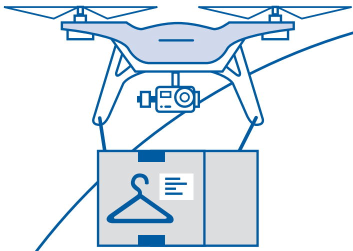
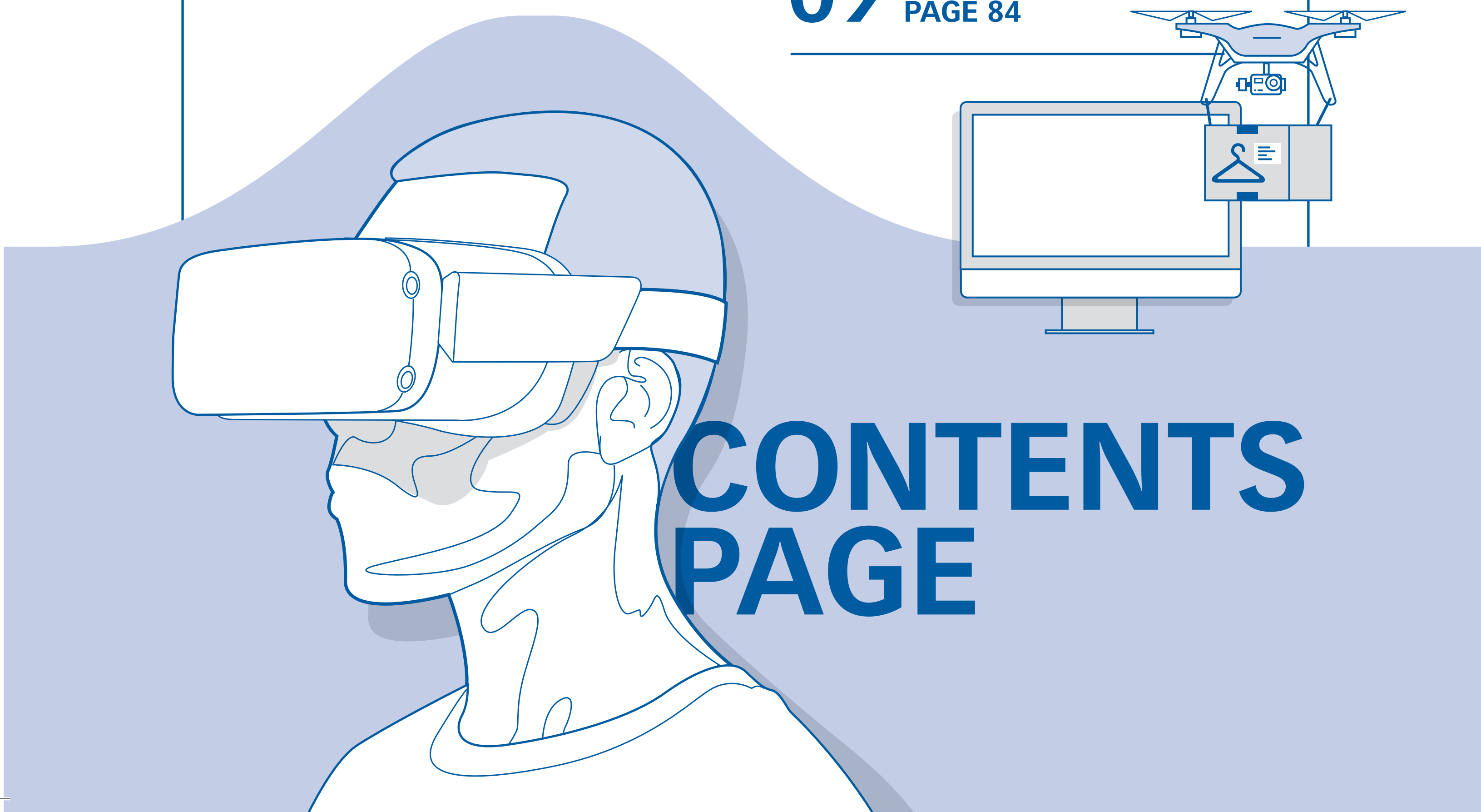

EASTERN CAPE
ECDC
DEVELOPMENT CORPORATION
A REAL & SUSTAINABLE
SOCIO-ECONOMIC DIVIDEND
ANNUAL REPORT 2019/20
2020
2019
2018





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2014/15 - 2018/19
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HIGHLIGHTS

R353,5 million
Rental income

1 137
SMMES who received loan funding

1 503
SMMEs who received non-financial support

131
Co-operatives supported with funding

R497,4 million
Loan disbursements

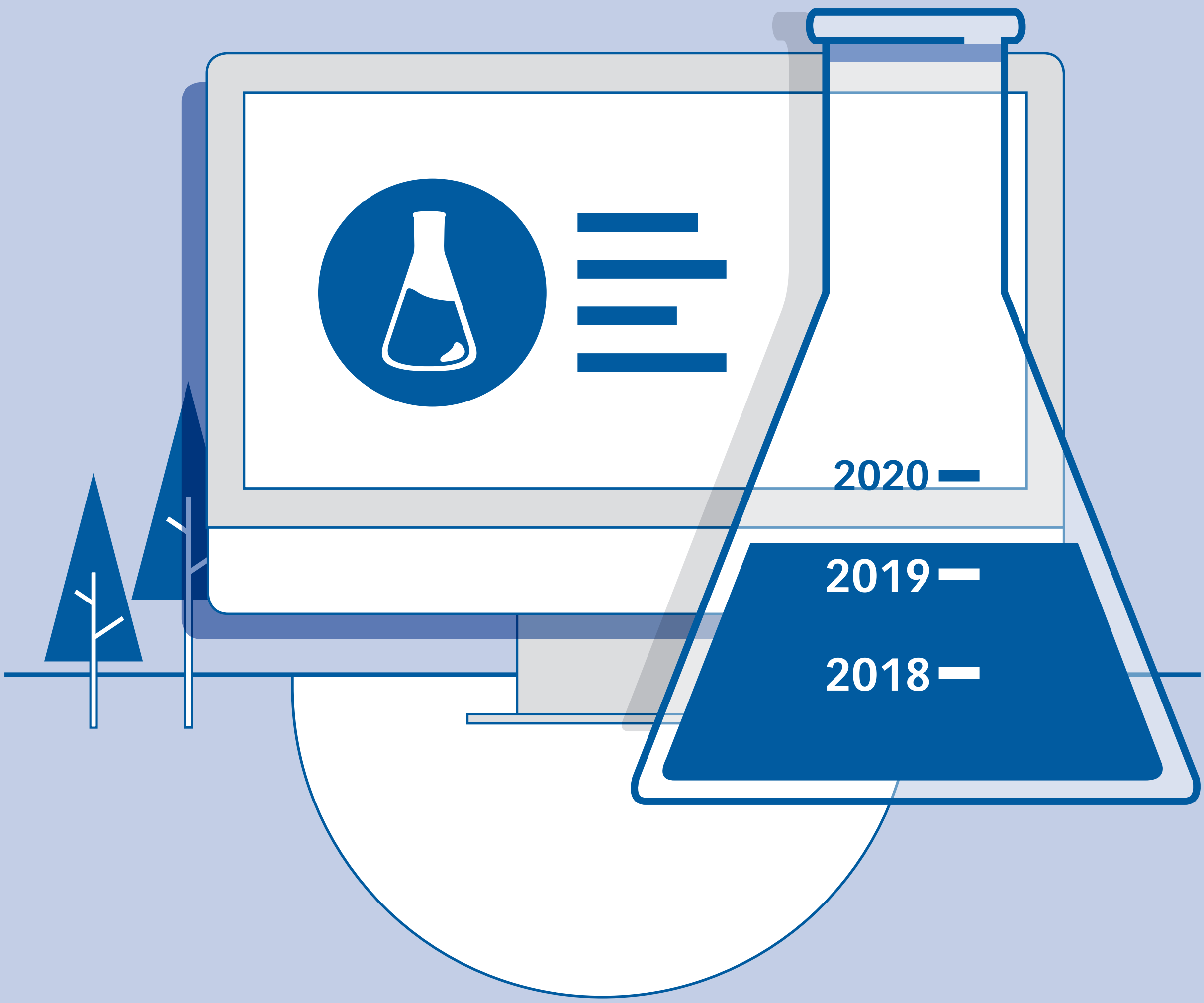
R4 096,4 billion
Investments facilitated

54
No. of development projects facilitated

3 440
No. of jobs saved via the Jobs Fund

Rental income	**R69,1m**
Loan disbursements	**R58,7M**
SMMES who received loan funding	**216**
Investments facilitated	**R1,1bn**
Jobs facilitated	**832**
SMMEs who received non-financial support	**233**
Co-operatives supported with funding	**20**
No. of development projects facilitated	**12**
No. of jobs saved via the Jobs Fund	**980**

PART ONE



1. VISION, MISSION AND CORPORATE VALUES

Vision

To be an innovative leader in promoting inclusive sustainable economic growth and development.

Mission

To promote inclusive sustainable economic development through focused:

a. Provision of innovative enterprise development financial services

b. Leveraging of resources, through strategic alliances, investment and partnerships.

Statement of Intent

Driving the transformation of the Eastern Cape economy for inclusive and sustainable growth through entrepreneurial activity and innovation. Everything that the ECDC does hinges and relies on this intent.

- Transformation means accelerating equitable economic development that reflects the demographics of the country and province.
- Inclusive means accelerating equitable economic development especially for the previously disadvantaged.
- Entrepreneurs means centering service delivery on supporting SMMEs.
- Sustainable means preserving and stretching the existing resource base to benefit for longer time.
- Innovation means translating ideas and solutions to commercial viability.

Strategic goals, objectives and key focus areas

The ECDC has adopted a revised short and medium-term strategy which flows from reviews on the progress and lessons learnt from the implementation of the previous organisational strategies and plans. The ECDC subscribes to the government planning cycle which dictates that there is a five-year strategy planning cycle built around the term of office of the ruling party as well as a three-year medium-term annual performance planning framework. Being a Schedule 3D business entity, the ECDC develops a one-year Corporate Plan with three-year or medium-term targets. These targets are aligned to the shareholder's annual performance plans and to the transfer payments and budgeting process.

Table 1: ECDC Strategic Goals and Objectives

	Strategic goals	Strategic objectives over the next 3 years (2017 to 2019)
Goal 1	Stimulate economic activities through focused investment and development of vital economic sectors.	**Strategic Objective 1.1:** Enhance the sustainability of entrepreneurs in priority sectors of the economy.
Goal 2	Attain financial sustainability through efficient use of resources.	**Strategic objective 2.1:** Optimise return on investments. **Strategic Objective 2.2:** Efficient use of resources and systems.

CORPORATE VALUES:

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

Integrity

In all our dealings with all people, we are known for our spirit of honour, reliability and accuracy. This includes attendance, punctuality, reporting, and customer satisfaction, development of new product ideas, excellence, unity cohesion, and honesty.

Professionalism

We are defined by our positive, presentable demeanour and our quest for continuous improvement. This includes no conflicts of interest, collective decision making, bringing in new partnerships ideas and solutions.

Accountability

We are always ready to give truthful, accurate account of our use of company time, assets and opportunities. This includes mutual respect, honesty, reliability, compliance, meeting obligations towards ECDC, on-time action, proactive interventions, and compliance with terms of engagements.

Teamwork

None of us is as productive as all of us when we complement each other to achieve a common goal. This involves keeping the promise, honesty, on-time action, ensuring a healthy relationship between entity and shareholder, development of new products, and creating an enabling environment.

Innovation

We reflect and embrace innovation in all we say, do and think. We also endeavour to develop new services and products.

Customer centrism

We place maximum value on the centrality of the customers in delivering on our mandate and we obey all principles of Batho Pele for redress and growth.

2. COMPANY PROFILE

Legislative mandate

The ECDC draws its mandate directly from the Eastern Cape Development Corporation Act (Act 2 of 1997). The ECDC is led by the economic development priorities of the provincial government as detailed in the Provincial Growth Development Plan (PGDP), the Eastern Cape Provincial Industrial Development Strategy (PIDS) and the recently published Provincial Economic Develoment Strategy (PEDS).The ECDC is also informed by the policy statements and budget speech of the Member of the Executive Council (MEC) for Economic Development, Environment Affairs and Tourism (DEDEAT).
The ECDC Act preamble states that the Corporation will:

"plan, finance, co-ordinate, market, promote and implement development of the Province and its people in the fields of industry, commerce, agriculture, transport and finance".

2.2 CORE BUSINESS AREAS

There are four core service delivery units:

a. Development Finance and Business Support.
b. Trade, Investment and Innovation.
c. Properties and Strategic Projects.
d. Support Services.

These units have guiding principles, key drivers and core priorities. Over the medium-term, these are articulated in the pre-determined objectives and projects. Each business unit has its own service delivery model and it is dependent on differing actors and partnerships.

The ECDC's Head Office is in East London and it implements its work through regional offices in the following regions:

a. East London (satellite offices in King William's Town and Mdantsane).
b. Butterworth.
c. Mthatha (satellite office in Mount Alyliff).
d. Queenstown (satellite office in Aliwal North).
e. Port Elizabeth.

Sikhona Co-operative

ECDC BOARD MEMBERS

Nandi Siwahla-Madiba CD (SA)
Chairperson of the Board

Sub-committees:
HR & REMCO, Social & Ethics,
Governance & Nominations

Simpiwe Somdyala
Deputy Chairperson
Sub-committees:
Funding & Investment, Governance & Nominations

Simphiwe Thobela

Sub-committees:
Funding & Investment, Governance & Nominations

Malusi Damane
Appointed September 2014
Sub-committees:
HR & REMCO, Social & Ethics, Governance & Nominations

Advocate Mathobela Sishuba

Sub-committees:
HR & REMCO, Social & Ethics

Prof. Mncedisi Jordan

Sub-committees:
Audit, Risk & Compliance

Nolitha Pietersen CA (SA)

Sub-committees:
Audit, Risk & Compliance, Funding & Investment

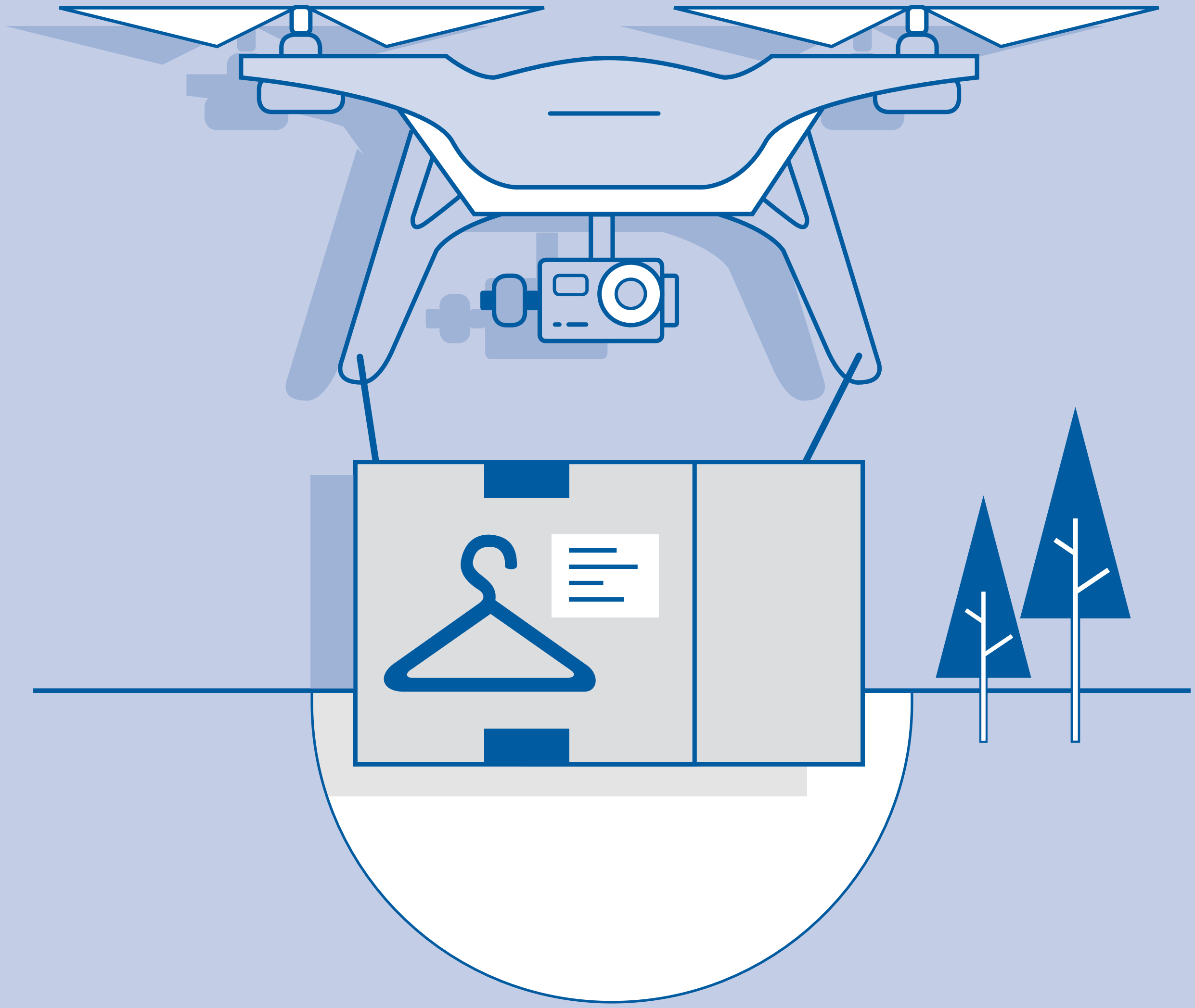
Thobile Buthelezi

Sub-committees:
Audit, Risk & Compliance, HR & REMCO

Andile Ncobo

Sub-committees:
Funding & Investment

PART TWO



CHAIRPERSON'S FOREWORD

The development and pursuit of a world-class and fit-for-purpose Corporation remains at the epicentre of the ECDC's (Eastern Cape Development Corporation) mandate delivery aspirations. The ECDC board is concerned with investment into high value small business support interventions which are aimed at injecting the desired buoyancy into the Eastern Cape economy..

The board conducts its oversight and governance responsibilities fully cognisant of the realities presented by the current fiscal and economic climate. As such, the board recognises that special purpose vehicles of the state such as the ECDC are bound to examine and implement innovative solutions to the most pressing of the province's development challenges. The board continues to cultivate an innovation culture within the Corporation which is aimed at placing the organisation on a firm and sustained growth trajectory.

In practice, this means the Corporation must marshal its collective energy and resources toward unleashing the real value of its empowering development finance, business support, trade, investment, innovation and property management arsenal. The most immediate task of the Corporation is ensuring that the administration of these tools and apparatus leads to a real and lived experience for the thousands of small businesses who rely on the ECDC to help unlock their latent potential.

As a result, during the period under review, the board impressed on management the need to further consolidate the establishment and implementation of inventive Small, Medium and Micro Enterprise (SMMEs) development programmes which enhance the competitiveness of small businesses in the province.

I am satisfied that the necessary work is being done by the Corporation to offer empowering and growth-oriented support programmes which are geared toward global competitiveness. Much work is being done into ensuring that the ECDC's SMME support packages facilitate the creation of sustainable work opportunities.

FINANCIAL HEALTH

However, the board is mindful that the careful and effective execution of the mandate requires that the ECDC has vital signs that indicate a healthy, capacitated and energised development financier. The mandate delivery function requires an adequately capitalised ECDC whose financial health allows it to assume and support its various development programmes. The Corporation will, at all material times, continue to press government to extend the necessary capitalisation which will help the ECDC effect the envisaged socio-economic impact.

The Corporation's fifth successive unqualified audit opinion is an indication that the ECDC is well-poised to utilise any request for the desired financial injection to further the development impact. Irregular expenditure was reduced to R1,7 million in the current year from a reported R50.9 million in 2013/14. This is a reflection of the ECDC's unrelenting intent to maintain public and funder confidence. The improvement in the management of public assets presents a compelling case for government to support the Corporation with the required fiscal injection. The ECDC continues to mobilise government for capitalisation fully aware of the limited resources available in the public purse whilst earnestly promoting the need for deeper economic development and transformation.

ORGANISATIONAL DESIGN

The Corporation is also placing serious attention on the organisational design of the ECDC to ensure that it is responsive to the core developmental demands of the Eastern Cape. The focus continues to be on the attraction and retention of the best talent to drive the development agenda. The development of the ECDC's people will always form a central part of the Corporation's delivery machinery.

216
SMMEs benefitted from R58,7m in loan advances

MANDATE DELIVERY

The mandate delivery function continues to be affected by an ailing national economy with declining growth rates. Government expenditure on social services as well as on economic infrastructure has risen placing further pressure on the national fiscus. This limits the government's ability to extend adequate financial resources to institutions such as the ECDC. This situation was further exacerbated by the onset of the Covid-19 pandemic which wrecked economic devastation throughout the globe. The ECDC business will also be seriously affected by the pandemic due to the sectors in which it operates. The material impact of the pandemic will be felt in the ensuing financial year which still needs to be measured, assessed and responded to.

Despite a challenging operational environment characterised by limited financial resources, I am pleased that the ECDC consistently exerts pockets of excellence in the delivery of its stated mandate. In 2019/20 the Corporation disbursed R58,7 million to 216 SMMEs which equates to a 28% growth from the previous financial year.

This disbursement figure as well as the work of the trade and investment team facilitated the creation of 1,249 jobs. The Eastern Cape Jobs Stimulus Fund disbursements of R9,8 million to 16 businesses resulted in 980 jobs being saved in the 2019/20 review period. In addition, the Imvaba Co-operative Fund which provides grant funding through an incentive and institutional-building support to co-operatives disbursed R9,3 million to 20 co-operatives in 2019/20. This grant funding support brings co-operatives into the mainstream economy and it enhances self-employment creation opportunities in the province in this segment of the economy.

I am equally pleased with efforts in the trade and investment promotion activities which yielded an investment of R1,1 billion into the provincial economy primarily from the renewable energy sector whilst providing much-needed support to the film sector which is on a growth trajectory.

The reconfiguration of the property portfolio as well as the offloading of non-core and non-revenue generating assets remains a priority. A lot of energy is being dispensed on remodelling the portfolio into a responsive developmental asset. For this to happen, a complete overhaul of the portfolio is required in order to bring it to the required standard so that it can attract and retain the right tenant base. An urgent refurbishment of the ECDC's entire portfolio is a priority.

Despite these challenges, the ECDC collected R69,1 million which is 8% below its planned target. Whereas challenges remain with respect to a very small portion of the property portfolio, the Corporation acknowledges the support of citizens, law enforcement agencies and social partners in working with the ECDC in resolving the hurdles. We are indebted to the ECDC's national counterparts' contribution at its strategy session and to the Corporation's tenants and customers for sharing their views on our work.

Further, industrial parks remain a growth area and they form a critical component of the Corporation's growth and development strategy. Despite the limited financial resources, the ECDC, together with its partners begun refurbishment efforts at the parks. The revival of the parks is aimed at improving regional economic activity while facilitating the creation and retention of sustainable employment opportunities in the long-term.

Finally, the Corporation will continue to sharpen its delivery apparatus to ensure that it effects the desired socio-economic impact. A lot of work is being done which should lead to the overall improvement of the ECDC customer experience. The ultimate objective is to position the ECDC as a trusted, responsive and effective agent of socio-economic change.

1,249
jobs were facilitated through ECDC's programmes

32%
of the 1,249 were youth jobs

980
jobs were saved by the EC Jobs stimuls Fund's disbursments

APPRECIATION

Finally, I would like to thank the Honourable MEC for Economic Development, Environmental Affairs and Tourism Mlungisi Mvoko for his support in the mandate delivery process. My appreciation is also extended to the Portfolio Committee on Economic Development, Environmental Affairs and Tourism for their oversight. I am grateful to the ECDC's Board of Directors for their counsel and incisive inputs into the development of the Corporation as a vehicle of socio-economic redress.

I am thankful to the ECDC's varied stakeholders who support and complement the ECDC's efforts through financial and non-financial instruments. The board is deeply indebted to the ECDC's executive management team and staff for their diligence and inspired implementation of the Corporation's mandate.

Nandi Siwahla-Madiba CD (SA)
Chairperson of the Board

ECDC EXECUTIVES

Ndzondelelo Dlulane
Chief Executive Officer

Thabo Shenxane
Head: Trade, Investment and Innovation

Tandeka Rozani
Head: Development Finance and Business Support

Craig Thompson
Head: Properties and Strategic Projects

Dr. Lesley Govender
Executive Manager: Corporate Services

Nielesh Ravgee
Chief Financial Officer

Mandla Mpikashe
Executive Manager: Legal, Compliance and Governance

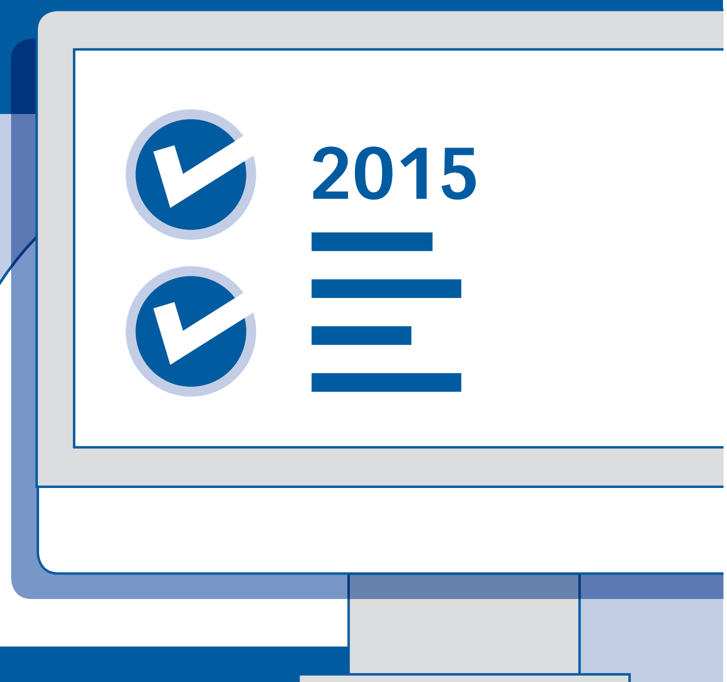
PART THREE

CHIEF EXECUTIVE OFFICER'S REPORT

It gives me great pleasure to present my last report as the accounting officer of the Eastern Cape Development Corporation (ECDC). This report is a culmination of a five-year journey which began in December 2015 when I first assumed the chief executive officer role. Subsequently, the mandate to lead the Corporation to the envisioned destination was extended for a further two years in December 2018 until November 2020. Leading a corporation with a broad and historical mandate such as the ECDC has been an overwhelming commission which requires sound and inspired leadership acumen. I am deeply grateful to the various ECDC boards which have entrusted me with this most rewarding task. My sincere appreciation to the highly committed and supportive ECDC team that I was so fortunate to lead over this period.

As we close this chapter it is perhaps apt to reflect on this journey which continues to direct the ECDC evermore closer to its desired strategic destination. The success of the ECDC is non-negotiable as it carries the aspirations of thousands of small businesses throughout the Eastern Cape.

Over the last five years, hundreds of SMMEs have grown their businesses by accessing the ECDC's SMME support packages such as development finance, business support, trade, investment and innovation services. In the period 2015/16 to 2019/20, the Corporation disbursed R459, 5 million worth of loans to 1,092 SMMEs. The repayment rate in respect of loans not handed over during the period ranges from 73% in 2015/16 to 84.5% in 2019/20.



STRATEGIC REFLECTION 2015/16 – 2019/20

From the 2015/16 financial year, the ECDC faced a challenging period which threatened its viability largely due to exogenous factors. The economy was under strain and this was further exacerbated by the various credit downgrades in the country's sovereign debt ratings. There continues to be immense pressure on the national and provincial fiscus which forces development vehicles such as the ECDC to stretch the rand in order to respond to the pressing demands of mandate delivery.

As such, the Corporation took a considered long-term view which prioritises the development of high value strategic partnerships as well as resource mobilisation. In particular, the Corporation has collaborated and built a network of partnerships with the private sector in order to leverage financial resources enabling it to deliver the desired development impact.

One of the most immediate challenges faced by the Corporation when I assumed the chief executive position was the instability caused by an absence of critical personnel such as a permanent chief financial officer. The lack of capacity at this level was evident in the two successive qualified audit outcomes which resulted in a serious trust deficit.

The rebuilding process obligated the Corporation to address this trust deficit and to begin a spirited implementation of catalytic development projects in order to drive job creation as well as to extend the reach and impact of the ECDC's small business support programmes. The Corporation also began to seriously address the challenges facing the property portfolio. Since 2015/16, the Corporation has achieved unqualified audit opinions which consolidates the ECDC's posture as well as public and funder confidence in the management of public assets. This was a direct result in the improvement in the control environment as well as addressing the findings identified in the management reports of the Auditor-General.

Since 2015/16, the Corporation has achieved unqualified audit opinions which consolidates the ECDC's posture as well as public and funder confidence in the management of public assets.

R43,3m

reduction in irregular expenditure from 2015

ECDC PROJECTS

R92,8 million

Makana water reticulation project in order to stabilise water supply in the area

R258,8 million

to build and refurbish six schools in Tsolo, Flagstaff and Mbizana on behalf of provincial Department of Education

R65 million

on Garden court refurbishment in uMthatha creating 180 jobs

IIrregular expenditure has reduced from R50.9 million in 2013/14 to R1.7 million in 2019/20. The Corporation continues to improve controls towards eliminating it.

The five-year period 2015/16 to 2019/20 also led to the development of a number of exciting projects which position the ECDC favourably in development project planning and design, management and execution.

These projects include the implementation of the R92, 8 million Makana water reticulation project in order to stabilise water supply. This project created 145 jobs. The ECDC also implemented the R36 million Makana sanitation project which created 126 jobs in the area.

The ECDC also built and refurbished a total of six schools in Mthatha, Tsolo, Flagstaff and Mbizana at a combined cost of R258, 8 million on behalf of the provincial Department of Education. This resulted in 404 construction jobs being created. These social infrastructure projects cemented the ECDC's role in project implementation.

Another exciting project was the refurbishment of the Mthatha Garden Court at a cost of R65 million. The project created 180 jobs at the demolition and construction stages. In addition, the formerly ECDC-owned Zithulele Township in Butterworth was transferred to the Mnquma Local Municipality. This transfer was to enable the municipality to transfer the ownership of the 105 houses in the township to the individual residents of the township who are indigent. These families have been renting the houses for a considerable period.

With the help of funding from the Department of Trade, Industry and Competition (thedtic) and DEDEAT, the ECDC also began a process of improving the condition of the industrial parks which fall within its property portfolio. In the first phase of the revitalisation of the Vulindlela Industrial Park in Mthatha, R22,7 million was spent on security improvements. These upgrades resulted in the creation of 68 construction jobs and six local SMMEs benefitted. There are 85 tenants in Vulindlela which employ 818 people. A total of R28 million will be spent in the second phase of the revitalisation project which involves the refurbishment of top structures.

A total of R22, 5 million was spent on security upgrades at the Queendustria which falls under the Enoch Mgijima Local Municipality as the first phase of the revitalisation of the park. A total of R31 million is being spent on transformer installation and repairs, including overhead wiring, upgrades and feeder to the main supply in the park.

A total of R38 million was spent on security upgrades at the Dimbaza Industrial Park. This upgrade created 61 construction jobs and it benefitted 19 local SMMEs through sub-contracts. Dimbaza has 23 tenants which employ 1,309 employees. A total of R104 million is being spent on roads and bulk infrastructure upgrades. The Corporation has submitted an application to the National Treasury Budget for Infrastructure to the value of R1 billion. If approved, this will help address the refurbishment of the top structures in Dimbaza. These improvements will help attract investments in this economically depressed area characterised by a high unemployment rate. The ECDC also plans to leverage R800 million from the private sector to implement the further phases of the Dimbaza master plan which include retail and residential aspects.

Security improvements of R14 million were also completed at the Fort Jackson Industrial Park. This resulted in the creation of 70 construction jobs and three local SMMEs benefitted through sub-contracts. Fort Jackson Industrial Park has 65 tenants which employ 719 people.

The 2015/16 to 2019/20 period also led to the commercialisation of a growing film sector in the Eastern Cape in partnership with the private sector. During this period, the ECDC has leveraged investments in excess of R162,7 million for the province from the implementation of various film projects which created 5,593 jobs. These film projects had an economic impact of R457,3 million. The significance of commercialising the film sector is its catalytic effect in the tourism sector.

An Eastern Cape Craft Collection shop was officially opened in East London in November 2016. The craft shop was established to create market access opportunities for Eastern Cape craft creatives.

SERVICE DELIVERY ENVIRONMENT 2019/20

Despite the worsening economic and deteriorating fiscal environments which have affected the financial situation of the Corporation, the ECDC continues to implement and deliver on catalytic programmes which seek to unlock the potential of the Eastern Cape economy.

In the 2019/20 financial year, financial constraints resulted in the ECDC reviewing its organisational structure in order to focus on filling critical positions. The challenging economic environment further emphasised the need for collaborations and partnerships with the private sector. The last quarter of the financial year was further impacted by the effects of Covid-19 which affected revenue generation.

However, despite this, the Corporation achieved 82% of the set targets for the 2019/20 financial year. This is an impressive achievement given the economic and financial constraints which impacted on the ability of the Corporation to deliver on the stated mandate.

HUMAN CAPITAL DEVELOPMENT

These achievements are a testament of the calibre of the employees at the ECDC, which have delivered within the limited resources at their disposal. The Corporation is in a state of continuous improvement which places people at the centre of the ECDC's growth strategy. As such, the Corporation is actively engaged in the development of staff support packages which are aimed at improving their skills base as well as their technical acumen in order to prepare them for effective and efficient mandate delivery. This posture is informed by the acknowledgment that the strategy delivery process is moot in the absence of employee buy-in.

The ECDC strategic posture identifies the recruitment and retention of the best talent in order to ensure inspired mandate delivery as well as the overall viability and sustainability of the Corporation. This work will necessitate a reconfigured Corporation in form and function which is designed for an improved development impact.

STRATEGIC POSTURE

In addition to attracting the best people, during the 2019/20 financial year, the strategy continued to prioritise the promotion of trade and investment by packaging projects which promote value chains for small business development. This included leveraging trade and investment opportunities for ECDC equity participation. Linked to this priority was the establishment of customised SMME development and support programmes which are designed to improve the global competitiveness of Eastern Cape businesses. This included development finance tools which are specifically focussed on the very small and micro levels of the SMME sector as well as co-operative enterprises. There was also a deliberate focus on the training and support of SMMEs to allow the sector to contribute effectively to employment creation.

During the period under review, the ECDC identified the prioritisation of the reconfiguration of the property portfolio in its quest of turning it into a viable strategic business unit towards sustaining the ECDC. The redesign of the property business should focus on the establishment of development leases for the portfolio's properties which possess a high economic potential. This will include leveraging third-party funding which should aid in the refurbishment of properties that have a high demand and high income potential across the spectrum. The disposal of non-core and non-performing assets remains a key focus area. The proceeds from the disposal process will be used in funding the development agenda and in leveraging for the refurbishment of the retained stock as well as the development of strategic vacant land.

Linked to this is the continued revitalisation of industrial parks into special industrial zones (SIZs). The revival of the parks is aimed at improving regional economic activity while facilitating the creation and retention of sustainable employment opportunities. The ECDC will work with the Department of Trade, Industry and Competition (thedtic) to strengthen the efforts to revitalise the industrial parks in the Eastern Cape. The ECDC will also play a leading role in working with the private sector to package projects for funding through the various incentive grants available through thedtic and its entities.

Furthermore, the Corporation is dependent on government for survival. This is not sustainable, and the Corporation continues to lobby the shareholder for capitalisation in order to address the historical and structural challenges which prevent the ECDC from assuming its leading role in driving the economic trajectory of the province. Adequate capitalisation should allow the ECDC to leverage partner and other resources for a marked development impact.

OPERATIONAL PERFORMANCE 2019/20

Despite the economic challenges confronting the province, the ECDC has produced an encouraging set of performance results. I am pleased that the ECDC achieved a fifth unqualified audit opinion in 2019/20. This is testament of the hard yards being put in by the Corporation in building trust in its prudent management of public resources.

In 2019/20 the ECDC disbursed R58,7 million worth of loans to 216 SMMEs versus the 163 and 190 SMMEs supported in 2017/18 and 2018/19 respectively. This loan disbursement figure facilitated the creation of 809 jobs in the 2019/20 financial year. Of the 809 jobs, 372 were youth and 310 were women. Women-owned enterprises accounted for R7,16 million of the disbursements and youth-owned businesses received a share of R12,73 million.

R48m
rand value repayment rate for loans disbursed

The rand value of the repayment rate was R48 million. This is indicative of the commitment of small businesses to meet their loan repayment obligations.

