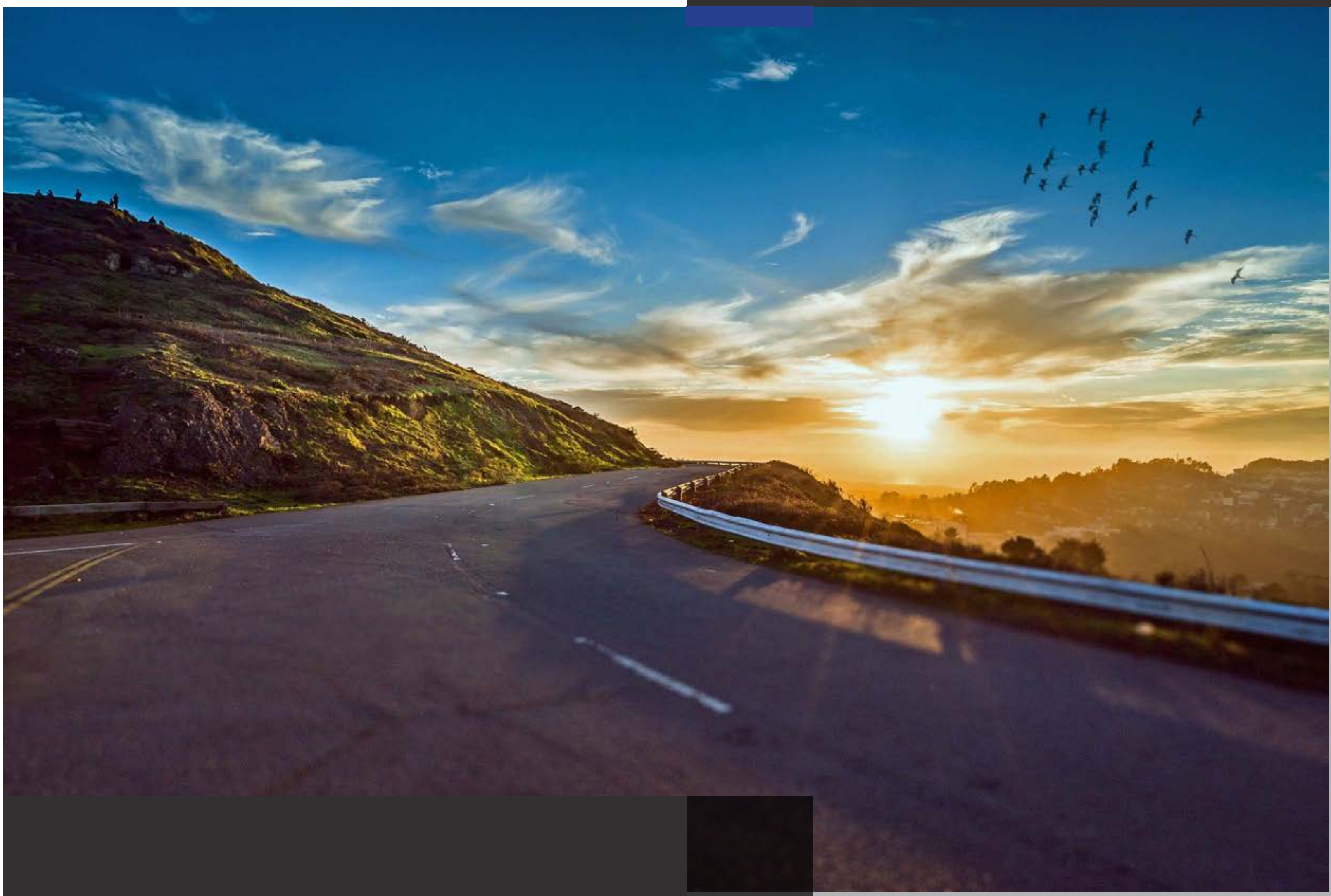

ANNUAL REPORT

2019 / 2020

The Journey Towards Self Sustainability.

20 Paul Kruger Street,
ABSA Square Building
Mbombela, Mpumalanga, 1200
Phone: +2713-752-2440
Website www.mega.gov.za

CONSTITUTIONAL MANDATE

MEGA has been specifically mandated to drive Growth in various sectors of the Provincial Economy and therefore provides opportunities to the citizens of Mpumalanga through the Funding of Projects, Promotion of Small, Medium, and Micro Enterprises (SMME's), Cooperatives (Co-ops) and other businesses thereby contributing to the constitutional imperative in Section 22 of the Constitution, which stipulates that citizens have a Right to choose their Trade, Occupation or Profession freely.

In order to deliver on its Mandate, MEGA began a process of positioning itself as a capable, credible and reliant Development Finance Institution (DFI) that is expected to use Smart Partnerships with the Private Sector, leverages Government Ownership and optimizes the Utilization of its Assets to make meaningful Socio-Economic Impact.

ANNUAL REPORT

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PART A

GENERAL INFORMATION

1. PUBLIC ENTITY'S GENERAL INFORMATION

REGISTERED NAME	: MPUMALANGA ECONOMIC GROWTH AGENCY (MEGA)
REGISTRATION NUMBER (if applicable)	: MEGA ACT 1 OF 2010
PHYSICAL ADDRESS	: ABSA SQUARE BUILDING NO.20 PAUL KRUGER STREET NELSPRUIT MPUMALANGA 1201
POSTAL ADDRESS	: P.O. BOX 5838 NELSPRUIT 1200
TELEPHONE NUMBER	: 013 752 2440
FAX NUMBER	: 013 755 1756
WEBSITE ADDRESS	: WWW.MEGA.GOV.ZA
EXTERNAL AUDITORS	: AUDITOR- GENERAL SOUTH AFRICA
BANKERS	: ABSA STANDARD BANK FIRST NATIONAL BANK
COMPANY SECRETARY	: Adv. S.P Morgan

2. LIST OF ABBREVIATIONS

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


MEGA

MESSAGE FROM THE BOARD
3. FOREWORD

The entity developed its Corporate Plan and submitted to the shareholder and to treasury, in line with treasury regulations.

As we gear ourselves for the year ahead, the main focus is on the completion of the OD process, placement of employees who are still in the pool, filling of critical positions and the finalisation of the appointment of a permanent CEO.

INTRODUCTION

The year under review has seen continued challenges from a governance perspective as the entity operated without a board for the better part of the financial year. The MEGA CEO's fixed term contract of employment lapsed on 31 December 2019 and an Acting CEO was appointed effective from 01 January 2020

Apart from the governance challenges mentioned above, the entity also had to deal with vacancies in critical positions which affected implementation of set targets.

MEGA'S STRATEGY AND PERFORMANCE

The entity developed its Corporate Plan and submitted to the Shareholder and to Provincial Treasury, in line with treasury regulations. Due to the reduction in government funding as well as the transfer of some strategic projects from MEGA to government departments, the Corporate Plan was revised and resubmitted to the shareholder for re-tabling to Legislature, however, the request was disapproved by the Portfolio Committee.

To this end, some of the planned targets could not be implemented as a result of the revised Corporate Plan not being approved by the Provincial Legislature.

STRATEGIC RELATIONSHIPS

MEGA has partnered with other financial institutions and private sector investors to enhance revenue geared towards self-financial sustainability.

Amongst other initiatives that were planned for the year under review included the resuscitation of negotiations with financial institutions aimed at raising capital for on-lending activities, collaborating with government departments to access funds targeted for social infrastructure programmes as well as forging partnerships with private sector to invest in the entire property portfolio by way of complete refurbishment, however, some of the initiatives could not be realized due to vacancies within the Board and at executive management level.

CHALLENGES FACED BY BOARD

The entity has experienced a significant reduction in the operational grant prior to the entity reaching financial sustainability. That in turn, had a negative impact on the performance of the organization and its ability to optimally deliver on its mandate.

THE YEAR AHEAD

As we gear ourselves for the year ahead, the main focus would be to resuscitate negotiations with financing institutions aimed at raising capital for on-lending activities; procure a Strategic Partner to invest in the entire property portfolio; accelerate the implementation of 3 development projects already awarded to Strategic Development Partners; leverage grant funding from **the dtic**'s Black Industrialist Programme to provide opportunities on prioritised sectors (SMMEs in clean energy technologies, mineral beneficiation, agro-processing, clothing, textiles, leather & footwear, pulp, paper, Industrial infrastructure, and information communication technologies); and filling of critical positions especially at executive management level in order to enhance performance within the entity..

ACKNOWLEDGEMENTS /APPRECIATION

On behalf of the Interim Board, I would like to express my sincere appreciation to the Honourable MEC Mr. P. Ngomane for having confidence in entrusting the Board with the task of re-purposing MEGA in order to fulfil its mandate effectively and efficiently. I am also grateful to the dedicated members of the Interim Board for accepting their appointments as members of this Board charged with such a daunting and huge responsibility. Lastly, I would like to thank the Executive Management team and staff for their continued commitment and hard work.

CONCLUSION

The board is confident that by successfully implementing its financial sustainability model, this will ensure improved capacity in order to ultimately become a self-sustainable DFI.

Mr. D.S. Mkhwanazi
CHAIRPERSON OF THE BOAD

MESSAGE FROM THE CEO

4. OVERVIEW

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

The ratio of own revenue generated by MEGA in the year under review is slightly higher compared to the grant funding, however, the entity continued to experience cash flow challenges as a result of reduced grant funding, poor debt repayment by clients and decreased revenue streams.

MEGA projected its revenue from grant funding to be R 250 million but instead, it was finally allocated R 197.923 million, which resulted in a budget shortfall of R 52 million.

The filling of critical vacancies was prioritised in the year under review in order to support a "fit-for-purpose entity" and reduce the dependency on consultants. This process was however temporarily put on hold, subject to the outcome of discussions between the Shareholder and the MEGA Board.

The entity could not meet most of its planned targets in the year under review due to cash flow and human resource constraints as outlined above.

With regard to the audit report matters, the only remaining audit qualification is in respect of "Other Financial Assets", i.e. the validity of our loan book balances. Management is working tirelessly to ensure that the matter is addressed in order to receive a clean audit going forward. A remedial action plan will be developed in the new financial year and implemented successfully to ensure an improved audit outcome.

In the next financial year, management will focus on the following key initiatives in order to improve the entity's financial and operational position:

i. Take immediate steps to resolve long outstanding arrear rental collections through legal pursuit of recalcitrant clients.

ii. Establish and fully capacitate a Debt Collection Unit using internal resources to vigorously pursue arrear accounts.

iii. Fast track acquisition and implementation of a Loans Management and Information Management System.

iv. Document and map business processes and develop standard operating procedures.

v. Review the organogram to allow for optimal performance in the one stop services centres and capacitate MEGA with the right skills and qualifications to enable it to be a "fit-for-purpose entity".

Events after the reporting period involves a decision taken and announced by the honourable Premier in the State of the Province address on 5 July 2019 to transfer the Government Nutrition Programme (GNP) to DARDLEA. MEGA did not incur further expenses in relation to this programme apart from the final settlement amount which was payable to the appointed service provider.

On behalf of the entire staff at MEGA, I would like to thank our Shareholder represented by the Honourable MEC Mr. P. Ngomane, the Interim Board of Directors for their leadership and support to management. Lastly, my sincere appreciation to our staff for staying the course regardless of the challenges faced in their line of duties.

Mr. M.I. Mahlangu

ACTING CHIEF EXECUTIVE OFFICER

5. STATEMENT OF RESPONSIBILITY & CONFIRMATION OF ACCURACY OF THE ANNUAL REPORT

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

All information and amounts disclosed in the annual report is consistent with the annual financial statements audited by the Auditor-General.

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

The annual report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury.

The Annual Financial Statements (Part E) have been prepared in accordance with IFRS as prescribed in the National Treasury Framework and relevant guidelines specified / issued by the National Treasury.

The accounting authority is responsible for the preparation of the annual financial statements and for the judgements made in this information.

The accounting authority is responsible for establishing, and implementing a system of internal control that has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.

The external auditors are engaged to express an independent opinion on the annual financial statements.

In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the public entity for the financial year ended 31 March 2020.

Yours faithfully

Mr. M.I. Mahlangu
ACTING CHIEF EXECUTIVE OFFICER

VISION, MISSION, VALUES & OBJECTIVES
6. STRATEGIC OVERVIEW

MEGA now more than ever needs to take the drastic stance to undergo its final evolution which requires CAPITAL, CAPACITY & SYSTEMS to ensure it drives world class economic growth in the province.

MEGA, as a business enterprise of Government (schedule 3D entity in terms of the PFMA) is required to be financially self-sustainable in order to advance its economic development mandate.

This ideal was not immediately realisable following the entity's formation in 2010 as it still needed to be rationalised through an OD process so that it could be appropriately configured in order to conduct its business as envisaged.

OBJECTIVES

- To provide funding in respect of property development including the granting of housing loans;
- Provide funding in respect of approved enterprise & agricultural development focusing primarily on previously disadvantaged individuals within the Province;
- To focus on project management, development and management of immovable property;
- To promote foreign trade and investment so as to ensure enterprise and agricultural development that will significantly contribute to economic growth & development within the Province;

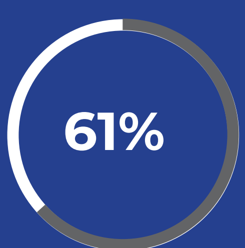
The objects of the Agency expressly exclude the objects of the MTPA, the MRTT and the MER. In achieving its objectives, the Agency shall endeavour to progressively increase its own revenue generation and collection.

VALUES

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

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

THE 2019 CUSTOMER SATISFACTION SURVEY REVEALED THE FOLLOWING:



Sixty-one percent (61%) of customers felt satisfied with the level of service received from MEGA

Fifty percent (50%) of employees felt satisfied and motivated in their jobs

VISION

We are experts on the Mpumalanga economy and the investment opportunities it offers

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

MISSION

We are focused on customer needs and provide innovative solutions with a high level of service

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

EVOLUTION
MEGA's JOURNEY

1995

Mpumalanga Development Corporation

KEDC, KNDC and AWE were combined to form the Mpumalanga Development Corporation (MDC)

2000

MHFco, MADC, MEEC and MRTT

MDC was unbundled to establish four separate entities, namely: MHFCo, MADC, MEEC and MRTT

2005

MEGA (1)

MEEC was combined with the Mpumalanga Investment Initiative (Mii) to form MEGA (MEGA 1)

2010

MEGA (2)

MEGA 1, MHFCo and MADC were combined to form the MEGA (MEGA 2)

Since 1995, MEGA has been undergoing a number of restructuring processes typified by mergers and de-mergers.

Each change in 2000, 2005 and 2010 resulted in a change in the entity's mandate. Every mandate change necessitated a restructuring of the entity's operating model.

Frequent changes resulted in the instability and frequent leadership (Board and CEOs) changes and how that impacted on MEGA's Performance.

2013

2015

2019

MEGA's Repositioning

A new Corporate Strategy was developed which was aimed at ensuring long-term financial sustainability.

An organisational structure aligned to the 2015 strategy was developed and approved by the Board in 2016.

The capacitation of the organisational structure commenced in 2016

Implementation of the Turn-around Strategy

The implementation of the turn-around strategy involved the migration of staff into a new structure in order to eliminate duplications caused by the merger of three institutions and inappropriate skills being placed in wrong positions; ensuring that MEGA moves towards achieving a clean audit by implementing approved audit remedial action plans, system integration, finalization of outstanding internal policies, proper valuation of properties and assets as well as the strengthening of internal control measures.

Towards Self Sustainability

In 2019 the Mpumalanga Provincial Government Executive Council took a resolution that MEGA must undergo a Re-Engineering process to ensure improved capacity and resourcefulness in order to ultimately become self-sustainable as a DFI.

CONSTITUTIONAL, LEGISLATIVE & POLICY

7. LEGISLATION & OTHER MANDATES

CONSTITUTIONAL MANDATE

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

To achieve its mandate, MEGA had to reposition itself with a primary role to foster the sustainable growth & development of Mpumalanga economy by attracting, facilitating and maximizing the development impact of investment in the province.

LEGISLATIVE MANDATE

MEGA's legal mandate in terms of Section 3 of the MEGA Act, is articulated, as follows:-

i. To provide funding in respect of property development; approved enterprises; housing loans; and agricultural development; focusing primarily on previously disadvantaged individuals within the Province;

ii. To focus on project management and development; and to manage immovable property;

iii. To promote foreign trade and investment so as to ensure enterprise and agricultural development that will significantly contribute to economic growth and development within the Province, with specific emphasis on Black Economic Empowerment;

iv. To progressively increase its revenue generation and collection in the pursuit of its objectives.

PUBLIC FINANCE MANAGEMENT ACT NO 1 OF 1999

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

i. Sound financial management;

ii. The efficient and effective management of all revenue, expenditure, assets and liabilities of the company;

iii. The provision of responsibilities of persons entrusted with financial management in the organisation.

NATIONAL CREDIT ACT NO 34 OF 2005

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

i. Promoting fair and non-discriminatory practices in the granting of loans;
ii. Promoting black economic empowerment and ownership in its funded SMMEs and Co-operatives by applying fair credit and credit-marketing practices;
iii. Promoting responsible credit granting by giving loans only to qualifying individuals;
iv. Providing debt restructuring and debt counselling services for over-indebted clients (a risk highlighted in programme 4;
v. Establishing policies and standards relating to loans management and housing finance; and
vi. Promoting a consistent enforcement framework relating to debt management.

FINANCIAL INTELLIGENCE ACT

The Finance Intelligence Centre Act's objective is to establish a Financial Intelligence Centre and a Money Laundering Advisory Council in order to combat money laundering activities and the financing of terrorist and related activities. The Act therefore imposes certain duties on institutions and other persons who might be used for money laundering purposes.

MEGA, through its various programmes, provides finance that facilitates development in the province and therefore recognises that there may be individuals who may circumvent the regulations in the Act. The Act will be applied, as intended, in MEGA's operations.

HOUSING ACT NO. 107 OF 1997

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

The Mpumalanga provincial government has placed the responsibilities outlined in the Act on MEGA. One of MEGA's strategic outcome oriented goals directly addresses this responsibility as it states that it aims "to increase access to affordable housing". Programme 5's performance delivery objectives will facilitate the achievement of this goal through its Loans Management and Housing Development sub-programmes.

We contribute to economic growth and development of the Province, with specific emphasis on Black Economic Empowerment.

CONSTITUTIONAL, LEGISLATIVE & POLICY

7. LEGISLATION & OTHER MANDATE

Continued....

AGRICULTURE LAWS EXTENSION ACT NO. 87 OF 1996

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

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

OTHER APPLICABLE ACTS

The above Acts are legislative mandates that place critical responsibilities on the Board, executive and staff of MEGA in terms of how MEGA's operations are conducted. However there are other Acts that regulate MEGA's operations that include, inter alia:

i. Basic Conditions of Employment Act, 1997;
ii. Labour Relations Act No. 66 of 1995;
iii. Companies Act of 2008 Act No. 71 of 2008;
iv. Preferential Procurement Policy Framework Act No. 5 of 2000;
v. Employment Equity Act No. 55 of 1998;
vi. Skills Development Act No. 97 of 1998;
vii. Income Tax Act No. 58 of 1962;
viii. Broad-Based Black Economic Empowerment Act No. 53 of 2003;
ix. South African Reserve Bank Act No. 90 of 1989;
x. Co-operative Banks Act No. 40 of 2007;
xi. Customs and Excise Act No. 91 of 1964.

POLICY MANDATE

NATIONAL DEVELOPMENT PLAN

The National Development Plan (NDP) is a government-initiated plan to eliminate poverty and reduce inequality by 2030. The plan sketches out the key structural changes required for sustainable social and economic growth.

MEGA's programmes are aligned to meet the aims of the NDP as MEGA's Strategic Plan is geared to ensure sustainable development and economic growth in the province that will contribute to job creation, poverty alleviation, redressing the inequalities of the past and the beneficiation of the province's resources. This includes the expansion of infrastructure and the improvement and efficient use of rural spaces through the promotion and development of Co-operatives.

Co-operatives are autonomous associations of persons who entirely co-operate for their mutual social economic and cultural benefits. Co-operatives include non-profit community organisations and businesses that are owned and managed by the people who use the services (consumer co-operative) and by people who work there (worker co-operative) or by people who live there (housing co-operative).

MEGA's programmes are aligned to meet the aims of the National Development Plan

MEDIUM TERM STRATEGIC FRAMEWORK: OUTCOMES DELIVERY AGREEMENT

This Medium Term Strategic Framework (MTSF) is Government's Strategic Plan for the 2014-2019 electoral term. It reflects the commitments made in the election manifesto of the governing party, including the commitment to implement the NDP. The MTSF sets out the actions Government will take and targets to be achieved. It also provides a framework for the other plans of national, provincial and local government.

The MTSF is structured around 14 priority outcomes which cover the focus areas identified in the NDP and Government's electoral mandate. These are made up of the 12 outcomes which were the focus of the 2009-2014 administration, as well as two new outcomes (social protection, nation-building and social cohesion).

