governance and product development.**

1487

people attended the training programmes

R162m

ECDC facilitated investment value in the 2021/22

Despite the positive improvements, aspects that will require continued attention in the new financial year include debt collection, tenant management and reducing property vacancies.

The ECDC has developed an in-house capacity for the planning, implementation, and project management of large capital projects. Significant projects under implementation during the year include:

a) Dimbaza Industrial Park: Provincial Economic Stimulus Fund (PESF): New access road and bulk services (R42,332m)	R42,332m
b) Queenindustria Electrification: Enoch Mgijima Municipality: Upgrade of bulk electrical supply (R28,677m)	R28,677m
c) Dimbaza Industrial Park: PESF and Buffalo City Metropolitan Municipality: Wastewater treatment works upgrade (R35,202m)	R35,202m
d) Zanyokwe Agricultural Co-operative: Department of Agriculture, Land Reform and Rural Development (DALRRD): Hydroponic tunnels and other infrastructure upgrades (R15m)	R15m
e) Mbodla Heritage Site: DALRRD: Facilities upgrade (R4,177m)	R4,177m
f) Zuurberg Peace Heritage Site: DALRRD: Facilities upgrade (R90,606m)	R90,606m
g) Mount Ayliff Informal Trade Centre: PESF: Infrastructure upgrade (R25,975m).	R25,975m
Total	R241,969m

The infrastructure project management unit continued to offer cost-effective and professional infrastructure implementation management services to clients during the period under review. Its success is reflected in increased fee income for the year, which stood at R10,232m and represented a 100% increase on the previous year's fee income. Growth opportunities for this service remain strong for the coming year.

PARTNERSHIPS

The Corporation is aware that cultivating high-value partnerships is central to being an effective agent of social change and exerting the desired socio-economic dividend. Limited financial and other resources require special purpose government-led vehicles such as the ECDC to deploy innovative solutions for implementing the development agenda. As such, the ECDC intends to leverage partner institutions' collective energy and resources to place the provincial economy and the Corporation on a sustained growth trajectory. Existing partnerships will be supported and strengthened, while new alliances will be formed to broaden the development impact.

FUTURE OUTLOOK

The ECDC's outlook remains positive as it begins implementing the revised corporate strategy premised on developing a fit-for-purpose and high-performing development finance institution and development agency. The Corporation will continue to focus on the property portfolio to ensure that it responds to the demands of the strategy and those of the broader economic community. The Corporation will intensify the roll-out of the property modernisation strategy and raise the required capital injection to refurbish its portfolio. Careful attention will be paid to the enterprise finance and non-financial support functions to ensure that they are responsive to the needs of customers. Trade and investment initiatives will receive the necessary support to attract suitable investments to the province while opening up new markets for Eastern Cape small businesses.

APPRECIATION

Finally, I sincerely thank the Board and the executive team for their steadfast support and wise counsel. I am thankful to the Eastern Cape Department of Economic Development, Environmental Affairs and Tourism's Head of Department for policy direction and guidance. I am grateful to the Honourable MEC Mlungisi Mvoko for his support that ensures that the ECDC remains on an upward growth trajectory. I extend my appreciation to the entire ECDC staff for their support and resilience in a challenging operational environment.

Ayanda Wakaba
Chief Executive Officer

PART D

Chief Financial Officer's Report

The 2021/22 financial year represents a critical turning point for the ECDC. It embarked on a strategy renewal process to turn the institution around. It is, therefore, crucial that the audit outcomes reflect an organisation that practices sound governance processes and controls. Its alignment with this approach is evidenced by the audit opinion and its seventh successive unqualified audit opinion from the Office of the Auditor-General. As a Schedule 3D entity with a developmental mandate to plan, finance, coordinate, market, and implement catalytic development programmes, the ECDC is duty-bound to maintain a solid posture of fiscal discipline.

FINANCIAL SUSTAINABILITY

The strategy renewal process's successful implementation depends on the ECDC's corporate finance division playing critical support and administrative roles, enabling the core divisions to achieve their strategic objectives. The external auditors express the litmus test of corporate finance's efficacy through their independent audit opinion. The audit opinion indicates the fair presentation of the information in the Annual Financial Statements and the quality of the systems, processes and controls in place at the Corporation.

Over the last five years, the Corporation has progressively improved its management of public assets. The achievement of a seventh successive unqualified audit opinion bears testimony to this improvement. In the hierarchy of good governance, the next step for the ECDC is to obtain a "clean audit" outcome. A clean audit is achieved when there is no emphasis of matter items in the audit report, an unqualified audit opinion on performance objectives, and by having no findings on compliance matters. The attainment of a clean audit outcome is possible through the application of consistent controls and good governance practices throughout the year. This consistency in application should ensure that the ECDC complies with all applicable policies, laws and regulations. It should also improve how the Corporation conducts its business, thereby minimising the impairment of assets and receivables. The process requires the ECDC to marshal its collective resources toward this objective.

The financial sustainability of the Corporation continues to be a focal point for its shareholder and funder. The first initiative to address financial sustainability is developing the property modernisation strategy. This strategy aims to improve revenue collection, increase the collection rate for rental income, renovate dilapidated properties, embark on a planned maintenance programme for the next five years and dispose of non-core investment property units. Significant progress has been made, and the results for the 2021/22 year reflect the benefits of this commitment.

However, government grants are still the major current income source for the ECDC. The grants are intended to cover unfunded mandates carried out on behalf of the Eastern Cape Department of Economic Development, Environmental Affairs and Tourism (DEDEAT). Most grants are ring-fenced for specific projects determined by the shareholder or the grantors. The ECDC benefits from the administration fees which it levies for such projects. Other income sources are rental income from investment properties, investment income and interest on outstanding debts.

Important progress has been made in resolving the challenge of invaded properties. The agreement reached with Public Assets Community-based Tenants and Owners Association (PACTOA) has assisted the Corporation in managing this process outside of the normal legal process, which would have taken much longer and would not have been able to provide any guarantee of success. A further challenge with the investment properties is the ECDC's inability to maintain such investments effectively. The maintenance backlog directly impacts the Corporation's ability to charge market-related rentals. The strategy review process is intended to address these challenges in a piecemeal manner so that a sustainable solution is obtained that prevents future lapses and places these properties back to their current state.

FINANCIAL POSITION

Assets

The ECDC's financial performance is reflective of a healthy balance sheet. The statement of financial performance reflects total assets of R1,681bn (2021: R1,638bn) with a net asset value of R1,321bn (2021: R1,308bn). It is mainly due to the value of the ECDC's investment property, which is disclosed at R1,295bn (2021: R1,293bn). Investment property consists of several commercial and residential properties throughout the Eastern Cape Province. Most properties are concentrated in and around the King Sabatha Dalindyebo, Mnquma, Buffalo City and Chris Hani municipalities.

R1,321b **net asset value (2022)**	↑	R1,308b **net asset value (2021)**	R1,295b **property value (2022)**	↑	R1,293b **property value (2021)**

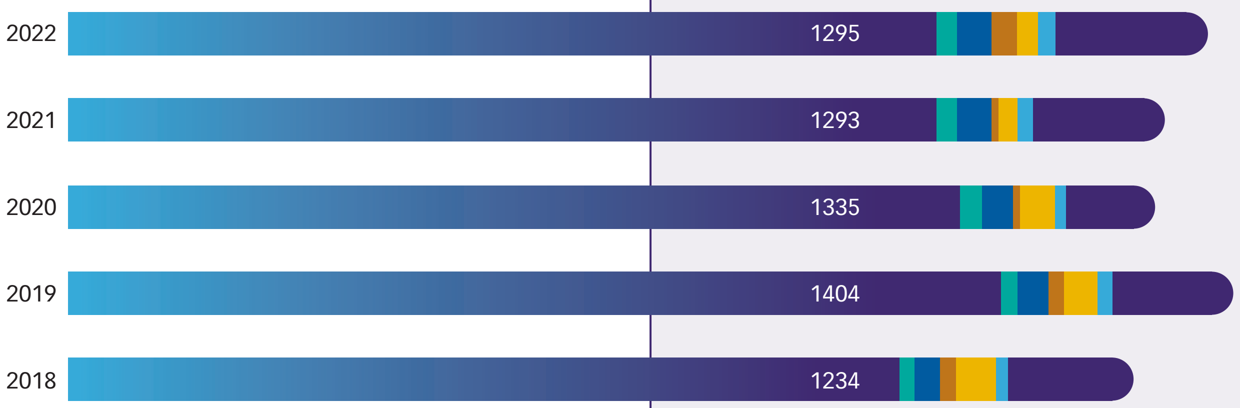
R1,681b

The ECDC has started disposing of non-core properties to optimise its extensive investment property holdings. It should allow the ECDC to focus on its core business. The corporation's non-core properties disposal strategy is ongoing and started well, with success achieved at a number of the public auctions held during the year under review. The ECDC's balance sheet does not reflect its developmental goals in that the loan book value compared to investment properties value is disproportionate, considering the ECDC's role as a development financier.

The following table reflects the ECDC's composition of assets over the last five years:

Table 3. Financial position – total asset composition for the last five years

	2018	2019	2020	2021	2022
Investment property	1234	1404	1335	1239	1295
Property, plant & equipment	26	26	36	37	35
Investment & loans in group entities	43	52	53	55	57
Investments	25	24	9	13	41
Loans advances	65	53	59	35	31
Trade and other receivables	21	25	15	23	25
Cash & cash equivalents	172	165	113	182	197



The investment property portfolio remains its most important asset class. The cash and cash equivalents figure reflects significant cash reserves, but approximately 95% of these funds relate to deferred revenue grants, which are ringfenced for specific projects.

Liabilities

Total liabilities of the Corporation for the financial year are R360m (2021: R330m). The two items that make up more than 55% of the value are deferred income, trade, and other payables. Deferred income is R178m (2021: R130m) and relates to funds received for specific projects but are unspent at year-end. Trade and other payables amount to R75m (2021: R95m) of which approximately 30% relate to commitments incurred due to the projects being implemented with grant funds. The ECDC has a liability of R47,6m owed to Treasury for funds to be surrendered. It relates to the 2018/19 financial year, but the Corporation has not had adequate funds to clear this obligation.

Reserves

R427m
Share capital

R416m
pre-incorporation reserves

R478m
Retained income

Reserves are disclosed at R1,321bn (2021: R1,308bn). The items which make up this figure is share capital of R427m (2021: R427m), pre-incorporation reserves of R416m (2021: R394m) and the balance being retained income.

Although the asset and reserve base reflects a healthy position, the liquidity of the Corporation is a challenge. Strategies will be developed over the Medium-Term Expenditure Framework (MTEF) period to address this challenge.

FINANCIAL PERFORMANCE

Overall, the financial performance of the ECDC reflects an operating loss for the year of R9,111m compared to a deficit of R58,263m for the previous year. The improvement is due to the increase in grant allocation during the 2022 year.

During the current year, there was a fair value gain of R9m (2021: R4m). The under-recovery of rent from investment properties requires a strategic approach to be developed to improve the current financial performance. The outstanding rent is also impaired at over 75% due to the poor collection rate, age of the debts and low recoverability rate through litigation.

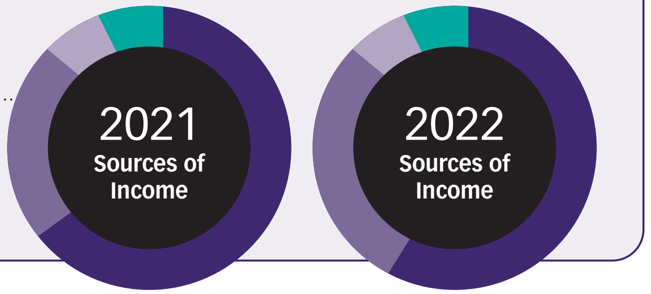


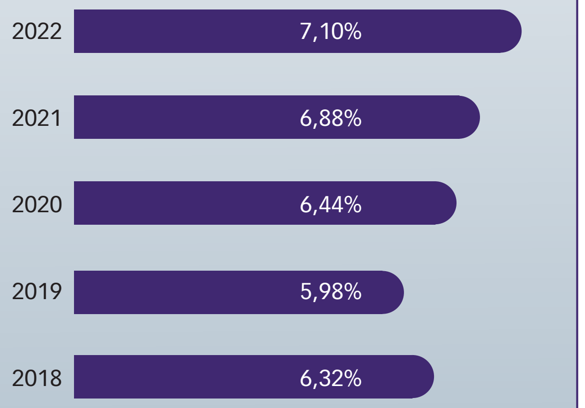
Figure 5. Comparative sources of income for the last two years:

- **Government grants: 193 (2021) • 269 (2022)**
- **Rental income: 89 (2021) • 92 (2022)**
- **Interest income: 25 (2021) • 26 (2022)**
- **Other income: 21 (2021) • 28 (2022)**

There was a marginal increase in rental revenue, interest revenue and investment income. An increase in government grants assisted the ECDC in reducing the deficit.

The yield on investment property portfolio shows an improvement over prior years, and the strategy is to continue to improve this yield over the MTEF period. A yield of 7,1% was achieved during the 2021/22 financial year. There has been a steady improvement over the last five years.

Figure 6. Percentage yield on average investment property, % efficiency



FOCAL AREAS

The ECDC intends to focus on resolving the following challenges over the MTEF period.

Governance

An improvement in governance will assist the ECDC in achieving a "clean audit", and assure the shareholder and other potential donors that it can effectively manage projects and the concomitant funding. It will increase its capacity to generate more revenue.

Revenue collection

The current yield on investment property is due to the low recoverability rate. Two factors need to be addressed to improve this ratio. The first is to ensure that efforts to collect revenue are stepped up, and actions are put in place to achieve sustainable collection rates of between 80% and 90%. The second is to secure adequate funding to undertake comprehensive maintenance of the property portfolio. it will reduce the impairment and improve overall cash flow. A request to the shareholder for the recapitalisation of the investment portfolio has been confirmed by the Provincial Treasury. Capitalisation funds will be allocated in the new financial year.

Loan recovery

The low recovery of loans also impacts the cash flow of the Corporation. The loan portfolio must be recapitalised, and at the same time, stringent approval processes must be developed and implemented to ensure the recovery of loans. A further focus on business development and a period of business support must be considered to ensure that supported businesses get off the ground, become sustainable, successful and are then able to refund the loans within the agreed terms and conditions. The options to leverage current loan capital to generate more funds which may be issued to clients in terms of blended finance arrangements are being investigated.

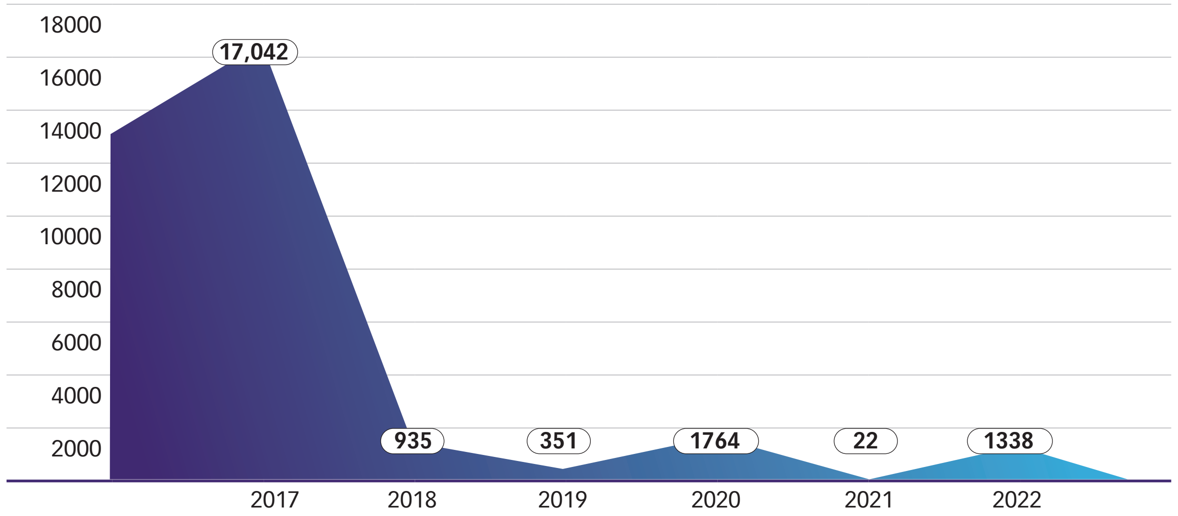
Reporting and business process automation

The lack of adequate resources to capacitate the Corporation forces it to review its deployed processes and systems. Improving the ECDC's reporting capability will enhance the actions taken by divisions. It will also result in savings because some positions are no longer considered critical. Duties can be shifted to operate effectively. Directly linked to reporting is the tool to create such reports. The reporting module is being reviewed to generate more credible and informative reports that allow management to make strategic decisions.

Expenditure management

It is a general concern across most organisations. Basic efficiencies have been implemented over the last few years. Still, the ECDC requires creative thinking and unusual initiatives to improve how it uses technology to achieve more. The concept of achieving more with less is more critical now than ever. The ECDC strives to contain the extent of irregular expenditure. In the last five years, the ECDC has been able to contain irregular expenditure below R1,7m. During the period under review, irregular expenditure was R1,3m.

Figure 7. Irregular expenditure



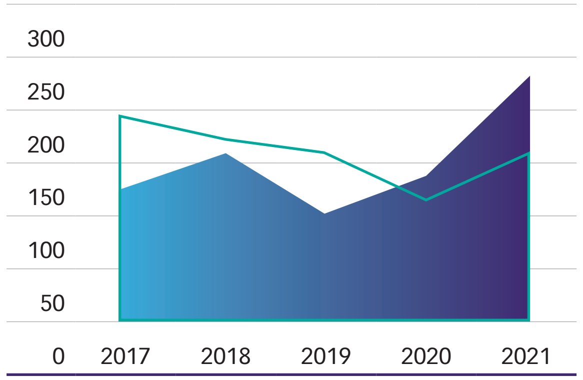
Going concern

The auditors have again expressed reservations about the ECDC's ability to continue as a going concern in the foreseeable future. Management has conducted a comprehensive assessment and is comfortable that the ECDC will be able to continue as a going concern despite the negative indicators which have been noted. The factors in favour of the ECDC are:

- It continues to carry out various mandates on behalf of the government.
- The government sees the ECDC as a critical vehicle to assist in addressing initiatives to improve the Eastern Cape's economy and provide support to SMMEs within identified sectors.
- Despite liquidity challenges, the ECDC has managed its finances exceptionally well and has ensured that operations are within its available funding constraints.
- The ECDC continues to play a vital role in issuing loans and providing business support to SMMEs who could not secure such loans from traditional financial institutions.

The current ratio of the ECDC continues to reflect inadequate cash resources and is a trend that has continued for the year under review.

Figure 8. Current ratio

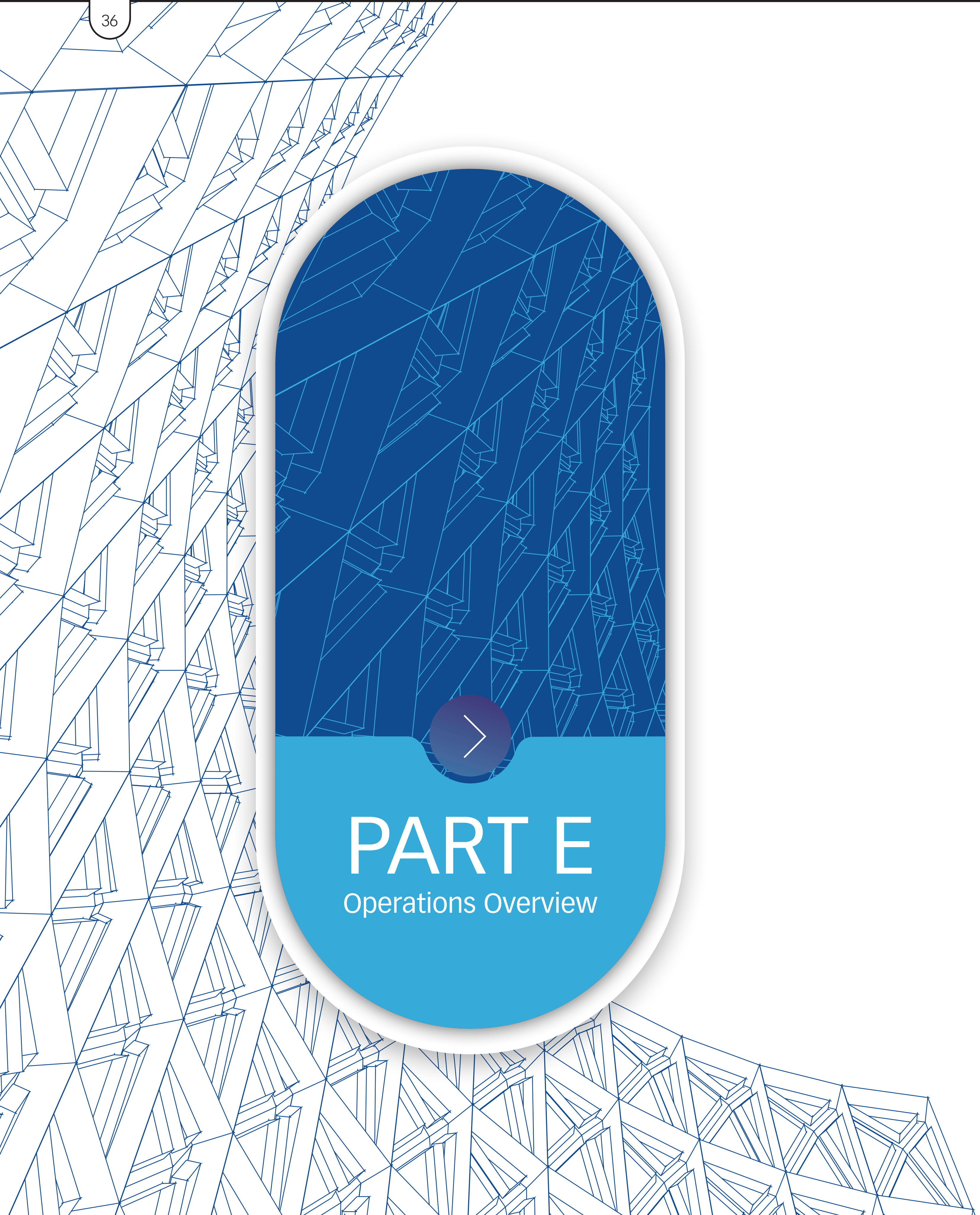


Subsidiaries and associates

The subsidiaries which are included in the Group disclosures are Transdev Properties (SOC) Ltd, the Centre for Investment and Marketing in the Eastern Cape (NPC), Cimvest (Pty) Ltd and the Automotive Industry Development Centre (Eastern Cape), which ECDC holds a 100% shareholding. The ECDC also owns a 98% shareholding in the Transkei Share Investments Company (SOC) Ltd.

The financial statements of all its subsidiaries have been prepared on a going concern basis and are disclosed in the related parties disclosure note in the Annual Financial Statements.

Nielesh Ravgee
Chief Financial Officer



PART E

Operations Overview

The ECDC consists of three core business units, namely, development finance and business support, trade, investment and innovation and properties. The Development Finance and Business Support unit is intended to generate revenues that contribute to the sustainability of the Corporation and the enterprises it supports. The primary drivers for the unit are capital which it on-lends and government grants that are used to assist SMMEs with non-financial support and incentives. The unit provides financial (development finance, Imvaba and Jobs Fund) and non-financial support.

The trade, investment and innovation unit promotes the Eastern Cape as a destination for investment, trade and tourism. It performs these functions through partnerships with a range of stakeholders including embassies, investment promotion agencies, Department of Economic Development, Environmental Affairs and Tourism (DEDEAT) and its entities, the Department of Trade and Industry and Competition (dtic), municipalities and other State-Owned Enterprises (SOEs) etc. The unit fulfils its objectives by facilitating foreign and local direct investment into the Eastern Cape and by providing aftercare services to existing investors. The unit also promotes trade and facilitates an increase in exports from the Eastern Cape.

The property portfolio is intended to provide returns to the Corporation through a prudent management of its residential, commercial and industrial properties. ECDC's investments in its industrial real estate takes the form of a portfolio of industrial assets at the Vulindlela Industrial Park in the King Sabata Dalindyebo Local Municipality, Ibika Industrial Park at the Mnquma Local Municipality and the Dimbaza and Fort Jackson Industrial Parks at the Buffalo City Metropolitan Municipality. The strategic projects sub-unit was established to assist in the establishment of social infrastructure and business vehicles that can help drive social development as well as financial and strategic involvement in mega projects. This contributes to the creation, saving and retention of jobs, particularly in distressed local business and in established businesses relocating to the Eastern Cape. This includes infrastructure for commercial properties, education (schools), health (clinics, hospitals and requisite accommodation), social and economic development (ECDC related industrial and commercial centers) and municipal services (water and sanitation).

DEVELOPMENT FINANCE AND BUSINESS SUPPORT

Unit mandate and objectives

The unit supports commercially-viable small, medium and micro enterprises (SMMEs) in the Eastern Cape with enterprise finance, including financial and non–financial business support services. These services intend to stimulate the local economy and alleviate poverty by retaining and creating sustainable jobs.

Enterprise finance

During the review period, the ECDC strengthened its resolve to extend empowering financial support instruments to an SMME sector adversely impacted by a challenging global economic climate. The economic challenges confronting the sector were further worsened by a COVID-19 pandemic which battered global financial markets, eroding the economic base of small businesses.

The pandemic resulted in widespread destruction leading to the closure of thousands of small businesses. The result was the loss of thousands of jobs, further causing a strain on an already burdened fiscus. The situation demonstrated the need for government-led financial support packages to stimulate economic growth and activity, mainly in the most depressed areas of the province. The ECDC responded by building customised financial support packages to cushion the SMME sector against the ravaging effects of the pandemic.

The primary intention of the ECDC's enterprise finance solutions is to inject buoyancy into the provincial economy while improving the competitiveness and productivity of SMMEs in the Eastern Cape. The intended effect is to facilitate jobs, reduce poverty and empower youth and women-owned businesses.

By design, the ECDC remains a lender of first resort for many small businesses as it carries a higher risk appetite. In practice, the ECDC services a segment of the economy with minimal security and collateral. The segment would otherwise be turned away by private lenders. The government requires the ECDC to balance its financial sustainability imperatives with the development agenda.

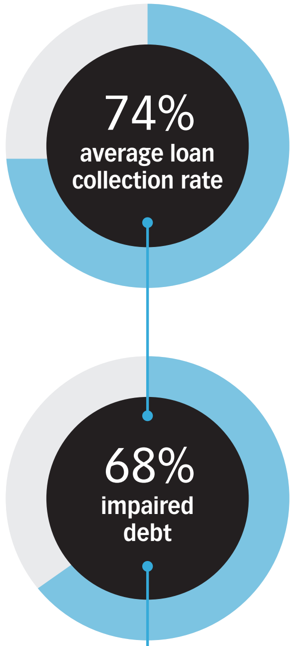
However, this higher risk appetite also challenges loan collections as SMMEs in this segment often struggle to honour their loan repayment obligations. The ECDC is duty-bound to exercise judicious management of public resources and is, therefore, compelled to collect on unpaid loans. Effective loan recovery is crucial if the Corporation is to sustain its loan funding capabilities. This is because the ECDC's enterprise finance function is an unfunded mandate which has never been capitalised since its inception.
The lack of capitalisation has eroded the loan portfolio over the years. Capitalisation is necessary to sustain this function. The lack of capitalisation means there is insufficient funding for high-value long-term loans. The trend is evidenced by funding patterns in 2021/22 which reflect that short-term loans accounted for 100% of total disbursements. It is imperative that funding institutions are sustained by revenue injections to maintain the loan business and effectively service the market.

Operational performance

As a result of fiscal and budgetary constraints, loans were limited to short-term loan products: Construction loans (WorkFlow) and trade finance (Nexus).

These loans are order and invoice-based and are used predominantly by SMMEs with government contracts. Due to their short-term nature, the ECDC has experienced excellent collection rates on new loans for these packages. Due to a large percentage of non-performing loans in the loans portfolio, the average collection rate across the entire portfolio dropped to 74% for this financial year from 75% in the previous year. It is above the accepted 70% threshold for development finance institutions (DFIs).

The non-performing or impaired loans portfolio amounted to 68% of the total portfolio. Of the total portfolio, R60m (46%) were mostly old and historical debts. Loans amounting to R17,9m (14%) of the active loan book are on a watch list for work-out or restructuring.



14% **(R17,9m) of loans are on a watchlist for restructuring**

During the 2021/22 financial year, the ECDC disbursed R32m in enterprise finance to 78 SMMEs. The figure exceeded the target of 70 SMMEs earmarked for disbursements by 11%. It was due to an increase in the number of applications for invoice-based loans indicating a sustained need for the facility. Most disbursements - R17,8m - went to services sector businesses, mainly comprised of those involved in supply and delivery activities. A total of R14,2m went to construction loans. Total loan repayments in 2021/22 were R43.8m. The average loan collection rate in 2021/22 was 74%.

Enterprise finance facilitated the creation of 478 jobs during the period under review. Of this number, 174 were youth jobs. A total of 22 youth-owned businesses accounted for R5,4m of the disbursements. Of the 78 businesses that received loan funding, 24 were women-owned, accounting for R11,6m of the disbursement amount.

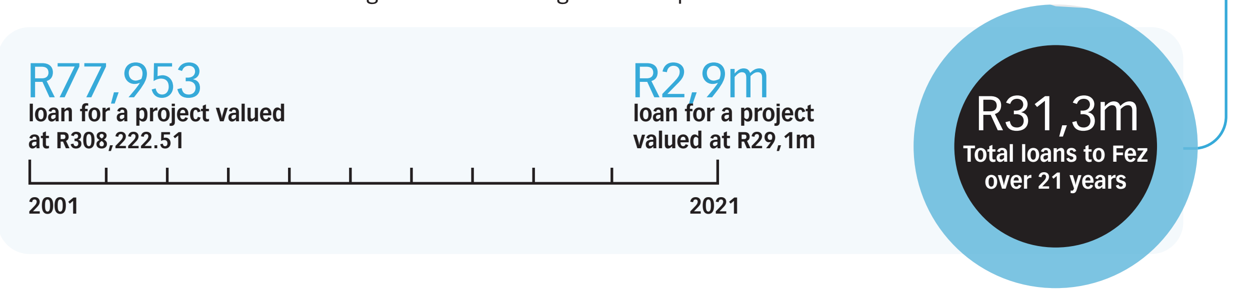
For example, the ECDC disbursed a Workflow (construction) loan of R2.5m in September 2021 to the Aliwal North-based Traction Civils Group to execute the Department of Transport contract for the re-gravelling of Milani Road and DR08205. The contract, valued at R4.7m, also included wet blading on eight other gravel roads in Ugie at the Elundini Local Municipality. The company, owned by Thabang Sekatle, settled the loan in November 2021.

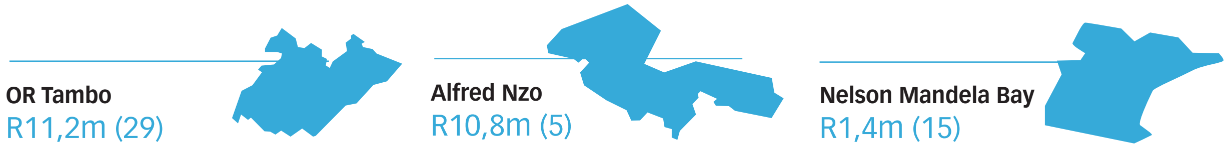
Traction Civils Group
(Workflow loan)

As a result of fiscal and budgetary constraints, loans were limited to short-term loan products: Construction loans (WorkFlow) and trade finance (Nexus).

During the period under review, the ECDC approved a Workflow (construction) loan of R2.9m to Mthatha's Fez Building Construction for constructing the Gqina Senior Primary School in Flagstaff, valued at R29.1m. The project was handed over to Fez Building Construction for commencement in June 2021 and a completion date of March 2023 has been set. The implementing agency for the project is the Development Bank of Southern Africa. Currently, the project is 63% completed.

Fez Building Construction, owned by Fezekile and Pretty Vatsha, has a long history with the ECDC that dates back to June 2001, when the company approached the Corporation to fund its first project valued at R308,222.51. A Workflow (construction) loan of R77,953.62 was granted. Since then, the ECDC has assisted Fez Building Construction with Workflow (construction) loans for 11 projects valued at R31.3m. These projects' total value is R147m. Fez building construction is an example of an enterprise that honours its loan repayment obligations. Timeous loan repayments allow ECDC to extend loan funding to other deserving loan entrepeneurs.





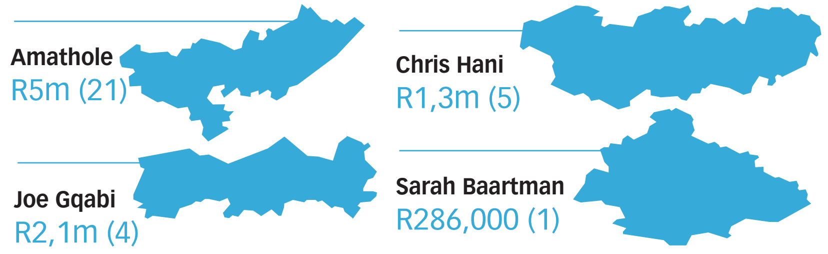


Figure 9. Loan disbursements by region

The OR Tambo District accounted for R11,2m of the disbursements, followed by the Alfred Nzo (R10,8m), Amathole (R5m), Joe Gqabi (R2,1m), Chris Hani (R1,3m), Nelson Mandela Bay (R1,4m) and Sarah Baartman (R286,000) regions.

Figure 10. Loan disbursements by sector

Construction R14,2m	16
Services (supply and delivery) R17,8m	62

Figure 11. Disbursements by loan product

Nexus Trade R17,8m	62
Workflow Construction R14,2m	16

Aftercare support

The Corporation is strengthening its aftercare service to improve the customer experience. An aftercare philosophy is critical in detecting early warning signs that may hinder effective loan repayments. The monitoring of the business performance of loan beneficiaries helps to address challenges that may threaten their overall sustainability. The exercise also assists in implementing early work-out and debt restructuring initiatives.