During 2019/20, the ECDC continued to offer a non-financial support ecosystem which is aimed at supporting business growth, competitiveness, productivity and sustainability. During the review period, the ECDC supported 233 enterprises versus the 228 in the 2018/19 financial year. Of this number, 113 were women-owned businesses and 112 were youth-owned.

Through non-financial support 1,798 businesses were reached and benefitted from enterprise development support. These services were in the form of accreditation support, business mentorship, facilitation of business plans, business valuation, feasibility studies, financial statements, human resource management support, intellectual property (patenting registration), marketing as well as training.

In 2019/20, the ECDC facilitated training for 790 businesses. A total of 1,233 people were trained. A total of 656 women participated in the training, 402 were youth and four were people living with disabilities. A total of 723 SMMEs attended seminars in 2019/20. A total of 1,009 people attended while 544 women, 456 youth and seven people with disabilities participated.

Furthermore, the ECDC-administered Eastern Cape Jobs Stimulus Fund disbursed R9,8 million to 16 businesses which resulted in 980 jobs being saved in the 2019/20 financial year. Twelve of the businesses are in manufacturing, two in construction, one in agro-processing and one in agriculture. A total of 375 of the jobs saved are in respect of youth and 271 in respect of women.

233 enterprises
supported by ECDC in the 2019/20 financial year

228 enterprises
supported by ECDC in the 2018/19 financial year

113 were women-owned businesses
112 were youth-owned

790 businesses
had training facilitated by the ECDC in 2019/20

1,233 people trained

656 women participated in the training
402 were youth and 4 with disabilities

In 2019/20, the Corporation disbursed R9,3 million to 20 co-operative enterprises from the Imvaba Co-operative Fund which it administers on behalf of government. The fund provides grant funding through an incentive and institutional-building support to co-operatives of the Eastern Cape in order to bring them into the mainstream economy, enhance self-employment creation opportunities in the province as well as to contribute to poverty relief efforts through enterprise development.

I am also pleased that the Corporation secured investments worth R1, 1 billion for the Eastern Cape in 2019/20. A total of 211 SMMEs benefitted from integrated export support. Furthermore, a total of 223 people received critical skills training. In addition, a total of 12 development projects were facilitated.

The Corporation also secured and approved seven feature film projects in the province with an investment revenue of R114 million. The projected benefit to the Eastern Cape economy that is brought about by the approved films, over and above the investment revenue, is 2,223 jobs and 160 SMMEs will benefit from the investment.

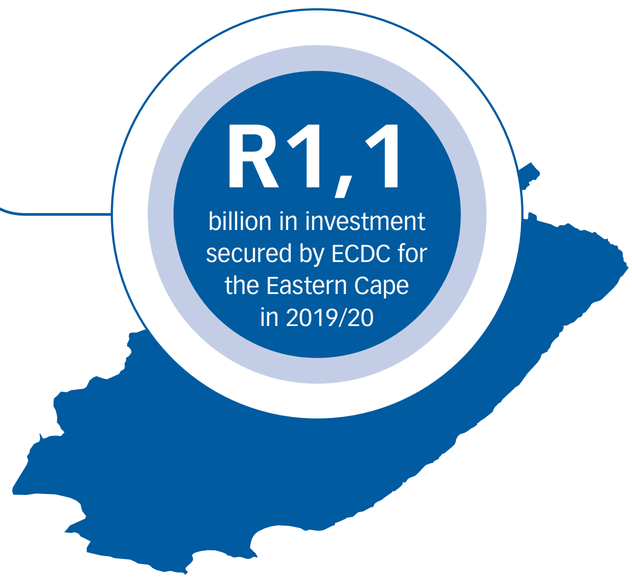
During the year under review, a film centre was established in partnership with the National Film and Video Foundation. The film centre was launched by the Minister of Arts and Culture in March 2020. The centre will bolster the commercialisation of the film sector by enabling the processing of films shot within the province.

In 2019/20, the Corporation continued to promote, train and support emerging exporters through a number of trade expos and missions. The ECDC leveraged about R2.5 million from thedtic to fund a total of 60 SMMEs from the province to attend a number of international expos. These expos were organised in countries such as Botswana, Guinea, Liberia, Kuwait, Ghana, Ethiopia, Morocco, USA, China, Hong Kong, etc. A total of 17 trade missions and expos were successfully conducted during the year under review.

I am pleased that the ECDC continues to extend its support to the creative industries. In the 2019/20 financial year, the ECDC participated in six local and two international exhibitions which provided a crucial branding and market access platform for local creatives. The local exhibitions and trade fairs are Decorex Johannesburg, National Arts Festival, South African Retail Chemist and Druggist Association (SARCDA) March, SARCDA Christmas, Handmade Fair and Kamers. The international exhibitions are the Africa Fashion Week in London, England and Intergift Madrid, Spain. The Eastern Cape participated for the first time in the Intergift Madrid and eight local SMMEs attended.

The ECDC continues to place particular emphasis on the overall development of its substantial property portfolio. The portfolio is comprised of residential, large industrial, retail, light industrial, leisure and commercial property holdings as well as vacant land for development.

The property portfolio's performance in the period under review is indicative of a portfolio under distress. The property business has operated under severe pressure during the review period. During the period under review, rental income stood at R 69,1 million and total expenses were R124 million. The portfolio posted a net loss of R33 million in the 2019/20 financial year. This loss position is mainly informed by the intense economic pressure on collections with rental income down 14% and provisions for doubtful debts up by 16%. The portfolio was further burdened by increasing municipal utility costs which are up 17% year-on-year.



OUTLOOK

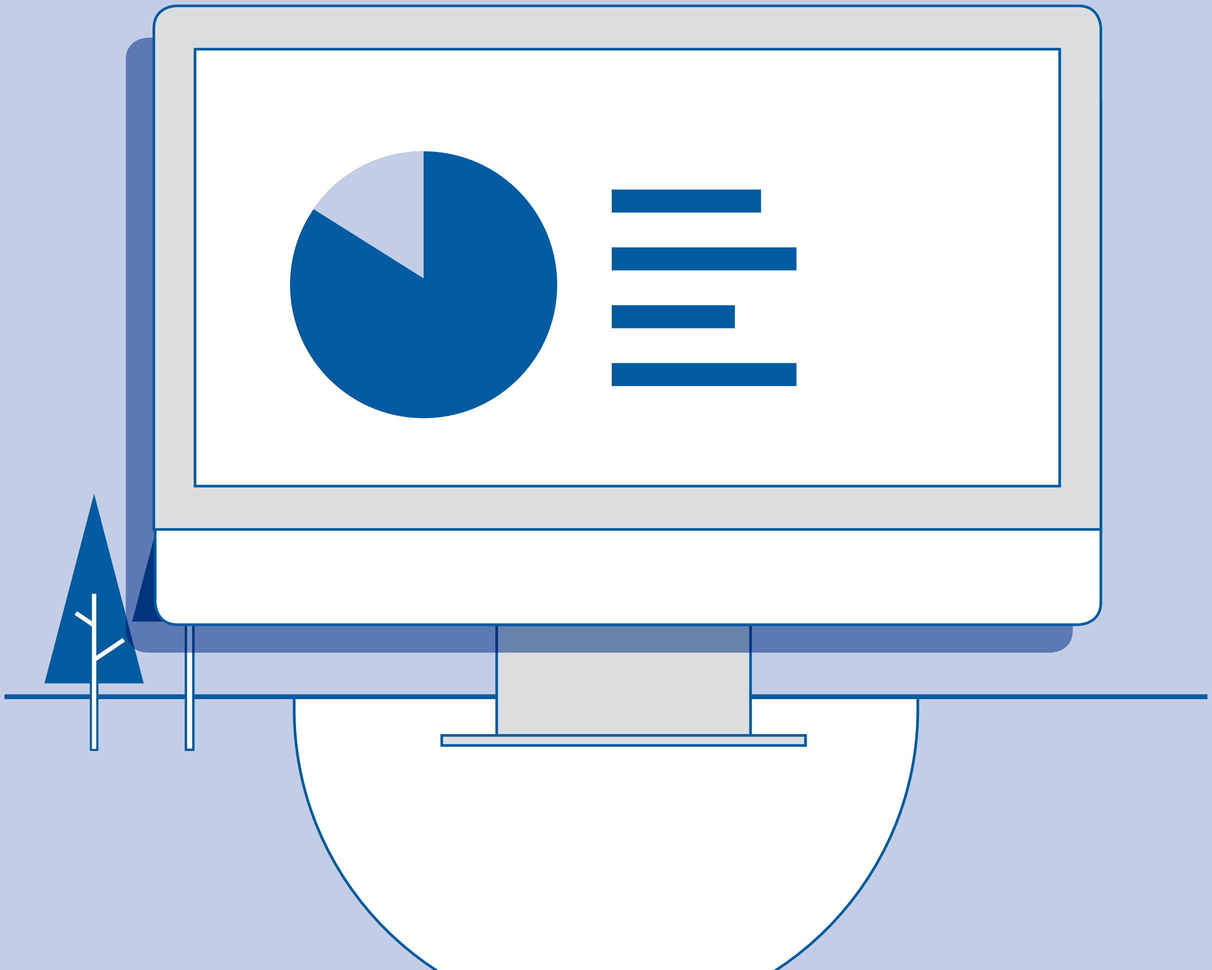
The 2019/20 financial year marks the end of the ECDC's five-year strategy cycle. The Corporation is already engaged in a consultative strategy process which will result in a 2020 – 2025 strategy, which should direct the ECDC towards an innovative implementation of the development agenda.

APPRECIATION

I express my sincere gratitude to the ECDC board of directors for their support and encouragement over the last five years of my tenure. I also pay my gratitude to the MEC for Economic Development, Environmental Affairs and Tourism Mlungisi Mvoko for his steadfast support. The immense support I have enjoyed from the staff of the Department of Economic Development, Environmental Affairs and Tourism and Provincial Treasury has not gone unnoticed. I am deeply grateful to the senior management team at the ECDC for their dedication and support in a challenging operating environment over the last five years. I am indebted to all ECDC employees who have served the institution diligently and provided an able support body toward the attainment of the ECDC vision. I am grateful to the various partners who have fervently supported the ECDC business over the last five years.

Ndzondelelo Dlulane
Chief executive officer

PART FOUR



CHIEF FINANCIAL OFFICER'S REPORT

The unqualified audit opinion with no findings received by the ECDC for the 2019/20 financial year demonstrates the Corporation's unwavering commitment to sound corporate governance and financial management principles. The adherence to a sound governance architecture is pivotal for the effect discharge and delivery of the ECDC's mandate. 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.

In support of this developmental commission and assignment, the corporate finance division at the ECDC provides a critical support and administrative infrastructure which supports inspired and inventive mandate delivery. The litmus test of corporate finance's efficacy is expressed by the external auditors through the audit opinion. The audit opinion is an indication of the quality of the systems, processes and controls in place at the Corporation.

Since 2015/16, the Corporation has witnessed a progressive improvement in its management of public assets. The ECDC has reduced irregular expenditure from R50.9 million in 2013/14 to R1,7 million in 2019/20. This indicates the Corporation's ongoing commitment to assume and entrench a posture of a capable agent of public resources. The ECDC is in a state of continuous improvement and it has for the last five years obtained an unqualified audit opinion from the Auditor-General.

The 2019/20 financial year audit was conducted during the COVID-19 pandemic and related levels of lockdown. This made it extremely challenging for the Corporation as well as the auditors to conduct a "traditional" audit. The teams went the extra mile to ensure that the required information is submitted and audited without compromising the quality and credibility of the audit process.

In the hierarchy of good governance, the next step for the ECDC is to obtain a "clean audit" outcome. This outcome is characterised by an unqualified opinion with no emphasis of matter items on the financial statements, an unqualified 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 on the manner in which the Corporation conducts its business, thereby minimising the extent of impairment of assets and receivables. The process requires the ECDC to marshal its collective resources toward this stated objective.

FINANCIAL SUSTAINABILITY

The focus is on maintaining the delicate balance between financial sustainability and the developmental mandate. In this regard, the ECDC continues to engage the shareholder for the required recapitalisation which is crucial for the Corporation's envisaged sustainability and viability. Through constructive engagements with the shareholder, the ECDC achieved a milestone by persuading the shareholder to agree to the performance of a business review. The business review's intention is to achieve a balance between the developmental responsibilities of the ECDC and its financial sustainability. The audit outcomes provide a compelling case to the shareholder to inject the requisite liquidity into the ECDC's balance sheet in order to support the development agenda.

The major source of income for the ECDC is government grants. These grants are ring-fenced for specific projects as determined by the shareholder or the grantors. The ECDC benefits through the administration fees which it can levy against such projects. The other sources of income are rental income from investment properties, investment income and interest on outstanding debts.

The Corporation faces a significant challenge with the illegal invasion of several of its properties. The resultant effect of these invasions is non-payment of rent for these properties. The slow pace of the litigation process further exacerbates the situation and prolongs this untenable situation. This places a significant burden on the cash flow of the Corporation as it reduces the yield on investment property. A further challenge in relation to the investment properties is the ECDC's inability to effectively maintain such investments. The maintenance backlog has a direct impact on the Corporation's ability to charge market-related rentals.

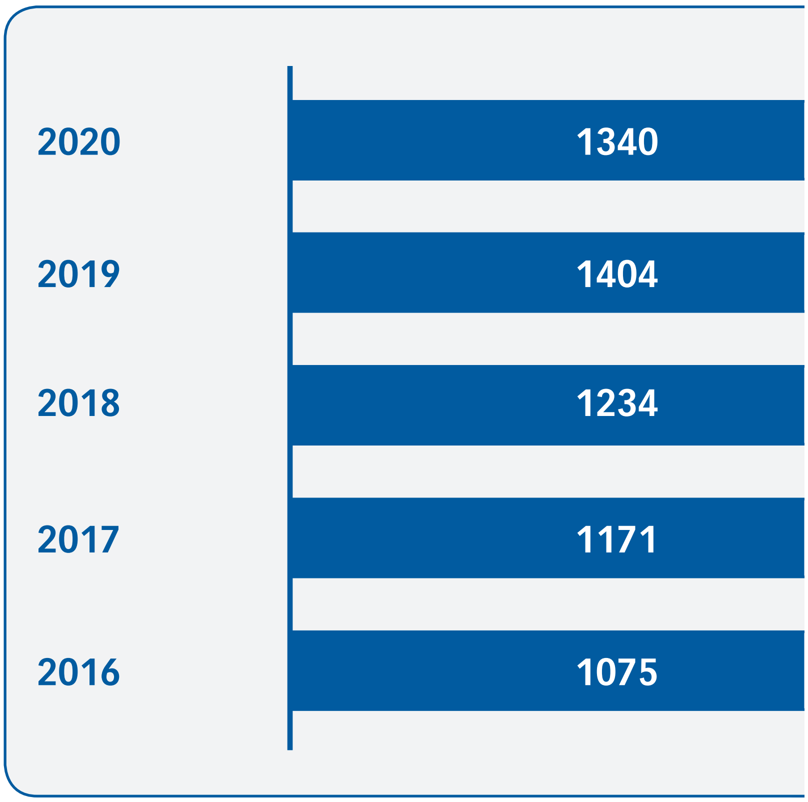
FINANCIAL POSITION

Assets

The statement of financial position is reflective of a healthy balance sheet. The statement of financial position reflects total assets of R1,6 billion (2019: R1,7 billion) with a net asset value of R1,3 billion (2019: R1,5 billion). This is mainly due to the value of the ECDC's investment property, which is disclosed at R1,3 billion (2019: R1,4 billion). Investment property consist of a number of commercial and residential properties which are situated throughout the Eastern Cape Province. The majority of these properties is concentrated in the areas in and surrounding the King Sabatha Dalindyebo, Mnquma, Buffalo City and Chris Hani Municipalities.

In order to optimise its large investment property holdings, the ECDC is disposing non-core properties. This should allow the ECDC to focus on its core business. The ECDC non-core properties disposal strategy is on-going but it has been hampered by administrative delays at municipality level specifically on the sub-division of properties built on one erf. The ECDC balance sheet is not reflective of its developmental goals in that the loan book value compared to investment properties value is disproportionate considering ECDC's role as a development financier.

The table below reflects the composition of assets for the last five years.



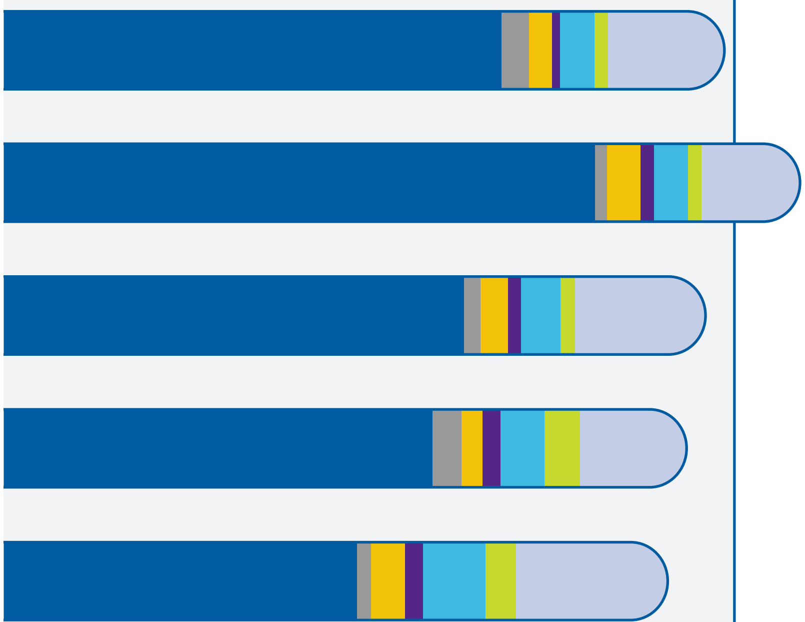
The ECDC's state of affairs has necessitated the Corporation to formally request the shareholder to resuscitate the business review of the entity with the goal of recapitalising the Corporation.

Liabilities

Total liabilities of the Corporation for the 2019/20 financial year are R253 million. The two items which make up more than 55% of the value is deferred income and trade and other payables. Deferred income is R80 million (2019: R95 million) and it relates to funds which were received for specific grants but have not yet been spent at year end. Trade and other payables amount to R69 million (2019: R47 million) of which approximately 30% relate to commitments which have been incurred as a result of the projects being implemented with grant funds.

Deferred income is R80 million (2019: R95 million)

Trade and other payables is R69 million (2019: R47 million)



Financial Position - Total Asset Composition for the last 5 years

	2016	2017	2018	2019	2020
Investment Property	1075	1171	1234	1404	1340
Property, Plant & Equipment	23	26	26	26	36
Investments & Loans in Group entities	48	50	43	52	53
Investments	32	25	25	24	9
Loans Advances	83	80	65	53	59
Trade & Other Receivables	35	55	21	25	15
Cash & Cash Equivalents	247	155	172	165	113

Reserves

Reserves are disclosed at R1,3 billion (2019: R1,5 billion). The items which make up this figure is share capital of R427 million (2019: R427million), pre-incorporation reserves of R384 million (2019: R384 million) and the balance being retained income.

Although the asset and reserve base reflect a healthy position, the liquidity of the Corporation is a challenge. Strategies will be developed over the MTEF period to address this challenge.

FINANCIAL PERFORMANCE

Overall, the financial performance of the ECDC reflects a deficit of R129 million compared to a surplus of R205 million in the previous year. The surplus in the prior year was due to a fair value gain surplus of R181 million and an injection of R50 million from the shareholder for financing SMME's.

In the review period, the fair value adjustment was a loss of R27 million. The under-recovery of rent from investment property requires a strategic approach to be developed in order to improve the current financial performance. The outstanding rent is also impaired at over 90% due to the poor collection rate, age of the debts and low recoverability rate through litigation.

The income sources for the last five years are:

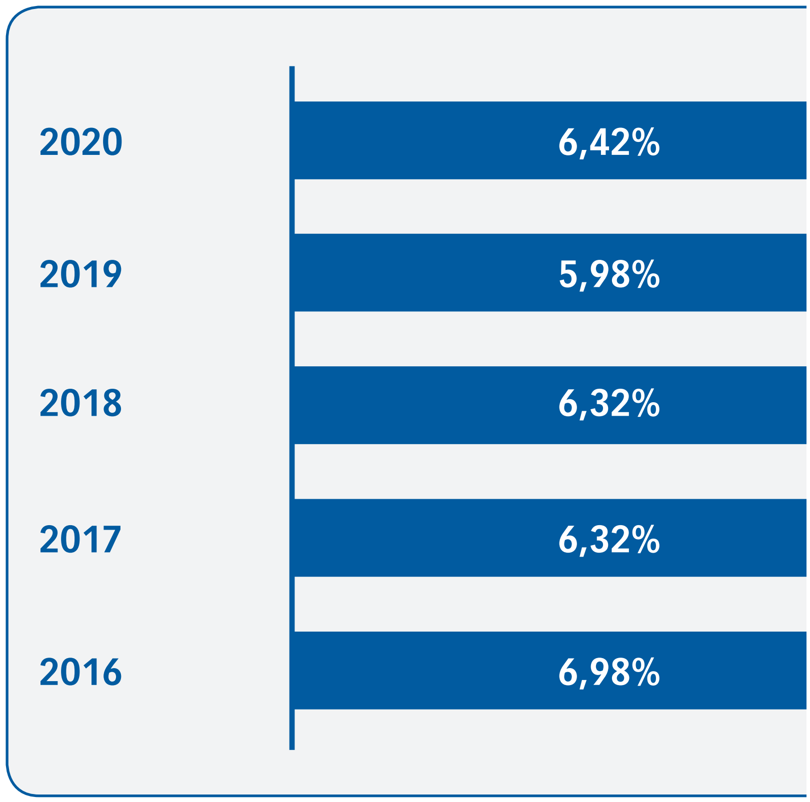
	2016	2017	2018	2019	2020
Government grants	154	142	150	203	147
Revaluation	172	111	141	180	0
Rental Income	75	74	78	84	86
Interest Income	48	49	46	45	32
Other Income	25	56	42	27	10
Investment Income	11	11	10	17	14

All categories of revenue decreased for the year when compared to the previous year, except for rental income which showed a marginal increase. Government grants decreased by 27,6 % from R203 million to R147 million. Interest income decreased by 28,9 % from R45 million to R32 million. Other income decreased by 62,9 % from R27 million to R10 million.

The business finance unit portfolio has continued to decline over the years, shifting from a healthy balance of R139 million in 2012 to a mere R59 million in 2020. The loans portfolio is impaired at a rate of 68% and this reveals an urgent need to initiate strategies to address the lack of capitalisation to fund a sustainable portfolio with annuity revenues.

The yield on investment property over the last five years also shows cause for concern.

Percentage Yield of Average Investment Property



FOCAL AREAS

The ECDC intends to focus on the resolution of the stated challenges over the MTEF period through:

Governance

An improvement in governance will assist the ECDC to achieve a "clean audit", thereby providing assurance to the shareholder and to other potential donors that it is able to effectively manage projects and the related funding which it receives. This 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 in order to improve this ratio. The first, is to ensure that efforts to collect revenue are stepped up and actions put in place to ensure that we achieve sustainable collection rates of at least 80% to 90%. The second, is to secure adequate funding to undertake a comprehensive maintenance of the property portfolio. This will reduce the impairment and improve overall cash flow.

Loan recovery

The low recovery of loans also impacts on the cash flow of the Corporation. The loans portfolio must be recapitalised and at the same time, stringent approval processes must be developed and implemented to ensure the recovery of such loans. A further focus on business development and a period of business support must be considered in order to ensure that the businesses which are supported, get off the ground, become sustainable, successful and are then able to refund the loans within the agreed terms and conditions.

Reporting and business process automation

The lack of adequate resources to capacitate the Corporation forces it to review its deployed processes and systems. An improvement in the ECDC's reporting capability will enhance the actions taken by divisions. It will also result in savings due to some positions no longer being regarded as critical. Duties can be shifted in order to operate effectively. Directly linked to reporting is the tool to create such reports. The current reporting module is cumbersome and it requires manual input in order to generate the large number of reports which must be generated monthly and quarterly for various stakeholders.

Expenditure management

This is a general concern across most organisations. Basic efficiencies have been implemented over the last few years but the ECDC now requires creative thinking and unusual initiatives to improve the way it uses technology in order to achieve more. The concept of achieving more with less is more critical now than it ever was.

Subsidiaries and associates

The subsidiaries which are included in the Group disclosures are Transdev Properties (SOC) Ltd, Centre for Investment and Marketing in the Eastern Cape (NPC), Cimvest (Pty) Ltd and Automotive Industry Development Centre (Eastern Cape) in which ECDC holds a 100% shareholding. The ECDC also holds shares in Transkei Share Investments Company (SOC) Ltd with a 98% shareholding.
The financial statements of all its subsidiaries have been prepared on the going concern basis and are disclosed in the related parties disclosure note in the annual financial statements.

Nielesh Ravgee
Chief Financial Officer

PART FIVE

OPERATIONAL OVERVIEW

DEVELOPMENT FINANCE AND BUSINESS SUPPORT

Development finance continues to demonstrate its efficacy in acting as a stimulant for improved and robust economic activity for the Small Medium and Micro Enterprises (SMMEs) category of the market. The SMME market is under severe strain in a challenging business environment characterised by poor economic growth prospects and general economic pressures on the consumer market. This is exacerbated by fiscal constraints which have limited the government's and the public sector's ability to spend on goods and services in general. In turn, this affects the ability of SMMEs to stay afloat especially in the Eastern Cape where the majority of business is dominated and driven by the government sector.

This has the potential to severely constrict economic growth and it should place additional pressures on other socio-economic indicators as it would inevitably lead to significant loss of revenue for small businesses and much-needed jobs. The impact of a struggling SMME sector with inadequate development finance loans support also extends to lower revenue collection which limits the government's ability to execute its socio-economic programmes.

Although facing significant liquidity constraints, the ECDC took a decision to use to spread its development debt finance tools to reach a limited section of the SMME market. This had the effect of reducing the Corporation's ability to approve high value loans. However, this allowed the ECDC to approve and disburse small loans which allowed the Corporation to service a larger portion of qualifying and deserving small businesses. For example, in 2019/20 ECDC disbursed R58,7 million to 216 SMMEs versus the 163 and 190 SMMEs supported in 2017/18 and 2018/19 respectively.

These were mainly contract-based or service delivery development finance loans which mirror the Eastern Cape small business economy which is driven by government services. Contract-based development finance loans accounted for 68% of the disbursements and the balance was spread among the other loan product categories. A significant portion of the disbursements also went to the construction sector. Another contributor to the reduced disbursements of high value loans has been the general contraction in the construction sector.

The Corporation also employs non-financial support instruments which support the general health, competitiveness and productivity of small businesses. These non-financial support interventions are a central pillar in the development of sustainable and viable small businesses. They play an inspired support role to development finance and it ensures that the ECDC offers a more eclectic SMME service which addresses all areas of the business which are crucial for business sustainability. Various strategic partnerships in the public and private sectors complement the ECDC's role and allow it to improve its effectiveness.

In addition, the Corporation administers the Imvaba Co-operative Fund and the Eastern Cape Jobs Stimulus Find on behalf of government. The Imvaba Co-operatives Fund provides high value grant support to co-operative enterprises by assisting with the acquisition of operational equipment and mechanisation to ensure improved revenue and income generation. The Jobs Fund provides support to companies in distress who are faced with the possibility of job losses. The fund acts as a buffer by offering an incentive to employers to save and/or retain existing jobs.

Development finance loan repayment rate

The ECDC is pleased with the loan repayment rate of 90% in 2019/20. In rand value terms, the repayment rate in the review period was R48 million. This is testament to the commitment of small businesses to meet their loan repayment obligations. The SMME sector is perhaps now more cognisant that an improved repayment rate is crucial to ECDC's ability to extend its footprint and its ability to service other needy businesses. The improvement in the repayment rate is also an indication of the Corporation's state of continuous improvement in its aftercare and monitoring capacity.

More importantly, the repayment rate is a reflection of the co-operation by other government departments that engage the services of the SMMEs which apply for ECDC loans. The Corporation is pleased that the contracting departments have studiously honoured the cession agreements which ECDC has signed with small business loan beneficiaries. The ECDC is also grateful to the Eastern Cape Provincial Treasury for its support in ensuring that these cession agreements are enforced.

OPERATIONAL PERFORMANCE

The loan disbursement figure of R58,7 million facilitated the creation of 809 jobs in the 2019/20 financial year. Youth accounted for 372 (45%) of the jobs and 310 (38%) were women.

Youth-owned businesses accounted for R12,73 million of the disbursements and R7,16 million went to women-owned businesses. Of the 216 SMMEs supported with loan funding, 69 (32%) were youth-owned businesses and 53 (24%) were women-owned.

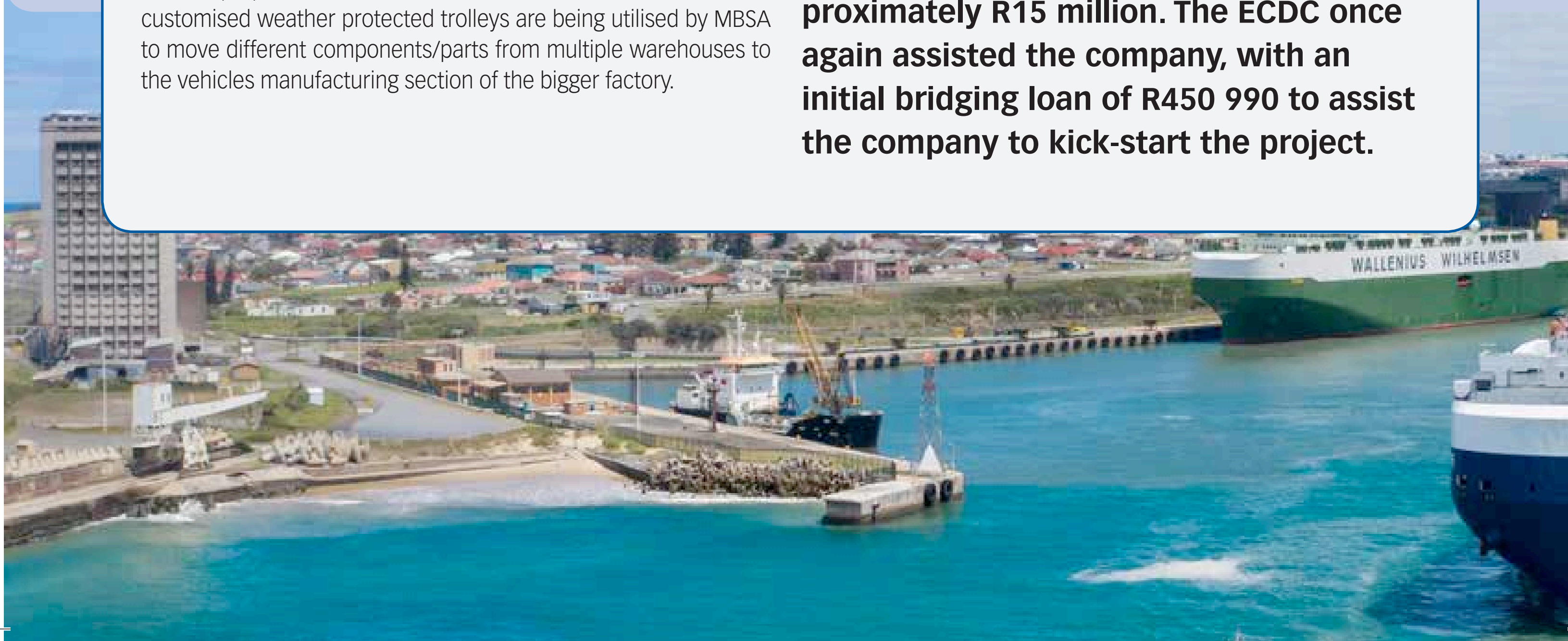
IMONTI WELDING AND ENGINEERING

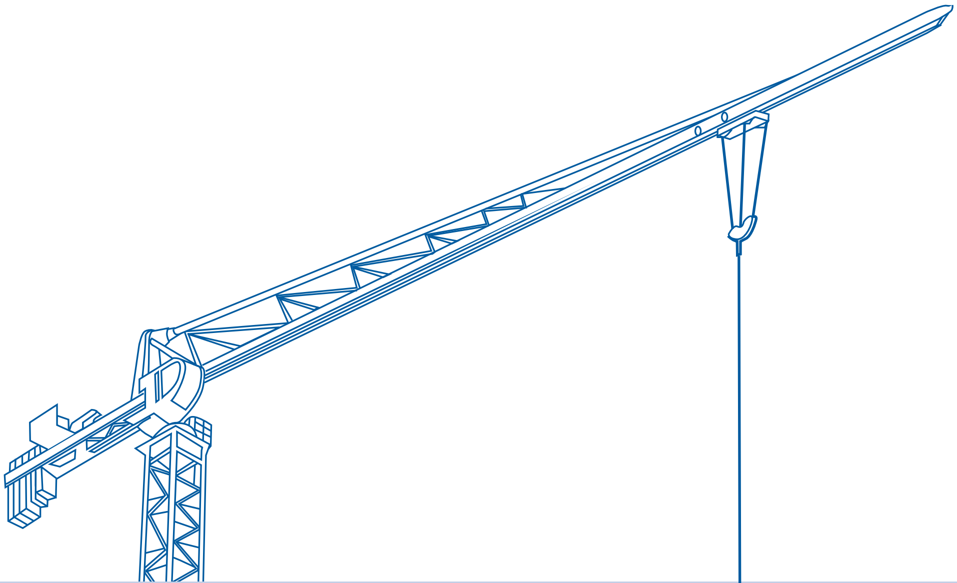
R1,2 million

bridging loan to implement a contract awarded to the company by Mercedes Benz South Africa (MBSA)

For example, the ECDC disbursed a bridging loan of R1,2 million to Imonti Welding and Engineering in 2019/20. The loan was used to implement a contract awarded to the company by Mercedes Benz South Africa (MBSA). The project was for the manufacturing (supply and delivery) of 40 x W206 KTL Trolleys which were designed to assist in preparation of the new Mercedes-Benz C-Class Model. The customised weather protected trolleys are being utilised by MBSA to move different components/parts from multiple warehouses to the vehicles manufacturing section of the bigger factory.

The loan provided by the ECDC not only assisted in executing the project, but it also led to the award of a further contract to Imonti by MBSA valued at approximately R15 million. The ECDC once again assisted the company, with an initial bridging loan of R450 990 to assist the company to kick-start the project.





QHAMA SOCIAL HOUSING INSTITUTE

R19 million

loan facility approved by the ECDC for QSHI for the development of affordable rental social housing stock in Nelson Mandela Bay

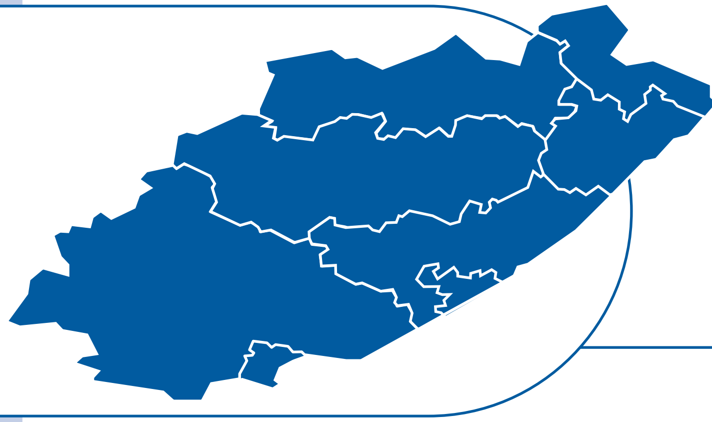
The ECDC approved a R19 million loan facility to Port Elizabeth-based Qhama Social Housing Institute whose primary focus is the development of affordable rental social housing stock in the restructuring zones identified in Nelson Mandela Bay Metropolitan area. A facility of R13 million for the Steve Biko building was first disbursed in April 2019 in tranches with R12, 738,728 disbursed in the 2019/20 financial year. The first tranche of R11,777,644 was disbursed in the 2016/17 financial year for the purchase of the building. The project is a brownfields development, aimed at converting three existing buildings in the Central Business District in Port Elizabeth. The buildings were previously offices and they are being converted into 220 social housing units. The units are a combination of two bedrooms, one bedroom and studio/bachelor units.

The major portion of the cost of the project has been made available in the form of grants from the Department of Human Settlements and the Social Housing Regulatory Authority. The ECDC funded a short fall through a long-term loan. The total development costs are estimated at R100 million.

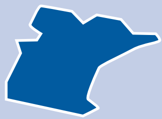
The first phase of disbursement of ECDC funds for the purchase of the property was paid in full by Qhama SHI. The second phase of the disbursement was to enable the funding facility to be applied on a building-by-building basis (three buildings) and not to the entire project facility.