A summary of each of these 14 outcomes is provided below:

i. Outcome 1: Improved quality of basic education;
ii. Outcome 2: A long and healthy life for all South Africans;
iii. Outcome 3: All people in South Africa are and feel safe;
iv. Outcome 4: Decent employment through inclusive economic growth;
v. Outcome 5: A skilled and capable workforce to support an inclusive growth path;
vi. Outcome 6: An efficient, competitive and responsive economic infrastructure network;
vii. Outcome 7: Vibrant, equitable and sustainable rural communities with food security for all;
viii. Outcome 8: Create sustainable human settlements and improved quality of household life;
ix. Outcome 9: A responsive, accountable, effective & efficient local government system;
x. Outcome 11: Create a better South Africa and contribute to a better and safer Africa in a better World;
xi. Outcome 10: Environmental assets and natural resources that are well protected and continually enhanced;
xii. Outcome 12: An efficient, effective and development oriented public service and an empowered, fair and inclusive citizenship;
xiii. Outcome 13: An inclusive and responsive social protection system;
xiv. Outcome 14: Nation Building and Social Cohesion.

CONSTITUTIONAL, LEGISLATIVE & POLICY

7. LEGISLATION & OTHER MANDATES

Continued....

MEGA's Alignment to the Medium Term Strategic Framework

MEGA's programmes are aligned to outcome 4 and its strategic initiatives are geared to ensure sustainable development and economic growth in the province that will contribute to job creation, poverty alleviation, redressing the inequalities of the past and the beneficiation of the province's resources. This includes the expansion of infrastructure and the improvement and efficient use of rural spaces through the promotion and development of SMMEs and Co-operatives.

MEGA's programmes are aligned to outcome 4 and its strategic initiatives are geared to ensure sustainable development and economic growth in the province.

NINE POINT PLAN: GOVERNMENT PRIORITIES

In addition, the entity's activities are linked to the priorities Government has set to achieve. These priorities, referred to as "Nine Point Plan", entails the following:

i. Revitalisation of agriculture and agro-processing value chain.

ii. Advancing beneficiation, adding value to our mineral wealth.

iii. More effective Implementation of Industrial Policy Action Plan.

iv. Unlocking the potential of SMMEs, Co-ops, township and rural enterprises.

v. Resolving the energy challenge.

vi. Stabilising the labour market.

vii. Scaling-up private sector investment.

viii. Growing the Ocean Economy.

ix. Cross-cutting reform to boost and diversify the economy through investment in science & technology, water & sanitation, transport infrastructure, broadband connectivity & state owned companies.

MEGA's Alignment to the Medium Term Strategic Framework

In response to the priorities mentioned above, MEGA has developed specific packages of initiatives that are aligned to the Nine Point Plan and are designed to stimulate economic activity and achieve quantifiable development impact goals in the form of:

i. Increased investment through 'crowding in' private sector capital and expertise

   a. MEGA will access investment opportunities for SMMEs through partnerships such as the Standard Bank Partnership, Strategic Development Partners, etc.
   a. MEGA will collaborate with the Department of Human Settlements to access funds from the FLISP (Finance Linked Individual Subsidy) Programme to augment the provision of home loans in the gap market.
   a. Through its Property Portfolio, MEGA will package strategic development projects (industrial, commercial, residential) and attract private sector partners.
   a. Follow a targeted investment promotion approach where a few high impact strategic projects are presented to a carefully selected group of investors and financiers.

ii. Reduced unemployment, poverty and inequality

   a. MEGA will substantially grow loan advances, disbursing loans across all customer segments in order to stimulate job opportunities.
   a. Customized financing approach to finance specific target groups such as the youth, women and people with disabilities.
   a. Implement strategic investment projects such as the Mpumalanga International Fresh Produce Market, Nkomazi Special Economic Zone to stimulate economic growth and create job opportunities.

iii. Efficient utilisation of government resources

   a. MEGA shall continue restructuring, securing, and maintaining private sector investment on its equity investments, namely: Tekwane Lemon Farm, Loopspruit Winery, Nkomati Anthracite, Kangwane Anthracite and Highveld Fruit Packers.
   a. MEGA will continue building internal capacity to deliver on its economic growth and developmental mandate.

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STRATEGIC ORIENTED OUTCOMES MAPPED TO THE MILLENNIUM DEVELOPMENT GOALS (MDG)

MEGA's programmes are aligned to Millennium Development Goals 1 & 2.

Millennium Development Goal 1 is to reduce poverty around the world. Target 1B of Goal 1, i.e. achieve full and productive employment and decent work for all including women and young people, is directly linked to outcome 4: decent employment through inclusive growth.

Millennium Development Goal 7 is to ensure environmental sustainability. Target 7D of Goal 1, i.e. achieve significant improvement in the lives of slum dwellers, is linked to outcome 8: sustainable human settlements, and improved quality of life for households.

INDUSTRIAL POLICY ACTION PLAN (IPAP) 2010/11 TO 2016/17

The IPAP 2013/14-2015/16 is informed by the vision set out for South Africa's development provided by the National Development Plan (NDP). It is located in the framework provided by the programmatic approach of the New Growth Path (NGP) and is one of the key pillars of that document. The National Industrial Policy Framework (NIPF) adopted by Government in 2007 provides the more general industrial policy framework for IPAP and the blueprint for Government's collaborative engagement with its social partners from business, labour and civil society.

MEGA has placed priority on the development and management of its properties, which include heavy duty and light industrial parks that provide factory space for industries. This is aimed towards helping to build South Africa's industrial base in critical sectors of production and value-added manufacturing, which are labour absorbing industries as provided for in IPAP 2. This will address the decline in industrial and manufacturing capacity and contribute to the reduction of chronic unemployment in line with the MEGDP and IPAP.

CONSTITUTIONAL, LEGISLATIVE & POLICY

7. LEGISLATION & OTHER MANDATES

Continued....

SPATIAL DEVELOPMENT INITIATIVES (SDIS)

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

In line with this initiative, MEGA in conjunction with the Department of Trade, Industry and Competition (**the dtic**) is involved in the establishment of the Nkomazi Special Economic Zone (SEZ) with a primary purpose of accelerating industrialisation in the province.

The Maputo Corridor was conceptualized as one of the spatial development initiatives.

MPUMALANGA ECONOMIC GROWTH AND DEVELOPMENT PATH (MEGDP)

The Mpumalanga Economic Growth and Development Path (MEGDP) outlines a set of strategic choices and potential paths that will contribute towards growing a sustainable Mpumalanga economy which provides economic opportunities and work for all residents. The core vision is to build an equitable and inclusive economy that supports an improved quality of life for all the people of Mpumalanga.

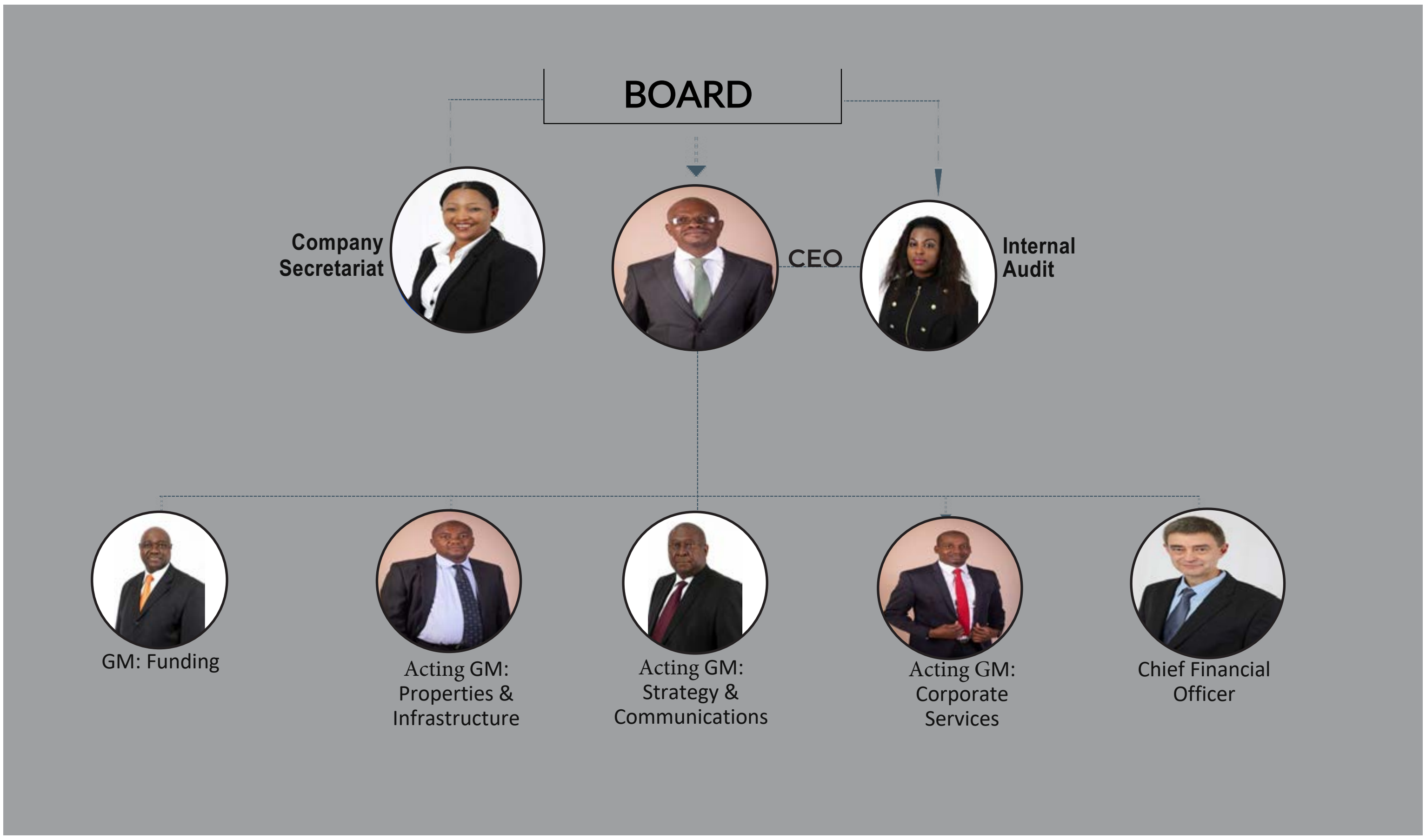
The overarching objectives are:

i. Increased employment by developing sectors with sustainable labour absorption potential;
ii. Sustainable economic growth by developing sectors with high growth potential; and
iii. Greater equity and a decreased poverty rate (sustainable human development) as more residents will have access to employment and the benefits of economic growth.

THE JOURNEY TOWARDS SELF SUSTAINABILITY

ORGANOGRAM

8. ORGANISATIONAL STRUCTURE



“

THE VERY ESSENCE OF LEADERSHIP IS THAT YOU HAVE TO HAVE VISION.

YOU CAN’T BLOW AN UNCERTAIN TRUMPET.

-THEODORE M. HESBURGH

PART B

PERFORMANCE INFORMATION

1. PREDETERMINED OBJECTIVES

The AGSA currently performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management, with material findings being reported under the Predetermined Objectives heading in the Report on other legal and regulatory requirements section of the auditor's report.

Refer to page 121 of the Auditors Report, published as Part E: Financial Information.

2. SITUATIONAL ANALYSIS

SERVICE DELIVERY ENVIRONMENT

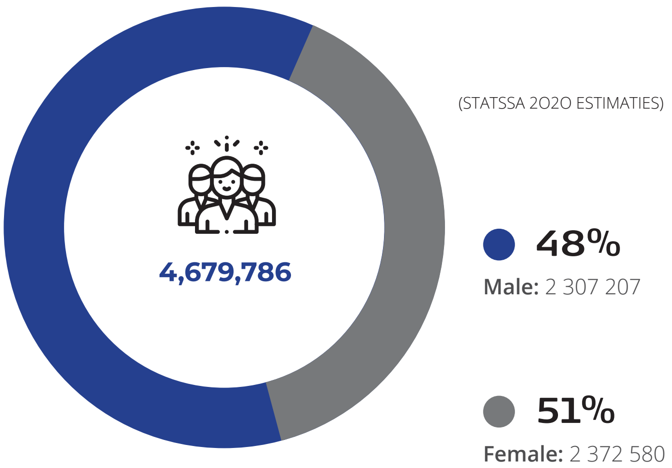
DOMESTIC ECONOMIC OUTLOOK [1]

[1] Compiled using Socio-Economic Review and Outlook (SERO) of Mpumalanga

The domestic economy tracked world growth relatively closely in the period between 2000 and 2009. However, since the economic downturn in 2008/09, the domestic economy has struggled to achieve even modest world growth levels. In 2017, the annual real economic growth rate for South Africa was 1.3 per cent, following an increase of only 0.6 per cent in 2016. The country's forecasted growth rate up to 2021 is expected to remain lower than world growth prospects, but to surpass growth of advanced economies in 2021 again. The key measure of economic success identified in the National Development Plan 2030 (NDP) is that South Africa achieves annual average gross domestic product (GDP) growth of over 5 per cent up to 2030.

South Africa slightly improved both its score and ranking (51st place out of 138, down four places) in the World Economic Forum's (WEF) Global Competitiveness Report 2017-2018. It registered marginal improvements in almost all aspects of competitiveness, however, shortcomings such as stalled infrastructure development may limit South Africa's competitiveness going forward. In the World Bank's Doing Business 2017 report, South Africa ranked 74th out of 190 and did not improve its score mainly due to increases in property transfer tax and vehicle tax as well as complicating paying taxes by increasing the time it takes to prepare value added tax (VAT) returns.

MPUMALANGA POPULATION



The year-on-year inflation rate as measured by the consumer price index (CPI) for all urban areas was 5.2 per cent in November 2018. The Monetary Policy Committee (MPC) announced at the conclusion of its November 2018 meeting that the SARB's national inflation forecast was adjusted to 4.8 per cent and 5.5 per cent for 2018 and 2019, respectively. The forecast for 2020 was kept at 5.4 per cent.

It is estimated that in 2016, Mpumalanga contributed some R323.7 billion in current prices or some 7.4 per cent to the GDP of South Africa. Converted to constant 2010 prices, Mpumalanga's contribution was R222.2 billion.

MPUMALANGA ECONOMIC OUTLOOK

According to estimates, Mpumalanga's contribution in constant 2010 prices was the fifth largest among the nine provinces. Mpumalanga's contribution decreased from 8.1 per cent in 1995 to 7.3 per cent by 2014 and finally 7.2 per cent in 2016. Gauteng (35.0 per cent) and KwaZulu-Natal (16.0 per cent) were the main contributors to the national economy in 2016. At the start of the period under review, particularly 1996, 1997 and 1999, the economic growth of the province, as measured by growth in the GDP, was higher than the national rate. However, since then the provincial economy has outperformed the national economy in terms of GDP growth only in 2009 and 2014. The average annual growth rate for the country and Mpumalanga over the period 1995 to 2016 was 2.9 per cent and 2.3 per cent, respectively.

Mpumalanga recorded the sixth highest/ fourth lowest annual average GDP growth rate in the 21-year period. The forecasted annual growth rates for South Africa and Mpumalanga are projected to remain low and average 1.5 per cent annually between 2017 and 2022.

EXPECTED ECONOMIC GROWTH FOR MP IN 2020

BASED ECONOMIC MODELLING FIGURES FROM IHS MARKIT

SECTOR/INDUSTRY	GDP/GVA GROWTH IN 2020
Agriculture	-1% to +1%
Mining	-4% to -5%
Manufacturing	-7% to -10%
Elec, Gas & Water	-4% to -6%
Construction	-14% to -23%
Trade & Accommodation (including tourism)	-9% to -11%
Transport & Communication	-5% to -12%
Financial & Business Services	-5% to -7%
Community (government and personal) Services	-2% to -8%
TOTAL	**-5 TO -7%**

2. SITUATIONAL ANALYSIS

SERVICE DELIVERY ENVIRONMENT

Continued....

ORGANISATIONAL ENVIRONMENT

EXPECTED ECONOMIC GROWTH FOR MP IN 2020

In order to deliver on its mandate, MEGA began a process of positioning itself as a capable, credible and resilient development finance institution that uses smart partnerships with the private sector, leverages government ownership and optimises the utilisation of its assets to make meaningful socio-economic impact. This was done though an organisational development (OD) process which commenced in 2015/16.

An organisational structure aligned to the 2015 strategy was developed and approved by the Board in 2016. The capacitation of the organisation structure commenced in 2016 and the final phase which pertained to a consultative process aimed at finding solutions for 45 unplaced employees was put on hold by the Shareholdesr in November 2018. The Moratorium was lifted in August 2019 and the HR Board Committee approved the strategy on 12th February 2020. Management has commenced with placement of unplaced employees into the approved structure.

FINANCIAL SUSTAINABILITY

As a business enterprise of Government (PFMA schedule 3D entity), MEGA is required to be financially self-sustainable in order to advance its economic development mandate.

However, this model has not been realised for the following key reasons:

i. Upon its establishment, MEGA was under-capitalised to place it on a trajectory towards self-sustainability;
ii. The entity inherited legacy assets of poor quality (loan book, property portfolio);
iii. Capacitation of the entity from a human resources perspective has not been finalised in the last 5 years as the previous realignment process in around 2013/14 was halted before completion and the recent one has been put on hold;
iv. Increased conditional grants and progressive significant reduction in operational grants in the last few years.

This has meant that the entity has had to pursue high impact goals without the requisite human and financial resources. To that end, MEGA has developed a Financial Sustainability Model in order to ensure self-sustainability which entails leveraging its current asset base, strategic partnerships, as well as optimisation of certain processes in order to reduce costs and enhance revenue generation.

> A clean audit outcome would enable the entity to approach third parties for funding in order to scale up the balance sheet for even greater scale of projects.

In line with its Financial Sustainability Model, management has identified and agreed on the following high-level principles that will form a basis of a comprehensive and measurable turn-around strategy required to improve the short to medium term financial sustainability of MEGA:

i. Resuscitate negotiations with financing institutions aimed at raising capital for on-lending activities.
ii. Collaborate with the Department of Human Settlements to access funds from the FLISP Programme to augment the provision of home loans in the gap market.
iii. Facilitate transfer of assets from Limpopo to increase the current asset base while generating revenue.
iv. Procure a Strategic Partner to invest in the entire property portfolio.
v. Collaborate with the Department of Human Settlements to access subsidy funding from the CRU (Community Residential Units).
vi. Accelerate the implementation of 3 development projects already awarded to Strategic Development Partners, namely: Siyabuswa Shopping Complex, Kabokweni Shopping Centre and 66 Anderson Street.
vii. Accelerate the implementation of 7 identified property development projects to the value of R800m.
viii. Initiate a call for proposals for the redevelopment of Loopspruit winery.
ix. Implement a Turnaround Plan for Tekwane Lemon Farm.
x. Leverage grant funding from the dtic's Black Industrialist Programme to provide opportunities for SMMEs in these sectors: Clean technology and energy, Mineral beneficiation, Agro-processing, Clothing, textiles, leather & footwear, Pulp, paper, Industrial infrastructure, and Information communication technologies.
xi. Establish a dedicated debt collection unit to vigorously pursue arrear accounts.
xii. Investigate and facilitate the sale of non-core assets.

MEGA would further need to significantly scale up the balance sheet to have an even greater scale of impact on the Mpumalanga economy's transformation. Since the disclaimer audit opinion, with 10 audit qualifications, issued by the Auditor-General for the year ended 31 March 2016, MEGA improved its audit opinion to a "qualified" audit opinion with one audit qualification remaining relating to legacy issues..

MEGA'S MANDATE

The Act mandates that MEGA is established to accomplish the following:
i. To provide funding in respect of property development; approved enterprises; housing loans; and agricultural development; focusing primarily on previously disadvantaged individuals within the Province;
ii. To focus on project management & development; and manage immovable property;
iii. To promote foreign trade and investment so as to ensure enterprise and agricultural development that will significantly contribute to economic growth and development within the Province, with specific emphasis on BEE;
iv. In achieving its objectives, MEGA shall endeavor to progressively increase its own revenue generation and collection;
v. The objectives of MEGA expressly exclude the objectives of the MTPA, The MRTT and the Mpumalanga Gaming Board.

POLICY MANDATE

The Mpumalanga government considers MEGA as a critical institution in the execution of its economic policy and is eager to see the institution stabilise, grow sustainably and deliver on its mandate. The provincial government, in turn has entrusted MEGA with, amongst others, the following responsibilities related to the execution of the MEGDP and Vision 2030:
i. Promotion of black industrialists through exploiting opportunities presented by strategic initiatives such as, Industrial Technology Parks, Nkomazi SEZ, etc.
ii. The establishment of the MIFPM as a critical lever to stimulate increased agricultural production to supply domestic and international markets.
iii. Promote Trade and Investment guided by the Provincial Trade and Investment Strategy that will support key economic sectors of the Province.
iv. To attract private sector investment and to increase infrastructure investment.