JOB STIMULUS FUND (JSF)

The Eastern Cape Jobs Stimulus Fund is intended to encourage distressed companies to retain existing jobs through an incentive scheme. An amount of R10,000 is disbursed to companies for every job they retain. Thorough verification is conducted to determine whether the applicant company is experiencing distress before the incentive is paid.

R10k
incentive for every job retained

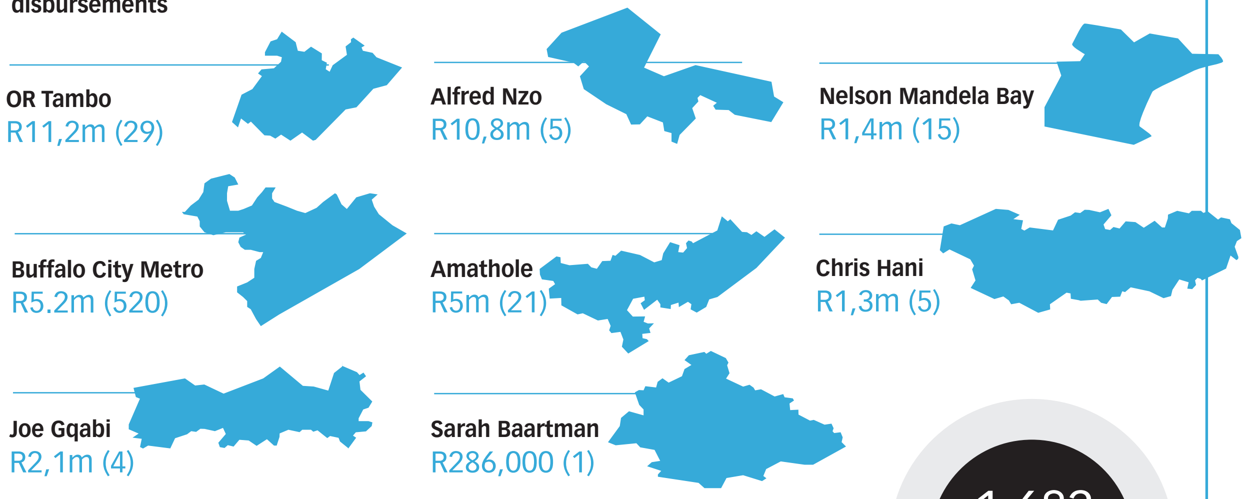
In response to the challenges presented by the COVID-19 pandemic, the government amended the Jobs Fund criteria in line with the prevailing needs of affected businesses. A July 2020 review of the fund relaxed the minimum requirement which demanded that an SMME save a minimum of 10 jobs to qualify for the incentive. This was revised to five jobs saved. In addition, a working capital component was introduced for three months to aid business resuscitation and recovery. The fund targets companies in manufacturing, agro-processing, green economy, petrochemicals, ICT and electronics, capital goods, tourism, and the business process and outsourcing sectors.

Operational performance

In 2021/22, the Jobs Stimulus Fund disbursed R16,830m to 65 enterprises in distress. This resulted in 1,683 jobs being saved. Funding commitments not yet disbursed at year-end, will result in 1,894 jobs being saved, marginally exceeding the annual target of 1,800 retained/saved jobs.

The total amount disbursed during the year under review amounted to R37.1m. The jobs component accounted for R16,830m of the disbursements and the remaining portion of R20,2m was for working capital. The financial injection led to improved liquidity for these enterprises.

Figure 12. Geographic spread of Jobs Stimulus Fund disbursements



1,683
jobs saved for R16,830m

For example, the Gqeberha-based COTi Chocolate Manufacturers was adversely impacted by the COVID-19 pandemic, which resulted in the company's sales falling by over 43%. The business received a Job Stimulus Fund incentive of R1.56m to save 38 jobs. Of the total incentive approved, R380,000 went to retaining 38 jobs for a minimum of 12 months, while working capital of R1.1m enabled the company to meet its short-term obligations.

38 Jobs **saved for a R1,56m JSF incentive** → R380k **to retain jobs for 12 months** → R1,1m **working capital**

With the construction sector heavily impacted by the COVID-19 pandemic, Chris Hani District's Khumbeni Construction faced significant cashflow constraints, resulting in its owners using personal funds to keep the business afloat. The women-owned business received R309 276.30 from the Jobs Stimulus Fund that comprised R80,000 for retaining eight permanent jobs and R229,276.30 as working capital.

IMVABA CO-OPERATIVES FUND

The Imvaba Co-operative Fund (ICF)provides 100% grant funding through incentive and institutional-building support to co-operatives to bring them into the mainstream economy. It is intended to enhance self-employment creation opportunities and contribute to poverty relief efforts through enterprise development.

The ICF provided the following services to co-operatives during the 2021/22 financial year:

- Financing the start-up and/or additional equipment and material needs.
- Technical skills training and support.
- Governance training support.
- Compliance with the Occupational Health and Safety Act.
- First aid training and providing personal protective equipment for co-operative members.

Operational performance

The fund sponsored and supported the first-ever honey products competition in the Eastern Cape. The honey and mead show is the South African Bee Industry Organisation's flagship event. It is meant to promote high standards and professionalism in honey production, and other honey products such as mead.

In 2021/22, the Imvaba Co-operative Fund approved R13.2m for 27 co-operatives. It also disbursed R15.4m to 54 co-operatives. This is inclusive of approvals from previous financial years.

Demographics

The 27 co-operatives comprise 204 members. Ninety of the members were men, 70 were women and 44 were youth.

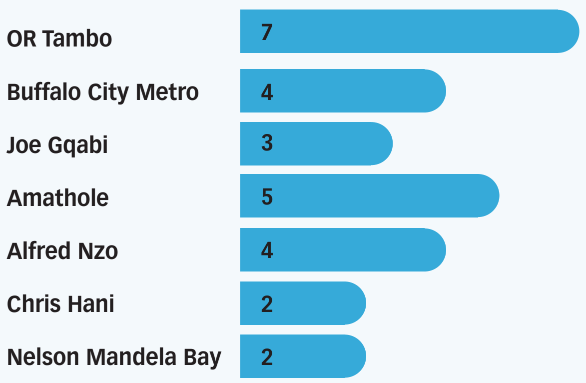
Figure 13. Imvaba Co-operatives Fund disbursements by demographics

70 Women
90 Men
44 Youth

Figure 14. Co-operatives disbursements by sector

Seventeen cooperatives were from the agricultural sector, followed by apiculture (12), manufacturing (4), retail (2) and services (2).

Figure 15. Geographic spread of Imvaba Co-operatives Fund disbursements



In 2021/22, the ECDC approved the Imvaba Co-operative Fund grant to Qonce's Mayine Imvula Primary Co-operative for R456,120.76. The company used the funding to purchase industrial machines and two head embroidery machines to improve its product line. Soon after receiving the machinery, the clothing manufacturer employed five additional employees to meet the increased demand. In addition, the fund approved an R500,000 incentive for the Sterkspruit Recycling Co-operative to buy a commercial vehicle, protective clothing and fund maintenance costs. The Sterkspruit-based co-operative experienced high transportation costs, the inability to maintain a bailer machine and a shortage of protective gear. Since the grant was made, the cooperative has increased production and profit margins, and had fewer workplace injuries.

NON-FINANCIAL SUPPORT

Non-financial SMME support is the cornerstone of the enterprise development ecosystem. It supports small business performance and sustainability. The Corporation provides non-financial support to enterprises through business development services. The services comprise pre and post-investment support, and they prepare entrepreneurs for funding support. It also assists them on their growth journey once they qualify for funding.

Operational performance

During the period under review, the business support programme reached 2,538 people through training activities and business seminars. Other one-on-one business development services such as business planning, mentorship, intellectual property support and financial management support were also extended to entrepreneurs.

The total number of enterprises that participated in training activities was 1,393. A further 889 enterprises participated in business seminars hosted by the ECDC which were held throughout the province. In addition, 256 enterprises benefited from direct business development services.

Female-owned enterprises received a significant share (48%) of the business development services. It is a considerable achievement considering the target for these designated groups was 35%. Youth-owned businesses (45%) also received a significant share of support.

Most of the support went to the services sector, followed by retail and manufacturing. The demand for the services is consistent with the provincial contribution to gross domestic product.

The Buffalo City Metro accounted for the highest number of interventions, followed by the OR Tambo District and the Nelson Mandela Metro.

There is a need to expand the reach of the ECDC to the outlying areas. In the future, an effort will be made to provide these services to rural areas and townships.

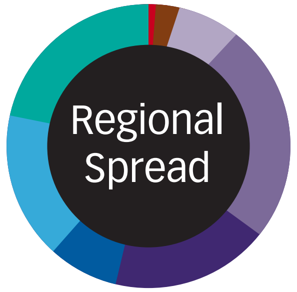
The non-financial support programmes, are available to walk-in clients and organised groups. The group programmes are long-term and are implemented over nine months to two years. The long-term customised programmes are aimed at building the capacity of participating entrepreneurs. In the 2021/22 financial year, the ECDC implemented the following programmes:

Figure 16. Sectoral spread of business development services interventions

- ● Services: 107, 42%
- ● Manufacturing: 41, 16%
- ● Agriculture: 18, 7%
- ● Retail: 20, 8%
- ● Construction: 7, 3%
- ● Tourism: 4, 2%
- ● Creative Industry: 14, 5%
- ● Engineering: 1, 0%
- ● ICT: 13, 5%
- ● Hospitality: 7, 3%
- ● Automotive: 22, 9%
- ● Renewable Energy: 1, 0%

Figure 17. Regional spread of business development services

- ● Buffalo City Metro: 68, 27%
- ● OR Tambo: 52, 20%
- ● CHris Hani: 48, 19%
- ● Nelson Mandela Bay: 42, 16%
- ● Joe Gqabi: 18, 7%
- ● Alfred Nzo: 5, 2%
- ● Sarah Baartman: 2, 1%
- ● Amathole: 20, 8%



Business Accelerator Programme

The ECDC initiated the Business Accelerator programme in the Chris Hani and Joe Gqabi districts in partnership with the Black Umbrellas.

The one-year programme responds to the challenges presented by the COVID-19 pandemic while ensuring that the delivery of enterprise development is in line with the demands of the Fourth Industrial Revolution.

The programme, provided via a digital platform, aims to build enterprises' business management skills. It comprises two phases: A foundation phase where entrepreneurs are required to develop business plans and business canvas models for their enterprise. The first phase is supported with business coaches. The second phase is driven by mentors who provide SMME support.

Forty enterprises were recruited and accepted into the programme. Of the 40 enterprises participating in the programme, 21 were youth-owned, and 23 were women-owned.

Quality Management Programme

In 2021/22, 26 enterprises were accepted into the quality management programme. The ECDC implements the programme as a project on behalf of the Department of Economic Development, Environmental Affairs and Tourism (DEDEAT). A gap analysis, which is the first phase of the programme, has been completed. A total of 25 enterprises will continue with the programme after one participant withdrew, citing non-readiness. The second phase, which focuses on implementing quality management systems and product certification, will continue in the 2022/23 financial year.

Mdantsane Motor mechanic enterprise development programme

In partnership with Filpro, an enterprise development entity of GUD, the ECDC continued implementing the motor mechanic development programme in Mdantsane. It marked the second year of the programme that supports informal or backyard mechanics. The programme offers coaching and mentorship to mechanics and capacity-building. The intention is to assist the mechanics in operating formal businesses and accessing markets. During the period under review, the programme focused on training and mentorship and supporting the participants with essential tools, workshop infrastructure and branding for their businesses. At the end of the financial year, the programme was concluded with 35 enterprises graduating. The programme initially recruited 137 mechanics.

Nelson Mandela Bay enterprise development programme

The Nelson Mandela Enterprise Development Programme completed its seventh nine-month programme. Twenty-eight enterprises completed the programme after seven enterprises exited the programme early. Three participants received a certificate of attendance, and four dropped out of the programme.

The 31 active entrepreneurs participating in the programme employ 147 people. The collective turnover of the participating entrepreneurs at the start of the programme was R23.190m.

23,190m
collective turnover of participating entrepreneurs

147
people collectively employed by the 31 participants

The 2021/22 financial year also marked the beginning of the eighth phase of the programme, which started in October 2021 with 33 enterprises and included 17 women-owned and 16 youth-owned enterprises.

The programme aims to improve the sustainability and growth of participating enterprises. Businesses participating in the programme were mentored to use best practices such as the International Labour Organisation's "Action my business growth" model. The businesses participated in capacity-building training provided by the Nelson Mandela Business School. Various business seminars were hosted for participating enterprises. The enterprises participated in several chamber forums and received a free Nelson Mandela Bay Business Chamber membership. The Chamber platform benefits SMMEs as they interact and network with experienced counterparts.

Business incubation

Business incubation forms an integral part of the ECDC's Business Development Services. It aims to support enterprises during their infancy by reducing the start-up costs of running a business. It is intended to reduce the chances of failure in start-up businesses. Incubation provides operational space and related infrastructure. In the 2021/22 financial year, the ECDC supported the chemical incubator, CHEMIN, with financial and in-kind support.

CHEMIN operates from Mdantsane in East London at the Fort Jackson Industrial Park, which services the province's central and western parts. The incubator also works in Mthatha at the Vulindlela Industrial Park King Sabata Dalindyebo Municipality. The Mthatha office services the province's eastern and northern regions.

In addition, the ECDC continued to provide in-kind support to Furntech, a furniture manufacturing incubator. The incubator has been supplied with operating space in Mthatha at a significantly reduced cost which contributes considerably to the sustainability of the incubator. Costs for operational infrastructure are one of the key cost drivers in running an incubator.

The third incubation programme supported during the review period under review is the Buffalo City Innovation Hub. The ECDC is supporting the establishment of the hub in Duncan Village. Plans are at an advanced stage for establishing the hub with building and office infrastructure that is to be provided by the Buffalo City Metropolitan Municipality. The recruitment of incubates has also been concluded. The centre is due to open in May 2022. The initiative is a partnership between the ECDC, Buffalo City Metropolitan Municipality, Yellow Pages (Telkom) and the Nelson Mandela Innovation Hub.

An example of a successful enterprise supported through incubation is Great Minds, a youth-owned enterprise founded by Wezo Ngqeleni in 2018. Great Minds joined Chemin in 2020 and received detergent manufacturing training. Subsequently, the company began manufacturing and supplying detergents under the product name, Black Leaf, to schools in Mdantsane and the surrounding areas. Sales grew from about R18,000 in the 2019/2020 financial year to R1,090m in the 2021/22 financial year.

Recently, the company invested in a bakkie to assist company operations and deliveries.

In 2020, Great Minds invested in toilet paper manufacturing training to diversify its product range. Currently, the business supplies the Golden Highway Spar in Mdantsane.

Training

In 2021/22, the ECDC provided 55 training programmes to support skills development in business operations, basic food and occupational heath and safety training, business plan production, tender advice training, introduction to export training, co-operative governance and product development, for example. A total of 1,487 people attended the training programmes, and 1,393 enterprises participated. Of the 1,487 attendees, 764 were women, 467 were youth, and 82 were people living with disabilities.

Business seminars and workshops

Thirty-five business seminars and workshops were facilitated during the 2021/22 financial year. The discussions and workshops focused on product awareness, market access, construction awareness, compliance, tendering to secure business, cost management and tax workshops, for example. A total of 920 people or 889 enterprises people participated in the seminars and workshops. Of this number, 494 were women, 353 were youth, and five were people living with disabilities.

920

people participated in ECDC hosted seminars

- **494 were women**
- **353 were youth**
- **5 were living with disabilities**

1487

people attended the training programmes

- **764 were women**
- **467 were youth**
- **82 were living with disabilities**

55

training programmes provided by the ECDC in the following:

- **Basic food and occupational health and safety training**
- **Business plan production**
- **Tender advice training**
- **Introduction to export training**
- **Co-operative governance and product development.**

Future outlook

The Jobs Stimulus Fund will continue to encourage the retention and saving of jobs in distressed companies. However, there will be a concerted focus on job creation. Due to reduced allocations, the working capital incentive will be reduced by 50%.

A new product, the Risk Capital Fund, which will support businesses in the various stages of development, is being launched. It will fund product development costs, while business growth and acquisitions may be funded through equity or loans or a blended finance instrument. The strategy and organisational structure for the unit is under review and benchmarked with other development finance institutions and business support services institutions. The initiative aims to:

- Improve the ECDC's skills as a lender.
- Expand the SMME access-to-finance network.
- Upscale business support and mentorship programmes.
- Pursue the integration of SMME funding.
- Reduce the loan origination cost and impairment levels.
- Build investment management capability that addresses large-scale project feasibility studies, developments and funding.

These changes in the strategy should clarify and address the following areas:

- Strengthen the investment management function by introducing complementary functions such as risk capital, project preparation and fund management.
- Explore the expansion of a business partnership model to deepen and widen the reach and impact of SMME support.
- Position the ECDC as a funding aggregation super-channel intermediary.
- Bolster the expansion of the SMME support services through value chain integration with other development finance and support agencies.

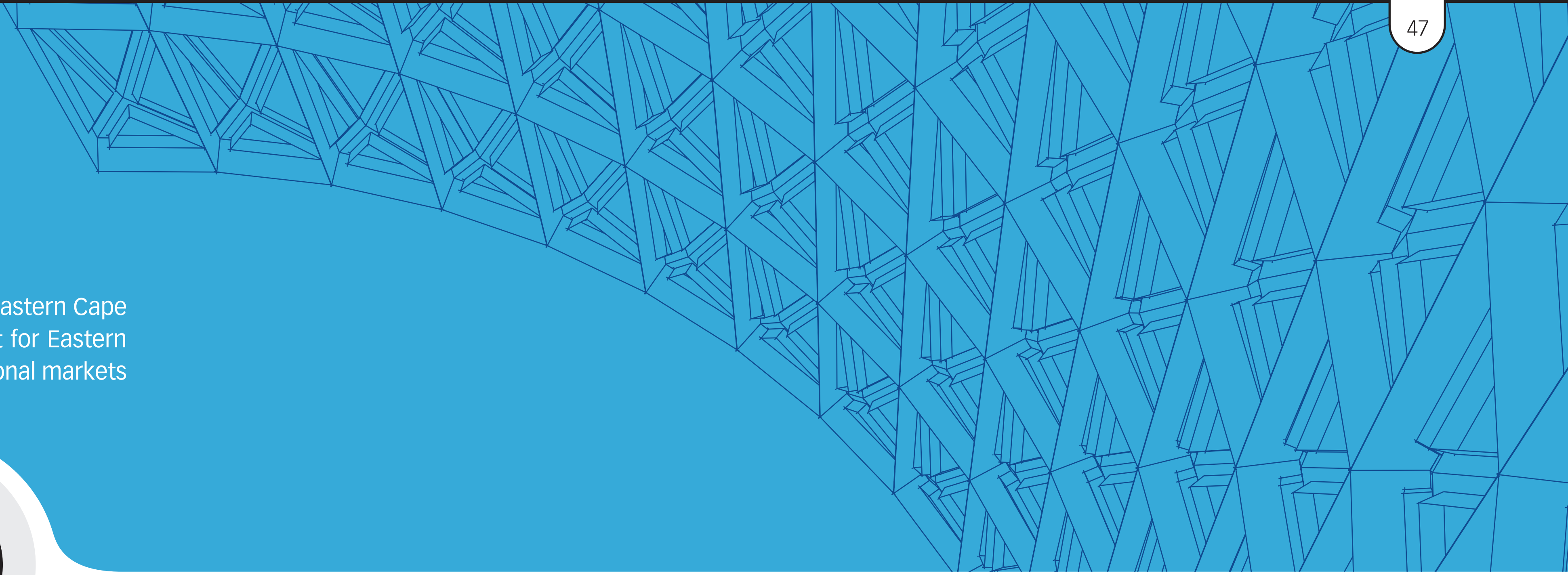
Finally, to improve the health of the loans portfolio, the entity will re-capitalise the Loan Capital Fund to finance viable SMMEs, improve monitoring systems for collections and address non-performing loans in its portfolio, including doubtful loans.

Fez Building Construction: Enterprise finance

The ECDC approved a construction loan of R2.9m to Mthatha's Fez Building Construction. The funds went toward the construction of Gqina Senior Primary School in Flagstaff which is valued at R29.1m. Owned by Fezekile and Pretty Vatsha, the company has a long history with the ECDC that dates back to June 2001. Since then, the ECDC has assisted Fez Building Construction with R31.3m in Workflow (construction) loans for 11 projects whose total value is R147m. It is an example of a company which repays its loans timeously, thus allowing the ECDC to extend funding to other deserving entrepreneurs.

R2.9m

approved construction loan



TRADE, INVESTMENT AND INNOVATION

Unit mandate and objectives

The mandate of the Trade, Investment and Innovation unit is to promote the Eastern Cape as a preferred investment destination. In addition, the unit facilitates support for Eastern Cape enterprises that export goods and services to the domestic and international markets to increase the provincial share of exports.

Operational performance

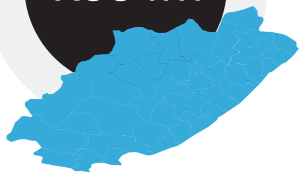
The Trade, Investment and Innovation unit facilitated the creation of 1,001 jobs against a target of 351 jobs in the 2021/22 financial year. A total of 314 people were trained in new potential sectors against a target of 91 training sessions. The rand value of exports facilitated in 2021/22 was R384m versus a target of R70m.

Sixty-two Eastern Cape enterprises participated in export promotion activities organised and managed by the ECDC during the 2021/22 financial year.

The ECDC also facilitated investments valued at R162 million during the period under review. It also recorded seven economic projects attracting investment and jobs in the region.

1,001
jobs created by TII

R384m



Rand value of exports facilitated in 2021/22 versus a target of R70m

TRADE PROMOTION

Export promotion

The 2021/22 financial year presented a myriad of economic challenges which required the ECDC to dig deep into its trade, investment and innovation arsenal to cushion Eastern Cape enterprises from the worst effects of the COVID-19 pandemic.

In particular, many exporters suffered significant losses due to the COVID-19 pandemic and limited trade activity. The Corporation responded by investigating opportunities in developing and fast-growing markets in Africa and the lucrative European and United States markets to benefit Eastern Cape exporters. To this end, the ECDC has established partnerships to meet these objectives.

In 2021/22, the Corporation consolidated its partnership with the USAID Trade Hub to help more Eastern Cape companies in the food and beverage sector that wish to enter the US market. The USAID Trade Hub partnership was extended beyond providing financial assistance to companies who want to comply with the USAID import requirements. The expansion entails including Eastern Cape companies on Amazon as an indirect marketing platform. USAID covers 70% of the cost, and the ECDC has committed to covering the balance of the onboarding costs of qualifying companies.

During the review period, the Corporation also hosted a USA Market Entry Requirements Workshop to equip Eastern Cape companies with compliance. The workshop covered topics such as the Africa Growth Opportunity Act (Agoa) requirements, Food and Drug Administration, Food and Safety Modernisation Act, e-commerce and listing on the Amazon platform. More than 100 companies participated in the workshop, making this workshop one of the biggest gatherings of this nature.

Furthermore, the Corporation agreed with the Swiss import Programme to support Eastern Cape companies with resources for entry into the Swiss market. The targeted sectors are mainly dairy, fruits and agricultural products. The new partnership is critical for the province because the Swiss market is ready for Eastern Cape products.

In 2021/22, the ECDC also intensified missions to the rest of the African continent. Africa is a fast-growing market for Eastern Cape products. It resulted in multi-sectoral trade missions to Cameroon, Ethiopia, Ivory Coast, Ghana and Kenya. The ECDC participated in the Intra-Africa Trade Exhibition in KwaZulu-Natal. The Corporation also hosted a web seminar at the Dubai Expo on agro-processing. It also held a webinar session with Russia on agro-processing.

Sixty-two companies from various Eastern Cape sectors participated in these missions.

The Corporation also entered into various strategic partnerships to improve Eastern Cape exporters' overall competitiveness. In 2021/22, the ECDC entered into a training and mentorship partnership with Trade Forward Southern Africa to strengthen entry into the African market.

For example, the ECDC's agreement with the South African Electrotechnical Council (SAEEC) saw eight Eastern Cape electrotechnical companies being trained in developing digital content which they could use for pitching products and services during exhibitions and online platforms. Under this agreement, 10 Eastern Cape companies were trained in the registration of patents, copyrights, and in the legal registration of information and communications technology products and software.

Export development

Nineteen enterprises graduated from the third Exporter Development Programme. It is a 12-month training and coaching programme which enables Eastern Cape companies to develop and implement their export marketing plans. Three enterprises that participated in the ECDC's training programmes started exporting within six months.

The USAID Trade Hub appointed the ECDC to host the Inaugural Southern African Exporters Award Ceremony. The event was hosted at the East London International Convention Centre in December 2022. The event is organised to award companies and agencies for significant contributions to supporting exports from the Southern African region to the USA market.

Four Eastern Cape companies were selected during the review period to participate in the German Manager programme. The programme is a partnership between the German Agency for Technical Co-operation (GIZ) and the Department of Trade Industry and Competition. The programme provided training to selected company managers. The companies will visit Germany to work with potential partners and markets.

A new ECDC-supported exporter, DB Max Manufacturer, secured an R68m contract to supply canvas products (kiosks) to the Ivory Coast.

R68m
contract for DB Max

Another ECDC-supported exporter, Limise Productions, has been contracted to supply buyers in Finland, Germany and Greece with charcoal worth R3,5m.

Occupying 3,500sqm of factory space at the Dimbaza Industrial Park, the ECDC-supported exporter, Divert Steel, secured a partnership to supply Kenyan contractors with specialised fencing (Clearvu Fence). Divert Steel was established in 2012 as a manufacturer of steel products, fabrication, fencing and structural steel erection.

INVESTMENT PROMOTION

The investment climate during the 2021/22 financial year was strained. However, the ECDC established working partnerships with like-minded agencies such as InvestSA, Wesgro (Western Cape), and Trade and Invest KwaZulu/Natal. These partnerships allow the ECDC to leverage the collective resource pool of its partners to improve its efficacy.

The ECDC's primary objective in 2021/22 was to strengthen the campaigns, which sell the province as an attractive and compelling investment destination. The ECDC's participation at the Dubai Expo was also anchored on attracting the EU investment to the province. These campaigns have generated new interest from the EU and United Arab Emirates companies.

The Corporation also began negotiations with the European Commission to identify new investment opportunities for the European market in the Eastern Cape.

The Corporation continued to attract more investment in the province's growing film industry. In 2021/22, the ECDC entered a partnership to establish a film studio at the Fish River Resort in the Ngqushwa Local Municipality. The Corporation has identified film festivals as an attractive and profitable marketing outlet for Eastern Cape film productions.

Through the Eastern Cape Film Investment Fund, the Eastern Cape has successfully secured the rights to host Season 9 of the international reality show, Survivor. The series is being shot for the second time in the Eastern Cape, following Season 8 which was filmed on the Wild Coast.

In 2021/22, the ECDC invested R4,35m in three film productions that attracted investments of R81.8m . These productions created 719 jobs.

During the review period, focus was also placed on increasing investment into the ocean economy. The first harvest of abalone took place in the 2021/22 financial year after a 10 – year Ranched Abalone Research and Development investment. The successful abalone ranching pilot project is located at Cape Recife outside Gqeberha. The ECDC has been working with the company on various compliance requirements over the investment period.

The Corporation also agreed with Zwembesi Oyster Farm in Gqeberha to onboard fishing co-operatives for oyster farming. Zwembesi has given the ECDC 12 oyster lines. In 2021/22, the Corporation began planning to attract more international companies to set up business process and outsourcing centres in the Eastern Cape.

In addition, the ECDC took over the non-automotive manufacturing and tooling clusters from the Automotive Industry Development Centre. The centres provide training services which equip industrialists in non-automotive manufacturing and tool production for industrial plants. The ECDC commenced with the incubation of the Non-Automotive Manufacturing Cluster (NAM Cluster) and the Tooling Cluster (PtSA) in October 2021. The initiative will run until March 2023. The incubation for the two clusters is a programme that addresses administrative, institutional, governance and organisational deficiencies at the two manufacturing clusters.

During the fifth round of the Renewable Energy Independent Power Producers Programme, two Eastern Cape companies were awarded licenses to feed energy into the national grid.

Wesley in Peddie is the first wind farm established in a former homeland. The farm became operational in 2021/22 and is already feeding power to the national grind.

Invest SA One Stop Shop EC

Efforts are underway for President Ramaphosa to officially launch the InvestSA One Stop Shop Eastern Cape (EC OSS). The OSS is an investor support facility situated at the East London beachfront. All the marketing and promotion facilities, such as the directional signages and external branding, have been installed at the EC OSS office. The ECDC procured 10 licences for the InvestSA logging and tracking ICT system called Wavetech. Currently, staff at the EC OSS are undergoing training on Wavetech. The official launch is expected to take place in October 2022.

FUTURE OUTLOOK

The Trade, Investment and Innovation unit is planning to undertake the following activities in the 2022/23 financial year:

- Officially launch the InvestSA One Stop Shop office and activate the utilisation of the Wavetech investor logging and tracking system.
- Implement the onboarding of four fisheries co-operatives to the Zwembesi Oyster farm in Gqebera, where they will operate 12 sea-based oyster lines.
- Commence with the first phase of constructing the Fish River Resort Film studio in partnership with Forus Digital.
- Host four thematic sessions where information on critical trade and investment themes will be led by industry experts and discussed by stakeholders.
- Organise and host the fourth Eastern Cape Export Symposium & Exhibition.

CREATIVE INDUSTRY

In the creative industry programme, the Eastern Cape Craft Collection shop supported 121 enterprises during the 2021/22 financial year. Sales made during the review period amounted to R439,944.83.

R439,944 **in sales made by 121 enterprises**

The Craft Shop is in the process of launching on an online trading platform Shopify, to widen its reach, while providing a sales platform for local products. The programme has a year-long subscription on Shopify at a cost of R5,479.31.

In 2021/22, four ECDC-supported craft enterprises were selected to participate at the Intra Africa Trade Fair which was held at the Durban International Convention Centre from 15 – 21 November 2021. The enterprises generated sales of R37,366 at the fair. They secured further orders amounting to R6,500.

The Craft Shop is in a process of launching on an online trading platform Shopify, to widen its reach, while providing a sales platform for local products.

The ECDC also facilitated the participation of 13 Eastern Cape enterprises at the Dubai Expo held from 30 October 2021 to 31 March 2022. The products of these enterprises were purchased by the Department of Sport, Arts and Culture for R68 568. They were physically exhibited at the expo on a rotational basis for a six months period.

PROPERTY MANAGEMENT AND INFRASTRUCTURE DEVELOPMENT

Unit mandate and objectives

The Property division of the ECDC is the custodian of the Corporation's investment property portfolio. The portfolio is complementary to the ECDC's business offering, particularly for investor attraction as it provides affordable commercial and industrial properties to the investor community.

Overview

On behalf of the government, the ECDC manages a sizeable property portfolio designed to serve as a platform and resource for robust economic activity. The portfolio comprises residential, commercial, leisure, large and light industrial, and retail properties. The property holdings extend to vacant industrial, commercial, and residential plots. The portfolio's geographic spread straddles the entire province with key nodes in Mthatha, Butterworth, Komani and the Buffalo City Metropolitan Municipality. The property business comprises a significant portion of the Corporation's balance sheet, reinforcing the need for continuous investment in the portfolio to ensure improved productivity, greater efficiency, and investment for future growth opportunities.

The portfolio is critical to supporting the Corporation's overall business value proposition by offering affordable commercial and industrial holdings to the business community.

It is a sizeable undertaking that demands astute and careful management of these assets to promote the public good and sustainability imperatives. The portfolio is primed to deliver a solid socio-economic dividend to the government and the business community through sensible asset management, leasehold, project management and facilities management.

However, the efficacy and effectiveness of the portfolio will be realised once the ECDC overcomes the key challenges confronting the Corporation in the 2021/22 financial year. The main challenges related to raising capital for the property refurbishment programme.

The Corporation adopted a three-pronged approach to raising the required capital investment:

- Approaching the government for grant funding
- Disposing of non-core assets such as stand-alone residential properties and vacant stands below 2,000sqm
- Engaging the private sector to secure investors through an expression of interest programme on specific strategic properties in exchange for long-term leases.

The capital-raising programme was partially successful as it raised R81m from the provincial government for the refurbishment programme, which is a breakthrough for the ECDC.

The disposal programme achieved some success as several auctions were held to dispose of selected residential holdings. However, this process encountered challenges mainly in the Mthatha area due to land claims on certain properties. It limited the number of properties the ECDC could auction.

The Corporation advertised two market bids as part of the expression of interest programme. However, this process did not yield the desired outcome as no suitable investment responses were secured.

The ECDC's 138 invaded properties in Mthatha presented another challenge. The invasions, which began in 2018, are causing the institution to lose R11m a year. While criminal prosecutions have been slow, the Corporation is pleased that the National Prosecuting Authority is now ready to prosecute these cases. It has resulted in some invaders approaching the ECDC to normalise the situation. The ECDC has also entered into agreement for the orderly return of the invaded properties to avoid property damage and social upheaval in Mthatha.

OPERATIONAL PERFORMANCE

Property portfolio financial performance

The property portfolio responded positively to the strategic interventions effected during the period under review. Key financial indicators indicate improving trends compared to the previous financial years. Rental billing (rand value) increased by 13%, rental collection (rand value) increased by 14% and rental collection, as a percentage of billing, rose to 58%, up from last year's 56%, despite the significant increase in total billing for the year. The improving trends resulted from a focused drive to improve the division's human resource capacity, management systems, credit control and debt collection during the period under review.

Despite the positive improvements, certain aspects require continued attention in the new financial year, including debt collection, tenant management and reducing property vacancies.

Revenue improvement programme

The Corporation has embarked on a revenue improvement programme that includes collecting outstanding rental debt, improving occupancy levels in the rental stock and improving the property policy. The programme also entails developing a procedure manual that responds more effectively to market demands, improving tenant management systems and dealing more efficiently with delinquent tenants.

During the financial year, debt settlement incentives were created where interest on the debt would be reversed in exchange for the prompt settlement of outstanding capital amounts. It is yielding positive results and will continue in the new financial year. The process continues parallel to the normal debt collection procedures of the Corporation.