DISBURSEMENTS BY REGION

The geographical spread of the loan disbursements is consistent with the economic realities of the districts of the province. However, the Corporation is pleased with the improved disbursements in areas such as Alfred Nzo. The Nelson Mandela Bay metro accounted for R20,4 million of the disbursements, Amathole R12,8 million, OR Tambo R11,3 million, Chris Hani R10,1 million, Alfred Nzo R3,7 million, Joe Gqabi R257 434 and R4,491 went to the Sarah Baartman district.



NMB
R20 408 893

1


Amathole
R12 837 489

2


OR Tambo
R11 379 366

3


Chris Hani
R10 125 567

4


Joe Gqabi
R257 434

5


Alfred Nzo
R3 764 168

6


Sarah Baartman
R4 491

7


R58 777 408 (Total)

DISBURSEMENTS BY SECTOR

The majority of the disbursements (701) were allocated to the services sector R39,9 million, construction R12,8 million (204), manufacturing R3,9 million (64), retail R1,6 million (26), agriculture R171 994 (7) and R247 783 (5) to the information technology sector.

SERVICES 701
R39 903 495

CONSTRUCTION 204
R12 880 740

MANUFACTURING 64
R3 956 076

RETAIL 26
R1 617 320

INFORMATION TECH 5
R247 783

AGRICULTURE 7
R171 994

R58 777 408 (Total) **1007**

DISBURSEMENTS BY LOAN PRODUCT

A total of R28,8 million went to Nexus loans, R18 million to TermCap loans, R11 million to Workflow loans and R883 834 were PowerPlus loans.

Nexus	R28 814 825	49%
TermCap	R18 076 675	31%
Workflow	R11 002 074	19%
PowerPlus	R1 617 320	2%
R58 777 408 (Total)		**100%**

BUSINESS SUPPORT

The ECDC offers a non-financial support ecosystem which is aimed at supporting business growth, competitiveness, productivity and sustainability. These are central pillars at supporting job creation as well as retention in a generally depressed job market and in a stagnant economy. These interventions are awarded with the aim of ensuring the long-term survival of SMMEs in order to preserve jobs and income generation. The SMME sector is the largest employer in the world and it is crucial that development programmes are structured in a way that encourages its buoyancy and resilience during times of economic distress.

These non-financial support initiatives help grow a quality pipeline of businesses which are primed to benefit from the ECDC's empowering loan funding, trade, investment and innovation and other support packages.

The Corporation's business support programmes are centred around business development services and incubation. In this regard, the Corporation takes advantage of the capacity and abilities of its partners to deliver a more pronounced and nuanced development impact. As a result, the ECDC offers pre and post investment support programmes. The pre-investment support includes business plan development and feasibility studies, due diligence and business valuation among others to prepare SMMEs for commercialisation and financial investment. Post-investment comes in the form of marketing support, quality management, productivity improvement support, financial and business management training among others.

Incubation has been a useful tool which focusses SMMEs on the delivery of their core business offering while the ECDC and its partners provide the infrastructure required to support business growth. Incubation is a central cog in assisting small businesses reduce the potential for failure by subsidising the cost of doing business. Therefore, incubation provides a cushion for small businesses in their start-up phase until they attain self-sufficiency.

SEED PROGRAMME

During the 2019/20 financial year, the ECDC continued its partnership with Indalo Inclusive to implement an enterprise development programme. The implementation of the programme is a result of a partnership agreement concluded by the Corporation and a not-for-profit company Indalo Inclusive in 2018/19 financial year.

Indalo hosts the Skill Enhancement Education and Development (SEED) programme in South Africa which is an international organisation that is involved in enterprise development. SEED is a programme of the United Nations and was founded in 2002 at the World Summit on Sustainable Development (held in Johannesburg) by the United Nations Development Programme (UNDP), the United Nations Environmental Programme (UNEP) and the International Union for Conservation of Nature (IUCN) as a response to a need to promote environmentally and socially-conscious entrepreneurship initiatives at a local level. Its main focus is on promoting climate-smart and socially-inclusive enterprise development.

After the signing of the agreement in the 2018/19 financial year, the ECDC business advisors were trained as trainers to roll out this international programme. SEED has various programmes which include the SEED Replicator, SEED Starter, SEED Catalyser and SEED Accelerator. These are tailored programmes aimed at supporting businesses at different stages of their development. During the period under review, the ECDC in partnership with Indalo Inclusive implemented the SEED Starter and SEED Replicator programme. The SEED Replicator programmes connect a prospective entrepreneur who is interested in adopting and adapting proven business models with the originator of those models. The originators of the model are either local or international entrepreneurs. The originators support the budding entrepreneurs in terms of adapting the concept. Business Advisors coach the enterprises during this period.

The SEED starter programme focuses on untested concepts. These tools involve training, coaching and mentorship of enterprises. In this programme entrepreneurs undergo training, followed by a testing period which is the research and implementation of the identified concepts and ideas.

During the review period, 224 enterprises participated in the replicator and starter programmes. In 2019/20, a total of R 948 530 was invested in the programme. In addition, the coaching of enterprises was conducted by trained internal ECDC business advisors in Port Elizabeth, East London and Idutywa.

PRODUCTIVITY PROGRAMME

The Corporation is also implementing its productivity improvement programme in partnership with Productivity South Africa. There were two programmes that were introduced. These include the Kaizen workshops which were rolled out over a period of three months. The purpose of these workshops were to introduce companies to the concept of continuous improvement. Subsequent to the workshop, companies were allowed to introduce the learnt concepts in their companies.

This was followed by visits which ended up with 12 companies being identified to participate in a two-year workplace challenge programme. The programme introduces a Best Operating Practice Management System with the aim of promoting world-class best practices. The Best Operating Practice Management Systems are rolled out by introducing toolkits that focus on goal alignment within the organisation, cleaning and organising as well as teamwork and leadership. The programme helps all the units within a business to work toward a common goal. It contributes to leadership development and teamwork. This programme includes coaching and mentorship clinics.

A total of 7 out of 12 businesses graduated from the programme during the year under review. Businesses that formed part of the programme have demonstrated improvement in the key development areas. ECDC'S investment in the programme was R 192 500 for the period under review. In 2019/20, the focus was on goal alignment as well as coaching, leadership and teamwork.

NELSON MANDELA BAY ENTERPRISE DEVELOPMENT PROGRAMME

The Corporation also implemented the sixth phase of the Nelson Mandela Bay Enterprise Development Programme in partnership with the Nelson Mandela Bay Business Chamber. The programme came at a cost of R 680 225 in 2019/20. A total of 30 businesses participated in this phase. They were exposed to marketing on a shoe-string budget, tender to secure business, compliance and tax matters and business etiquette as part of the business seminars. Through the training that was delivered by the Nelson Mandela Business School, businesses were trained on labour relations, creative selling skills, business writing skills, business etiquette, stress management and time management. These are the soft skills required by businesses and they contribute towards their sustainability. The businesses also participated in a growth-oriented mentorship programme. As an added benefit, participants received coaching on pitch and polish. This skill is aimed at equipping entrepreneurs to be able to present their business proposition to potential financiers. Subsequent to the coaching, entrepreneurs pitched their ideas and concepts to a panel of funding agencies which included the four major banks – ABSA, First National Bank, Standard Bank and Nedbank. The ECDC, Black Umbrella and the chamber also participated in the panel.

The programme came at a cost of R 680 225 in 2019/20

CHRIS HANI ENTERPRISE DEVELOPMENT

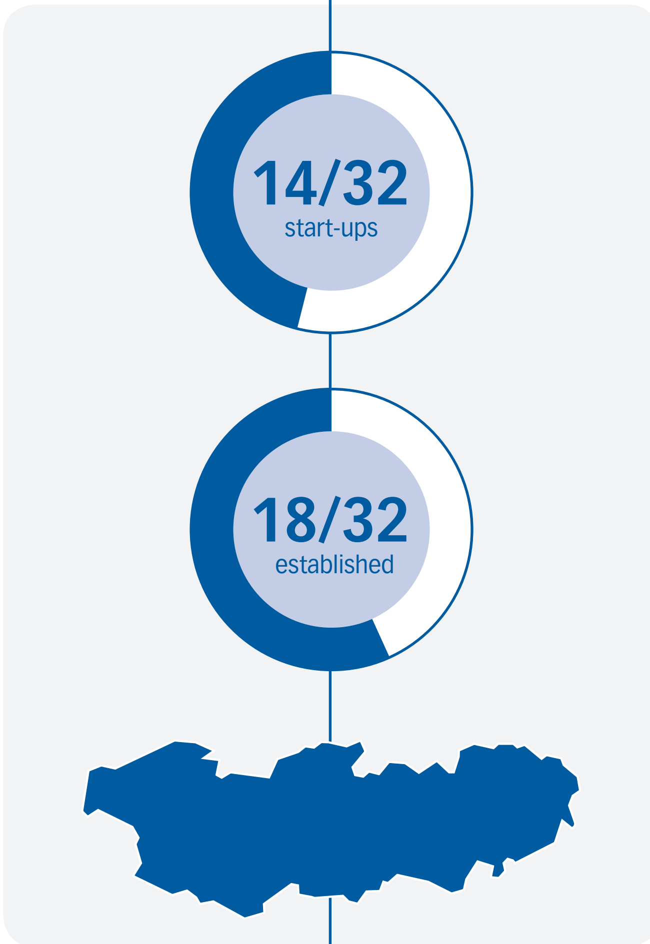
The ECDC also implemented the Mbizana Enterprise Development Programme. The Mbizana programme is implemented in partnership with the Mbizana Chamber of Business and the Mbizana Local Municipality. A total of 30 enterprises were recruited into the programme. A business diagnosis was done on the businesses and three business seminars were hosted. Business seminars focused on encouraging enterprises to comply with legislative requirements.

The themes of the seminars were the Consumer Protection Act (CPA) and its implications for small business, the Unemployment Insurance Fund (UIF), Compensation for Occupational Injuries and Diseases Act (COIDA) and tax compliance. Other interventions included workshops on digital marketing as well as training and mentorship. In the fourth quarter of the year, businesses participated in a three-day master class on strategy development which was followed by mentorship. The output of the masterclass and mentorship are business strategies for each business.

CHRIS HANI ENTERPRISE DEVELOPMENT

ECDC partnered with the Chris Hani District Municipality to provide business development services to enterprises which received funding from the municipality. The Chris Hani Enterprise Development programme was implemented with 32 enterprises participating. The programme is implemented in partnership with the Chris Hani District Municipality at a cost of R 1 224 500,00.

Out of the 32 businesses, 14 are start-ups and 18 are established. A baseline study was conducted for all the businesses and a programme line-up was developed for implementation in the fourth quarter of 2019/20. During the reporting period an Empretec training was delivered to the established business category of participants. Empretec training is a high level entrepreneurial behavioural change training offered by the United Nations Conference on Trade and Development (UNCTAD) through the Small Enterprise Development Agency (SEDA). The programme requires participants to be highly literate and to have been in business for at least two years. The programme will continue in the next financial year and will include business seminar, business training and mentorship.



Motor Mechanic Enterprise Development Programme

The Mechanics Enterprise Development Programme which is currently implemented in Mdantsane in East London also got underway in 2019/20. A total of 137 mechanics are participating in the two-year programme. The programme includes training, mentorship, market access, compliance and infrastructure.

A total of R 1,8 million will be invested by ECDC in the programme over a two-year period as a co-contribution. This is a township development programme which is conducted in partnership with automotive industry enterprise development company FILPRO.

FILPRO is a Not-for-Profit company which is registered as a private company that is involved in enterprise development specifically on the aftermarket automotive sector. It is a delivery arm of original equipment manufacturers GUD and NGK who established FILPRO as their enterprise development programme.

The programme is aimed at supporting township motor mechanics to operate as fully-fledged professional businesses which are accredited by industry bodies. The intention is to mentor the mechanics and formalise them to improve their sustainability.

OPERATIONAL PERFORMANCE

The Corporation is pleased that it exceeded the targets it set for its business support programme in the 2019/20 financial year. This over-performance is informed by the ECDC's ability to reach out to more small businesses in the period under review. In terms of compulsory non-financial support interventions, the ECDC supported 233 enterprises versus the 228 in the 2018/19 financial year.

Of this number, 113 were women-owned businesses and 112 were youth-owned.

Through non-financial support, 1,798 businesses were reached and benefitted from compulsory and non-compulsory enterprise development support. These services were in the form of accreditation support, business mentorship, business plans, business valuation, feasibility studies, financial statements, human resource management support, intellectual property (patenting registration), marketing as well as training.

For example, the Corporation assisted award-winning Queenstown design studio Bau Instyle with trademark development. Owned by fashion designer Luyolo Dlikilili, Bau Instyle is a 100% youth black-owned enterprise which specialises in design and sewing. Dlikilili has participated in festivals such as the Berlin November and in a three-month training programme for shoe design and manufacturing techniques at the Limiting Vocational University in China. The trademark support is being used to protect the brand. After the development of the trademark, the business was able to brand its products. Bau Instyle has started developing its own fabric print.

The ECDC has also assisted Abatsha Accounting and Tax which is owned by Sakhumzi Klaas. The Queenstown-based company has been assisting SMMEs with business advisory services, soft skills as well as financial and tax management for the last eight years. The business has been supported with marketing and branding material. The intervention has also contributed positively in sales. Sales have improved by 50-75%. The company has created contract employment for three people.

TYPES OF INTERVENTIONS

Support interventions came in the form of accreditation training, business plans, marketing material, mentorship, trade exhibitions, trade mark registration and financial management.

Marketing Material
63%

Business Plan
20%

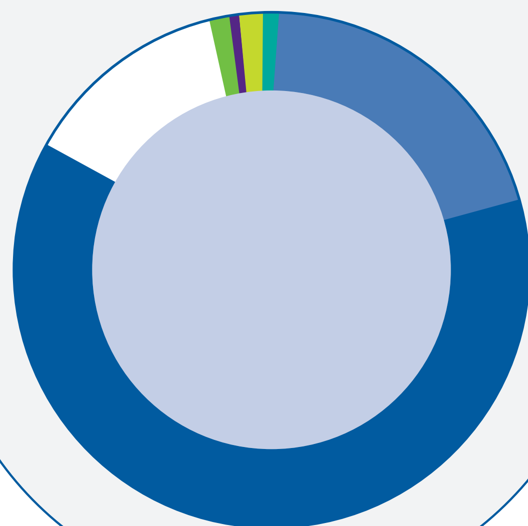
Mentorship
13%

Financial Management
2%

Trade Exhibition
1%

Accreditation
1%

Trade Mark
0%



INTERVENTION BY DISTRICT

In terms of geographic spread, 31% are in Buffalo City Metro, Nelson Mandela Metro 26%, OR Tambo 20%, Chris Hani 13%, Amathole 4%, Alfred Nzo 4% and Joe Gqabi 2%.

Buffalo City Metro
31%

Nelson Mandela Metro
26%

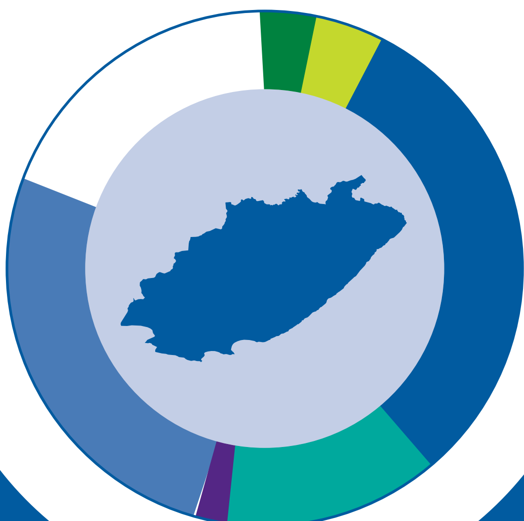
OR Tambo District
20%

Chris Hani District
13%

Amathole District
4%

Alfred Nzo District
4%

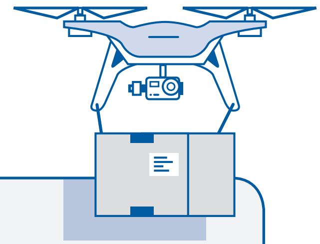
Joe Gqabi District
2%



INTERVENTION BY SECTOR

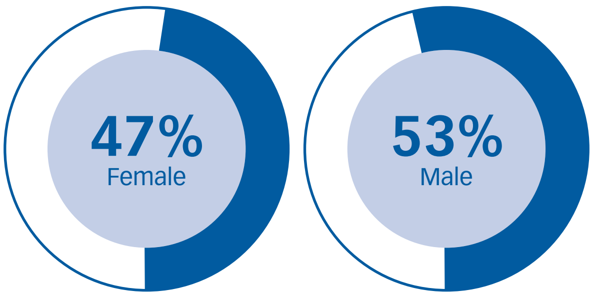
In terms of the sector spread, these businesses operate in the following industries:

Services	131%
Manufacturing	38%
Construction	19%
Retail	13%
Hospitality	11%
Tourism	9%
Creative industry	3%
ICT	3%
Agroprocessing	2%
Engineering	2%
Agriculture	1%
Aquaculture	1%
Automotive	1%
Media	1%
Mining	1%



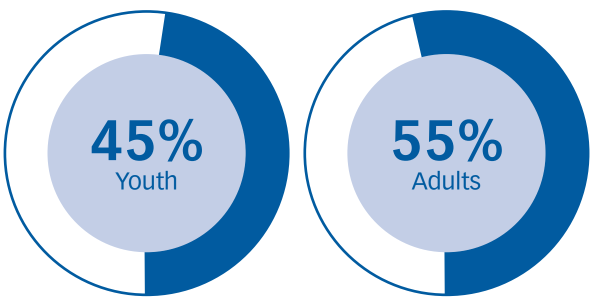
GENDER DISTRIBUTION

Of the 233 enterprises supported, 47% were female and 53% were male.



AGE DISTRIBUTION

A total of 112 youth-owned businesses benefitted from direct business development services.



INCUBATION SUPPORT

The Corporation also extended its support to chemical incubator Chemin and furniture incubator Furntech. In 2019/20 Chemin received a direct financial injection of R3,3 million 2019/20. The funds were specifically earmarked for supporting the East London branch as well as for the expansion of the branch in Mthatha. A total of 39 businesses are supported by the incubator. Of this number, 20 are owned by women and 18 by youth. They have created 26 jobs.

The ECDC also provided operating infrastructure to Furntech in Mthatha as in-kind support. The incubator operates from a 12 065m2 ECDC factory at a subsidised cost. This factory has enabled Furntech to function and to provide incubation services at a significantly reduced cost. The incubator supports 13 businesses of which eight are women-owned and six are youth-owned. They have created 27 jobs.

For example, Chemin supported Izanazo Group Retail Store in Mount Frere. Izanazo was established in 2013 by Siseko Siwisa as a logistics and distribution company. In 2017, he joined Chemin when he identified an opportunity in the manufacturing of cleaning products. Izanazo has a manufacturing capacity of 2,000 litres a week. The company manufactures pine gel, household bleach, dishwashing liquid floor polish, hand sanitiser and surface disinfectants. In December 2019, Izanazo launched a retail store in Mount Frere. The store currently employs two temporary staff with the aim of converting these into permanent positions when the economy stabilises.

TRAINING

In 2019/20, the ECDC facilitated training for 790 businesses. A total of 1,233 people were trained. A total of 656 women participated in training, 402 were youth and four were people living with disabilities.

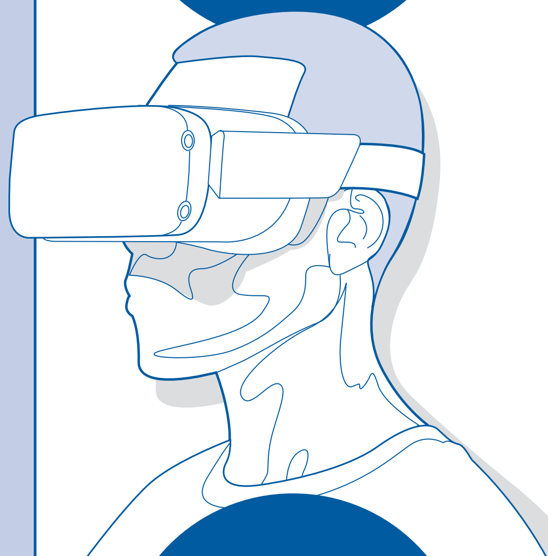
SMME's trained 790

Women trained 656

Youth trained 402

Number of Disabled 4

1233
Total Number of people trained



SEMINARS

A total of 723 SMMEs attended seminars in 2019/20. A total of 1,009 people attended while 544 women, 456 youth and seven people with disabilities participated.

SMME's that attended 723

Women attended 544

Youth attended 456

Number of Disabled 7

1009
Total Number of people attended

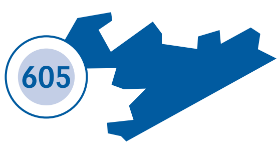
EASTERN CAPE JOBS STIMULUS FUND

The Corporation also administers the Eastern Cape Jobs Stimulus Fund on behalf of the Department of Economic Development, Environmental Affairs and Tourism (DEDEAT). The Jobs Fund is intended to advance incentives to companies in distress in order to maintain existing jobs. The Corporation determines whether the applying company is indeed in distress before the incentive is advanced. Businesses can access the incentive through DEDEAT's online system and through advertising throughout the year which is intended to market the initiative to deserving businesses. The Jobs Fund allocates to an approved business a R10 000 incentive for every job saved.

The company is required to save a minimum of 10 jobs in order to qualify for the incentive. In addition, applicants are required to comply with tax, financial and legal compliance checks. There are numerous areas of distress which the Jobs Fund uses to assess eligibility such as the burning down of a building and non-payment by debtors. The objective is to ensure that at least over a 12-month period the funded jobs are maintained. The Corporation also monitors the funding effects over the contract period to identify any improvements in the circumstances of the business. The incentive is targeted at the manufacturing, agro-processing, green economy, petrochemicals, ICT and electronics, capital goods, tourism as well as the business process and outsourcing sectors in the main.

A total incentive of R9,8 million was disbursed to 16 businesses which resulted in 980 jobs being saved in the 2019/20 financial year. Twelve (12) of the businesses are in manufacturing, two in construction, one in agroprocessing and one in agriculture. A total of 375 of the jobs saved are youth and 271 are women.

Buffalo City
R6,050,000



Amathole
R750,000

OR Tambo
R1,410,000

Sarah Baartman
R370,000

NMB
R1,220,000

R9,800,000 to save 980 jobs

In 2019/20, the Corporation disbursed R370 000 to save 37 jobs at pineapple company, Pike and Sons in the Bathurst area. The company is owned by Greg pike, Alan Pike, Neill Pike and Glynis Pike. The business has a production capacity of 7,500 tons per annum. The enterprise employs 37 permanent staff and 17 casual staff during the busier planting and harvesting months. The pineapple fruit produced is sold to Summerpride, situated in East London. Summerpride then processes the fruit into a juice concentrate. The majority of the produce is exported to South America, the United Kingdom, Europe and to the East.

During the period under review, the Mbizana-based Masakhane Group received a R640 000 Jobs Fund incentive to save 64 jobs. Established by Ayanda Nontshweleka in 2002, the company's core operations are project management, construction, property development, fuel retailing, construction logistics (plant hire), block manufacturing, ready mix concrete and the supply of aggregates from quarry.

Nelson Mandela Bay-based Atlantic Glass and Aluminium also received a R640 000 Jobs Fund incentive to save 64 jobs. Founded in 1994, the company specialises in the manufacturing, supply and installation of glass and architectural aluminium products for domestic, large commercial and industrial projects mainly in and around the Eastern Cape. Owned by Ntsikelelo Mzamane, the company has built an admirable track record in major projects such as The Boardwalk and Casino, Baywest Shopping Mall and the Walmer Park Shopping Centre.

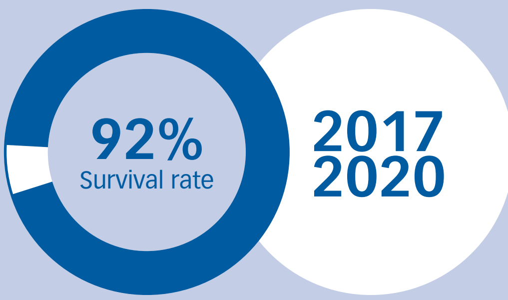
Innovative waste packaging and transfer company Tulsaspark received a R600 000 incentive to save 60 jobs.

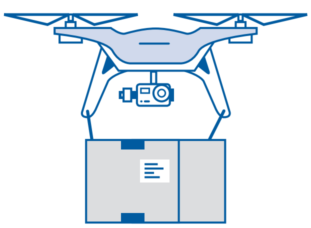
Operating in the OR Tambo district, the company provides integrated solutions and training in the collection, packaging and transfer of waste for recycling. The company is focused on building sustainable livelihoods by working in partnership with communities in rural and urban settings as well as with waste harvesters and co-operatives and municipalities to promote a clean healthy environment. Owned by Zazi Poto, Tulsaspark operates eight buy back centres with one packaging and logistics centre referred to as the Main Processing Centre (MPC) based in Qumbu in the Mhlontlo Local Municipality.

R600,000 to save 60 jobs

TulsasPark

Of the 38 approvals over the three-year period: 2017 to 2020, the survival rate is 92%. (Operation: not operational – 35:3).

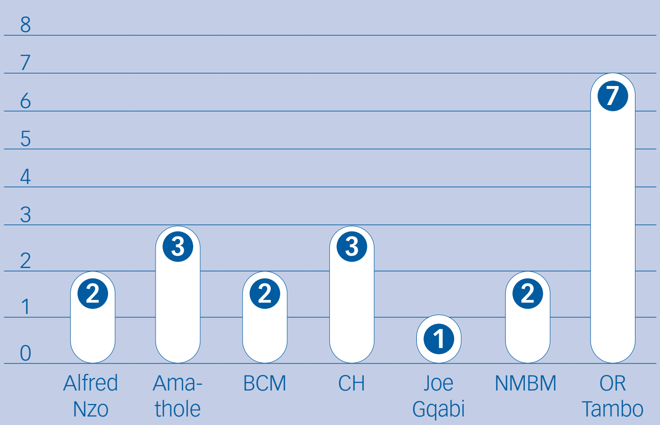




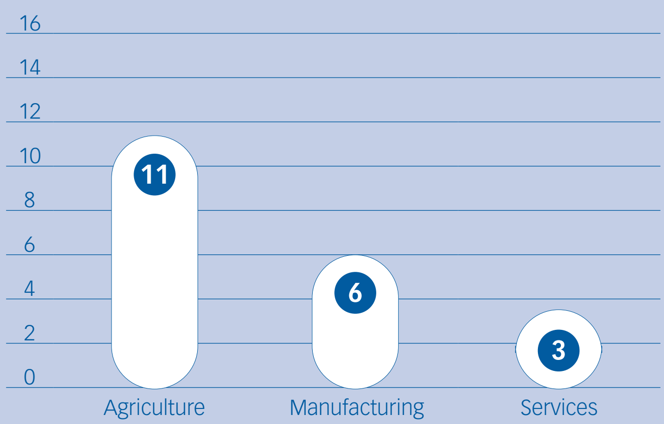
IMVABA CO-OPERATIVE FUND

The Corporation also administers the Imvaba Co-operative Fund on behalf of government. The fund provides grant funding through an incentive and institutional-building support to co-operatives of the Eastern Cape in order to bring them into the mainstream economy, enhance self-employment creation opportunities in the province as well as to contribute to poverty relief efforts through enterprise development.

Number of co-operative incentives by region



Number of Incentives by sector



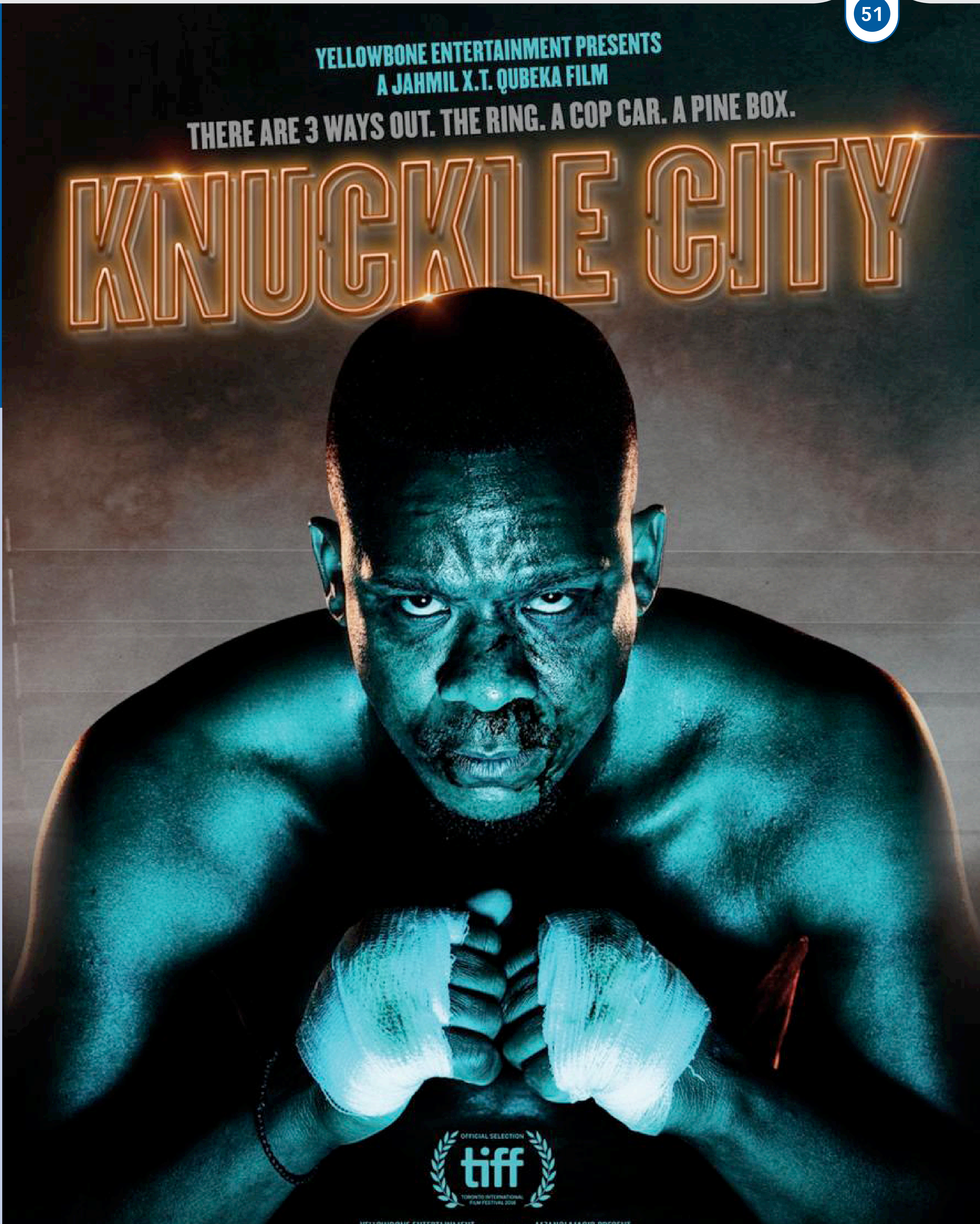
In 2019/20 the Stoneyfield Farming Project Co-operative in Qumrha Village outside Mount Frere informed the ECDC that the one tractor with accessories which was provided by the Imvaba Co-operative Fund in 2013 had resulted in the procurement of two more tractors. The co-operative now has a long-term offtake agreement with Spar in Mount Frere as a result of their quality vegetable production and their consistency of supply.

Uphuhliso Lwethu Farming Agricultural Primary Co-operative in Mbuqe in Mthatha, operates a nursery that produces vegetable seedlings with a capacity of over 2 million seedlings per planting season of between six and eight weeks. The R500 000 Imvaba funding disbursed in July 2019 was for the procurement of an automated seeder. The seeder has provided a more efficient planting process from manual seeding which takes about 20 minutes a tray of 230 holes to less than a minute. It is also minimising wastage and human error. The value of this investment will be realised in the next two planting seasons.

The positive contribution of the ECDC through the Imvaba Co-operative Fund in potato production in the OR Tambo district has been recognised by the OR Tambo Ntinga Development Agency both in the local economy and in skills development. The co-operatives that were supported through this partnership continue to be productive and they are a support system to other enterprises in their respective areas.

Survival rate

Of the 60 approvals over the three-year period: 2017 to 2020, the survival rate is 80%. (Operation: not operational – 48:12).


YELLOWBONE ENTERTAINMENT PRESENTS
A JAHMIL X.T. QUBEKA FILM
THERE ARE 3 WAYS OUT. THE RING. A COP CAR. A PINE BOX.
KNUCKLE CITY
OFFICIAL SELECTION
tiff
TORONTO INTERNATIONAL FILM FESTIVAL

TRADE, INVESTMENT AND INNOVATION

ECDC's trade, investment and innovation activities are focused on the development of empowering high-value support packages which build the overall competitive posture of Eastern Cape businesses. The aim of these programmes is to ensure that local businesses have a competitive edge and the technical acumen to compete with their global counterparts. Ultimately, the vision is the development of sustainable and viable Eastern Cape enterprises whose activities have a positive impact on the socio-economic landscape of the province.

The Corporation ensures that its programmes find expression with provincial and national priorities as outlined in the Industrial Policy Action Plan as the Provincial Economic Development Strategy. These support interventions are intended to lead to an improvement in the value and number of investments into the province, value and number of exports from the province as well as the pursuit and implementation of innovative and inventive projects.

The Corporation is therefore seized with an ongoing identification of opportunities which could be exploited for the further development of local industries and the economy. The Corporation continues to expose Eastern Cape entrepreneurs to trade and investment opportunities to traditional markets in the West such as Europe and the United States. However, the ECDC is also paying particular focus on the African and Middle East markets which present exciting opportunities for Eastern Cape companies.

The finalisation of the African Free Trade Zone opens an exciting chapter for the continent and the Eastern Cape in particular. This free trade agreement opens immense opportunities for Eastern Cape companies to extend their reach into Africa without the hindrance of regulatory barriers. Countries are moving steadily to remove regulatory barriers in order to improve the ease of doing business within the continent. There remain barriers in the form of infrastructure backlogs in these economies. However, this presents an opportunity for Eastern Cape companies to foster business partnerships with their counterparts in the rest of the continent in finding lasting solutions to these infrastructure challenges.

Already, the ECDC has moved with speed to take advantage of these opportunities by exposing local enterprises to the opportunities in these markets. This was achieved through various investment, trade and innovation missions to Africa, the Middle East and to North America in order to develop business to business ties for local businesses

The ECDC also provides support to existing investors in the province which is a critical service in ensuring their further growth and development. This aftercare service is crucial in ensuring the sustainability of these investments as well as in saving and retaining much-needed jobs.

These activities have resulted in a meaningful development impact. The Corporation is pleased that it managed to secure investment revenue worth R1,1 billion for the Eastern Cape in 2019/20. A total of 211 SMMEs benefitted from integrated export support. Furthermore, a total of 223 people received critical skills training. A total of 12 development projects were facilitated.

INVESTMENT PROMOTION

In 2019/20 the Corporation facilitated investments worth R1,1 billion for the Eastern Cape. This figure was largely comprised of a R1 billion investment in the renewable energy sector by EDF Renewables (formerly Innowind). This investment was secured through eight years of support to the investor. This project is being implemented in the Amathole District Municipality. It has an estimated lifespan of 20 years. This project demonstrates a real long-term commitment to the Eastern Cape.

R1,1 billion in investment facilitated by the Corporation

R1 billion went into the renewable energy sector

During the period under review, the DEDEAT-administered Provincial Economic Stimulus Fund approved an amount of R52,9 million towards funding of the Dimbaza Industrial Park, Eastern Cape Film Investment Fund and the NAM Cluster Projects. This approval demonstrates a further commitment and confidence by the shareholder department of the ECDC's capacity to provide project management expertise. This confidence has set the tone for the ECDC to attract additional investment revenue into the province.

In its quest to attract investment revenue through film projects, the ECDC was able to secure and approve seven feature film projects in the province with an investment revenue of R114 million. The projected benefit to the Eastern Cape economy that is brought about by the approved films, over and above the investment revenue, is 2,223 jobs and 160 SMMEs will benefit from the investment.

The main feature film supported in the period under review, Knuckle City, opened in cinemas in South Africa in February 2020 just before the onset of the COVID-19 pandemic. It was also invited to screen at various international film festivals in 2019. These festivals provided a branding and marketing platform for the province internationally.

In March 2020, the Minister of Arts and Culture Nathi Mthethwa officially launched the first-ever film centre in the country in East London. This film centre investment was facilitated by the ECDC in partnership with the National Film and Video Foundation (NFVF) with funding from the Department of Arts and Culture. This is a film centre will be operated from the ECDC DRISA building that is leased by the ECDC to the NFVF for a period of 10 years. This is a significant milestone for Eastern Cape film entrepreneurs. The centre will provide a new service to them. The operator of the film centre will inject an additional investment of R43.7 million.