3. PERFORMANCE INFORMATION BY PROGRAMME

OFFICE OF THE CEO

PROGRAMME DESCRIPTION

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

Purpose

The core purpose of the division is as follows:

- Effective administrative, secretarial and advisory services to the Board to ensure that the Board's activities are carried out in line with the PFMA requirements and the Code of Good Practice.
- Legal support by ensuring that MEGA complies with all statutory and legislative requirements thereby enabling MEGA to deliver on its mandate.
- Assist the entity accomplish its objectives by bringing a disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes.

Performance Highlights

a. Provided inputs to the Shareholder's Compact, facilitated its adoption by the Board and submission to the Shareholder.

b. The Board Charter and Board Committees' Terms of Reference were reviewed and approved by the Board.

c. Provided legal support to the entity and further provided progress reports to the Board and Executive Committee on the status of all legal matters relevant to the entity. In addition, compliance with all relevant legal prescripts were monitored on a quarterly basis through the compliance checklist universe.

d. Provided quality assurance on the effectiveness of the entity's policies and procedures through its internal audit function.

Key Challenges

The Chief Internal Audit position was vacant for the better part of the 2019/20 period, as a result, Internal Audit did not have a senior official to lead and give direction to the Unit.

The appointment processes for the Chief Internal Auditor was finalised in the last quarter of the financial year and appointment made in April 2020.

ANNUAL PERFORMANCE

PROGRAMME / DIVISION	PLANNED	ACHIEVED	NOT ACHIEVED	%
Office of the CEO	8	4	4	50%
TOTAL	**8**	**4**	**4**	**50%**

3. PERFORMANCE INFORMATION BY PROGRAMME

Continued....

OFFICE OF THE CEO

ANNUAL PERFORMANCE

01 FIRST QUARTER REVIEW

The Division achieved 50% of its planned targets in the first quarter.

The main reason for the poor performance was due to the fact that governance structures were not in place following the untimely resignation of the MEGA Board.

02 SECOND QUARTER REVIEW

The Division achieved 80% of its planned targets in the second quarter.

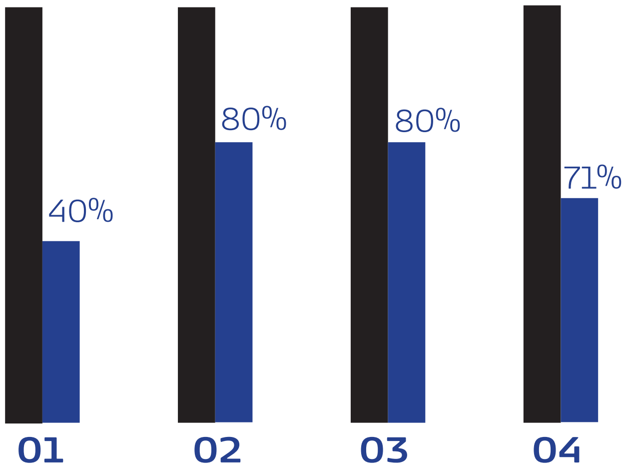
The target for the internal audit function was not fully achieved due to the absence of a Chief Audit Executive required to give guidance and direction within the Internal Audit Unit.

03 THIRD QUARTER REVIEW

The Division achieved 80% of its planned targets in the third quarter as well due to the absence of a Chief Audit Executive to provide guidance and direction within the Internal Audit Unit.

04 FOURTH QUARTER REVIEW

The Division achieved 71% of its planned targets in the fourth quarter as well due to the absence of a Chief Audit Executive to provide guidance and direction within the Internal Audit Unit. The CAE was only appointed during the fourth quarter.



● FINAL = 50%

NOTE: There is not relation between quartterly progress and final annual score as quarterly achieved targets include partially achieved targets.

Strategic objectives, planned targets and actual achievements

Strategic Objectives	Baseline / Actuals Achievement	Planned Target	Actual Achievement	Deviations	Comment on deviations
	2018/19	2019/20	2019/20	2019/20	
STRATEGIC GOAL 4: ENHANCED ORGANISATIONAL SUSTAINABILITY					
Divisional initiatives undertaken to enhance Operational Excellence	Target on Board & Committees meetings held v/s planned was not measured in 2018/19	24	26	-4	Positive deviation as a result of special meetings held to address urgent issues affecting the entity
	Reviewed Shareholders Compact concluded between the Board and the shareholder	1	0	1	Meeting that was planned in the last quarter to consider the 2020/21 Shareholder's Compact had to be postponed due to the COVID 19 National Lockdown
	Board Charter and Board Committees Terms of Reference reviewed and approved by the Board	1	0	1	The meeting that was planned in the last quarter to consider the statutory compliance documents had to be postponed due to the COVID 19 National Lockdown
	4 reports covering all matters relating to legal support produced	4	4	0	None
	Target on submission of the PFMA Compliance Checklists to the Shareholder not measured in 2018/19	4	4	0	None
	Reviewed Three-year Rolling Plan and Annual Audit Plan	1	0	1	Absence of CIA to lead and give direction to the internal audit unit
	4 Audit Committee Reports compiled for inclusion in the Annual Report	4	4	0	None
	100% implementation of three (3) year Internal Audit Plan	100%	70%	30%	Absence of the Chief Internal Auditor to lead and give direction to the internal audit unit

3. PERFORMANCE INFORMATION
BY PROGRAMME

Continued....

OFFICE OF THE CEO

ANNUAL PERFORMANCE

Key performance indicators, planned targets and actual achievements

Performance Indicators	Baseline / Actuals Achievement	Planned Target	Actual Achievement	Deviations	Comment on deviations
	2018/19	2019/20	2019/20	2019/20	
STRATEGIC GOAL 4: ENHANCED ORGANISATIONAL SUSTAINABILITY					
Number of Board & Committees meetings held v/s planned	0	24	26	-4	Positive deviation as a result of special meetings held to address urgent issues affecting the entity
Number of reviews performed on Shareholders Compact	1	1	0	1	Meeting that was planned in the last quarter to consider the 2020/21 Shareholder's Compact had to be postponed due to the COVID 19 National Lockdown
Number of reviews performed on Board Charter and Board Committees Terms of Reference	1	1	0	1	The meeting that was planned in the last quarter to consider the statutory compliance documents had to be postponed due to the COVID 19 National Lockdown
Number of reports produced covering all matters relating to legal support	4	4	4	0	None
Number of PFMA Compliance Checklists submitted to the Shareholder	0	4	4	0	None
Three-year Rolling Plan and Annual Audit Plan	1	1	0	1	Absence of CIA to lead and give direction to the internal audit unit
Number of Audit Committee Reports compiled for inclusion in the Annual Report	4	4	4	0	None
Level of implementation of three (3) year Internal Audit Plan	100%	100%	70%	30%	Absence of the Chief Internal Auditor to lead and give direction to the internal audit unit

STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

a. Reviews performed on Shareholders Compact

Shareholders Compact to be submitted to the Board for approval during the 1st Quarter of the 2020/21 financial year.

b. Number of Reviews Performed on Board Charter and Board Committees Terms of Reference

Board Charter and Board Committees Terms of Reference to be submitted to the Board for approval during the 1st Quarter of the 2020/21 financial year.

c. Three-year Rolling Plan and Annual Audit Plan

Process for the appointment of the Chief Internal Auditor has commenced and will be finalised in the1st Quarter of the 2020/21 financial year.

d. Level of implementation of three-year Internal Audit Plan

Process for the appointment of the Chief Internal Auditor has commenced and will be finalised in the1st Quarter of the 2020/21 financial year.

CHANGES TO PLANNED TARGETS

There were no changes to planned targets for the year.

LINKING PERFORMANCE WITH BUDGETS

	2019/20			2018/19		
Sub-Programme	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
OFFICE OF THE CEO	17 071	14 129	2 942	22 328	22 443	(115)
TOTAL	**17 071**	**14 129**	**2 942**	**22 328**	**22 443**	**(115)**

3. PERFORMANCE INFORMATION BY PROGRAMME

CORPORATE SERVICES

PROGRAMME DESCRIPTION

The Corporate Services division exists to render a comprehensive integrated human capital management and administration function, integrated Information and communication services as well as Enterprise Wide Risk Management function to enable the organization to deliver on its mandate as enshrined in the Corporate Strategy. It seeks to:

a. Promote sound employee relations and labour stability.
b. Promote and practice effective recruitment and retention practices
c. Encourage a culture of excellence and high work ethic.
d. Promote a safe and healthy working environment for all employees
e. To constantly develop individual employees through training interventions.
f. Create a risk intelligent organization
g. Provide an all-inclusive integrated and interoperable business systems and processes that enable the execution of the Corporate Strategy.

Purpose

The core purpose of the division is as follows:

- Promote sound employee relations and labour stability.
- Promote and practice effective recruitment and retention practices
- Encourage a culture of excellence and high work ethic.
- Promote a safe and healthy working environment for all employees
- To constantly develop individual employees through training interventions.
- Create a risk intelligent organization
- Provide an inclusive integrated and interoperable business systems processes that enables the execution of the corporate strategy.

Performance Highlights

Risk Management: Improvement in the risk maturity level with 14.3% compared to the 11.3% achieved in the 2018/19 financial year.

Training: Training on PMDS facilitated to all managers.

ABET Programme: Facilitated in partnership with DoE. Level 1 and 4 achieved 80% and 100% pass rate, respectively.

Records Management: MEGA File Plan approcved by the Provincial Archives.

UIF LAP: Funding secured from DoL to train unemployed youth and previous UIF beneficiaries with the aim of reintegrating them back into the market.

Key Challenges

.The lack of resources remains a major challenge across all the corporate functions and has led to delays in implementing key projects. This affected the performance of Corporate Services.

ACTING GENERAL MANAGER: **CORPORATE SERVICES**

ANNUAL PERFORMANCE

PROGRAMME / DIVISION	PLANNED	ACHIEVED	NOT ACHIEVED	%
Corporate Services	6	1	5	17%
TOTAL	**6**	**1**	**5**	**17%**

3. PERFORMANCE INFORMATION
BY PROGRAMME
Continued....

CORPORATE SERVICES

ANNUAL PERFORMANCE

01 FIRST QUARTER REVIEW

The Division achieved 67% of its planned targets in the first quarter.

Various risk mitigation plans were not implemented by the division largely due to financial and human resources capacity constraints.

02 SECOND QUARTER REVIEW

The Division achieved 25% of its planned targets in the second quarter.

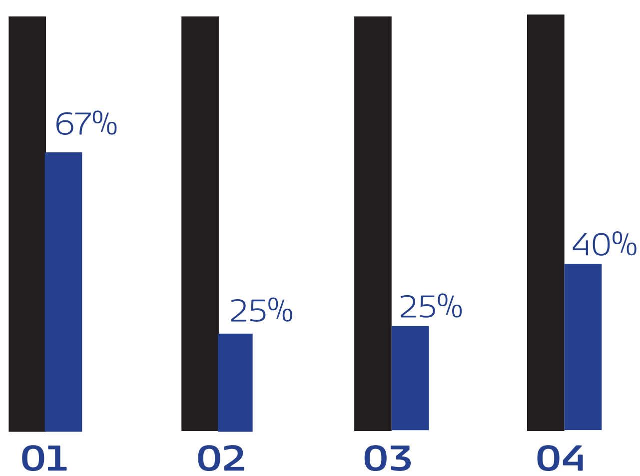
The main reasons for poor performance were due to financial and human resources capacity constraints. In addition, delays in the finalization of the Corporate Plan affected the development of the performance management scorecard.

03 THIRD QUARTER REVIEW

The Division achieved 25% of its planned targets in the third quarter due to financial and human resources capacity.

04 FOURTH QUARTER REVIEW

The Division achieved 40% of its planned targets in the fourth quarter due to financial and human resource capacity. In addition, the File Plan was approved late than anticipated and critical Records Management Equipment were still not procured due to financial constraints.



● FINAL = 17%

NOTE: There is not relation between quartterly progress and final annual score as quarterly achieved targets include partially achieved targets.

Strategic objectives, planned targets and actual achievements

Strategic Objectives	Baseline / Actuals Achievement	Planned Target	Actual Achievement	Deviations	Comment on deviations
	2018/19	2019/20	2019/20	2019/20	
STRATEGIC GOAL 4: ENHANCED ORGANISATIONAL SUSTAINABILITY					
High Performing Organisation	Performance Management System not implemented	50%	25%	25%	Cascading of the Performance Management System (PMDS) to management level was delayed because Divisional Performance Scorecards were concluded towards the end of the 3rd quarter
Divisional initiatives undertaken to enhance Operational Excelence	5% implementation of the projects arising from the ICT Strategy	30%	20%	10%	Some projects were not implemented due to budgetary constraints
	Target on ICT systems uptime was not measured in 2018/29	90%	98%	-8%	None
	Target on the implementation of the records management strategy was not measured in 2018/19	70%	30%	40%	The File Plan was approved late than anticipated. In addition, critical Records Management Equipment were not procured due to financial constraints
	31.5% of strategic risks mitigated	25%	3%	22%	Various risk mitigation plans were not implemented by divisions due to financial and capacity constraints
	11.3% improvement in risk maturity level	10%	4.8%	5.2%	Risk management still has to be cascaded to the lower levels to ensure that all employees sign the Business Code of Ethics

3. PERFORMANCE INFORMATION BY PROGRAMME

Continued....

CORPORATE SERVICES

ANNUAL PERFORMANCE

Key performance indicators, planned targets and actual achievements

Performance Indicators	Baseline / Actuals Achievement	Planned Target	Actual Achievement	Deviations	Comment on deviations
	2018/19	2019/20	2019/20	2019/20	
STRATEGIC GOAL 4: ENHANCED ORGANISATIONAL SUSTAINABILITY					
% implementation of a Performance Management System	0%	50%	25%	25%	Cascading of the Performance Management System (PMDS) to management level was delayed because Divisional Performance Scorecards were concluded towards the end of the 3rd quarter
% of implemented projects arising from the ICT Strategy	5%	30%	20%	10%	Some projects were not implemented due to budgetary constraints
% achievement of ICT systems uptime	0	90%	98%	-8%	None
% implementation of records management strategy	0	70%	30%	40%	The File Plan was approved late than anticipated. In addition, critical Records Management Equipment were not procured due to financial constraints
% of strategic risks mitigated	31.5%	25%	3%	22%	Various risk mitigation plans were not implemented by divisions due to financial and capacity constraints
% improvement in risk maturity level	5%	10%	4.8%	5.2%	Risk management still has to be cascaded to the lower levels to ensure that all employees sign the Business Code of Ethics

STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

a. % Implementation of a Performance Management System

Performance Management System (PMDS) at management level will be implemented in the 2020/21 financial year.

b. % of Implemented Projects arising from the ICT Strategy

ICT Strategy to be implemented in the 2020/21 financial year subject to adequate budget availability.

c. % Implementation of Records Management Strategy

Records Management Strategy to be implemented in the 2020/21 financial year, subject to budget availability to procure critical Records Management Equipment.

d. % of Strategic Risks Mitigated

Strategic Risks mitigation strategies to be implemented in the 2020/21 financial year, subject to budget availability.

e. % Improvement in Risk Maturity Level

Improvement in Risk Maturity Level will be realised once the strategies to mitigate strategic risks have been implemented as outlined in item (d) above since the two are interdependent.

CHANGES TO PLANNED TARGETS

There were no changes to planned targets for the year except that total targets reported as achieved during the course of the year were adjusted in the Annual Report to ensure alignment between reported achievement and the Portfolio of Evidence (POE) provided as part of the monitoring and evaluation function was performed by the Corporate Strategy Unit.

LINKING PERFORMANCE WITH BUDGETS

	2019/20			2018/19		
Sub-Programme	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
CORPORATE SERVICES	24 198	23 770	428	34 131	28 856	5 275
TOTAL	**24 198**	**23 770**	**428**	**34 131**	**28 856**	**5 275**

3. PERFORMANCE INFORMATION
BY PROGRAMME

FINANCE

PROGRAMME DESCRIPTION

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

Purpose

We provide relevant/ intelligent financial analyses, interpretation and advice by:

- Focusing on outputs, therefore the internal and external customer.
- Having the necessary technical awareness (competence).
- Ensuring financial sustainability and collecting what is due to the Entity.
- Balancing governance with service delivery.
- Ensuring that the financial and accounting systems have absolute integrity.

Performance Highlights

Remedial Actions Implemented in order to achieve a clean audit:
The entity has implemented the Audit Remedial Action Plan which is aimed at eliminating all audit queries in order to achieve a clean audit. The only remaining audit qualification from 2018/19 is in respect of “Other Financial Assets”, i.e. the validity of the loan book balances. We have provided below a summary of the journey MEGA has undertaken to improve its audit opinion and the current status of progress made in addressing this legacy issue.

Current status of the loan book validation process:
The entity continued with its effort to resolve this long outstanding audit qualification relating to the validity of loan book balances.

Key Challenges

The Division remained severely under capacitated from a human resources perspective.

ANNUAL PERFORMANCE

PROGRAMME / DIVISION	PLANNED	ACHIEVED	NOT ACHIEVED	%
Finance	3	1	2	33%
TOTAL	**3**	**1**	**2**	**33%**

3. PERFORMANCE INFORMATION
BY PROGRAMME

Continued....

FINANCE

ANNUAL PERFORMANCE

01 FIRST QUARTER REVIEW

The Division achieved 100% of its planned targets in the first quarter.

The planned target for Quarter 1 relates to the frequency of updates performed on Fixed Asset Register (FAR).

02 SECOND QUARTER REVIEW

The Division achieved 33% of its planned targets in the second quarter.

The main reason for poor performance was due to Insufficient audit evidence for other financial assets as not all the loan agreements, disbursement and repayment documents are retrievable for the historical debt MEGA has in their Debtors Book.

03 THIRD QUARTER REVIEW

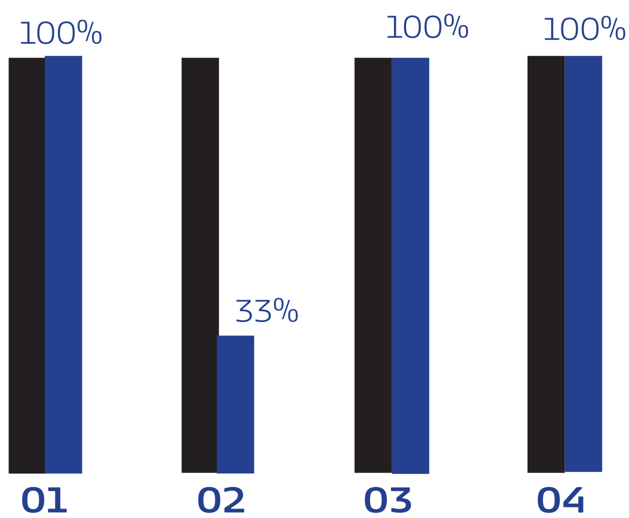
The Division achieved 100% of its planned targets in the third quarter.

The planned target for Quarter 3 relates to the frequency of updates performed on Fixed Asset Register (FAR).

04 FOURTH QUARTER REVIEW

The Division achieved 100% of its planned targets in the fourth quarter.

The planned target for Quarter 4 also relates to the frequency of updates performed on Fixed Asset Register (FAR).



- FINAL = 33%

NOTE: There is not relation between quartterly progress and final annual score as quarterly achieved targets include partially achieved targets.

Strategic objectives, planned targets and actual achievements

Strategic Objectives	Baseline / Actuals Achievement	Planned Target	Actual Achievement	Deviations	Comment on deviations
	2018/19	2019/20	2019/20	2019/20	
STRATEGIC GOAL 4: ENHANCED ORGANISATIONAL SUSTAINABILITY					
Divisional initiatives undertaken to enhance Operational Excellence	Qualified Audit Opinion expressed by Auditor-General	Unqualified	Qualified	Qualified	Long outstanding audit qualification relating to the validity of loan book balances
	8 updates performed on Fixed Asset Register (FAR)	12	12	None	None
	Target on % reduction in irregular expenditure not planned in 2018/19	60%	19%	41%	Irregular expenditure caused by services procured irregularly in the past but could not be terminated since they are multi-year contracts

3. PERFORMANCE INFORMATION
BY PROGRAMME

Continued....

FINANCE

ANNUAL PERFORMANCE

Key performance indicators, planned targets and actual achievements

Performance Indicators	Baseline / Actuals Achievement	Planned Target	Actual Achievement	Deviations	Comment on deviations
	2018/19	2019/20	2019/20	2019/20	
STRATEGIC GOAL 4: ENHANCED ORGANISATIONAL SUSTAINABILITY					
Audit opinion expressed by Auditor-General	Qualified Audit Opinion	Unqualified	Qualified	Qualified	Long outstanding audit qualification relating to the validity of loan book balances
Frequency of updates performed on Fixed Asset Register (FAR)	8	12	12	None	None
% reduction in irregular expenditure	0	60%	19%	41%	Irregular expenditure caused by services procured irregularly in the past but could not be terminated since they are multi-year contracts

STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

a. Audit Opinion Expressed by Auditor-General

The entity continued with its effort to resolve this long outstanding audit qualification relating to the validity of loan book balances. The AG confirmed that signed loan confirmation letters will be accepted as sufficient and appropriate audit evidence of loan balances in the absence of loan agreements and other supporting documents.