In 2021/22, occupancy levels remained static at approximately 64%. The verification of tenants was initiated during the year to confirm the occupation of rental units and the status of lease arrangements with occupants. It will continue in the new financial year and inform management action in the areas that need attention. The verification process will determine if the ECDC will normalise lease arrangements or if it will proceed with vacating properties to make way for new tenants.

The Corporation's property policy and procedures manual was also revised during the year under review. Improvements include improved flexibility for rental settlements to account for varying property conditions and a reduction in upfront deposits from two to one month's rental. Included are procedures for addressing stalled or legacy property disposals and a more responsive approach to dealing with property maintenance.

The ECDC has changed its property management system to the new, improved MDA system. The improvement in the tenant management system has resulted in electronic capture of all rental leases and a weekly focus on eradicating expired leases and reducing rental arrangements where leases have been misplaced. Data management and reporting have also been refined with the new MDA system that empowers management to make informed decisions.

Ongoing legal processes have also resulted in the eviction of delinquent tenants to open opportunities for new tenants. The approach will be pursued more vigorously in the new year, considering the breakthrough in dealing with invaded properties.

Building requisite capabilities

The new Board and chief executive officer have emphasised addressing the unit's human resource deficiencies. The following new appointments in the 2021/22 financial year have boosted the division's capacity:

- Mthatha regional manager;
- General manager for asset management;
- Debt collection manager;
- Two infrastructure project managers;
- Three new property co-ordinators.

The existing staff complement and recruits have contributed strongly to the improved performance of the property unit. These improvements are expected to carry over into the new financial year.
Property development and modernisation strategy implementation.

During the year under review, the Corporation developed a property development and modernisation strategy. The strategy is based on three pillars:

a) Pillar 1: Rationalisation for productivity

- Under this pillar, the ECDC will conduct an extensive review of the property portfolio holdings and identify core strategic assets and non-core assets.
- The ECDC has identified residential property and vacant land under 2,000m^2 as non-strategic assets.
- A process for disposing of non-core assets will be executed and carefully managed to ensure optimal value creation for the ECDC.
- The disposal of non-strategic assets may take 24 months for proceeds to be fully realised, depending on the market's responsiveness.

b) Pillar 2: Transformation for efficiency

- Under this strategy, proceeds from the disposal of non-strategic assets and the shareholder's capital contributions will be used to fund the modernisation of the ECDC strategic property portfolio, which includes commercial, industrial and leisure properties.
- Private sector joint ventures for developing commercial property that requires significant capital investment will be concluded through an expression of interest (EOI) public participation process.
- Re-modelling and renovation of industrial parks will fall under this pillar of the strategy. Work is already being done in Vulindlela Heights in Mthatha, and a Master plan for Dimbaza in the Buffalo City Metropolitan Municipality will be reviewed. Work is underway on a Master plan for Ibika Industria in Butterworth.
- Development of vacant strategic commercial and industrial land will be undertaken under this pillar of the strategy through the EOI programme.

c) Pillar 3: Investing for growth

- Under this pillar, the ECDC will identify attractive new industrial infrastructure for co-investment with other capital providers, including potential long-term institutional tenants.
- The consideration of the ECDC developing a commercial campus for the government in Bhisho and other public service centres requiring office space will fall under this category. This part of the strategy will contribute significantly to the long-term financial sustainability of the ECDC.

Regaining invaded properties

A significant breakthrough was achieved regarding invaded properties in the 2021/22 financial year. A Memorandum of Understanding (MOU) between the ECDC and the Public Assets Community Based Owners and Tenant Association (PACTOA) for the peaceful transfer of control of invaded properties in Mthatha was concluded in November 2021.

The MOU has enabled the transfer of control of invaded properties. It allows property occupants to normalise lease arrangements with the ECDC. The process is underway, and at the end of the financial year, seven factory sites had been returned to the ECDC, and numerous lease arrangements were undergoing normalisation. The MOU does not undermine the criminal prosecution process launched by the ECDC in 2018. The process will continue in the new year. Handing over control of all invaded properties back to the ECDC is expected to be concluded during the new financial year.

Property refurbishments and upgrades roll-out plan

The ECDC has developed a property refurbishment programme to be implemented over the next three financial years. Over 60 properties have been identified with the potential for high investment return, strategic geographical location and high public visibility and may be an attractive refurbishment option for institutional tenants.

The refurbishment programme commences in the 2022/23 financial year with a budget of R100m, R120m in 2023/24 and R37m in 2024/25. The refurbishment will include industrial, commercial, leisure and residential (flats and townhouse complexes) units. The impact of the refurbishment programme is expected to increase the yield of the property portfolio from the current 10% to at least 15% over three years.

Aligned to the refurbishment plan will be the engagement of potential new tenants, including institutional tenants such as government departments and academic institutions, to secure lease arrangements for refurbished properties.

R120m budget
for refurbishment of properties allocated in 2023/24

R37m budget
for refurbishment of properties allocated in 2024/25

Capital-raising programme

The implementation of the property development and modernisation strategy included two property disposal auctions that raised R19,2m from selling 56 non-core property assets. Land claims have hampered further public auctions in the Mthatha region, where the bulk of assets identified for disposal are located.

The disposal programme has since been revised to focus on property assets where no land claims exist or are located in other property nodes. The next property auction is scheduled for the second quarter of the new financial year. The auction will bring more than 60 properties to the market, including vacant land under 2,000m^2 and residential stand-alone properties.

In addition, two phases of the expression of interest (EOI) programme, which aimed to attract private sector investment to strategic ECDC property assets, were rolled out. Unfortunately, none of the 29 submitted bids were accepted due to administrative and functionality shortcomings. Management's approach to the EOI programme has since been revised to include significant improvements. Phase three of the EOI programme will be launched in July 2022, with phase four following in September 2022.

A breakthrough development during the period under review was the Department of Economic Development, Environmental Affairs and Tourism's confirmation of allocations for the next three financial years for the property refurbishment programme. A total of R134m has been set aside for this purpose and is included in the refurbishment programme budgets. While this is approximately half the funding requested by the ECDC, it is still a significant allocation for refurbishing the property portfolio. The balance of the refurbishment budget will be realised from the disposal of non-core ECDC property assets.

The ECDC has developed an in-house capacity for the planning, implementation, and project management of large capital projects. The service is offered to the Corporation and prospective clients. Internal projects are funded using the ECDC, and donor funding from various government departments. External projects are financed by the ECDC's clients.

a) Dimbaza Industrial Park: Provincial Economic Stimulus Fund (PESF): New access road and bulk services (R42,332m)	R42,332m
b) Queenindustria Electrification: Enoch Mgijima Municipality: Upgrade of bulk electrical supply (R28,677m)	R28,677m
c) Dimbaza Industrial Park: PESF and Buffalo City Metropolitan Municipality: Wastewater treatment works upgrade (R35,202m)	R35,202m
d) Zanyokwe Agricultural Co-operative: Department of Agriculture, Land Reform and Rural Development (DALRRD): Hydroponic tunnels and other infrastructure upgrades (R15m)	R15m
e) Mbodla Heritage Site: DALRRD: Facilities upgrade (R4,177m)	R4,177m
f) Zuurberg Peace Heritage Site: DALRRD: Facilities upgrade (R90,606m)	R90,606m
g) Mount Ayliff Informal Trade Centre: PESF: Infrastructure upgrade (R25,975m).	R25,975m
Total	R241,969m

The Strategic Infrastructure Project unit continued to offer its clients cost-effective and professional implementation services during the review period. It is reflected in the increased fee income for the year to R10,232m. The fee income is more than double the previous year's fee receipts. Growth opportunities remain strong for this type of service in the coming year.

FUTURE OUTLOOK

The 2021/22 financial year has laid the foundation for:

- New strategic and tactical plans;
- A comprehensive property refurbishment programme;
- Secured capital funding;
- Improved property management systems;
- Additional human resource capacity.

The outlook for continued improved performance in the property portfolio is strong, and the targets set by the Board in the Corporation's Corporate Plan are achievable.

Go Green Roto Plastic Moulding: Business support

Queenstown-based Go Green Roto Plastic Moulding manufactures water and bio-digester tanks. Located at the Komani Industrial Park, Queendustria, the company is owned by the Ntwasa family which identified industrial hub as the best location for a Roto Plastic Moulding plant. The business was assisted by the ECDC with marketing material and signage boards through the business support unit. The ECDC also assisted the business with trademark registration which protects the company from third-party copyright infringement.

PART F

Performance Information

Overview of organisational performance

The ECDC developed its Corporate Plan and Strategy to fulfil the provisions of Section 52 of the Public Finance Management Act (PFMA) (Act No. 1 of 1999) as amended, read with National Treasury Regulation 29.1.3.

The ECDC developed key performance indicators (KPIs) which monitor and evaluate the success of the Corporate Plan's implementation. The performance scorecard details all the KPIs the ECDC has in its Corporate Plan.

Performance against predetermined objectives

Table 4. Goal 1: Competitive and sustainable MSME sector that contributes to the socio-economic development of the Eastern Cape

Performance against predetermined objectives

Key performance indicator	Annual target	Actual performance	Deviation	Comment
Number of SMEs received development finance	70	78	11%	Deviation due to the increase in the number of applications for invoice-based loans indicating a sustained need for the facility
Number of SMEs assisted with non-financial support services	250	256	2%	Target achieved
Number co-operatives supported with finance	25	27	8%	Annual target exceeded due to demand and increased budget for the financial year (FY). Approval was granted in the prior reporting periods, which resulted in the lower number in Q4
Rand value of investments facilitated	R 175,000,000	R 162,242,728	-7%	Target marginally missed for the FY due to the adverse impact of the COVID-19 pandemic on economic and other conditions. Performance improved in Q4 due to the lifting of most COVID-19 restrictions
Number of economic projects that attract investments and jobs in the Eastern Cape	5	8	60%	Additional economic development projects were facilitated in the film sector enabled by a recovery investment promotion drive
Rand value of exports facilitated	R 70,000,000	R384,257,719	449%	Target was positively impacted by the export of live animals which was bolstered by demand and the increased development of the export sector. The lifting of COVID-19 restrictions bolstered the Q4 improvements.

Performance against predetermined objectives (continued)

Table 5. Goal 2: A growing and diversified and inclusive economy

Key performance indicator	Annual target	Actual performance	Deviation	Comment
Number of SMEs provided with export support	51	131	157%	Collaboration with other key players and the increase in the number of empowerment events resulted in additional SMMEs being supported
Number of people trained in new potential sectors	91	314	245%	Oversubscription to SMME development programmes resulted in more SMMEs being assisted
Number of jobs facilitated	431	1479	243%	Projects implemented in the film sector and enterprise finance invoice-based loans enabled the facilitation of more jobs
Development Finance and Business Support	80	478		
Trade, Investment and Innovation	351	1001		
Number of jobs saved	1800	1683	-6%	The number of applicants who struggled to prove distress and compliance requirements adversely impacted the programme. The requirements were reviewed, where possible.

Table 6. Goal 3: A viable ECDC that offers competitive products and services

Key performance indicator	Annual target	Actual performance	Deviation	Comment
Cash collections/billings	65%	58%	-11%	The COVID-19 related economic pressures and the moratorium of lease evictions impacted negatively rental collections. The loss of income due to illegal invasions also contributed to low collections. However, the implementation of a revenue improvement plan resulted in higher collections for the year when compared to the previous year
Total properties gross operating expenditure/rental billings	1	0.96	0.04	Cost savings and efficiency in resource utilisation contributed to the performance
Percentage (spend) for planned maintenance projects	30%	20%	-32%	Lesser resources than budgeted were utilised due to liquidity challenges during the FY
Major property development projects implemented	1	1	0%	Major upgrades were undertaken at the Dimbaza Industrial Centre. Targets were met during an earlier reporting period. It resulted in no movement in Q4

Table 6.Goal 3: A viable ECDC that offers competitive products and services

Key performance indicator	Annual target	Actual performance	Deviation	Comment
Project management fees	R5,000,000	R10,232,295	105%	Infrastructure service fees improved due to additional management fees arising from the ECDC's engagement as a Programme Management Office (PMO) for the DEDEAT Economic Stimulus Fund programme
Cost-to-income ratio (excluding impairment)	1:1	1:0,96	-4%	ECDC had an operating loss due to lower than expected returns from the property portfolio
Audit opinion	Unqualified	Unqualified	0%	ECDC obtained an unqualified audit opinion
% network uptime	95%	95%	0%	Major upgrades were undertaken at the Dimbaza Industrial Centre. Targets were met during an earlier reporting period. It resulted in no movement in Q4
% compliance to Performance Management System	90%	98%	8%	Employees' use of electronic submission greatly improved contracting and review efficiency

Divert Steel: Trade promotion

Occupying 3,500sqm of factory space at the Dimbaza Industrial Park, the ECDC-supported exporter was established in 2012 as a manufacturer of steel products, fabrication, fencing and structural steel erection. The ECDC helped Divert Steel to participate in an outward trade mission to Kenya which resulted in the company securing a partnership to supply Kenyan contractors with its specialised Clearvu fence. The company was also selected to participate in the German Manager programme. The manager training programme provides participating managers with opportunities to establish business relationships with German companies and to build long-term partnerships.

PART G

Human Resource Management

Unit Mandate and Objectives

The purpose of the Human Resources function is to continuously provide integrated human capital solutions to the ECDC with a passion for quality and customer service excellence. It also ensures organisational development, consultation, transformation and innovation by promoting good governance and transparent processes. Most business processes, systems and compliance forms are completed and signed off as evidence that employees have read, accepted and understood them. It was achieved through partnerships with businesses and by managing spend using the available resources to meet current and future business needs. It is crucial for the ECDC to create a cadre of competent, informed and motivated employees who are infused with execution-based values so that the Corporation can deliver on its strategy and provide superior customer service.

Overview of human resource management

Human resources subscribes to the standards of the South African Board of People Practitioners and provides services related to strategic human resource management. The support and service solutions provided to employees and business units are future-oriented and solve business problems, talent management, risk management, workforce planning, learning and development, capacity-building, learning and development, performance management, reward and recognition, employee wellness, employment relations management and human resource service delivery.

Talent management

The process of reviewing policies was completed in the year under review. These amendments are pending Board approval. However, the existing policy regime remains valid. The review of policies aims to increase employee effectiveness in the workplace and includes embedding performance management and ensuring employee well-being is given a high priority.

During the year, the Board also approved a succession planning policy and operating procedures. The policy aims to create another avenue for staff development and will be implemented as budgets become available. The implementation of the revised structures for the Trade, Investment and Innovation, and Property units remains a challenge and was scheduled for July 2021. However, the process of match and place was subsumed under a broader organisational development process that commenced in January 2022.

Performance management

Organisational design (OD) is the process of aligning the organisational structure with objectives and the aim of improving efficiency and effectiveness.

The Eastern Cape Development Corporation (ECDC) invited suitably qualified service providers to assist it with planning, developing and implementing organisational design, alignment and recommending development interventions with the intention of aligning people, processes and systems with its revised organisational strategy approved on 3 December 2021.

The process to address the challenges in the structure with the assistance of a service provider began in January 2022.

During the year under review, successful briefing sessions with various departments including labour were held. Workshops with top management were also finalised. At year-end, a revised structure will be tabled with the various governance committees for approval in Q1 of 2022/23.

As part of its OD process, the ECDC will also conduct a culture assessment. The process during 2022/23 will involve communication and staff participation in the new structures, alignment of the current structure, matching and placing staff in the new structure while creating role profiles for the newly established roles. The role-out of the culture assessment results aims to bridge the gap between culture and strategy.

Employee health and wellness

During the period under review, 35 cases of wellness-related issues were managed in our employee workplace programme, facilitated by Life Employee Health Solutions.

The ECDC continuously implemented the COVID-19 related health and safety protocols in all the regions. It provided employees with adequate personal protective equipment throughout the lockdown. COVID-19 communication with the staff was ongoing using the intranet and through direct interactions, sharing information and updates.

All employees who tested positive for the virus have been provided with support throughout their isolation periods. During Alert Levels 3 (July) and 2 (August to September 2021), Head Office and Mthatha staff were utilising a hybrid work arrangement (rotating between home and the office) to minimise the risk of COVID-19 transmission. Gqeberha, Komani (Queenstown), Butterworth and Invest SA worked fulltime as their offices were sparsely populated. For the 2021/22 financial period, there were 17 reported cases of COVID-19 with no fatalities.

Health and occupational safety remain top of mind. On 7 September 2021, eight Health and Safety representatives from all regions were trained on the Occupational Health and Safety Act (OHSA).

From 8 to 10 September 2021, six first aiders were trained on First Aid Level 2. These courses were aimed at empowering staff to take control of their work environment.

Table 7. Staff profile as at 31 March 2022

Establishment profile

ECDC staff turnover	Actual
Permanent employees at the start of the period – 31 March 2021	117
Contract employees at the start of the period – 31 March 2021	22
Add: recruitment permanent	11
Add: contract employees	20
Less	
Resignations	11
Deaths	1
Dismissals	1
Retirements	4
Contracts not renewed	2
Move from permanent to contract	1
Permanent employees as at 31 March 2022	110
Contract employees as at 31 March 2022	40
Total employees at the end of period	150
TOTAL STAFF ESTABLISHMENT	220
Vacancy rate	32%
Graduate Development Programme	9

177

TOTAL LABOUR FORCE

Actual positions filled 150

Vacant positions 27

15%
Vacancy
Rate

In the period under review, ECDC's workforce comprised 150 contract and permanent employees. The vacancy rate stands at 32% on the staff establishment and 15% based on the approved and budgeted labour force of 177 (this number is inclusive of staff that were planned for retirement, turnover vacancies and existing posts that needed replenishing).

A total of 40 fixed-term contractors were employed by the end of the financial year, reducing the vacancy rate from 32% to 15% in the actual labour force. Several key positions have been filled in the property portfolio to resource the commercialisation strategy of the property portfolio.

These positions are located at the regional offices in Mthatha, Butterworth, East London and the head office. Property portfolio placements include two facilities managers (Gcuwa and Mthatha), five property co-ordinators (Mthatha, Gcuwa and East London), one project manager, two administrators and one procurement specialist.

Employment equity

The Employment Equity Act aims to achieve workplace equity by promoting equal opportunity and fair treatment through employment by eliminating unfair discrimination.

Therefore, the primary intention of employment equity at the ECDC is to ensure that there is equitable consideration of all population groupings when the demographic character of the Eastern Cape is considered. A comparison of the ECDC's employment equity profile is performed quarterly. The new employment equity and skills development committee continued to review its current Employment Equity Plan recommendations for target setting and implementing the recruitment process. Employment equity is a long-term strategy with short and long-term objectives which will be implemented to address the identified gaps as measured against the employment equity targets of the Eastern Cape Economically Active Population (EAP) profile. The guiding principle of the strategy is to reflect the ECDC targets, which will be reported annually.

Table 8. ECDC employment equity targets

Occupational levels	Male				Female				Foreign nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Provincial Eap	42.3%	4.8%	0.5%	3.7%	40.1%	4.7%	0.3%	3.6%	0	0	100%
National Eap	42.7%	5.2%	1.7%	5.1%	35.8%	4.4%	1.1%	4.0%	0	0	100%
Grand Total	32	1	2	4	64	2	0	4	0	1	110
ECDC	29%	0.9%	1.81%	3.64%	58.1%	1.81%	0	3.%	0	0	100%
Variance	13. 3%	3.9%	-1.31 %	0.06%	-18%	2.89 %	0.3%	0.6%	0	0	0

Source: Department of Employment & Labour Stats 2020

The table above (based on permanent employees only) reflects the status of the ECDC employment equity targets compared to EAP national and provincial statistics.

The table indicates that males across all categories are under-represented as are Indian and Coloured males and females to the Provincial EAP. Persons living with disabilities are also under-represented.

The table shows an over-representation of African females across most occupational categories (58%) and is 18% higher than the provincial EAP. However, African females are underrepresented at the senior levels.

Table 9. ECDC employment equity by employment categories

Occupational levels	Male				Female				Total
	A	C	I	W	A	C	I	W	
Unskilled and defined decision-making (Grade 2-6)									
Target	1	0	0	0	6	1	0	0	8
Actual	1	0	0	0	2	0	0	0	3
Variance	0	0	0	0	4	0	0	0	5
% variance	**0**	**0**	**0**	**0**	**66%**	**100%**	**0**	**0**	**62%**
Semi-skilled and discretionary decision-making (Grade 7-9)									
Target	20	2	0	1	28	2	1	1	55
Actual	1	0	0	0	0	0	0	0	1
Variance	19	2	0	1	28	2	1	1	54
% variance	**95%**	**100%**	**0**	**100%**	**100%**	**100%**	**100%**	**100%**	**98%**
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents (10-13)									
Target	30	3	2	7	36	2	1	5	86
Actual	12	0	0	1	42	1	0	1	57
Variance	18	3	2	6	-6	1	1	4	29
% variance	**60%**	**100%**	**100%**	**85%**	**-16%**	**50%**	**100%**	**80%**	**33%**
Professionally qualified and experienced specialists and mid-management (14 -16)									
Target	16	2	3	4	11	2	2	1	41
Actual	12	0	1	3	16	1	0	1	34
Variance	4	2	2	1	-5	1	2	0	6
% variance	**29%**	**100%**	**66.6%**	**25%**	**-45%**	**50%**	**100%**	**0%**	**17%**
Senior top management (Grade 17-19)									
Target	6	2	2	3	4	1	1	2	21
Actual	3	1	0	0	4	1	0	2	11
Variance	3	1	2	3	0	0	1	0	10
% variance	**50%**	**50%**	**100%**	**100%**	**100%**	**0%**	**100%**	**0%**	**47%**
Top management (20-25)									
Target	2	1	1	1	3	0	0	1	9
Actual	2	0	1	1	0	0	0	0	4
Variance	0	0	0	0	3	0	0	1	5
% variance	**0%**	**100%**	**0%**	**0%**	**100%**	**0%**	**0%**	**100%**	**55%**

Table 9. The ECDC employment equity by employment categories (continued)

Occupational levels	Male				Female				Total
	A	C	I	W	A	C	I	W	
TOTAL									
Target	72	10	8	16	88	8	6	9	220
Actual	32	1	2	4	65	2	0	4	110
Variance	43	9	6	12	23	6	6	5	110
% variance	57%	90%	75%	75%	26%	75%	100%	42%	50%
Employees with disabilities	0	0	0	0	0	1	0	0	1
Grand total (est)	**75**	**10**	**8**	**16**	**88**	**8**	**6**	**9**	**220**

The table above illustrates the equity targets against the actuals at the end of the financial year. The comparison is as per occupational categories and indicates the variances per category.

39 actual
male occupation levels

106 target
male occupation levels

67
variance

71 actual
female occupation levels

111 target
female occupation levels

40
variance

Table 10. Occupational equity categories

Occupational levels	Male				Female				Total
	A	C	I	W	A	C	I	W	
Top management (20-25)	2	0	1	1	0	0	0	0	4
Senior management (17-19)	3	1	0	0	4	1	0	2	11
Professionally qualified and experienced specialists and mid-management (14 -16)	12	0	1	3	16	1	0	1	34
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents (10-13)	12	0	0	1	42	1	0	1	57
Semi-skilled and discretionary decision making (7-9)	1	0	0	0	0	0	0	0	1
Unskilled and defined decision making (2-6)	1	0	0	0	2	0	0	0	3
TOTAL PERMANENT	**32**	**1**	**2**	**4**	**65**	**2**	**0**	**4**	**110**
Persons with disabilities	**0**	**0**	**0**	**0**	**0**	**(1)**	**0**	**0**	**(1)**
Fixed-term contracts	**19**	**0**	**1**	**0**	**20**	**0**	**0**	**0**	**40**
Young professionals programme	**3**				**15**				**18**
TOTAL EMPLOYEES	**54**	**1**	**3**	**4**	**100**	**2**	**0**	**4**	**168**

The table above illustrates the actual number of employees in each occupational category and their grades, gender, and race. The table illustrates the number of permanent employees and those who are on fixed-term contracts (temporary and long-term), including the recently recruited young professionals.

Training and development

Skills development is essential for employees to excel in their personal and team roles and functions and deliver on the organisation's strategy.

The Workplace Skills Plan (WSP) and Annual Training Report (ATR) are submitted annually to the Services SETA by 30 April 2022. The training interventions were:
- Seven staff members were trained in job evaluation on 24 to 25 March 2022.
- Two employees were trained on leadership coaching.
- Eight employees were trained as SHE representatives.
- Ten First Aiders were provided with training.

To provide employment opportunities and alleviate the number of unemployed graduates, the ECDC recruited Young Professionals in Training (YPTs) in strategic departments in the organisation.

As of the year-end, the ECDC has recruited 24 YPTs in various departments to provide them with the necessary skills and capacity-building opportunities to form part of the greater workforce in the Eastern Cape.

Employee relations

The ECDC and Labour signed a collective agreement during the second quarter of 2020. Since then, six-monthly management and labour forum meetings have been convened during the financial year 2021/22 to discuss operational matters as provided in the main collective agreement.

Relationships remain cordial. The forum aims to maintain and enhance industrial peace, promote sound relations between the union and management, and prevent disputes from arising by monitoring and implementing wage agreements, conditions of employment and all matters of mutual interest to employers and employees. During the financial year under review, the Central Negotiations Forum was convened in October and November to negotiate wage demands. After three sittings, as directed by the collective agreement, the parties agreed on wages. Labour flagged other conditions of service such as skills development, succession planning and benefits, which were researched and are to be concluded later.

During the financial year, six disciplinary matters, each involving an enquiry or act of misconduct were investigated, and a formal disciplinary hearing was held but not finalised.

The cases ranged from unauthorised absence from work, breach of policies, gross dishonesty/financial misconduct, and harassment/gross insubordination.

Looking ahead: Organisational design process

Organisational design is aligning the organisation's structure with its objectives to improve efficiency and effectiveness.

The ECDC invited suitably qualified service providers to assist with planning, developing and implementing its organisational design. In addition, it will align and recommend development interventions to position the ECDC's people, processes and systems with the revised corporate strategy that was approved on 3 December 2021.

The process began in January 2022. It will address the structure's challenges with the assistance of a service provider. During the year under review, successful briefing sessions with various departments, including labour was conducted. Workshops with top management were also finalised. As at year-end, a revised structure will be tabled for approval with the various governance committees in Q1 of 2022/23.

As part of the OD process, ECDC will also conduct a culture assessment with the organisation. Going forward, the process during 2022/23 will involve communication and the participation of staff regarding the new structures, alignment of the current structure, the matching and placing of with in the new structure while creating role profiles for the newly-established roles. The culture assessment results aim to bridge the gap between culture and strategy.

PART H

Corporate Governance

Introduction

The ECDC endorses the code of good corporate governance practices and conduct as contained in the King Report on Corporate Governance and affirms its commitment with complying to all the material aspects of the principles incorporated in these reports. The Corporation subscribes to the corporate governance principles in the Public Finance Management Act (PFMA).

The ECDC is committed to good corporate citizenship and organisational integrity in running its affairs. This commitment provides the shareholder, customers and stakeholders with the comfort that the ECDC's affairs are managed in an ethical and disciplined manner. The ECDC's philosophy is founded on service delivery, trust, integrity, transparency, accessibility, redress and ethics.

Board

The Corporation has a duly constituted Board of Directors, which constitute the fundamental base of the Corporation's corporate governance. The ECDC Board was appointed by the Member of the Executive Council, responsible for the Department of Economic Development, Environmental Affairs and Tourism (Shareholder) in terms of Section 7(3) of the Eastern Cape Development Act, 1997 (Act No. 2 of 1997). The ECDC Board of Directors comprises 10 directors, of which nine are non-executive, including the Board Chairperson. The current ECDC Board of Directors commenced its fiduciary duties in February 2021.

Role of the Board

The ECDC Board has absolute responsibility for the effective performance of the Corporation and is fully accountable to the shareholder for such performance. Consequently, the ECDC Board provides strategic direction to the Corporation and, in agreement with the shareholder, ensures that an effective continuity plan is in place and adhered to by all directors and key executives.

Board charter

The ECDC Board has compiled a Board Charter regarding the recommendations in the King IV Report on Corporate Governance™ for South Africa (King IV). The charter is also subject to the provisions of the ECDC Act, Articles of Association and any other applicable laws or regulatory provisions. The charter is intended to provide a concise overview of:

- The demarcation of roles, functions, responsibilities and powers of the Board, shareholder, individual directors and Chief Executive Officer of the Corporation.
- Powers delegated to various Board committees of the Corporation.
- Matters reserved for final decision-making or pre-approval by the Board.
- The policies and practices of the Board in respect of matters such as corporate governance, declarations and conflict of interest, Board meeting documentation and procedures and the nomination, appointment, induction, training and evaluation of directors and members of the Board Committees.

Board committees

The ECDC Board comprises four committees: Human Resources, Remuneration, Social and Ethics Committee, Funding and Investment Committee, Governance and Nominations Committee, and Audit, Risk and Compliance Committee.

Human Resources, Remuneration, Social and Ethics Committee (HRSEC)

The committee assists the Board in fulfilling its corporate governance responsibilities regarding remuneration, strategic human resources matters and ethics. The committee conforms to an approved code of conduct endorsed by the Board, good communication mechanism which alerts all employees to ethical standards, guidelines, and acceptable behaviour within the Corporation. The committee monitors and reports on the Corporation's activities regarding social and economic development, good corporate citizenship, environment, health and safety, consumer relations, and ethics.

Funding and Investment Committee

The committee seeks to assist the Board in discharging its duties and provides oversight of financial policies, development investment policies and the financial condition of the Corporation in support of the Corporation's medium and long-range goals relating to funding, asset management, acquisitions, research and economic development, acquisition and disposal of non-core and or non-performing assets, subsidiary management, investments, financial sustainability and procurement.

Governance and Nominations Committee

The committee is charged with the responsibility to provide monitoring and governance oversight of board performance appraisals, size, structure and composition, corporate governance framework, monitoring for the ECDC, directors' indemnity insurance, board succession planning, CEO performance management, subsidiaries, director development, annual reporting and planning for the annual general meeting.

Audit and Risk Committee (ARC)

The committee is a Board committee responsible for overseeing the Corporation's accounting, internal auditing, internal control and financial reporting practices. The committee has formal terms of reference with which it has regulated the Corporation's and discharged the Corporation's affairs according to the terms of reference.

The committee consists of the members listed below. In terms of its reference, the committee meets at least four times a year. During the year under review, six meetings were held. The committee membership structure changed on 26 March 2021 with the shareholder's appointment of the new Board.

Table 11. Board Committee and meeting attendance

Name	Board	Audit, Risk & Compliance	HRSEC	FINCO	Governance & Nominations Committee	Ad hoc
Mr Jarana	6			1	2	8
Mr Somdyala	7			7	2	5
Ms Cumming	7	6		1		2
Ms Pietersen	7	5		5		1
Ms Bono	6		3			1
Ms Siko	6	1	3	7		1
Mr Nicholls[1]	3	6			2	2
Dr Makamba	7		5			
Ms Buthelezi	6		5	6	2	4
Ms Koneti	6		4	3		

Director fees

Fees were paid to the directors for the Board, sub-committees and for ad hoc attendance during the financial year under review.

Risk management

The ECDC has a risk management framework that outlines the different risks for the Corporation and a management strategy for managing these risks.

The Enterprise-Wide Risk Unit is responsible for planning, coordinating, facilitating, promoting, and creating awareness in:
- Embedding the risk management strategy and control environment.
- Preventing and managing fraud and corruption.
- Assessing, reporting and monitoring risk.

The Strategic Risks are outlined as:
- Business risk: The possibility of lower than anticipated profits or experience a loss rather than making a profit.
- Project implementation: Failure to deliver on projects as per expected quality standards, within budget and on time.
- Service quality: Inability to deliver on the service quality expectations of customers, the shareholder, government entities, suppliers, business partners with regard to ECDC's services and products (SERVQUAL model).
- Development risk: Inability to invest and deliver on key strategic socio-economic development sectors and priorities.

The Risk Management Framework outlines the management of the business continuity risks such as human resources and information technology. The framework addresses the impact of serious incidents and disasters such as inadequate processes, loss of people, lack of financial controls and resources and severe reputation damage that result in the ECDC being unable to recover over a short period and continue with its operations.

Compliance with laws and regulations

The Corporation subscribes to strict adherence to all applicable legal prescripts and corporate governance practices, which include but are not limited to the Eastern Cape Development Act 1997 (Act No. 2 of 1997), Public Finance Management Act (Act No. 1 of 1999), Companies Act 2008 (Act No. 71 of 2008), Labour Relations Act 1995 (Act No. 66 of 1995), Basic Conditions of Employment Act 1997 (Act No. 75 of 1997), Consumer Protection Act 2008 (Act No. 68 of 2008) and National Credit Act, 2005 (Act No. 34 of 2005).

Furthermore, the Corporation has adopted a PAIA/POPIA Manual in accordance with the Promotion of Access to Information Act (Act No. 2 of 2000) and the Protection of Personal Information Act (Act No. 4 of 2013). The manual is published on the ECDC website.

Minimising conflict of interest

The Corporation's values are entrenched in an approved code of ethics which guides employee behaviour in all internal and external stakeholder relations. In instances where a non-executive director has any direct or indirect personal or private business interest, he/she must withdraw from the proceedings when the matter is considered by the Board or any of its committees, unless the Board or any of its committees determines that a member's interest in the matter is trivial or irrelevant.

The Corporation requires all employees to sign "declaration of interest" forms annually before to the commencement of the financial year. The annual declaration of interest register for the Board is noted at the beginning of the financial year or as and when a revised declaration of interest is submitted to the company secretary.

Fraud prevention

The Corporation has adopted a zero-tolerance approach on any activities associated with fraud. The Corporation has developed an Anti-Fraud and Corruption Policy and the Whistleblowing Policy. Further, the Corporation has also approved an Anti-Fraud and Anti-Corruption Strategy and Response Plan. These policies are reviewed annually to test their relevance in ensuring that they align with societal advancements and developments. These policies require the Corporation to have a Fraud and Ethics Hotline. Currently, these hotline details appear on the bottom page of each employee's email signature. These initiatives seek to ensure all fraud and corruption risks are identified and mitigated.