During the period under review, there was an additional investment of R50 million into the Wavecrest Hotel Expansion. The ECDC's engagement with Wavecrest Hotel dates back to 2014 when Ms Gloria and Gaur Serobe secured the hotel and began to plan improvements and expansions. In 2018 and 2019, the ECDC assisted in operational matters such as the boat launching site. The Corporation also lobbied on maintenance of the road infrastructure and in the development of new markets such as the sardine run. ECDC's facilitation, lobbying and support in the past six years was personally mentioned in the speeches by the Serobe's at the sod turning in 2018 and at the launch in November 2019.

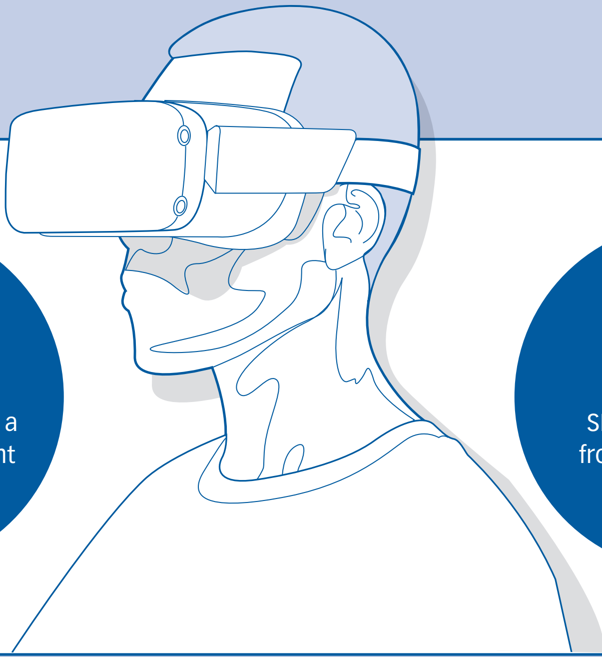
The unit is also seized with a project to secure an undersea telecommunications cable that is planned to be built from India to Mauritius and finally East London at the East London Industrial Development Zone (ELIDZ). Fortunately, a lease is already in place between the ELIDZ and IOX, the investor, for the landing site. The ECDC's role is to mobilise an investment of R200 million in order to secure the cable in the ELIDZ. The intended benefit for the province is improved connectivity, fast internet and affordable data.

The ECDC believes that by securing the undersea cable at the ELIDZ will not only be attractive for business, but it should also benefit the general population of the Eastern Cape. This will set a good platform in the future for providing e-services, e-health as well as e-education among other opportunities. As part of attracting this investment, the ECDC arranged an investment mission to Mauritius with DEDEAT and Treasury as part of ongoing engagements with the investor.

R114 MILLION

In its quest to attract investment revenue through film projects, the ECDC was able to secure and approve seven feature film projects in the province with an investment revenue of R114 million. The projected benefit to the Eastern Cape economy that is brought about by the approved films, over and above the investment revenue, is 2,223 jobs and 160 SMMEs will benefit from the investment

2223
Jobs will be created as a result of the investment



160
SMMEs will benefit from the investment

In March 2020, the Minister of Arts and Culture Nathi Mthethwa officially launched the first-ever film centre in the country in East London.

The operator of the film centre will inject an additional investment of R43.7 million.

R43,7m
in additional investment

TRADE PROMOTION

Export Promotion

In 2019/20, the ECDC consolidated its plans which are premised on a drive to explore high-value trade opportunities in emerging markets in the African continent particularly in West Africa and the Southern African Development Community (SADC). These opportunities are being made more attractive with the enactment of the Africa Free Trade Zone. Various protocols are being put in place in order to make the agreement workable. This agreement has given further impetus to the ECDC's Africa approach while providing maintenance to traditional trading partners. Eastern Cape products are a perfect fit for the African market. The Corporation's trade missions to the content are a testimony of this resolve. The main goal of the agreement is to minimise barriers to trade and the province is pleased that regulatory barriers are already being eased in many states.

The ECDC focuses its programmes on driving trade opportunities in priority sectors such as agriculture and agroprocessing, textiles and crafts, manufacturing as well as innovation services such as information communication technology, software development and hospitality among others.

Similarly, the ECDC is also increasing its footprint in the Middle East region. There exists a potentially lucrative market for Eastern Cape agricultural produce in this region. In 2019/20, the ECDC met fresh produce hyper market groups in the United Arab Emirates (UAE) on the invitation of these groups. These hyper market groups view South African products as being of a high quality. The discussions were centred on opportunities of exporting fresh produce form the Eastern Cape to the Middle East. The Corporation met the three largest hyper market groups in the UAE - Lulu Market, Farzana Trading and Grand Hyper.

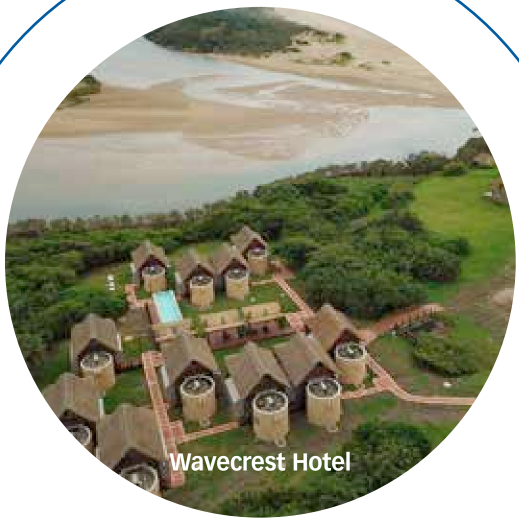
While the province entered the Middle East market through livestock and meat exports, it is expanding to the fruit and dairy products market. The Middle East is a wealthy region which is comprised of 90% desert which means they cannot sustain their own food production. They are therefore dependent on food import. This presents opportunities for the Eastern Cape, a mainly agricultural province which has idle agricultural capacity to supply the Middle East market.

There is also an emerging beef market for China. The biggest supermarket group in China has approached the Eastern Cape to supply the Chinese market with chilled meat. The design of an abattoir is underway which will meet the Chinese appetite for beef.

Export Development

Besides taking companies to trade missions, the Corporation has a strong focus on training and development. These development programmes are aimed at getting local enterprises export-ready. The export development programmes focus on assist local companies with acquiring the relevant certification for their products and to ensure that they are export-ready. This is achieved through the various training sessions conducted by the ECDC with partners such as the Department of Trade and Industry and Competition (thedtic) and export councils. Companies also participate in the manager development programme and in the exporter development programme. The exporter development programme encompasses training and mentorship as well as product preparation for the export market.

These interventions include the Netherlands-based PUM programme. The programme provides senior experts in various sectors who mentor and provide assistance to companies in the Eastern Cape who wish to develop their businesses and to expand into the export market. The Dutch government pays for the cost of getting the experts into the country while the ECDC pays for the accommodation and transport of the experts within the country. The ECDC also plays a role of identifying companies which can benefit from the programme. The experts stay in the country for two weeks. Work begins before and after the experts arrive. There is also an opportunity to meet the experts in the Netherlands where the need arises.



Wavecrest Hotel

Operational highlights

The ECDC successfully secured a large livestock export deal for the province when it signed a partnership with AL Mawashi Livestock Company from Kuwait. In 2019/20, a total of 118 000 live animals were exported from the East London Port to Kuwait, Middle East. As such, total export revenue generated in the province amounts to R320,2 million during the period under review. Other than the export of live animals, there is also an ongoing export of lamb carcasses via Emirates Airline. The lamb is processed from East London and transported to the OR Tambo International Airport.

AL Mawashi Global is registered as a South African company with its head office in East London. AL Mawashi has 46 years of experience in importing livestock and chilled meat (lamb, sheep and cattle) from Australia. Securing this trade deal is a victory for farmers in the province. This is potentially a deal that could last forever for the Eastern Cape. It could swing farming from subsistence to commercial livestock farming.

Berlin Feedlot

Trade Expos and Missions: The ECDC continues to promote, train and support emerging exporters through a number of trade expos and missions. Exporting is important because it exposes provincial SMMEs to trading opportunities in the world through leveraging funding from thedtic's market access incentives.

In terms of trade missions and expos, the unit leveraged about **R2.5 million** from **thedtic** to fund a total of **60 SMMEs** from the province to attend a number of international expos. These expos were organised in countries such as Botswana, Guinea, Liberia, Kuwait, Ghana, Ethiopia, Morocco, USA, China, Hong Kong etc. A total of 17 trade missions and expos were successfully conducted during the year under review.

R2.5m for 60 SMMEs to attend a number of international expos

Export Awareness Workshop in Mt Ayliff: The ECDC in partnership with the dti and Alfred Nzo District Municipality held an export awareness workshop in Mounty Ayliff in November 2019. The main objective of the workshop was to introduce an export culture to the SMMEs in the areas far from export zones, disseminating information about **the dti** export incentives and attracting new export-ready companies for the ECDC's trade promotion programmes. The workshop provided a platform for key entities to provide useful information that will aid companies towards export readiness.

Exporter Development Programme: The ECDC entered into an agreement with the Nelson Mandela Bay Business Chamber (NMBBC) to implement the Exporters Development Programme. The Exporter Development Programme is aimed at assisting local companies to enter the export market. The programme seeks to provide assistance to the different levels of companies and ensure that the ECDC and NMBBC provides succinct assis¬tance in the company's growth. Currently, there are 18 local SMMEs participating in the programme.

German Manager Training Programme: The ECDC, working with **thedtic** and the Federal Ministry of Economic Affairs in Germany facilitated the participation of five Eastern Cape SMMEs in the Manager Training Programme held in Germany. The programme supports companies to define and develop their foreign trade potential. It offers a demand-oriented set of tools in a compact form. Since its inception in 1998, more than 13 000 managers from 19 countries have participated. South Africa participated for the first time in 2019 with 20 managers. Five of the managers were from the Eastern Cape.

South Africa participated for the first time in 2019 with 20 managers. Five of the managers were from the Eastern Cape.

The Corporation continues its long-standing commitment to the development of a buoyant and innovative creative industries sector in the Eastern Cape. Beyond training and development activities, the ECDC plays a crucial market access role for Eastern Cape creatives. As such, the Corporation identifies various market opportunities which are aimed at increasing the sales of local craft entrepreneurs. The ECDC provides numerous sector-specific support packages which are aimed at growing and sustaining the vibrant creative sector in the province.

The Corporation provides these market access platforms through the participation of local crafters at trade fairs and exhibitions. These platforms help drive up sale volumes as well as building a sustainable pipeline of orders.

In 2019/20 the ECDC participated in six local exhibitions which provided a crucial branding and market access platform for local creatives. These are Decorex Johannesburg, National Arts Festival, SARCDA March, SARCDA Christmas, Handmade Fair and Kamers.

For example, the ECDC helped 36 SMMEs to participate in the National Arts Festival in Grahamstown. These craft enterprises generated total direct sales of R314 890 at the festival.

Eight crafters were supported to participate at Decorex Johannesburg. The companies generated direct sales of R95 925. In addition, orders amounting to R29,400 were secured by the crafters.

Four creative enterprises also participated in SARCDA March in the period under review. These crafters received their highest orders in the three years that the ECDC has participated in this trade and exhibition event.

A total of 98 creative enterprises participated in the Lithuba Lakho Craft Competition and Exhibition at the Nelson Mandela Metropolitan Art Museum. For the first time the exhibition was viewed virtually due to the Covid-19 pandemic.

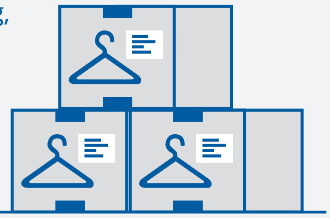
The Eastern Cape Craft Collection Shop in Nahoon in East London supported 127 craft producing entrepreneurs who are mainly drawn from rural areas. Total sales from December 2019 to February 2020 amounted to R262 000. This craft shop is an excellent platform for craft producers to sell their craft.

Local creative enterprises also participated in two international exhibitions in the 2019/20 financial year. These are the Africa Fashion Week in London, England and Intergift Madrid, Spain. The Eastern Cape participated for the first time at Intergift Madrid with eight SMMEs attending. Intergift is a trade fair with enormous commercial potential. The contents of the fair are divided among eight sectors such as indispensable accessories for decorating and furnishing of the home, textiles, household articles, handicrafts, travel articles and a complete repertoire of original ideas for informal and fantasy gifts and useful objects.

Finally, the ECDC signed an agreement with the South African Bureau of Standards (SABS) to develop certification for quality standards of products in the creative industry. The agreement will be rolled out in the new financial year.

ECDC participated in 6 local exhibitions

Decorex Johannesburg,
National Arts Festival,
SARCDA March,
SARCDA Christmas,
Handmade Fair and
Kamers



36 SMMEs

were helped to participate in the National Arts Festival by the ECDC generating **R314 890 in direct sales**

8 crafters

were supported at Decorex Johannesburg and generated **R92 925 in directed sales**

127 craft entrepreneurs

supported in the Eastern Cape Craft Collection Shop produced sales totaling R262 000 from December 2019 to February 2020

PROPERTIES AND STRATEGIC PROJECTS

The ECDC continues to place particular emphasis on the overall development of its substantial property portfolio. The portfolio is comprised of residential, large industrial, retail, light industrial, leisure and commercial property holdings. As such, a portfolio of this size requires the ECDC to maintain and consolidate its posture of an able and trusted steward of public assets. As a result, the Corporation is continuously concerned with ensuring that the management of the portfolio reflects the Eastern cape's economic development aspirations and realities. The portfolio is designed to be an effective and efficient tool of mandate delivery.

In practice, the property portfolio should serve as a catalyst and enabler for vibrant and energised economic activity particularly in the economically marginalised areas of the province. Already, the Corporation is playing a pivotal role in the revival of this economic infrastructure in order to meet the demands of industry. The Corporation's industrial parks urgently need to be refurbished. While these efforts are hampered by funding constraints, the ECDC, with multi-partner support, has begun a refurbishment exercise of the industrial parks which is aimed at providing them with a facelift which should attract the requisite investment opportunities. In addition, the Corporation is in a process of sourcing the requisite financial resources for a much-needed refurbishment of its residential property portfolio. This should help the residential portfolio attract and retain the desired tenant base.

The portfolio also plays a critical role in investment promotion and market access activities of the Corporation as it provides the infrastructure necessary to pin down investment decisions. Furthermore, the property business continues to form a substantial part of the ECDC's balance sheet. This emphasises the need for continuous improvement in the management of the portfolio which should unlock operational and financial efficiencies.

The ECDC's property portfolio is predominantly located in the Amathole, Chris Hani and O.R. Tambo district municipalities. The asset value of the property portfolio is estimated at R1,394 billion. This positions the Corporation to be one of the largest property portfolio holders in the Eastern Cape Province. This means the Corporation is uniquely positioned to provide a broad property rental service offering to the business community. The property portfolio is therefore a critical enabler for the ECDC to deliver on its mandate to develop the Eastern Cape Province in the fields of industry, commerce, agriculture, transport and finance.

The property business is responsible for the day to day management of the property portfolio. The Unit provides an integrated property management service inclusive of:

- Asset Management
- Leasehold
- Project Management
- Facilities Management

The ECDC operates and maintains the property portfolio in a manner that ensures that clients receive value-adding, quality facilities in exchange for competitive rentals. The Corporation's Leaseholds Unit is responsible for leasing out properties and marketing all properties in the portfolio including vacant land. The Asset Management Unit is responsible for maintaining the fixed asset register, property valuations, disposals, sub-divisions and municipal utility reconciliations. The Facilities Management Unit is responsible for ad-hoc repairs, planned maintenance, soft-services, security and cleaning. The Project Management Unit is responsible for the planning, implementation and delivery of infrastructure projects for both the ECDC and its clients through project implementation agency services.

Operational performance

The property portfolio's performance in the period under review is indicative of a portfolio under distress. The property business has operated under severe pressure during the review periodr. Key performance indicators compared to the previous financial year indicate the following:

- Rental income decreased from R96,695m in 2018/19 to R 69,1m in 2019/20
- Total expenses increased from R105m in 2018/19 to R124m in 2019/20
- Net loss posted increased from R10m in 2018/19 to R33m in 2019/20
- Debtors decreased from R384m in 2018/19 to R 311m in 2019/20
- Maintenance increased from R 2,843m in 2018/19 to R 5,355m in 2019/20

The property business posted a loss of more than R33 million in 2019/20. This loss position has increased by approximately R23 million from the previous financial year. This loss position is mainly informed by the intense economic pressure on collections (rental income down 14% and provisions for doubtful debts up 16%). The portfolio was further burdened by increasing municipal utility costs which are up 17% year-on-year. Although spend on repairs and maintenance was slightly up from previous years (thereby accounting for some of the increasing losses posted for 2019/20), the poor state of the buildings is becoming increasingly concerning and the direct impact thereof is the devaluation in the property portfolio which posted fair value losses of R60m. This makes the ECDC efforts in obtaining funding for the identification and refurbishment of key strategic properties critical, along with the sell-off of non-key assets to supplement the cash flow short-fall on these capital projects.

Properties Repositioning Strategy

During the 2019/20 financial year, the Corporation continued with the implementation of its repositioning strategy which was designed to assist in improving operational and functional performance. The strategy was focused on ensuring the following key deliverables:

- An improvement on financial performance;
- The optimisation of the value of the investment portfolio;
- The capitalisation for the investment portfolio through the private sector
- The positioning of the business to take advantage of growth opportunities.

The implementation of this strategy has however been hampered during the 2018/19 financial year due to severe human resource under capacitation and the turnover of the Head: Properties post during the year. Several key posts in the property unit were vacant and only filled towards the end of the financial year. Although an acting Head: Properties was in place for the remainder of the year, this placed severe strain on an already under-staffed unit. This resulted in the strategy not realising its intended outcomes for the ECDC from a financial perspective. There were however other achievements despite the severe human resource constraints. These include:

- Review of lease agreements to reduce the exposure of the ECDC to unnecessary liabilities.
- The ongoing refurbishment of the Vulindlela, Fort Jackson and Dimbaza industrial parks.
- The submission to National Treasury for a budget facility for infrastructure (BFI) conversion of the Dimbaza Industrial Park into an Agri-village and Eco-Industrial Park to the value of R 1,068 billion.
- The pursuance of several investment opportunities. Some of these investment opportunities are in the private sector which will result in the overall growth of the property portfolio, particularly in the retail, residential and office space portfolio.

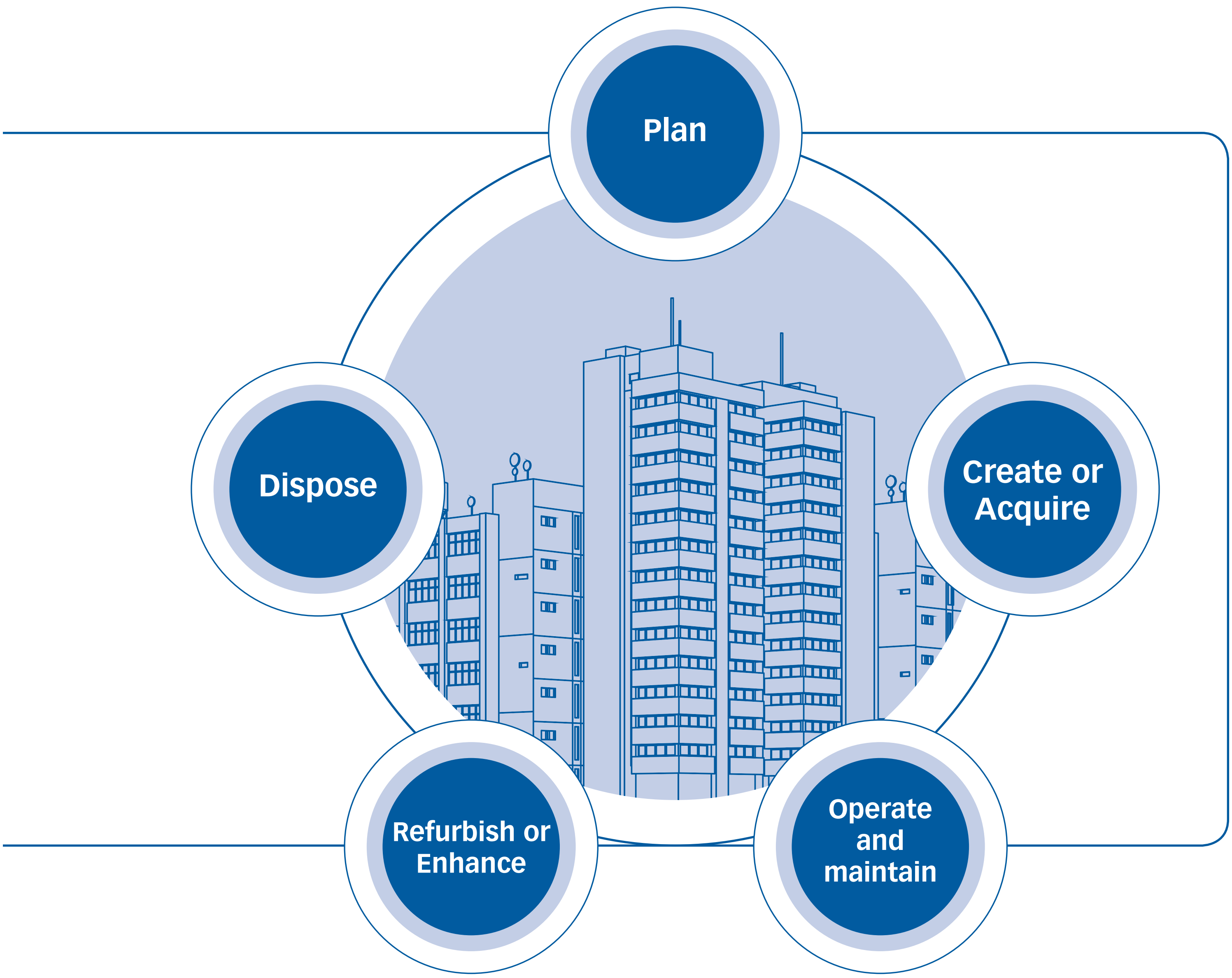
The sale of the ECDC's non-core assets remains a key driver for improving the robustness of the property business' balance sheet. The ECDC continues to investigate and support new growth opportunities. In the process of introducing new streams, the asset management function is a capital light strategy for the properties business. It follows a business model that is prevalent in Australia where the bulk of non-performing assets are disposed in the form of development leases.

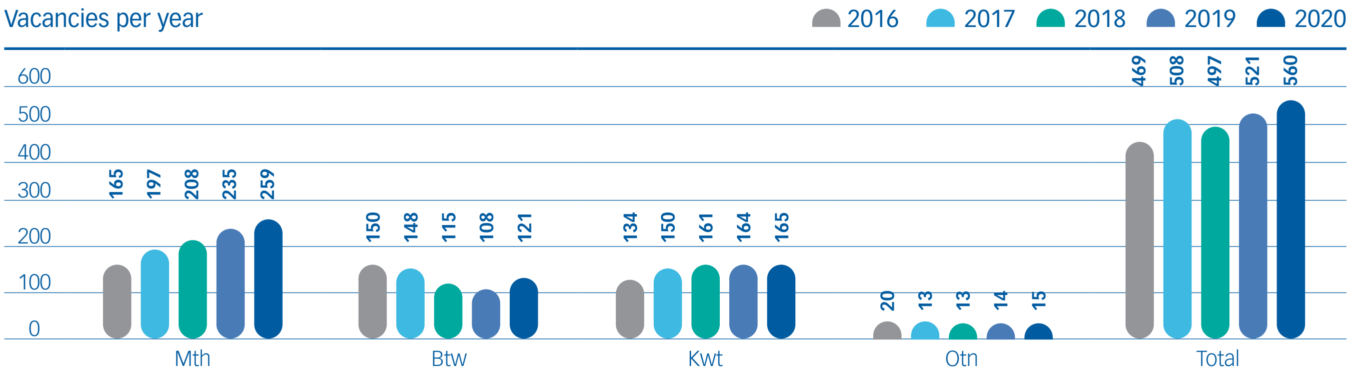
The development lease concept has proved successful in leisure related properties such as hotels along the Wild Coast. It is being pursued with several commercial properties that are at an advanced stage.

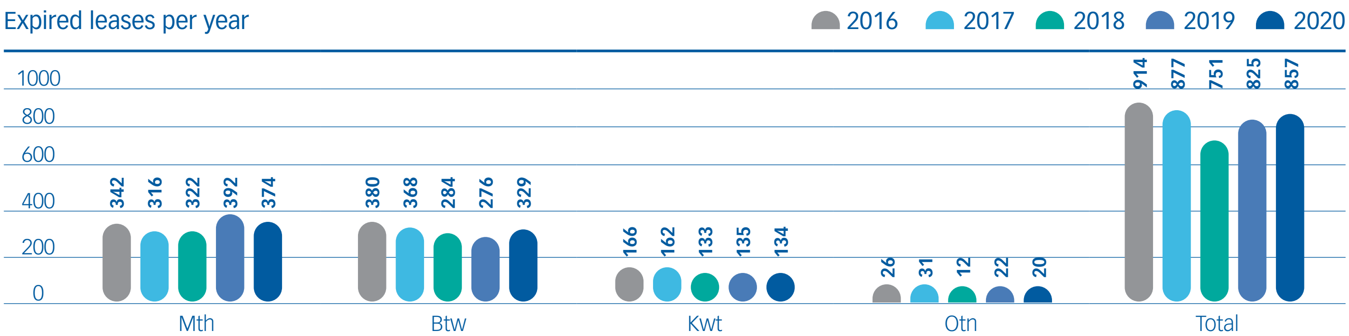
Leasehold Performance

The flow of income on rentals was depressed throughout the period under review. The decrease in rental income was largely due to the property invasions experienced mostly in the Mthatha region. This accounted for an estimated R9,4 million of the R13,679 million decrease. The balance can be attributed to escalation and utility disputes between the ECDC and tenants that resulted in rentals being withheld. The continuing depressed economic climate and ongoing recession is also placing increasing pressure on household and business disposable income.

The retention of tenants in good standing was a key focus during the year. However, this is becoming increasingly difficult as the impact of little to no planned maintenance activities due to budget constraints results in the deterioration of the condition of the property portfolio. The inclusion of automatic annual escalation in rentals despite the general deterioration of property conditions is also as source of resistance by tenants to remain in good standing or renew lease agreements. This is demonstrated in the increase in vacancies and an increase in expired leases over the past five-year period.







The cost of vacancies to the ECDC is considerable, increasing on an annual basis and it is presented in the following table per region:

Regions 2019	Cost of vacancies 2018/2019	Cost of vacancies 2019/2020
Mthatha	11 680 648	13 000 997
Butterworth	3 005 153	3 638 753
King Williams Town	5 631 873	6 417 563
Queenstown	311 010	334 379
Total	**20 628 684**	**23 391 692**

increase to cost of vacancies by **2 763 008**

The portfolio posted a loss of approximately R2 million a month on vacancies. During the review period, the ECDC managed to renew 71 leases and to enter into 51 new leases. However, these are less than the 116 renewals and 91 new leases in the previous year. The organisation continues to outsource the sale of non-core assets to unlock capital for re-investment into the renovation of the stock. This has been hampered due to sluggish supply chain management processes due to under-capacitation in the property business.

STRATEGIC PROJECTS

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

Economic Infrastructure

In the 2019/20 financial year the ECDC shifted its focus from the implementation of social infrastructure to economic infrastructure projects. During the period under review, the ECDC completed the R8.3 million refurbishment of its factory which was a former bakery in Butterworth.

The implementation of the first phase R50 million Dimbaza Industrial Park security upgrades continued during review period while funding was sought for the other four phases of the project. Although not successful in the end, ECDC managed to make it through the first stage of assessment during the third window of applications for the Budget Facility for Infrastructure. This encouraged the organisation to work on improving its development proposal for the next funding opportunity or fourth window in April 2021.

With the introduction of the Eastern Cape Provincial Economic Stimulus Fund (PESF), three of the nine economic infrastructure projects which had been planned in the previous financial years received funding for further implementation from the PESF. A total of R 36.7 million was secured for the second phase Dimbaza Industrial Park Roads and Services project, Queendustria electrification and the Mount Ayliff informal trader Infrastructure projects.

Industry Economics

The economic outlook for the Eastern Cape continues to follow the national trajectory of continued decline in economic growth. The 2019 gross domestic product contracted by 1.4% by the end of 2019.

Such growth rates are well below the targeted 5% which is required to achieve significant employment creation as outlined in the National Development Plan (NDP) and the Provincial Growth Development Plan (PGDP).

This signals a steeper trajectory ahead in terms of addressing poverty, unemployment, inequality and other pressing socio- economic challenges which are facing the Eastern Cape. The prevailing poor economic environment and negative growth rate places pressure on the portfolio, resulting in the following risks:

- Increasing business failure, resulting in high vacancy levels;
- Increased rentals defaults resulting in high bad debt levels
- Pressure on rentals, resulting in reducing yields.

A consequence of increasing vacancies and bad debts will be reduced liquidity for the ECDC. This will result in urgently required planned maintenance, refurbishment and re-capitalisation of the property portfolio being deferred, further exasperating the ability of the organisation to realise market-related returns from the portfolio. Management will continue monitoring these risks and it will devise and implement strategies to mitigate them in the 2020/21 financial year.

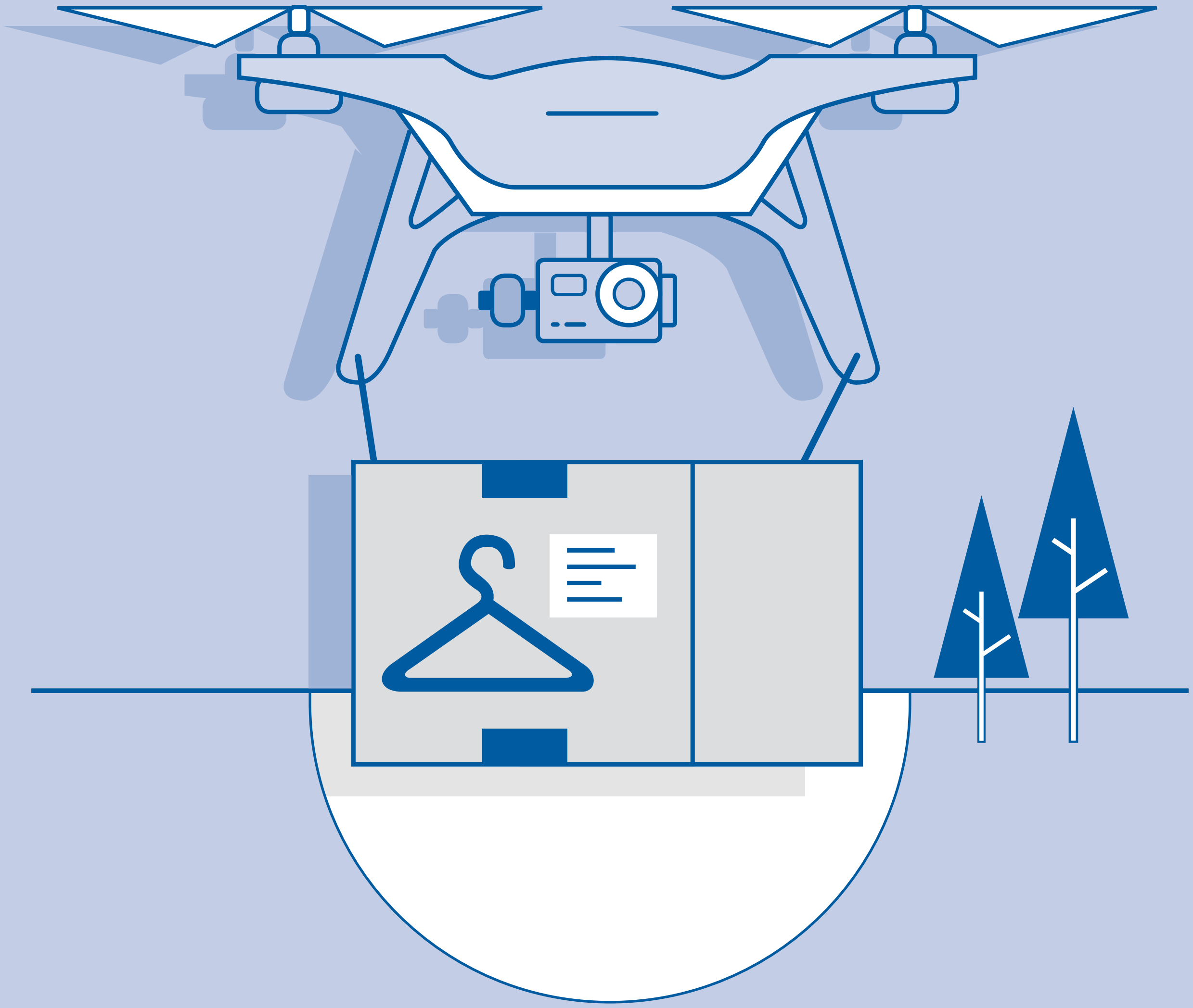
Property unit prospects

Moving forward, the implementation of ECDC's turnaround strategy will be focused on:

- Stabilising revenue streams through improved customer service to tenants;
- Reducing property operational expenditure through strategic cost reduction interventions;
- Reducing property vacancies by proactively marketing the property portfolio;
- Accelerated eviction processes and debt collection of arrears through outsourcing legal services;
- Disposal of non-core residential assets to release re-capitalisation funding;
- Improving the value of the industrial and commercial property portfolio to optimise yield through prioritised refurbishment projects;
- Accelerating the externally funded industrial park refurbishment projects through improving supply chain management and project management services;
- Obtaining additional external capital funding for the recapitalisation program through the successful submission of well-crafted funding applications.
- Review of the properties policy to respond more effectively to the current economic climate while providing more robust guidance to manage the property portfolio;
- Improving and extending the use of existing management systems to enable properties staff perform more efficiently and effectively;

Looking ahead, the 2020/21 financial year has the potential to consolidate the current position and use that as a platform for enhanced returns from the 2021 year onwards, provided that the economic conditions do not deteriorate further.

PART SIX



PERFORMANCE OF THE CORPORATION AGAINST PREDETERMINED OBJECTIVES

The ECDC set itself predetermined objectives which were reviewed at mid-year with no changes recommended.

Goal 1: Stimulate Economic Activity
Strategic Objective 1.1: Optimise investment in priority sectors of the provincial economy in line with government imperatives
Table 8: Strategic Objective 1.1 performance

KPI No	Key Performance Area	Key Performance Indicator	Annual Target	Actual Performance	Deviation	Comments
1.1	SMME development finance support	Rand value of loans disbursed	R 55 000 000	R 58 794 182	7%	Smaller value loans resulted in more SMME's being assisted and financed over the quarter.
1.2	SMME development finance support	Number of SMMEs received development finance	150	216	44%	
1.3	SMME non- financial support	Number of SMMEs assisted with non-financial support services	150	233	55%	Collaboration with partners, other entities and stakeholders resulted more SMME's being assisted.
1.4	Imvaba Co-operatives	Number Co-operatives supported with finance	20	20	0%	On target
1.5	Incubation programme	Number of incubation programme supported	3	3	0%	On target
1.6	Local & Foreign Direct Investments	Rand value of investments facilitated	R 370 000 000	R 1 175 146 142	222%	The windfarm project that the ECDC has been working on the past 5 years finally reached financial close. The ECDC attracted 6 new films which attracted large investments resulting in an over achievement.
1.7	Risk Capital	Number of development projects facilitated	12	12	0%	On target
1.8	Integrated export support	Number of SMMEs/Local Entrepreneurs provided with integrated export support	75	206	181%	An increased number of SMMEs went through export awareness opportunities through partnerships with the dtic and other stakeholders resulting in an overachievement.

KPI No	Key Performance Area	Key Performance Indicator	Annual Target	Actual Performance	Deviation	Comments
1.9	Critical skills training	Number of people trained (sector development and strategic initiative)	200	223	12%	Collaboration with partners, other entities and stakeholders resulted more SMME's being assisted.
10.0	Jobs facilitation	Number of jobs facilitated	510	844	60%	Increased loans and investments facilitated resulted in more jobs being created.
10.1	Youth jobs facilitated	Number of youth job facilitated	245	405	60%	
1.11	Jobs saved	Numbers of jobs saved through the intervention of the jobs fund	980	980	0%	On target
1.12	Socio-economic infrastructure projects	Number of socio-economic infrastructure projects under implementation	0	0	-100%	Reduced Government spending resulted in no implementation undertaken in the financial year.

Goal 2: Optimise all resources to maximise investment returns and attain sustainability

Strategic Objective 2.1: Optimise return on investments

Table 8: Strategic Objective 2.1 performance

KPI No	Key Performance Area	Key Performance Indicator	Annual Target	Actual Performance	Deviation	Comments
2.1.1	Property disposal	Rand value of properties disposed	R 5 000 002	R 4 059 500	-19%	Slow municipal sub-division processes and affordability for purchases resulted in lower sales.
2.1.2	Rental income	Rand value of rental income collected	R 75 000 000	R 69 169 962	-8%	Income was sub-dued due to tenants being under financial pressure, invasions and illegal sub-letting.
2.1.3	Growth of the unit by securing projects	Value of projects secured	R 50 000 000	R 107 194 520	114%	Projects were secured from funders outside the Province based on applications in the pipeline.