MEGA requested Provincial Treasury to assist in identifying the work addresses of government employees to sign the outstanding loan confirmation letters.

Other initiatives that are being undertaken by management can be summarised as follows:

- Individual debtor profiling and vetting to determine whether the loans can still be recovered will be conducted to trace debtors' economic activity and current addresses and contact details.
- Going forward, a Loans Management System that will also be linked to an electronic document management system will be implemented. The procurement process and benchmarking with other banks are underway.
- Specific attention will also be given to the non-performing book and we will involve our Legal Department in the collection process where necessary.

b. % Reduction in Irregular Expenditure

The entity continued with its effort to resolve this long outstanding audit qualification relating to the validity of loan book balances.

In order to avoid irregular expenditure, the entity will implement an effective contract management to ensure early identification of contracts that are due to expire in 6 months and commence with tender processes for the appointment of new service providers or contract renewal where applicable.

In addition, the entity will fill critical vacancies in order to reduce reliance on consultants where services are not specialised and may be done in-house.

CHANGES TO PLANNED TARGETS

There were no changes to planned targets for the year.

LINKING PERFORMANCE WITH BUDGETS

	2019/20			2018/19		
Sub-Programme	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
FINANCE	61 947	56 781	5 166	38 356	73 939	(35 583)
TOTAL	**61 947**	**56 781**	**5 166**	**38 356**	**73 939**	**(35 583)**

3. PERFORMANCE INFORMATION BY PROGRAMME

STRATEGY AND COMMUNICATIONS

PROGRAMME DESCRIPTION

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

a. **Trade and Investment Promotion:** Promotes the Province as an Investment Destination and Foreign Trade and Logistics Hub, within various sectors and numerous industries.

b. **Corporate Strategy:** Ensuring that the corporate strategy is reflected in the corporate plan and in divisional plans, which guide resource allocation and key decisions aimed at ensuring that the entity is achieving its purpose of fostering the sustainable growth and development of the Mpumalanga economy.

c. **Marketing and Communications:** Coordinates communications efforts incorporating public and media relations, web design, graphic art, social media, publication development, and print and online content to deliver economic development information and corporate news in a timely manner.

Purpose
:

- We promote the Province as an Investment destination and Foreign Trade and Logistics Hub, within various sectors and numerous industries.
- We provide performance information management services and promote organisational performance through a systematic monitoring and evaluation support functions and systems.
- We provide a systematic management of the organization's knowledge assets for the purpose of creating value and meeting tactical and strategic requirements.
- We assist in determining the best way to deliver important corporate messages, news and the events to the shareholder and business community.

Performance Highlights

Corporate Strategy: All statutory reports i.e. quarterly reports, annual report, corporate plan and strategic plan were consolidated and submitted to the Shareholder within the applicable timeframes after approval by the Board.

Monitoring and Evaluation:
Independent assessments were conducted through surveys whilst in-house evaluations were conducted through quarterly and adhoc reports..

Marketing & Communications: The Unit produced monthly and quarterly internal and external Newsletters, conducted Stakeholder Engagements and training on Social Media Functionality.

Trade & Investment: The Unit signed investment agreements with investors to the value of R 165 million.

In addition, twenty inward and outward missions / exhibitions were conducted.

Key Challenges

Some critical positions remain vacant, affecting the implementation of the programmes.

Cash flow constraints also affected implementation of some planned targets.

ANNUAL PERFORMANCE

PROGRAMME / DIVISION	PLANNED	ACHIEVED	NOT ACHIEVED	%
Strategy & Communications	17	9	8	53%
TOTAL	**17**	**9**	**8**	**53%**

3. PERFORMANCE INFORMATION
BY PROGRAMME

Continued....

STRATEGY & COMMUNICATIONS

ANNUAL PERFORMANCE

01 FIRST QUARTER REVIEW

The Division achieved 71% of its planned targets in the first quarter.

Budget constraints limited the amount of work carried out on trade & investment i.e. participation in missions and exhibitions.

02 SECOND QUARTER REVIEW

The Division achieved 67% of its planned targets in the second quarter.

The reason for not achieving some of the planned targets was due to delays in converting investment leads as foreign and domestic investment climate was very negative.

03 THIRD QUARTER REVIEW

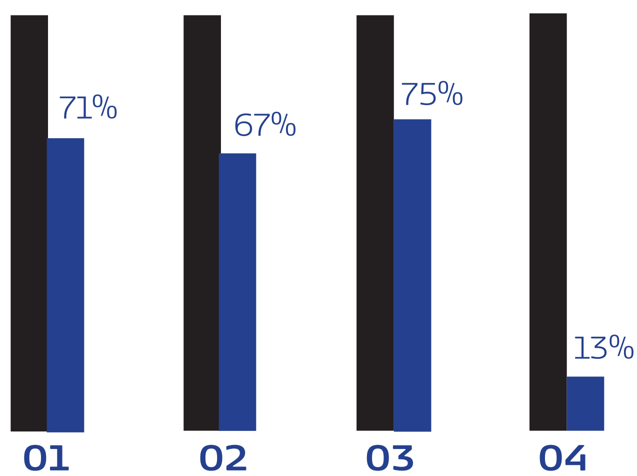
The Division achieved 75% of its planned targets in the third quarter.

Budget constraints prohibited the hosting of some planned missions and business forums.

04 FOURTH QUARTER REVIEW

The Division achieved 13% of its planned targets in the fourth quarter.

Inadequate budget as well as vacancies in critical positions affect the implementation of the key initiatives.



- FINAL = 53%

NOTE: There is not relation between quartterly progress and final annual score as quarterly achieved targets include partially achieved targets.

Strategic objectives, planned targets and actual achievements

Strategic Objectives	Baseline / Actuals Achievement	Planned Target	Actual Achievement	Deviations	Comment on deviations
	2018/19	2019/20	2019/20	2019/20	
STRATEGIC GOAL 2: INCREASED IMPLEMENTATION OF SUITABLE HIGH IMPACT INVESTMENTS OPPORTUNITIES IN THE PROVINCE BY WORKING CLOSELY WITH PARTNER INVESTORS					
Investment attracted through trade and investment promotion	Investment valued at R 150 million signed with investors through trade & Investment promotion	R 700m	R 165m	R 535m	Delays in converting investment leads due to the fact that foreign and domestic investment climate was very negative.
	The target relating to non-financial services in investment projects was not measured in 2018/19	R 400m	R 543m	-143m	Positive deviation
STRATEGIC GOAL 3: INCREASED ACCESS TO EXPORT TRADE OPPORTUNITIES FOR MP COMPANIES					
Increased key initiatives undertaken to position the Province in key markets	3 International Business Forums hosted	3	1	2	Budgetary constraints prohibited hosting of these platforms
	3 Outward Investment Missions conducted	3	3	0	None
	3 Foreign Trade Exhibitions / Missions conducted	3	3	0	None
	4 Local Trade Exhibitions undertaken / facilitated	3	3	0	None
	The target relating to investors assisted with business linkages and referrals was not measured in 2018/19	3	9	-6	Positive deviation
	The target relating to Inward Trade and Investment Missions was not measured in 2018/19	40	10	30	Budgetary constraints prohibited hosting of these platforms

3. PERFORMANCE INFORMATION BY PROGRAMME

Continued....

STRATEGY & COMMUNICATIONS

ANNUAL PERFORMANCE

Strategic objectives, planned targets and actual achievements

Strategic Objectives	Baseline / Actuals Achievement	Planned Target	Actual Achievement	Deviations	Comment on deviations
	2018/19	2019/20	2019/20	2019/20	
STRATEGIC GOAL 3: INCREASED ACCESS TO EXPORT TRADE OPPORTUNITIES FOR MP COMPANIES (CONTINUED...)					
Increased key initiatives undertaken to position the Province in key markets	The target relating to a number of Investment Leads and Trade Enquiries was not measured in 2018/19	50	84	-34	Positive deviation
	122 exporters provided with Foreign Trade Counselling and Support	100	100	0	None
	4 Exporter Training Workshops conducted	4	7	-3	Positive deviation
STRATEGIC GOAL 4: ENHANCED ORGANISATIONAL SUSTAINABILITY					
High Performing Organisation	Organisational performance target was not measured in 2018/19	80%	26%	54%	Most divisions failed to achieve planned targets due to cash flow constraints and vacancies in critical positions
Divisional initiatives undertaken to enhance Operational Excellence	13 Organisational Performance Reporting Plans developed	6	8	-2	Positive deviation
	0 Mapped Business Processes conducted	2	0	2	Project not implemented due to cashflow constraints
	0 divisions with standard operating procedures	2	0	2	Project not implemented due to cashflow constraints
	13 reports produced to monitor and evaluate the mandate of the Organisation	12	14	-2	Positive deviation
Improved Corporate Image of MEGA	0% of implemented projects arising from Marketing Strategy and Branding Policy	75%	0	75%	Vacancy in critical positions as well as cashflow constraints

Key performance indicators, planned targets and actual achievements

Performance Indicators	Baseline / Actuals Achievement	Planned Target	Actual Achievement	Deviations	Comment on deviations
	2018/19	2019/20	2019/20	2019/20	
STRATEGIC GOAL 2: INCREASED IMPLEMENTATION OF SUITABLE HIGH IMPACT INVESTMENTS OPPORTUNITIES IN THE PROVINCE BY WORKING CLOSELY WITH PARTNER INVESTORS					
Value of signed agreements with investors through trade & Investment promotion	R 150m	R 700m	R 165m	R 535m	Delays in converting investment leads due to the fact that foreign and domestic investment climate was very negative.
Value of Investment Projects in which MEGA renders non-financial services to investors to help them implement their investment projects	0	R 400m	R 543m	-143m	Positive deviation
STRATEGIC GOAL 3: INCREASED ACCESS TO EXPORT TRADE OPPORTUNITIES FOR MP COMPANIES					
Number Local International Business Forums hosted	3	3	1	2	Budgetary constraints prohibited hosting of these platforms
Number of Outward Investment Missions conducted	3	3	3	0	None
Number of Foreign Trade Exhibitions / Missions conducted	3	3	3	0	None
Number of Local Trade Exhibitions undertaken / facilitated	4	3	3	0	None
Number of Investors assisted with business linkages and referrals	0	3	9	-6	Positive deviation

3. PERFORMANCE INFORMATION
BY PROGRAMME

Continued....

STRATEGY & COMMUNICATIONS

ANNUAL PERFORMANCE

Key performance indicators, planned targets and actual achievements

Performance Indicators	Baseline / Actuals Achievement	Planned Target	Actual Achievement	Deviations	Comment on deviations
	2018/19	2019/20	2019/20	2019/20	
STRATEGIC GOAL 3: INCREASED ACCESS TO EXPORT TRADE OPPORTUNITIES FOR MP COMPANIES					
Number of Inward Trade and Investment Missions coordinated	0	40	10	30	Budgetary constraints prohibited hosting of these platforms
Number of Investment Leads and Trade Enquiries received as a result of MEGA's participation in Foreign Trade Exhibitions/ Missions and in Investment Promotion Outward Missions	0	50	84	-34	Positive deviation
Number of Exporters provided with Foreign Trade Counselling and Support	122	100	100	0	None
Number of Exporter Training Workshops conducted in Mpumalanga	4	4	7	-3	Positive deviation

Key performance indicators, planned targets and actual achievements

Performance Indicators	Baseline / Actuals Achievement	Planned Target	Actual Achievement	Deviations	Comment on deviations
	2018/19	2019/20	2019/20	2019/20	
STRATEGIC GOAL 4: ENHANCED ORGANISATIONAL SUSTAINABILITY					
% achieved on organisational performance targets	0	80%	26%	54%	Most divisions failed to achieve planned targets due to cash flow constraints and vacancies in critical positions
Number of Organisational Performance Reporting Plans developed i.e. APP, Annual Report and Quarterly Reports	13	6	8	-2	Positive deviation
Number of divisions with mapped business processes	0	2	0	2	Project not implemented due to cashflow constraints
Number of divisions with standard operating procedures	0	2	0	2	Project not implemented due to cashflow constraints
Number of reports produced to monitor and evaluate the mandate of the Organisation i.e. Internal M&E reports, Portfolio Committee reports, SCOPA reports & other reports required by Government	13	12	14	-2	Positive deviation
% of implemented projects arising from Marketing Strategy and Branding Policy	0%	75%	0	75%	Vacancy in critical positions as well as cashflow constraints

STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

a. Value of signed agreements with investors through trade & Investment promotion

Follow up on investment leads created through investment missions and ensure that investment pipelines are converted into investment projects.

b. Number Local International Business Forums hosted

MEGA will consider reaching target audiences via innovative and affordable platforms.

c. Number of Inward Trade and Investment Missions coordinated

MEGA will consider reaching target audiences via innovative and affordable platforms.

d. % Achieved on Organisational Performance Targets

MEGA will enhance its credit control in order to generate more revenue and fill critical vacancies in 2020/21.

e. Number of Divisions with Mapped Business Processes

Business Process Mapping to be conducted in 2020/21.

f. Number of Divisions with Standard Operating Procedures

Standard Operating Procedures to be developed in 2020/21.

g. % of implemented projects arising from Marketing Strategy and Branding Policy

To prioritise the filling of the position of the Senior Manager: Marketing and Communication in 2020/21.

CHANGES TO PLANNED TARGETS

There were no changes to planned targets for the year except that total targets reported as achieved during the course of the year were adjusted in the Annual Report to ensure alignment between reported achievement and the Portfolio of Evidence (POE) provided as part of the monitoring and evaluation function performed by Corporate Strategy Unit.

LINKING PERFORMANCE WITH BUDGETS

	2019/20			2018/19		
Sub-Programme	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
STRATEGY & COMMS	14 477	13 497	982	27 143	17 465	6
TOTAL	**14 477**	**13 497**	**982**	**27 143**	**17 465**	**9 677**

3. PERFORMANCE INFORMATION
BY PROGRAMME

PROPERTIES & INFRASTRUCTURE

PROGRAMME DESCRIPTION

The core purpose of the division is to utilise the MEGA/Provincial property portfolio and infrastructure assets to advance growth and economic development within the Mpumalanga Province.

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

Purpose

:
The main purpose of the division is to exploit the opportunities presented by the property portfolio and develop growth-enhancing infrastructure to facilitate/ support economic development within the province.

The division promises the delivery of world class property/infrastructure services by leveraging on the existing relationships (access and partnerships) with the various public and private sector institutions.

Performance Highlights

Nkomazi Special Economic Zone:

- The Nkomazi Local Municipality has approved the application for Nkomazi SEZ township establishment on portion 58 of the farm Komatipoort town lands182-JU. Formalization of the SEZ development area has also been approved.
- A Pty Limited company has been registered and MEGA is in the process of scheduling the entity as Schedule 3D with National Treasury.
- The process for the appointment of the Board of Directors for the SEZ entity is managed by the Shareholder.
- The process for the capacitation of the Nkomazi SEZ Programme Management Unit is at its final stage, with officials expected to be appointed in the first quarter of the new financial year.

Mpumalanga International Fresh Produce Market (MIFPM):

- Bulk water supply infrastructure, sewer infrastructure, internal water reticulation, internal roads and upgrading of R37 entrance is complete.
- The construction of the main market building structure, sub-stations and gate houses as well as workshops is currently at 17%.

Key Challenges

- The MIFPM budget for the financial year was reduced by R213 200 000.00 in November of 2019, which prevented the acceleration of the construction programme after the social unrest that had hindered the project earlier in the financial year was resolved.
- The process of finalizing the appointment of strategic development partners (SDPs) was delayed due to the moratorium on procurement processes within MEGA.
- Rental property portfolio not in a good condition to encourage increased occupancy and related revenue collection.

ACTING GM: **PROPERTIES & INFRASTRUCTURE**

ANNUAL PERFORMANCE

PROGRAMME / DIVISION	PLANNED	ACHIEVED	NOT ACHIEVED	%
Properties & Infrastructure	8	2	6	25%
TOTAL	**8**	**2**	**6**	**25%**

3. PERFORMANCE INFORMATION
BY PROGRAMME

Continued....

PROPERTIES & INFRASTRUCTURE

ANNUAL PERFORMANCE

01 FIRST QUARTER REVIEW

The Division achieved 67% of its planned targets in the first quarter.

Performance was affected by the fact that expected investment in the refurbishment of selected assets (i.e. industrial parks) was not realized.

02 SECOND QUARTER REVIEW

The Division achieved 34% of its planned targets in the second quarter.

The reasons for not achieving some of the planned targets were due to delays in making funds available by the Provincial Government for the operationalization of the Nkomazi SEZ Project, intermittent delays in implementing the MIFPM project due to community protests and persisting vacancies in the rental portfolio.

03 THIRD QUARTER REVIEW

The Division achieved 38% of its planned targets in the third quarter.

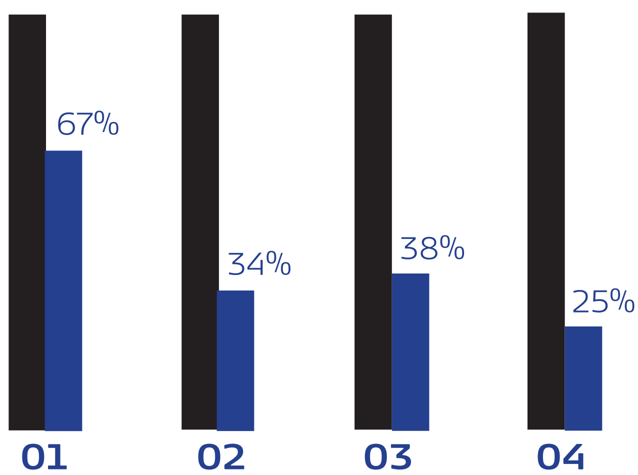
Revenue on rental and utilities affected by high default rate.

04 FOURTH QUARTER REVIEW

The Division achieved 25% of its planned targets in the fourth quarter.

Under achievement as a result of the following:

- Reduction of the allocated budget for MIFPM.
- Moratorium on procurement prevented finalization of the appointment of SDPs.
- Evacuations and decreased rental payments.



- FINAL = 25%

NOTE: There is not relation between quartterly progress and final annual score as quarterly achieved targets include partially achieved targets.

Strategic objectives, planned targets and actual achievements

Strategic Objectives	Baseline / Actuals Achievement	Planned Target	Actual Achievement	Deviations	Comment on deviations
	2018/19	2019/20	2019/20	2019/20	
STRATEGIC GOAL 1: INCREASED IMPLEMENTATION OF SUITABLE HIGH IMPACT INVESTMENTS OPPORTUNITIES IN THE PROVINCE BY INJECTING OWN FUNDS					
Value of investment preserved	The target relating to % expenditure on the maintenance budget was not measured in 2018/19	95%	86%	9%	Budget revised upwards due to increased maintenance demands as a result of ageing infrastructure. However, the revised budget could not be utilised fully due to limited time
	The target relating to % increase in revenue collection (rental) was not measured in 2018/19	10%	2%	8%	Poor repayment by tenants
	The target relating to % increase in revenue collection (utilities) was not measured in 2018/19	10%	6%	4%	Poor repayment by tenants
Value of investment growth	The target relating to the value of investment spent on infrastructure projects was not measured in 2018/19	R100m	R156m	-R56m	Positive deviation
	The target relating to the value of investment spent on the property portfolio was not measured in 2018/19	R100m	R0	R100m	Procurement processes relating to the appointment of the Strategic Development Partners was put on hold due to the moratorium placed on procurement
	The target relating to % increase in the occupancy of the property portfolio was not measured in 2018/19	55%	66%	-11%	Positive deviation

3. PERFORMANCE INFORMATION
BY PROGRAMME
Continued....

PROPERTIES & INFRASTRUCTURE

ANNUAL PERFORMANCE

Strategic objectives, planned targets and actual achievements

Strategic Objectives	Baseline / Actuals Achievement	Planned Target	Actual Achievement	Deviations	Comment on deviations
	2018/19	2019/20	2019/20	2019/20	
STRATEGIC GOAL 2: INCREASED IMPLEMENTATION OF SUITABLE HIGH IMPACT INVESTMENTS OPPORTUNITIES IN THE PROVINCE					
Investment opportunities accessed through partner investors	The target relating to the value of investment attracted into the property portfolio was not measured in 2018/19	R400m	R0	R 400m	Procurement processes relating to the appointment of the Strategic Development Partners was put on hold due to the moratorium placed on procurement
	The target relating to investment attracted into infrastructure projects was not measured in 2018/19	R300m	R0	R300m	Delays in the finalisation of registration of the SEZ entity, as well as the appointment of the Nkomazi SEZ Board

Key performance indicators, planned targets and actual achievements

Performance Indicators	Baseline / Actuals Achievement	Planned Target	Actual Achievement	Deviations	Comment on deviations
	2018/19	2019/20	2019/20	2019/20	
STRATEGIC GOAL 1: INCREASED IMPLEMENTATION OF SUITABLE HIGH IMPACT INVESTMENTS OPPORTUNITIES IN THE PROVINCE BY INJECTING OWN FUNDS					
% expenditure on the maintenance budget	0	95%	86%	9%	Budget revised upwards due to increased maintenance demands as a result of ageing infrastructure. However, the revised budget could not be utilised fully due to limited time
% increase in revenue collection (rental)	0	10%	2%	8%	Poor repayment by tenants
% increase in revenue collection (utilities)	0	10%	6%	4%	Poor repayment by tenants

Key performance indicators, planned targets and actual achievements (Continued..)