Health, safety and environment

The Corporation strictly adheres to the Occupational Health and Safety Act 1993 (Act No. 85 of 1993) to ensure a safe working environment for its employees and stakeholders. The Corporation always strives to integrate health and safety into all facets of its business activities and complies with the standards set out in the act. During 2001, the Corporation was kept apprised of and implemented the latest protocols and regulations relating to creating a work environment that reduces the risk of COVID-19. There were no material incidents concerning occupational health and safety during the year under review.

Corporate social responsibility

In executing its strategy, and as a good corporate citizen, the Corporation recognises the need to have a direct and indirect impact on the environment, stakeholders, which include employees and communities it serves. The Corporation takes pride in its initiatives that seek to advance employee empowerment, community development and preservation of the environment. During the year under review, the Corporation actively carried out the following programmes:

- The Back to School Sanitary Towel Drive was implemented in partnership with the Korean-based sanitary towels manufacturing company, MView Global. About 200,000 sanitary towels have been distributed to female student bodies to 20 selected schools across the province. This equated to one year's supply of sanitary towels, while the male student bodies received a pencil case with stationery and a sports string bag.
- Career exhibitions: To encourage the youth's participation in the economic activities of the province and take advantage of the government service and product offerings meant to develop entrepreneurs, the ECDC introduces the topic of entrepreneurship to learners, especially focusing on those who beyond matric do not get an opportunity to further their studies. Mentoring sessions are held in schools to give detailed information on how one becomes an entrepreneur and what government programmes can assist their growth.

Dimbaza Industrial Park: Properties and infrastructure development services

The ECDC is continuing its work in revitalising industrial parks and refurbishing critical infrastructure at the sites. In Dimbaza, mast lights and fencing are being put up as well as road upgrades and the rehabilitation of bulk services at the park. Through the Provincial Economic Stimulus Fund (PESF), a new access road and bulk services valued at R42,332m is being put up. In addition, the PESF and Buffalo City Metropolitan Municipality are funding the upgrades of wastewater treatment works to the value of R35,202m at the Dimbaza Industrial Park. These infrastructure upgrades are managed through the ECDC's infrastructure development services function.

R42.332m
fund provided by the PESF for bulk services

R35.202m
additional funding provided by BCM and PESF

Audit risk and compliance committee report

Mandate

This report is provided by the Audit Risk and Compliance Committee (ARC) in respect of the 2021/22 financial year of Eastern Cape Development Corporation (ECDC). The ARC's function is guided by a detailed charter informed by the relevant governance prescript and aligned to the business.

Purpose

The purpose of the ARC is to assist the Board in discharging its duties relating to the safeguarding of assets, operation of adequate systems, control and reporting processes, and preparation of accurate reporting and financial statements in compliance with the applicable legal requirements and accounting standards.

Overview

We are pleased to present our report for the financial year ending 31 March 2022.

Audit, Risk and Compliance Committee Members

The Audit, Risk and Compliance Committee consists of the members listed below. According to the terms of reference, the committee must meet at least four times a year.

During the year under review, six meetings were held. The committee membership structure changed on 26 March 2021, with the shareholder's appointment of the new Board.

Table 12. Audit, Risk & Compliance committee membership structure

Name	Position
R Nicholls	Chairperson (term expired 31 March 2022)
N Pietersen	Member (appointed on 26 March 2021)
T Cumming	Member (appointed on 26 March 2021)
V Tshangana	Chairperson (appointed on 03 May 2022)
L. Smith	Member (appointed on 03 May 2022)
T Maphanga	Member (appointed on 03 May 2022)

Audit, Risk and Compliance Committee's Role and Responsibilities

The Audit, Risk and Compliance Committee is a committee of the Board. It has discharged its responsibilities related to the Corporation's accounting, internal auditing, internal control and financial reporting practices. The Audit, Risk and Compliance committee has formal terms of reference and has regulated its affairs in compliance with these terms of reference and has discharged its responsibilities according to these terms.

Effectiveness of internal control

During the year, the Audit, Risk and Compliance Committee reviewed various internal auditor reports and the Audit Report on the Annual Financial Statements and the Management Letter of the Auditor-General of South Africa.

The Audit, Risk and Compliance Committee noted these, and based on the outcome of such reviews and the information provided by management, the committee is of the opinion that the internal controls of the Corporation were partially effective throughout the year under review.

Evaluation of Annual Financial Statements and Performance Information

The Audit and Risk Committee has:

1. Reviewed and discussed the annual financial statements to be included in the annual report, with the Auditor-General South Africa.

2. Reviewed the information on pre-determined objectives to be included in the annual report and noted the report by the Auditor-General of South Africa.

3. Reviewed the quality and timeliness of the financial information availed to the Audit, Risk and Compliance Committee for oversight purposes during the year. The Corporation's financial performance and the pre-determined objectives was reported at each Audit, Risk and Compliance Committee meeting.

4. The Audit, Risk and Compliance Committee believes the content and quality of quarterly reports prepared and issued by the Corporation during the year under review have been of a good standard and notes the continued improvement from the previous year.

Internal audit
The Audit, Risk and Compliance Committee reviewed the activities of the internal audit function and has concluded:

1. The function is effective, and there were no unjustified restrictions or limitations.

2. The internal audit reports were reviewed at quarterly meetings, including its annual work programme, coordination with the external auditors, the reports of significant investigations and management's responses to issues raised in these reports.

3. In coordinating the assurance activities, the Audit, Risk and Compliance Committee reviewed the plans and work outputs of the external and internal auditors. It concluded that these activities adequately addressed the Corporation's significant financial risks.

The Head of Internal Audit has direct access to the Audit, Risk and Compliance Committee chairperson and other members. The Audit, Risk and Compliance Committee is also responsible for the assessment of the performance of the head of Internal Audit, and the internal audit function.

For the year under review, the following audits were conducted for the ECDC:

i) Audit of Predetermined Objectives - Quarterly Reviews (Q4 2021/22)
ii) Audit of Predetermined Objectives - Quarterly Reviews (Q1 – Q4 for 2021/22)
iii) Debt Management Review (Property Rentals and Loans Debtors)
iv) Development Finance and Business Support – (Loans, Imvaba and Jobs Funds)
v) Development Finance and Business Support (Informal Business Funding Review - New - DEDEAT mandate)
vi) Enterprise Risk Management (ERM)
vii) Property Management
viii) Supply Chain Management
ix) Human Resources Management and Payroll
x) Project Management Review
xi) High-Level AFS Review (2021/22 FY)
xii) Governance Review – Ethics
xiii) Hamburg Film Fund Review

The Automotive Industry Development Centre (SOC) Ltd (AIDC - EC), a 100% owned subsidiary of the ECDC.

The following projects have been completed for the 2021/22 financial year:

i) Audit of Predetermined Objectives Quarter 4 (2021/22)
ii) Audit of Predetermined Objectives Quarter 1 (2021/22), Quarter 2 (2021/22), Quarter 3 (2021/22)
iii) Human Resources Review
iv) Supply Chain Management.

Legal and compliance
The Audit, Risk and Compliance Committee received quarterly reports to ensure that the Corporation operates within the legal framework to evaluate the legal and regulatory requirements and the impact that these may have on the financial statements.

The Audit, Risk and Compliance Committee confirms that its meetings were attended by the Corporation's internal legal resource, who provided feedback to ensure that compliance and legal obligations were met. It is especially related to the legal proceedings which include but are not limited to contingent liabilities during this financial year.

Risk management and information technology
The ARC assessed the impact of risk management and information technology on its functions by:

1. Reviewing the policies on risk assessment and risk management, including IT RISKS as these pertain to financial reporting and the going concern assessment, and found these to be adequate.
2. Considering and reviewing the findings and recommendations of Internal Audit.

Auditor-General of South Africa
Considering the audit outcome, the Audit and Risk Committee interacted with the Auditor-General of South Africa during the planning, scoping and review of the statements and performance information before the submission and the post-audit.

We take note of the Auditor-General of South Africa's report and opinion. The significant findings were a result of limited management reviews of the information submitted. These were corrected, and the Committee is satisfied with the outcome.

Chairperson of the Audit, Risk and Compliance Committee
V Tshangana

Directors report

The directors are pleased to present their report and the audited financial statements for the year ended 31 March 2022. The Corporation is established by the Eastern Cape Development Corporation Act, 1997 (Act No. 2 of 1997) (ECDC Act). It is listed in Schedule 3 D of the Public Finance Management Act, 1999 (Act No. 1 of 1999) (the PFMA) as a Provincial Government Business Enterprise.

Shareholding
The Provincial Government of the Eastern Cape is the sole shareholder represented by the Member of the Executive Council of the Department of Economic Affairs and Tourism.

Directors
The Board's composition and a summarised curriculum vitae of each director are set out in the Corporate Governance Report.

Accounting policies
The accounting policies disclose that judgements made by management and supported by the Board in the application of IFRIS that have a significant impact on the annual financial statements.

Critical judgments and estimations made in applying the accounting policies.
Judgements made by management and supported by the Board in the application of IFRIS that have a significant impact on the annual financial statements are disclosed in the accounting policies.

Authorised and issued share capital
The authorised share capital of the Corporation remained unchanged at R1 billion rand worth of Ordinary Shares. Of this the Corporation issued R427 589 674 million worth of ordinary shares to the Provincial Government of the Eastern Cape (Department of Economic Development and Environmental Affairs). The issued share capital is made up of 213 794 837 million "A" shares of R1 each and 213 794 837 million "B" shares of R1 each.

Divisions, subsidiaries and associate companies
A detailed list of subsidiaries and associate companies is contained in the supplementary information to the annual financial statements.

Dividends
No dividends were declared or paid to shareholders during the year.

Judicial proceedings
The annual financial statements include a best estimate of expected settlement costs for judicial proceedings entered into by ECDC, as either defendant or plaintiff, where the outcome can be assessed with reasonable certainty. These estimates consider the legal opinions obtained from the Corporation and the group. The contingent liabilities of the group have been disclosed in note 36 of the annual financial statements.

Post balance sheet events review
There are no post balance sheet events relating to the year under review.

Going concern
Having reviewed the Corporation's cash flow forecast for the year to 31 March 2022 and, in the light of this review and current financial position, the directors are satisfied that the Corporation has, or has access to, adequate resources to continue its operational existence for the future. However particular note must be taken of note 43 of the financial statements.

Executive remuneration
ECDC continues to regard its employees as the most valued asset of the business. The Human Resources strategy remains one of the pillars of the ECDC strategy and provides the framework for addressing HR challenges. The HR strategy remains focused on providing the right skills in the right place at the right time to support the ECDC's business objectives.

ECDC recognised that remuneration is a business issue, not purely a human resources issue, as it directly impacts operational expenditure, organisational culture, employee behaviour and ultimately, the financial sustainability of the Corporation. As such, the ECDC's approach to reward is consistent with its objectives and strategic value drivers. Accordingly, the ECDC remuneration philosophy aims to:

- Increase productivity by ensuring that individuals, teams are recognised and rewarded for sustained superior performance whilst managing the total cost of employment;
- Compete effectively in the labour market and recruit and retain high calibre staff;
- Establish reward as a strategic driver of performance to encourage and promote continuous improvement at a personal, corporate and unit level;
- Attract, motivate and retain skilled personnel to enable the corporation to maintain a competitive edge over its competitors;
- Commensurate pay to performance.

Director fees

Fees were paid to directors for the Board, sub-committee and ad hoc attendance during the financial year under review.

Table 13. Board fees

Name	Board	Audit, Risk & Compliance	HRSEC	FINCO	Governance & Nominations	Ad hoc	TOTAL
Mr Jarana	79,125.00			5,275.00	7,912.50	38,701.30	131,013.80
Mr Somdyala	73,852.50			52,750.00	5,275.00	26,375.00	158,252.50
Ms Cumming	55,387.50	31,650.00		5,275.00		10,550.00	102,862.50
Ms Pietersen	55,387.50	26,375.00		2,6375.00		5,275.00	113,412.50
Ms Bono	47,475.00		15,825.00	5,275.00		5,275.00	73,850.00
Ms Siko	47,475.00	5,275.00	15,825.00	36,925.00		5,275.00	110,775.00
Mr Nicholls[1]	23,737.50	63,300.00			5,275.00	10,550.00	102,862.50
Dr Makamba							
Ms Buthelezi							
Ms Koneti							
Total	382,440.00	126,600.00	31,650.00	13,1875.00	18,462.50	102,001.30	793,028.80

Survivor Season 9: Investment promotion

Through the Eastern Cape Film Investment Fund, the Eastern Cape successfully secured the rights to host Season 9 of the international reality show, Survivor. The series is being shot for the second time in the Eastern Cape, following Season 8 which was filmed at the picturesque Wild Coast. Season 9 of Survivor South Africa was shot at the Great Fish River Resort in the Amathole District Municipality. In 2021/22, the ECDC invested R4.35m in three film productions that attracted investments of R81.8m. These productions created 719 jobs.

R4.35m
invested by ECDC attracted investments of R81.8m

719
jobs were created as a result of the attracted investments

PART I
Financial Information

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	The ECDC is a provincial Development Finance Institution. Its main business is to provide financial and non-financial support to small, medium and micro enterprises, to stimulate economic growth in the province and to support job creation.
Registered office	Ocean Terrace Park Moore Street Quigney East London
Postal address	PO Box 11197 Southernwood East London, 5213
Holding Department	Department of Economic Development, Environmental Affairs and Tourism
Auditors	Auditor-General South Africa (Eastern Cape)
Legal form	Government Business Enterprise

Index

REPORT OF THE AUDITOR-GENERAL TO THE EASTERN CAPE PROVINCIAL LEGISLATURE ON THE EASTERN CAPE DEVELOPMENT CORPORATION

Report on the audit of the consolidated and separate financial statements

Opinion

1. I have audited the consolidated and separate financial statements of the Eastern Cape Development Corporation and its subsidiaries (the group) set out on pages 86 to 175, which comprise the consolidated and separate statement of financial position as at 31 March 2022, the consolidated and separate statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, as well as notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

2. In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the Eastern Cape Development Corporation as at 31 March 2022, and their financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA) and the Eastern Cape Development Corporation Act 2 of 1997 (ECDC 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 consolidated and separate financial statements section of my report.

4. I am independent of the group in accordance with the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards) (IESBA code) as well as other 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.

Material uncertainty relating to going concern/ financial sustainability

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

7. I draw attention to note 43 to the financial statements, which indicates that the group experienced operating losses for the last two financial years. Its net current liabilities exceeded net current assets, stringent cash flow management was applied due to the liquidity challenges experienced by the group, and adverse key ratios exist in relation to the liquidity ratios, rental and loan collection rates and debt impairment. As stated in note 43, these events or conditions, along with the other matters as set forth in note 43, indicate that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern.

Emphasis of matters

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

Contingent Liabilities

9. I draw attention to note 36 to the financial statements, which deals with contingent liabilities relating to overcharges on municipal costs. The entity is challenging these charges with the respective municipalities and no summons have been issued. The ultimate outcome of the disputes could not be determined and no provision for any liability that may result was made in the financial statements.

Irregular Expenditure

10. As disclosed in note 45 to the financial statements, the entity incurred irregular expenditure of R1, 3 million, as it did not follow a proper contract management process.

Responsibilities of the accounting authority for the financial statements

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

12. In preparing the consolidated and separate financial statements, the accounting authority is responsible for assessing the 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 consolidated and separate financial statements

13. My objectives are to obtain reasonable assurance about whether the consolidated and separate 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 consolidated and separate financial statements.

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

Report on the audit of the annual performance report

Introduction and scope

15. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected strategic goals presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

16. My procedures address the usefulness and reliability of the reported performance information, which must be based on the entity's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the entity enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

17. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected strategic goals presented in the entity's annual performance report for the year ended 31 March 2022:

Strategic goals	Pages in the annual performance report
Strategic goal 1: Competitive and sustainable SMME sector that contributes to the socio-economic development of EC	57
Strategic goal 2: A growing and diversified and inclusive economy	58

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

19. I did not raise material findings on the usefulness and reliability of the reported performance information for the following strategic goals:

- Strategic goal 1: Competitive and sustainable SMME sector that contributes to the socio-economic development of EC
- Strategic goal 2: A growing and diversified and inclusive economy

Other matters

20. I draw attention to the matters below.

Achievement of planned targets

21. Refer to the annual performance report on pages 57 to 59 for information on the achievement of planned targets for the year and management's explanations provided for the under- and overachievement of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs [15 to 19] of this report.

Adjustment of material misstatements

22. I identified material misstatements in the annual performance report submitted for auditing. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

Report on the audit of compliance with legislation

Introduction and scope

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

24. The material finding on compliance with specific matters in key legislation is as follows:

Revenue management

25. I was unable to obtain sufficient audit evidence that effective and appropriate steps were taken to collect all revenue due, as required by section 51 (1) (b) (i) of the PFMA.

Other information

26. The accounting authority 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. The other information does not include the consolidated and separate financial statements, the auditor's report and those selected strategic goals presented in the annual performance report that have been specifically reported in this auditor's report.

27. 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 on it.

28. 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 consolidated and separate financial statements and the selected strategic goals presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

29. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information and if I conclude that there is a material misstatement therein, I required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

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

31. Adequate records were not in place to support the processes and systems relating to the efficient and effective collection of revenue due to the corporation.

Auditor-General

East London
31 July 2022

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 consolidated and separate financial statements and the procedures performed on reported performance information for selected strategic goal's compliance with respect to the selected subject matters.

Financial statements

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

- identify and assess the risks of material misstatement of the consolidated and separate 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 board of directors, which constitutes the accounting authority.
- conclude on the appropriateness of the accounting authority'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 relating to events or conditions that may cast significant doubt on the ability of the Eastern Cape Development Corporation and its subsidiaries 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 my 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 operating as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

Communication with those charged with governance

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

4. I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Posh Wash Laundry: Jobs Stimulus Fund

Posh Wash is an East London commercial, domestic and industrial laundry service. Owned by Faizel Ramsamy, the Beacon Bay company services public and private sector clients with affordable laundry and dry cleaning services. Services include wash, dry, fold, iron and dry-cleaning. The ECDC assisted the company with a R480,000 Jobs Stimulus Fund incentive to save 17 jobs and to fund working capital requirements. The company was severely affected by COVID-19 which resulted in liquidity challenges. The Eastern Cape Jobs Stimulus Fund is intended to encourage distressed companies to retain existing jobs through an incentive scheme.

R480,000
Jobs Stimulus Fund incentive

17
jobs were saved as a result of the incentive

Statement of Financial Position as at 31 March 2022

		Group			Company		
Figures in Randthousand	Note(s)	2022	2021 Restated *	2020 Restated *	2022	2021 Restated *	2020 Restated *
Assets							
Non-Current Assets							
Property, plant and equipment	3	66 519	67 212	63 620	31 803	32 457	29 546
Right-of-use assets	4	1 656	30	56	3 378	4 029	6 331
Investment property	5	1 377 512	1 375 939	1 417 312	1 294 768	1 293 195	1 334 568
Intangible assets	6	729	121	96	683	-	-
Investments in subsidiaries	7	-	-	-	23 012	23 012	23 012
Investments in associates	8	17 077	14 762	15 182	-	-	-
Loans to group companies	9	-	-	-	33 751	31 487	29 963
Loans receivable	10	16 629	25 950	36 252	16 629	25 950	36 252
Investments at fair value	11	42 170	13 767	8 880	40 723	13 340	8 774
		1 522 292	**1 497 781**	**1 541 398**	**1 444 747**	**1 423 470**	**1 468 446**
Current Assets							
Loans receivable	10	13 826	9 378	22 866	13 826	9 378	22 866
Trade and other receivables	12	31 852	30 540	21 675	24 998	23 395	14 805
Current tax receivable	34	98	178	-	-	-	-
Cash and cash equivalents	14	233 703	231 461	144 889	197 370	181 753	113 466
		279 479	**271 557**	**189 430**	**236 194**	**214 526**	**151 137**
Total Assets		**1 801 771**	**1 769 338**	**1 730 828**	**1 680 941**	**1 637 996**	**1 619 583**
Equity and Liabilities							
Equity							
Equity Attributable to Equity Holders of Parent							
Share capital	15	427 590	427 590	427 590	427 590	427 590	427 590
Reserves	16	419 993	398 331	398 331	416 263	394 601	394 601
Retained income		593 445	597 244	655 492	476 686	485 804	544 067
		1 441 028	1 423 165	1 481 413	1 320 539	1 307 995	1 366 258
Non-controlling interest		920	852	959	-	-	-
		1 441 948	**1 424 017**	**1 482 372**	**1 320 539**	**1 307 995**	**1 366 258**
Liabilities							
Non-Current Liabilities							
Loans from group companies	17	-	-	-	29 144	25 095	25 129
Lease liabilities	4	1 312	35	35	1 312	1 983	4 403
Retirement benefit obligation	18	26 749	27 864	24 720	26 749	27 864	24 720
Deferred income	20	1 065	1 105	423	-	-	-
Other financial liabilities	19	-	-	15 873	-	-	15 873
		29 126	**29 004**	**41 051**	**57 205**	**54 942**	**70 125**

Statement of Financial Position as at 31 March 2022

		Group			Company		
Figures in Rand thousand	Note(s)	2022	2021 Restated *	2020 Restated *	2022	2021 Restated *	2020 Restated *
Current Liabilities							
Trade and other payables	21	89 934	122 465	83 853	75 210	95 231	68 614
Lease liabilities	4	436	-	28	2 414	2 419	2 184
Deferred income	20	192 642	146 167	91 638	177 954	129 790	80 656
Current tax payable	34	66	66	140	-	-	-
Other financial liabilities	19	47 619	47 619	31 746	47 619	47 619	31 746
		330 697	**316 317**	**207 405**	**303 197**	**275 059**	**183 200**
Total Liabilities		**359 823**	**345 321**	**248 456**	**360 402**	**330 001**	**253 325**
Total Equity and Liabilities		**1 801 771**	**1 769 338**	**1 730 828**	**1 680 941**	**1 637 996**	**1 619 583**

Statement of Profit or Loss and Other Comprehensive Income

		Group		Company	
Figures in Rand thousand	Note(s)	2022	2021 Restated *	2022	2021 Restated *
Revenue	22	101 311	93 542	93 213	90 388
Interest revenue	22	25 982	24 800	25 982	24 800
Gross profit		**127 293**	**118 342**	**119 195**	**115 188**
Government grants & Other operating income	24	306 080	217 825	287 433	205 355
Other operating gains (losses)	24	606	(40 743)	-	(41 067)
Other operating expenses	25	(456 582)	(364 491)	(434 475)	(350 202)
Operating loss	25	**(22 603)**	**(69 067)**	**(27 847)**	**(70 726)**
Investment income	28	7 979	6 784	10 452	8 695
Finance costs	29	(412)	(3)	(738)	(574)
Income from equity accounted investments	8	2 681	(420)	-	-
Other non-operating gains (losses)	30	9 022	4 342	9 022	4 342
Loss before taxation		**(3 333)**	**(58 364)**	**(9 111)**	**(58 263)**
Taxation	31	(435)	-	-	-
Loss for the year		**(3 768)**	**(58 364)**	**(9 111)**	**(58 263)**
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Losses on property revaluation		(481)	-	(481)	-
Gains on valuation of investments in equity instruments		22 143	-	22 143	-
Total items that will not be reclassified to profit or loss		**21 662**	**-**	**21 662**	**-**
Other comprehensive income for the year net of taxation	32	**21 662**	**-**	**21 662**	**-**
Total comprehensive income (loss) for the year		**17 894**	**(58 364)**	**12 551**	**(58 263)**
Loss attributable to:					
Owners of the parent		(3 836)	(58 374)	(9 111)	(58 263)
Non-controlling interest		68	10	-	-
		(3 768)	**(58 364)**	**(9 111)**	**(58 263)**
Total comprehensive income (loss) attributable to:					
Owners of the parent		17 826	(58 374)	12 551	(58 263)
Non-controlling interest		68	10	-	-
		17 894	**(58 364)**	**12 551**	**(58 263)**

Statement of Changes in Equity for the year ended 31 March 2022

Figures in Rand thousand	Share capital	Revaluation reserve	Reserve for revaluation of investments	Other NDR	Total reserves	Retained income	Total attributable to equity holders of the group / company	Non-controlling interest	Total equity
Group									
Opening balance as previously reported	427 590	12 239	1 827	384 265	398 331	661 163	1 487 084	959	1 488 043
Adjustments									
Prior year errors (note 43)	-	-	-	-	-	(5 671)	(5 671)	-	(5 671)
Restated* Balance at 01 April 2020 as restated	**427 590**	**12 239**	**1 827**	**384 265**	**398 331**	**655 492**	**1 481 413**	**959**	**1 482 372**
Loss for the year	-	-	-	-	-	(58 364)	(58 364)	10	(58 354)
Total comprehensive Loss for the year	**-**	**-**	**-**	**-**	**-**	**(58 364)**	**(58 364)**	**10**	**(58 354)**
Opening balance as previously reported	427 590	12 239	1 827	384 265	398 331	610 874	1 436 795	969	1 437 764
Adjustments									
Prior period adjustments (NCI - remeasurement)	-	-	-	-	-	117	117	(117)	-
Prior year adjustments	-	-	-	-	-	(13 747)	(13 747)	-	(13 747)
Balance at 01 April 2021 as restated	**427 590**	**12 239**	**1 827**	**384 265**	**398 331**	**597 244**	**1 423 165**	**852**	**1 424 017**
Loss for the year	-	-	-	-	-	(3 836)	(3 836)	68	(3 768)
Other comprehensive income	-	(481)	22 143	-	21 662	-	21 662	-	21 662
Total comprehensive Loss for the year	**-**	**(481)**	**22 143**	**-**	**21 662**	**(3 836)**	**17 826**	**68**	**17 894**
Retained income remeasurement 2021/2022	-	-	-	-	-	37	37	-	37
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**-**	**-**	**-**	**-**	**37**	**37**	**-**	**37**
Balance at 31 March 2022	**427 590**	**11 758**	**23 970**	**384 265**	**419 993**	**593 445**	**1 441 028**	**920**	**1 441 948**
Note(s)	15	16&32	16&32	16		32			

Statement of Changes in Equity for the year ended 31 March 2022

Figures in Rand thousand	Share capital	Revaluation reserve	Reserve for valuation of investments	Other NDR	Total reserves	Retained income	Total attributable to equity holders of the group / Company	Non-controlling interest	Total equity
Company									
Opening balance as previously reported	427 590	8 509	1 827	384 265	394 601	549 738	1 371 929	-	1 371 929
Adjustments									
Prior year errors (refer to Note 43)	-	-	-	-	-	(5 671)	(5 671)	-	(5 671)
Restated* Balance at 01 April 2020	**427 590**	**8 509**	**1 827**	**384 265**	**394 601**	**544 067**	**1 366 258**	**-**	**1 366 258**
Restated Loss for the year	-	-	-	-	-	(58 263)	(58 263)	-	(58 263)
Total comprehensive Loss for theyear	**-**	**-**	**-**	**-**	**-**	**(58 263)**	**(58 263)**	**-**	**(58 263)**
Opening balance as previously reported	427 590	8 509	1 827	384 265	394 601	499 551	1 321 742	-	1 321 742
Adjustments Prior year errors	-	-	-	-	-	(13 747)	(13 747)	-	(13 747)
Balance at 01 April 2021 as restated	**427 590**	**8 509**	**1 827**	**384 265**	**394 601**	**485 804**	**1 307 995**	**-**	**1 307 995**
Loss for the year	-	-	-	-	-	(9 111)	(9 111)	-	(9 111)
Other comprehensive income	-	(481)	22 143	-	21 662	-	21 662	-	21 662
Total comprehensive Loss for theyear	**-**	**(481)**	**22 143**	**-**	**21 662**	**(9 111)**	**12 551**	**-**	**12 551**
Retained Income remeasurement2021/2022	-	-	-	-	-	(7)	(7)	-	(7)
Total contributions by and distributions to owners of companyrecognised directly in equity	**-**	**-**	**-**	**-**	**-**	**(7)**	**(7)**	**-**	**(7)**
Balance at 31 March 2022	**427 590**	**8 028**	**23 970**	**384 265**	**416 263**	**476 686**	**1 320 539**	**-**	**1 320 539**
Note(s)	15	16&32	16&32	16		32			

Statement of Cash Flows

		Group		Company	
Figures in Rand thousand	Note(s)	2022	2021 Restated *	2022	2021 Restated *
Cash flows from operating activities					
Cash (used) in/ generated from operations	33	(12 852)	61 792	2 666	48 275
Interest and investment income		7 970	6 676	6 305	5 079
Dividends received (trading)		207	108	-	-
Finance costs		(412)	(3)	(738)	(574)
Tax paid	34	(355)	(252)	-	-
Net cash generated/ (used) in operating activities		**(5 442)**	**68 321**	**8 233**	**52 780**
Cash flows from investing activities					
Purchase of property, plant and equipment	3	(2 824)	(5 451)	(2 553)	(4 621)
Sale of property, plant and equipment	3	14	6	-	-
Sale of investment property	5	2 208	83	2 208	83
Purchase of other intangible assets	6	(879)	(146)	(832)	-
Loans advanced to group companies		-	-	(2 264)	(1 524)
Sale of investments at fair value		-	(2)	-	(1)
Advances of loans receivable at amortised cost		(34 711)	(23 930)	(34 711)	(23 930)
Receipts from loans receivable at amortised cost		44 145	47 719	44 145	47 719
Net cash (used) in/ generated from investing activities		**7 953**	**18 279**	**5 993**	**17 726**
Cash flows from financing activities					
Repayment of loans from group companies		-	-	4 049	(34)
Payment on lease liabilities		(269)	(28)	(2 658)	(2 185)
Net cash from financing activities		**(269)**	**(28)**	**1 391**	**(2 219)**
Total cash movement for the year		**2 242**	**86 572**	**15 617**	**68 287**
Cash at the beginning of the year		231 461	144 889	181 753	113 466
Total cash at end of the year	14	**233 703**	**231 461**	**197 370**	**181 753**

Accounting Policies

1. Presentation of Consolidated Annual Financial Statements

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

1.1 Basis of preparation

The consolidated annual financial statements of the Eastern Cape Development Corporation have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these consolidated annual financial statements and the Public Finance Management Act (Act No.1 of 1999), as amended.

These consolidated annual financial statements comply with the requirements of the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.

The consolidated annual financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below.

Functional and presentation currency

These consolidated annual financial statements are presented in Rand, which is the Group's functional currency. All amounts are rounded to the nearest thousand, unless otherwise indicated.

Underlying assumptions

The consolidated annual financial statements are prepared on the going concern basis, which assumes that the Corporation will continue in operation for the foreseeable future. The consolidated annual financial statements are prepared using accrual accounting whereby the effects of transactions and other events are recognised when they occur rather than when the cash is received or paid. The owners of the Group or others do not have the power to amend the audited financial statements after they have been published.

Assets and liabilities and income and expenses are not offset unless specifically permitted by an accounting standard. Financial assets and financial liabilities are offset and the net amount reported only when a current legally enforceable right to set off the amounts exists and the intention is either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Changes in accounting policies are accounted for in accordance with the transitional provisions in the applicable standard. If no such guidance is given, they are applied retrospectively unless it is impracticable to do so, in which case the change is applied prospectively. Changes in accounting estimates are recognised in profit or loss in the period they occur. Prior period errors are retrospectively restated unless it is impracticable to do so, in which case they are applied prospectively.

Recognition of assets and liabilities

An asset, being a resource controlled by the corporation as a result of a past event from which future economic benefits are expected to flow, is recognised when it is probable that the future economic benefits associated with it will flow to the Group and its cost or fair value can be measured reliably. A liability, being a present obligation of the Group arising from a past event the settlement of which is expected to result in an outflow of resources embodying economic resources from the Group, is recognised when it is probable that future economic benefits associated with it will flow from the Group and its cost or fair value can be measured reliably.

Derecognition of assets and liabilities

Financial assets or parts thereof are derecognised, i.e. removed from the Statement of Financial Position, when the contractual rights to receive the cash flows have been transferred or have expired or if substantially all the risks and rewards of ownership have passed. Where substantially all the risks and rewards of ownership have not been transferred or retained, the financial assets are derecognised if they are no longer controlled by the Group. However, if control is retained, financial assets are recognised only to the extent of the Group's continuing involvement in those assets.

All other assets are derecognised on disposal or when no future economic benefits are expected to flow to the Group from their use or disposal. Financial liabilities are derecognised when the relevant obligation has either been discharged or cancelled or has expired.

Accounting Policies

1.1 Basis of preparation (continued)

Post-balance sheet events

Recognised amounts in the consolidated annual financial statements are adjusted to reflect events arising after the balance sheet date that provide evidence of conditions that existed at the balance sheet date. Events after the balance sheet date that are indicative of conditions that arose after the balance sheet date are dealt with by way of a note.

These accounting policies are consistent with the previous period.

1.2 Consolidation

Basis of consolidation

The consolidated annual financial statements incorporate the annual financial statements of the company and all subsidiaries. Subsidiaries are entities (including structured entities) which are controlled by the Group.

The Group has control of an entity when it is exposed to or has rights to variable returns from involvement with the entity and it has the ability to affect those returns through use its power over the entity.

The results of subsidiaries are included in the consolidated annual financial statements from the effective date of acquisition to the effective date of disposal.

Adjustments are made when necessary to the consolidated annual financial statements of subsidiaries to bring their accounting policies in line with those of the Group.

All inter-company transactions, balances, and unrealised gains on transactions between Group companies are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the Group's interest therein, and are recognised within equity. Losses of subsidiaries attributable to non-controlling interests are allocated to the non-controlling interest even if this results in a debit balance being recognised for non-controlling interest.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions and are recognised directly in the Statement of Changes in Equity.

The difference between the fair value of consideration paid or received and the movement in non-controlling interest for such transactions is recognised in equity attributable to the owners of the company.

Where a subsidiary is disposed of and a non-controlling shareholding is retained, the remaining investment is measured to fair value with the adjustment to fair value recognised in profit or loss as part of the gain or loss on disposal of the controlling interest. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

1.3 Investments in associates

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. It generally accompanies a shareholding of between 20% and 50% of the voting rights.