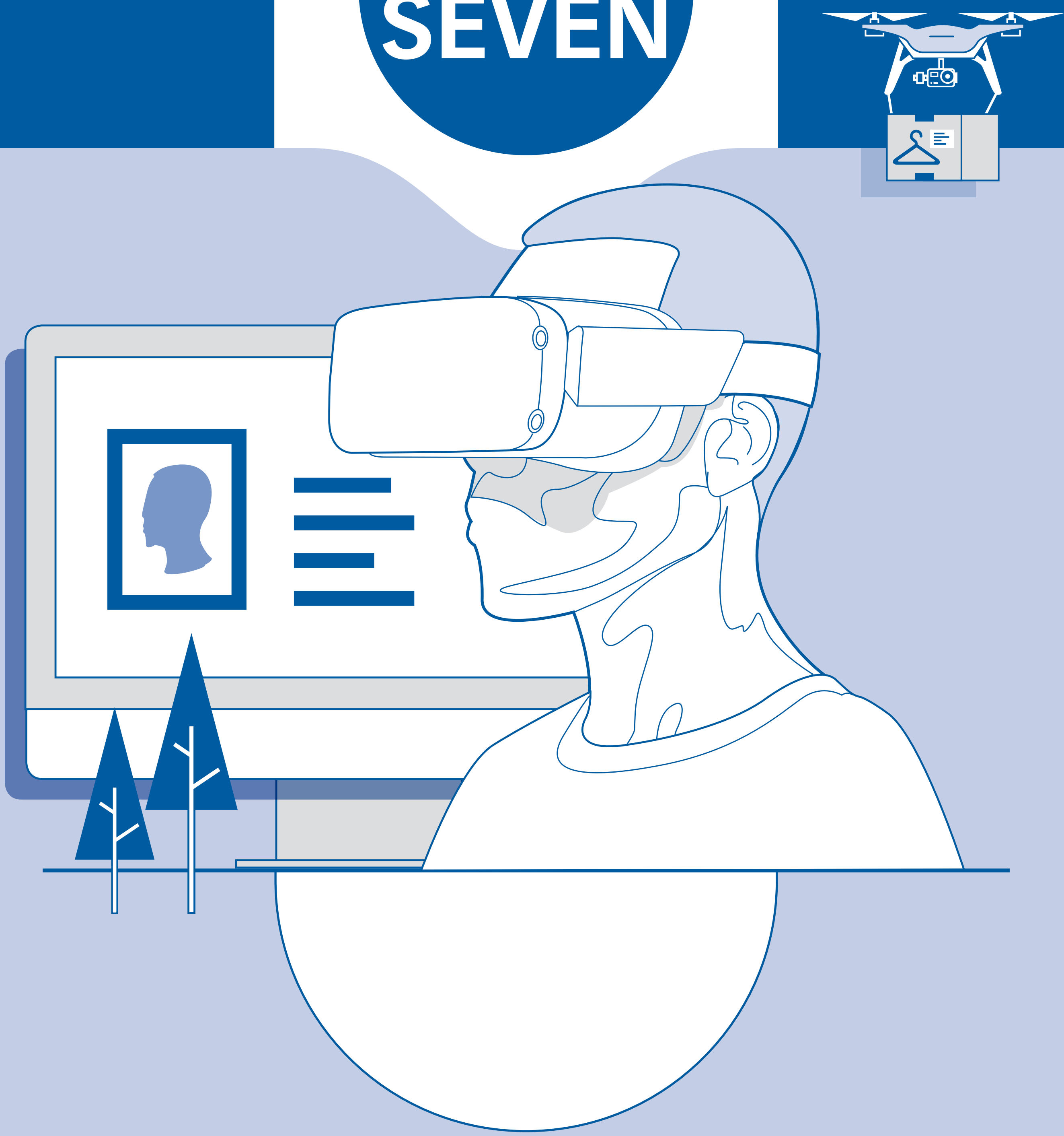
Strategic Objective 2.2: Efficient use of resources and systems

Table 9: Strategic Objective 2.2 performance

KPI No	Key Performance Area	Key Performance Indicator	Annual Target	Actual Performance	Deviation	Comments
2.2.1	Cost optimisation	Cost-to-income ratio (excluding impairment)	1 is to 1	1:0,75	-25%	Low rentals, vacant properties and invaded properties have resulted in lower than expected revenues

Mthatha Garden Court

PART SEVEN



HUMAN RESOURCES

The purpose of the human resources function is the passionate and consistent provision of high quality integrated human capital solutions which enhance the customer service experience. The human resources function also ensures organisational development, consultation, transformation and innovation by promoting good governance and transparent processes. Many of the processes, systems and compliance forms are completed and signed-off as evidence that employees have read and understood them. These are achieved through partnerships with business and by managing spend within available resources in order to meet current and future business needs. In order to deliver on its strategy and to provide a superior customer service experience, it is crucial for the ECDC to create a cadre of competent, informed and motivated employees who are infused with execution-based values.

Performance Management

In the period under review, innovative improvements have been made in the Human Resources Focus system in order to enforce maximum compliance. These improvements also help to improve turnaround times and business processes for efficiency and effectiveness. Employees will continuously be orientated/trained on the HR Focus system improvements to ensure that everybody is on board. There will also be constant interaction with the service provider of the system in order to provide the necessary support. The implementation of the system is targeted to commence with effect from the 2020/21 financial year. Human resources will constantly provide the required support to employees and managers in order to improve the consolidation of a performance culture whilst closely monitoring compliance by business units, impact on performance trends and the realisation of organisational objectives. There is 99.3% performance contracting in the organisation and the variance in contracting is objectively being handled by management.

During the review period, the human resources function also embarked on individual performance management training to junior, middle and senior managers. This included sessions on management of poor performance based on national legislation and the ECDC policies.

Talent Management

In 2019/20, the review and implementation of the ECDC's human resource policies was completed after the amendments in these policies was approved. All the reviewed policies were approved by the board for implementation from 1 April 2020. This is part of the ECDC's efforts to ensure that employee effectiveness is improved. These efforts included embedding the performance management policy, and ensuring that the employees' well-being was given a high priority as well as succession planning.

The process of implementing a new Trade Investment and Innovation (TII), Properties, and Development Finance and Business Support structure is underway. A Transition Committee was established to undertake the smooth running of the process with the prevailing labour representation which was in flux during the year under review.

ECDC EMPLOYMENT EQUITY TARGETS SUMMARY

126
ECDC permanent employees

136
Permanent employees at the start of the period

4 recruitments

10 Resignations

2 dismissals

3 Retirements

-10

126
Total permanent employees at the end of March 2020

18 Contract Employees

+18

144
Total employees at the end of period

11.3% Permanent Staff turnover rate
4.6% Management (Grades 16-25)
6.6% Bargaining Unit (Grades 2-15)

TOTAL STAFF ESTABLISHMENT **203**

Less: Actual positions filled **144**
Vacant positions **67**
Vacancy rate 29.06%

HR STRATEGIC FOCUS

During the period under review, the ECDC's workforce was made up of 126 employees. The vacancy rate is at 28.61% based on the number of budgeted positions of 177. This is above the ECDC's annual target vacancy rate of 12%. The vacancy rate is high when compared to the national government departments and entities of 6.2 - 7.6%. It is also still above the Eastern Cape vacancy rate of 21%.

This is due to recruitment being monitored closely by the ECDC's management as part of the financial measures that are in place which commenced from mid-third quarter of the 2017/18 financial year. The staff turnover was 11.3% for the period and it is above the national norm of a 10% turnover rate.

EMPLOYMENT EQUITY STRATEGY

The key intent of employment equity within the ECDC is to ensure that there is equitable consideration of all groupings within the population taking into account the demographic character of the Eastern Cape. A comparison of the ECDC's employment equity components is performed on a regular basis.

The new Employment Equity and Skills Development Committee continued to review its current Employment Equity Plan for recommendations on target setting and implementation within the recruitment process. A new plan will be implemented to address the identified gaps as measured against the employment equity targets of the Eastern Cape's economically active population profile. As a guiding principle to the strategy, the following reflect the ECDC targets which will be reported on an annual basis.

EMPLOYMENT EQUITY

	Male				Female				Foreign Nationals		Total
Occupational Level	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	
Grand Total	40	3	3	3	73	1	0	3	0	0	126
ECDC	31.5%	2.2%	2.2%	3.0%	57.8%	0.73%	0	2.2%	0	0	100%
Provincial Variance	10.8%	2.6%	-1.7%	-0.7%	-17.7%	3.97%	0.3%	1.4%	0	0	0

Source: Statistics South Africa (December 2017)

A: African C: Coloured I: Indian W: White

The table above reflects the status of the ECDC compared to national and provincial statistics or Economically Active Population (EAP). When setting the targets, the Corporation has to look at both national and provincial stats of EAP. However, since the ECDC is a provincial entity, the steadfast comparison for setting targets is the provincial EAP. The broad picture reflected by the above table indicates that African males, Coloured males, Indian females and white females are under-represented at the ECDC compared to the provincial EAP.

ECDC EMPLOYMENT EQUITY BY EMPLOYMENT CATEGORIES

Occupational Categories	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	0	0	0	7
Actual	1	0	0	0	5	0	0	0	6
Variance	0	0	0	0	0	0	0	0	0
% Variance	0	0	0	0	0	0	0	0	14.28%
Semi-skilled and discretionary decision making (Grade 7-9)									
Target	15	2	0	1	28	1	1	1	49
Actual	1	0	0	0	0	0	0	0	1
Variance	14	2	0	1	28	1	1	1	48
% Variance	93.3%	100%	0	100%	100%	100%	100%	100%	97.9%
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents (Grade 10-13)									
Target	28	3	1	6	35	2	1	4	80
Actual	15	0	0	2	46	1	0	1	5
Variance	13	3	1	4	- 8	1	1	3	16
% Variance	50%	100%	100%	66.6%	-31.4%	50%	100%	75%	20%
Professionally qualified and experienced specialists and mid-management (14 -16)									
Target	18	1	3	4	11	1	1	1	40
Actual	13	2	1	1	19	0	0	1	36
Variance	3	-1	2	3	-7	1	1	1	2
% Variance	16.6%	-100%	66.6%	75%	-72.7%	100%	100%	0%	5%
Senior Top management (Grade 17-19)									
Target	6	2	2	3	3	1	1	1	19
Actual	4	1	2	0	4	0	0	1	12
Variance	-1	1	0	3	-1	1	1	1	5
% Variance	-50%	50%	100%	66.6%	-33.3%	100%	100%	0%	15.7%

Occupational Categories	Male				Female				Total
	A	C	I	W	A	C	I	W	
Top Management (20-25)									
Target	2	0	0	1	3	0	0	0	6
Actual	3	1	0	0	2	0	0	0	6
Variance	1	0	0	0	1	0	0	0	0
% Varian	-50%	-100%	0%	100%	33.3%	0%	0%	0%	33.3%
TOTAL									
Target	72	8	6	15	86	5	4	7	203
Actual	37	3	3	1	76	1	0	3	126
Variance	32	5	3	14	11	4	4	4	80
% Variance	41.6%	62.5%	50%	73.3%	10.5%	80%	100%	57.1%	34.5%
Employees with disabilities	0	0	0	0	0	0	0	0	0
Grand Total (Est)	72	8	6	15	86	5	4	7	203
Interns	0	0	0	0	0	0	0	0	0

The table above illustrates the ECDC targets against the actuals at the end of the year. The comparison is as per occupational categories. They also indicate the variance per category. The targets are in the Employment Equity Plan of the organisation. The ECDC will review the targets when the current plan comes to an end in March 2021.

OCCUPATIONAL EQUITY CATEGORIES AND GRADES

Occupational Categories	Male				Female				Total
	A	C	I	W	A	C	I	W	
Top management (20-25)	4	0	1	0	1	0	0	0	6
Senior management (17-19)	4	1	1	1	5	0	0	1	13
Professionally qualified and experienced specialists and mid-management (14 -16)	13	2	1	1	19	0	0	1	36
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents (10-13)	14	0	0	1	46	1	0	1	63
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	5	0	0	0	6
TOTAL PERMANENT	37	3	3	3	76	1	0	3	126
Employees with disabilities	0	0	0	0	0	0	0	0	1
Fixed Term Contracts	7				11				18
TOTAL EMPLOYEES	44	3	3	3	87	1	0	3	144

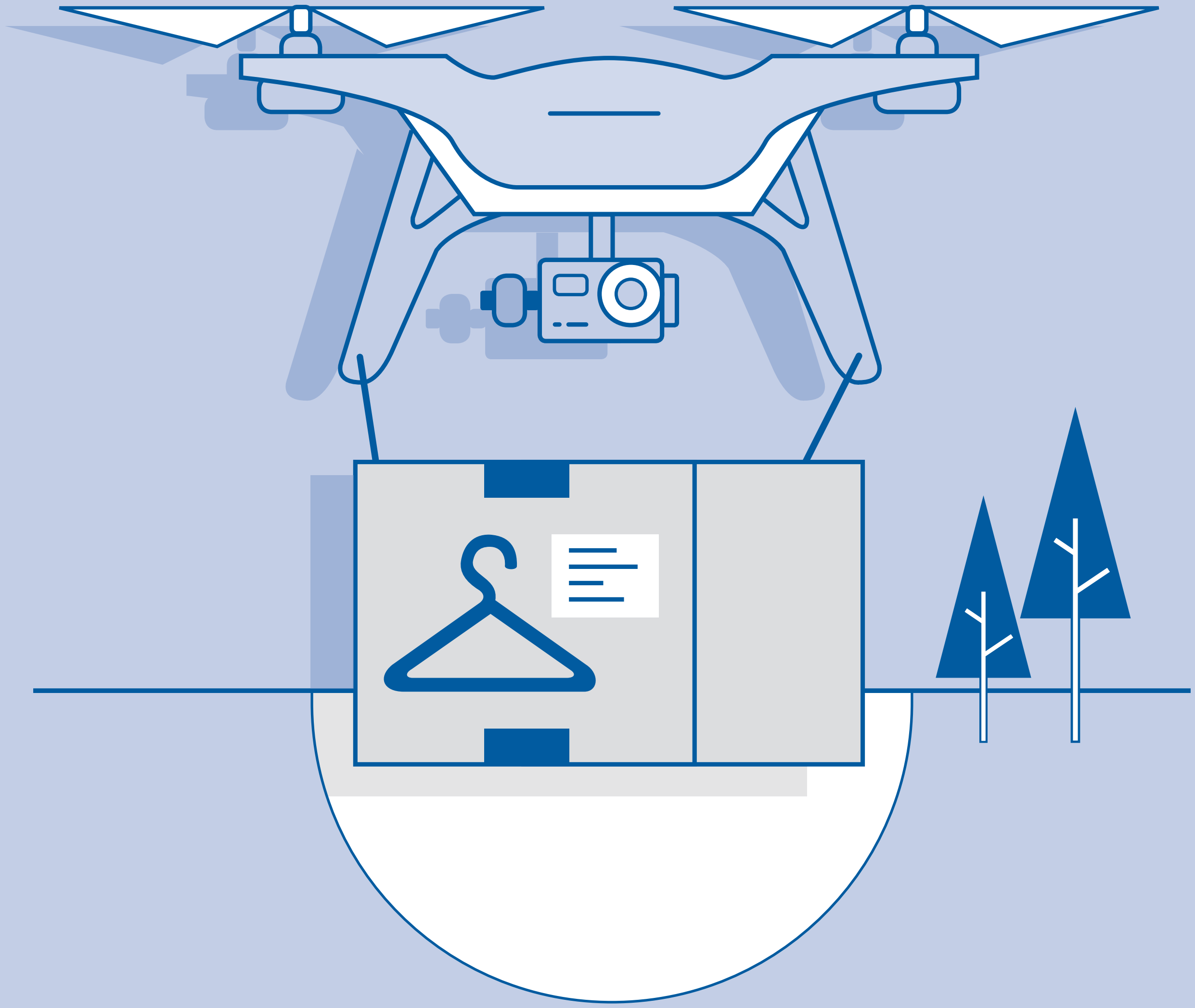
The above table reflects the status of the ECDC on Employment Equity per occupational category as at 31 March 2020.

Training and development

On 14 February 2020, the CCMA Organisational Rights Training was conducted. The participants were the majority union shop stewards and officials from human resources including the Executive Manager: Corporate Services. Due to financial constraints in the review period, the ECDC did not allocate any funds for training except to continue with the payment for employees who were on the bursary scheme of the Corporation.

Zithulele Township

PART EIGHT



CORPORATE GOVERNANCE

STATEMENT OF RESPONSIBILITIES 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 in accordance with South African Statements of International Financial Reporting Standards and are based upon appropriate accounting policies consistently 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 standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. These standards include 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 such controls were monitored as far as reasonably possible throughout the Corporation and all employees are required to maintain high ethical standards in ensuring the Corporation's business is conducted in a manner that is above reproach in all reasonable circumstances. The risk management focus in the Corporation is on identifying, assessing, managing and monitoring all known forms of risk across the Corporation. While it is acknowledged that operating risk cannot be fully eliminated, the Corporation however endeavours to minimise it by ensuring that appropriate infrastructures,controls, systems and ethical behaviour are applied within predetermined procedures and constraints.

The Directors are of the opinion that the system of internal control provides reasonable assurance that the financial records may be relied upon for the preparation of annual financial statements. Any system of internal control can, however, provide only reasonable, and not absolute, assurance against material misstatement or loss.

....	....	....
Nandi Siwahla-Madiba CD (SA)	Nzondelelo Dlulane	Nielesh Ravgee
Chairperson	**Chief Executive Officer**	**Chief Financial Officer**

Introduction

The ECDC endorses the code of corporate practices and conduct as contained in the King Reports on Corporate Governance, and affirms its commitment to comply in all material respects with the principles incorporated in these reports. The Corporation further subscribes to the corporate governance principles set out in the Public Finance Management Act (the PFMA).

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

Corporate Governance Framework

The Board continued to implement the Corporate Governance Framework, which consolidates the corporate governance procedures, practices and rules applied by the Corporation. These are in line with best practice guidelines as contained in the King Reports on Corporate Governance and other good governance prescripts and guidelines.

Conflict of Interests

The Corporation's values are entrenched through an approved Code of Ethics (Code) 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 on an annual basis prior to the commencement of the financial year. The annual declaration of interests 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.

Company Secretarial function

The Company Secretary is responsible to:

a. Ensure that Board procedures are followed and reviewed regularly and that applicable rules and regulations for the conduct of the affairs of the Board are complied with;
b. Guiding Board members as to how their responsibilities should be properly discharged in the best interests of the organisation;
c. Keeping abreast of, and informing, the Board of current and new developments regarding corporate governance thinking and practice; and
d. Maintaining statutory records in accordance with legal requirements.

The Board has access to the services and advice of the Company Secretary. In addition to various statutory functions, the Company Secretary provides individual non-executive directors and the Board with guidance on duties, responsibilities and powers, and the impact of regulatory developments. The Board has empowered the Company Secretary with the responsibility for advising the Board, through the Chairman, on all governance matters. The Company Secretary acts as the primary point of contact between the Board and the Corporation. The Company Secretary is qualified to perform the duties in accordance with the applicable legislation and is considered by the Board to be fit and proper for the position.

Board composition

The Member of the Executive Council responsible for the Department of Economic Development, Environmental Affairs and Tourism, appoints the Board of Directors in terms of section 7(3) of the Eastern Cape Development Corporation Act, 1997 (Act No.2 of 1997). The Eastern Cape Development Corporation Act 7(2) provides that there shall not be less than 5 and not more than 18 directors. As at 31 March 2020, the Board is comprised 10 directors of whom the majority (9), are non-executive, including the Chairperson.

The Chairman and the Chief Executive's roles and responsibilities are separate.

Board induction and information

The Company Secretary is tasked with assisting the Board with the induction of new non-executive directors and directors' orientation. A formal induction programme introduces non-executive directors to the Corporation's business environment, risk management, regulatory environment, governance framework, sustainability issues and fiduciary duties. Non-executive directors are regularly kept abreast of relevant Corporation matters and regulatory developments.

Succession planning

The Chairperson is in constant engagement with the Shareholder Representative on the Corporation's needs and requirements as far as the Board matters are concerned.

Board and committees' membership and meeting attendance

The Board has delegated some of its responsibilities to Committees in accordance with the approved delegation of authority. Each Committee acts within the ambit of clearly defined terms of reference approved by the Board. These mandates are periodically reviewed and updated to address the recommendations of King IV and the requirements of the Public Finance Management Act including Protocol on Corporate Governance in the Public Sector.

The Board has five Committees to assist it in discharging its role and responsibilities, namely:

a. Audit, Risk and Compliance Committee;
b. Human Resources and Remuneration Committee;
c. Finance and Investment Committee;
d. Social and Ethics Committee;
e. Governance and Nominations Committee.

Appropriate Committee structures have been established in line with legislative requirements and business imperatives. These Committees continue to operate appropriately and assist the Corporation with comprehensive control improvement and sound governance.

	Audit, Risk & Compliance	HR & REMCO*	Funding & Investment	Social & Ethics*	Governance & Nomination
N Siwahla-Madiba CD (SA) (Chairperson)		●		●	●
S Somdyala (Deputy Chairperson)			●		●
T Jordan	●				
S Thobela			●		●
M Damane	●	●		●	●
M Sishuba		●		●	
A Ncobo			●		
N Pietersen CA (SA)	●		●		●
T Buthelezi	●	●			
R Nicholls [1]	●				

[1] External Audit Committee Member and appointed ARC Chairperson on 12 August 2017

* The HRREMCO and Social & Ethic Committee were combined on 28 January 2019

KPI No	Board appointment and retirement date	Board: 8 meetings	Audit, Risk & Compliance: 8 meetings	HR & REMCO: 5 meetings	Funding & Investment: 7 meetings	Social & Ethics: 4 meetings	Governance & Nomination: 3 meetings	AD-HOC Meetings
N Siwahla-Madiba	15/09/2014	16		5		1	3	30
S Somdyala	03/12/2018	16			6	1	1	8
S Thobela	15/09/2014	8		3	6		3	16
M Sishuba	01/10/2014	14		3		1		7
M Damane	01/10/2014	16	6	5			3	17
N Pietersen	03/12/2018	17	7		8			9
T Jordan	03/12/2018	18	7					10
T Buthelezi	03/12/2018	10	6	4				5
A Ncobo	03/12/2018	18	2	1	6			11
N Nicholls*	03/11/2009	3	7				1	3

*External Audit Committee Member

Delegation of Authority

The Board has delegated to the Chief Executive Officer, the day today running of the business within the approved Delegation of Authority Framework. The Delegation of Authority Framework applies to all employees of the Corporation.

Matters reserved for Board decision

a. Approving the Corporate Plan, annual budgets and any subsequent material changes in strategic direction.
b. Approving annual financial statements, as well as the declaration of dividends;
c. Approving any significant changes in accounting policies or practices.
d. Recommending the acquisition or disposal of a significant shareholding in the Corporation for the Shareholder's approval.
e. Recommending the acquisition or disposal of a significant asset for the Shareholder's approval.
f. Entering into a Compact with the Shareholder.
g. Approving terms and conditions of the Corporation's rights issues, public officers, capital issues or issues of convertible securities, including shares or convertible securities issued for acquisitions.
h. Recommending the approval of any ordinary or special resolutions in respect of the Corporation to the Shareholder.
i. Appointments and changes in the composition of the Board Committees, as the Board may elect from time to time.
j. Effecting any changes in directors' fees and benefits as recommended by the Human Resources and Remuneration Committee and approved by the Shareholder.
k. Any amendment to such rules as recommended by the Human Resources and Remuneration Committee.

AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT

Mandate

This report is provided by the Audit, Risk and Compliance Committee in respect of the 2019/20 financial year of Eastern Cape Development Corporation (ECDC). The Audit, Risk and Compliance Committee's function is guided by a detailed charter which is informed by the relevant governance prescripts and aligned to the business.

Purpose

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

Overview

We are pleased to present our audit report and audited financial statements for the financial year ended 31 March 2020; and note with pride that our result is an unqualified audit opinion.

Audit, Risk and Compliance Committee Members

The Audit, Risk and Compliance Committee consists of the members listed hereunder. As per its terms of reference, the Committee is required to meet at least 4 times a year. During the year under review, nine (9) meetings were held.

The Committee membership structure in 2019

Name	Position
Mr. R Nicholls*	Chairperson/ Committee member
Prof. T Jordan	Chairperson/Committee Member
Ms. N Pietersen	Committee Member
Ms T Buthelezi	Committee Member
Mr M Damane	Committee Member
The above structure changed on 27 January 2020:	
Ms N Pietersen	Chairperson
Mr R Nicholls*	Committee Member
Prof. T Jordan	Committee Member
Ms. T Buthelezi	Committee Member
Mr A Ncobo	Committee Member

*External Audit Committee Member

Audit, Risk and Compliance Committee's Role and Responsibilities

The Audit, Risk and Compliance Committee is a committee of the Board and has discharged its responsibilities as they relate to the group's accounting, internal auditing, internal control and financial reporting practices. The Audit, Risk and Compliance Committee has formal terms of reference; has regulated its affairs in compliance with these terms of reference; and has discharged its responsibilities contained therein.

Effectiveness of Internal Control

During the year various reports of the Internal Auditor as well as the Audit Report on the Annual Financial Statements of the Auditor General were reviewed by the Audit, Risk and Compliance Committee. The Audit, Risk and Compliance Committee has 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 effective throughout the year under review.

Quarterly Performance Information

The Audit, Risk and Compliance Committee is of the view that the content and quality of quarterly reports prepared and issued by the Corporation during the year under review have been above standard and notes the continued improvement from the previous year.

Internal Audit

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

a. the function is effective and that there were no unjustified restrictions or limitations;
b. the internal audit reports were reviewed at quarterly meetings, including its annual work programme, co-ordination with the external auditors, the reports of significant investigations and the responses of management to issues raised therein.

In respect of the co-ordination of assurance activities, the Audit, Risk and Compliance Committee has reviewed the plans and work outputs of the external and internal auditors and concluded that these were adequate to address all significant financial risks facing the business.

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.

Legal and Compliance

In respect of legal and regulatory requirements to the extent that it may have an impact on the financial statements, the Audit, Risk and Compliance Committee received quarterly reports to ensure that the corporation operates within the legal framework.

The Audit, Risk and Compliance Committee confirms that its meetings were attended by the in-house Legal Counsel who provided the feedback necessary to questions of compliance or legal nature. This especially related to legal proceedings which include but not limited to contingent liabilities during this financial year.

Risk Management and Information Technology

In respect of risk management and information technology, the Audit, Risk and Compliance Committee, insofar as relevant to its functions:

a. Reviewed the policies on risk assessment and risk management, including IT risks as they pertain to financial reporting and the going concern assessment, and found them to be adequate.
b. Considered and reviewed the findings and recommendations of the Internal Audit.
c. Monitored and evaluated significant IT investments, delivery of services, IT governance and the management of IT.

External auditors

The Auditor General acted as the external auditors throughout the year. The Audit, Risk and Compliance Committee reviewed the external auditors' scope and work plan to ensure that key risk areas of the business were being addressed during the audit process.

Evaluation of Annual Financial Statements

The Audit, Risk and Compliance Committee:

a. has reviewed and discussed with the Auditor-General and the Accounting Authority, the audited annual financial statements to be included in the annual report;
b. reviewed the Auditor-General's audit report; and
c. reviewed the significant adjustments resulting from the audit.

The Audit, Risk and Compliance Committee notes the conclusions of the Auditor-General on the annual financial statements. The Committee is of the opinion that the audited financial statements be accepted and read together with the report of the Auditor-General and Directors' Report. The Audit, Risk and Compliance Committee agrees that the adoption of the going concern premise is appropriate in preparing the annual financial statements.

Ms. N Pietersen CA (SA)
Chairperson of the Audit, Risk and Compliance Committee

DIRECTORS' REPORT

The directors are pleased to present their report and the audited financial statements for the year ended 31 March 2019. 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 Development, Environmental Affairs and Tourism.

Directors

The composition of the Board, together with summary curricula vitae of each Director is set out in the Corporate Governance Report.

Accounting policies

The accounting policies used in the preparation of the annual financial statements for the year ended 31 March 2020 are in accordance with International Financial Reporting Standards (IFRIS) and consistent with those applied in the prior year.

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 are 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 by ECDC, as either defendant or plaintiff, where the outcome can be assessed with reasonable certainty. These estimates consider the legal opinions obtained for the corporation and the group. The contingent liabilities of the group have been disclosed in note 40 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 2020 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 50 of the financial statements.

Executive Remuneration

ECDC continues to regard its employees as the most valued asset of the business and 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 delivery of business objectives.

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

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

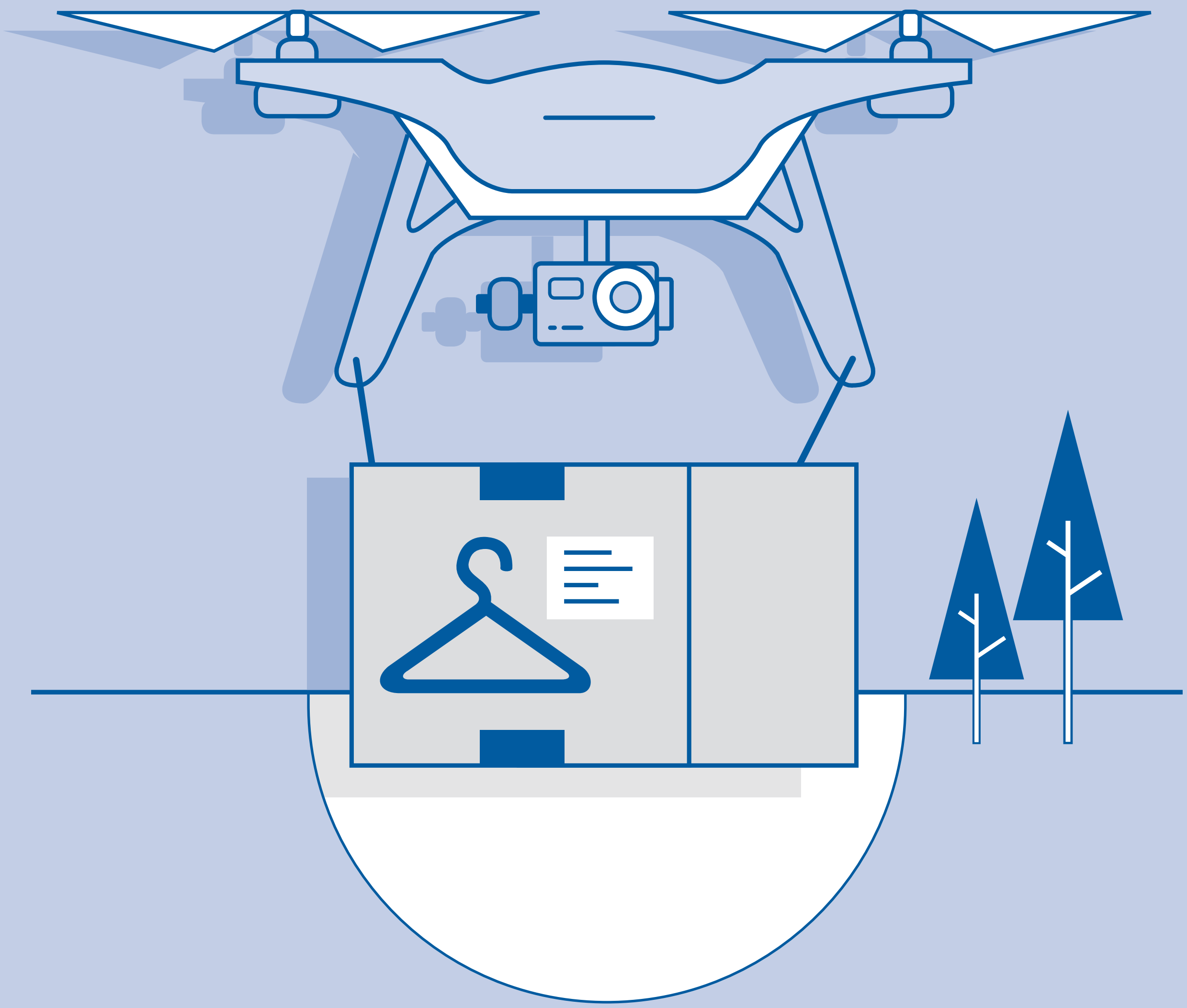
Director's fees

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

Name	Board	Audit, Risk & Compliance Committee	HR & REMCO and Social Ethics Committee	Social & Ethics Committee	HR & REMCO	FINCO	Governance & Nomination Committee	AD-HOC	Total
N Madiba (Chairperson)	65 937.50		10 550.00	5 275.00	5 275.00		23 737.50	356 062.50	466 837.50
S Somdyala (Dep. Chairperson)	52 750.00			5 275.00		23 737.50	10 550.00	181 987.50	274 300.00
S Thobela	39 562.50				7 912.50	23 737.50	15 825.00	168 800.00	255 837.50
A Ncobo	39 562.50	5 275.00			5 275.00	15 825.00		184 625.00	250 562.50
M Damane	31 650.00	15 825.00	23 737.50	7 912.00			15 825.00	261 112.50	361 337.50
T Jordan	39 562.50	36 925.00				5 275.00	15 825.00	205 675.00	303 262.50
N Pietersen	39 562.50	26 375.00				21 100.00	5 275.00	189 900.00	282 212.50
M Sishuba	23 737.50		15 825.00	5 275.00	5 275.00			168 800.00	218 912.50
R Nicholls	7 912.50	10 550.00						50 112.50	68 575.00
T Buthelezi									
Total	340 237.50	94 950.00	50 112.50	23 737.50	29 012.50	89 037.50	87 037.50	1 767 075.00	2 481 837.50

Lookout Ceramics

PART NINE



EASTERN CAPE DEVELOPMENT CORPORATION

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

GENERAL INFORMATION

Country of incorporation and domicile	South Africa
Legal Form	Government Business Enterprise
Registered office	Ocean Terrace Park Moore Street Quigney East London
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.
Postal address	PO Box 11197 Southernwood East London 5213
Holding Entity	Department of Economic Development, Environmental Affairs and Tourism
Auditors	Office of the Auditor-General

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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 92 to 183, which comprise the consolidated and separate statement of financial position as at 31 March 2020, 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 the 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 consolidated and separate financial position of the Eastern Cape Development Corporation as at 31 March 2020, and its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards(IFRS) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No.1 of 1999) (PFMA) and the Eastern Cape Development Corporation Act, 1997 (Act No. 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 this auditor's report.

4. I am independent of the entity in accordance with sections 290 and 291 of the *Code of ethics for professional accountants* and parts 1 and 3 of the *International Code of Ethics for Professional Accountants (including International Independence Standards)* of the International Ethics Standards Board for Accountants (IESBA codes), as well as the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.

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

Emphasis of matters

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

Restatement of corresponding figures

7. As disclosed in note 43 to the consolidated and separate financial statements, the corresponding figures for 31 March 2019 were restated as a result of an error in the consolidated and separate financial statements of the entity at, and for the year ended, 31 March 2020.

Material losses and impairments —- trade receivables

8. As disclosed in note 11 to the financial statements, material losses of R41,8 million were incurred as a result of a write-off of irrecoverable trade receivables. Rental receivables of R41,8 million, which were fully impaired, were written off due to the prescription legal requirements.

Irregular expenditure

9. As disclosed in note 44 to the financial statements, the entity incurred irregular expenditure of R1,7 million as a result of non-compliance with the supply chain management (SCM) policy.

Responsibilities of the accounting authority for the consolidated and separate financial statements

10. 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 International Financial Reporting Standards and the requirements of the PFMA and the ECDCA, 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.

11. 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

12. 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.

13. 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

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

15. My procedures address the usefulness and reliability of the reported performance information, which must be based on the approved performance planning documents of the entity. | 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 also do not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

16. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected strategic goal presented in the annual performance report of the entity for the year ended 31 March 2020:

Strategic goal	Pages in the annual performance report
Goal 1: stimulate economic activities through focused investment and development of vital economic sectors	65

17. I performed procedures to determine whether the reported performance information was consistent with the approved performance planning documents. | 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.

Goal 1: stimulate economic activities through focused investment and development of vital economic sectors

18. I did not identify any material findings on the usefulness and reliability of the reported performance information for this strategic goal:

- Goal 1: stimulate economic activities through focused investment and development of vital economic sectors

Other matters

19. I draw attention to the matters below.

Achievement of planned targets

20. Refer to the annual performance report on pages 65 to 66 for information on the achievement of planned targets for the year.

Adjustment of material misstatements

21. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of goal 1: stimulate economic activities through focused investment and development of vital economic sectors. 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

22. 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.