Performance Indicators	Baseline / Actuals Achievement	Planned Target	Actual Achievement	Deviations	Comment on deviations
	2018/19	2019/20	2019/20	2019/20	
STRATEGIC GOAL 1: INCREASED IMPLEMENTATION OF SUITABLE HIGH IMPACT INVESTMENTS OPPORTUNITIES IN THE PROVINCE BY INJECTING OWN FUNDS					
Value of investment spent on infrastructure projects	0	R100m	R156m	-R56m	Positive deviation
Value of investment spent on the property portfolio	0	R100m	R0	R100m	Procurement processes relating to the appointment of the Strategic Development Partners was put on hold due to the moratorium placed on procurement
% increase in the occupancy of the property portfolio	0	55%	66%	-11%	Positive deviation
STRATEGIC GOAL 2: INCREASED IMPLEMENTATION OF SUITABLE HIGH IMPACT INVESTMENTS OPPORTUNITIES IN THE PROVINCE BY WORKING CLOSELY WITH PARTNER INVESTORS					
Value of investment attracted into the property portfolio	0	R400m	R0	R 400m	Procurement processes relating to the appointment of the Strategic Development Partners was put on hold due to the moratorium placed on procurement
Value of investment attracted into infrastructure projects	0	R300m	R0	R300m	Delays in the finalisation of registration of the SEZ entity, as well as the appointment of the Nkomazi SEZ Board

STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

a. % Expenditure on the Maintenance Budget

Maintenance work will continue in 2020/21.

b. % increase in revenue collection (rental)

To enhance credit control initiatives.

c. % increase in revenue collection (utilities)

To enhance credit control initiatives.

d. Value of Investment Spent on Infrastructure Projects

Project plan was revised taking into account challenges experienced during the course of the period under review.

e. Value of Investment Spent on the Property Portfolio

The process to attract equity partners will resume during the 2020/21 financial year.

CHANGES TO PLANNED TARGETS

There were no changes to planned targets for the year except that total targets reported as achieved during the course of the year were adjusted in the Annual Report to ensure alignment between reported achievement and the Portfolio of Evidence (POE) provided as part of the monitoring and evaluation function performed by Corporate Strategy Unit.

LINKING PERFORMANCE WITH BUDGETS

	2019/20			2018/19		
Sub-Programme	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)
PROPERTY DEVELOPMENT AND MANAGEMENT	148 283	153 387	(5 104)	161 306	164 663	(3 357)
FRESH PRODUCE MARKET	-	-	-	271 488	163 554	107 934
AGRI-HUBS	-	-	-	-	-	-
SPECIAL ECONOMIC ZONES	-	-	-	6 384	1 730	4 654
TOTAL	**148 283**	**153 387**	**(5 104)**	**439 178**	**329 947**	**109 231**

3. PERFORMANCE INFORMATION BY PROGRAMME

FUNDING

PROGRAMME DESCRIPTION

The Division is responsible for the following main functions, namely, provision of finance and non-financial support to SMMEs, Cooperatives, Housing, Agricultural Enterprises, Equity investments, Project Management and administration of Regional Networks.

The Division was created to stimulate sustainable economic growth through SMME development (including emerging farmers) and financing Home loans in Mpumalanga Province.

Purpose

:

The core purpose of the division is:-

- Provision of access to affordable housing and facilitating home ownership through financing of qualifying Mpumalanga citizens who are unable to obtain finance through the mainstream commercial system.
- Promotion and facilitation growth and development by providing financial support to Small, Medium and Micro Enterprises (SMMEs), Agricultural enterprises and Co-operatives in all prioritized sectors of the economy.
- Provision of non-financial support through training, capacity-building, mentorship, counseling, market facilitation, linkages and organizational development.

Performance Highlights

Loan Funding Activities:
During the period under review, loans approved amounted to R 27.6 million while the value of loans disbursed was R 18.4 million. The value of loans disbursed is made up of transactions approved during the current and prior years. The value of the loans disbursed out of transactions approved during the current financial year represents 50% of the total loans disbursed.

Government Nutrition Programme:
The Government Nutrition Programme was transferred to DARDLEA in line with the directive from provincial government. The hand over processes, including lease agreement with MEGA for DARDLEA to utilise the storage facilities were also finalised.

Standard Bank Enterprise Development Fund:
At the end of the second quarter, the MEGA/SBSA ED Fund partnership was put under review and as a result no loans were referred in the third and fourth quarter.

Key Challenges

- Loan disbursement was limited to 51% of loans approved in the 2019/20 financial year due to cash flow challenges.
- Approval of loans had to be curtailed due to cash-flow constraints.

GENERAL MANAGER: FUNDING

ANNUAL PERFORMANCE

PROGRAMME / DIVISION	PLANNED	ACHIEVED	NOT ACHIEVED	%
Funding	8	0	8	0%
TOTAL	**8**	**0**	**8**	**0%**

3. PERFORMANCE INFORMATION BY PROGRAMME

Continued....

FUNDING

LOAN FUNDING ACTIVITIES

A breakdown of the allocation of approved funding and loan commitments (year-to-date) is as per the tables below:

TABLE 1: LOANS APPROVED – 31 MARCH 2020

Classification	Loans Approved	
	Rand Value	Number
SMME	R 26 670 133,15	8
Co-operatives	R 898 974,00	1
Agricultural enterprises	R 0	0
Housing loans	R 0	0
TOTAL	**R 27 569 107,15**	**9**

TABLE 2: VALUE OF LOANS DISBURSED – 31 MARCH 2020

Classification	Total Loan Disbursement
	Rand Value
SMME	R 16 343 765,35
Co-operatives	R 503 749,25
Agricultural enterprises	R 0
Housing loans	R 1 655 093,43
TOTAL	**R 18 502 608,03**

R 18.5 m

LOANS DISBURSED TO SMMES, COOPERATIVES AND HOUSING CLIENTS

01 FIRST QUARTER REVIEW

The Division achieved 60% of its planned targets in the first quarter.

Funding activities such as loan appraisals and disbursements could not take place due to lockdown restrictions as well as lack of budget.

02 SECOND QUARTER REVIEW

The Division achieved 25% of its planned targets in the second quarter.

Disbursements target not met due to cash flow constraints.

At the end of the quarter the MEGA/SBSA ED Fund partnership was under review, hence fewer applications were referred In addition, the Government Nutrition Programme was transferred to DARDLEA.

03 THIRD QUARTER REVIEW

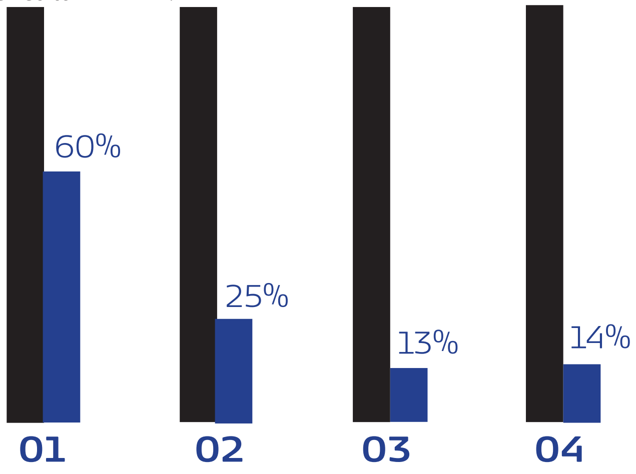
The Division achieved 13% of its planned targets in the third quarter.

Targets relating to loan disbursement and loan referral to Standard Bank were not realized in the third quarter since the MEGA/SBSA ED Fund partnership was under review.

04 FOURTH QUARTER REVIEW

The Division achieved 14% of its planned targets in the fourth quarter. Under achievement was recorded as a result of the following:

- Loan disbursement was limited to 50% of loans approved in the 2019/20 financial year due to cash flow challenges.
- Approval of loans had to be curtailed due to cash-flow constraints.



FINAL = 0%

NOTE: There is not relation between quartterly progress and final annual score as quarterly achieved targets include partially achieved targets.

3. PERFORMANCE INFORMATION BY PROGRAMME

Continued....

FUNDING

ANNUAL PERFORMANCE

Strategic objectives, planned targets and actual achievements

Strategic Objectives	Baseline / Actuals Achievement	Planned Target	Actual Achievement	Deviations	Comment on deviations
	2018/19	2019/20	2019/20	2019/20	
STRATEGIC GOAL 1: INCREASED IMPLEMENTATION OF SUITABLE HIGH IMPACT INVESTMENTS OPPORTUNITIES IN THE PROVINCE BY INJECTING OWN FUNDSBY WORKING CLOSELY WITH PARTNER INVESTORS					
Value of investment preserved	The target relating to the repayment rate on housing loan book was not measured in 2018/19	75%	19%	56%	Lack of growth on the loan book and the financial system's inability to match receipt to current invoices
	The target relating to the repayment rate on agricultural loan book was not measured in 2018/19	55%	2%	53%	Lack of growth on the loan book and the financial system's inability to match receipt to current invoices
	The target relating to the repayment rate on SMMEs loan book was not measured in 2018/19	50%	8%	42%	Lack of post investment capacity
	The target relating to the repayment rate on Co-ops loan book was not measured in 2018/19	50%	15%	35%	Lack of growth on the loan book and the financial system's inability to match receipt to current invoices
	126 post investment support provided to funded businesses	90	56	34	Capacity and skills inadequacies
Value of investment growth	Loans valued at R 8.4 million disbursed	R 28m	R 18.5m	R9.5m	Disbursements target not met due to cash flow constraints
STRATEGIC GOAL 4: ENHANCED ORGANISATIONAL SUSTAINABILITY					
Investment opportunities accessed through partner investors	Funding opportunities valued at R 10.4 million accessed for businesses through partnerships	R40m	R3.5m	R 36.5m	The role of MEGA has been redefined in this programme.
	Procurement valued at R 72 million accessed for SMMEs supplying the Government Nutrition Programme	R50m	R0	R50m	The programme was transferred to DARDLEA

Key performance indicators, planned targets and actual achievements (Continued..)

Performance Indicators	Baseline / Actuals Achievement	Planned Target	Actual Achievement	Deviations	Comment on deviations
	2018/19	2019/20	2019/20	2019/20	
STRATEGIC GOAL 1: INCREASED IMPLEMENTATION OF SUITABLE HIGH IMPACT INVESTMENTS OPPORTUNITIES IN THE PROVINCE BY INJECTING OWN FUNDS					
Repayment rate on housing loan book	0	75%	19%	56%	Lack of growth on the loan book and the financial system's inability to match receipt to current invoices
Repayment rate on agricultural loan book	0	55%	2%	53%	Lack of growth on the loan book and the financial system's inability to match receipt to current invoices
Repayment rate on SMMEs loan book	0	50%	8%	42%	Lack of post investment capacity
Repayment rate on Co-ops loan book	0	50%	15%	35%	Lack of growth on the loan book and the financial system's inability to match receipt to current invoices
Number of post investment support provided to funded businesses	126	90	56	34	Capacity and skills inadequacies
Value of loans disbursed	R 8.4M	R 28m	R 18.5m	R9.5m	Disbursements target not met due to cash flow constraints
STRATEGIC GOAL 4: ENHANCED ORGANISATIONAL SUSTAINABILITY					
Value of funding opportunities accessed for businesses through partnerships	R 10.4m	R40m	R3.5m	R 36.5m	The role of MEGA has been redefined in this programme
Value of procurement from SMMEs supplying the Government Nutrition Programme	R 72m	R50m	R0	R50m	The programme was transferred to DARDLEA

STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

a. Repayment rate on housing loan book

To procure and implement a proper loans management system.

b. Repayment rate on agricultural loan book

To procure and implement a proper loans management system.

c. Repayment rate on SMMEs loan book

To capacitate the post investment unit.

d. Repayment rate on Co-ops loan book

To procure and implement a proper loans management system.

e. Number of post investment support provided to funded businesses

To fill in established positions in the Post Investment Support unit within MEGA.

f. Value of loans disbursed

To increase debt collection to improve loans disbursements.

g. Value of funding opportunities accessed for businesses through partnerships

MEGA to assist with marketing and referral of applications to SBSA for processing.

h. Value of procurement from SMMEs supplying the Government Nutrition Programme

The target to be removed in the next financial year since the project was transferred to DARDLEA.

CHANGES TO PLANNED TARGETS

There were no changes to planned targets for the year except that total targets reported as achieved during the course of the year were adjusted in the Annual Report to ensure alignment between reported achievement and the Portfolio of Evidence (POE) provided as part of the monitoring and evaluation function performed by Corporate Strategy Unit.

LINKING PERFORMANCE WITH BUDGETS

	2019/20			2018/19		
Sub-Programme	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R’000	**R’000**	**R’000**	**R’000**	**R’000**	**R’000**
	(R’000)	(R’000)	(R’000)	(R’000)	(R’000)	(R’000)
FUNDING	79 995	73 860	6 134	395 640	135 168	260 472
REVENUE GENERATION	33 765	30 078	3 686	29 360	19 408	9 952
TOTAL	**113 760**	**103 938**	**9 820**	**425 000**	**154 576**	**270 424**

REVENUE COLLECTION

REVENUE COLLECTION

	2019/20			2018/19		
Sources of revenue	**Budget**	**Actual Amount Invoiced**	**(Over)/ Under**	**Budget**	**Actual Amount Invoiced**	**(Over)/ Under**
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Municipal Services	67 939	71 047	-3108	85 942	66 552	(19 390)
Rent	36 604	36 801	-197	47 554	36 715	(10 839)
Loans	16 310	15 693	617	19 722	16 238	(3 484)
Other	120 853	52 494	68 359	332 798	80 534	(252 264)
TOTAL	**183 954**	**194 572**	**(10 618)**	**486 016**	**200 039**	**(285 977)**

PROGRAMME EXPENDITURE

	2019/20			2018/19		
Sub Programme	**Budget**	**Actual Amount Invoiced**	**(Over)/ Under**	**Budget**	**Actual Amount Invoiced**	**(Over)/ Under**
	R'000	R'000	R'000	R'000	R'000	R'000
Office of the CEO	17 071	14 129	2 942	22 328	22 443	(115)
Corporate Services	24 198	23 770	428	34 131	28 856	5 275
Finance	61 947	56 781	5 166	38 356	73 939	(35 583)
Strategy & Communications	14 477	13 497	982	27 142	17 465	9 677
Properties & Infrastructure	148 283	153 387	(5 104)	439 178	329 947	109 231
Funding	113 760	103 938	9 820	425 000	154 576	270 424
TOTAL	**379 736**	**365 502**	**14 234**	**986 135**	**627 226**	**358 909**

CAPITAL INVESTMENT, MAINTENANCE AND ASSET MANAGEMENT PLAN

Highlights on capital investment and asset management plan

MEGA is currently implementing two infrastructure projects, namely: The Mpumalanga International Fresh Produce Market and the Nkomazi Special Economic Zone.

No infrastructure projects were completed in the current year as all projects being implemented are multi-year projects.

A formal approval of R50 million by the dti was obtained to revitalise Ekandustria industrial park.

MEGA received investment proposals by the Strategic Development Partners towards the revitalisation of Siyabuswa, Kabokweni and Elukwatini shopping centres, and 66 Anderson Street office.

MEGA has refurbished 16 buildings with a total square meter of 25 245.

REVENUE COLLECTION
Continued....

INFRASTRUCTURE PROJECTS

	2019/20			2018/19		
Infrastructure Projects	**Budget**	**Actual Amount Invoiced**	**(Over)/ Under**	**Budget**	**Actual Amount Invoiced**	**(Over)/ Under**
	R'000	R'000	R'000	R'000	R'000	R'000
Mpumalanga International Fresh Produce Market	0	0	0	271 488	163 554	107 934
Nkomazi Special Economic Zone (SEZ)	2 448 099	36 801	(197)	47 554	36 715	(10 839)
TOTAL	**2 448 099**	**36 801**	**(197)**	**319 042**	**200 269**	**97 095**

R 184 m.

OWN REVENUE

THE RATIO OF MEGA'S OWN REVENUE IS SLIGHTLY HIGHER RELATIVE TO GRANT REVENUE. OWN REVENUE OF R 184M IS 51% OF THE TOTAL REVENUE WHILST GRANT REVENUE 0F R 177M MAKES UP 49% OF THE TOTAL REVENUE.

THE CURRENT STATE OF THE PUBLIC ENTITY'S CAPITAL ASSETS

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

MAINTENANCE EXPENDITURE

	2019/20			2018/19		
Maintenance Expenditure	**Budget**	**Actual Amount Invoiced**	**(Over)/ Under**	**Budget**	**Actual Amount Invoiced**	**(Over)/ Under**
	R'000	R'000	R'000	R'000	R'000	R'000
Maintenance – vehicles	0	0	0	371	261	110
Maintenance – equipment	315	21	294	454	303	151
Maintenance – buildings	1 316	943	373	3 700	2 158	1 542
Maintenance – infrastructure	0	0	0	1 028	4	1 024
TOTAL	**1 631**	**964**	**667**	**5 553**	**2 726**	**2 827**

PART C

GOVERNANCE

1. INTRODUCTION

Corporate governance embodies processes and systems by which public entities are directed, controlled and held to account. In addition to legislative requirements based on a public entity's enabling legislation, and the Companies Act, corporate governance in public entities is applied through the precepts of the Public Finance Management Act (PFMA) and run in tandem with the principles contained in the King Report on Corporate Governance. Parliament, the Executive and the Accounting Authority of the public entity are responsible for corporate governance.

> We cannot be mere consumers of good governance, we must be participants; we must be co-creators.
>
> **- ROHINI NILEKANI**

2. PORTFOLIO COMMITTEES

The entity appeared before the Portfolio Committee to deliberate on the analysis on its Quarterly Performance Reports, Budget, and Annual Performance Plan.

During the sittings the entity further provided progress reports on the implementation of the House Resolutions. Dates and purpose of the Committee sittings are reflected on the table below:

Date of the Meeting	Subject	Action Plans Undertaken by the Entity
29 August 2019	Deliberate on the 2019/20 1st Quarter Report	Progress report on the implementation of the 4th Quarter House Resolutions submitted to Legislature
3 September 2019	Deliberation by the Portfolio Committee on MEGA's request to revise and resubmit the 2019/20 APP (Corporate Plan)	Revised Corporate Plan submitted to the Portfolio Committee and the Executive Council
17 September 2019	Oversight visit at Likusasa Lethu Leatherfern by the Portfolio Committee	Implementation of the House Resolutions ongoing
15 October 2019	Oversight visit at Likusasa Lethu Leatherfern by the Portfolio Committee	Progress report on the implementation of the House Resolutions submitted to Legislature
22 October 2019	Deliberation on the 2018/19 Annual Report by the Portfolio Committee	Implementation of the House Resolutions ongoing
25 October 2019	Oversight visit at MIFPM by the Portfolio Committee	Progress report on the implementation of the House Resolutions submitted to Legislature
4 & 27 February 2020	Deliberation on the 2018/19 audit outcome by SCOPA	Progress report on the implementation of the 2017/18 House Resolutions submitted to Legislature
20 February 2020	Oversight visit at MIFPM by the Portfolio Committee	Implementation of the House Resolutions ongoing

DEDT

SHAREHOLDER

MEGA reports to the Department of Economic Decelopment and Tourism as its Shareholder.

3. EXECUTIVE AUTHORITY

MEGA reports to the Executive Authority on performance in relation to its mandate and targets agreed upon with the Executive Authority in the Shareholders Compact. In addition, all reports submitted to the Legislature and other government structures are submitted through the Executive Authority (Shareholder).

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

The table below, reflects the reports submitted to the Executive Authority during the period under review.

Details	Submission Date
MEGA Strategic Plan	29 February 2019
1st Quarter Performance Report	31 July 2019
2nd Quarter Performance Report	31 October 2019
3rd Quarter Performance Report	31 January 2020
4th Quarter Performance Report	30 May 2020

We cannot be mere consumers of good governance, we must be participants; we must be co-creators.

- ROHINI NILEKANI

4. THE ACCOUNTING AUTHORITY / BOARD

INTRODUCTION

MEGA is a schedule 3D entity by virtue of it being the successor in title of the erstwhile MEGA, which was established by the then MEGA Act 4 of 2005. MEGA is governed by a duly appointed Board of Directors. Schedule 3D entities are regulated by Sections 47 & 76(4) of the PFMA. The Board is the Accounting Authority of the Agency as contemplated in Section 49(2) (a) of the Public Finance Management Act of 1999, and Section. 5(1) of the MEGA Act 1 of 2010 (hereafter referred to as the "Act"). The Board shall, in respect of the exercise and performance of its powers and functions, be accountable to the Member of the Executive Council. (Section 5 (2) of the MEGA, Act 1 of 2010).