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

Accounting Policies

1.3 Investments in associates (continued)

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

Distributions received from the associate reduce the carrying amount of the investment.

Any goodwill on acquisition of an associate is included in the carrying amount of the investment, however, a gain onacquisition is recognised immediately in profit or loss.

Profits or losses on transactions between the Group and an associate are eliminated to the extent of the Group's interest therein. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

1.4 Investment property

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

Investment property is held for long-term rental yields or for capital appreciation or both and comprises properties not occupied by the Group. Hotel buildings held by the Group are classified as investment property as the Group is not involved in the hotel operations.

Investment properties are initially recognised at cost, including transaction costs, and are subsequently stated at fair value determined by an independent sworn appraiser, every third year. Management reviews these valuations for reasonability and adjustments are made where it is deemed to be necessary.

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

Fair value

Subsequent to initial measurement investment property is measured at fair value, determined by an independent sworn appraiser, every third year. Management reviews these valuations for reasonability and adjustments are made where it is deemed to be necessary.

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

1.5 Property, plant and equipment

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

Owner-occupied properties are held for administrative purposes and are recognised and measured as property, plant and equipment.

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the Group, and the cost of the item can be measured reliably.

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

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the year in which they are incurred.

Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Land	Land is not depreciated	Indefinite
Buildings	Straight line	25-50 years
Right-of-use-assets	Straight line	3-5 years
Furniture and fixtures	Straight line	6-10 years
Office equipment	Straight line	4-6 years
IT equipment	Straight line	3 years
Other property, plant and equipment	Straight line	5-6 years

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

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

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

1.6 Intangible assets

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

Intangible assets are initially recognised at cost.

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:

Accounting Policies

1.6 Intangible assets (continued)

- 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.

- 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. 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 every period-end.

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.

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

Item	Depreciation method	Average useful life
Computer software, other	Straight line	1-5 years

1.7 Investments in subsidiaries

Investments in subsidiaries are carried at carried at cost less any accumulated impairment losses. This excludes investments which are held for sale and are consequently accounted for in accordance with IFRS 5 Non-current AssetsHeld for Sale and Discontinued Operations.

Subsidiaries are entities, including unincorporated partnerships and companies without a share capital, that are controlled by the Group. Control exists where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Consolidated annual financial statements

The consolidated annual financial statements incorporate the assets, liabilities, income, expenses and cash flows of the Corporation and its subsidiaries. The results of the subsidiaries acquired or disposed during the year are included from the date of acquisition or up to the date of disposal. Inter-company transactions and balances are eliminated on consolidation.

Corporation annual financial statements

The cost of an investment in a subsidiary is the aggregate of the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Corporation, plus any costs directly attributable to the purchase of the subsidiary.The corporation annual financial statements are reflected under the "Company headings" in the statements.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

Accounting Policies

1.8 Investments in associates

Associates are entities, including unincorporated partnerships and companies without a share capital, over which the Group exercises significant influence.

Consolidated annual financial statements

An investment in an associate is accounted for using the equity method, except when the asset is classified as held-for-sale in accordance with IFRS 5: Non-current Assets Held for Sle and discontinued operations. Under the equity method, the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the Group's share of the profits or losses of the investee after acquisition date. The use of the equity method is discontinued from the date the Group ceases to have significant influence over an associate.

Any impairment losses are deducted from the carrying amount of the investment in associate. Distributions received from the associate reduce the carrying amount of the investment.

Profits and losses resulting from transactions with associates are recognised only to the extent of unrelated investors' interests in the associate.

The excess of cost of acquisition over the Group's interest in the net fair value of an associate's identifiable assets, liabilities and contingent liabilities is accounted for as goodwill, and is included in the carrying amount of the associate.
The excess of the Group's share of the net fair value of an associate's identifiable assets, liabilities and contingent liabilities over the cost is excluded from the carrying amount of the investment and is instead included as income in the period in which the investment is acquired.

Corporation annual financial statements

Associate companies are those companies in which the Corporation holds a long-term equity interest and over which it exercises a significant influence over its financial and operating policies, other than investments in companies acquired to protect advances or as a conduit for advances.

The investments in associate companies are initially recorded at cost. Subsequent to initial recognition, the investment in the associate is carried at fair value as an available for sale financial asset in accordance with the accounting policy on financial assets. If fair value cannot be measured reliably, the investment is carried at cost. An appropriate provision is made where there is considered to be a permanent diminution in the value of the investment

1.9 Financial instruments

Financial instruments held by the Group are classified in accordance with the provisions of IFRS 9 Financial Instruments. Broadly, the classification possibilities, which are adopted by the Group, as applicable, are as follows:

Financial assets which are debt instruments

Amortised cost. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows); or

Fair value through other comprehensive income. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is achieved by both collecting contractual cash flows and selling the instruments); or

Mandatorily at fair value through profit or loss. (This classification automatically applies to all debt instruments which do not qualify as at amortised cost or at fair value through other comprehensive income); or

Designated at fair value through profit or loss. (This classification option can only be applied when it eliminates or significantly reduces an accounting mismatch).

Financial assets which are equity instruments

- Mandatorily at fair value through profit or loss; or
- Designated as at fair value through other comprehensive income. (This designation is not available to equity instruments which are held for trading or which are contingent consideration in a business combination).

Accounting Policies

1.9 Financial instruments (continued)

Financial liabilities
- Amortised cost; or
- Mandatorily at fair value through profit or loss. (This applies to contingent consideration in a business combination or to liabilities which are held for trading); or
- Designated at fair value through profit or loss. (This classification option can be applied when it eliminates or significantly reduces an accounting mismatch; the liability forms part of a Group of financial instruments managed on a fair value basis; or it forms part of a contract containing an embedded derivative and the entirecontract is designated as at fair value through profit or loss).

Note 40 Financial instruments and risk management presents the financial instruments held by the Group based on their specific classifications.

Loans receivable at amortised cost

Classification

Loans advanced and trade receivables are classified as financial assets and are subsequently measured at amortised cost.

They have been classified in this manner because the contractual terms of these loans give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the Group's business model is to collect the contractual cash flows on these loans.

Recognition and measurement

Loans receivable are recognised when the Group becomes a party to the contractual provisions of the loan. The loans aremeasured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the loan initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Application of the effective interest method

Interest income is calculated using the effective interest method, and is included in profit or loss in investment income (note 28).

The application of the effective interest method to calculate interest income on a loan receivable is dependent on the credit risk of the loan as follows:
- The effective interest rate is applied to the gross carrying amount of the loan, provided the loan is not creditimpaired. The gross carrying amount is the amortised cost before adjusting for a loss allowance.
- If a loan is purchased or originated as credit-impaired, then a credit-adjusted effective interest rate is applied to the amortised cost in the determination of interest. This treatment does not change over the life of the loan, even if it is no longer credit-impaired.
- If a loan was not purchased or originally credit-impaired, however it has subsequently become credit-impaired, then the effective interest rate is applied to the amortised cost of the loan in the determination of interest. If, in subsequent periods, the loan is no longer credit impaired, then the interest calculation reverts to applying the effective interest rate to the gross carrying amount.

Impairment

The Group recognises a loss allowance for expected credit losses on all loans receivable measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective loans.

The Group measures the loss allowance at an amount equal to lifetime expected credit losses (lifetime ECL) when there has been a significant increase in credit risk since initial recognition. If the credit risk on a loan has not increased significantly since initial recognition, then the loss allowance for that loan is measured at 12 month expected credit losses (12 month ECL).

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a loan. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a loan that are possible within 12 months after the reporting date.

1.9 Financial instruments (continued)

In order to assess whether to apply lifetime ECL or 12 month ECL, in other words, whether or not there has been a significant increase in credit risk since initial recognition, the Group considers whether there has been a significant increase in the risk of a default occurring since initial recognition rather than at evidence of a loan being credit impaired at the reporting date or of an actual default occurring.

Definition of default

For purposes of internal credit risk management purposes, the Group consider that a default event has occurred if there is either a breach of financial covenants by the counterparty, or if internal or external information indicates that the counterparty is unlikely to pay its creditors in full (without taking collateral into account).

Irrespective of the above analysis, the Group considers that default has occurred when a loan instalment is more than 90 days past due unless there is reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Write off policy

The Group writes off a loan when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Loans written off may still be subject to enforcement activities under the Group recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default.

The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. The exposure at default is the gross carrying amount of the loan at the reporting date.

Lifetime ECL is measured on a collective basis in cases where evidence of significant increases in credit risk are not yet available at the individual instrument level. Loans are then Grouped in such a manner that they share similar credit risk characteristics, such as nature of the loan, external credit ratings (if available), industry of counterparty etc.

The Grouping is regularly reviewed by management to ensure the constituents of each Group continue to share similar credit risk characteristics.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12 month ECL at the current reporting date, and visa versa.

An impairment gain or loss is recognised for all loans in profit or loss with a corresponding adjustment to their carrying amount through a loss allowance account. The impairment loss is included in other operating expenses in profit or loss as a movement in credit loss allowance.

Credit risk

Details of credit risk related to loans receivable are included in the specific notes and the financial instruments and risk management (note 40).

Trade and other receivables

Classification

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost (note 12).

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the Group's business model is to collect the contractual cash flows on trade and other receivables.

1.9 Financial instruments (continued)

Recognition and measurement

Trade and other receivables are recognised when the Group becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Application of the effective interest method

For receivables which contain a significant financing component, interest income is calculated using the effective interest method, and is included in profit or loss in investment income (note 28).

The application of the effective interest method to calculate interest income on trade receivables is dependent on the credit risk of the receivable as follows:

- The effective interest rate is applied to the gross carrying amount of the receivable, provided the receivable is notcredit impaired. The gross carrying amount is the amortised cost before adjusting for a loss allowance.
- If a receivable is a purchased or originated as credit-impaired, then a credit-adjusted effective interest rate is applied to the amortised cost in the determination of interest. This treatment does not change over the life of the receivable, even if it is no longer credit-impaired.
- If a receivable was not purchased or originally credit-impaired, but it has subsequently become credit-impaired, then the effective interest rate is applied to the amortised cost of the receivable in the determination of interest. If, in subsequent periods, the receivable is no longer credit impaired, then the interest calculation reverts to applying the effective interest rate to the gross carrying amount.

Impairment

The Group recognises a loss allowance for expected credit losses on trade and other receivables, excluding VAT andprepayments. The amount of expected credit losses is updated at each reporting date.

The Group measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

Measurement and recognition of expected credit losses

The Group makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate.

The customer base is widespread and does not show significantly different loss patterns for different customer segments. The loss allowance is calculated on a collective basis for all trade and other receivables in totality. Details of the provision matrix is presented in note 12.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is included in other operating expenses in profit or loss as a movement in credit loss allowance (note 25).

Write off policy

The Group writes off a receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Receivables written off may still be subject to enforcement activities under the Group recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Accounting Policies

1.9 Financial instruments (continued)

Credit risk

Details of credit risk are included in the trade and other receivables note (note 12) and the financial instruments and risk management note (note 40).

Investments in equity instruments

Classification

Investments in equity instruments are presented in note 11. The Group has elected to measure certain investments in equity instruments at fair value through other comprehensive income.

Other unlisted investments are stated at fair value through profit or loss. Fair value gains or losses recognised on investments at fair value through profit or loss are included in other non-operating gains (losses).

The classification as investment is determined by the intention to keep the investment on a long term basis.

Recognition and measurement

Investments in equity instruments are recognised when the Group becomes a party to the contractual provisions of the instrument. The investments are measured, at initial recognition, at cost. Transaction costs are added to the initial carrying amount for those investments which have been designated as at fair value through other comprehensive income. All other transaction costs are recognised in profit or loss.

Investments in equity instruments are subsequently measured at fair value with changes in fair value recognised either in profit or loss or in other comprehensive income (and accumulated in equity in the reserve for valuation of investments) , depending on their classification. The valuation method of unlisted investments is based on either discounted free cash flows or earning before interest, tax, depreciation and amortisation.

Investments that are held to collect contractual cash flows or previously held to maturity are subsequently measured at amortised cost.

Fair value gains or losses recognised on investments at fair value through profit or loss are included in other non-operating gains (losses) (note 30).

Dividends received on equity investments are recognised in profit or loss when the Group's right to received the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in investment income (note 28).

Impairment

Certain investments in equity instruments are not subject to impairment provisions.

Investments in debt instruments at fair value through profit or loss

Borrowings and loans from related parties

Classification

Loans from group companies, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

Borrowings and loans from related parties are recognised when the Group becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

Accounting Policies

1.9 Financial instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Interest expense, calculated on the effective interest method, is included in profit or loss in finance costs (note 29.)

Borrowings expose the Group to liquidity risk and interest rate risk. Refer to note 40 for details of risk exposure and management thereof.

Trade and other payables

Classification

Trade and other payables, excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

They are recognised when the Group becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs (note 29).

Trade and other payables expose the Group to liquidity risk and possibly to interest rate risk. Refer to note 40 for details of risk exposure and management thereof.

Financial liabilities at amortised cost

Classification

Financial liabilities which are held for trading are classified as financial liabilities mandatorily at fair value through profit or loss.

When a financial liability is contingent consideration in a business combination, the Group classifies it as a financial liability at fair value through profit or loss.

The Group, does, from time to time, designate certain financial liabilities as at fair value through profit or loss. The reason for the designation is to reduce or significantly eliminate an accounting mismatch which would occur if the instruments were not classified as such; or if the instrument forms part of a Group of financial instruments which are managed and evaluated on a fair value basis in accordance with a documented management strategy; or in cases where it forms part of a contract containing an embedded derivative and IFRS 9 permits the entire contract to be measured at fair value through profit or loss.

Recognition and measurement

Financial liabilities at fair value through profit or loss are recognised when the Group becomes a party to the contractual provisions of the instrument. They are measured, at initial recognition and subsequently, at fair value. Transaction costs are recognised in profit or loss.

Accounting Policies

1.9 Financial instruments (continued)

For financial liabilities designated at fair value through profit or loss, the portion of fair value adjustments which are attributable to changes in the Group's own credit risk, are recognised in other comprehensive income and accumulated in equity in the reserve for valuation of liabilities, rather than in profit or loss. However, if this treatment would create or enlarge an accounting mismatch in profit or loss, then that portion is also recognised in profit or loss.

Interest paid on financial liabilities at fair value through profit or loss is included in finance costs.

Cash and cash equivalents

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

Bank overdrafts

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

Reclassification

Financial assets

The Group only reclassifies affected financial assets if there is a change in the business model for managing financial assets. If a reclassification is necessary, it is applied prospectively from the reclassification date. Any previously stated gains, losses or interest are not restated.

The reclassification date is the beginning of the first reporting period following the change in business model which necessitates a reclassification.

Financial liabilities

Financial liabilities are not reclassified.

1.10 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

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 end of the reporting period.

Deferred tax assets and liabilities

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.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss 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 other comprehensive income, or
- a business combination.

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

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

Accounting Policies

1.11 Leases

The Corporation assesses whether a contract is, or contains a lease, at the inception of the contract.

A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In order to assess whether a contract is, or contains a lease, management determine whether the asset under consideration is "identified", which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantial right of substitution throughout the period of use. Once management has concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end, control over the use of an identified asset only exists when the Corporation has the right to substantially all of the economic benefits from the use of the asset as well as the right to direct the use of the asset.

In circumstances where the determination of whether the contract is or contains a lease requires significant judgement, the relevant disclosures are provided in the significant judgments and sources of estimation uncertainty section of these accounting policies.

Group as lessee

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the Group is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense (note 25) on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated to each lease component on the basis of the relative stand-alone prices of the lease components and the aggregate stand-alone price of the non-lease components (where non-lease components exist).

However as an exception to the preceding paragraph, the Group has elected not to separate the non-lease components for leases of land and buildings.

Details of leasing arrangements where the Group is a lessee are presented in note 4 Leases (Group as lessee).

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:
- fixed lease payments, including in-substance fixed payments, less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the Group under residual value guarantees;
- the exercise price of purchase options, if the Group is reasonably certain to exercise the option;
- lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option;and
- penalties for early termination of a lease, if the lease term reflects the exercise of an option to terminate the lease.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability (or right-of- use asset). The related payments are recognised as an expense in the period incurred and are included in operating expenses (note 26).

The lease liability is presented as a separate line item on the Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. Interest charged on the lease liability is included in finance costs (note 29).

Accounting Policies

1.11 Leases (continued)

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) when:
- there has been a change to the lease term, in which case the lease liability is remeasured by discounting therevised lease payments using a revised discount rate;
- there has been a change in the assessment of whether the Group will exercise a purchase, termination or extension option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change to the lease payments due to a change in an index or a rate, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- there has been a change in expected payment under a residual value guarantee, in which case the lease liabilityis remeasured by discounting the revised lease payments using the initial discount rate;
- a lease contract has been modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised payments using a revised discount rate.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right- of-use asset, or is recognised in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Right-of-use assets

Right-of-use assets are presented as a separate line item on the Statement of Financial Position.

Lease payments included in the measurement of the lease liability comprise the following:
- the initial amount of the corresponding lease liability;
- any lease payments made at or before the commencement date;
- any initial direct costs incurred;
- any estimated costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, when the Group incurs an obligation to do so, unless these costs are incurred to produce inventories; and
- less any lease incentives received.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. However, if a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.
Depreciation starts at the commencement date of a lease.

For right-of-use assets which are depreciated over their useful lives, the useful lives are determined consistently with items of the same class of property, plant and equipment. Refer to the accounting policy for property, plant and equipment for details of useful lives.

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate. Each part of a right-of-use asset with a cost that is significant in relation to the total cost of the asset is depreciated separately.

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

Group as lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. Lease classification is made at inception and is only reassessed if there is a lease modification.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described previously, then it classifies the sub-lease as an operating lease.

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated by applying IFRS 15.

Accounting Policies

1.11 Leases (continued)

Operating leases

Lease payments from operating leases are recognised on a straight-line basis over the term of the relevant lease, or on another systematic basis if that basis is more representative of the pattern in which the benefits form the use of the underlying asset are diminished. Operating lease income is included in other operating income (note 24).

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

Modifications made to operating leases are accounted for as a new lease from the effective date of the modification. Any prepaid or accrued lease payments relating to the original lease are treated as part of the lease payments of the new lease.

1.12 Non-current assets (disposal groups) held for sale

Non-current assets and disposal Groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal Group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets and disposal Groups are classified as held for distribution to owners when the entity is committed to distribute the asset or disposal Group to the owners. This condition is regarded as met only when the distribution is highly probable and the asset (or disposal Group) is available for immediate distribution in its present condition, provided the distribution is expected to be completed within one year from the classification date.

Non-current assets (or disposal Groups) held for sale (distribution to owners) are measured at the lower of their carrying amount and fair value less costs to sell (distribute).

A non-current asset is not depreciated (or amortised) while it is classified as held for sale (held for distribution to owners), or while it is part of a disposal Group classified as such.

Interest and other expenses attributable to the liabilities of a disposal Group classified as held for sale (distribution to owners) are recognised in profit or loss.

1.13 Impairment of assets

An impairment loss on an asset or cash-generating unit is the amount by which the carrying amount, i.e. the amount recognised on the balance sheet after deducting any accumulated depreciation and accumulated impairment losses, exceeds its recoverable amount. The recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. Value in use is the present value of future cash flows expected to be derived from anasset or cash-generating unit.

At each reporting date the carrying amount of the tangible and intangible assets are assessed to determine whether there is any indication that those assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of the cash-generating unit to which the asset belongs is estimated. Value in use is estimated taking into account future cash flows, forecast market conditions and the expected useful lives of the assets.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount is reduced to the higher of its recoverable amount and zero. Impairment losses are recognised in profit or loss. The loss is first allocated to reduce the carrying amount of goodwill and then to the other assets of the cash-generating unit.
Subsequent to the recognition of an impairment loss, the depreciation or amortisation charge for the asset is adjusted to allocate its remaining carrying value, less any residual value, over its remaining useful life.

If an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, limited to the carrying amount that would have been recognised had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised in profit or loss.

Accounting Policies

1.14 Share capital and equity

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

Ordinary share capital, preference share capital or any financial instrument issued by the Group is classified as equity when:

- Payment of cash, in the form of a dividend or redemption, is at the discretion of the Group;
- The instrument does not provide for the exchange of financial instruments under conditions that arepotentially unfavourable to the Group;
- Settlement in the Group's own equity instruments is for a fixed number of equity instruments at a fixed price; and
- The instrument represents a residual interest in the assets of the Group after deducting all of its liabilities.

The Group's ordinary share capital is classified as equity.

Consideration paid or received for equity instruments is recognized directly in equity. Equity instruments are initially measured at the proceeds received less incremental directly attributable issue costs. No gain is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's equity instruments.

When the Group issues a compound instrument, i.e. an instrument that contains both a liability and equity component, the equity component is initially measured at the residual amount after deducting from the fair value of the compound instrument the amount separately determined for the liability component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components of the instrument in proportion to the allocation of proceeds.

Distributions to holders of equity instruments are recognised as dividends within equity in the period in which they are payable. Dividends for the year that are declared after the balance sheet date are disclosed in the notes.

1.15 Employee benefits

Short-term employee benefits

Employee benefits cost include all forms of consideration given in exchange for services rendered by employees. The cost of providing employee benefits is recognised in profit or loss in the period they are earned by employees. The cost of short term employee benefits is recognised in the period in which the service is rendered and is not discounted.

The expected cost of short-term accumulating compensated absences is recognised as an expense as the employees render service that increases their entitlement or, in the case of non-accumulating absences, when the absences occur. The expected cost of performance bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Post-employment benefit obligations

The cost of providing defined benefits is determined using the projected unit credit method. Valuations are conducted annually. The amount recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected unit credit method. Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to the end of the reporting period where the interimvaluation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial year, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in profit or loss over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

1.15 Employee benefits (continued)

Actuarial gains and losses are recognised in the year in which they arise, in other comprehensive income.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the Group is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In profit or loss, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

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

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

1.16 Government grants and deferred income

Government includes government agencies and similar bodies whether local, national or international. Government assistance is action by government designed to provide an economic benefit specific to an entity or range of entities qualifying under certain criteria. A government grant is assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity. They exclude those forms of government assistance which cannot reasonably have a value placed upon them and transactions with government which cannot be distinguished from normal trading transactions of the entity.

When the conditions attaching to government grants have been met and the grants have been received, they are recognised in profit or loss on a systematic basis over the periods necessary to match them with the related costs. When they are for expenses or losses already incurred, they are recognised in profit or loss immediately. The unrecognised portion of project spend at the balance sheet date is presented as deferred income. No value is recognised for other government assistance.

Government grants are recognised when there is reasonable assurance that:

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

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

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

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

1.17 Revenue

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods, services provided in the normal course of business, net of value added tax. Interest is recognised, in profit or loss, using the effective interest rate method.

The Group recognises revenue from the following major sources:

- Interest on loans
- Administration and other fees

1.18 Revenue(continued)

Revenue from operating leases

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods, services and operating lease income provided in the normal course of business, net of value added tax.
Interest is recognised, in profit or loss, using the effective interest rate method.

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

1.19 Key assumptions concerning the future and key sources of estimation

The consolidated annual financial statements are prepared in accordance with and comply with International Financial Reporting Standards (IFRS) and its interpretations adopted by the Accounting Practices Board. In the preparation of the consolidated annual financial statements, management has made judgements and estimates that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses, as set out below.

Credit impairment of loans and advances

The Group recognises a loss allowance for expected credit losses on all loans receivable measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective loans.

The Group measures the loss allowance at an amount equal to lifetime expected credit losses (lifetime ECL) when there has been a significant increase in credit risk since initial recognition. If the credit risk on a loan has not increased significantly since initial recognition, then the loss allowance for that loan is measured at 12 month expected credit losses (12 month ECL).

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a loan. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a loan that are possible within 12 months after the reporting date.

In order to assess whether to apply lifetime ECL or 12 month ECL, in other words, whether or not there has been a significant increase in credit risk since initial recognition, the Group considers whether there has been a significant increase in the risk of a default occurring since initial recognition rather than at evidence of a loan being credit impaired at the reporting date or of an actual default occurring.

Provisions, contingent liabilities and contingent assets

Provisions

Provisions are recognised when:

- The Corporation has a present legal or constructive obligation as a resuly of past events.

- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

- A reliable estimate of the obligation can be made.

Provisions are measured at the present value of expenditure expected to be required to settle the obligation using pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Provisions are not recognised for future operating losses. The increase in the provision due to passage of time is recognised as interest expense.

Contingent liabilities

Contingent liabilities are possible obligations that arise from past events and whose existence will be confirmed only by the occurence or non-occurence of one or more uncertain future events not wholly within the control of the Group. The Group, in the ordinary course of business, enters into transactions that expose the Group to tax, legal and business risks.
Contingent liabilitie are not recognised in the Statement of Financial Position but are disclosed in the notes to achieve fair presentation.

1.19 Key assumptions concerning the future and key sources of estimation(continued)

Contingent assets

Contingent assets are disclosed where an inflow of economic benefits is probable. When the realisation of income is virtually certain, then the related asset is not a contingent asset and its recognition is appropriate.

1.20 Interest bearing borrowing and borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less anytemporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- expenditures for the asset have occurred;
- borrowing costs have been incurred, and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.21 Related Parties

The ECDC operates in an economic environment together with other entities directly or indirectly owned by the Eastern Cape government. Only parties within the provincial sphere of government will be considered to be related parties.
Key management is defined as individuals with the authority and responsibility for planning, directing and controlling the activities of the entity. All individuals from the level of executive management up to the Board of Directors are regarded as key management per the definition of the standard.

Other related party transactions are also disclosed in terms of the requirements of IAS 24.

1.22 Irregular Expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including:
a) PFMA, or
b) any provincial legislation providing for procurement procedures in that provincial government

National Treasury practice note no. 2 of 2019/2020 requires the following (effective from 17 May 2019):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. 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.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law.
Immediate steps must thereafter be taken to recover the amount from the person concerned. The irregular expenditure register must also be updated accordingly.

Accounting Policies

1.22 Irregular Expenditure(continued)

If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Act or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Profit or Loss and Other Comprehensive Income and where recovered, it is subsequently accounted for as revenue in the Statement of Statement of Profit or Loss and Other Comprehensive Income.

1.23 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the Statement of Profit or Loss and Other Comprehensive Income 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 income in the Statement of Profit or Loss and Other Comprehensive Income.

Notes to the Consolidated Annual Financial Statements

	Group			Company		
Figures in Rand thousand	2022	2021 Restated *	2020 Restated *	2022	2021 Restated *	2020 Restated *

2. New Standards and Interpretations

2.1 Standards and interpretations not yet effective

The Group has chosen not to early adopt the following standards and interpretations, which have been published and aremandatory for the Group's accounting periods beginning on or after 01 January 2021 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• IAS 37 amendment - Onerous Contracts: Cost of Fulfilling a Contract	01 January 2022	Impact is currently being assessed
• Deferred tax related to assets and liabilities arising from a single transaction - Amendments to IAS 12	01 January 2023	Impact is currently being assessed
• IFRS 1, IFRS 9, IFRS 16 and IAS 41 amendments - Annual Improvements to IFRS Standards (2018 – 2020)	01 January 2022	Impact is currently being assessed
• IAS 16 amendment - Property, Plant and Equipment: Proceeds before Intended Use	01 January 2022	Impact is currently being assessed
• IFRS 3 amendment - Reference to the Conceptual Framework	01 January 2022	Impact is currently being assessed
• IFRS 17 Insurance Contracts	01 January 2023	Impact is currently being assessed
• IFRS 17 amendments - Insurance Contracts	01 January 2023	Unlikely there will be a material impact
• IAS 1 amendment - Classification of liabilities as current or non-current	01 January 2023	Unlikely there will be a material impact
• IFRS 10 and IAS 28 amendment - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	September (Deferred indefinitely by amendments made in December 2015)	Unlikely there will be a material impact
• Onerous Contracts - Cost of Fulfilling a Contract: Amendments to IAS 37	01 January 2022	Unlikely there will be a material impact
• Annual Improvement to IFRS Standards 2018-2020: Amendments to IAS 41	01 January 2022	Unlikely there will be a material impact

Notes to the Consolidated Annual Financial Statements

3. Property, plant and equipment

Group	2022			2021		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Land	4 565	-	4 565	4 565	-	4 565
Buildings	67 632	(13 082)	54 550	68 183	(12 468)	55 715
Furniture and fixtures	4 792	(3 553)	1 239	4 775	(3 238)	1 537
Motor vehicles	184	(184)	-	184	(184)	-
Office equipment	3 236	(2 413)	823	3 271	(2 135)	1 136
IT equipment	17 824	(12 512)	5 312	15 119	(10 917)	4 202
Other property, plant and equipment	1 952	(1 922)	30	1 916	(1 859)	57
Total	**100 185**	**(33 666)**	**66 519**	**98 013**	**(30 801)**	**67 212**

Group	2020		
	Cost or revaluation	Accumulated depreciation	Carrying value
Land	4 565	-	4 565
Buildings	68 184	(11 860)	56 324
Furniture and fixtures	4 891	(3 197)	1 694
Motor vehicles	184	(184)	-
Office equipment	2 176	(1 762)	414
IT equipment	11 284	(10 701)	583
Other property, plant and equipment	1 867	(1 827)	40
Total	**93 151**	**(29 531)**	**63 620**

Company	2022			2021		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Land	3 265	-	3 265	3 265	-	3 265
Buildings	35 282	(13 082)	22 200	35 833	(12 468)	23 365
Furniture and fixtures	4 673	(3 498)	1 175	4 668	(3 185)	1 483
Motor vehicles	184	(184)	-	184	(184)	-
Office equipment	3 054	(2 330)	724	3 089	(2 079)	1 010
IT equipment	16 559	(12 143)	4 416	14 017	(10 729)	3 288
Other property, plant and equipment	1 940	(1 917)	23	1 904	(1 858)	46
Total	**64 957**	**(33 154)**	**31 803**	**62 960**	**(30 503)**	**32 457**

Company	2020		
	Cost or revaluation	Accumulated depreciation	Carrying value
Land	3 265	-	3 265
Buildings	35 833	(11 860)	23 973
Furniture and fixtures	4 593	(2 963)	1 630
Motor vehicles	184	(184)	-
Office equipment	2 019	(1 699)	320
IT equipment	10 587	(10 269)	318
Other property, plant and equipment	1 867	(1 827)	40
Total	**58 348**	**(28 802)**	**29 546**

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Group - 2022

	Opening balance	Additions	Disposals	Transfers	Revaluations	Depreciation	Total
Land	4 565	-	-	-	-	-	4 565
Buildings	55 715	-	-	8	(481)	(692)	54 550
Furniture and fixtures	1 537	28	-	(3)	-	(323)	1 239
Office equipment	1 136	12	(10)	2	-	(317)	823
IT equipment	4 202	2 784	(17)	2	-	(1 659)	5 312
Other property, plant and equipment	57	-	-	-	-	(27)	30
	67 212	**2 824**	**(27)**	**9**	**(481)**	**(3 018)**	**66 519**

Reconciliation of property, plant and equipment - Group - 2021

	Openingbalance	Additions	Disposals	Depreciation	Total
Land	4 565	-	-	-	4 565
Buildings	56 324	-	-	(609)	55 715
Furniture and fixtures	1 694	75	(2)	(230)	1 537
Office equipment	414	1 388	-	(666)	1 136
IT equipment	583	3 941	-	(322)	4 202
Other property, plant and equipment	40	47	-	(30)	57
	63 620	**5 451**	**(2)**	**(1 857)**	**67 212**

Consolidated Annual Financial Statements for the year ended 31 March 2022

Notes to the Consolidated Annual Financial Statements

Figures in Rand thousand	Group			Company		
	2022	2021	2020	2022	2021	2020

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Group - 2020

	Opening balance	Additions	Disposals	Revaluations	Depreciation	Impairment reversal	Total
Land	4 565	-	-	-	-	-	4 565
Buildings	50 182	-	-	3 700	(2 910)	5 352	56 324
Furniture and fixtures	299	1 520	(2)	-	(123)	-	1 694
Office equipment	670	106	-	-	(362)	-	414
IT equipment	465	452	-	-	(334)	-	583
Other property, plant and equipment	65	-	-	-	(25)	-	40
	56 246	**2 078**	**(2)**	**3 700**	**(3 754)**	**5 352**	**63 620**

Reconciliation of property, plant and equipment - Company - 2022

	Opening balance	Additions	Transfers	Revaluations	Depreciation	Total
Land	3 265	-	-	-	-	3 265
Buildings	23 365	-	1	(481)	(685)	22 200
Furniture and fixtures	1 483	9	-	-	(317)	1 175
Office equipment	1 010	5	-	-	(291)	724
IT equipment	3 288	2 539	2	-	(1 413)	4 416
Other property, plant and equipment	46	-	-	-	(23)	23
	32 457	**2 553**	**3**	**(481)**	**(2 729)**	**31 803**

	Group			Company		
Figures in Rand thousand	2022	2021 Restated *	2020 Restated *	2022	2021 Restated *	2020 Restated *

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Company - 2021

	Opening balance	Additions	Depreciation	Total
Land	3 265	-	-	3 265
Buildings	23 973	-	(609)	23 365
Furniture and fixtures	1 630	75	(222)	1 483
Office equipment	320	1 349	(659)	1 010
IT equipment	318	3 162	(192)	3 288
Other property, plant and equipment	40	35	(29)	46
	29 546	**4 621**	**(1 711)**	**32 457**

Reconciliation of property, plant and equipment - Company - 2020

	Opening balance	Additions	Revaluations	Depreciation	Total
Land	3 265	-	-	-	3 265
Buildings	20 880	-	3 700	(607)	23 973
Furniture and fixtures	272	1 473	-	(115)	1 630
Office equipment	659	15	-	(354)	320
IT equipment	369	237	-	(288)	318
Other property, plant and equipment	65	-	-	(25)	40
	25 510	**1 725**	**3 700**	**(1 389)**	**29 546**

Revaluations

The Group's land and buildings are stated at revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and accumulated impairment losses. Revaluations are performed every 3 years and in intervening years if the carrying amount of the land and buildings differs materially from their fair value.