23. I did not identify any material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

OTHER INFORMATION

24. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the chairperson's foreword, chief executive officer's report, financial review, human resources report, operational review, and corporate governance. The other information does not include the consolidated and separate financial statements, the auditor's report and the selected strategic goal presented in the annual performance report that have been specifically reported on this auditor's report.

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

26. 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 goal presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

27. The other information I obtained prior to the date of this auditor's report is the human resource report and corporate governance and the chairperson's foreword, chief executive officer's report, financial review and operational review are expected to be made available to us after 30 September 2020.

28. If, based on the work I have performed on the other information that I obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact.

29. When I do receive and read the chairperson's foreword, chief executive officer's report, financial review and operational review, if I conclude that there is a material misstatement therein, I am 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.

31. I did not identify any significant deficiencies in internal control.

OTHER REPORTS

32. I draw attention to the following engagement conducted by external party which had, or could have, an impact on the matters reported in the entity's consolidated and separate financial statements, reported performance information, compliance with applicable legislation and other related matters. This report does not form part of my opinion on the consolidated and separate financial statements or my findings on the reported performance information or compliance with legislation.

33. An investigation is being conducted by another organ of the state on different matters relating to the entity. The investigation was in progress at the date of this audit report.

AUDITOR - GENERAL

East London
30 September 2020

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 and on the entity's compliance with respect to the selected subject matters.

Consolidated and separate 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 board of directors, which constitutes the accounting authority's use of the going concern basis of accounting in the preparation of the consolidated and separate 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 consolidated and separate financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the consolidated and separate 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 consolidated and separate financial statements, including the disclosures, and determine whether the consolidated and separate 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 and separate 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 confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Statement of Financial Position as at 31 March 2020

		Group			Company		
Figures in Rand thousand	**Note(s)**	**2020**	**2019**	**2018**	**2020**	**2019**	**2018**
Assets							
Non-Current Assets							
Property, plant and equipment	2	63 676	56 328	52 205	35 877	25 511	26 158
Investment property	3	1 422 983	1 483 858	1 288 601	1 340 239	1 404 058	1 233 944
Intangible assets	4	96	60	204	-	14	158
Investments in subsidiaries	5	-	-	-	23 012	23 012	23 011
Investments in associates	6	15 182	17 130	31 109	-	-	-
Loans to group companies	7	-	-	-	29 963	29 012	19 686
Investments at fair value	8	8 880	24 024	28 927	8 774	24 265	25 199
Deferred tax	9	-	-	307	-	-	-
Loans advanced	10	36 252	29 471	38 359	36 252	29 471	38 359
		1 547 069	**1 610 871**	**1 439 712**	**1 474 117**	**1 535 343**	**1 366 515**
Current Assets							
Trade and other receivables	11	21 675	32 011	23 460	14 805	25 079	21 012
Operating lease asset	17	-	11	-	-	-	-
Loans advanced	10	22 866	23 716	26 832	22 866	23 716	26 832
Cash and cash equivalents	12	144 889	195 728	197 980	113 466	164 754	172 316
		189 430	**251 466**	**248 272**	**151 137**	**213 549**	**220 160**
Total Assets		**1 736 499**	**1 862 337**	**1 687 984**	**1 625 254**	**1 748 892**	**1 586 675**
Equity and Liabilities							
Equity							
Equity Attributable to Equity Holders of Parent							
Share capital	13	427 590	427 590	427 590	427 590	427 590	427 590
Reserves	14	398 331	404 984	403 554	394 601	401 254	404 754
Retained income		661 163	779 115	600 902	549 738	672 883	461 104
		1 487 084	1 611 689	1 432 046	1 371 929	1 501 727	1 293 448
Non-controlling interest		959	977	1 258	-	-	-
		1 488 043	**1 612 666**	**1 433 304**	**1 371 929**	**1 501 727**	**1 293 448**

Statement of Financial Position as at 31 March 2020 (continued)

		Group			Company		
Figures in Rand thousand	**Note(s)**	**2020**	**2019**	**2018**	**2020**	**2019**	**2018**
Liabilities							
Non-Current Liabilities							
Loans from group companies	15	-	-	-	25 129	25 163	52 569
Lease liabilities	16	35	63	88	4 403	-	-
Operating lease liability	17	-	-	3	-	-	-
Retirement benefit obligation	18	24 720	31 787	34 347	24 720	31 787	34 347
Deferred income	19	423	134	269	-	-	-
Other financial liabilities	20	15 873	31 746	-	15 873	31 746	-
		41 051	**63 730**	**34 707**	**70 125**	**88 696**	**86 916**
Current Liabilities							
Trade and other payables	21	84 239	63 750	79 113	69 000	47 117	75 183
Lease liabilities	16	28	26	24	2 184	-	-
Operating lease liability	17	-	-	11	-	-	-
Deferred income	19	91 252	106 072	140 747	80 270	95 479	131 128
Current tax payable		140	220	78	-	-	-
Other financial liabilities	20	31 746	15 873	-	31 746	15 873	-
		207 405	**185 941**	**219 973**	**183 200**	**158 469**	**206 311**
Total Liabilities		**248 456**	**249 671**	**254 680**	**253 325**	**247 165**	**293 227**
Total Equity and Liabilities		**1 736 499**	**1 862 337**	**1 687 984**	**1 625 254**	**1 748 892**	**1 586 675**

Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 March 2020

Figures in Rand thousand	Note(s)	Group 2020	Group 2019	Company 2020	Company 2019
Revenue	23	96 527	92 798	86 194	84 609
Interest revenue	23	32 348	44 676	32 348	44 676
Total revenue		128 875	137 474	118 542	129 285
Other operating income	22	10 056	21 188	9 962	26 787
Government grants	24	160 438	217 436	147 160	203 117
Other operating losses	25	(37 691)	(2 484)	(37 692)	(2 390)
Total operating expenses		(362 967)	(377 882)	(346 984)	(345 366)
Operating (loss) profit	26	**(101 289)**	**(4 268)**	**(109 012)**	**11 433**
Investment income	27	12 296	23 827	13 787	16 578
Finance costs	28	(25)	(7)	(713)	-
Share of profit (loss) from equity accounted investments		(421)	(13 979)	-	-
Fair value gains/ (losses)	29	(28 386)	172 502	(27 207)	181 202
(Loss) profit before taxation		**(117 825)**	**178 075**	**(123 145)**	**209 213**
Taxation	30	(144)	(597)	-	-
(Loss) profit for the year		**(117 969)**	**177 478**	**(123 145)**	**209 213**
Other comprehensive income:					
Items that will not be reclassified to profit or loss: Gains on property revaluation		3 700	4 930	3 700	-
Items that may be reclassified to profit or loss: Loss on fair value of investments		(10 353)	(3 500)	(10 353)	(3 500)
Other comprehensive income for the year net of taxation	31	**(6 653)**	**1 430**	**(6 653)**	**(3 500)**
Total comprehensive (loss) income for the year		**(124 622)**	**178 908**	**(129 798)**	**205 713**
(Loss) profit attributable to: Owners of the parent		(117 952)	177 759	(123 145)	209 213
Non-controlling interest		(17)	(281)	-	-
		(117 969)	**177 478**	**(123 145)**	**209 213**
Total comprehensive (loss) income attributable to: Owners of the parent		(124 605)	179 189	(129 798)	205 713
Non-controlling interest		(17)	(281)	-	-
		(124 622)	**178 908**	**(129 798)**	**205 713**


Kei Fresh Produce Market

Statement of changes in Equity for the year ended 31 March 2020

Figures in Rand thousand	Share capital	Revaluation reserve	Fair value adjustment through comprehensive income	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	3 609	15 680	384 265	403 554	689 106	1 520 250	1 258	1 521 508
Adjustments Prior year errors (note 43)	-	-	-	-	-	(88 204)	(88 204)	-	(88 204)
Balance at 01 April 2018 as restated	**427 590**	**3 609**	**15 680**	**384 265**	**403 554**	**600 902**	**1 432 046**	**1 258**	**1 433 304**
Profit for the year	-	-	-	-	-	177 759	177 759	(281)	177 478
Other comprehensive income	-	4 930	(3 500)	-	1 430	-	1 430	-	1 430
Total comprehensive income for the year	-	**4 930**	**(3 500)**	**-**	**1 430**	**177 759**	**179 189**	**(281)**	**178 908**
Dividends declared by Transdev SOC Ltd	-	-	-	-	-	1 500	1 500	-	1 500
Change in accounting policy	-	-	-	-	-	(1 046)	(1 046)	-	(1 046)
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**-**	**-**	**-**	**-**	**454**	**454**	**-**	**454**
Opening balance as previously reported	427 590	8 539	12 180	384 265	404 984	869 777	1 702 351	1 209	1 703 560
Adjustments Prior period errors (refer to note 43)	-	-	-	-	-	(90 662)	(90 662)	(232)	(90 894)
Balance at 01 April 2019 as restated	**427 590**	**8 539**	**12 180**	**384 265**	**404 984**	**779 115**	**1 611 689**	**977**	**1 612 666**
Loss for the year	-	-	-	-	-	(117 952)	(117 952)	(17)	(117 969)
Other comprehensive income	-	3 700	(10 353)	-	(6 653)	-	(6 653)	-	(6 653)
Total comprehensive Loss for the year	**-**	**3 700**	**(10 353)**	**-**	**(6 653)**	**(117 952)**	**(124 605)**	**(17)**	**(124 622)**
Balance at 31 March 2020	**427 590**	**12 239**	**1 827**	**384 265**	**398 331**	**661 163**	**1 487 084**	**959**	**1 488 043**
Note(s)	13	14&31	14&31	34		31			

Statement of changes in Equity for the year ended 31 March 2020 (continued)

Figures in Rand thousand	Share capital	Revaluation reserve	Fair value adjustment through comprehensive income	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	4 809	15 680	384 265	404 754	548 628	1 380 972	-	1 380 972
Adjustments Prior year errors (refer to Note 43)	-	-	-	-	-	(87 524)	(87 524)	-	(87 524)
Balance at 01 April 2018 as restated	**427 590**	**4 809**	**15 680**	**384 265**	**404 754**	**461 104**	**1 293 448**	**-**	**1 293 448**
Profit for the year	-	-	-	-	-	209 213	209 213	-	209 213
Other comprehensive income	-	-	(3 500)	-	(3 500)	-	(3 500)	-	(3 500)
Total comprehensive income for the year	-	**-**	**(3 500)**	**-**	**(3 500)**	**209 213**	**205 713**	**-**	**205 713**
ECDC Share in Umthatha Hotel (Pty) Ltd	-	-	-	-	-	3 612	3 612	-	3 612
Change in accounting policy	-	-	-	-	-	(1 046)	(1 046)	-	(1 046)
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**-**	**-**	**-**	**-**	**2 566**	**2 566**	**-**	**2 566**
Opening balance as previously reported	427 590	4 809	12 180	384 265	401 254	763 777	1 592 621	-	1 592 621
Adjustments Prior year errors (refer to note 43)	-	-	-	-	-	(90 894)	(90 894)	-	(90 894)
Balance at 01 April 2019 as restated	**427 590**	**4 809**	**12 180**	**384 265**	**401 254**	**672 883**	**1 501 727**	**-**	**1 501 727**
Loss for the year	-	-	-	-	-	(123 145)	(123 145)	-	(123 145)
Other comprehensive income	-	3 700	(10 353)	-	(6 653)	-	(6 653)	-	(6 653)
Total comprehensive Loss for the year	**-**	**3 700**	**(10 353)**	**-**	**(6 653)**	**(123 145)**	**(129 798)**	**-**	**(129 798)**
Balance at 31 March 2020	**427 590**	**8 509**	**1 827**	**384 265**	**394 601**	**549 738**	**1 371 929**	**-**	**1 371 929**
Note(s)	13	14&31	14&31	34		31			

Statement of Cash Flows for the year ended 31 March 2020

Figures in Rand thousand	Note(s)	Group 2020	Group 2019	Company 2020	Company 2019
Cash flows from operating activities					
Cash (used) in/ generated from operations	37	(57 228)	(15 718)	(62 060)	5 605
Interest income		12 213	11 743	10 384	9 900
Dividend received		83	12 130	-	3 878
Finance costs		(25)	(7)	(713)	-
Tax paid	36	(224)	(148)	-	-
Net cash (used) generated in operating activities		**(45 181)**	**8 000**	**(52 389)**	**19 383**
Cash flows from investing activities					
Purchase of property, plant and equipment	2	(2 078)	(199)	(10 358)	(101)
Sale of property, plant and equipment	2	3	5	-	-
Purchase of investment property	3	(2 944)	(40 386)	-	-
Sale of investment property	3	4 059	3 080	4 058	3 080
Purchase of intangible assets	4	(138)	(69)	-	-
Loans from group companies repaid		-	-	5 348	-
Loans advanced to group companies		-	-	-	(57 263)
Sale of investments at fair value		3 930	-	3 930	(1)
Loans disbursed		(58 763)	(41 860)	(58 763)	(41 860)
Loans collected		50 299	69 200	50 299	69 200
Net cash (used) in investing activities		**(5 632)**	**(10 229)**	**(5 486)**	**(26 945)**
Cash flows from financing activities					
Lease payments		(26)	(23)	(2 046)	-
Lease liabilities raised		-	-	8 633	-
Net cash from (used) in financing activities		**(26)**	**(23)**	**6 587**	**-**
Total cash movement for the year		**(50 839)**	**(2 252)**	**(51 288)**	**(7 562)**
Cash and cash equivalents at the beginning of the year		195 728	197 980	164 754	172 316
Cash and cash equivalents at the end of the year	12	**144 889**	**195 728**	**113 466**	**164 754**

ACCOUNTING POLICIES

1. Presentation of Consolidated Annual Financial Statements

The principal accounting policies applied in the preparation of these consolidated and separate consolidated 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") as prescribed by the Accounting Standards Board and in the manner required by 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.

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 balance sheet, 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.

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 consolidated annual financial statements have been prepared on a going concern basis, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Rands, which is the group and company's functional currency. All financial information presented has been rounded to the nearest thousand, unless otherwise stated.

These accounting policies are consistent with the previous period, except for the changes set out in note 46.

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 at cost adjusted for post-acquisition changes in the group's share of net assets of the associate, less any impairment losses.

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 on acquisition 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.

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.

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, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

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.

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

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

Item	Depreciation method	Average useful life
Buildings and infrastructure	Straight line	25-50 years
Finance lease asset	Straight line	3-5 years
Plant and machinery	Straight line	4-20 years
Furniture and fixtures	Straight line	6-10 years
Motor vehicles	Straight line	4-5 years
Office equipment	Straight line	4-6 years
IT equipment	Straight line	3 years
Computer software	Straight line	2-3 years
Leasehold improvements	Straight line	5-20 years
Land	Straight line	Indefinite
Right of use leased asset	Straight line	3-5 years
Other property, plant and equipment	Straight line	5-6 years

The 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.

Depreciation of an asset commences when an asset is available for use as intended by management.

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

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

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

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Computer software

Acquired computer software licences are capitalised on the basis of costs incurred to acquire and bring to use the specific software. The cost of minor software and licences are recognised in the Statement of profit or loss and other comprehensive income as an expense when incurred.

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Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the Statement of profit or loss and other comprehensive income as an expense when incurred.

Amortisation

Amortisation is charged to the Statement of profit or loss and other comprehensive income on a straight - line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life are systematically tested for impairment at each reporting date. Other intangible assets are amortised from the date they are available for use.

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

Item	**Useful life**
Computer software, other	1- 5 years

1.7 Investments in subsidiaries

Investments in subsidiaries are 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 Assets Held 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.

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.

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 sale 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).

Derivatives which are not part of a hedging relationship:
Mandatorily at fair value through profit or loss.

Financial assets which are equity instruments

- Mandatory 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).

Financial liabilities:

- Amortised cost;
- 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 entire contract is designated as at fair value through profit or loss).

Note 47 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 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 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 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 27).
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 credit impaired. Thegross 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, but 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.

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 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 47).

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 11).

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.

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 27).
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 not credit 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 and prepayments. 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 11.

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 material operating item 1 (taken out of other operating income) in profit or loss as a movement in credit loss allowance (note11).

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.

Credit risk

Details of credit risk are included in the trade and other receivables note (note 11) and the financial instruments and risk management note (note 47).

Investments at fair value

Classification

Unlisted Investments in equity instruments are presented in note 8. The Group has elected to measure certain investments in equity instruments as 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.

Fair value gains or losses recognised on investments at fair value through profit or loss are included in other non-operating gains (losses) (note 29).

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 27).

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 (note 7), 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.

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 28.)

Borrowings expose the group to liquidity risk and interest rate risk. Refer to note 47 for details of risk exposure and management thereof.

Trade and other payables

Classification

Trade and other payables (note 21), 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 amortised cost 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 28).

Trade and other payables expose the group to liquidity risk and possibly to interest rate risk. Refer to note 47 for details of risk exposure and management thereof.

Financial liabilities at amortised cost

Classification

Financial liabilities which are classified as financial liabilities at amortised cost. Refer to note 49

When a financial liability is contingent consideration in a business combination, the group classifies it as a financial liability at amortised cost.

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 amortised cost are recognised when the group becomes a party to the contractual provisions of the instrument. Transaction costs are recognised in profit or loss.

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 (note 28).

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

1.11 Leases

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRS 16. The details of accounting policies under IAS 17 and IFRS 16 are disclosed separately.

Leases - IFRS 16

Policy applicable from 1 January 2019

At inception of a contract, The Group assesses whether a contract is or contains a lease. 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. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative standalone prices. However, for the leases of property, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asser or site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-ofuse asset reflects that the Group will exercise a purchase option. In that case, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment.

In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurement of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's iincremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group detrmines its discount rate by obtaining an incremental borrowing rate from its main banking institution.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments. When a lease liability is remeasured this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in "property, plant and equipment" and lease liabilty in "lease liabilities" in the statement of financial position.

Short-term leases and leases of low value

The Group has elected not to recognise right-of-use assets and liabilities for leases of low-value and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a lessor

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance or an operating lease. If the lease transfers substantially all of its risks and rewards incedental to ownership of the underltying asset, then the lease is a finance lease, if not then it is an operating lease.

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

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

Income for leases is disclosed under revenue in the statement of profit or loss and other comprehensive income.

Leases - IAS 17

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

Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the company's incremental borrowing rate.

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

Operating leases - lessor

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

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

Income for leases is disclosed under revenue in the statement of profit or loss and other comprehensive income.

Operating leases - lessee

Rentals payable under operating leases are recognised in profit or loss on a straight-line basis over the term of the relevant lease, or another basis if more representative of the time pattern of the Group's benefit. Any contingent rents are expensed in the period they are incurred.

Minimum lease payments due in the next 12 months to five years are dislcosed as commitments in note 39.

1.12 Non-current assets 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 an asset 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. Impairments to goodwill are not reversed in subsequent accounting periods.

1.14 Share capital and equity

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 are potentially 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 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 comprehensive income in the year that the expenditure was incurred. The expenditure is classified in accordance with thenature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance

1.16 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.

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 Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.17 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 contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the group's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

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 interim valuation 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.

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.

1.18 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 in the period in which it becomes receivable.

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

1.19 Revenue from contracts with customers

Revenue from contracts with customers (IFRS 15)
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

Revenue from operating leases IFRS 16)

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 or another systematic basis, if more representative of the time pattern of the user's benefit.

1.20 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.

1.21 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 any temporary 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.

1.22 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, refer to note 40.

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. Refer to note 40 for further information on contingent assets.

1.23 New standards and interpretations

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

IFRS 16 Leases

IFRS 16 Leases is a new standard which replaces IAS 17 Leases, and introduces a single lessee accounting model.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

The main changes arising from the issue of IFRS 16 which are likely to impact the company are as follows:

Company as lessee:
- Lessees are required to recognise a right-of-use asset and a lease liability for all leases, except short term leases or leases where the underlying asset has a low value, which are expensed on a straight line or other systematic basis.
- The cost of the right-of-use asset includes, where appropriate, the initial amount of the lease liability; lease payments made prior to commencement of the lease less incentives received; initial direct costs of the lessee; and an estimate for any provision for dismantling, restoration and removal related to the underlying asset.
- The lease liability takes into consideration, where appropriate, fixed and variable lease payments; residual value guarantees to be made by the lessee; exercise price of purchase options; and payments of penalties for terminating the lease.
- The right-of-use asset is subsequently measured on the cost model at cost less accumulated depreciation and impairment and adjusted for any re-measurement of the lease liability. However, right-of-use assets are measured at fair value when they meet the definition of investment property and all other investment property is accounted for on the fair value model. If a right-of-use asset relates to a class of property, plant and equipment which is measured on the revaluation model, then that right-of-use asset may be measured on the revaluation model.
- The lease liability is subsequently increased by interest, reduced by lease payments and re-measured for reassessments or modifications.
- Re-measurements of lease liabilities are affected against right-of-use assets, unless the assets have been reduced to nil, in which case further adjustments are recognised in profit or loss.
- The lease liability is re-measured by discounting revised payments at a revised rate when there is a change in the lease term or a change in the assessment of an option to purchase the underlying asset.

- The lease liability is re-measured by discounting revised lease payments at the original discount rate when there is a change in the amounts expected to be paid in a residual value guarantee or when there is a change in future payments because of a change in index or rate used to determine those payments.
- Certain lease modifications are accounted for as separate leases. When lease modifications which decrease the scope of the lease are not required to be accounted for as separate leases, then the lessee re-measures the lease liability by decreasing the carrying amount of the right of lease asset to reflect the full or partial termination of the lease. Any gain or loss relating to the full or partial termination of the lease is recognised in profit or loss. For all other lease modifications which are not required to be accounted for as separate leases, the lessee remeasures the lease liability by making a corresponding adjustment to the right-of-use asset.
- Right-of-use assets and lease liabilities should be presented separately from other assets and liabilities. If not, then the line item in which they are included must be disclosed. This does not apply to right-of-use assets meeting the definition of investment property which must be presented within investment property. IFRS 16 contains different disclosure requirements compared to IAS 17 leases.

Company as lessor

- Accounting for leases by lessors remains similar to the provisions of IAS 17 in that leases are classified as either finance leases or operating leases. Lease classification is reassessed only if there has been a modification.
- A modification is required to be accounted for as a separate lease if it both increases the scope of the lease by adding the right to use one or more underlying assets; and the increase in consideration is commensurate to th stand alone price of the increase in scope.
- If a finance lease is modified, and the modification would not qualify as a separate lease, but the lease would have been an operating lease if the modification was in effect from inception, then the modification is accounted for as a separate lease. In addition, the carrying amount of the underlying asset shall be measured as the net investment in the lease immediately before the effective date of the modification. IFRS 9 is applied to all other modifications not required to be treated as a separate lease.
- Modifications to operating leases are required to be accounted for as new leases from the effective date of the modification.

Sale and leaseback transactions:

- In the event of a sale and leaseback transaction, the requirements of IFRS 15 are applied to consider whether a performance obligation is satisfied to determine whether the transfer of the asset is accounted for as the sale of an asset.
- If the transfer meets the requirements to be recognised as a sale, the seller-lessee must measure the new right-of-use asset at the proportion of the previous carrying amount of the asset that relates to the right-of-use retained. The buyer-lessor accounts for the purchase by applying applicable standards and for the lease by applying IFRS 16
- If the fair value of consideration for the sale is not equal to the fair value of the asset, then IFRS 16 requires adjustments to be made to the sale proceeds. When the transfer of the asset is not a sale, then the seller-lessee continues to recognise the transferred asset and recognises a financial liability equal to the transfer proceeds. The buyer-lessor recognises a financial asset equal to the transfer proceeds.

The effective date of the standard is for years beginning on or after 01 January 2019.

The company has adopted the standard for the first time in the 2020 financial statements.

The impact of the standard is not material.

Uncertainty over Income Tax Treatments

The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. Specifically, if it is probable that the tax authorities will accept the uncertain tax treatment, then all tax related items are measured according to the planned tax treatment. If it is not probable that the tax authorities will accept the uncertain tax treatment, then the tax related items are measured on the basis of probabilities to reflect the uncertainty. Changes in facts and circumstances are required to be treated as changes in estimates and applied prospectively.

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

The company has adopted the interpretation for the first time in the 2020 financial statements

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The impact of the interpretation is not material.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

2. Property, plant and equipment

Group	2020			2019		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Land	4 565	-	4 565	4 565	-	4 565
Buildings and infrastucture	68 184	(11 860)	56 324	64 483	(14 301)	50 182
Finance lease asset	1 653	(1 597)	56	1 653	(1 571)	82
Plant and machinery	-	-	-	-	-	-
Furniture and fixtures	4 891	(3 197)	1 694	3 393	(3 094)	299
Motor vehicles	184	(184)	-	184	(184)	-
Office equipment	2 176	(1 762)	414	2 070	(1 400)	670
IT equipment	11 284	(10 701)	583	10 886	(10 421)	465
Other property, plant and equipment	1 867	(1 827)	40	1 867	(1 802)	65
Total	**94 804**	**(31 128)**	**63 676**	**89 101**	**(32 773)**	**56 328**

Group	2018		
	Cost or revaluation	Accumulated depreciation	Carrying value
Land	4 465	-	4 465
Buildings and infrastucture	58 703	(13 668)	45 035
Finance lease asset	1 653	(1 545)	108
Plant and machinery	201	(48)	153
Furniture and fixtures	3 293	(2 783)	510
Motor vehicles	184	(184)	-
Office equipment	2 240	(1 244)	996
IT equipment	10 817	(9 966)	851
Other property, plant and equipment	1 864	(1 777)	87
Total	**83 420**	**(31 215)**	**52 205**

2. Property, plant and equipment (continued)

Company	2020			2019		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Land	3 265	-	3 265	3 265	-	3 265
Buildings and infrastucture	44 466	(14 162)	30 304	32 133	(11 252)	20 881
Leasehold property	1 523	(1 523)	-	1 523	(1 523)	-
Furniture and fixtures	4 593	(2 963)	1 630	3 120	(2 848)	272
Motor vehicles	184	(184)	-	184	(184)	-
Office equipment	2 019	(1 699)	320	2 004	(1 345)	659
IT equipment	10 587	(10 269)	318	10 350	(9 981)	369
Other property, plant and equipment	1 867	(1 827)	40	1 867	(1 802)	65
Total	**68 504**	**(32 627)**	**35 877**	**54 446**	**(28 935)**	**25 511**

Company	2018		
	Cost or revaluation	Accumulated depreciation	Carrying value
Land	3 265	-	3 265
Buildings and infrastucture	31 183	(10 619)	20 564
Leasehold property	1 523	(1 523)	-
Furniture and fixtures	3 113	(2 641)	472
Motor vehicles	184	(184)	-
Office equipment	1 958	(979)	979
IT equipment	10 302	(9 511)	791
Other property, plant and equipment	1 864	(1 777)	87
Total	**53 392**	**(27 234)**	**26 158**

2. 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 and infrastructure	50 182	-	-	3 700	(2 910)	5 352	56 324
Lease asset	82	-	-	-	(26)	-	56
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
	56 328	**2 078**	**(2)**	**3 700**	**(3 780)**	**5 352**	**63 676**

Reconciliation of property, plant and equipment - Group - 2019

	Opening balance	Additions	Disposals	Transfers	Revaluations	Depreciation	Total
Land	4 465	-	-	-	100	-	4 565
Buildings and infrastructure	45 035	-	-	950	4 830	(633)	50 182
Finance lease asset	108	-	-	-	-	(26)	82
Plant and machinery	153	-	(87)	-	-	(66)	-
Furniture and fixtures	510	6	(2)	-	-	(215)	299
Office equipment	996	52	(5)	-	-	(373)	670
IT equipment	851	138	(5)	-	-	(519)	465
Other property, plant and equipment	87	3	-	-	-	(25)	65
	52 205	**199**	**(99)**	**950**	**4 930**	**(1 857)**	**56 328**

Reconciliation of property, plant and equipment - Group - 2018

	Opening balance	Additions	Disposals	Revaluations	Depreciation	Total
Land			-	-	-	
Buildings and infrastructure	45 658	-	-	-	(623)	45 035
Finance lease asset	7	130	(4)	(1)	(24)	108
Plant and machinery	584	175	(319)	-	(287)	153
Furniture and fixtures	691	105	(22)	5	(269)	510
Office equipment	333	986	-	59	(382)	996
IT equipment	809	605	(30)	10	(543)	851
Other property, plant and equipment	106	98	(11)	(83)	(23)	87
	52 653	**2 099**	**(386)**	**(10)**	**(2 151)**	**52 205**

2. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Company - 2020

	Opening balance	Additions	Revaluations	Depreciation	Total
Land	3 265	-	-		3 265
Buildings and infrastructure	20 881	8 633	3 700	(2 910)	30 304
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
	25 511	**10 358**	**3 700**	**(3 692)**	**35 877**

Reconciliation of property, plant and equipment - Company - 2019

	Opening balance	Additions	Revaluations	Depreciation	Total
Land	3 265	-	-	-	3 265
Buildings and infrastructure	20 564	-	950	(633)	20 881
Furniture and fixtures	472	6	-	(206)	272
Office equipment	979	45	-	(365)	659
IT equipment	791	47	-	(469)	369
Other property, plant and equipment	87	3	-	(25)	65
	26 158	**101**	**950**	**(1 698)**	**25 511**

Reconciliation of property, plant and equipment - Company - 2018

	Opening balance	Additions	Other changes, movements	Depreciation	Total
Land	3 265	-	-	-	3 265
Buildings and infrastructure	21 187	-	-	(623)	20 564
Furniture and fixtures	593	99	-	(220)	472
Office equipment	397	969	(21)	(366)	979
IT equipment	727	556	13	(505)	791
Other property, plant and equipment	-	98	-	(11)	87
	26 169	**1 722**	**(8)**	**(1 725)**	**26 158**

2. Property, plant and equipment (continued)

	Group			Company		
Figures in Rand thousand	**2020**	**2019**	**2018**	**2020**	**2019**	**2018**

Property, plant and equipment encumbered as security

The following assets have been encumbered as security and the details are presented in the related liabilities note 16:

	2020	2019	2018	-	-	-
Lease asset - Copier machine	56	82	108	-	-	-

Net carrying amounts of leased assets

Buildings	-	-	-	6 331	-	-
Leasehold property	56	82	108	-	-	-
	56	**82**	**108**	**6 331**	**-**	**-**

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:

	2020	2019	2018	2020	2019	2018
Office Buildings	14 160	14 577	12 652	14 160	14 577	12 065
	14 160	**14 577**	**12 652**	**14 160**	**14 577**	**12 065**

Other information

Fully depreciated property, plant and equipment still in use	184	787	948	184	184	184

Details of property, plant and equipment

Registers with details of property, plant and equipment are available for inspection by the shareholders or their duly authorised representatives at the registered office of the Corporation.

Property, plant and equipment includes right-of-use asset of R6 331 million related to a leased property that does not meet the definition of investment property.

2. Property, plant and equipment (continued)

	Group			Company		
Figures in Rand thousand	**2020**	**2019**	**2018**	**2020**	**2019**	**2018**
Right-of-use assets						
Balance at 01 April 2019	-	-	-	8 633	-	-
Depreciation charge for the year	-	-	-	(2 302)	-	-
Balance at 31 March 2020	-	-	-	6 331	-	-

Property, plant and equipment encumbered as security

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 right-of use asset has been depreciated over the remaining term of 45 months on the lease.

The ECDC also leases a section of a building that is utilised as the Port Elizabeth Regional office and the building is privately owned. The remaining term of the lease was less than twelve months. Subsequent to the financial year ended 31 March 2020 the lease came to an end and the building was vacated. The lease has therefore been accounted for as a short-term lease.

The Group also leases multi-purpose office machines (copiers cum 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. The Group has therefore elected not to recognise right-of- use assets for these leases and the lease has been accounted for as low-value lease.

3. Investment property

Group	2020			2019			2018		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	1 422 983	-	1 422 983	1 483 858	-	1 483 858	1 288 601	-	1 288 601

Company	2020			2019			2018		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulat-ed depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	1 340 239	-	1 340 239	1 404 058	-	1 404 058	1 233 944	-	1 233 944

Reconciliation of investment property - Group - 2020

	Opening balance	Additions	Disposals	Other changes, move-ments	Fair value adjust-ments	Total
Investment property	1 483 858	2 944	(4 560)	(37 190)	(22 069)	1 422 983

Reconciliation of investment property - Group - 2019

	Opening balance	Additions	Disposals	Transfers	Fair value adjust-ments	Total
Investment property	1 288 601	40 386	(17 743)	(950)	173 564	1 483 858

Reconciliation of investment property - Group - 2018

	Opening balance	Additions	Disposals	Transfers	Other changes, move-ments	Fair value adjust-ments	Total
Investment property	1 237 236	9 050	(7 383)	1 680	(66 390)	114 408	1 288 601

3. Investment property (continued)

	Group			Company		
Figures in Rand thousand	2020	2019	2018	2020	2019	2018

Reconciliation of investment property - Company - 2020

	Opening balance	Disposals	Other changes, move-ments	Fair value adjust-ments	Total
Investment property	1 404 058	(4 560)	(37 190)	(22 069)	1 340 239

Reconciliation of investment property - Company - 2019

	Opening balance	Additions	Disposals	Transfers	Fair value adjust-ments	Total
Investment property	1 233 944	6 900	(17 743)	(950)	181 907	1 404 058

Reconciliation of investment property - Company - 2018

	Opening balance	Disposals	Transfers	Other changes, move-ments	Fair value adjust-ments	Total
Investment property	1 166 429	(13 172)	1 680	(46 340)	125 347	1 233 944

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 R91.5 million (2019: R77.5 million) (2018: R80.5 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.

3. Investment property (continued)

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.

Invaded Investment Properties

A number of Investment Properties owned by the Eastern Cape Development Corporation in Umthatha have been invaded due to illegal occupation. The combined fair value of the affected properties in the prior year was R132,678 million and is now R110, 210 million. Although the combined fair value of the invaded properties has gone down compared to the prior year, the fair value of 9 properties out of the 96 that are invaded has increased by R3,560 million. Management has deemed the increase to be reasonable based on the methodology used by a professional valuer in determining the fair values. The invaded properties have a total of 239 lettable units of which 96 are invaded. Consequently, the Corporation has lost potential income amounting to R9 418 million 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. A court order to evict the illegal invaders was awarded to ECDC however the execution of the court order was interdicted by the illegal occupants working collectively together.

Further developments: the matter is still pending at the Umthatha High Court, however there has been arrests made by the South African Police Services.

Disposals

Investment properties with a combined fair value of R4,560 million have been disposed of, at a loss of R501 thousand.

Derecognised

A number of investment properties have been derecognised as they are no longer controlled by the Group. Mainly these properties are sub-stations, railway reserves, public access roads and vacant land that is controlled by the Municipalities. These properties were previously held at a combined fair value of R37,190 million and have now been derecognised.

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 foreseeable future and therefore the value of property investments has remained unaffected at the reporting date.

33.7% (2019:38.2%) of the investment property portfolio were valued for the year ended 31 March 2020. 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.

3. Investment property (continued)

	Group			Company		
Figures in Rand thousand	2020	2019	2018	2020	2019	2018
Amounts recognised in profit and loss for the year						
Rental income from investment property	(88 618)	(90 410)	(86 534)	(79 642)	(83 549)	(78 420)
Direct operating expenses from rental generating property	32 859	45 744	41 812	30 662	45 744	41 812
Direct operating expenses from non-rental generating property	13 388	19 604	24 255	13 388	19 604	16 454
	(42 371)	**(25 062)**	**(20 467)**	**(35 592)**	**(18 201)**	**(20 154)**

4. Intangible assets

Group	2020			2019		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Computer software	4 412	(4 316)	96	4 332	(4 272)	60

Group	2018		
	Cost / Valuation	Accumulated depreciation	Carrying value
Computer software	4 356	(4 152)	204

Company	2020			2019		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Computer software	4 274	(4 274)	-	4 274	(4 260)	14

Company	2018		
	Cost / Valuation	Accumulated depreciation	Carrying value
Computer software	4 274	(4 116)	158

Reconciliation of intangible assets - Group - 2020

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

Reconciliation of intangible assets - Group - 2019

	Opening balance	Additions	Amortisation	Total
Computer software	204	69	(213)	60

Reconciliation of intangible assets - Group - 2018

	Opening balance	Additions	Amortisation	Total
Computer software	354	114	(264)	204

Reconciliation of intangible assets - Company - 2020

	Opening balance	Amortisation	Total
Computer software	14	(14)	-

Reconciliation of intangible assets - Company - 2019

	Opening balance	Amortisation	Total
Computer software	158	(144)	14

Reconciliation of intangible assets - Company - 2018

	Opening balance	Additions	Amortisation	Total
Computer software	307	25	(174)	158

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 2020 is R 96 (2019: R60; 2018: R204).

5. Interests in subsidiaries including consolidated structured entities

The table below summarises the value of the entities which are controlled by the Group, either directly or indirectly through subsidiaries. The carrying value of the investment in each subsidiaries and the percentage shareholdings are presented in the note on Related Parties.