THE ACCOUNTING AUTHORITY / BOARD

The Members of the Board are appointed in terms of the Act by the Member of the Executive Council responsible for Economic Development and Tourism for a period not exceeding four (4) years, but are eligible for re-appointment as may be determined by the Member of the Executive Council.

The composition of the Board is prescribed by the Act which permits a minimum of nine [9] and a maximum of eleven [11] Members, all of whom shall be non-executive directors. In terms of the Act, the CEO is an ex officio member of the Board without any voting rights at meetings of the Board (Section 5(4) of the MEGA Act 1 of 2010).

The Role of the Board

In accordance with the aforementioned parameters of corporate governance, the Board must specifically:

a. Retain full and effective control over MEGA, and monitor management's implementation of the strategic plans and financial objectives as defined by the Board;
b. Continuously monitor and review the exercise by management of delegated powers;
c. Ensure that a comprehensive system of policies and procedures is in place and that appropriate governance structures exist to ensure the smooth, efficient and prudent stewardship of MEGA;
d. Ensure compliance by MEGA with all relevant laws and regulations, audit and accounting principles, MEGA's Code of Ethics and Conduct, and such other principles as may be established by the Board from time to time;
e. Regularly review and evaluate the risks to the business of MEGA, including information technology ("IT") risks.
f. Ensure the existence of comprehensive, appropriate internal controls to mitigate against such risks, as well as ensure that there is an effective risk-based internal audit;
g. Exercise objective judgment on the affairs of MEGA, independent from management, but with sufficient management information to enable a proper and informed assessment to be made; and
h. Identify and monitor non-financial aspects relevant to the business of MEGA, and ensure that MEGA acts responsibly towards all relevant stakeholders having a legitimate interest in its affairs in order to ensure that MEGA is seen to be a responsible corporate citizen.

BOARD

ACCOUNTING AUTHORITY

The Board is the Accounting Authority of the Agency as contemplated in Section 49(2) (a) of the Public Finance Management Act of 1999, and Section. 5(1) of the MEGA Act 1 of 2010.

Board Charter

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

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

Shareholders' Compact

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

Delegation of Authority

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

Board Induction and Orientation

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

(a) Make sensible and informed decisions and contribute independent, value-adding views to Board deliberations;

(b) Have an understanding of the legal and fiduciary responsibilities incumbent on Board members; and

(c) Discharge those responsibilities suitably and ensure that all Members are unequivocally committed to furthering the interests of MEGA.

Board Evaluation and Performance

The Board is evaluated collectively and individually through a set of corporate governance questionnaires annexed to the Board Charter. The assessments in the main, serve as tools for improving governance practice thereby assisting the Board to better understand their own roles and responsibilities and how they can more effectively fulfil their fiduciary duties and obligations. The Board evaluation also serves as a formal method to facilitate Board development and foster communications among Directors and between the Board and Management and increase accountability within the organization.

Composition of the Board

Members of the Board are appointed in terms of the MEGA Act by the Member of the Executive Council (MEC) responsible for the Department of Economic Development and Tourism (DEDT) in consultation with the Executive Council of the Mpumalanga Province for a period not exceeding four (4) years. Members are eligible for re-appointment as members of the Board for a 2nd term at the expiry of their terms of office which is determined by the Member of the Executive Council from time to time. The composition of the Board in terms of the Act, prescribes a minimum number of nine (9) and a maximum number of eleven (11) Board Members, all of whom shall be non-executive members and the Chief Executive Officer, as an ex officio Member.

An Interim Board was appointed for a period of six (6) months starting from 12 June 2019 to 11 December 2019 and the same Members were re-appointed for a period of six (6) months effective from 13 December 2019 and whose term of office shall terminate by no later than 12 June 2020 or as soon as permanent Board appointment in accordance with section 7(1) of the Act is finalised whichever comes first.

BOARD OF DIRECTORS

D.S. MKHWANAZI
CHAIRPERSON

Qualifications:

- Degree in Public Management
- N.Dip. in Public Management
- N.Cert. in Public Management
- Cert. in Economics & Public Finance

Date Appointed:
11 June 2019

Date Resigned:
N/A

No. of Meetings Attended:
10/10

N.B. MAPHANGA
DEPUTY CHAIRPERSON

Qualifications:

- Bachelor's Degree in Education
- Baccalaurus Educationis (Honours Degree)

Date Appointed:
11 June 2019

Date Resigned:
N/A

No. of Meetings Attended:
10/10

B.V. MBHUNGELA
BOARD MEMBER

Qualifications:

- Baccalaureus Procurationis (BProc) Degree

Date Appointed:
11 June 2019

Date Resigned:
N/A

No. of Meetings Attended:
10/10

During the period under review, the Interim Board comprised of the Members as outlined below:

N.R. SHABANGU
BOARD MEMBER

Qualifications:

- BCompt. Honours-Financial Accounting
- Chartered Accountant
- SAIPA Member
- Registered Auditor

Date Appointed:
11 June 2019

Date Resigned:
09 March 2020

No. of Meetings Attended:
07/10

L.B. MASHILE
BOARD MEMBER

Qualifications:

- N.Dip. Civil Engineering
- BTech Civil Engineering
- N.Dip. for Technicians - Civil Engineeri
- Dip. in Business Management
- WSD Graduate Certificate

Date Appointed:
11 June 2019

Date Resigned:
N/A

No. of Meetings Attended:
10/10

L.N. MTSWENI
BOARD MEMBER

Qualifications:

- LLB Degree
- Advanced Dip. in Labour Law
- Post Grad. Diploma in Cyber Law
- Diploma in Interpretation & Drafting of Contracts

Date Appointed:
11 June 2019

Date Resigned:
N/A

No. of Meetings Attended:
10/10

BOARD OF DIRECTORS
Continued....

A.D. MKHWANAZI
BOARD MEMBER

Qualifications:

- Cert. Programme Management & Development (Municipal Finance);
- Executive Leadership Municipal Development Programme

Date Appointed:
11 June 2019

Date Resigned:
N/A

No. of Meetings Attended:
07/10

S. LEDWABA
BOARD MEMBER

Qualifications:

- B Juris Degree
- Project Management

Date Appointed:
11 June 2019

Date Resigned:
N/A

No. of Meetings Attended:
07/10

M. SELEKE
BOARD MEMBER

Qualifications:

- LLB Degree

Date Appointed:
11 June 2019

Date Resigned:
N/A

No. of Meetings Attended:
04/10

Z.V. PHUNGWAYO
BOARD MEMBER

Qualifications:

- BCom Information Technology
- Strategic Management
- Project Management

Date Appointed:
11 June 2019

Date Resigned:
05 May 2020

No. of Meetings Attended:
08/10

S.P. MORGAN
COMPANY SECRETARY

Qualifications:

- LLB Degree
- Post Grad. Certificate in Corporate Governance
- Post Grad. Certificate in Marketing Management
- Higher Diploma in Education

Date Appointed:
N/A

Date Resigned:
N/A

No. of Meetings Attended:
10/10

T.C. MAMETJA
ACTING CEO

Qualifications:

- Masters of Administration
- Bachelor of Administration (ADMIN)
- Bachelor of Administration Honours
- Diploma in Public Administration

Date Appointed:
N/A

Date Resigned:
N/A

No. of Meetings Attended:
10/10

GOVERNANCE
Continued....

The Members shall be-

Persons who have sufficient knowledge of, or experience in the development, funding, promotion of agriculture, property development including granting of housing loans, trade, industry, sector development or investment in respect of the Province, with specific emphasis on Black Economic Empowerment.

- MEGA ACT NO.1 OF 2010

Board Committees

The Board is empowered in terms of Section 24 of the Act to establish Board Committees. Section 24 (1) of the Act further provides that the Board may establish committees, with the power to co-opt other persons, for the purpose of assisting it with due and proper exercise and performance of any of its powers and functions, and may likewise dissolve, extend, enlarge or limit any committee so established.

The Board during its term of office, constituted various Committees in order to assist the Board in discharging its responsibilities. This assistance is rendered in a form of recommendations and reports submitted to Board meetings ensuring transparency and full disclosure of Committee activities. All Committee Members are Non-Executive Directors and the Board currently consists of five [5] Committees namely:

a) Human Resources & Remuneration Committee (HR)
b) Finance & Investment Committee (FINCOM)
c) Loans Committee
d) Governance, Social & Ethics Committee (GSEC)
e) Board Audit, Risk & Compliance Committee (BARCC)

Human Resources & Remuneration Committee

The Human Resources and Remuneration Committee is comprised of four [4] Non-Executive Directors. The objectives of the Committee are to:

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

Finance and Investment Committee

The Finance and Investment Committee is comprised of four (4) Non-Executive Directors. The objectives of the Committee are inter alia to:

(a) Provide inputs on the Strategic Plan of the organization for approval by the Board.
(b) Review the accuracy of the draft budget as submitted by management, and ensure that the budget is aligned to the approved Strategic Plan.
(c) Review the financial quarterly performance reports as submitted by management and recommend same for Board approval.
(d) Ensure that MEGA has and maintains sound financial policies.
(e) Ensure proper control over MEGA's investment projects.

Loans Committee

The Loans Committee is comprised of four [4] Non-Executive Directors. The objectives of the Committee are inter alia to:

(a) Consider loan applications for Business Development, Agriculture and Housing between the values of R5m – R10m in terms of the Delegations of Authority Framework approved by the Board.
(b) Recommend all loans above R10m to the Board for approval.

(c) Recommend the design, selection, implementation, oversight and performance of any rating systems employed by the Agency.
(d) Recommend any debt write-offs to the Board, Audit Risk & Compliance Committee in line with MEGA's policies.
(e) Recommend debt restructuring to the Board with regards to clients affected by economic/climate conditions and any other conditions that may warrant Board's intervention.
(f) Recommend to the Board, any new lending product area, market or lending jurisdiction.
(g) Annually review the loan policies and procedures and present them to the Board for approval.
(h) Regularly analyse the loan portfolio and monitor lending areas for alignment to the Agency's risk appetite.
(i) Update the Board with regards to the market credit risks and any other matters connected therewith.

Governance, Social & Ethics Committee [GSEC]

The Governance, Social & Ethics Committee is comprised of four [4] Non-Executive Directors. The role of the Committee is categorised as follows:

Statutory Requirements (Regulation 43 of the Companies Act):
Monitor the Agency's activities, having due regard to any relevant legislation, other legal requirements or prevailing codes of best practice, with regard to matters relating to:

a. Social and economic development including the Agency's standing in terms of the goals and purposes of-
   (aa) the 10 principles set out in the United Global Compact Principles ("the UGCP");
   (bb) the OECD recommendations regarding corruption;
   (cc) the Employment Equity Act; and
   (dd) the Broad-Based Black Economic Empowerment Act**;**

b. Good corporate citizenship including the Agency's standing in terms of the goals and purposes of-
   (aa) promotion of equality, prevention of unfair discrimination, and reduction of corruption;
   (bb) contribution to development of the communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed; and
   (cc) record of sponsorship, donations and charitable giving.

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

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

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

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

GOVERNANCE
Continued....

Meeting of the Board Sub-Committees as well as attendance by Committee members are outlined on the tables below:

Committee	No. of meetings	No. of members	Name of members
Loans	1	4	B Mbungela (Chairperson) L Mtsweni A Mkhwanazi S Ledwaba
HR	5	4	L Mtsweni (Chairperson) B Mbungela N Maphanga M Seleke
GSEC	1	4	N Maphanga (Chairperson) Z Phungwayo A Mkhwanazi B Mbungela
BARCC	6	4	N Shabangu (Chairperson) Z Phungwayo L Mashile S Ledwaba
FINCOM	2	4	S Ledwaba (Chairperson) L Mashile N Shabangu M Seleke

Remuneration

OF BOARD MEMBERS

“

- Circular by National Treasury

Board Members are remunerated in accordance with the rate as determined by National Treasury. The Board's travel and subsistence allowances are also paid for by MEGA in line with the HR Policy. A detailed remuneration table of each Board member is reflected hereunder as follows:

Name	Remuneration	Other Reimbursement	Total
MC Seleke	44 523,00	19 076,12	63 599,12
NB Maphanga	263 372,00	99 462,92	362 834,92
DS Mkhwanazi	375 579,00	101 943,30	477 522,30
ZV Phungwayo	133 569,00	65 352,15	198 921,15
AD Mkhwanazi	75 951,00	33 792,30	109 743,30
BL Mashile	112 617,00	36 096,30	148 713,30
NR Shabangu	155 355,00	5 870,11	161 225,11
BV Mbungela	164 997,00	3 601,72	168 598,72
S Ledwaba	78 570,00	10 138,00	88 708,00
LN Mtsweni	107 379,00	26 000,94	133 379,94

Enterprise-wide Risk Management Unit-

The ERM unit is responsible for coordinating the risk management process across the organisation and for embedding a risk culture in day-to-day processes

5. RISK MANAGEMENT

MEGA has a Risk Management Policy and Strategy in place which is intended to facilitate the embedding of risk management techniques in the day-to-day operations and thus better equip the entity to identify events that affect its objectives and manage risk in a manner that will maximise its ability to meet its objectives in line with its Corporate Strategy.

MEGA uses a seven-stage process for managing its enterprise risks. The process provides a logical and systematic method of establishing the context, identifying, analysing, integrating, evaluating, treating, monitoring, and communicating risks in a way that allows MEGA to make decisions and respond timely to risks and opportunities as they arise.

The risk assessment process enables management to understand the probability of risk and potential impact on the operations of the Agency, while the risk assessment methodology provides management with a portfolio of risks or risk profile.

The mandate of the Board Audit, Risk & Compliance Committee established in terms of sections 51(1) (a) (ii) and 76(4) (d) of the PFMA and the Treasury Regulations also involves the evaluation of the effectiveness of risk management and monitors progress by management on the mitigation of unacceptable levels of risk.

The entity registered slight improvement in risk maturity level which was largely attributed to the inclusion of the risk function on Executive management performance scorecard which resulted to the steady improvements in the culture of risk reporting at executive level. The resuscitation of the Risk Champions and the implementation of a universal risk mitigation plan enabled a holistic view of interventions to treat risks facing the entity.

6. INTERNAL CONTROL UNIT

The functions of the Internal Control Unit are embedded on support divisions within the entity as follows:

- Risk assessment: located within the Enterprise Risk Management Unit;
- Internal Audit: located within the Internal Audit Unit;
- Policies and procedures: each division ensures that all policies applicable and necessary for its functioning are developed and reviewed. Monitoring of compliance with policies and relevant prescripts are performed by the Legal Unit.

7. INTERNAL AUDIT AND AUDIT COMMITTEE

KEY ACTIVITIES AND OBJECTIVES OF THE INTERNAL AUDIT

MEGA's Internal Audit Function consists of in-house and co-sourced capacity. The co-sourced capacity is performed by BDO PS Advisory.

The internal audit function is established by the Board of MEGA. The internal audit function's responsibilities are defined by the Board as part of their oversight role and reports functionally to the Board Audit, Risk and Compliance Committee.

The purpose of the MEGA's Internal Audit Function is to provide independent, objective assurance and consulting services designed to add value and improve the MEGA's operations. The mission of internal audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The Internal Audit function helps MEGA accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

It must be noted that during 2019/20 MEGA had not yet appointed a Chief Audit Executive and that this function was partially performed by an in-house internal auditor. Recommendations were made to the BARCC that the co-sourced Partner assists in fulfilling that role, however such decision was not concluded. As a result, various delays were experienced in the implementation of the internal audit plan.

Although implementation of the Internal Audit Plan was not concluded, Internal Audit did review all major areas through an in-depth follow up audit conducted in 2019 of all reported areas from both the AGSA Management Report and the various Internal Audit reports concluded in 2018/19. This allowed appropriate coverage of key areas within MEGA.

Summary of audit work done

The following internal audits were performed during the financial period under review:

i. Follow up review:
   a. Property and Infrastructure Development;
   b. Funding;
   c. Asset Management;
   d. Financial Management;
   e. Supply Chain Management.
ii. Tender Review;
iii. Irregular Expenditure Review;
iv. Review of the 2019/20 Interim Financial Statements
v. Review of the 2018/19 Annual Financial Statements
vi. Audit of Performance Information (In-house capacity)
vii. Human Resources review (In-house capacity)
viii. Adhoc- Accuracy and Completeness of Leave Provision (In-house capacity)
ix. Adhoc- Petty Cash Verification (In-house capacity)

GOVERNANCE
Continued....

KEY ACTIVITIES AND OBJECTIVES OF THE BOARD AUDIT, RISK AND COMPLIANCE COMMITTEE

The BARCC must function in accordance with Treasury Regulations 27.1. Its role and responsibilities, amongst others, are to review the following:

i. the effectiveness of the internal control systems;
ii. the effectiveness of internal audit;
iii. the risk areas of the entity's operations to be covered in the scope of internal and external audits;
iv. the adequacy, reliability and accuracy of financial information provided to management and other users of such information;
v. any accounting and auditing concerns identified as a result of internal and external audits;
vi. the entity's compliance with legal and regulatory provisions; and
vii. the activities of the internal audit function, including its annual work programme, coordination with the external auditors, the reports of significant investigations and the responses of management to specific recommendations; and
viii. where relevant, the independence and objectivity of the external auditors.

Further to the above, Treasury Regulation 27.1.9 states that the BARCC must have explicit authority to investigate matters within its powers, as identified in the written terms of reference.

The BARCC must –

i. report and make recommendations to the accounting authority;
ii. report on the effectiveness of internal controls in the annual report of the institution; and
iii. comment on its evaluation of the financial statements in the annual report.

With regards to the Internal Audit Function, the BARCC has to specifically:

i. Approve the internal audit charter.
ii. Approve the risk based internal audit plan.
iii. Approve the internal audit budget and resource plan.
iv. Receive communications from the Chief Audit Executive on the internal audit activity's performance relative to its plan and other matters.
v. Approve decisions regarding the appointment and removal of the Chief Audit Executive.
vi. Make appropriate inquiries of management and the Chief Audit Executive to determine whether there is inappropriate scope or resource limitations.
vii. Approve the Internal Audit Function's resource plan

> The BARCC is an advisory Committee and not an executive Committee. As such, it shall not perform any management functions or assume any management responsibilities and shall have an objective, independent role, operating as overseer and maker of recommendations to the Board for its approval or final decision.
>
> **- MEGA ACT NO.1 OF 2010**

Board Audit, Risk & Compliance Committee [BARCC]

The Board Audit, Risk & Compliance Committee has been established in terms of sections 51(1) (a) (ii) and 76(4) (d) of the PFMA and the Treasury Regulations to monitor the scope and effectiveness of the internal and external audit functions. The Committee is comprised of a minimum of three [3] Non- Executive Directors in line with the prescripts of the MEGA Act of 2010 and is chaired by an independent Non-Executive Director.

The responsibilities of the Board Audit, Risk & Compliance Committee are to:

i. Determine the adequacy and effectiveness of internal control systems;
ii. Evaluate the effectiveness of risk management;
iii. Perform the functions required of it by law;
iv. Review the significant accounting and reporting issues, including professional and regulatory pronouncements, and their impact on the financial statements with a view to ensure consistency with the appropriate accounting principles;
v. Review the effectiveness of the internal audit function that is performed with the assistance of co-sourced external practitioners whose major responsibilities include the examination and evaluation of the effectiveness and performance of operational activities and systems, together with the attendant business risks and financial control;
vi. Review the scope, performance, significant findings and recommendations made by the internal and external auditors; and
vii. Review any statement on ethical standards or requirements and the procedure to review compliance with the Code of Ethics.

MEMBERS OF BARCC

N.R. SHABANGU
BARCC CHAIRPERSON

Qualifications:

- BCompt. Honours-Financial Accounting
- Chartered Accountant
- SAIPA Member
- Registered Auditor

Date Appointed:
11 June 2019

Date Resigned:
09 March 2020

No. of Meetings Attended:
06/06

Z.V. PHUNGWAYO
BARCC MEMBER

Qualifications:

- BCom Information Technology
- Strategic Management
- Project Management

Date Appointed:
11 June 2019

Date Resigned:
05 May 2020

No. of Meetings Attended:
04/06

The diagram below discloses relevant information on the Board Audit Committee Members.

L.B. MASHILE
BARCC MEMBER

S. LEDWABA
BARCC MEMBER

Qualifications:

- N.Dip. Civil Engineering
- BTech Civil Engineering
- N.Dip. for Technicians - Civil Engineeri
- Dip. in Business Management
- WSD Graduate Certificate

Date Appointed:
11 June 2019

Date Resigned:
N/A

No. of Meetings Attended:
06/06

Qualifications:

- B Juris Degree
- Project Management

Date Appointed:
11 June 2019

Date Resigned:
N/A

No. of Meetings Attended:
05/06

GOVERNANCE
Continued....