The fair value measurements as of 31 March 2020 were performed by, independent valuers not related to the Group. The valuers utilised by the Group are members of the Institute of Valuers and they have the appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations.

The carrying value of the revalued assets under the cost model would have been:

Office Buildings	13 326	13 743	14 160	13 326	13 743	14 160
	13 326	**13 743**	**14 160**	**13 326**	**13 743**	**14 160**
Other information						
Fully depreciated property, plant and equipment still in use	4	4	184	4	4	184

	Group			Company		
Figures in Rand thousand	2022	2021 Restated *	2020 Restated *	2022	2021 Restated *	2020 Restated *

3. Property, plant and equipment (continued)

Details of property, plant and equipment

Registers with details of land and buildings are available for inspection by shareholders or their duly authorized representatives at the registered office of the Corporation and its respective subsidiaries.

4. Leases (Group and company as lessee)/Right of use assets

The Eastern Cape Development Corporation (ECDC) leases a property owned by a subsidiary, Cimvest SOC Ltd. The property is situated in East London and is utlised as the ECDC Head Office building. The lease has a five year term, with a commencement date of 01January 2018. A lease liability related to this lease has been recognised and measured at the present value of future lease payments,discounted at an incremental borrowing rate of 10.25%. There is no significant option for an extension or early termination included in the lease agreement, therefore this has not been included in the assessment of the lease term. The remaining lease period on the building without considering options to extend or terminate is 9 months.

ECDC Gqeberha region leases its property from SKG Africa (Pty) Ltd a company that is outside ECDC group. The building is used for office and administration purposes by the regional office of ECDC. The lease commenced on the 1st of June 2021 and it is for a period of 5 years. The lease was accounted for in terms of IFRS 16.

The group also leases multi purpose office machines (copiers / printers). The terms for these leases range from three months to three years. These leases are short term and / or leases of low value items.

Net carrying amounts of right-of-use assets

The carrying amounts of right-of-use assets are as follows:

Buildings	1 652	-	-	3 378	4 029	6 331
Office equipment	4	30	56	-	-	-
	1 656	**30**	**56**	**3 378**	**4 029**	**6 331**

Additions to right-of-use assets

Buildings	1 982	-	-	1 982	-	-

Depreciation recognised on right-of-use assets

Depreciation recognised on each class of right-of-use assets, is presented below. It includes depreciation which has been expensed in the total depreciation charge in profit or loss (note 25), as well as depreciation which has been capitalised to the cost of other assets.

Buildings	330	-	-	2 632	2 302	2 302
Office equipment	26	26	26	-	-	-
	356	**26**	**26**	**2 632**	**2 302**	**2 302**
Other disclosures						
Interest expense onlease liabilities	98	3	25	437	574	713

Notes to the Consolidated Annual Financial Statements

4. Leases (Group and company as lessee)/Right of use assets (continued)

Lease liabilities

The maturity analysis of lease liabilities is as follows:

Within one year	436	31	31	2 500	2 759	2 759
Two to five years	1 599	5	33	1 599	2 069	2 759
More than five years	-	-	-	-	-	2 069
	2 035	36	64	4 099	4 828	7 587
Less finance charges component	(287)	(1)	(1)	(373)	(426)	(1 000)
	1 748	**35**	**63**	**3 726**	**4 402**	**6 587**
Non-current liabilities	1 312	35	35	1 312	1 983	4 403
Current liabilities	436	-	28	2 414	2 419	2 184
	1 748	**35**	**63**	**3 726**	**4 402**	**6 587**

5. Investment property

Group	2022			2021		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	1 377 512	-	1 377 512	1 375 939	-	1 375 939

Group	2020		
	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	1 417 312	-	1 417 312

Company	2022			2021		
	Cost/ Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	1 294 768	-	1 294 768	1 293 195	-	1 293 195

Company	2020		
	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	1 334 568	-	1 334 568

Reconciliation of investment property - Group - 2022

	Openingbalance	Other changes, movements	Fair value adjustments	Total
Investment property	1 375 939	(2 208)	3 781	1 377 512

Notes to the Consolidated Annual Financial Statements

5. Investment property (continued)

Reconciliation of investment property - Group - 2021

	Opening balance	Disposals	Other changes, movements	Fair value adjustments	Total
Investment property	1 417 312	(83)	(41 067)	(223)	1 375 939

Reconciliation of investment property - Group - 2020

	Opening balance	Additions	Disposals	Other changes, movements	Fair value adjustments	Total
Investment property	1 483 858	2 944	(4 561)	(42 860)	(22 069)	1 417 312

Reconciliation of investment property - Company – 2022

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	1 293 195	(2 208)	3 781	1 294 768

Reconciliation of investment property - Company - 2021

	Opening balance	Disposals	Transfers	Fair value adjustments	Total
Investment property	1 334 568	(83)	(41 067)	(223)	1 293 195

Reconciliation of investment property - Company - 2020

	Opening balance	Disposals	Other changes, movements	Fair value adjustments	Total
Investment property	1 404 058	(4 561)	(42 860)	(22 069)	1 334 568

Information on the Investment property portfolio

Investment properties are situated throughout the Eastern Cape Province, with the majority concentrated in the areas in and surrounding King Sabatha Dalindyebo, Mnquma, Buffalo City and Chris Hani Municipalities. The portfolio consists mainly of industrial, residential and commercial properties. Registers with details of each property are available for inspection at the registered office of the Corporation.

Tribal land

The Investment properties include properties that are located on Tribal Land, where the Group has assumed "Permission to Occupy".
The majority of these properties are situated on forestry estates and hotels on the Wild Coast.
The Group's right to occupy properties to the value of R74.9 million (2021: R75.4 million) (2020: R75.4 million) above, has not been reduced to writing. However, the Group has occupied these properties for a number of years and derives economic benefits from their use and assumes the risks and rewards that are substantially incidental to ownership.

The valuation method used to value these properties assumes that the Group has the right to occupy these properties and will receive economic benefits in perpetuity.

	Group			Company		
Figures in Rand thousand	2022	2021 Restated *	2020 Restated *	2022	2021 Restated *	2020 Restated *

5. Investment property (continued)

Invaded Investment Properties

A number of Investment Properties owned by the Eastern Cape Development Corporation in Mthatha have been invaded due to illegal occupation. The combined fair value of the affected properties in the current year is R133,316 million (2021: R123,060 million, 2020: R110,210 million).

There are about 32 properties invaded which have about 138 (2021: 138) lettable units. Consequently, the Corporation has lost potential income amounting to R58,144 million since the properties were invaded and the impact of the current year is R10,633 million (2021: R11,983 million). The calculations are based on the last rental billed on each unit.

The Eastern Cape Development Corporation promptly reported the matter to the relevant Law Enforcement Agencies where criminal cases were opened.

The ECDC recently concluded a memorandum of agreement with Public Assets Community Based Tenants and Owners Association (PACTOA), a civil organization which represents the abovementioned illegal invaders. The principal term of the agreement is that PACTOA and all illegal invaders affiliated to it would return control of all ECDC invaded properties. The implementation of the abovementioned agreement is pending.

Disposals

The Investment Property with a combined value of R2.208 million was disposed of as at 31 March 2022 financial year. There was a R93 thousand disposal of investment property that related to the prior year but only processed in 2022 by restating 2021 accounts. There were no disposal of Investment properties in the previous financial year.

Derecognised/Recognised/other adjustments (*also refer to note 39):*

Derecognised – R9,780 million (2021: 27,260 million) which comprises of the Haven Hotel (R9.1 million) and Malenge Sawmill (R130 thousand) transferred back to the community and local municipalities respectively in prior years. Erf 2625 21 Textile Road, Vulindlela Heights for R550 thousand is a duplicated property in asset 188 and 3151, which now has been derecognised.

Other prior year adjustments - R4,717 million

Recognised - a residential home forming part of a registered township establishment was identified to be belonging to ECDC and the value of this property at recognition time was R750 thousand.

Other disclosures

The fair value of investment properties is determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the investment property being valued. The valuation company provides the fair value of the Group's investment portfolio every third year and at any time when suitable to dispose of a property.

The Group has considered the impact of COVID-19 pandemic on the valuation of its property portfolio. Due to the nature of the Group's property portfolio, which is mainly residential, commercial and industrial, the valuation is presumed to hold good in the foresseable future and therefore the value of property investments has remained unaffected at the reporting date.
48.2% (2021:18.3%) of the investment property portfolio were valued for the year ended 31 March 2022.

The remainder were all valued within the 3-year cycle for external valuations in line with our accounting policy. Valuations of investment properties are performed by the professional valuers using a combination of income capitalisation, depreciated cost method and comparable sales, depending on the existing use of each individual investment property.

Registers with details of land and buildings are available for inspection by shareholders or their duly authorised representatives at the registered office of the Corporation.

5. Investment property (continued)

Amounts recognised in profit and loss for the year

	Group			Company		
Figures in Rand thousand	2022	2021 Restated *	2020 Restated *	2022	2021 Restated *	2020 Restated *
Rental income from investment property	(106 356)	(89 615)	(88 618)	(100 197)	(87 929)	(79 642)
Direct operating expenses from rental generating property	37 961	30 427	32 859	37 961	30 427	30 662
Direct operating expenses from non-rental generating property	16 389	13 136	13 388	16 389	13 136	13 388
	(52 006)	**(46 052)**	**(42 371)**	**(45 847)**	**(44 366)**	**(35 592)**

6. Intangible assets

Group	2022			2021		
	Cost /Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software, other	5 302	(4 573)	729	4 425	(4 304)	121

Group	2020		
	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software, other	4 412	(4 316)	96

Company	2022			2021		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software, other	5 105	(4 422)	683	4 274	(4 274)	-

Company	2020		
	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software, other	4 274	(4 274)	-

	Group			Company		
Figures in Rand thousand	2022	2021 Restated *	2020 Restated *	2022	2021 Restated *	2020 Restated *

6. Intangible assets (continued)

Reconciliation of intangible assets - Group - 2022

	Opening balance	Additions	Amortisation	Total
Computer software, other	121	879	(271)	729

Reconciliation of intangible assets - Group - 2021

	Opening balance	Additions	Amortisation	Total
Computer software, other	96	146	(121)	121

Reconciliation of intangible assets - Group - 2020

	Opening balance	Additions	Amortisation	Total
Computer software, other	60	138	(102)	96

Reconciliation of intangible assets - Company - 2022

	Opening balance	Additions	Amortisation	Total
Computer software, other	-	832	(149)	683

Reconciliation of intangible assets - Company - 2021

	Opening balance	Amortisation	Total
Computer software, other	-	-	-

Reconciliation of intangible assets - Company - 2020

	Opening balance	Amortisation	Total
Computer software, other	14	(14)	-

Other information

Some of the computer sotware utilised by the Group in its operations has been fully amortised and is still in use and the carrying value of such assets as at 31 March 2022 is R31 (2021: R Nil; 2020: R96).

	Group			Company		
Figures in Rand thousand	2022	2021	2020	2022	2021	2020

7. Investments in subsidiaries

The following table lists the entities which are controlled directly by the company, and the carrying amounts of the investments in the company's separate financial statements.

Company

Name of company	Held by	% holding 2022	% holding 2021	% holding 2020	Carrying Amount 2022	Carrying Amount 2021	Carrying amount 2020
Automotive Industry Development Centre (Eastern Cape)	Eastern Cape Development Corporation	100,00%	100,00%	100,00%	23 012	23 012	23 012
Centre for Investment and Marketing Authority in the Eastern Cape (NPC)	Eastern Cape Development Corporation	100,00%	100,00%	100,00%	-	-	-
Cimvest (Pty) Ltd	Centre for Investment and Marketing Authority in the Eastern Cape (NPC)	100,00%	100,00%	100,00%	-	-	-
Transdev Properties SOC Ltd	Eastern Cape Development Corporation	100,00%	100,00%	100,00%	2	2	2
Transkei Share Investment SOC Ltd	Eastern Cape Development Corporation	98,00%	98,00%	98,00%	23 010	23 010	23 010
					23 012	23 012	23 012

	Group			Company		
Figures in Rand thousand	2022	2021 Restated *	2020 Restated *	2022	2021 Restated *	2020 Restated *

8. Investments in associates

The following table lists all of the associates in the Group:

Group

Name of company	Held by	% ownership interest 2022	% ownership interest 2021	% ownership interest 2020	Carrying amount 2022	Carrying amount 2021	Carrying amount 2020
Mthatha Hotel (Pty) Ltd	Transkei Share Investment Company SOC Ltd	40,00 %	40,00 %	40,00 %	14 859	12 712	13 097
Mthatha Hotel (Pty) Ltd	Eastern Cape Development Corporation	9,95 %	9,95 %	9,95 %	2 218	2 050	2 085
					17 077	14 762	15 182

Summarised financial information of material associates

Summarised Statement of Profit or Loss and Other Comprehensive Income

	Mthatha Hotel (Pty) Ltd		
	2022	2021	2020
Revenue	42 999	23 836	44 153
Other income and expenses	(39 099)	(24 181)	(45 825)
(Loss)/ profit for the year	3 900	(345)	(1 672)
Total comprehensive loss (income) for the year	3 900	(345)	(1 672)

Summarised Statement of Financial Position

	Mthatha Hotel (Pty) Ltd		
	2022	2021	2020
Assets			
Non-current	15 812	18 890	21 069
Current	24 515	18 615	17 160
Total assets	40 327	37 505	38 229
Liabilities			
Non-current	1 671	-	-
Current	1 999	5 612	5 991
Total liabilities	3 670	5 612	5 991
Total net assets	36 657	31 893	32 238

Reconciliation of the summarised financial information presented to thecarrying amount

	Mthatha Hotel (Pty) Ltd		
	2022	2021	2020
Opening carrying value	14 762	15 182	17 130
Share of OCI	2 681	(420)	(421)
Fair value adjustments	(426)	-	(1 527)
Carrying value of investment in associate	17 017	14 762	15 182

	Group			Company		
Figures in Rand thousand	2022	2021 Restated *	2020 Restated *	2022	2021 Restated *	2020 Restated *

9. Loans to group companies

Subsidiaries

Centre for Investment and Marketing in the Eastern Cape (NPC) This loan is unsecured and bears interest at 13.85% per annum and has no fixed terms of repayment.	-	-	-	33 751	30 015	26 166
Transdev Properties (SOC) Limited This loan is unsecured, interest free and has no fixed terms of repayment.	-	-	-	-	1 472	3 797
	-	**-**	**-**	**33 751**	**31 487**	**29 963**

10. Loans receivable

Loans receivable are presented at amortised cost, which is net of loss allowance, as follows:

Loans receivable	183 423	183 209	189 502	183 423	183 209	189 502
Loss allowance	(152 968)	(147 881)	(130 384)	(152 968)	(147 881)	(130 384)
	30 455	**35 328**	**59 118**	**30 455**	**35 328**	**59 118**

Split between non-current and current portions

Non-current assets	16 629	25 950	36 252	16 629	25 950	36 252
Current assets	13 826	9 378	22 866	13 826	9 378	22 866
	30 455	**35 328**	**59 118**	**30 455**	**35 328**	**59 118**

Exposure to credit risk

Loans receivable inherently exposes the Group to credit risk, being the risk that the Group will incur financial loss if counterparties fail to make payments as they fall due.

There has been no significant changes in the credit risk management policies and processes since the prior reporting period.

A credit loss allowance is recognised for loans receivable, in accordance with IFRS 9 Financial Instruments, and is monitored at the end of each reporting period. In addition to the credit loss allowance, loans receivable are written off when there is no reasonable expectation of recovery.

Impact on equity reserves

The Group is sensitive to the movement in the market interest rate and a sensitivity analysis technique that measures the estimated change in profit or loss of an instantaneous increase or decrease of 1% (100 basis points) in market interest rates from the applicable rate as at 31 March 2022 has been used.

Market interest rate changes may affect equity (capital) in either higher or lower profit resulting from higher or lower net interest income.

Collateral value

The nature of the collateral available to the Group varies as it depends on the conditions of each loan, mainly it would be assets and liquid investments ceded to the Group. The estimated value of the collateral on loans advanced as at 31 March 2022 was R166,987 million (2021: 138,026 million).

10. Loans receivable (continued)

Loan commitments

The value of loans that were approved and taken up but not yet fully disbursed at 31 March 2022 was R5,461 million (2021: R3,438 million).

Contractual amounts that were written off

During the current financial year, no loans were written off.

COVID-19 impact

The Group has not added a separate COVID-19 overlay adjustment to the calculated March 2022 Expected Credit Loss for the Eastern Cape Development Corporation because of a miniscule upward change in the actual loss rates over the 12 months since lockdown was initiated. The effect of the pandemic on the payment patterns and defaults has been insignificant in the 12-month period.

The Expected Credit Loss allowance (ECL) is measured at an amount equal to 12-month expected credit losses. The balance of the credit allowances on the loans advanced as at 31 March 2022 is R152,968 million (2021: R147,881 million)

Impact on earnings

The table below shows the impact of earnings of a 100 bps up and down movement in market interest rates for the Group Loans recevable:

	100 basis point increase	100 basis point decrease
FY 2022	1 509	(1 509)
FY 2021	1 511	(1 511)
	3 020	**(3 020)**

Reconciliation of loss allowances

The following tables show the movement in the loss allowances for loans receivable. The movement in the gross carrying amounts of the loans are also presented in order to assist in the explanation of movements in the loss allowance.

	Group			Company		
Figures in Rand thousand	2022	2021	2020	2022	2021	2020
Opening balance	147 881	130 384	119 015	147 881	130 384	119 015
Increase (decrease) in allowance	5 087	17 497	11 369	5 087	17 497	11 369
Subtotal	152 968	147 881	130 384	152 968	147 881	130 384
	152 968	**147 881**	**130 384**	**152 968**	**147 881**	**130 384**

11. Investments at fair value

Investments held by the Group which are measured at fair value, are as follows:

	Group			Company		
Figures in Rand thousand	2022	2021 Restated *	2020 Restated *	2022	2021 Restated *	2020 Restated *
Mandatorily at fair value through profit or loss:						
Listed shares	3 130	2 512	2 191	-	-	-
Unlisted shares	14 250	8 608	4 042	15 933	10 693	6 127
Equity investments at fairvalue through other comprehensive income:						
Unlisted shares	24 790	2 647	2 647	24 790	2 647	2 647
	42 170	**13 767**	**8 880**	**40 723**	**13 340**	**8 774**

Equity instruments at fair value through other comprehensive income

Certain investments in equity instruments have been designated, at initial recognition, as at fair value through other comprehensive income. The reason for this designation as opposed to fair value through profit or loss, is to avoid the effect of volatilities in the fair values of the investments from impacting profit or loss.

The specific investments which are measured at fair value through other comprehensive income are as follows:

Investments held at reporting date - Group

	2022	2022	2021	2021	2020	2020
	Fair value	Dividends received	Fair value	Dividends received	Fair value	Dividends received
Singisi Forest Products (Pty) Ltd	24 790	-	2 647	-	2 647	-

Investments held at reporting date - Company

	2022	2022	2021	2021	2020	2020
	Fair value	Dividends received	Fair value	Dividends received	Fair value	Dividends received
Singisi Forest Products (Pty) Ltd	24 790	-	2 647	-	2 647	-

	Group			Company		
Figures in Rand thousand	2022	2021 Restated *	2020 Restated *	2022	2021 Restated *	2020 Restated *

12. Trade and other receivables

Financial instruments:

Rental receivables	423 336	366 531	314 877	420 586	364 263	313 055
Accrued income	-	636	502	-	-	-
Loss allowance	(404 774)	(358 080)	(311 665)	(404 747)	(358 080)	(311 630)
Rental receivables at amortised cost	18 562	9 087	3 714	15 839	6 183	1 425
Deposits	30	78	78	-	-	-
Other receivable	6 075	11 955	10 370	9 159	15 022	13 266
Non-financial instruments:						
VAT	7 129	9 394	7 381	-	2 190	114
Prepayments	56	26	132	-	-	-
Total rental and other receivables	**31 852**	**30 540**	**21 675**	**24 998**	**23 395**	**14 805**

Split between non-current and current portions

Non-current assets	-	-	-	-	-	-
Current assets	31 852	30 540	21 675	24 998	23 395	14 805
	31 852	**30 540**	**21 675**	**24 998**	**23 395**	**14 805**

Categorisation of rental and other receivables

At amortised cost	24 667	21 120	14 162	24 998	21 205	14 691
Non-financial instruments	7 185	9 420	7 513	-	2 190	114
	31 852	**30 540**	**21 675**	**24 998**	**23 395**	**14 805**

Summary of movement in credit loss allowances

	Group			Company		
Figures in Randthousand	2022	2021	2020	2022	2021	2020
Opening balance	358 080	311 665	374 237	358 080	311 630	374 237
Increase (decrease) in allowance	46 694	46 415	60 499	46 667	46 450	60 464
Write off - prescribed	-	-	(41 838)	-	-	(41 838)
Reversal of induplum interest	-	-	(81 233)	-	-	(81 233)
Subtotal	404 774	358 080	311 665	404 747	358 080	311 630
	404 774	**358 080**	**311 665**	**404 747**	**358 080**	**311 630**

Exposure to credit risk

Trade receivables inherently expose the Group to credit risk, being the risk that the Group will incur financial loss if customers fail to make payments as they fall due.

There has been no significant changes in the credit risk management policies and processes since the prior reporting period.

A loss allowance is recognised for all rental receivables, in accordance with IFRS 9 Financial Instruments, and is monitored at the end of each reporting period. In addition to the loss allowance, rental receivables are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation. Rental receivables which have been written off are not subject to enforcement activities.

	Group			Company		
Figures in Rand thousand	2022	2021 Restated *	2020 Restated *	2022	2021 Restated *	2020 Restated *

12. Trade and other receivables (continued)

The Group measures the loss allowance for rental receivables by applying the simplified approach which is prescribed by IFRS 9. In accordance with this approach, the loss allowance on rental receivables is determined as the lifetime expectedcredit losses on trade receivables. These lifetime expected credit losses are estimated using a provision matrix, which is presented below. The provision matrix has been developed by making use of past default experience of debtors but also incorporates forward looking information and general economic conditions of the market as at the reporting date.

Expected Credit Loss

The Expected Credit Loss (ECL) for rental receivables as at 31 March 2022 is R 404,747 million (2021: R 358,080 million).

The Group's historical credit loss experience does not show significantly different loss patterns for different customer segments. The provision for credit losses is therefore based on past due status without disaggregating into further risk profiles. The loss allowance provision is determined as follows:

The Group has not added a separate COVID-19 overlay adjustment to the calculated March 2022 Expected Credit Loss for the Eastern Cape Development Corporation because of a miniscule upward change in the actual loss rates over the 12 months since lockdown was initiated. The effect of the pandemic on the receivables payment patterns and defaults has been insignificant in the 12-month period.

Group	2022	2022	2021	2021	2020	2020
Expected credit loss rate:	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)
Less than 3 months due: 0% (2021: 0%; 2020: 0%)	10 776	-	7 136	-	717	(2 892)
More than 3 months past due: 100% (2021: 100%, 2020:100%)	808	(808)	853	(524)	1 093	(1 093)
More than 4 months past due: 100% (2021: 100%; 2020:100%)	933	(933)	917	(917)	456	(456)
More than 5 months past due: 100% (2021: 100%; 2020:100%)	1 531	(1 531)	787	(787)	1 322	(1 322)
More than 6 months past due: 100% (2021: 100%; 2020: 100%)	1 427	(1 427)	1 272	(1 272)	1 627	(1 627)
More than 7 months past due: 100% (2021: 100%; 2020: 100%)	1 475	(1 475)	1 045	(1 045)	1 746	(1 746)
More than 8 months past due: 100% (2021: 100%; 2020:100%)	848	(848)	1 597	(1 597)	1 542	(1 542)
More than 9 months past due: 100% (2021: 100%; 2020: 100%)	403 906	(397 752)	351 938	(351 938)	305 254	(300 987)
Total	**421 704**	**(404 774)**	**365 545**	**(358 080)**	**313 757**	**(311 665)**

12. Trade and other receivables (continued)

Company	2022	2022	2021	2021	2020	2020
Expected credit loss rate:	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)
Less than 3 months due: 0% (2021: 0%; 2020: 0%)	10 776	-	5 854	-	3 653	(2 228)
More than 3 months past due: 100% (2021: 100%, 2020: 100%)	808	(808)	853	(524)	1 093	(1 093)
More than 4 months past due: 100% (2021: 100%; 2020:100%)	933	(933)	917	(917)	456	(456)
More than 5 months past due: 100% (2021: 100%; 2020:100%)	1 531	(1 531)	787	(787)	1 322	(1 322)
More than 6 months past due: 100% (2021: 100%; 2020: 100%)	1 427	(1 427)	1 272	(1 272)	1 627	(1 627)
More than 7 months past due: 100% (2021: 100%; 2020: 100%)	1 475	(1 475)	1 045	(1 045)	1 746	(1 746)
More than 8 months past due: 100% (2021: 100%; 2020:100%)	848	(848)	1 597	(1 597)	1 542	(1 542)
More than 9 months past due: 100% (2021: 100%; 2020: 100%)	402 788	(397 725)	351 938	(351 938)	301 616	(301 616)
	420 586	**(404 747)**	**364 263**	**(358 080)**	**313 055**	**(311 630)**

13. Deferred tax

	Group			Company		
Figures in Rand thousand	2022	2021 Restated *	2020 Restated *	2022	2021 Restated *	2020 Restated *
Deferred tax asset	-	-	-	-	-	-

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 asset

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 profits in excess of the profits arising from the reversal of existing taxable temporary differences; and
- the entity has suffered a loss in either the current or preceding period in the tax jurisdiction to which the deferred tax asset relates.

The mandate of a wholly - owned subsidiary, AIDC Development Centre Eastern Cape (SOC) Limited, is to deliver services to the automotive industry and is not focused on the generation of profits, therefore the company is not anticipating to utilise the deferred tax asset in the forseeable future.

14. Cash and cash equivalents

	Group			Company		
Figures in Rand thousand	2022	2021 Restated *	2020 Restated *	2022	2021 Restated *	2020 Restated *
Cash and cash equivalents consist of:						
Bank balances	160 112	166 509	82 181	123 779	116 801	50 758
Short-term deposits	73 591	64 952	62 708	73 591	64 952	62 708
	233 703	**231 461**	**144 889**	**197 370**	**181 753**	**113 466**
Cash and cash equivalents held by the entity that are not available for use by the group.	183 702	149 436	104 228	183 702	149 436	104 228

15. Share capital

	Group			Company		
Figures in Rand thousand	2022	2021 Restated *	2020 Restated *	2022	2021 Restated *	2020 Restated *
Authorised						
50 billion Ordinary Type"A" shares of 1 cent each	500 000	500 000	500 000	500 000	500 000	500 000
50 billion Ordinary Type "B" shares of 1 cent each	500 000	500 000	500 000	500 000	500 000	500 000
	1 000 000	**1 000 000**	**1 000 000**	**1 000 000**	**1 000 000**	**1 000 000**
Reconciliation of number of shares issued:						
"A"Ordinary shares of 1 cent each	213 975	213 975	213 975	213 975	213 975	213 975
"B"Ordinary shares of 1 cent each	213 975	213 975	213 975	213 975	213 975	213 975
	427 950	**427 950**	**427 950**	**427 950**	**427 950**	**427 950**
Issued						
Reported as at 31 March 2022	427 590	427 590	427 590	427 590	427 590	427 590

16. Reserves

	Group			Company		
Figures in Rand thousand	2022	2021 Restated *	2020 Restated *	2022	2021 Restated *	2020 Restated *
Balances as at 31 March 2022 are as follows:						
Pre-incorporation Reserve	384 265	384 265	384 265	384 265	384 265	384 265
Property, plant and equipment revaluation	12 239	12 239	12 239	8 509	8 509	8 509
Fair value adjustment on Investments at fair value (MtM Reserve)	23 970	1 827	1 827	23 970	1 827	1 827
	420 474	**398 331**	**398 331**	**416 744**	**394 601**	**394 601**

	Group			Company		
Figures in Rand thousand	2022	2021 Restated *	2020 Restated *	2022	2021 Restated *	2020 Restated *

17. Loans from group companies

Subsidiaries

Transkei Share Investment Company SOC Ltd The loan is unsecured, interest free and is payable on demand.	-	-	-	25 059	25 095	25 129
Transdev SOC Ltd The loan is unsecured, interest free and is payable on demand.	-	-	-	4 085	-	-
	-	**-**	**-**	**29 144**	**25 095**	**25 129**

Split between non-current and current portions

Non-current liabilities	-	-	-	29 144	25 095	25 129

Refer to note 42 Changes in liabilities arising from financing activities for details of the movement in loans from group companies during the reporting period.

18. Retirement benefits

Defined benefit plan

The Corporation operates a medical aid defined benefit plan which provides post-employment medical benefits. The medical scheme provides retired employees with medical benefits. In terms of the plan, the Corporation is liable to the employees for specific payments on retirement for these benefits. The liabilities of these plans are reflected in the Statement of Financial Position. The ECDC does not have specific assets set aside to prefund this liability.

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(27 864)	(24 720)	(31 787)	(27 864)	(24 720)	(31 787)
Present value of the defined benefit obligation-partially or wholly funded	(1 045)	(850)	(1 257)	(1 045)	(850)	(1 257)
Fair value of plan assets	(3 018)	(2 739)	(2 967)	(3 018)	(2 739)	(2 967)
Net actuarial gains not recognised	4 194	956	1 278	4 194	956	1 278
Past service cost not recognised	984	(511)	10 013	984	(511)	10 013
	(26 749)	**(27 864)**	**(24 720)**	**(26 749)**	**(27 864)**	**(24 720)**

The fair value of plan assets includes:

Changes in present value

Opening balance	(27 864)	(24 720)	(31 787)	(27 864)	(24 720)	(31 787)
Contributions by members	984	956	1 278	984	956	1 278
Movement recognised in profit or loss	131	(4 100)	5 789	131	(4 100)	5 789
	(26 749)	**(27 864)**	**(24 720)**	**(26 749)**	**(27 864)**	**(24 720)**

	Group			Company		
Figures in Rand thousand	2022	2021 Restated *	2020 Restated *	2022	2021 Restated *	2020 Restated *

18. Retirement benefits (continued)

Movement recognised in profit or loss

Current service cost	(1 045)	(850)	(1 257)	(1 045)	(850)	(1 257)
Past service cost	(3 018)	(2 739)	(2 967)	(3 018)	(2 739)	(2 967)
Actuarial gains (losses)	4 194	(511)	10 013	4 194	(511)	10 013
	131	**(4 100)**	**5 789**	**131**	**(4 100)**	**5 789**

Past (accrued) and future service liability

Assumptions used are according to the valuation performed for the year ended 31 March 2022.

Health care cost inflation	8,37 %	7,74 %	7,05 %	8,37 %	7,74 %	7,05 %
Discount rate	11,91 %	10,82 %	11,33 %	11,91 %	10,82 %	11,33 %

Effect of 1% change in assumed medical cost trend rates

It is the policy of the Group to provide retirement benefit to all its employees. Based on the actuarial valuation performed at 31 March 2022, assumptions used in the sensitivity analysis are one percentage variation in health care cost inflation, mortality and resignation rate.

The Group is under no obligation to cover any unfunded benefits.

	Group			Company		
Figures in Rand thousand	2022	2021	2020	2022	2021	2020
1% increase - effect on accumulated benefit obligation	2 981	3 918	3 172	2 981	3 918	3 172
1% decrease - effect on current service cost & interest cost	(748)	(522)	(552)	(748)	(522)	(552)
1% decrease - effect on accumulated benefit obligation	(3 632)	(3 250)	(2 653)	(3 632)	(3 250)	(2 653)

Mortality Rate

Mortality during employment	SA 85-90 (Light)-3	SA 85-90 (Light)-3	SA 85-90 (Light)-3	SAB85-90 (Light)-3	SAB85-90 (Light)-3	SA 85-90 (Light)-33172
Post-employment mortality	PA(90) -1 with a 1% mortality improvement p.a. from 2010	PA(90) -1 with a 1% mortality improvement p.a. from 2010	PA(90) -1 with a 1% mortality improvement p.a. from 2010	PA (90)-1	PA (90)-1	PA (90)-1
Retirement age				60 years	60 years	60 years

SA 85-90(Light) - 3: This reflects the mortality experience in South Africa rated down by three years for females.

PA (90) - 1: This refers to the standard actuarial mortality tables for current and prospective pensioners rated down by one year.

	Group			Company		
Figures in Rand thousand	2022	2021 Restated *	2020 Restated *	2022	2021 Restated *	2020 Restated *

18. Retirement benefits (continued)

Five year forecast	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**
Post retirement obligation at beginning of period	27 864	26 749	29 644	32 887	36 663	40 555
Interest Cost	3 018	3 170	3 514	3 909	4 340	4 794
Service cost	1 045	801	971	1 136	1 160	1 231
Expected benefit payments	(984)	(1 076)	(1 242)	(1 269)	(1 608)	(1 847)
Actuarial gains (losses)	(4194)	-	-	-	-	-
	26 749	**29 644**	**32 887**	**36 663**	**40 555**	**44 733**

19. Other financial liabilities

	Group			Company		
Figures in Rand thousand	2022	2021	2020	2022	2021	2020
Non-current liabilities	-	-	15 873	-	-	15 873
Current liabilities	47 619	47 619	31 746	47 619	47 619	31 746
	47 619	**47 619**	**47 619**	**47 619**	**47 619**	**47 619**

This relates to funds that were identified by the Eastern Cape Provincial Treasury and Planning as uncommitted as at 31 March 2018 and therefore should be surrendered. The Eastern Cape Pronvicial Treasury has been notified that the ECDC will only be able to honour this obligation when its liquidity position improves.

20. Deferred income

	Group			Company		
Figures in Randthousand	2022	2021	2020	2022	2021	2020
Non-current liabilities	1 065	1 105	423	-	-	-
Current Liabilities	192 642	146 167	91 638	177 954	129 790	80 656
Total	**193 707**	**147 272**	**92 061**	**177 954**	**129 790**	**80 656**

Government grants are deferred to the extent that they are unspent. Funds that have been received for specific projects but not yet spent at 31 March are classified as deferred income and cash resources to fund deferred projetcs have been ring- fenced.