5. Interests in subsidiaries including consolidated structured entities (continued)

	Group			Company		
Figures in Rand thousand	**2020**	**2019**	**2018**	**2020**	**2019**	**2018**

	Carrying amount 2020	Carrying amount 2019	Carrying amount 2018
Various subsidiaries listed hereunder	23 012	24 342	24 341
Transdev Properties SOC Ltd	-	-	-
Transkei Share Investments Company SOC Ltd	-	-	-
Cimvest (Pty) Ltd	-	-	-
Transido SOC Ltd	-	-	-
Automotive Industry Development Centre (Eastern Cape)	-	-	-
Centre for Investment and Marketing Authority in teh Eastern Cape (NPC)	-	-	-
Impairment of investment in subsidiaries	-	(1 330)	(1 330)
	23 012	23 012	23 011

6. Investments in associates

The group holds a 49.95% (2019: 49.95%) interest in Umthatha Hotel (Pty) Ltd, of which 9.95% is held by the Eastern Cape Development Corporation. The associate's principal place of business is Umthatha, Eastern Cape Province.

The following table list the associates in the group:

Group

Name of company	Held by	% ownership interest 2020	% ownership interest 2019	% ownership interest 2018	Carrying amount 2020	Carrying amount 2019	Carrying amount 2018
Umthatha Hotel (Pty) Ltd	Transkei Share Investment Company SOC Ltd	40.00 %	40.00 %	40.00 %	13 097	13 518	24 722
Umthatha Hotel (Pty) Ltd	Eastern Cape Development Corporation	9.95 %	9.95 %	9.95 %	2 085	3 612	6 387
					15 182	17 130	31 109

6. Investments in associates (continued)

Summarised financial information of material associates

Summarised Statement of Profit or Loss and Other Comprehensive Income

	2020	2019	2018
Revenue	44 153	28 961	40 751
Other income and expenses	(45 825)	(32 944)	(38 003)
(Loss)/ profit for the year	(1 672)	(3 983)	2 748
Other comprehensive income	-	-	-
Total comprehensive loss (income) for the year	(1 672)	(3 983)	2 748

Summarised

	2020	2019	2018
Assets			
Non-current	21 069	20 763	9 877
Current	17 160	18 724	57 838
Total assets	38 229	39 487	67 715
Liabilities			
Non-current	-	-	1 306
Current	5 991	5 577	4 516
Total liabilities	5 991	5 577	5 822
Total net assets	32 238	33 910	61 893

Reconciliation of the summarised financial information presented to the carrying amount

	2020	2019	2018
Opening carrying value	17 130	31 109	29 735
Share of OCI	(421)	(13 979)	1 374
Fair value adjsutments	(1 527)	-	-
	15 182	17 130	31 109

7. Loans to group companies

	Group			Company		
Figures in Rand thousand	**2020**	**2019**	**2018**	**2020**	**2019**	**2018**
Subsidiaries						
Windsor Hotel (SOC) Limited	-	-	-	-	-	734
The loan is interest free and has no fixed terms of repayment AIDC Development Centre Eastern Cape (SOC) Limited	-	-	-	-	-	2 000
The loan is interest free and has no fixed terms of repayment Centre for Investment and Marketing in the Eastern Cape (NPC)	-	-	-	26 166	23 038	18 952
The loan is interest free and has no fixed terms of repayment Transdev Properties (SOC) Limited	-	-	-	3 797	5 974	-
The loan is interest free and has no fixed terms of repayment Impairment of loans to subsidiaries	-	-	-	-	-	(2 000)
	-	**-**	**-**	**29 963**	**29 012**	**19 686**

The Group has measured the Expected Credit Loss (ECL) allowance for group loans based on Moody's one-year default rate forecasts, taking into account the time value of money as well as the estimated time it will take to enforce collateral held on the loans.

The loss allowance has been clalculated to be R17 thousand and this has been deemed as immaterial both quantitatively and qualitatively. Therefore no allowance has been recognised for the year ended 31 March 2020.

Associates						
Worthytrade 93 (Pty) Ltd	-	-	4 333	-	-	4 333
The loan is interest free and has no fixed term of repayment Impairment of loans to associates	-	-	(4 333)	-	-	(4 333)
	-	-	-	-	-	-

Split between non-current and current portions

Non-current assets	-	-	-	29 963	29 012	19 686

8. Investments at fair value

Investments held by the group which are measured at fair value, are as follows:

Equity investments at fair value through profit or loss	6 233	11 024	12 427	6 127	11 265	8 699
Equity investments at fair value through other comprehensive income	2 647	13 000	16 500	2 647	13 000	16 500
	8 880	**24 024**	**28 927**	**8 774**	**24 265**	**25 199**

8. Investments at fair value (continued)

	Group			Company		
Figures in Rand thousand	**2020**	**2019**	**2018**	**2020**	**2019**	**2018**
Mandatorily at fair value through profit or loss:						
Listed shares	2 191	3 371	3 728	-	-	-
Unlisted shares	4 042	7 653	8 699	6 127	11 265	8 699
Equity investments at fair value through other comprehensive income:						
Unlisted shares	2 647	13 000	16 500	2 647	13 000	16 500
	8 880	**24 024**	**28 927**	**8 774**	**24 265**	**25 199**
Split between non-current and current portions						
Non-current assets	8 880	24 024	28 927	8 774	24 265	25 199

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

	2020	2020	2019	2019	2018	2018
	Fair value	Dividends received	Fair value	Dividends received	Fair value	Dividends received
Singisi Forest Products (Pty) Ltd	2 647	-	13 000	-	16 500	-

Investments held at reporting date - Company

	2020	2020	2019	2019	2018	2018
	Fair value	Dividends received	Fair value	Dividends received	Fair value	Dividends received
Singisi Forest Products (Pty) Ltd	2 647	-	13 000	-	16 500	-

9. Deferred tax

	Group			Company		
Figures in Rand thousand	**2020**	**2019**	**2018**	**2020**	**2019**	**2018**

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:

Deferred tax liability	-	361	-	-	-	-
Deferred tax asset	-	(361)	307	-	-	-
Total net deferred tax asset	**-**	**-**	**307**	**-**	**-**	**-**

Reconciliation of deferred tax asset

At beginning of year	-	307	(5)	-	-	-
Increases (decrease) in tax loss available for set off against future taxable income - gross of valuation allowance	-	-	(207)	-	-	-
Taxable / (deductible) temporary difference movement on tangible fixed assets	-	40	(40)	-	-	-
Taxable / (deductible) temporary difference on product development costs	-	(3)	109	-	-	-
Other (Specify)	-	(344)	450	-	-	-
	-	**-**	**307**	**-**	**-**	**-**

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.

10. Loans advanced

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 2020 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.

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 advanced:

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 2020 was R170,530 million.

Loan commitments

The value of loans that were approved and taken up but not yet fully disbursed at 31 March 2020 was R43,482 million.

Contractual amounts that were written off

During the current finanial year no loans were written off.

COVID-19 impact

The Group has applied the Moody's adjustment factor of 3.23% to loss rates based on the 12-month global speculative grade default rate baseline forecast for 31 March 2021, to incorporate the impact of COVID-19 on the loans advanced.

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 2020 is R130,384 million.

	100 basis point increase	100 basis point increase
FY 2020	1 740	(1 740)
FV 2019	1 579	(1 579)

10. Loans advanced (continued)

	Group			Company		
Figures in Rand thousand	**2020**	**2019**	**2018**	**2020**	**2019**	**2018**
Loans advanced	189 502	172 202	242 001	189 502	172 202	242 001
Impairment allowance	(130 384)	(119 015)	(176 810)	(130 384)	(119 015)	(176 810)
	59 118	**53 187**	**65 191**	**59 118**	**53 187**	**65 191**
Non - current	36 252	29 471	38 359	36 252	29 471	38 359
Current	22 866	23 716	26 832	22 866	23 716	26 832
	59 118	**53 187**	**65 191**	**59 118**	**53 187**	**65 191**
Summary of movement in allowances						
Opening balance	119 015	176 810	166 633	119 015	176 810	166 633
Increase (decrease) in allowance	11 369	(5 702)	10 177	11 369	(5 702)	10 177
Write off	-	(52 093)	-	-	(52 093)	-
	130 384	**119 015**	**176 810**	**130 384**	**119 015**	**176 810**

11. Trade and other receivables

Financial instruments:						
Rental receivables	313 757	386 560	335 418	313 055	385 650	333 859
Loss allowance	(311 665)	(374 263)	(326 056)	(311 630)	(374 237)	(325 867)
Rental receivables at amortised cost	2 092	12 297	9 362	1 425	11 413	7 992
Deposits	78	14	37		-	-
Other receivable	11 992	10 358	13 290	13 266	11 657	13 020
Non-financial instruments:						
VAT	7 381	7 264	701	114		-
Prepayments	132	2 078	70	-	2 009	
Total rental and other receivables	**21 675**	**32 011**	**23 460**	**14 805**	**25 079**	**21 012**
Split between non-current and current portions						
Non-current assets						
Current assets	21 675	32 011	23 460	14 805	25 079	21 012
	21 675	**32 011**	**23 460**	**14 805**	**25 079**	**21 012**

11. Trade and other receivables (continued)

	Group			Company		
Figures in Rand thousand	**2020**	**2019**	**2018**	**2020**	**2019**	**2018**
Categorisation of rental and other receivables						
Trade and other receivables are categorised as follows in accordance with IFRS 9: Financial Instruments:						
At amortised cost	14 162	22 669	22 689	14 691	23 070	21 012
Non-financial instruments	7 513	9 342	771	114	2 009	
	21 675	**32 011**	**23 460**	**14 805**	**25 079**	**21 012**
Summary of movement in credit loss allowances						
Opening balance	374 237	325 867	278 468	374 237	325 867	278 468
Increase (decrease) in allowance	60 499	58 895	47 588	60 464	58 869	47 399
Write off - prescribed	(41 838)	(10 499)	-	(41 838)	(10 499)	-
Reversal of in duplum interest	(81 233)	-	-	(81 233)	-	-
	311 665	**374 263**	**326 056**	**311 630**	**374 237**	**325 867**

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 total of R41,838 million rental debt of ex-tenants, which was already fully impaired, has been written off due to the legal requirement that once a debt prescribes,it is extinguished.

Further, induplum interest on rental income amounting to R81,233 million has been reversed and R74,200 million of this reversal relates to prior years and a balance of R7,013 million relates to interest charged during 2019/2020 financial year.

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.

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 expected credit 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 industry as at the reporting date.

11. Trade and other receivables (continued)

COVID-19 impact

The Group has applied the Moody's adjustment factor of 3.23% to loss rates based on the 12-month global speculative grade default rate baseline forecast for 31 March 2021, to incorporate the impact of COVID-19 on the rental receivables.

The Expected Credit Loss (ECL) for rental receivables as at 31 March 2020 is R311 630 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:

Group	2020	2020	2019	2019	2018	2018
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: 100% (2019: 0%; 2018: 0%)	717	(2 892)	3 099	(804)	1 850	-
More than 3 months past due: 100% (2019: 25%, 2018:25%)	1 093	(1 093)	1 265	(18)	788	(209)
More than 4 months past due: 100% (2019: 30%; 2018:30%)	456	(456)	929	(7)	1 753	(196)
More than 5 months past due: 100% (2019: 40%; 2018:40%)	1 322	(1 322)	1 292	(67)	989	(180)
More than 6 months past due: 100% (2019: 50%; 2018: 50%)	1 627	(1 627)	638	(321)	665	(184)
More than 7 months past due: 100% (2019: 60%; 2018: 60%)	1 746	(1 746)	1 068	(108)	762	(319)
More than 8 months past due: 100% (2019: 70%; 2018:100%)	1 542	(1 542)	1 347	(375)	971	(510)
More than 9 months past due: 100% (2019: 100%; 2018: 100%)	305 254	(300 987)	376 922	(372 563)	327 640	(324 458)
Total	**313 757**	**(311 665)**	**386 560**	**(374 263)**	**335 418**	**(326 056)**

Company	2020	2020	2019	2019	2018	2018
Less than 3 months due: 100% (2019: 0%; 2018: 0%)	3 653	(2 228)	2 318	-	291	-
More than 3 months past due: 100% (2019: 25%; 2018: 25%)	1 093	(1 093)	1 235	(13)	788	(18)
More than 4 months past due: 100% (2019: 30%; 2018: 30%)	456	(456)	830	(36)	1 753	(196)
More than 5 months past due: 100% (2019: 40%; 2018: 40%)	1 322	(1 322)	1 292	(219)	989	(180)
More than 6 months past due: 100% (2019: 50%; 2018: 50%)	1 627	(1 627)	638	(202)	665	(184)
More than 7 months past due: 100% (2019: 60%; 2018: 60%)	1 746	(1 746)	1 068	(486)	762	(319)
More than 8 months past due: 100% (2019: 70%; 2018:70%)	1 542	(1 542)	1 347	(815)	971	(510)
More than 9 months past due: 100% (2019: 100%; 2018: 100%)	301 616	(301 616)	376 922	(372 466)	327 640	(324 460)
Total	**313 055**	**(311 630)**	**385 650**	**(374 237)**	**333 859**	**(325 867)**

12. Cash and cash equivalents

	Group			Company		
Figures in Rand thousand	**2020**	**2019**	**2018**	**2020**	**2019**	**2018**
Cash and cash equivalents consist of:						
Bank balances	82 181	48 341	60 864	50 758	17 367	35 200
Short-term deposits	62 708	147 387	137 116	62 708	147 387	137 116
	144 889	**195 728**	**197 980**	**113 466**	**164 754**	**172 316**

13. Share capital

Authorised						
50 billion Ordinary Type A shares of one cent each	500 000	500 000	500 000	500 000	500 000	500 000
50 billion Ordinary Type B shares of one 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**

All shares issued are not transferable otherwise than by an Act of the Eastern Cape Provincial Parliament. The shares held by the State shall entitle it to a majority vote. No shares were issued during the year.

Reconciliation of number of shares issued:						
"A" ordinary shares of 1 cent each	213 975	213 975	213 795	213 975	213 975	213 795
"B" ordinary shares of 1 cent each	213 975	213 975	213 795	213 975	213 975	213 795
	427 950	**427 950**	**427 590**	**427 950**	**427 950**	**427 590**

Issued						
Reported as at 31 March 2020	427 590	427 590	427 590	427 590	427 590	427 590

14. Reserves

Balances as at 31 March 2020 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	8 539	3 609	8 509	4 809	4 809
Fair value adjustment on investments at fair value	1 827	12 180	15 680	1 827	12 180	15 680
	398 331	**404 984**	**403 554**	**394 601**	**401 254**	**404 754**

15. Loans from group companies

	Group			Company		
Figures in Rand thousand	**2020**	**2019**	**2018**	**2020**	**2019**	**2018**
Subsidiaries						
Transkei Share Investment Company SOC Ltd	-	-	-	25 129	25 163	15 584
The loan is interest free and has no fixed terms of repayment						
Transdev SOC Ltd	-	-	-	-	-	36 985
The loan is interest free and has no fixed terms of repayment						
	-	**-**	**-**	**25 129**	**25 163**	**52 569**
Split between non-current and current portions						
Non-current liabilities	-	-	-	25 129	25 163	52 569

Exposure to liquidity risk

Refer to note 47 Financial instruments and financial risk management for details of liquidity risk exposure and management.

16. Lease liabilities

	Group			Company		
Figures in Rand thousand	**2020**	**2019**	**2018**	**2020**	**2019**	**2018**
Reconciliation of previously disclosed operating lease commitments to the lease liabilities						
Operating lease commitments at 31 March 2019	91		-	- 10 346		-
Discounted usingincremental borrowing rate at 01 April 2019	(2)		-	- (1 713)		-
Lease liability recognised at 01 April 2019	89		-	- 8 633		-
Less: payments	(26)		-	- (2 046)		-
Balance of lease liability at 31 March 2020	**63**		**-**	**6 587**		**-**

Amounts recognised in profit or loss						
Interest expense on lease liability	25		-	- 713		-
Expenses relating to shortterm leases	433		-	- 433		-
Expenses relating to assets of low-value assets	809		-	- 809		-
	1 267		**-**	**- 1 955**		**-**

Amounts recognised in the cashflow statement						
Finance costs	25	-	-	713	-	-
Lease payments	26	-	-	2 046	-	-
	51	**-**	**-**	**2 759**	**-**	**-**

2019 - Operating lease under IAS 17						
Lease expense	-	2 759	2 759	-	2 759	2 759
	-	**2 759**	**2 759**	**-**	**2 759**	**2 759**

IFRS 16 Minimum lease payments due						
Within 1 year	31	-	-	2 759	-	-
1-2 years	34	-	-	2 759	-	-
2-3 years	-	-	-	2 069	-	-
Less: future finance charges	(2)	-	-	(1 000)	-	-
	63	**-**	**-**	**6 587**	**-**	**-**

Present value of minimum lease payments						
Within 1 year	28	-	-	2 184	-	-
1-2 years	35	-	-	2 419	-	-
2-3 years	-	-	-	1 984	-	-
	63	**-**	**-**	**6 587**	**-**	**-**

16. Lease liabilities (continued)

	Group			Company		
Figures in Rand thousand	**2020**	**2019**	**2018**	**2020**	**2019**	**2018**
IAS 17						
Minimum lease payments due						
Within 1 year	-	31	31	-	-	-
2-5 years	-	68	99	-	-	-
less: future finance charges	-	(10)	(18)	-	-	-
	-	**89**	**112**	**-**	**-**	**-**
Present value of minimum lease payments due						
Within 1 year	-	26	24	-	-	-
2-5 years	-	63	88	-	-	-
	-	**89**	**112**	**-**	**-**	**-**
Non-current liabilities	35	63	88	4 403	-	-
Current liabilities	28	26	24	2 184	-	-
	63	**89**	**112**	**6 587**	**-**	

The Group leases a property owned by a subsidiary, Cimvest SOC Ltd. The property is situated in East London and is utlised as the Eastern Cape Development Corporation's Head Office building. The lease has a five year term, with a commencement date of 01 January 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 term of the lease, without considering options to terminate or extend, is 45 months and therefore this was used for the recognition of the lease liability, in accordance with the modified retrospective approach.

This lease was previously classified as an operating lease under IAS 17.

The ECDC also leases a small section of a building that is utilised as the Port Elizabeth Regional office and the building is privately owned. At initial application of IFRS 16 the remaining term of the lease was less than twelve months. Subsequent to the financial year ended 31 March 2020, the lease came to an end and the building has since been vacated. This lease has therefore been accounted for as a short term lease.

The Group further leases multi-purpose office machines (copiers and printers). The terms for these leases range from three months to three years. These leases are considered to be short-term and/or leases of low-value items. The Group has elected not to recognise lease liabilities for these leases.

The lease liabilities are secured by the related underlying assets.
The details of these leases are available for inspection at the registered office of the Group.

17. Operating lease asset (accrual)

	Group			Company		
Figures in Rand thousand	**2020**	**2019**	**2018**	**2020**	**2019**	**2018**
Current assets	-	11	-	-	-	
Non-current liabilities	-	-	(3)	-	-	
Current liabilities	-	-	(11)	-	-	
	-	**11**	**(14)**	**-**	**-**	

The operating lease asset (accrual) above is due to an accounting entry that is related to the straight - lining of rental.

18. Retirement benefit obligation

The Company 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 Company 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.

Balance at the beginning of the year	(31 787)	(34 347)	(31 565)	(31 787)	(34 347)	(31 565)
Current service cost	(1 257)	(1 536)	(1 513)	(1 257)	(1 536)	(1 513)
Interest cost	(2 967)	(2 967)	(2 862)	(2 967)	(2 967)	(2 862)
Contributions by members	1 278	1 229	1 073	1 278	1 229	1 073
Net actuarial gains recognised	10 013	5 834	520	10 013	5 834	520
	(24 720)	**(31 787)**	**(34 347)**	**(24 720)**	**(31 787)**	**(34 347)**
Changes in present value						
Opening balance	(31 787)	(34 347)	(31 565)	(31 787)	(34 347)	(31 565)
Contributions by members	1 278	1 229	1 073	1 278	1 229	1 073
Net expense recognised in profit or loss	5 789	1 331	(3 855)	5 789	1 331	(3 855)
	(24 720)	**(31 787)**	**(34 347)**	**(24 720)**	**(31 787)**	**(34 347)**
Net expense recognised in profit or loss						
Current service cost	(1 257)	(1 536)	(1 513)	(1 257)	(1 536)	(1 513)
Past service cost	(2 967)	(2 967)	(2 862)	(2 967)	(2 967)	(2 862)
Actuarial gains	10 013	5 834	520	10 013	5 834	520
	5 789	**1 331**	**(3 855)**	**5 789**	**1 331**	**(3 855)**

Past (accrued) and future service liability

Assumptions used are according to the valuation performed for the year ended 31 March 2020.

Health care cost inflation	7,05%	6,96%	7,26%	7,05%	6,96%	7.26%
Discount rate	11,33%	9,54%	8,79%	11,33%	9,54%	8.79%

18. Retirement benefit obligation (continued)

	Group			Company		
Figures in Rand thousand	**2020**	**2019**	**2018**	**2020**	**2019**	**2018**

Effect of 1% change in assumed medical cost trend rates

It is the policy of the Group to provide retirement benefits to all its employees. Based on the actuarial valuation performed at 31 March 2020, 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.

	2020	2019	2018	2020	2019	2018
The total group contribution to such schemes	672	788	788	672	788	788
1% increase - effect on accumulated benefit obligation	3 172	4 351	5 139	3 172	4 351	5 139
1% decrease - effect on current service cost & interest cost	(552)	(640)	(637)	(552)	(640)	(637)
1% decrease - effect on accumulated benefit obligation	(2 653)	(3 639)	(4 251)	(2 653)	(3 639)	(4 251)

Mortality Rate

	2020	2019	2018	2020	2019	2018
Pre-expected retirement mortality		SAB85-90 (Light) - 3	SAB85-90 (Light) - 3	SAB85-90 (Light) - 3	SAB85-90 (Light) - 3	-
Post-expected retirement mortality		PA (90) - 1	PA (90) - 1	PA (90) - 1	PA (90) - 1	-
Retirement age		60 years	60 years	60 years	60 years	-

SAB85-90(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.

Five year forecast	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Post retirement obligation at beginning of the period	31 787	24 720	27 180	29 931	33 011	36 463
Interest cost	2 967	2 739	3 013	3 320	3 664	4 049
Service cost	1 257	850	947	1 054	1 173	1 306
Expected benefit payments	(1 278)	(1 129)	(1 209)	(1 294)	(1 385)	(1 483)
Actuarial gains/losses	(10 013)	-	-	-	-	-
Post retirement obligation at end of the period	**24 720**	**27 180**	**29 931**	**33 011**	**36 463**	**40 335**

19. Deferred income

	Group			Company		
Figures in Rand thousand	**2020**	**2019**	**2018**	**2020**	**2019**	**2018**
Non-current liabilities	423	134	269	-	-	-
Current liabilities	91 252	106 072	140 747	80 270	95 479	131 128
	91 675	**106 206**	**141 016**	**80 270**	**95 479**	**131 128**

Analysis per entity	**2020**	**2019**	**2018**	**2020**	**2019**	**2018**
Eastern Cape Development Corporation	80 270	95 479	131 128	80 270	95 479	131 128
AIDC Development Centre Eastern Cape (SOC) Ltd	11 405	10 727	9 888	-	-	-
Sub-total	91 675	106 206	141 016	80 270	95 479	131 128
	91 675	**106 206**	**141 016**	**80 270**	**95 479**	**131 128**

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.

20. Other financial liabilities

This relates to funds that were identifed by the Eastern Cape Provincial Treasury and Planning as uncommitted as at 31 March 2018 and therefore should be surrendered. The terms agreed to are that the fund will be surrendered over a three year period as follows:

2020/21 - R31,746 million (to be effected on the 2020 Budget Adjustment Estimates)
2021/22 - R15,873 million (to be effected as a reduction on baseline allocations)

Project funds due to be Surrendered	**2020**	**2019**	**2020**	**2019**
Non-current liabilities	15 873	31 746	15 873	31 746
Current liabilities	31 746	15 873	31 746	15 873
	47 619	**47 619**	**47 619**	**47 619**

21. Trade and other payables

	Group			Company		
Figures in Rand thousand	**2020**	**2019**	**2018**	**2020**	**2019**	**2018**
Financial instruments:						
Trade payables	2 020	1 191	323	1 925	671	306
Government funds	25 074	5 497	5 691	23 566	3 988	5 680
Accrued leave	8 813	8 525	8 501	8 600	8 295	8 307
Accrued bonus	2 102	2 418	2 646	1 436	1 447	1 802
Accrued expenses	19 365	11 782	34 814	18 604	10 456	34 201
Dividends payable	11 989	11 989	989		-	-
Deposits received	9 229	9 297	9 027	9 229	9 297	9 027
Other payables	5 598	12 349	16 121	5 640	12 317	15 118
Non-financial instruments:						
VAT	49	702	1 001	-	646	742
	84 239	**63 750**	**79 113**	**69 000**	**47 117**	**75 183**

Exposure to liquidity risk

Refer to note 47 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. Other operating income

Project management fees received	1 263	4 412	1 263	4 412
Commissions received	16	16	16	16
Bad debts recovered	1 943	805	1 943	805
Utilities recovered	4 682	13 146	4 682	13 146
Sundry income	2 152	2 809	2 058	8 408
	10 056	**21 188**	**9 962**	**26 787**

23. Revenue

Figures in Rand thousand	Group 2020	Group 2019	Group 2018	Company 2020	Company 2019	Company 2018
Revenue from contracts with customers						
Rendering of services			2 204	2 388	847	1 060
Revenue from operating leases						
Rental income			94 323	90 410	85 347	83 549
			96 527	**92 798**	**86 194**	**84 609**
Interest revenue						
Interest on loans			8 785	11 271	8 785	11 271
Interest on rental			23 563	33 405	23 563	33 405
			32 348	**44 676**	**32 348**	**44 676**

Disaggregation of revenue from contracts with customers

The group disaggregates revenue from customers as follows:

	Group 2020	Group 2019	Group 2018	Company 2020	Company 2019	Company 2018
Rendering of services						
Rendering of services			2 204	2 388	847	1 060
Interest on loans						
Interest on loans			8 785	11 271	8 785	11 271
			10 989	**13 659**	**9 632**	**12 331**

Timing of revenue recognition

	Group 2020	Group 2019	Group 2018	Company 2020	Company 2019	Company 2018
At a point in time						
Administration fees			(2 204)	(2 388)	(847)	(1 060)
Over time						
Interest on loans			(8 785)	(11 271)	(8 785)	(11 271)

24. Government grants

		2020	2019	2020	2019
Unconditional grants		139 939	189 836	128 147	177 683
Conditional grants utilised		20 499	27 600	19 013	25 434
		160 438	**217 436**	**147 160**	**203 117**

25. Other operating gains (losses)

Gains (losses) on disposals, scrappings and settlements					
Investment property	3	(502)	(2 390)	(502)	(2 390)
Property, plant and equipment	2	1	(94)	-	-
Derecognised assets		(37 190)	-	(37 190)	-
		(37 691)	**(2 484)**	**(37 692)**	**(2 390)**

26. Operating profit (loss)

Operating (loss) profit for the year is stated after charging (crediting) the following, amongst others:

Auditor's remuneration - external				
Audit fees	3 592	3 784	3 396	3 563

Remuneration, other than to employees				
Consulting and professional services	15 789	15 372	15 439	13 128
Secretarial services	10	8	-	-
	15 799	**15 380**	**15 439**	**13 128**

Employees costs

As at 31 March 2020 the group had 126 permanent employees (2019: 137). The total cost of employment of all employees, including 18 fixed term contract employees was as follows:

Salaries, wages, bonuses and other benefits	127 233	128 721	112 713	118 679
Long term service award	20	20	-	-
Retirement benefit plans: defined contribution expense	(11 291)	(7 063)	(11 291)	(7 063)
Total employee costs	**115 962**	**121 678**	**101 422**	**111 616**

Leases

Operating lease charges				
Premises	4 151	4 509	638	3 746
Equipment	1 163	1 124	1 163	1 124
	5 314	**5 633**	**1 801**	**4 870**

26. Operating profit (loss) (continued)

	2020	2019	2020	2019
Depreciation and amortisation				
Depreciation of property, plant and equipment	3 780	1 857	3 692	1 698
Amortisation of intangible assets	102	213	14	144
	3 882	**2 070**	**3 706**	**1 842**
Other				
Research costs	375	373	375	373

Expenses by nature

The total cost of sales, selling and distribution expenses, marketing expenses, general and administrative expenses, research and development expenses, maintenance expenses and other operating expenses are analysed by nature as follows:

Employee costs	115 962	121 678	101 422	111 616
Operating lease charges	5 314	5 633	1 801	4 870
Depreciation and amortisation	3 882	2 070	3 706	1 842
Other expenses	82 024	105 317	85 598	83 433
Impairments recognised in profit or loss	67 959	53 041	67 897	53 204
Assesment rates and municipal charges	30 842	30 592	30 842	30 592
Projects implemented	56 984	59 551	55 718	59 809
	362 967	**377 882**	**346 984**	**345 366**
Net gains (losses) on financial instruments				
Financial assets at fair value through profit (loss) – designated	(1 179)	(357)	(5 137)	(705)

27. Investment income

Dividend income				
Group entities:				
Associates - Local	-	11 988	-	-
Equity instruments at fair value through profit or loss:				
Listed investments - Local	83	142	-	-
Unlisted investments - Local	-	-	-	3 878
Total dividend income	**83**	**12 130**	**-**	**3 878**

27. Investment income (continued)

Interest income					
Investments in financial assets:					
Bank and other cash		12 213	11 743	10 384	9 900
Loans to group companies:					
Intercompany loans interest		-	-	3 403	2 800
Short-term deposits		-	-	-	-
Total interest income		**12 213**	**11 743**	**13 787**	**12 700**
Total investment income		**12 296**	**23 873**	**13 787**	**16 578**

28. Finance costs

Interest on leases		25	7	713	-

29. Fair value gain/ (loss)

Fair value gains (losses)					
Investment property	3	(22 070)	173 564	(22 070)	181 907
Financial assets designated as at fair value through profit or loss		(6 316)	(1 062)	(5 137)	(705)
		(28 386)	**172 502**	**(27 207)**	**181 202**

30. Taxation

Major components of the tax expense (income)					
Current					
Local income tax - current period		144	290	-	-
Deferred					
Deferred tax		-	307	-	-
		144	**597**	**-**	**-**

30. Taxation (continued)

Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

Accounting profit	887	3 041	-	-
Tax at the applicable tax rate of 28%% (2019: 28%%)	248	852	-	-
				-
Tax effect of adjustments on taxable income				
Arising from previously deferred tax asset	(109)	305	-	-
Donations received	-	(560)	-	-
Non - deductible expenditure	5	-	-	-
	144	**597**	**-**	**-**

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.

31. Other comprehensive income

Components of other comprehensive income - Group - 2020

	Gross	Tax	Net
Movements on revaluation			
Gains (losses) on property revaluation	3 700	-	3 700
Items that may be classified to profit or loss			
Investments at fair value adjustment			
Gains (losses) arising during the year	(10 353)	-	(10 353)

Components of other comprehensive income - Group - 2019

	Gross	Tax	Net
Movements on revaluation			
Gains (losses) on property revaluation	4 930	-	4 930
Items that may be reclassified to profit (loss)			
Available-for-sale financial assets adjustments			
Gains (losses) arising during the year	(3 500)	-	(3 500)
Total	**1 430**	**-**	**1 430**

31. Other comprehensive income (continued)

Components of other comprehensive income - Company - 2020

Items that will not be reclassified to profit (loss)	Gross	Tax	Net
Movements on revaluation			
Gains (losses) on property revaluation	3 700	-	3 700
Investments at fair value adjustment			
Gains (losses) arising during the year	(10 353)	-	(10 353)

Components of other comprehensive income - Company - 2019

Items that may be reclassified to profit (Loss)	Gross	Tax	Net
Available-for-sale financial assets adjustments			
Gains (losses) on property revaluation	(3 500)	-	(3 500)

32. Employee costs

Employees costs				
Basic	125 526	128 893	111 456	119 741
Bonus	297	708	-	-
Medical aid - company contributions	1 257	1 536	1 257	1 536
UIF	37	42	-	-
WCA	24	19	-	-
SDL	94	94	-	-
Leave pay provision charge	(2)	(2 598)	-	(2 598)
Long service awards	20	20	-	-
Retirement benefit plans	(11 291)	(7 063)	(11 291)	(7 063)
	115 962	**121 651**	**101 422**	**111 616**

33. Fair value adjustment through comprehensive income

Fair value reserves comprise of all fair value adjustments that are recognised in equity and/or transferred from retained earnings. The balances hereunder, represent an estimated fair value of the Corporation's interest in Singisi Forest Products (Pty) Ltd.

The total cost of sales, selling and distribution expenses, marketing expenses, general and administrative expenses, research and development expenses, maintenance expenses and other operating expenses are analysed by nature as follows:

	Group			Company		
Figures in Rand thousand	**2020**	**2019**	**2018**	**2020**	**2019**	**2018**
Fair value adjustment through other comprehensive income	1 827	12 180	15 680	1 827	12 180	15 680

34. Other NDR

	Group			Company		
Figures in Rand thousand	**2020**	**2019**	**2018**	**2020**	**2019**	**2018**

This represents pre-incorporation reserves that originated from the net book value of assets and liabilities transferred from previous corporations that were amalgamated into the Eastern Cape Development Corporation in 2001. These reserves were adjusted for any changes in the value of the assets and liabilities , due to information which has been established during the current and prior years that refer to the value of assets taken over.

	384 265	384 265	384 265	384 265	384 265	384 265

35. Depreciation and amortisation

Depreciation						
Property, plant and equipment			3 780	1 857	3 692	1 698
Amortisation						
Intangible assets			102	213	14	144
Total depreciation and amortisation						
Depreciation			3 780	1 857	3 692	1 698
Amortisation			102	213	14	144
			3 882	**2 070**	**3 706**	**1 842**

36. Tax (paid) refunded

Balance at beginning of the year			(154)	(12)	-	-
Current tax for the year recognised in profit or loss and other comprehensive income			(151)	(290)	-	-
Closing balance			81	154	-	-
			(224)	**(148)**	**-**	**-**

37. Cash generated from/(used in) operations

(Loss) profit before taxation	(117 825)	178 075	(123 145)	209 213
Adjustments for:				
Depreciation of property, plant & equipment	1 477	1 857	3 692	1 698
(Profit) or loss on sale of investment properties	501	2 390	502	2 390
(Profit) or loss on sale of property, plant & equipment	(1)	94	-	-
Income from equity accounted investments	421	13 979	-	-
Dividends	(83)	(12 130)	-	(3 878)
Interest income	(20 998)	(23 014)	(19 169)	(21 171)
Finance costs	25	7	713	-
Fair value adjustments	28 388	(171 491)	27 207	(180 191)
Amortisation of intangible assets	102	213	14	144
Impairments	(55 177)	(16 538)	(55 179)	(16 462)
Rent debtors written off	123 071	69 666	123 071	69 666
Movements in retirement benefit assets and liabilities	(7 067)	(2 560)	(7 067)	(2 560)
Movement in operating lease assets and accruals	11	(25)	-	-
Derecognised assets	37 190	-	37 190	-
Changes in working capital:				
Trade and other receivables	(53 221)	(53 687)	(56 563)	(37 148)
Trade and other payables	20 489	32 256	21 883	19 553
Deferred income	(14 531)	(34 810)	(15 209)	(35 649)
	(57 228)	**(15 718)**	**(62 060)**	**5 605**

38. Changes in liabilities arising from financing activities

	Group		Company	
Figures in Rand thousand	**2020**	**2019**	**2020**	**2019**

Reconciliation of liabilities arising from financing activities - Group - 2020

	Opening balance	Other non-cash move-ments	Total non-cash move-ments	Cash flows	Closing balance
Other financial liabilities: current	15 873	15 873	15 873	-	31 746
Other financial liabilities: non- ncurrent	31 746	(15 873)	(15 873)	-	15 873
Lease 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 - Group - 2019

	Opening balance	Other non-cash move-ments	Total non-cash move-ments	Cash flows	Closing balance
Other financial liabilities: current	-	15 873	15 873	-	15 873
Other financial liabilities: non- ncurrent	-	31 746	31 746	-	31 746
Finance lease liabilities	112	-	-	(23)	89
	112	**47 619**	**47 619**	**(23)**	**47 708**
Total liabilities from financing activities	**112**	**47 619**	**47 619**	**(23)**	**47 708**

Reconciliation of liabilities arising from financing activities - Group - 2018

	Opening balance	Cash flows	Closing balance
Finance lease liabilities	11	101	112
	11	**101**	**112**
Total liabilities from financing activities	**11**	**101**	**112**

38. Changes in liabilities arising from financing activities (continued)

	Group		Company	
Figures in Rand thousand	**2020**	**2019**	**2020**	**2019**

Reconciliation of liabilities arising from financing activities - Group - 2020

	Opening balance	New leases	Other non-cash move-ments	Total non-cash move-ments	Cash flows	Closing balance
Other financial liabilities: current	15 873	-	15 873	15 873	-	31 746
Other financial liabilities: non- ncurrent	31 746	-	(15 873)	(15 873)	-	15 873
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**

Reconciliation of liabilities arising from financing activities - Company - 2019

	Opening balance	Other non-cash move-ments	Total non-cash move-ments	Closing balance
Other financial liabilities: current		15 873	15 873	15 873
Other financial liabilities: non - current	-	31 746	31 746	31 746
	-	**47 619**	**47 619**	**47 619**
Total liabilities from financing activities	**-**	**47 619**	**47 619**	**47 619**

39. Commitments

	Group 2020	Group 2019	Company 2020	Company 2019
Already contracted for but not provided for				
• Project expenditure contracted for at the end of the reporting period but not yet recognised as expenditure	28 682	59 058	28 682	59 058
2020 - Operating lease under IFRS 16				
Less than 1 year	37 988	-	37 988	-
1 - 2 years	26 811	-	26 811	-
2 - 3 years	20 687	-	20 687	-
3 - 4 years	16 049	-	16 049	-
4 - 5 years	10 827	-	10 827	-
More than 5 years	46 473	-	46 473	-
	158 835	**-**	**158 835**	**-**

39. Commitments (continued)

	Group		Company	
Figures in Rand thousand	**2020**	**2019**	**2020**	**2019**
Operating leases – as lessor (income)				
2019 - Operating lease under IAS 17				
- within one year	-	35 914	-	35 914
- in second to fifth year inclusive	-	65 088	-	65 088
- later than five years	-	56 312	-	56 312
	-	**157 314**	**-**	**157 314**

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.