8. COMPLIANCE WITH LAWS & REGULATIONS

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

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

The Board carries the overall responsibility at a strategic level to ensure that the MEGA fulfils its legal obligations and effectively manages any risk exposure that may result from legal compliance failures. The Board is assisted in this regard through monitoring by the Board Audit, Risk and Compliance Committee, as well as assurance provided by Management.

9. FRAUD AND CORRUPTION

The Fraud Prevention Plan is in place and is embedded in various processes which incorporate the consideration of preventative, detective and corrective controls in their execution. During the 2019/20 financial year, the ERM Unit undertook a comprehensive and independently conducted organisation-wide fraud risk assessment. The results enable business to focus their attention on high fraud risk areas and ensure the deployment of adequate controls to prevent such risks from materialising or mitigate their effect should they materialise. With the anticipated capacitation of the ERM Unit in the coming financial year, it is envisaged that greater emphasis will be placed in ensuring full implementation and monitoring of the Fraud Prevention Plan in its entirety.

10. MINIMISING CONFLICT OF INTEREST

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

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

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

Company / Board Secretary -

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

11. CODE OF CONDUCT

The Business Code of Conduct and Ethics (the Code) is enshrined in the Risk Management policies and breach of the code is dealt with through MEGA's disciplinary procedures. The Code is seen as the organisation's moral compass and promotes a culture of honesty, integrity, transparency and ethical business practices. Given its importance in driving a sound ethical culture, the Code is generally included in various fraud and corruption awareness campaigns that are conducted at least twice per annum. In the coming financial year, there will be greater focus in the promotion of the Code as the moral compass of the organisation and these will include enlisting employees' commitment to abide by the Code.

12. HEALTH SAFETY AND ENVIRONTAL ISSUES

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

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

13. COMPANY /BOARD SECRETARY

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

14. SOCIAL RESPONSIBILITY

MEGA is committed to occupying an impactful role as a socially responsible corporate citizen. To this end, the entity has put in place a Social Responsibility Policy which seeks to proactively invest in the social development needs of the communities within which it operates.

BARCC Terms of Reference
The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter.

15. AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2020.

Audit Committee Responsibility

The Audit Committee reports that it has complied with its responsibilities arising from the Public Finance Management Act and Treasury Regulation 3.1.13. The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein, except that we have not reviewed changes in accounting policies and practices.

The Effectiveness of Internal Control

Our review of the findings of the Internal Audit work, which was based on the risk assessments conducted in the MEGA revealed certain weaknesses, which were then raised with the MEGA.

The following internal audits were performed during the financial period under review:

i. Follow up review:
   a. Property and Infrastructure Development;
   b. Funding;
   c. Asset Management;
   d. Financial Management;
   e. Supply Chain Management.
ii. Tender Review;
iii. Irregular Expenditure Review;
iv. Review of the 2019/20 Interim Financial Statements
v. Review of the 2018/19 Annual Financial Statements
vi. Audit of Performance Information (In-house capacity)
vii. Human Resources review (In-house capacity)
viii. Adhoc- Accuracy and Completeness of Leave Provision (In-house capacity)
ix. Adhoc- Petty Cash Verification (In-house capacity)

We are satisfied that the internal control systems in operation at MEGA pertaining to financial management were satisfactory, with need of some improvements. However, we are not satisfied with the internal controls operating effectively at the following operational areas:

i. Property and Infrastructure Development Management
ii. Funding
iii. Asset Management;
iv. Supply chain management. It must be noted that controls within SCM has enhanced. However the capacity constraints experienced with in the Office of the CFO and the entity as a whole, does impact compliance from time to time.

Going concern as a result of budgeted allocations are of concern as the revenue self-generation is under severe pressure due to the Property and Infrastructure controls not in place. This impacts directly on debtor and recoverability of debtors.

Various policies were still in the process of being reviewed during the period we performed our testing.

In-Year Management and Monthly/Quarterly Report

The public entity has submitted monthly and quarterly reports to the Executive Authority.

Evaluation of Financial Statements

We have reviewed the annual financial statements prepared by the public entity.

Auditor's Report

We have reviewed the public entity's implementation plan for audit issues raised in the prior year and we are satisfied that the matters have been adequately resolved except for the following:

- Completeness of the loan book.
- Asset management issues.

The Audit Committee concurs and accepts the conclusions of the external auditor on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the auditor.

Mr. Z.T. Shongwe
BARCC Chairperson
Mpumalanga Economic Growth Agency
(Date)

“ A B-BBEE Compliance Report is a comprehensive outlook on how a measured entity implements the broad-based black economic empowerment as guided by requirements of the codes of good practice (the Codes).

- B-BBEE Commission

16. B-BBEE COMPLIANCE PERFORMANCE INFORMATION

The following table has been completed in accordance with the compliance to the BBBEE requirements of the BBBEE Act of 2013 and as determined by the Department of Trade and Industry.

Has the Public Entity applied any relevant Code of Good Practice (B-BBEE Certificate Levels 1 – 8) with regards to the following		
Criteria	**Response** *Yes / No*	**Discussion** *(include a discussion on your response and indicate what measures have been taken to comply)*
Determining qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law?	No	No issuing of licenses, concessions or other concessions are taking place
Developing and implementing a preferential procurement policy?	Yes	Supply Chain Management Policy approved by the Board and implemented
Determining qualification criteria for the sale of state-owned enterprises?	No	Disposal of properties are subject to approval by the MEC
Developing criteria for entering into partnerships with the private sector?	Yes	Partnerships with private sectors are sourced through tender processes and further approved by the Board
Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad Based Black Economic Empowerment?	Yes	Applies to loan funding. Lending Policy approved by the Board and implemented

PART D

HUMAN RESOURCE MANAGEMENT

HUMAN RESOURCE

> Train people well enough so they can leave. Treat them well enough so they don't have to.
>
> **- SIR RICHARD BRANSON**

1. INTRODUCTION

The purpose of the Corporate Services division is to render a comprehensive integrated human capital management and administration function, integrated Information and communication services as well as Enterprise-Wide Risk Management function to enable the organization to deliver on its mandate as enshrined in the Corporate Strategy. It seeks to:

a. Promote sound employee relations and labour stability.
b. Promote and practice effective recruitment and retention practices
c. Encourage a culture of excellence and high work ethic.
d. Promote a safe and healthy working environment for all employees
e. To constantly develop individual employees through training interventions.
f. Create a risk intelligent organization
g. Provide an inclusive integrated and interoperable business systems processes that enable the execution of the corporate strategy.

HIGHLIGHTS / PROGRESS MADE

Performance Management and Development System

The rolling out of a Performance Management and Development System is in progress and Managers have been trained on the concept of Performance Management and Performance scorecards for Divisional Scorecards have been developed. We envisage to cascade the implementation of the Performance Management System in the entire organisation in the 2021/22 financial year.

ABET Programme

MEGA is committed to continue and improve the literacy level of employees. It was for this reason that an ABET programme was introduced in the past three consecutive years. To ensure that the training provides life-long learning, MEGA formed a partnership with the Provincial Department of Education. The programme had yielded excellent results given that the pass rate for level 1 was 80% and level 4 was 100% and the literacy level of our elementary employees has improved.

Partnership with the Unemployment Insurance Fund: Labour Activation Programme

MEGA in partnership with Department of Labour, is implementing the Unemployed Insurance Fund Labour Activation Programme (UIF LAP) aimed at re-skilling 1200 Mpumalanga unemployed beneficiaries of UIF and skilling unemployed youth and women to re-integrate them back in the labour market. The focus for the next programme will be based on the following:

i. General Management: SMME NQF4
ii. General Management: Co-operatives NQF4
iii. Food and Beverages NQF1

UIF

LAP PROGRAMME

Funding was secured from the Department of Labour to train unemployed youth and previous UIF beneficiaries with the aim of reintegrating them back into the market

MEGA appointed six (6) Project managers/ Training providers to implement the project. The project is fully funded by the Department of Labour for three years and the total cost of the project per annum is R86m. The project is in progress in various regions of the Province and the summary of training is as follows:

Learnership	No. of Learners in Training (Current)	Comment
Generic Management	508	94 have completed the required three (3)month classroom training. These will commence experiential learning with the host employer
Food and Beverage Handling	308	Still in-classroom training.

Internship

The entity opened the workplace to new graduates as an aid to acquire practical exposure in their relevant field of studies. The programme aims to create a pool of suitably qualified individual's /graduates who will be well equipped to enter the labour market since they will have both qualification and experience which they have acquired at MEGA. The employment of interns also addresses the unemployment rate in the Province since the graduates are employed for the duration of the internship programme. Currently MEGA employes twenty three (23) interns in the programme in various fields including amongst others the Internal Audit, Finance, Supply Chain and Human Resources and the graduates receive a monthly stipend.

MEGA will continue to implement an internship programme also the core business, which is Properties and Infrastructure, Funding and Strategy and Communications.

HUMAN RESOURCE
Continued....

MEGA will continue to implement an internship programme also the core business, which is Properties, Funding and Trade and Investment promotion.

Department	Total no of interns per Division	Total no. of interns per function	Status (Number interns Placed, released)
Finance	7	Debtors: 2	Internship contracts expired
		Assets: 1	Still in service
		Supply Chain Management: 2	Still in service
		Creditors: 2	Internship contracts expired
Corporate Services	14	Enterprise Wide Risk:2	1 – Still in service 1 - Resigned
		Records Management: 5	Internship contracts expired
		Information Technology: 3	Internship contracts expired
		Human Capital Management: 4	Still in service
Office of the CEO	2	Internal Audit :2	Still in service

Financial Modelling

MEGA is in a process of facilitating an in-house training in financial modelling for all Business Advisors and Business Analysts in the Funding Division. The training is part of the initiatives to empower the Human Capital in implementing its function of assisting SMMEs and ensure that an effective due dligence is conducted before loans are generated. The training will also empower employees to provide effective after-care services to SMME's in the province.

R 123 m.

TOTAL PERSONNEL COST

Personnel expenditure incurred during the financial year include employees on fixed-term contract and employees paid according to their respective termination dates.

2. HUMAN RESOURCE OVERSIGHT STATISTICS

The following are the statistics related to personnel expenditure and staff compliments, movements and Employment Equity status of the entity.

Personnel Cost by programme/ activity/ objective

Personnel Cost by Programme	Total Expenditure for the entity	No. of employees paid between April 2019 to 31 Mar 20	Personnel exp. as a % of total exp.	Average personnel cost per employee
CEO'S office	R7 647 190,52	7	7	R1 092 455,79
Finance	R17 110 371,95	24	15	R712 932,16
Corporate Services	R14 553 293,75	18	13	R808 516,32
Strat Comm and T&I	R11 951 927,70	12	10	R1 849 859,88
Funding	R40 233 798,42	64	35	R186 748,87
Properties & Infra	R20 348 458,63	49	18	R838 204,13
SEZ	R1 420 385,23	1	1	R1 420 385,23
Sub Total	**R113 265 426,20**	**175**		
Interns	R1 856 413,03	24		
TOTAL	**R115 121 839,23**		**98**	
EPWP	R758 632,85	35		
Loopspruit	R185 149,36	5		
Tekwane	R6 870 682,98	24		
GNP (Apr, May, Aug)	R168 845,56	3		
Sub Total	**R7 983 310,75**			
GRAND TOTAL	**R123 105 149,98**			

HUMAN RESOURCE
Continued....

Personnel cost by salary band

Level	Personnel Expenditure (R'000	% of personnel exp. to total personnel cost (R'000)	No. of employees	Average personnel cost per employee (R'000)
Top Management	R12 077 855,78	11	6	R2 012 975,96
Senior Management	R15 251 569,57	13	10	R1 525 156,96
Professional qualified	R25 993 852,58	23	23	R1 130 167,50
Skilled	R38 516 256,77	34	62	R631 414,05
Semi-skilled	R13 855 192,75	12	19	R729 220,67
Unskilled	R7 570 698,76	7	55	R140 198,13
SUB TOTAL	**R113 265 426,21**	**98**	**175**	
Interns	R1 856 413,03	12	24	R77 350,54
GRAND TOTAL	**R115 121 839,24**	**100**		

The total number of employees of 175 include three (3) employees on fixed-term contracts. Personnel expenditure incurred during the financial year includes employees paid according to their respective termination dates.

R 123 m.

TOTAL PERSONNEL COST

Personnel expenditure incurred during the financial year includes employees on fixed-term contract and for terminated employees paid according to their respective termination dates.

Performance Rewards

Performance rewards were not paid to employees during the period under review.

Training Costs

Programme/activity/ objective	Personnel Expenditure (R'000	Training Expenditure (R'000)	Training Expenditure as a % of Personnel Cost.	No. of employees trained	Avg. training cost per employee (R'000)
CEO's office	R7 647 190,52	R14 480,00	0,01	2	R7 240,00
Finance	R17 110 371,95	R42 340,97	0,04	10	R4 234,10
Corporate Services	R14 553 293,75	R79 650,00	0,07	11	R7 240,91
Funding	R20 348 458,63	R50 680,00	0,04	29	R1 747,59
Property Management and Infrastructure	R11 951 927,70	R21 720,00	0,02	3	R7 240,00
Strategy and Communication	R40 233 798,42	R25 634,95	0,02	4	R6 408,74
SEZ	R1 420 385,23	R0,00	0,00	0	R0,00
TOTAL	**R113 265 426,20**	**R234 505,92**		**59**	**R3 974,68**
Interns	R1 856 413,03	0			
GRAND TOTAL	**R115 121 839,23**	**R234 505,92**	**0,21**		

Employment and vacancies

Programme/activity/ objective	2018/2019 No. of Employees	2019/2020 Approved Posts	2019/2020 No. of Employees	No. of Unplaced	2019/2020 Vacancies	% of vacancies
Office of the CEO	6	15	5	2	10	4
Finance	13	36	12	10	24	9
Corporate Services	15	38	13	5	25	10
Funding	40	67	39	20	28	11
Property Management and Infrastructure	38	73	37	8	36	14
Strategy and Communication	5	30	6	4	24	9
TOTAL	**117**	**259**	**112**	**49**	**147**	**57**

As at 31st March 2020, out of the total staff compliment of 161 employees, 112 employees were placed in the approved organogram and 49 employees were not placed.

HUMAN RESOURCE

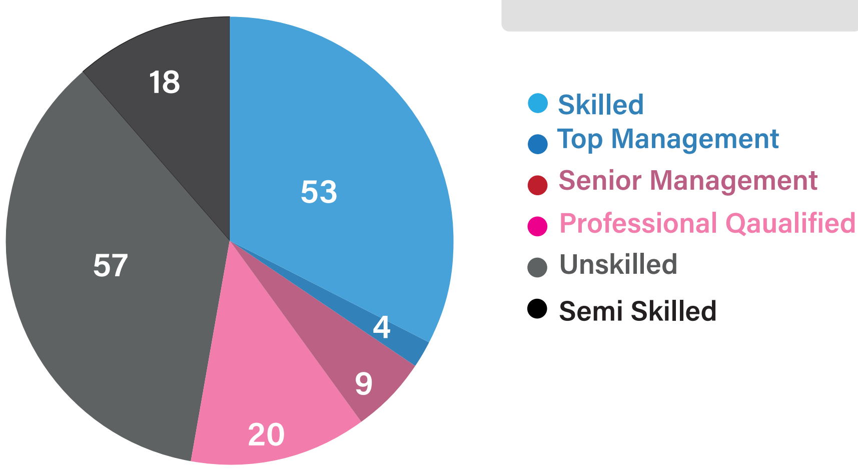
Continued....

Programme/ activity/ objective	2018/2019 No. of Employees	2019/2020 Approved Posts	2019/2020 No. of Employees	No. of unplaced employees 2019/20	2019/2020 Vacancies	% of vacancies
Top Management	6	6	4	0	2	1
Senior Management	9	21	9	0	12	5
Professional qualified	14	58	14	6	44	17
Skilled	29	95	27	30	68	26
Semi-skilled	5	21	5	13	16	6
Unskilled	54	58	53	0	5	2
TOTAL	**117**	**259**	**112**	**49**	**147**	**57**

Total Number of Employees

TOTAL NO. OF EMPLOYEES

Total number of employees include both placed and unplaced employees



159

NUMBER OF EMPLOYEES

Fourty nine 49 employees were not placed during the period under review, 110 placed, the number of placed and unplaced employees brought the total number of employees to 159 as at 31st March 2020.

Employment changes

The following table provides information on changes in employment over the financial year including turnover rates:of the entity.

Salary Band	Employment at beginning of period	Re-instatement	Terminations Placed employees	Termination of Unplaced employees	Employment at end of the period
Top Management	6	0	2	0	4
Senior Management	9	1	1	0	9
Professional qualified	14	0	0	0	14
Skilled	29	0	2	2	27
Semi-skilled	5	0	0	1	5
Unskilled	54	0	1	0	53
TOTAL	**117**	**1**	**6**	**3**	**112**

Reasons for staff leaving

Reason	Number	% of total no. of staff leaving
Death	3	2
Resignation	3	2
Dismissal	0	0
Retirement	2	1
Ill health	0	0
Expiry of contract	1	1
Other	0	0
Total	**9**	**6**

MEGA experienced a high vacancy rate at Top Management level due to some executives who left the entity for better opportunities. A moderate mortality rate was observed in the skilled occupational level, however, the entity continues to train employees to perform functions which remain vacant. Furthermore, the process of filling critical positions is in progress.

HUMAN RESOURCE

Continued....

LABOUR RELATIONS: MISCONDUCT AND DISCIPLINARY ACTION

No disciplinary actions or misconduct were recorded iin the period under review.

Labour litigations

Occupational level	No. of employees	Description	Status
Professional	1	Unfair demotion during the OD process	The matter was ruled in-favour of MEGA, however, the employee referred the matter to the labour court and outcome of the labour court is awaited
Skilled	1	Unfair dismissal	The matter was ruled in-favour of MEGA

EQUITY TARGET AND EMPLOYMENT EQUITY STATUS

The target as per the Employment Equity Plan was not met due to the moratorium on recruitment, however, the moratorium has since been lifted and recruitment will commence in the ensuing financial year.

Levels	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1	0	0	0	0	0	1	0
Senior Management	5	0	0	1	0	0	0	2
Professional qualified	10	3	0	1	0	1	1	2
Skilled	14	3	0	0	0	1	1	2
Semi-skilled	4	0	0	0	0	0	0	0
Unskilled	17	0	0	0	0	0	0	0
TOTAL	**51**	**6**	**1**	**2**		**2**	**4**	**6**

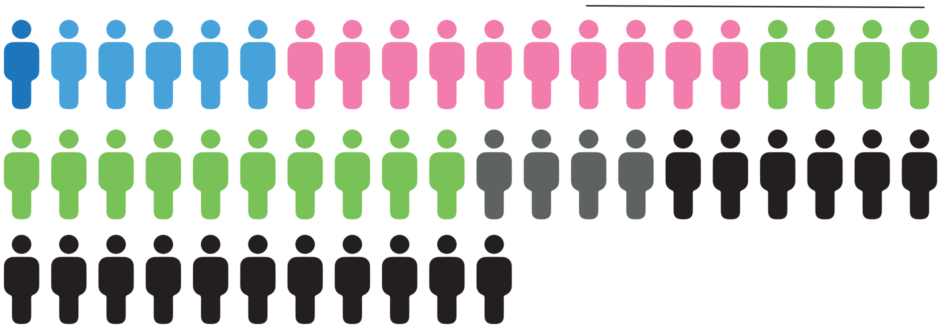
49

EMPLOYMENT EQUITY TARGET

The employment equity targets were 16 for males and 33 females. The targets as per the Employment Equity Plan was not met due to moratorium on recruitment.

MALES

African

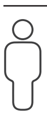


- Top Management = 1
- Senior Management = 5
- Proffessional Qualified = 10
- Skilled = 14
- Semi-Skilled = 4
- Unskilled = 17

Coloured

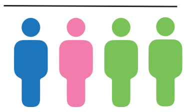
- Skilled = 1

Indian



- None

White



- Top Management = 1
- Proffessional Qualified = 1
- Skilled = 2

HUMAN RESOURCE

Continued….

Levels	FEMALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	2	0	0	0	0	0	0	0
Senior Management	2	6	1	1	0	0	1	1
Professional qualified	3	7	0	1	0	1	0	2
Skilled	11	10	1	0	0	1	0	2
Semi-skilled	6	1	0	0	0	0	1	0
Unskilled	28	0	0	0	0	0	0	0
TOTAL	**52**	**24**	**2**	**2**	**0**	**2**	**2**	**5**

FEMALE

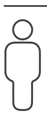
AFRICAN

- Top Management = 2
- Senior Management = 2
- Proffessional Qualified = 3
- Skilled = 11
- Semi-Skilled = 6
- Unskilled = 28

COLOURED

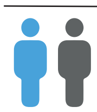
- Senior Management = 1
- Skilled = 1

INDIAN



- None

WHITE



- Senior Management = 1
- Semi-Skilled = 1

HUMAN RESOURCE
Continued....