Analysis per entity

Analysis per entity	2022	2021	2020
Eastern Cape Development Corporation	177 954	129 790	80 656
AIDC Development Centre Eastern Cape SOC Ltd	15 753	17 482	11 405
Total	**193 707**	**147 272**	**92 061**

21. Trade and other payables

Financial instruments:						
Trade payables	17 704	13 364	2 020	17 659	13 151	1 925
Government Funds	4 965	19 640	25 074	4 965	19 640	23 566
Accrued leave	7 577	9 710	8 813	6 870	9 292	8 600
Accrued bonus	2 493	1 299	2 102	1 231	1 299	1 436
Accrued expense	25 244	37 071	19 365	24 770	36 648	18 604
Dividends payable	11 989	11 989	11 989	-	-	-
Deposits received	9 115	9 123	9 229	9 115	9 123	9 229
Other payables	9 625	20 221	5 212	9 398	6 078	5 254
Non-financial instruments:						
VAT	1 222	48	49	1 202	-	-
	89 934	**122 465**	**83 853**	**75 210**	**95 231**	**68 614**

	Group			Company		
Figures in Rand thousand	2022	2021 Restated *	2020 Restated *	2022	2021 Restated *	2020 Restated *

21. Trade and other payables (continued)

Exposure to liquidity risk

Refer to note 40 Financial instruments and financial risk management for details of liquidity risk exposure and management.

Fair value of trade and other payables

The fair value of trade and other payables approximates their carrying amounts.

22. Revenue

Revenue from contracts with customers				
Rendering of services	3 640	818	1 685	1 149
Operating lease and Interest revenue				
Rental Income	97 671	92 724	91 528	89 239
Interest revenue	25 982	24 800	25 982	24 800
Subtotal	**123 653**	**117 524**	**117 510**	**114 039**
Total	**127 293**	**118 342**	**119 195**	**115 188**

	Group		Company	
Interest revenue	2022	2021	2022	2021
Interest on Loans	6 898	7 262	6 898	7 262
Interest on Rental	19 084	17 538	19 084	17 538
Total	**25 982**	**24 800**	**25 982**	**24 800**

Disaggregation of revenue from contracts with customers

The Group disaggregates revenue from customers as follows:

Timing of revenue recognition

At a point in time				
Administration fees	(3 640)	(818)	(1 685)	(1 149)
Over time				
Interest on loans	(6 898)	(7 262)	(6 898)	(7 262)
Rental income	(97 671)	(92 724)	(91 528)	(89 239)
Interest on rent	(19 084)	(17 538)	(19 084)	(17 538)
	(123 653)	**(117 524)**	**(117 510)**	**(114 039)**

23. Government Grants

Figures in Rand thousand	Group 2022	Group 2021 Restated *	Company 2022	Company 2021 Restated *
Unconditional grants	150 901	161 998	130 951	149 577
Conditional grants	137 781	43 583	137 781	43 538
	288 682	**205 581**	**268 732**	**193 115**

24. Government grants & Other operating income

Figures in Rand thousand	Note	Group 2022	Group 2021 Restated *	Company 2022	Company 2021 Restated *
Administration and management fees received		8 715	4 141	8 715	4 141
Commissions received		14	14	14	14
Bad debts recovered		538	1 336	538	1 336
Other recoveries		7 773	4 535	7 773	4 535
Other income		358	2 218	1 661	2 214
Government grants		288 682	205 581	268 732	193 115
		306 080	**217 825**	**287 433**	**205 355**
Gains (losses) on disposals, scrappings and settlements					
Property, plant and equipment	3	(13)	4	-	-
Fair value gains (losses)					
Investment property	5	-	(41 067)	-	(41 067)
Financial assets designated as at fair value throughprofit or loss		619	320	-	-
		619	**(40 747)**	**-**	**(41 067)**
Total other operating gains (losses)		**606**	**(40 743)**	**-**	**(41 067)**

25. Operating profit (loss)

Operating loss for the year is stated after charging (crediting) the following, amongst others:

Figures in Rand thousand	Group 2022	Group 2021 Restated *	Company 2022	Company 2021 Restated *
Auditor's remuneration - external				
Audit fees	4 408	3 086	4 216	2 905
Remuneration, other than to employees				
Consulting and professional services	14 050	8 033	12 612	7 866
Secretarial services	4	5	-	-
	14 054	**8 038**	**12 612**	**7 866**

Employees costs

As at 31 March 2022 the Group had 150 permanent employees (2021: 118 ; 2020: 126). The total cost of employment of all employees, including executive directors, was as follows:

Figures in Rand thousand	Group 2022	Group 2021 Restated *	Company 2022	Company 2021 Restated *
Salaries, wages, bonuses and other benefits	121 435	117 175	103 662	101 952
Directors: travel, accomodation & other benefits	310	24	310	24
Retirement benefit plans: defined benefit expense	(5 178)	(445)	(5 178)	(445)
Long term incentive scheme	-	3	-	-
Total employee costs	**116 567**	**116 757**	**98 794**	**101 531**
Leases				
Premises	995	1 065	326	293
Equipment	404	784	366	782
	1 399	1 849	692	1 075

25. Operating profit (loss) (continued)

Figures in Rand thousand	Group 2022	Group 2021 Restated *	Company 2022	Company 2021 Restated *
Depreciation and amortisation				
Depreciation of property, plant and equipment	3 018	1 857	2 729	1 711
Depreciation of right-of-use assets	356	26	2 632	2 302
Amortisation of intangible assets	271	121	149	-
Total depreciation and amortisation	**3 645**	**2 004**	**5 510**	**4 013**

Expenses by nature

The major operating expenses are disclosed below by their nature. Included in Other expenses line item are Insurance, Legal matters and Marketing & Communication.

Figures in Rand thousand	Group 2022	Group 2021 Restated *	Company 2022	Company 2021 Restated *
Employee costs	116 567	116 757	98 794	101 531
Lease expenses	1 399	1 849	692	1 075
Depreciation and amortisation	3 645	2 004	5 510	4 013
Other expenses	54 696	38 401	51 566	40 854
Debt impairments recognised in profit or loss	51 783	64 714	51 754	64 547
Assessment rates, municipal charges & utilities	59 481	69 176	58 333	67 500
Projects implemented	169 011	71 591	167 826	70 682
	456 582	**364 492**	**434 475**	**350 202**

In the current year management decided to group utilities (Water & Electricity) together with assessment rates and municipal charges. This was done to reflect a fair disclosure of these expenses by nature. As a result of that we have also changed prior year amounts to include assessment rates, municipal charges and utilties. Management further increased employee costs to include directors fees, other directors expenses and casual wages. Minor adjustments were also done onlease expenses. The impact of these changes is as follows:

1. Increase in Assessment rates, municipal charges and utilities from R33 450 (Company: R33 450) thousand to R69 176 (Company: R67 500) thousand,
2. Increase in employee costs from R115 483 (company: R100 663) thousand to R116 757 (Company: R101 531)thousand.
3. Lease expenses decreased from R1 870 (Company: R1 075) thousand to R1 849 (Company: R1075) thousand.
4. The 3 above changes resulted in a reduction on other expenses from R75 380 (Company: R75 772) thousand to R38 401 (Company: R40 854) thousand.

The overall expenses for year ended 2021 did not change as the amount was just a reclassification between expense classes.

26. Employee costs

Figures in Rand thousand	Group 2022	Group 2021 Restated *	Company 2022	Company 2021 Restated *
Employee costs				
Basic	117 351	115 503	101 815	100 363
Directors fees	1 528	1 146	802	739
Bonus	1 262	(666)	-	-
Medical aid - company contributions	1 045	850	1 045	850
UIF	49	37	-	-
WCA	60	33	-	-
SDL	140	65	-	-
Leave pay provision charge	-	207	-	-
Directors: travel, accomodation & other benefits	310	24	310	24
Retirement benefit plans	(5 178)	(445)	(5 178)	(445)
Long-term benefits - incentive scheme	-	3	-	-
	116 567	**116 757**	**98 794**	**101 531**

In the current financial year, management decided to reclassify fees, travel, accomodation and other benefits that are due or paid to directors as well as casual wages from other expenses to employee costs. The impact of this in the prior year is an increase in employee costs from R115 483 (company: R100 663) thousand to R116 757 (Company: R101 531) thousand.

27. Depreciation, amortisation and impairment losses

Figures in Rand thousand	Group 2022	Group 2021 Restated *	Company 2022	Company 2021 Restated *
Depreciation				
Property, plant and equipment	3 018	1 857	2 729	1 711
Right-of-use assets	356	26	2 632	2 302
	3 374	**1 883**	**5 361**	**4 013**
Amortisation				
Intangible assets	271	121	149	-
Total depreciation, amortisation and impairment				
Depreciation	3 374	1 883	5 361	4 013
Amortisation	271	121	149	-
	3 645	**2 004**	**5 510**	**4 013**

28. Investment income

Figures in Rand thousand	Group 2022	Group 2021 Restated *	Company 2022	Company 2021 Restated *
Dividend income				
Equity instruments at fair value through profit or loss:				
Listed investments - Local	207	-	-	-
Unlisted investments - Local	-	108	-	-
Total dividend income	**207**	**108**	**-**	**-**
Interest income				
Investments in financial assets:				
Bank and other cash	7 772	6 676	6 305	5 079
Loans to group companies:				
Subsidiaries	-	-	4 147	3 616
Total interest income	**7 772**	**6 676**	**10 452**	**8 695**
Total investment income	**7 979**	**6 784**	**10 452**	**8 695**

Investment income on financial instruments which are available for sale or held to maturity are only presented for comparative purposes for financial instruments held in the prior reporting period but which were disposed of prior to the beginning current reporting period, which is the date of adoption of IFRS 9 Financial Instruments. Investment income on all other financial assets has been reclassified in compliance with IFRS 9.

29. Finance costs

Figures in Rand thousand	Group 2022	Group 2021 Restated *	Company 2022	Company 2021 Restated *
Non-current borrowings	13	-	-	-
Lease liabilities	98	3	437	574
Other interest paid	301	-	301	-
Total finance costs	**412**	**3**	**738**	**574**

30. Other non-operating gains (losses)

Figures in Rand thousand		Group 2022	Group 2021 Restated *	Company 2022	Company 2021 Restated *
Fair value gains (losses)					
Investment property	5	3 781	(223)	3 781	(223)
Financial assets designated as at fair value through profit or loss		5 241	4 565	5 241	4 565
		9 022	**4 342**	**9 022**	**4 342**

31. Taxation

Figures in Rand thousand	Group 2022	Group 2021 Restated *	Company 2022	Company 2021 Restated *
Major components of the tax expense				
Current				
Local income tax - current period	435	-	-	-
Reconciliation of the tax expense				
Reconciliation between accounting profit and tax expense.				
Accounting loss	388	28	-	-
Tax at the applicable tax rate of 28%% (2021: 28%%)	109	8	-	-
Tax effect of adjustments on taxable income				
Charitable donations income	-	(8)	-	-
Utilisation of assessed loss	(107)	-	-	-
Non-deductable expenses	3	-	-	-
Tax rate change	15	-	-	-
Deferred tax asset created (utilised) not recognised	415	-	-	-
	435	**-**	-	**-**

The Eastern Cape Development Corporation (ECDC) is exempt from Income Tax in terms of Section 10 of the Income Tax Act. The taxation expense tabulated above relates to the AIDC Development Centre Eastern Cape SOC Ltd, a subsidiary of the ECDC.

32. Other comprehensive income

Components of other comprehensive income - Group - 2022

	Gross	Tax	Net
Movements on valuation of equity investments			
Gains (losses) on valuation	22 143	-	22 143
Movements on revaluation			
Gains (losses) on property revaluation	(481)	-	(481)
Total items that will not be reclassified to profit (loss)	21 662	-	21 662

Components of other comprehensive income - Group – 2021

	Gross	Tax	Net
Movements on revaluation			
Gains (losses) on valuation	-	-	-

Components of other comprehensive income - Company - 2022

	Gross	Tax	Net
Items that will not be reclassified to profit (loss)			

	Group		Company	
Figures in Rand thousand	2022	2021 Restated *	2022	2021 Restated *

32. Other comprehensive income (continued)

Movements on valuation of equity investments				
Gains (losses) on valuation		22 143	-	22 143
Movements on revaluation				
Gains (losses) on property revaluation		(481)	-	(481)
Total items that will not be reclassified to profit (loss)		**21 662**	**-**	**21 662**

Components of other comprehensive income - Company – 2021

	Gross	Tax	Net
Movements on revaluation			
Gains (losses) on property revaluation	-	-	-

33. Cash generated from/(used in) operations

Loss before taxation	(3 333)	(58 364)	(9 111)	(58 263)
Adjustments for:				
Depreciation and amortisation	3 645	2 004	5 510	4 013
Losses (gains) on disposals, scrappings and settlements of assets and liabilities	13	(4)	-	-
Income from equity accounted investments	(2 681)	420	-	-
Dividends received (trading)	(207)	(108)	-	-
Interest income	(7 970)	(6 676)	(6 305)	(5 079)
Finance costs	412	3	738	574
Fair value gains	(9 641)	(4 662)	(9 022)	(4 342)
Movements in retirement benefit assets and liabilities	(1 115)	3 144	(1 115)	3 144
Derecognised investment properties	-	41 067	-	41 067
Other non-cash items - loans receivables	(4 561)	4	(4 563)	2
Changes in working capital:				
Trade and other receivables	(1 312)	(8 865)	(1 603)	(8 590)
Trade and other payables	(32 537)	38 618	(20 027)	26 615
Deferred income	46 435	55 211	48 164	49 134
	(12 852)	**61 792**	**2 666**	**48 275**

34. Tax paid

Balance at beginning of the year	112	(140)	-	-
Current tax for the year recognised in profit or loss	(435)	-	-	-
Balance at end of the year	(32)	(112)	-	-
	(355)	**(252)**	**-**	**-**

	Group		Company	
Figures in Rand thousand	2022	2021 Restated *	2022	2021 Restated *

35. Commitments

Authorised capital expenditure				
Already contracted for but not provided for				
• Project expenditure contracted for at the end of the reporting period but not yet recognised as expenditure	80 790	15 498	80 790	15 498
Operating leases – as lessor (income)				
Minimum lease payments due				
- first year	28 192	28 905	28 192	28 905
- second year	21 840	22 590	21 840	22 590
- third year	13 797	17 191	13 797	17 191
- fourth year	10 276	11 067	10 276	11 067
- fifth year	9 051	8 423	9 051	8 423
- sixth year and onwards	23 375	38 422	23 375	38 422
	106 531	**126 598**	**106 531**	**126 598**

The Group leases out its investment properties and the leases have been classified as operating leases, as they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

A number of leases have expired and they automatically become month to month agreements until the lease is renewed.

Rental income recognised by the Group during the year ending 31 March 2022 was R 101,311 million (2021: R89,239 million).

36. Contingent assets and liabilities

Contingent assets

The Group has contingent assets of R 29,320 million (2021: R29,320 million).

On an annual basis, the Corporation undertakes a process of ensuring the completeness of investment properties in the register. Investment properties worth R29,320 million were identified as being registered in the name of the ECDC. However, management deemed it prudent to investigate these properties to confirm control over them.

Contingent liabilities

The Group has exposure to litigation of R5,687 million (2021: R7,997 million) and disputed municipal accounts of R121,886 million (2021: R78,322 million).

2022 Financial Year

The matters under litigation are as follows:

EASTERN CAPE DEVELOPMENT CORPORATION

1. Claim for payment damages - Rem Development (Pty) Ltd t/a Phambili Property Developments and four Others
Approximate liability: R3,122,109
Status of the matter: The matter is pending at the East London High Court.

2. Claim for payment of damages - Telesure Group
Approximate liability: R2,565,006
Status of the matter: The matter is pending at the Grahamstown High Court.

36. Contingent assets and liabilities(continued)

Disputed municipal accounts are as follows:

1. BCM - Fort Jackson - R39,164,354
2. BCM (Dimbaza) - R54,317,654
3. OR Tambo DM - R28,403,549

These matters are currently pending. ECDC is challenging these charges with the respective municipalities. No summons have been issued.

2021 Financial Year

The matters under litigation are as follows:

EASTERN CAPE DEVELOPMENT CORPORATION

1. Claim for payment of damages – Nenga Lodge
Approximate potential liability: R2,169,850
Status of matter: The matter is pending at the Mthatha High Court.

2. Claim for payment damages - Rem Development (Pty) Ltd t/a Phambili Property Developments and four Others
Approximate liability: R3,122,109 Status of the matter:
The matter is pending at the East London High Court.

3. Claim for payment of damages - Telesure Group
Approximate liability: R2,565,006 Status of the matter:
The matter is pending at the Grahamstown High Court

4. Claim for services rendered - Bondvantage t/a Consulting CC vs ECDC
Approximate liability: R139,789 Status of the matter:
The matter was set-down for hearing on 31 March 2021 and the judgement was reserved.

Disputed municipal accounts are as follows:

1. BCM - Fort Jackson - R21,614,533
2. BCM (Dimbaza) - R31,515,240
3. Mnquma - R6,752 167
4. OR Tambo - R18,440,356

These matters are currently pending. ECDC is challenging these charges with the respective municipalities.No summons have been issued.

37. Related parties

Relationships	
Holding company	Department of Economic Development,Environmental Affairs and Tourism
Subsidiaries	Refer to note 7
Associates	Refer to note 8
Minority shareholding held to safeguard interest against loans advanced	Border Copiers (Pty) Ltd Cross-med Health Care (Pty) Ltd Ndlambe Natural Industrial Products (Pty) Ltd
Members of key management	Mr A Wakaba (Chief Executive Officer from 1 July2021) Mr N Dlulane (Chief Executive Officer up to 31 May

37. Related parties(continued)

2021
Mr N Ravgee (Interim Chief Financial Officer)
Dr L Govender (Executive Manager: CorporateServices)
Ms T Rozani (Head: Development Finance and Business Support) - up until 31 August 2021
Mr M Mpikashe (Executive Manager: Legal, Governance and Compliance)
Mr C Thompson (Head: Properties)
Mr R Govender (Acting Head: Trade, Investment and Innovation) - up to 30 April 2021
Mr P George (Acting Head: Trade, Investment and Innovation) - Acting from 1 June 2021
Mr M Geqeza (Acting Head: Development Finance and Business Support) - Acting from 1 September 2021

	Group		Company	
Figures in Rand thousand	2022	2021 Restated *	2022	2021 Restated *
Related party balances				
Loan accounts - Owing (to) by related parties				
Border Copiers Proprietary Limited	-	-	5 882	5 845
Cross-med Health Care Proprietary Limited	-	-	3 503	3 503
Ndlambe Natural Industrial Products Proprietary Limited	-	-	7 732	7 346
Centre for Investment and Marketing in the Eastern Cape (NPC)	-	-	33 751	30 015
Transdev Properties SOC Ltd	-	-	(4 085)	1 472
Transkei Share Investments Company SOC Ltd	-	-	(25 059)	(25 095)
Amounts included in Trade receivable (Trade Payable) regarding related parties				
Department of Public Works	-	-	479	-
Non-executive director	-	-	-	920
Eastern Cape Provincial Arts and Culture	-	-	-	16
Related party transactions				
Interest paid to (received from) related parties				
Centre for Investment and Marketing Authority in the Eastern Cape (NPC)	-	-	(4 172)	(3 615)
Ndlambe Natural Industry Products (Pty) Ltd	-	-	(386)	-
Rent paid to (received from) related parties				
CIMVEST SOC Ltd	-	-	2 758	2 758
Non-Executive director - rent revenue billed with interest	-	-	-	34
Administration fees paid to (received from) related parties				
CIMVEST SOC Ltd	-	-	(414)	(414)
Transdev Properties SOC Ltd	-	-	(928)	(523)
Rent paid to (received from) related parties				
Department of Public Works (Rent including interest charged on the rent)	-	-	(73)	-
Eastern Cape Liquor Board		-	(1 038)	(944)
Eastern Cape Provincial Arts and Culture	-	-	(365)	(330)
Government Grants paid to related parties				
AIDC Development Centre Eastern Cape SOC Ltd	-	-	36 168	36 469

38 Directors' and prescribed officer's emoluments

Non-executive

2022

Directors' emoluments	**Board**	**Total**
Services as director or prescribed officer		
Mr V Jarana - Chairperson of the Board	131	131
Mr S Somdyala - Deputy Chairperson of the Board	158	158
Ms S Siko	111	111
Ms P Bono	74	74
Ms T Cumming	103	103
Ms N Pietersen	113	113
Ms B Koneti Ms T	-	-
Buthelezi	-	-
Mr R Nicholls - External Audit Committee MemberDr	103	103
M Makamba	-	-
	793	**793**

2021

Directors' emoluments	**Board**	**Total**
Services as director or prescribed officer		
Mr V Jarana - Chairperson of the Board	18	18
Mr S Somdyala - Deputy Chairperson of the Board	145	145
Ms S Siko	8	8
Ms P Bono	8	8
Ms T Cumming	8	8
Ms N Pietersen	103	103
Prof. T M Jordan (up to October 2020)	55	55
Ms B Koneti	-	-
Ms T Buthelezi	-	-
Mr A Ncobo (up to October 2020)	74	74
Mr M Damane (up to October 2020)	79	79
Mr S Thobela (up to October 2020)	79	79
Advocate M Sishuba (up to October 2020)	61	61
Ms N Siwahla-Madiba (up to October 2020)	84	84
Mr R Nicholls - External Audit Committee Member	16	16
Dr M Makamba	-	-
	738	**738**

38. Directors' and prescribed officer's emoluments (continued)

Compensation to ECDC executive management

2022

Directors' emoluments	Earnings	Contributions paid under pension & medical scheme	Total
Mr P George (Acting Head: Trade, Investment and Innovation) - Appointed on 1 June 2021	100	-	100
Mr M Geqeza (Acting Head: Development Finane & Business Support) - Appointed on 01 September 2021	85	-	85
Mr R Govender (Acting Head: Trade, Investment and Innovation) - Up to May 2021	22	-	22
Mr N Ravgee (Interim Chief Financial Officer)	1 688	-	1 688
Mr Mpikashe (Executive: Legal, Governance and Compliance)	1 494	208	1 702
Dr L Govender (Executive: Corporate Services)	1 554	119	1 673
Mr C Thompson (Head: Properties)	1 627	149	1 776
Ms T Rozani (Head: Development Finance and Business Support up to August 2021)	798	63	861
Mr N Dlulane (Former Chief Executive Officer) - up to May 2021	919	53	972
Mr A Wakaba (Chief Executive Officer) - Appointed on 01 July 2021	2 168	172	2 340
	10 455	**764**	**11 219**

2021

Directors' emoluments	Earnings	Contributions paid under pension & medical scheme	Total
Services as director or prescribed officer			
Mr S Bulube (Chief Financial Officer) - until 13 July 2020	805	67	872
Mr N Ravgee (Interim Chief Financial Officer) - Appointed 1 September 2020	985	-	985
Mr R Govender (Acting Head: Trade, Investment and Innovation) - Appointed 1 January 2021	301	18	319
Mrs N Van Dyk (Acting Head: Properties) - acting up to May 2020	172	22	194
Dr L Govender (Executive: Corporate Services)	1 569	120	1 689
Ms T Rozani (Head: Development Finance and Business Support)	1 463	150	1 613
Mr M Mpikashe (Executive: Legal, Governance and Compliance)	1 484	205	1 689
Mr T Shenxane (Head: Trade, Investment and Innovation - up to December 2020)	1 297	78	1 375
Mr C Thompson (Head: Properties) - Appointed 1 August 2020	1 032	99	1 131
Mr N Dlulane - Former Chief Executive Officer	2 521	317	2 838
	11 629	**1 076**	**12 705**

39. Prior period errors

Reinstatement to Investment Properties relates to the following:

Derecognition - comprise 3 investment properties which were derecognized during the 2022 financial year. These are the Haven Hotel & Malenge sawmill which were transferred back to the community and local municipality respectively as well as an addition erf that was duplicated in error in our investment property register under two separate erven due a pending sub- division matter.

Recognition – an investment property forming part of a registered township, just recently registered, incorrectly reflected 19 instead of 20 stand-alone erven, this error is now corrected with the additional property now being recognized.

Errors on revaluation of pending legacy sales – Revaluations were incorrectly made in the intervening years on validpending sales, these adjustments correct this error.

Errors on revaluation of prior year disposals – Revaluation were incorrectly made in the intervening years on validpending sales, which were transferred in the year ended 2021, these adjustments correct this error.

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

Statement of Financial Position

	As previously reported	Adjustments	As restated	As previously reported	Adjustments	As restated
Investment Property	1 389 769	(13 830)	1 375 939	1 307 025	(13 830)	1 293 195
Trade and other payables	(122 548)	83	(122 465)	(95 314)	83	(93 231)
Subtotal	1 267 221	(13 747)	1 253 474	1 211 711	(13 747)	1 199 964
	1 267 221	**(13 747)**	**1 253 474**	**1 211 711**	**(13 747)**	**1 199 964**

Statement of profit or loss and other comprehensive income

	As previously reported	Adjustments	As restated	As previously reported	Adjustments	As restated
Other operating gains/ (losses)	(27 320)	(13 747)	(41 067)	(27 320)	(13 747)	(41 067)
Subtotal	(27 320)	(13 747)	(41 067)	(27 320)	(13 747)	(41 067)
	(27 320)	**(13 747)**	**(41 067)**	**(27 320)**	**(13 747)**	**(41 067)**

Summary of Investment Property reinstatement	**Total**
Derecognition of investment property	(9 780)
Recognition of investment property	750
Errors on revaluation of valid legacy sales (still pending)	(650)
Errors on revaluation of valid legacy disposals now transferred	(4 067)
	(13 747)

---

40. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

Group – 2022

	Note(s)	Fair value through other comprehensive income - equity instruments	Fair value through profit or loss - Mandatory	Amortised cost	Total	Fair value
Loans receivable	10	-	-	30 455	30 455	-
Investments at fair value	11	24 790	17 380	-	42 170	42 170
Trade and other receivables	12	-	-	24 667	24 667	-
Cash and cash equivalents	14	-	-	233 703	233 703	-
		24 790	**17 380**	**288 825**	**330 995**	**42 170**

Group - 2021

	Note(s) value	Fair value through other comprehensive income - equity instruments	Fair value through profit or loss - Mandatory	Amortised cost	Total	Fair value
Loans receivable	10	-	-	35 328	35 328	-
Investments at fair value	11	2 647	11 120	-	13 767	13767
Trade and other receivables	12	-	-	21 120	21 120	21 120
Cash and cash equivalents	14	-	-	231 461	231 461	-
		2 647	**11 120**	**287 909**	**301 676**	**34 887**

Group - 2020

	Note(s) value	Fair value through other comprehensive income - equity instruments	Fair value through profit or loss - Mandatory	Amortised cost	Total	Fair value
Loans receivable	10	-	-	59 118	59 118	-
Investments at fair value	11	2 647	6 233	-	8 880	8 880
Trade and other receivables	12	-	-	14 162	14 162	14 162
Cash and cash equivalents	14	-	-	144 889	144 889	-
		2 647	**6 233**	**218 169**	**227 049**	**23 042**

40. Financial instruments and risk management (continued)

Company - 2022

	Note(s) value	Fair value through other comprehensive income - equity instruments	Fair value through profit or loss - Mandatory	Amortised cost	Total	Fair value
Loans to group companies	9	-	-	33 751	33 751	-
Loans receivable	10	-	-	30 455	30 455	-
Investments at fair value	11	24 790	15 933	-	40 723	40 723
Trade and other receivables	12	-	-	24 998	24 998	-
Cash and cash equivalents	14	-	-	197 370	197 370	-
		24 790	**15 933**	**286 574**	**327 297**	**40 723**

Company - 2021

	Note(s)	Fair value through other comprehensive income - equity instruments	Fair value through profit or loss - Mandatory	Amortised cost	Total	Fair value
Loans to group companies	9	-	-	31 487	31 487	-
Loans receivable	10	-	-	35 328	35 328	-
Investments at fair value	11	2 647	10 693	-	13 340	13 340
Trade and other receivables	12	-	-	21 205	21 205	21 205
Cash and cash equivalents	14	-	-	181 753	181 753	-
		2 647	**10 693**	**269 773**	**283 113**	**34 545**

Company - 2020

	Note(s)	Fair value through other comprehensive income -equity instruments	Fair value through profit or loss - Mandatory	Amortised cost	Total	Fair value
Loans to group companies	9	-	-	29 963	29 963	-
Loans receivable	10	-	-	59 118	59 118	-
Investments at fair value	11	2 647	6 127	-	8 774	8 774
Trade and other receivables	12	-	-	14 691	14 691	14 691
Cash and cash equivalents	14	-	-	113 466	113 466	-
		2 647	**6 127**	**217 238**	**226 012**	**23 465**

40. Financial instruments and risk management (continued)

Categories of financial liabilities

Group - 2022

	Note(s)	Amortised cost	Leases	Total	Fair value
Trade and other payables	21	88 712	-	88 712	-
Lease liabilities	4	-	1 748	1 748	-
		88 712	**1 748**	**90 460**	**-**

Group - 2021

	Note(s)	Amortised cost	Leases	Total	Fair value
Trade and other payables	21	122 417	-	122 417	-
Finance lease obligations	4	-	35	35	-
		122 417	**35**	**122 452**	**-**

Group – 2020

	Note(s)	Amortised cost	Leases	Total	Fair value
Trade and other payables	21	83 804	-	83 804	
Finance lease obligations	4	-	63	63	-
		83 804	**63**	**83 867**	-

Company - 2022

	Note(s)	Amortised cost	Leases	Total	Fair value
Trade and other payables	21	74 008	-	74 008	-
Loans from group companies	17	29 144	-	29 144	-
Lease liabilities	4	-	3 726	3 726	-
		103 152	**3 726**	**106 878**	**-**

Company – 2021

	Note(s)	Amortised cost	Leases	Total	Fair value
Trade and other payables	21	95 231	-	95 231	-
Loans from group companies	17	25 095	-	25 095	-
Finance lease obligations	4	-	4 402	4 402	-
		120 326	**4 402**	**124 728**	**-**

Company - 2020

	Note(s)	Amortised cost	Leases	Total	Fair value
Trade and other payables	21	68 614	-	68 614	-
Loans from group companies	17	25 129	-	25 129	-
Finance lease obligations	4	-	6 587	6 587	-
		93 743	**6 587**	**100 330**	**-**

40. Financial instruments and risk management (continued)

Pre tax gains and losses on financial instruments

Gains and losses on financial assets

Group - 2022

	Note(s)	Fair value through profit or loss-Mandatory	Fair value through profit or loss - Designated	Amortised cost	Total
Recognised in profit or loss:					
Interest income	28	-	-	7 772	7 970
Dividend income	28	207	-	-	207
Gains (losses) on valuation adjustments	30	-	5 860	-	5 860
Net gains (losses)		**207**	**5 860**	**7 772**	**13 839**

Group - 2021

	Note(s)	Fair value through profit or loss - Mandatory	Fair value through profit or loss - Designated	Amortised cost	Total
Recognised in profit or loss:					
Interest income	28	-	-	6 676	6 676
Dividend income	28	108	-	-	108
Gains (losses) on valuation adjustments	30	-	4 885	-	4 885
Net gains (losses)		**108**	**4 885**	**6 676**	**11 669**

Company - 2022

	Note(s)	Fair value through profit or loss - Designated	Amortised cost	Total
Recognised in profit or loss:				
Interest income	28	-	10 452	10 452
Gains (losses) on valuation adjustments	30	5 241	-	5 241
Net gains (losses)		**5 241**	**10 452**	**15 693**

40. Financial instruments and risk management (continued)

Company - 2021

	Note(s)	Fair value through profit or loss - Designated	Amortised cost	Total
Recognised in profit or loss:				
Interest income	28	-	8 695	8 695
Gains (losses) on valuation adjustments	30	4 565	-	4 565
Net gains (losses)		**4 565**	**8 695**	**13 260**

Gains and losses on financial liabilities

Group - 2022

	Note(s)	Amortised cost	Leases	Total
Recognised in profit or loss:				
Finance costs	29	(314)	(98)	(412)

Group - 2021

	Note(s)	Leases	Total
Recognised in profit or loss:			
Finance costs	29	(3)	(3)

Company – 2022

	Note(s)	Amortised cost	Leases	Total
Recognised in profit or loss:				
Finance costs	29	(301)	(437)	(738)

Company – 2021

	Note(s)	Leases	Total
Recognised in profit or loss:			
Finance costs	29	(574)	(574)

40. Financial instruments and risk management (continued)

Capital risk management

The Group's objective when managing capital which includes share capital, borrowings, working capital and cash and cash equivalents is to maintain a flexible capital structure that reduces the cost of capital to an acceptable level of risk and to safeguard the Group's ability to continue as a going concern while taking advantage of strategic opportunities in order to maximise stakeholder returns sustainably.

The capital structure and gearing ratio of the Group at the reporting date was as follows:

		Group			Company		
Figures in Rand thousand		2022	2021	2020	2022	2021	2020
Loans from group companies	17	-	-	-	29 144	25 095	25 129
Finance lease liabilities		1 748	35	63	3 726	4 402	6 587
Trade and other payables	21	89 934	122 465	83 853	75 210	95 231	68 614
Other financial liabilities		47 619	47 619	47 619	47 619	47 619	47 619
Total borrowings		**139 301**	**170 119**	**131 535**	**155 699**	**172 347**	**147 949**
Cash and cash equivalents	14	(233 703)	(231 461)	(144 889)	(197 370)	(181 753)	(113 466)
Net borrowings		**(94 402)**	**(61 342)**	**(13 354)**	**(41 671)**	**(9 406)**	**34 483**
Equity		1 441 947	1 437 762	1 482 372	1 320 542	1 321 742	1 366 258
Gearing ratio		(7)%	4 %	5 %	(3)%	7 %	8 %

Financial risk management

Overview

Risk management is fundamental to the Group's business and plays a fundamental role in enabling management to operate more effectively in an ever-changing environment.

The approach followed by the Group to manage risk is to ensure that all significant risks are identified and managed.

This note describes the Group's overall risk management. Information has been disaggregated relative to the characteristics of the various financial instruments used by the Group. Further, quantitative information in respect of these risks is presented throughout these Group consolidated annual financial statements.