Rental income recognised by the Group during the year ending 31 March 2020 was R94 323 million (2019: R90 410 million).

40. Contingent assets and liabilities

Contingent assets

The Group has contingent assets of R21,972 million (2019: R19,972 million)

On an annual basis, the Corporation undertakes a process of ensuring the completeness of investment properties in the register. Investment properties worth R21,972 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 R8,2 million (2019: R18,1 million)

Matters under litigation:
2020

The contingent liability matters that were reported as pending for the 31 March 2019 ,hereunder listed under 2019 as matters 1, 5, 6, 7 and 9 were concluded during the 2020 financial year. These matters were therefore no longer contingent liabilities as at 31 March 2020.

40. Contingent assets and liabilities (continued)

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 damages - Madodebhunga Nkubungu
Approximate liability: R371, 855
Status of matter:
The matter is pending at the Mthatha High Court.

3. 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.

4. 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.

2019

EASTERN CAPE DEVELOPMENT CORPORATION

1. Claim for services rendered - Industrial Development Association (ISDA)
Approximate potential liability: R2,188,482,80
Status of matter:
The matter is pending at the Mthatha High Court.

2. 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.

3. Claim for damages - Madodebhunga Nkubungu
Approximate liability: R371, 855
Status of matter:
The matter is pending at the Mthatha High Court.

4. 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.

40. Contingent assets and liabilities (continued)

5. Claim for replacement of property - Tabile Jodwana
Approximate liability: R5,890
Status of matter:
The matter held in abeyance

6. Claim for replacement of property - Butterworth Bakery CC
Approximate liability: R5,512,975
Status of matter:
The matter is pending at the Mthatha High Court.

7. Claim for wrongful eviction and damages - Mbona Business Trust
Approximate liability: R377,037.06
Status of matter:
The matter is still pending.

8. Claim for payment of damages - Telesure Group
Approximate liability: R2,565,006
Status of the matter:
The matter is still pending at the Grahamstown High Court..

9. Claim for services rendered - Elityeni / Conrite JV
Approximate liability: R1,781,238.02
Status of the matter:
The matter is still pending at the East London High Court.

41. Related parties

Relationships

Shareholder with significant influence	Department of Economic Development and Environmental Affairs and Tourism (DEDEAT)
Members of key management	Mr N Dlulane (Chief Executive Officer) Mr S Bulube (Chief Financial Officer) - as at 31 March 2020 (deceased in July 2020) Dr L Govender (Executive Manager: Corporate Services) Mr T Shenxane (Head: Trade, Investment and Innovation) Ms T Rozani (Head: Development Finance and Business Support) Mr M Mpikashe (Executive Manager: Legal, Governance and Compliance) Ms P Mfingwana (Head: Properties) - terminated in September 2019 Ms N Van Dyk (Acting Head: Properties) - Acting from October 2019

41. Related parties (continued)

Related party balances

Consolidated Subsidiaries	Issued shares	% share holding	2020 Value	2019 Value
Transdev properties (SOC) Ltd	2 000	100	2 000	2 000
Centre for Investment and Marketing in the Eastern Cape (NPC)	-	100	-	-
Cimvest (Pty) Ltd	120	100	-	-
Transkei Share Investments Company (SOC) Ltd	232 757	98	23 009 995	23 009 995
Automotive Industry Development Centre (Eastern Cape)	100	100	100	100
Loan accounts - Owing (to) by related parties (Group holds minority shareholing to safeguared interest against loans advanced)				
Border Copiers (Proprietary) Limited	-	-	5 787	5 798
Cross-med Health Care (Proprietary) Limited	-	-	3 503	3 503
Ndlambe Natural Industrial Products (Proprietary) Limited	-	-	6 975	6 191
Loan accounts - Owing (to) by related parties (consolidated subsidiaries)				
Transkei Share Investments Company SOC Ltd	-	-	25 129	25 163
Centre for Investment and Marketing in the Eastern Cape (NPC)	-	-	(26 166)	(23 038)
Transdev Properties SOC Ltd	-	-	(3 797)	(5 974)
Amounts included in Trade receivables regarding related parties (Refer to note 42 on directors emoluments)				
Non-Executive director - retired	-	-	30	30
Non-Executive director (decreased due to in-duplum reversal)	-	-	887	1 201

41. Related parties (continued)

Related party transactions

Subsidiaries and associates				
Interest from subsidiaries - Cimec (NPC)	-	-	3 403	4 883
Government grants paid to AIDC Development Centre Eastern Cape SOC Ltd	-	-	18 235	17 348
Rent charged by subsidiaries - Cimvest SOC Ltd	-	-	2 964	2 989
Interst received from related parties				
Border Copiers (Pty) Ltd	-	-	-	141
Ndlambe Natural Industry Products (Pty) Ltd	-	-	784	319
Operational expenditure paid on behalf of				
Eastern Cape Information Technology Initiative	-	-	-	5 437
Management fees received from related parties				
Cimvest SOC Ltd	-	-	414	414
Transdev Properties SOC Ltd	-	-	933	615
Rent revenue				
Non-Executive director - rent revenue billed	-	-	103	174
Rent received from related parties				
Eastern Cape Liquor Board	-	-	861	677
Eastern Cape Provincial Arts and Culture	-	-	257	241

42. Director's and prescribed officer's emoluments

Non-executive

2020	Directors fees	Directors expenses	Total
	2 482	1 670	4 152

2019	Directors fees	Directors expenses	Total
	1 759	1 224	2 983

42. Director's and prescribed officer's emoluments (continued)

Directors fees

2020	Board	SubCommittees	Ad-hoc	Total
Ms N Siwahla-Madiba (Chairperson)	216	76	174	466
Mr S Somdyala (Deputy Chairperson)	169	63	42	274
Mr M Damane	129	116	116	361
Mr S Thobela	127	66	63	256
Advocate M Sishuba	124	42	53	219
Mr A Ncobo	140	37	74	251
Ms N Pietersen	124	95	63	282
Prof. T M Jordan	140	106	58	304
Mr R Nicholls - External Audit Committee member	16	37	16	69
	1 185	**638**	**659**	**2 482**

2019	Board	SubCommittees	Ad-hoc	Total
Ms N Siwahla-Madiba (Chairperson - Appointed 03 December 2018)	95	119	240	454
Mr N Dladla (Chairperson - resigned 03 December 2018)	40	42	176	258
Mr M Damane	63	100	88	251
Mr S Thobela	63	92	135	290
Advocate M Sishuba	32	58	10	100
Mr A Ncobo	32	11	15	58
Mr S Somdyala	21	16	5	42
Ms N Pietersen	32	16	15	63
Prof. T M Jordan	32	5	16	53
Mr R Nicholls - External Audit Committee member	32	106	52	190
	442	**565**	**752**	**1 759**

42. Director's and prescribed officer's emoluments (continued)

Compensation to ECDC executive management

2020	Earnings	Contributions to Medical Aid & Pension	Total
Mr Dlulane (Chief Executive Officer)	2 526	310	2 836
Mr S Bulube (Chief Financial Officer)	1 802	223	2 025
Mr M Mpikashe (Executive: Legal, Governance and Compliance)	1 486	200	1 686
Mrs N Van Dyk (Acting Head: Properties) - acting from October 2019	57	-	57
Dr K.L. Govender (Executive: Corporate Services)	929	70	999
Ms T Rozani (Head: Development Finance and Business Support)	1 470	146	1 616
Mr T Shenxane (Head: Trade, Investment and Innovation)	1 513	104	1 617
Ms P Mfingwana (Head: Properties) - until September 2019	1 055	62	1 117
	10 838	**1 115**	**11 953**

2019	Earnings	Contributions to Medical Aid & Pension	Total
Mr Dlulane (Chief Executive Officer)	2 552	300	2 852
Mrs N Ngewu (Executive in the office of the CEO) - resigned 31 July 2018	668	78	746
Mr S Bulube (Chief Financial Officer) - started 01 March 2019	293	18	311
Mrs N Ngqubekile (Executive: Corporate Services) - resigned 29 June 2018	381	40	421
Mr M Mpikashe (Executive: Legal, Governance and Compliance)	1 524	193	1 717
Dr K L Govender (Acting Executive: Corporate Services)	109	-	109
Ms P Mfingwana (Head: Properties)	1 591	123	1 714
Ms T Rozani (Head: Development Finance and Business Support)	1 468	142	1 610
Mr T Shenxane (Head: Trade, Investment and Innovation)	1 519	104	1 623
	10 105	**998**	**11 103**

43. Prior year errors

The following errors were identified with respect to the 2018/19 financial year. Management considered the impact on the opening balances of the earliest comparative figures and these were adjusted accordingly.

Eastern Cape Development Corporation
Investment properties

Investment properties were overstated due to properties that were duplicated in the register as well as properties that were sold and transferred in the prior year. Further, Investment properties were overstated with refurbishments that were not recorded as repairs and maintenance. The effect of the adjustment is as follows:
Decrease in investment properties
Decrease in retained income

43. Prior year errors (continued)

Trade and other payables

The properties awaiting transfer was overstated due to properties that were transferred in the prior years. In the prior year, the current portion of the funds due to be surrendered to the shareholder amounting to R15,873 million were included in the Trade and other payables and has now been disclosed separately as "Other financial liabilities" on the face of the Statement of financial position. The effect of the adjustment is as follows:

Decrease in trade and other payables
Increase in other financial liabilities

Minority interest

Minority interest was overstated in the prior year and has now been corrected. The effect of the adjustment is as follows:
Decrease in minority interest
Increase in retained income

Revenue

Interest on loans was understated due to in duplum interest that was not correctly calculated. The interest revenue and loans advanced have now been corrected. The effect of the adjustment is as follows:

Increase in loans advanced
Increase in interest revenue

Other operating income

The operation income was understated in the group prior year reported figures due to a consolidation eliminating group account that was incorrectly mapped. The effect of the re-mapping is as follows:

Increase in other income
Decrease in operating expenditure

Operating expenditure

Operating expenditure was understated in prior year due to refurbishments of an investment property that were not included. Also, a donation of one property that was included in the list of investment properties donated to Mnquma Municipality in prior year was erroneously not recorded. Further, operating expenditure was understated due to a consolidation account that was incorrectly mapped to other operating income. The effect of the adjustment is as follows:

Increase in operating income
Decrease in investment properties

Other operating gain (losses)

The disposal of investment properties was understated in the prior year, investment properties and operating gain (losses) have been corrected. The effect of the adjustment is as follows:

Increase in other operating losses
Decrease in retained income

43. Prior year errors (continued)

Fair value adjustments

The fair value adjustments were understated due to fair value adjustments of duplicated properties that were included in prior year. The effect of the adjustment is as follows:

Increase in fair value gains
Increase in retained income

Reversal of In duplum interest

During 2019/2020 financial year, In duplum interest amounting to R81,233 million that was charged on outstanding rfental debt was reversed. The basis of this reversal is a common law rule that provides that "interest stops running when the unpaid interest equals the outstanding capital. When, due to payment, interest drops below the outstanding capital, interest again begins to run until it once again equals that amount."

The impact of the reversal is a decrease in interest revenue, impairment expense and trade and other receivables and thus has no impact on retained income in the prior year. The total reversal of R74,220 million relating to prior years is tabulated per year as follows:

2015/2016	-	R30,086 million
2016/2017	-	R13,263 million
2017/2018	-	R15,176 million
2018/2019	-	R15,695 million
Total	**-**	**R74,220 million**

Other financial liabilities

In the prior year the current protion of other financial laibilities was included in trade and other payables. This has now been corrected and the non-current and current portion of other financial liabilities are disclosed separately on the face of the statement of financial position. The effect of this adjustment is as follows:

Increase in other financial liabilities: current
Decrease in trade and other payables

Statement of changes in Equity, Cashflow statement and notes to the Financial Statements

To the extent that the above adjustments affect the statement of changes in equity, cashflow statement and notes to the financial statements, such corrections have been effected in the previous year.

The gross amount and the impairment of loans advanced were incorrectly disclosed in the note for loans advanced in the prior year. The note has now been corrected.

The impact of the corrections, stated above, on previously reported figures is tabulated below.

43. Prior year errors (continued)

Investment properties (Decrease)	2019	2018	2019	2018
Balance as previously reported	1 576 050	1 376 251	1 496 250	1 321 594
Adjustment	(92 192)	(87 650)	(92 192)	(87 650)
As restated	**1 483 858**	**1 288 601**	**1 404 058**	**1 233 944**

Trade and other payables (Decrease)	2019	2018	2019	2018
Balance as previously reported	88 869	79 239	72 236	75 309
Adjustment	(776)	(126)	(776)	(126)
Remapping	(24 343)	-	(24 343)	-
As restated	**63 750**	**79 113**	**47 117**	**75 183**

Minority interest (Decrease)	2019
Balance as previously reported	1 209
Adjustment	(232)
As restated	**977**

Operating expenditure (Increase)	2019	2018	2019	2018
Balance as previously reported	(372 758)	-	(341 271)	-
Adjustment	(4 095)	-	(4 095)	-
Re-mapping	(1 029)	-	-	-
As restated	**(377 882)**	**-**	**(345 366)**	**-**

Interest revenue (Increase)	2019	2018	2019	2018
Balance as previously reported	44 154	-	44 154	-
Adjustment	522	-	522	-
As restated	**44 676**	**-**	**44 676**	**-**

Fair value gains (losses) (Increase)	2019	2018	2019	2018
Balance as previously reported	171 299	-	179 999	-
Adjustment	1 203	-	1 203	-
As restated	**172 502**	**-**	**181 202**	**-**

Retained income (Decrease)	2019	2018	2019	2018
Balance as previously reported	869 777	688 426	763 777	548 628
Adjustment	(90 662)	(87 524)	(90 894)	(87 524)
	779 115	**600 902**	**672 883**	**461 104**

43. Prior year errors (continued)

Other operating income (Increase)	2019
Balance as previously reported	20 113
Re-mapping	1 075
	21 188

Loans advanced: Non-current (Increase)	2019	2018	2019	2018
Balance as previously reported	28 949	-	28 949	-
Adjustment	522	-	522	-
	29 471	**-**	**29 471**	**-**

Other operating gains (losses) (Increase)				
Balance as previously reported	(1 484)	-	(1 390)	-
Adjustment	(1 000)	-	(1 000)	-
	(2 484)	**-**	**(2 390)**	**-**

Other financial liabilities (Increase)				
Balance as previously reported	-	-		-
Re-mapping	15 873	-	15 873	-
	15 873	**-**	**15 873**	**-**

Investment income				
Balance as previously reported	23 873	-	16 578	-
Re-mapping	(46)	-	-	-
	23 827	**-**	**16 578**	**-**

Deferred income				
Balance as previously reported	97 602	-	87 009	-
Re-mapping	8 470	-	8 470	-
	106 072	**-**	**95 479**	**-**

44. Irregular expenditure

The Eastern Cape Development Corporation incurred irregular expenditure of R1,746 million, (2019: R350,791 thousand) and (2018:R4,221 million).

The employees concerned were issued with written warnings and others subsequently resigned from the employ of the ECDC.

AIDC Development Centre Eastern Cape (SOC) Ltd incurred Irregular expenditure to the value of R1,158 million. A disciplinary process was completed and the employees concerned were issued with a final written warning.

44. Irregular expenditure (continued)

	Group			Company		
Irregular expenditure	**2020**	**2019**	**2018**	**2020**	**2019**	**2018**
Opening balance	14 200	14 763	11 477	14 200	14 763	11 477
Incurred in current year	2 904	2 455	6 214	1 746	351	4 221
Condoned by the Board	-	(3 018)	(2 928)	-	(914)	(935)
	17 104	**14 200**	**14 763**	**15 946**	**14 200**	**14 763**

45. Fair value information

Group - 2020	Notes	Opening balance	Closing balance
Assets			
Equity investments at fair value through other comprehensive income	8		
Unlisted shares		2 647	2 647
Financial assets mandatorily at fair value through profit or loss	8		
Listed shares		2 191	2 191
Unlisted shares		4 042	4 042
Total financial assets mandatorily at fair value through profit or loss		**6 233**	**6 233**
Total		**8 880**	**8 880**

Group - 2019	Notes	Opening balance	Closing balance
Assets			
Financial assets mandatorily at fair value through profit or loss	8		
Listed shares		3 371	3 371
Unlisted shares		20 653	20 653
Total financial assets mandatorily at fair value through profit or loss		**24 024**	**24 024**
Total		**24 024**	**24 024**

Group - 2018	Notes	Opening balance	Closing balance
Assets			
Financial assets mandatorily at fair value through profit or loss	8		
Listed shares		3 728	3 728
Unlisted shares		25 199	25 199
Total financial assets mandatorily at fair value through profit or loss		**28 927**	**28 927**
Total		**28 927**	**28 927**

45. Fair value information (continued)

Company - 2020	Notes	Opening balance	Closing balance
Assets			
Equity investments at fair value through other comprehensive income	8		
Unlisted shares		2 647	2 647
Financial assets mandatorily at fair value through profit or loss	8		
Unlisted shares		6 127	6 127
Total		**8 774**	**8 774**

Company - 2019	Notes	Opening balance	Closing balance
Assets			
Financial assets mandatorily at fair value through profit or loss	8		
Unlisted shares		24 265	24 265
Total		**24 265**	**24 265**

Company - 2018	Notes	Opening balance	Closing balance
Assets			
Financial assets mandatorily at fair value through profit or loss	8		
Unlisted shares		25 199	25 199
Total		**25 199**	**25 199**

Valuation processes applied by the Group

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.

46. Changes in accounting policy

The consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year except for the adoption of the following new standard:

IFRS 16: Leases

In the current year, the company has adopted IFRS 16 Leases (as issued by the IASB in January 2016) with the date of initial application being 01 April 2019. IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases - Incentives and SIC 27 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in the accounting policy for leases. The impact of the adoption of IFRS 16 on the company's financial statements is described below.

The company has applied the practical expedient available in IFRS 16 which provides that for contracts which exist at theinitial application date, an entity is not required to reassess whether they contain a lease. This means that the practical expedient allows an entity to apply IFRS 16 to contracts identified by IAS 17 and IFRIC 4 as containing leases; and to not apply IFRS 16 to contracts that were not previously identified by IAS 17 and IFRIC 4 as containing leases.

IFRS 16 has been adopted by applying the modified retrospective approach, whereby the comparative figures are not restated. Instead, cumulative adjustments to retained earnings have been recognised in retained earnings as at 01 April 2019.

Leases where Group is a lessee

Leases previously classified as operating leases

The company undertook the following at the date of initial application for leases which were previously recognised as operating leases:

- recognised a lease liability, measured at the present value of the remaining lease payments, discounted at the company's incremental borrowing rate at the date of initial application.
- recognised right-of-use assets measured on a lease by lease basis, at either the carrying amount (as if IFRS 16 applied from commencement date but discounted at the incremental borrowing rate at the date of initial application) or at an amount equal to the lease liability adjusted for accruals or prepayments relating to that lease prior to the date of initial application

The company did not apply IAS 36 to consider if these right-of-use assets are impaired, but rather applied the practical expedient of IFRS 16 par C10(b). In accordance with this practical expedient, the carrying amounts were adjusted with the amount of any onerous provision which existed immediately prior to the date of initial application.

As an exception to the above, no adjustments were made on initial application of IFRS 16 for leases previously classified as operating leases:

- for which the underlying asset is of low value. From the date of initial application, these leases are accounted for in accordance with paragraph 6 of IFRS 16 by recognising the lease payments on a straight-line basis or another systematic basis which is more representative of the pattern of benefits consumed.

The company applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases in terms of IAS 17. Where necessary, they have been applied on a lease by lease basis:

- leases which were expiring within 12 months of 01 April 2019 were treated as short term leases, with remaining lease payments recognised as an expense on a straight-line basis or another systematic basis which is more representative of the pattern of benefits consumed;

46. Changes in accounting policy (continued)

Leases previously classified as finance leases

For leases that were classified as finance leases applying IAS 17, the company measured the carrying amount of the right-ofuse asset and the lease liability at the date of initial application as the carrying amount of the leased asset and lease liability immediately before that date measured applying IAS 17. For those leases, the company accounts for the right-of use asset and the lease liability applying IFRS 16 from the date of initial application.

47. Financial instruments and risk management

Categories of financial instruments
Categories of financial assets

Group - 2020

	Note(s)	Fair value through other comprehensive income - equity instruments	Fair value through profit or loss - Mandatory	Amortised cost	Total	Fair value
Investments at fair value	8	2 647	6 233	-	8 880	8 880
Rental and other receivables	11	-	-	14 162	14 162	14 162
Cash and cash equivalents	12	-	-	144 889	144 889	144 889
		2 647	**6 233**	**159 051**	**167 931**	**167 931**

Group - 2019

	Note(s)	Fair value through other comprehensive income - equity instruments	Fair value through profit or loss - Mandatory	Amortised cost	Leases	Total	Fair value
Investments at fair value	8	13 000	11 024	-	-	24 024	24 024
Operating lease asset	17	-	-		11	11	-
Rental and other receivables	11	-	-	22 669	-	22 669	22 669
Cash and cash equivalents	12	-	-	**195 728**	**-**	**195 728**	**195 728**
		13 000	**11 024**	**218 397**	**11**	**242 432**	**242 421**

Group - 2018

	Note(s)	Fair value through other comprehensive income - equity instruments	Fair value through profit or loss - Mandatory	Amortised cost	Total	Fair value
Investments at fair value	8	16 500	12 427	-	28 927	28 927
Rental and other receivables	11		-	22 689	22 689	22 689
Cash and cash equivalents	12		-	197 980	197 980	197 980
		16 500	**12 427**	**220 669**	**249 596**	**249 596**

47. Financial instruments and risk management (continued)

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	7	-	-	29 963	29 963	-
Investments at fair value	8	2 647	6 127	-	8 774	8 774
Rental and other receivables	11	-	-	14 691	14 691	14 691
Cash and cash equivalents	12	-	-	113 466	113 466	113 466
		2 647	**6 127**	**158 120**	**166 894**	**136 931**

Company - 2019

	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	7	-	-	29 012	29 012	-
Investments at fair value	8	13 000	11 265	-	24 265	24 265
Rental and other receivables	11	-	-	23 070	23 070	23 070
Cash and cash equivalents	12	-	-	164 754	164 754	164 754
		13 000	**11 265**	**216 836**	**241 101**	**212 089**

Company - 2018

	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	7	-	-	19 686	19 686	-
Investments at fair value	8	16 500	8 699	-	25 199	25 199
Rental and other receivables	11	-	-	21 012	21 012	21 012
Cash and cash equivalents	12	-	-	172 316	172 316	172 316
		16 500	**8 699**	**213 014**	**238 213**	**218 527**

47. Financial instruments and risk management (continued)

Catagories of financial liabilities

Group - 2020

	Note(s)	Amortised cost	Leases	Total	Fair value
Trade and other payables	21	84 189	-	84 189	-
Lease obligations	16	-	63	63	-
Other financial liabilities	20	47 619		47 619	-
		131 808	**63**	**131 871**	**-**

Group - 2019

	Note(s)	Amortised cost	Leases	Total	Fair value
Trade and other payables	21	63 045	-	63 045	-
Finance lease obligations	16	-	89	89	-
Other financial liabilities		47 619	-	47 619	-
		110 664	**89**	**110 753**	**-**

Group - 2018

	Note(s)	Amortised cost	Leases	Total	Fair value
Trade and other payables	21	78 105	-	78 105	-
Finance lease obligations	16	-	112	112	-
Operating lease accrual	17	-	14	14	-
		78 105	**126**	**78 231**	**-**

Company - 2020

	Note(s)	Amortised cost	Leases	Total	Fair value
Trade and other payables	21	69 007	-	69 007	-
Finance lease obligations	15	25 129	-	25 129	-
Operating lease accrual	16	-	6 587	6 587	-
	20	47 619	-	47 619	-
		141 755	**6 587**	**148 342**	**-**

Company - 2019

	Note(s)	Amortised cost	Total	Fair value
Trade and other payables	21	46 477	46 477	-
Loans from group companies	15	25 163	25 163	-
Other financial liabilities		47 619	47 619	-
		119 259	**119 259**	**-**

47. Financial instruments and risk management (continued)

Company - 2018

	Note(s)	Amortised cost	Total	Fair value
Trade and other payables	21	74 445	74 445	-
Loans from group companies	15	52 569	52 569	-
		127 014	**127 014**	**-**

Pre tax gains and losses on financial instruments

Gains and losses on financial assets

Group - 2020

	Note(s)	Fair value through profit or loss - Mandatory	Amortised cost	Fair value
Recognised in profit or loss:				
Interest income	27	-	12 213	12 213
Dividend income	27	83	-	83
Gains (losses) on valuation adjustments	25	(6 316)	-	(6 316)
Net gains (losses)		**(6 233)**	**12 213**	**5 980**

Group - 2019

	Note(s)	Fair value through profit or loss - Mandatory	Amortised cost	Fair value
Recognised in profit or loss:				
Interest income	27	-	11 743	11 743
Dividend income	27	142	-	142
Gains (losses) on valuation adjustments	25	(1 062)	-	(1 062)
Net gains (losses)		**(920)**	**11 743**	**10 823**

Group - 2018

	Note(s)	Fair value through profit or loss - Mandatory	Amortised cost	Fair value
Recognised in profit or loss:				
Interest income	27	-	8 165	8 165
Dividend income	27	1 038	-	1 038
Gains (losses) on valuation adjustments	25	721	-	721
Net gains (losses)		**1 759**	**8 165**	**9 924**

47. Financial instruments and risk management (continued)

Company - 2020

	Note(s)	Fair value through profit or loss - Mandatory	Amortised cost	Fair value
Recognised in profit or loss:				
Interest income	27	-	13 787	13 787
Gains (losses) on valuation adjustments	25	(5 137)	-	(5 137)
Net gains (losses)		**(5 137)**	**13 787**	**8 650**

Company - 2019

	Note(s)	Fair value through profit or loss - Mandatory	Amortised cost	Fair value
Recognised in profit or loss:				
Interest income	27	-	12 700	12 700
Dividend income	27	3 878	-	3 878
Gains (losses) on valuation adjustments	25	(705)	-	(705)
Net gains (losses)		**3 173**	**12 700**	**15 873**

Company - 2018

	Note(s)	Fair value through profit or loss - Mandatory	Amortised cost	Fair value
Recognised in profit or loss:				
Interest income	27	-	9 192	9 192
Dividend income	27	947	-	947
Net gains (losses)		**947**	**9 192**	**10 139**

47. Financial instruments and risk management (continued)

Gains and losses on financial liabilities

Group - 2020

	Note(s)	Amortised cost	Total
Recognised in profit or loss:			
Interest on leases	28	(25)	(25)

Group - 2019

	Note(s)	Amortised cost	Total
Recognised in profit or loss:			
Finance costs	28	(7)	(7)

Group - 2018

	Note(s)	Amortised cost	Total
Recognised in profit or loss:			
Finance costs	28	(8)	(8)

Company - 2020

	Note(s)	Amortised cost	Total
Recognised in profit or loss:			
Interest on leases	28	(713)	(713)

47. Financial instruments and risk management (continued)

		Group			Company		
Figures in Rand thousand		**2020**	**2019**	**2018**	**2020**	**2019**	**2018**

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:

Loans from group companies	**15**	-	-	-	25 129	25 163	52 569
Finance lease liabilities	**16**	63	89	112	6 587	-	-
Operating lease liability	**17**	-	-	14	-	-	-
Trade and other payables	**21**	84 238	63 747	79 106	69 007	47 123	75 187
Other financial liabilities	**20**	47 619	47 619	-	47 619	47 619	-
Total borrowings		**131 920**	**111 455**	**79 232**	**148 342**	**119 905**	**127 756**
Cash and cash equivalents	**12**	(144 889)	(195 728)	(197 980)	(113 466)	(164 754)	(172 316)
Net borrowings		**(12 969)**	**(84 273)**	**(118 748)**	**34 876**	**(44 849)**	**(44 560)**
Equity		1 686 281	1 612 670	1 728 389	1 371 923	1 501 722	1 293 443
Gearing ratio		(1)%	(4)%	(7)%	3%	(2)%	(3)%

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.

47. Financial instruments and risk management (continued)

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 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.

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 and the risk committee.

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

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.

47. Financial instruments and risk management (continued)

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.

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 determine 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 and Covid-19. Based on the regression analysis performed, there was no correlation between the loss rates and the macroeconomic factors. However, an adjustment factor for the impact of Covid-19 has been applied and the allowances for loans advanced and rent receivables have been adjusted accordingly.

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.

The maximum exposure to credit risk, taking into account the collateral held, is presented in the table on the following page:

47. Financial instruments and risk management (continued)

Group		2020			2019			2018		
		Gross carrying amount	Credit loss allowance	Amortised cost / fair value	14.359 mm	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value
Loans to group companies	7	-	-	-	-	-	-	4 333	(4 333)	-
Loans advanced	10	189 502	(130 384)	59 118	172 202	(119 015)	53 187	242 001	(176 810)	65 191
Operating lease asset	17	-	-	-	11	-	11	-	-	-
Rental and other receivables	11	313 757	(311 665)	2 092	386 560	(374 263)	12 297	335 418	(326 056)	9 362
Cash and cash equivalents	12	144 889	-	144 889	195 728	-	195 728	197 980	-	197 980
		648 148	**(442 049)**	**206 099**	**754 501**	**(493 278)**	**261 223**	**779 732**	**(507 199)**	**272 533**

Company		2020			2019			2018		
		Gross carrying amount	Credit loss allowance	Amortised cost / fair value	14.359 mm	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value
Loans to group companies	7	29 963	-	29 963	29 012	-	29 012	26 019	(6 333)	19 686
Loans advanced	10	189 502	(130 384)	59 118	172 202	(119 015)	53 187	242 001	(176 810)	65 191
Rental and other receivables	11	313 055	(311 630)	1 425	385 650	(374 237)	11 413	333 859	(325 867)	7 992
Cash and cash equivalents	12	113 466	-	113 466	164 754	-	164 754	172 316	-	172 316
		645 986	**(442 014)**	**203 972**	**751 618**	**(493 252)**	**258 366**	**774 195**	**(509 010)**	**265 185**

Concentration 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 Easter 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.

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.

47. Financial instruments and risk management (continued)

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 - 2020

	Note(s)	Less than 1 year	2 to 5 years	Total	Carrying amount
Non-current liabilities					
Lease liabilities	16	-	35	35	35
Current liabilities					
Trade and other payables	21	125 561	-	125 561	84 189
Lease liabilities	16	28	-	28	28
		125 589	**35**	**125 624**	**84 252**

Group - 2019

	Note(s)	Less than 1 year	2 to 5 years	Total	Carrying amount
Non-current liabilities					
Finance lease liabilities	16	-	63	63	63
Current liabilities					
Trade and other payables	16	87 514	-	87 514	63 045
Finance lease liabilities	16	26	-	26	26
		87 540	**63**	**87 603**	**63 134**

Group - 2018

	Note(s)	Less than 1 year	2 to 5 years	Total	Carrying amount
Non-current liabilities					
Finance lease liabilities	16	-	88	88	88
Current liabilities					
Trade and other payables	21	78 231	-	78 231	78 105
Finance lease liabilities	16	24	-	24	24
		78 255	**88**	**78 343**	**78 217**

47. Financial instruments and risk management (continued)

Company - 2020

	Note(s)	Less than 1 year	2 to 5 years	Over 5 years	Total	Carrying amount
Non-current liabilities						
Loans from group companies	15	-	-	25 129	25 129	25 129
Lease liabilities	16	-	4 403	-	4 403	4 403
Current liabilities						
Trade and other payables	21	-	16	110 379	110 379	69 007
Lease liabilities	16	-	16	2 184	2 184	2 184
		112 563	**4 403**	**25 129**	**142 095**	**100 723**

Company - 2019

	Note(s)	Less than 1 year	Over 5 years	Total	Carrying amount
Non-current liabilities					
Loans from group companies	15	-	25 163	25 163	25 163
Current liabilities					
Trade and other payables	21	70 946	-	70 946	46 477
		70 946	**25 163**	**96 109**	**71 640**

Company - 2018

	Note(s)	Less than 1 year	Over 5 years	Total	Carrying amount
Non-current liabilities					
Loans from group companies	15	-	52 569	52 569	52 569
Current liabilities					
Trade and other payables	21	74 571	-	74 571	74 445
		74 571	**52 569**	**127 140**	**127 014**

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.

47. Financial instruments and risk management (continued)

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.

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.

48. 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 Commision.

49. Fruitless and wasteful expenditure

Interest and penalties to the value of R19 thousand was incurred on underestimation of provisional tax by the AIDC Development Centre Eastern Cape (SOC) Ltd in the 2019/2020 financial year.

50. Going concern

We draw attention to the fact that at 31 March 2020, the Group had accumulated surplus of R 549 738 and that the Corporation's total assets exceed its liabilities by R 1 371 929.

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.

The ability of the Group to continue as a going concern is confirmed by the allocation of funds over the MTEF beginning with the 2020/2021 financial year from the shareholder, Department of Economic Development, Environmental Affairs and Tourism (DEDEAT).

Further, the deferred income reported as a current liability relates to projects that have been funded by Government, through the shareholder, Department of Economic Development, Environmental Affairs and Tourism (DEDEAT). The cash resources to fund this liability have been ring-fenced.

The Group has assessed the potential impact of the COVID-19 pandemic on its operations, based on various scenarios which include a quantitative and qualitative analysis. Management's assessment indicates that the pandemic will not change its going concern status, as assets are estimated to be sufficient to settle liabilities.

An assessment of credit loss allowances on rental receivables and loans advanced, which took into account the impact of Covid-19 was performed and the credit loss allowances were adjusted accordingly.

51. Events after the reporting period

On 11 March 2020, the World Health Organisation declared the novel strain of COVID-19 a global pandemic and recommended containment and mitigation measures worldwide. Many countries around the world have, amongst other radical actions, implemented national lockdowns as part of attempts to contain the spread of the virus. The South African Government implemented a nationwide "lockdown" which commenced from midnight on 26 March 2020.

There have been adverse financial effects on the South African economy and stock markets around the world and .

It is not possible to provide accurate estimates of the financial effects of the COVID19 pandemic which is inherently uncertain.
However, a measurement of Expected Credit Loss (ECL) allowances has been done, taking into account the forward looking information, time value of money and Covid-19. Based on the regression analysis performed, there was no correlation between the loss rates and the macro-economic factors. However, an adjustment factor for the impact of Covid-19 has been applied and the allowances for loans advanced and rent receivables have been adjusted accordingly.

Subsequent to the end of the financial year, the Group continues to assess the impact of Covid-19 on the company's ability to continue as a going concern.

52. New Standards and Interpretations

52.1 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the financial periods beginning on or after 01 January 2020 or later periods but are not relevant to the Group operations:

IFRS 17 Insurance Contracts

Effective for annual periods beginning on or after 1 January 2021.

Proposed amendments to IFRS 17

In June 2019, the IASB issued an exposure draft (ED) on proposed amendments to IFRS 17. The Board considered 25 concerns and implementation challenges raised by stakeholders and assessed whether to propose changes to the standard. The Board selected only those changes that, in its estimation, would not lead to a significant loss of useful information for investors, nor unduly disrupt implementation processes under way, nor risk undue delays in the effective date of IFRS 17.

Definition of a Business - Amendments to IFRS 3

Effective for annual periods beginning on or after 1 January 2020.

Key requirements

The IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

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