Financial risk management

The Group is exposed to the following risks from its financial instruments:

- Credit risk related to the potential for counterparty default
- Liquidity and/or funding risk relating to the cost of maintaining various financial positions, financial compliance risk and the dependency in relation to income from grant funding;
- Market risk related to the volatility in interest rates and inappropriate pricing relative to the cost of funding and risk assumed;
- Concentration risk of investments in certain asset classes, industries and/or regions; and
- Dependency in relation to income on a limited number of exposures or counterparties and/or financial products.The board of directors has overall responsibility for the establishment and oversight of the Group's riskmanagement framework.
- The board has established the risk committee, which is responsible for developing and monitoring theGroup's risk management policies. The committee reports quarterly to the board of directors on its activities.

The Board of Directors has overall responsibility for the determination of the Group's risk management objectives and policies and for the establishment and oversight of the Group's risk mangement framework. The board has established the Audit, Risk and Compliance Committee, which is responsible for developing and monitoring the Group's risk management policies and framework. The committee reports regularly to the Board of Directors on its activities.

40. Financial instruments and risk management (continued)

The overall objective of the Board is to set policies that reduce the risk that they are exposed to as far as possible without unduly affecting the Group's general business operations. The Group's risk management policies are established to identify and analyse the risks faced by the Group, 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 Group's activities.

The Group has established an Enterprise Risk Management Framework (ERM) that is organisationally embedded and is reviewed on a regular basis by the Audit, Risk and Compliance Committee. ERM is considered from an enterprise wide portfolio perspective, namely, integration (spanning all lines of business), comprehensive (covering all types of risk) and strategic (aligned with the overall business strategy).

The objective of ERM is to continuously provide and update risk identification, validation, management and review of the risks.

One of the key practices of risk management is the determination and quantification of an organisation's risk appetite based on what is of strategic importance. The risk appetite forms the basis of the extent to which the Group tolerates risks as identified by performance indicators, operational parameters and process controls to increase shareholder value.

The Group audit committee oversees how management monitors compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit and the risk committee and followed up through their internal audit findings review.

Credit risk refers to the risk that a counterparty to a financial instrument fails to meet its obligations in accordance with the agreed terms and conditions of the underlying contract, thereby causing the asset holder to suffer a financial loss.

Credit risk comprises the potential loss on loans receivable, advances, operating lease receivables, equity instruments at fair value through other comprehensive income, investments and the placement of cash and cash equivalents (deposits) with financial institutions. Credit risk for exposures other than those arising on cash and cash equivalents, are managed by making use of credit approvals, limits and monitoring.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Operating Leases (rental receivables)

At initial recognition of an operating lease the credit risk of default of the tenant is assessed on an individual basis taking into account historic, current and forward looking information. Tenant collateral in the form of deposits and/or guarantees are obtained. When determining the risk of default, management considers information such as payment history to date.

Cash and cash equivalents

Credit risk exposure arising on cash and cash equivalents is managed by the Group through dealing with well-established financial institutions with high credit ratings.

Loans receivable

At initial recognition the credit risk of loans receivable is evaluated with reference to available historical, forward looking financial information and external bureau data (where available) of each transaction on its own merit before terms and conditions of the loan is offered.

Collateral is also obtained when necessary. Counterparty credit limits are in place and are reviewed and approved by credit management committees. The exposure to credit risk and the creditworthiness of counterparties is continuously monitored.

40. Financial instruments and risk management (continued)

Credit loss allowances

Credit loss allowances for expected credit losses are recognised for all debt instruments, but excluding those measured at fair value through profit or loss. Credit loss allowances are also recognised for loan commitments and financial guarantee contracts.

In order to calculate credit loss allowances, management determines whether the loss allowances should be calculated on a 12 month or on a lifetime expected credit loss basis. This determination depends on whether there has been a significant increase in the credit risk since initial recognition. If there has been a significant increase in credit risk, then the loss allowance is calculated based on lifetime expected credit losses. If not, then the loss allowance is based on 12 month expected credit losses. This determination is made at the end of each financial period. Thus the basis of the loss allowance for a specific financial asset could change year on year.

Management applies the principle that if a financial asset's credit risk is low at year end, then, by implication, the credit risk has not increased significantly since initial recognition. In all such cases, the loss allowance is based on 12 month expected credit losses. Credit risk is assessed as low if there is a low risk of default (where default is defined as occurring when amounts are 90 days past due).

In any event, if amounts are 30 days past due, then the credit risk is assumed to have increased significantly since initial recognition. Credit risk is not assessed to be low simply because of the value of collateral associated with a financial instrument. If the instrument would not have a low credit risk in the absence of collateral, then the credit risk is not considered low when taking the collateral into account. Rental receivables and loans which do not contain a significant financing component are the exceptions and are discussed below.

The methodology and assumptions used for estimating future cash flows are reviewed on a regular basis to reduce any differences between loss estimates and actual loss experience. A measurement of Expected Credit Loss (ECL) allowances has been done, taking into account the forward looking information, time value of money. Based on the regression analysis performed, there was no correlation between the loss rates and the macroeconomic factors. However, no adjustment factor for the impact of Covid-19 has been applied to the allowances for loans advanced and rent receivables as the impact has been insignificant.

The Group's internal rating is applied on rental receivables and loans advanced based on the national or local economic conditions that correlate with defaults on the receivables. Objective reasons may further result in an exposure being classified manually based on covenant breaches and payment arrangements made.

The credit rating categories are assigned to the rent receivables and loans advanced, on an individual basis.

The exposure of the Group to credit risk at the end of the reporting period, without taking into account any collateral held, would increase to the full balances of gross carrying amounts indicated in the table below.Credit risk for exposures other than those arising on cash and cash equivalents, are managed by making use of credit approvals, limits and monitoring. The Group only deals with reputable counterparties with consistent payment histories. Sufficient collateral or guarantees are also obtained when necessary. Each counterparty is analysed individually for creditworthiness before terms and conditions are offered. The analysis involves making use of information submitted by the counterparties as well as external bureau data (where available). Counterparty credit limits are in place and are reviewed and approved by credit management committees. The exposure to credit risk and the creditworthiness of counterparties is continuously monitored.

The maximum exposure to credit risk is presented in the table below:

40. Financial instruments and risk management (continued)

Group

		2022			2021			2020		
		Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value
Loans receivable	10	183 423	(152 968)	30 455	183 209	(147 881)	35 328	189 502	(130 384)	59 118
Trade and other receivables	12	436 626	(404 774)	31 852	388 658	(358 118)	30 540	333 393	(311 718)	21 675
Cash and cash equivalents	14	233 703	-	233 703	231 684	-	231 684	144 889	-	144 889
		853 752	**(557 742)**	**296 010**	**803 551**	**(505 999)**	**297 552**	**667 784**	**(442 102)**	**225 682**

Company

		2022			2021			2020		
		Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value
Loans to group companies	9	33 751	-	33 751	31 487	-	31 487	29 963	-	29 963
Loans receivable	10	183 423	(152 968)	30 455	183 209	(147 881)	35 328	189 502	(130 384)	59 118
Trade and other receivables	12	429 745	(404 747)	24 998	381 475	(358 080)	23 395	326 435	(311 630)	14 805
Cash and cash equivalents	14	197 370	-	197 370	181 976	-	181 976	113 466	-	113 466
		844 289	**(557 715)**	**286 574**	**778 147**	**(505 961)**	**272 186**	**659 366**	**(442 014)**	**217 352**

Concetration Risk

Risk concentrations can arise in a financial organisation's assets, liabilities or off-balance sheet items, through the execution or processing of transactions (either product or service), or through a combination of exposures across these broad categories. The potential for loss reflects the size of the position and the extent of loss given a particular adverse circumstance.

The Group can be exposed to various forms of credit risk concentration which, if not properly managed, may cause significant losses that could threaten its financial health. Accordingly, the Group considers the management (including measurement and control) of its credit concentrations to be of vital importance. In this instance, due to ECDC's business model, ECDC is exposed to the economic conditions affecting the Eastern Cape.

However, despite the recognition of credit concentration as important sources of risk for portfolios, there is no generally accepted approach or methodology for dealing with the issue (including measurement) of concentration particularly with respect to sector or industry concentration. The Group's risk appetite and tolerance framework, sets concentration limits which are monitored on an individual and asset level.

40. Financial instruments and risk management (continued)

Liquidity risk

The ECDC is accountable to its sole shareholder, the Department of Economic Development Department (DEDEAT). The performance as well as management of ECDC's capital is supported by the agreement between the Corporation and the shareholder in a form of the Shareholder's Compact which outlines the agreements between the two parties.

The Group is exposed to liquidity risk, which is the risk that the Group will encounter difficulties in meeting its obligations as they become due.

The Group manages its liquidity risk by effectively managing its working capital, capital expenditure and cash flows. The financing requirements are met through cash generated from operations and deposits are held at central banking institutions.

The ECDC's risk appetite and tolerance framework, sets the liquidity requirement which is monitored by management and the Board on a regular basis.

Further, a twelve month cash flow forecast is prepared to identify and manage liquidity risk. Where necessary, additional resources are secured from the shareholder to shore up liquidity. In addition to these measures, management constantly assesses the most liquid assets for liquidation should the need arise to mitigate the liquidity risk.

The maturity profile of contractual cash flows of non-derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.

Group - 2022

		Less than1 year	Total	Carrying amount
Current liabilities				
Trade and other payables	21	88 732	88 732	88 732
Finance lease liabilities	4	436	436	436

Group – 2021

		Less than1 year	2 to 5 years	Total	Carrying amount
Non-current liabilities					
Finance lease liabilities		-	35	35	35
Current liabilities					
Trade and other payables	21	122 417	-	122 417	122 417
		(122 417)	**(35)**	**(122 452)**	**(122 452)**

---

40. Financial instruments and risk management (continued)

Group – 2020

		Less than 1 year	2 to 5 years	Total	Carrying amount
Non-current liabilities					
Finance lease liabilities		-	35	35	35
Current liabilities					
Trade and other payables	21	83 804	-	83 804	83 804
Finance lease liabilities		28	-	28	28
		(83 832)	**(35)**	**(83 867)**	**(83 867)**

Company - 2022

		Less than 1 year	Over 5 years	Total	Carrying amount
Non-current liabilities					
Loans from group companies	17	-	29 144	29 144	29 144
Current liabilities					
Trade and other payables	21	74 008	-	74 008	74 008
Finance lease liabilities		2 500	-	2 500	2 500
		(76 508)	**(29 144)**	**(105 652)**	**(105 652)**

Company - 2021

		Less than 1 year	1 to 2 years	Over 5 years	Total	Carrying amount
Non-current liabilities						
Loans from group companies	17	-	-	25 095	25 095	25 095
Finance lease liabilities		-	1 983	-	1 983	1 983
Current liabilities						
Trade and other payables	21	95 231	-	-	95 231	95 231
Finance lease liabilities		2 419	-	-	2 419	2 419
		(97 650)	**(1 983)**	**(25 095)**	**(124 728)**	**(124 728)**

40. Financial instruments and risk management (continued)

Company – 2020

		Less than1 year	2 to 5 years	Over 5 years	Total	Carrying amount
Non-current liabilities						
Loans from group companies	17	-	-	25 129	25 129	25 129
Finance lease liabilities		-	4 403	-	4 403	4 403
Current liabilities						
Trade and other payables	21	68 614	-	-	68 614	68 614
Finance lease liabilities		2 184	-	-	2 184	2 184
		(70 798)	**(4 403)**	**(25 129)**	**(100 330)**	**(100 330)**

Market risk

Interest rate risk

Fluctuations in interest rates impact on the value of investments and financing activities, giving rise to interest rate risk.

Interest rate risk is the potential negative impact on Interest income and it refers to the vulnerability of the Group's financial condition to the movement in interest rates. Changes in interest rates affect earnings, value of assets, liabilities and cash flow.

The Group policy with regards to financial assets, is to invest cash at floating rates of interest and to maintain cash reserves in short-term investments in order to maintain liquidity, while also achieving a satisfactory return for shareholders.

The Group is exposed to interest rate risk arising mainly from the investment in development loans, rent receivables and investment in surplus operational cash. The changes in prime lending rate throughout the financial year ending 31 March 2020 has reduced the interest earned on loans advanced, rent receivables and investment income earned on surplus operational cash. Interest rates have started going up during 2022 financial year end as a result of high inflation forcing the Reserve bank to increase its Repo rate and subsequent increase in Prime lending rates.

There has been no significant changes in the interest rate risk management policies and processes since the prior reporting period.

Details of interest rate risk exposure are contained in the relevant notes throughout these financial statements.

41. Fair value information

Fair value hierarchy

The table below analyses assets and liabilities carried at fair value. The different levels are defined as follows:

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the Group can access at measurement date.

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

Levels of fair value measurements

Level 1

Recurring fair value measurements

41. Fair value information (continued)

Assets	Note(s)						
Financial assets mandatorily at fair value through profit or loss	11						
Listed shares		3 130	2 512	2 191	-	-	-
Total		**3 130**	**2 512**	**2 191**	**-**	**-**	**-**

Listed shares are valued at their market values as at year end. The share price for all shares held by Group is readily available on JSE.

Level 2

Recurring fair value measurements

Assets	Note(s)						
Investment property							
Investment property	5	1 377 512	1 375 939	1 417 312	1 294 768	1 293 195	1 334 568
Equity investments at fair value through other comprehensive income							
Unlisted shares	11	24 790	2 647	2 647	24 790	2 647	2 647
Financial assets mandatorily at fair value through profit or loss							
Unlisted shares	11	14 250	8 608	4 042	15 933	10 693	6 127
Total		**1 416 552**	**1 387 194**	**1 424 001**	**1 335 491**	**1 306 535**	**1 343 342**

1.1 The fair value of investment properties is determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the investment property being valued. The valuation company provides the fair value of the Group's investment portfolio every third year and at any time when suitable to dispose of a property.

1.2 The remainder were all valued within the 3-year cycle for external valuations in line with our accounting policy. Valuations of investment properties are performed by the professional valuers using a combination of income capitalisation, depreciated cost method and comparable sales, depending on the existing use of each individual investment property.

2. Investments in equity instruments that are accounted for through other comprehensive income are valued using the free cash flow valuation technique. In the current financial year we have used an unofficial valuation that was done by SAFCOL who is also a shareholder at Singisi, SAFCOL owns 10% of shares at Singisi. This valuation was also compared the the net asset value (Equity) of Singisi, which is significantly higher than the valuation actually performed. To be prudent we used a lower value which was free cash flow in this case.

3. Investments in equity instruments that are accounted for through profit or loss are valued using the Earnings based method. The Earnings growth are looked for over a period of time to establish the growth in the entity.

Notes to the Consolidated Annual Financial Statements

41. Fair value information (continued)

Reconciliation of assets and liabilities measured at level 1 & 2

	Note(s)	Opening balance	Gains (losses) recognised in profit (loss)	Gains (losses) recognised in other comprehensive income	Purchases	Sales	Other movements, changes	Closing balance
Group - 2022								
Assets								
Investment property								
Investment property		1 375 939	3 781	-	-	(2 208)	-	1 377 512
Equity investments at fair value through other comprehensiveincome								
Unlisted shares	11	2 647	-	22 143	-	-	-	24 790
Financial assets mandatorily at fair value through profit orloss								
Listed shares	11	2 512	618	-		-	-	3 130
Unlisted shares		8 608	5 642	-	-	-	-	14 250
Total financial assets mandatorily at fair value through profitor loss		**11 120**	**6 260**	**-**	-	**-**	**-**	**17 380**
Total		**1 389 706**	**10 041**	**19 935**	-	**(2 208)**	**-**	**1 419 682**
Group - 2021								
Assets								
Investment property								
Investment property	5	1 417 312	(223)	-	-	(83)	(41 067)	1 375 939
Equity investments at fair value through other comprehensiveincome								
Unlisted shares	11	2 647	-	-	-	-	-	2 647

Notes to the Consolidated Annual Financial Statements

41. Fair value information (continued)

	Note(s)		Opening balance	Gains/losses recognised in profit or loss	Purchases	Sales	Issues	Closing balance
Financial assets mandatorily at fair value through profit orloss								
Listed shares	11	2 191	321	-	-	-	-	2 512
Unlisted shares		4 042	4 566	-	-	-	-	8 608
Total financial assets mandatorily at fair value through profitor loss		**6 233**	**4 887**	**-**	**-**	**-**	**-**	**11 120**
Total		**1 426 192**	**4 664**	**-**	**-**	**(83)**	**(41 067)**	**1 389 706**
Group - 2020								
Assets								
Investment property								
Investment property	5	1 483 858	(22 069)	-	2 944	(4 561)	(42 860)	1 417 312
Equity investments at fair value through other comprehensiveincome								
Unlisted shares	11	13 000	-	(10 353)	-	-	-	2 647
Financial assets mandatorily at fair value through profit orloss								
Listed shares	11	3 371	(1 180)	-	-	-	-	2 191
Unlisted shares		7 653	(3 611)	-	-	-	-	4 042
Total financial assets mandatorily at fair value through profitor loss		**11 024**	**(4 791)**	**-**	**-**	**-**	**-**	**6 233**
Total		**1 507 882**	**(26 860)**	**(10 353)**	**2 944**	**(4 561)**	**(42 860)**	**1 426 192**
Company - 2022								
Assets								
Investment property								
Investment property	5	1 293 195	3 781	-	-	(2 208)	-	1 294 768

41. Fair value information (continued)

		Note(s)	Opening balance	Gains/losses recognised in profit or loss	Purchases	Sales	Issues	Closing balance
Equity investments at fair value through other comprehensiveincome								
Unlisted shares	11	2 647	-	22 143	-	-	-	24 790
Financial assets mandatorily at fair value through profit orloss								
Unlisted shares	11	10 693	5 240	-	-	-	-	15 933
Total		**1 306 535**	**9 021**	**22 143**	-	**(2 208)**	**-**	**1 335 491**
Company - 2021								
Assets								
Investment property								
Investment property	5	1 334 568	(223)	-	-	(83)	(41 067)	1 293 195
Equity investments at fair value through other comprehensiveincome								
Unlisted shares	11	2 647	-	-	-	-	-	2 647
Financial assets mandatorily at fair value through profit orloss								
Unlisted shares	11	6 127	4 566	-	-	-	-	10 693
Total		**1 343 342**	**4 343**	**-**	-	**(83)**	**(41 067)**	**1 306 535**
Company - 2020								
Assets								
Investment property								
Investment property	5	1 404 058	(22 069)	-	-	(4 561)	(42 860)	1 334 568

41. Fair value information (continued)

		Note(s)	Opening balance	Gains/losses recognised in profit or loss	Purchases	Sales	Issues	Closing balance
Equity investments at fair value through other comprehensive income								
Unlisted shares	11	13 000	-	(10 353)	-	-	-	2 647
Financial assets mandatorily at fair value through profit or Loss								
Unlisted shares	11	11 265	(5 138)	**-**	-	-	-	6 127
Total		**1 428 323**	**(27 207)**	**(10 353)**	**-**	**(4 561)**	**(42 860)**	**1 343 342**

The fair value of unlisted investments is performed by the Group's finance department, every third year and at any time when suitable to dispose of the investment.

The fair value of investment properties is determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The valuation company provides the fair value of the Group's investment portfolio every third year and at any time when suitable to dispose of a property.

42. Changes in liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities - Group - 2022

	Opening balance	New leases	Total non-cash movements	Cash flows	Closing balance
Other financial liabilities	47 619	-	-	-	47 619
Lease liabilities	35	1 743	1 743	(30)	1 748
	47 654	**1 743**	**1 743**	**(30)**	**49 367**
Total liabilities from financing activities	**47 654**	**1 743**	**1 743**	**(30)**	**49 367**

Reconciliation of liabilities arising from financing activities - Group - 2021

	Opening balance	Cash flows	Closing balance
Other financial liabilities	47 619	-	47 619
Finance ease liabilities	63	(28)	35
	47 682	**(28)**	**47 654**
Total liabilities from financing activities	**47 682**	**(28)**	**47 654**

Reconciliation of liabilities arising from financing activities - Group - 2020

	Opening balance	Cash flows	Closing balance
Other financial liabilities	47 619	-	47 619
Finance ease liabilities	89	(26)	63
	47 708	**(26)**	**47 682**
Total liabilities from financing activities	**47 708**	**(26)**	**47 682**

Reconciliation of liabilities arising from financing activities - Company – 2022

	Opening balance	New leases	Other non-cash movements	Total non-cash movements	Cash flows	Closing balance
Other financial liabilities: current	47 619	-	-	-	-	47 619
Lease liabilities	4 402	1 743	340	2 083	(2 759)	3 726
	52 021	**1 743**	**340**	**2 083**	**(2 759)**	**51 345**
Total liabilities from financing activities	**52 021**	**1 743**	**340**	**2 083**	**(2 759)**	**51 345**

Reconciliation of liabilities arising from financing activities - Company – 2021

	Opening balance	Cash flows	Closing balance
Other financial liabilities	47 619	-	47 619
Finance lease liabilities	6 587	(2 185)	4 402
	54 206	**(2 185)**	**52 021**
Total liabilities from financing activities	**54 206**	**(2 185)**	**52 021**

42. Changes in liabilities arising from financing activities (continued)

Reconciliation of liabilities arising from financing activities – Company – 2020

	Opening balance	New leases	Total non-cash movements	Cash flows	Closing balance
Other financial liability	47 619	-	-	-	47 619
Finance lease liabilities	-	8 633	8 633	(2 046)	6 587
	47 619	**8 633**	**8 633**	**(2 046)**	**54 206**
Total liabilities from financing activities	**47 619**	**8 633**	**8 633**	**(2 046)**	**54 206**

43. Going concern

We draw attention to the fact that at 31 March 2022, the company had accumulated surplus of R 483,430 million and that the company's total assets exceeded its liabilities by R 1,327 million.

We also draw attention to the following factors:

- The Group experienced operating losses for the last two financial years
- Net current liabilities exceed net current assets
- Stringent cash flow management was applied due to the liquidity challenges experienced by the Group
- Adverse key ratios exist in relation to the liquidity ratio's, rental and loan collection rates and debt impairment.

Management have mitigated the impact of these factors through effective cash flow management, cost reduction initiatives and have finalised a comprehensive strategy review process. The confirmation of funding from the shareholder in the form of recapitalisation funding of R132 million for properties, R32,073 million for loans and R15 million for film studios over the MTEF period show a high level of confidence and commitment from Government in the continued operations of the ECDC.

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

44. Events after the reporting period

The directors are not aware of any other matters or circumstances arising since the end of the financial year which significantly affect the financial position of the Group or the results of its operations.

45. Irregular expenditure

The Eastern Cape Development Corporation incurred irregular expenditure of R 1338 thousand, (2021: R 22 thousand) and (2020: R 1,746 million). ECDC also recognised irregular expenditure of R 6 thousand relating to prior years which is part of R 14206 thousand that has been condoned by EC Treasury.

Expenditure for 2022 relates to Mkobi Security who were appointed during the hard lockdown period because of the risk of our properties being vandalised. They were on a rate contract and the cost incurred exceeded the contract amount, due to the contract being extended beyond the contract period. The matter will be subjected to the normal process dealing with irregular expenditure. The additional irregular expenditure relates to contract number ECDC/ELN/240/082020 which was issued with no variation order.

The report for Mkoby is being finalised and the responsible officials have left the organisation. Once the internal processes have been completed, a request will be made to Provincial Treasury to condone the expenditure.

The Provincial Treasury condoned R 14,206 million per the ECDC application relating to the irregular expenditure as at 31 March 2019. An application to the Provincial Treasury for the balance of the irregular expenditure is underway.

The AIDC incurred irregular expenditure of R 1 193 441 (2021: R 1 001 568) and a further R 226 930 irregular expenditure was identified in the current financial year in respect of the marketing and communications which relates to prior year expenditure. This is in respect of a lease agreement with the current landlord responsible for R 772 001 (2021: R 1 001 568) as no procurement process was followed on renewal of the lease agreement as well as the awarding of a marketing and communications contract outside of the vadility period of the tender. The marketing amount of R 648 370 has been recorded in the relevant accounts

The organisation has implemented the following in terms of the consequence management on the identified irregular expenditure:
- A disciplinary process was completed with the identified employees.
- The company has secured office space in the short term and is in the process of evaluating other premises over the longer term.

In regards to the marketing and communications tender the following steps have been undertaken:
- A disciplinary process is underway with those staff still in the employ of the company.
- The courts have been approached to set the contract aside.
- Internal audit has been invited to sit on both the evaualation and adjudication committees to observe the awarding process.

The Provincial Treasury condoned R 6,408 million of the AIDC application. An application to the Provincial Treasury for the balance of the irregular expenditure is underway.

	Group			Company		
Irregular expenditure	2022	2021	2020	2022	2021	2020
Opening balance	22 230	21 206	18 303	15 968	15 946	14 200
Incurred in the current year	2 531	1 024	2 903	1 338	22	1 746
Prior year expenditure recognised as irregular expenditure in current year	233	-	-	6	-	-
Condoned by Treasury	(20 614)	-	-	(14 206)	-	-
Closing balance	4 380	22 230	21 206	3 106	15 968	15 946
	4 380	**22 230**	**21 206**	**3 106**	**15 968**	**15 946**

46. Fruitless and wasteful expenditure

ECDC incurred fruitless and wasteful expenditure incurred in the current financial year to the value of R301 thousand (2021: R216 thousand). The R216 thousand fruitless and wasteful expenditure incurred in 2021 relates to AIDC.

The ECDC fruitless and wasteful expenditure relates to interest paid on municipal charges. Buffalo City Municipality cuts off the connections to the services if interest is not paid on the statement. ECDC has negotiated with BCM in the past, but they still insist that ECDC must pay interest. Management decided to pay interest charged by BCM to ensure that services to our clients are not interrupted.

	Group			Company		
Figures in Randthousand	2022	2021	2020	2022	2021	2020
Opening balance	-	-	77	-	-	-
Incurred in the current year	301	216	19	301	-	-
Condoned by the Board	-	(216)	(96)	-	-	-
Closing balance	301	-	-	301	-	-
	301	**-**	**-**	**301**	**-**	**-**

47. Compliance with Broad Based Economic Empowerment Act

In terms of section 13G(1) all spheres of government, public entities and organs of state must report on their compliance with the Broad Based Black Economic empowerment in their annual financial statements and annual reports. The Corporation did submit the Form BBBEE 1 to the B-BBEE Commission.

48. Change in disclosure of Rights of use assets

Management of the Corporation decided to change the presentation of the Rights of Use Assets as allowed by IFRS 16. The previous presentation and disclosure showed Rights of Use Assets as part of Property Plant and Equipment as these were aligned to the underlying assets. In 2022 presentatiion and disclosure of Rights of Use Assets, these were separately shown in the face of the Statement of Financial Position and disclosure note related to Rights of Use Assets.

There are no financial impact changes on the Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income and Cash Flows of the Corporation. The property plant and equipment was decreased to take into account of Rights of Use Asset which now are separately disclosed. Note 26 separated disclosure for depreciation related to Property, Plant and Equipment to that of Rights of Use Assets.

ABBREVIATIONS

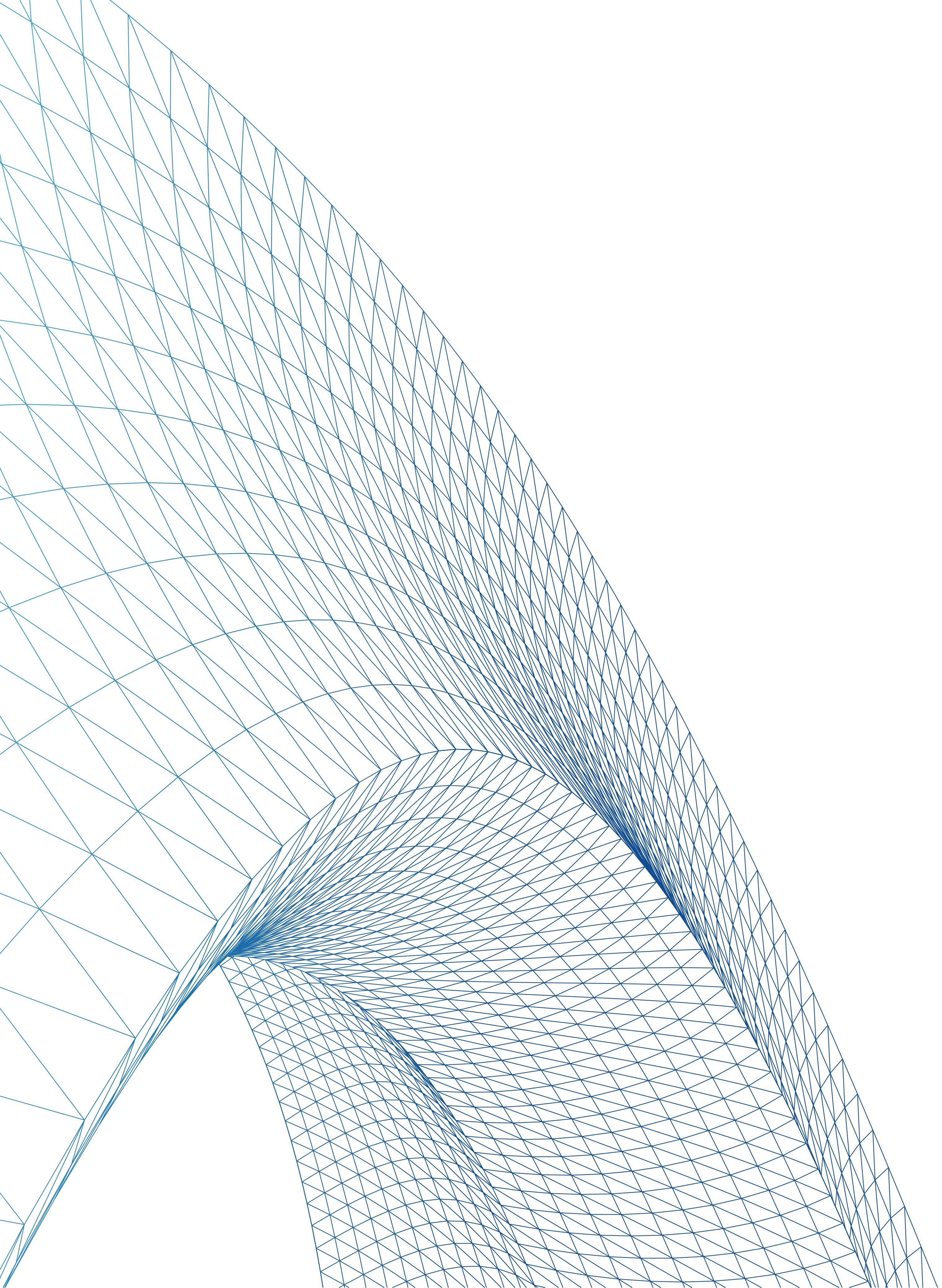
AGOA	Africa Growth Opportunity Act
AIDC	Automotive Industry Development Centre
ARC	Audit, Risk and Compliance
ATR	Annual Training Report
ECDC	Eastern Cape Development Corporation
DALRRD	Department of Agriculture, Land Reform and Rural Development
DEDEAT	Department of Economic Development, Environmental Affairs and Tourism
DFI	Development Finance Institute
EAP	Economically Active Population
EC OSS	Eastern Cape One Stop Shop
EOI	Expression of Interest
EU	European Union
GIZ	German Agency for Technical Co-operation
IFRS	International Financial Reporting Standards
IESBA	International Ethics Standards Board for Accountants
ISA	International Standards on Auditing
MEC	Member of the Executive Council
NPA	National Prosecuting Authority
OD	Organisational Development
OHSA	Occupational Health and Safety Act
PACTOA	Public Assets Community-based Tenants and Owners Association
PDP	Provincial Development Plan
PEDS	Provincial Economic Development Strategy
PFMA	Public Finance Management Act
PESF	Provincial Economic Stimulus Fund
SAEEC	South African Electro-Technical Council
SMME	Small Medium and Micro Enterprises
SOE	State-Owned Enterprise
WSP	Workplace Skills Plan
YPT	Young Professionals in Training

Sterkspruit Recycling Co-operative: Imvaba Co-operative Fund

Formally registered in 2015, Sterkspruit Recycling Co-operative is a recycling business which employs eight permanent staff. It collects and recycles waste material from local businesses in Sterkspruit and from neighbouring towns. The Imvaba Co-operative Fund disbursed R500,000 to the business to buy a commercial vehicle, protective clothing and for maintenance costs. This intervention is addressing the shortage of protective clothing as well as high transportation and maintenance costs which confronted the co-operative. Since this intervention, the business has registered an improvement in production and profit margins as well as less injuries on duty.

R500,000

Disbursed by to Sterkspruit by Imvaba Co-operative Fund



HEAD OFFICE

ECDC House
Ocean Terrace Park, Moore Street
Quigney, East London
PO Box 11197, Southernwood, 5213
Tel: +27 (0) 43 704 5600 • Fax: +27 (0) 43 704 5700

REGIONAL OFFICES

MTHATHA
7 Sisson Street, Fort Gale
Private Bag X5028, Mthatha, 5099
Tel: +27 (0) 47 501 2200 • Fax: +27 (0) 47 532 3548

PORT ELIZABETH
35A, 3rd Avenue, Newton Park
PO Box 1331, Port Elizabeth, 6000
Tel: +27 (0) 41 373 8260 • Fax: +27 (0) 41 374 4447

BUTTERWORTH
24 High Street
PO Box 117, Butterworth, 4960
Tel: +27 (0) 47 401 2700 • Fax: +27 (0) 47 491 0443

QUEENSTOWN
22 Cathcart Road
Private Bag X7180, Queenstown, 5320
Tel: +27 (0) 45 838 1910 • Fax: +27 (0) 45 839 3014
SATELLITE OFFICES

ALIWAL NORTH
DEDEAT OFFICES, 27 Queens Terrace, Aliwal North, 9750
P O Box 198, Aliwal North, 9750
Tel: +27 (0) 51 633 3007

MOUNT AYLIFF
SEDA Building
Nolangeni Street, Mount Ayliff, 4735
Tel: +27 (0) 39 254 6501 • Fax: +27 (0) 39 254 0599