Equity Targets and Employment Equity Status: Disabled Staff

Levels	MALE		FEMALE	
	Current	Target	Current	Target
Top Management	0	0	0	0
Senior Management	0	0	0	0
Professional qualified	0	1	0	1
Skilled	1	0	0	0
Semi-skilled	0	0	0	0
Unskilled	0	0	0	0
TOTAL	**1**	**1**	**0**	**1**

PART E

FINANCIAL INFORMATION

1. REPORT OF THE EXTERNAL AUDITOR

Report of the auditor-general to the accounting authority on the Mpumalanga Economic Growth Agency

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Mpumalanga Economic Growth Agency set out on pages 130 to 243, which comprise the statement of financial position as at 31 March 2020, statement of profit or loss and other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, except for the possible effects of the matter described in the basis for qualified opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Mpumalanga Economic Growth Agency as at 31 March 2020, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

Basis for qualified opinion

Other financial assets

3. I was unable to obtain sufficient appropriate audit evidence for other financial assets, as the public entity did not provide contracts and disbursement and payment confirmations to confirm that loans and related interest had been accounted for properly in the financial statements. I could not confirm the correctness of the loan amounts and related interest by alternative means, as the public entity's record system did not permit this. Consequently, I was unable to determine whether any adjustment was necessary relating to other financial assets stated at R66 360 063 (2018-19: R92 778 225), as disclosed in note 9 to the financial statements, and interest income of R42 278 147 (2018-19: R39 679 834) included in revenue, as disclosed in note 21 to the financial statements.

Context for the opinion

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

5. I am independent of the public 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.

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

Emphasis of matter

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

Material impairments

8. As disclosed in note 9 to the financial statements, material impairments of R43 443 716 (2018-19: R9 734 902) were incurred as a result of the provision for impairment of other financial assets.

9. As disclosed in note 11 to the financial statements, material impairments of R56 980 797 (2018-19: R39 785 006) were incurred as a result of the provision for impairment of trade and other receivables.

Events after the reporting period

10. I draw attention to note 37 to the financial statements, which deals with events after the reporting date and specifically the possible effects of the future implications of Covid-19 on the public entity's future prospects, performance and cash flows.

Responsibilities of the accounting authority for the financial statements

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

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

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

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

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

Report on the audit of the annual performance report

Introduction and scope

15. 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 selected programmes presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

16. My procedures address the usefulness and reliability of the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators measures included in the planning documents. My procedures do not examine whether the actions taken by the public 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.

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

Programme	Pages in the annual performance report
Programme 6: funding	68 – 75

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

19. The material finding in respect of the usefulness and reliability of the selected programme is as follows:

Programme 6: funding

Repayment rate of the housing loan book

20. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of the target relating to the repayment rate of the housing loan book of 19%. This was due to a limitation of scope relating to other financial assets. Consequently, I was unable to determine whether any adjustments were required to the achievement of 19% as reported in the annual performance report.

Other matter

21. I draw attention to the matter below.

Achievement of planned targets

22. Refer to the annual performance report on pages xx to xx for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraph 19 of this report.

Report on the audit of compliance with legislation

Introduction and scope

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

24. The material findings on compliance with specific matters in key legislation are as follows:

Financial statements, performance report and annual report

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

Expenditure management

26. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R93 677 273, as disclosed in note 38 to the financial statements, as required by section 51(1)(b)(ii) of the PFMA. Most of the irregular expenditure was caused by previous contraventions in the awarding of tenders.

27. Resources of the public entity were not utilised economically, as required by section 57(b) of the PFMA.

Consequence management

28. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular expenditure, as required by section 51(1)(e)(iii) of the PFMA. This was due to proper and complete records not being maintained as evidence to support the investigations into such expenditure.
29. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred fruitless and wasteful expenditure, as required by section 51(1)(e)(iii) of the PFMA. This was due to proper and complete records not being maintained as evidence to support the investigations into such expenditure.
30. I was unable to obtain sufficient appropriate audit evidence that investigations were conducted into allegations of financial misconduct committed by officials, as required by treasury regulation 33.1.1.

Other information

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

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

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

34. If, based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact.

35. I have nothing to report in this regard.

Internal control deficiencies

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

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

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

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

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

41. The audit committee did not function throughout the year. Consequently, the committee did not oversee the implementation of the matters reported by the internal audit unit and external auditors.

Auditor-General

Mbombela

1 November 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 financial statements and the procedures performed on reported performance information for selected programmes and on the public entity's compliance with respect to the selected subject matters.

Financial statements

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

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

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.


25 28 31 34 37 40 43 46 49 52

ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

GENERAL INFORMATION

Country of incorporation and domicile	South Africa
Nature of business and principal activities	An official development finance institution and the trade and investment promotion arm of the Provincial Government of Mpumalanga, dedicated to positioning the province as an investment destination of choice and a regional trade hub.
Directors	Mr David Mkhwanazi (Chairperson) Mr Nkululeko Berthwell Maphanga (Deputy Chairperson) Ms Lorraine Nobayeni Mtsweni Mr Motlatsi Seleke Mr Lemias Mashile Ms Zanele Valencia Phungwayo Ms Augustine Mkhwanazi Ms Nontobeko Rebecca Shabangu Mr Bonginkosi Victor Mbungela Mr Sam Ledwaba Mr Jabulani Lucas Mahlangu Mr Sabatha Shongwe Ms Noxolo Zephania Oyiya Mr Melusi Swelo Masilela Mr Sipho Shongwe Ms Salome Sithole
Registered office	20 Paul Kruger Street Absa Square 1200
Business address	20 Paul Kruger Street Absa Square Nelspruit 1200
Postal address	P.O.Box 5838 Nelspruit 1200
Bankers	Absa Bank Limited Standard Bank Limited First National Bank
Auditors	Auditor-General of South Africa
Company secretary	Advocate SP Morgan

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PAGES

ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

DIRECTORS' RESPONSIBILITIES AND APPROVAL

The annual financial statements which have been prepared on the going concern basis, were approved on 31 October 2020.

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

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the entity's cash flow forecast for the year to 31 March 2021 and, in light of this review and the current financial position, they are satisfied that the entity has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors.

The annual financial statements set out on pages 130 to 243, which have been prepared on the going concern basis, were approved by the board on 31 October 2020 and were signed by:

Mr. D.S. Mkhwanazi
CHAIRPERSON OF THE BOAD

R 184 m.

REVENUE

Revenue decreased from R190 305 670 in the prior year to R183 523 097 for the year ended 31 March 2020.

DIRECTORS' REPORT

The directors have pleasure in submitting their report on the annual financial statements of Mpumalanga Economic Growth Agency (MEGA) for the year ended 31 March 2020.

1. Nature of business

Mpumalanga Economic Growth Agency (MEGA) was incorporated in South Africa and is a Government Business Enterprise classified as a schedule 3D entity in terms of the PFMA Act, no.1 of 1999.

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

There have been no material changes to the nature of the entity's business from the prior year.

2. Review of financial results and activities

The annual financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the MEGA Act no.1 of 2010 and PFMA Act no.1 of 1999. The accounting policies have been applied consistently compared to the prior year, except for the adoption of new or revised accounting standards as set out in note 2.

The entity recorded a net loss for the year ended 31 March 2020 of (R27 016 710). This represented a decrease from the net loss after tax of the prior year of (R66 222 331).

Revenue decreased from R190 305 670 in the prior year to R183 523 097 for the year ended 31 March 2020.

DIRECTORS' REPORT
Continued...

3. Directorate

At the reporting date, the directors in office were as follows:

Independent Directors	Designation	Nationality	Changes
Mr David Mkhwanazi (Chairperson)	Non-executive	South African	Appointed 11 June 2019
Mr Nkululeko Berthwell Maphanga (Deputy Chairperson)	Non-executive	South African	Appointed 11 June 2019
Ms Lorraine Nobayeni Mtsweni	Non-executive	South African	Appointed 11 June 2019
Mr Motlatsi Seleke	Non-executive	South African	Appointed 11 June 2019
Mr Lemias Mashile	Non-executive	South African	Appointed 11 June 2019
Ms Zanele Valencia Phungwayo*	Non-executive	South African	Appointed 11 June 2019
Mr Augustine Mkhwanazi	Non-executive	South African	Appointed 11 June 2019
Ms Nontobeko Rebecca Shabangu**	Non-executive	South African	Appointed 11 June 2019
Mr Bonginkosi Victor Mbungela	Non-executive	South African	Appointed 11 June 2019
Mr Sam Ledwaba	Non-executive	South African	Appointed 11 June 2019
Mr XGS Sithole (Ex Officio)	Executive	South African	Contract ended 31 December 2019

*Ms ZV Phungwayo resigned on 5 May 2020.
**Ms NR Shabangu resigned on 9 March

The Board's term of office came to an end 12 June 2020 and the new interim board was appointed on 21 September 2020 and comprises of the following directors

Independent Directors	Designation	Nationality	Changes
Mr David Mkhwanazi (Chairperson)	Non-executive	South African	
Mr Nkululeko Berthwell Maphanga (Deputy Chairperson)	Non-executive	South African	Appointed 21 September 2020
Mr Jabulani Lucas Mahlangu	Non-executive	South African	Appointed 21 September 2020
Ms Augustine Mkhwanazi	Non-executive	South African	Appointed 21 September 2020
Mr Bonginkosi Victor Mbungela	Non-executive	South African	Appointed 21 September 2020
Mr Sipho Shongwe	Non-executive	South African	Appointed 21 September 2020
Mr Sabatha Shongwe	Non-executive	South African	Appointed 21 September 2020
Mr Melusi Swelo Masilela	Non-executive	South African	Appointed 21 September 2020
Ms Noxolo Zephania Oyiya	Non-executive	South African	Appointed 21 September 2020
Ms Salome Sithole	Non-executive	South African	Appointed 21 September 2020
Mr. Madlozi Isaac Mahlangu	Executive	South African	Appointed 7 September 2020

Events

AFTER THE REPORTING PERIOD

4. Directors' interests in contracts
During the financial year, no contracts were entered into which directors or officers of the entity had an interest.

5. Discontinuation of the Government Nutrition Programme
The Government Nutrition Programme was transferred to the Department of Agriculture, Rural Development, Land and Environmental Affairs with effect from 5 July 2019. MEGA settled all obligations emanating from this programme during the financial year under review.

6. Events after the reporting period
The impact of the COVID-19 lockdown regulations on the operations of the entity after the reporting date, is discussed under paragraph 7 relating to the going concern principles. It is, however, not possible to quantify with accuracy the full impact of COVID-19 on the business of the entity in the 2020/21 financial year.

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

7. Going concern
A national lockdown was announced by the President of South Africa to combat the spread of the COVID-19 pandemic. The level 5 lockdown restrictions were implemented with effect from 26 March 2020. The country is currently operating under level 3 lockdown regulations. Many businesses experienced severe cash flow challenges resulting from the shutdown and/ or significant reduction in economic activities. The client base of MEGA is also negatively impacted by the pandemic.

Government also announced measures to fund various relief measures to soften the impact of the pandemic on the economy and the lives and livelihoods of the vulnerable. Part of these initiatives will be funded by reducing the grant allocations appropriated in February 2020. The effective reduction in grant funding to MEGA for the 2020/21 financial year is 13%. The entity is currently unab le to fund new loan applications which is a key mandate of MEGA. Other areas impacted by the cash flow constraints are developmental maintenance relating to the property portfolio and a delay in the filling of critical vacancies.

The directors believe that the entity has adequate financial resources to continue in operation for the foreseeable future despite the challenges associated with the COVID-19 pandemic. Consequently the annual financial statements have been prepared on a going concern basis.

The directors have satisfied themselves that the entity is in a sound financial position to meet its foreseeable cash requirements. The directors are not aware of any other material changes that may adversely impact the entity.

The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the entity.

8. Auditors
Auditor-General of South Africa continued in office as auditors for the entity for 2020 in accordance with section 55 of MEGA Act and the PFMA Act.

9. Company secretary
The Company Secretary is Advocate SP Morgan.

ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

STATEMENT OF FINANCIAL POSITION

	Note(s)	2020 R	2019 Restated [1] R	2018 Restated [2] R
Assets				
Non-Current Assets				
Property, plant and equipment	4	431 300 772	435 709 547	414 293 341
Investment property	5	431 171 433	409 507 077	391 993 330
Biological assets	6	30 918 806	12 530 068	945 961
Intangible assets	7	8 655 556	8 835 392	8 612 779
Investments in associates	8	2 174 669	1 866 065	1 961 602
Other financial assets	9	54 524 524	78 957 669	52 571 218
		958 745 760	**947 405 818**	**870 378 231**
Current Assets				
Inventories	10	46 410 668	46 283 047	45 885 972
Trade and other receivables	11	47 275 942	43 761 616	99 144 724
Other financial assets	9	11 835 539	13 820 586	57 877 760
Cash and cash equivalents	12	34 909 780	116 339 056	56 706 552
		140 431 929	**220 204 305**	**259 615 008**
Total Assets		**1 099 177 689**	**1 167 610 123**	**1 129 993 289**

1 See note 2 & 34
2 See note 2 & 34

R 1.1 b.

TOTAL EQUITY AND LIABILITIES

	Note(s)	2020 R	2019 Restated [1] R	2018 Restated [2] R
Equity and Liabilities				
Equity				
Reserves		128 916 669	127 746 520	97 010 536
Retained income		746 276 929	770 517 723	834 720 696
		875 193 598	**898 264 243**	**931 731 232**
Liabilities				
Other financial liabilities	15	4 816 364	4 816 364	4 816 364
Provisions	17	1 546 845	1 537 092	1 084 018
Provisions		**6 363 209**	**6 353 456**	**5 900 382**
Current Liabilities				
Trade and other payables	18	175 654 472	214 906 451	152 626 390
Other financial liabilities	15	15 088 887	21 764 167	23 037 699
Unspent conditional grants	19	15 390 741	11 219 556	5 339 675
Provisions	17	11 486 782	15 102 250	11 357 861
		217 620 882	**262 992 424**	**192 361 625**
Total Liabilities		**223 984 091**	**269 345 880**	**198 262 007**
Total Equity and Liabilities		**1 099 177 689**	**1 167 610 123**	**1 129 993 239**

1 See note 2 & 34
2 See note 2 & 34

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note(s)	2020 R	2019 Restated [1] R
Revenue	21	183 523 097	190 305 670
Cost of sales	22	(106 783 930)	(105 478 633)
Gross profit		**76 739 167**	**84 827 037**
Other operating income	23	186 270 828	179 510 024
Other operating gains (losses)	24	60 883 331	24 546 574
Other operating expenses		(354 823 648)	(358 028 271)
Operating loss	**25**	**(30 930 322)**	**(69 144 636)**
Investment income	27	4 307 265	4 021 549
Finance costs	28	(702 257)	(1 003 706)
Income from equity accounted investments	8	308 604	(95 538)
Loss for the year		**(27 016 710)**	**(66 222 331)**
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Gains on property revaluation (Refer to note 4)		3 946 068	32 754 634
Other comprehensive income for the year net of taxation		**3 946 068**	**32 754 634**
Total comprehensive loss for the year		**(23 070 642)**	**(33 467 697)**

1 See note 2 & 34

STATEMENT OF CHANGES IN EQUITY

	Revaluation Reserve R	Retained Income R	Total Equity R
Opening balance as previously reported	97 010 536	835 394 419	932 404 955
Adjustments			
Prior year adjustments	-	(673 018)	(673 018)
Restated balance at 01 April 2018	**97 010 536**	**834 721 401**	**931 731 937**
Loss for the year	-	(66 222 331)	(66 222 331)
Other comprehensive income	32 754 634	-	32 754 634
Total comprehensive Loss for the year	**32 754 634**	**(66 222 331)**	**(33 467 697)**
Transfer between reserves	(2 018 649)	2 018 649	-
Total contributions by and distributions to owners of entity	**(2 018 649)**	**2 018 649**	**-**
Opening balance as previously reported	133 961 761	773 785 495	907 747 256
Adjustments			
Prior year adjustments	(6 215 239)	(3 352 699)	(9 567 938)
Restated balance at 1 April 2019	**127 746 522**	**770 517 721**	**898 264 243**
Loss for the year	-	(27 016 710)	(27 016 710)
Other comprehensive income	3 946 068	-	3 946 068
Total comprehensive Loss for the year	**3 946 068**	**(27 016 710)**	**(23 070 642)**
Transfer between reserves	(2 775 921)	2 775 921	-
Total contributions by and distributions to owners of company recognised directly in equity	**(2 775 921)**	**2 775 921**	**-**
Balance at 31 March 2020	**128 916 669**	**746 276 932**	**875 193 601**

Note(s):

The accounting policies on pages 139 to 173 and the notes on pages 174 to 140 form an integral part of the annual financial statements.

STATEMENT OF CASH FLOWS

	Note(s)	2020 R	2019 Restated[1] R
Cash flows from operating activities			
Cash receipts from customers		377 828 677	435 100 232
Cash paid to suppliers and employees		(498 093 327)	(388 309 962)
Cash (used in)/generated from operations	29	(120 264 650)	46 790 270
Interest income		4 306 856	4 021 534
Finance costs		(702 257)	(1 003 706)
Net cash from operating activities		**(116 660 051)**	**49 808 098**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(194 408)	(2 802 641)
Renovation of investment property (WIP)	5	(381 195)	(4 377 036)
Purchase of other intangible assets	7	-	(367 295)
Sale of financial assets		26 413 931	17 679 007
Sale of biological assets	6	16 067 317	965 890
Dividends received		409	15
Net cash from investing activities		**41 906 054**	**11 097 940**
Cash flows from financing activities			
Repayment of borrowings		(6 675 280)	(1 273 532)
Net cash from financing activities		**(6 675 280)**	**(1 273 532)**
Total cash movement for the year		**(81 429 277)**	**59 632 506**
Cash at the beginning of the year		116 339 056	56 706 550
Total cash at end of the year	**12**	**34 909 780**	**116 339 056**

1 See note 2 & 34

ACCOUNTING POLICIES

Corporate information

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

1. Significant accounting policies

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

1.1 Basis of preparation

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

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

These accounting policies are consistent with the previous period, except for the changes set out in note 2.

1.2 Significant judgements and sources of estimation uncertainty

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

Critical judgements in applying accounting policies

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

ACCOUNTING POLICIES

1.2 Significant judgements and sources of estimation uncertainty (Continued)

Lease classification

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

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

Water rights

MEGA has water rights for 221.42 ha for Tekwane registered with Manchester Noordwyk Irrigation Board (22.82ha) and Crocodile River Irrigation Board (198.6ha) respectively. Management recognised these water rights as an intangible asset with an indefinite useful life. Water rights are measured at cost.

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

MEGA has between 25.1% and 40% shareholding in various unlisted entities. Refer to note 8 for a list of these entities. Management has considered the existence of significant influence such as representation on the board of directors, participation in the policy-making process, including participation in decisions about dividends or other distributions, material transactions between the entity and the investee, interchange of managerial personnel, or provision of essential technical information in determining the level of influence exercised over its investments. Management considers that it has significant influence over these entities and is therefore of the view that classification of these investments as associates is appropriate.

Key sources of estimation uncertainty

Trade receivables and loans and receivables

MEGA assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the organisation makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from the financial asset.

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

Inventory

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

Fair value estimation

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

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

Refer to note 1.9 for details on the fair value hierachy levels and information about the specific techniques and inputs.

Impairment testing

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

Impairment exists when the carrying value of an assets or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length for similar assets or observable market prices less incremental costs for disposing of the asset.

The value in use calculation is based on a discounted cash flow model which is an estimation process. The cash flows estimated do not include restructuring activities that the entity is not yet committed to or significant future investments that will enhance the asset's performance of the cash-generating unit being tested.

Provisions

Provisions are inherently based on assumptions and estimates using the best information available. Additional disclosure of these estimates of provisions are included in note 17.

MEGA has recognised a provision for decommissioning obligations associated with its landfill site at Ekandustria. In determining the provision amount, assumptions and estimates are made in relation to discount rates, the expected cost to rehabilitate the environment and the expected timing of those costs as detailed in note 17.

ACCOUNTING POLICIES

1.2 Significant judgements and sources of estimation uncertainty (Continued)

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

Investment properties and biological assets are recorded at fair value, with changes in fair value being recognised in the statement of profit or loss. In addition, land and buildings and bulk infrastructure are measured at revalued amounts with changes in fair vlaue being recognised in other comprehensive income and accumulated in the revaluation reserve. The entity engaged an independent valuation specialist to assess fair value of bulk infrastructure assets as well as land and buildings as at 31 March 2020. Land and buildings are revalued with sufficient regularity to ensure that the carrying value does not differ significantly from fair value.

The fair values of investment properties and biological assets were based on the market comparable approach that reflects recent transaction prices for similar properties, where there is an active market and depreciated replacement cost for properties that do not have an active market In estimating the fair values of the properties, the highest and best use of the properties is their current use.

Land and buildings were revalued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

Bulk infrastructure was revalued with reference to the consumer price index (CPI) and a re-assessment of useful lives. The key assumptions used to determine the fair value for property, plant and equipment, biological assets and investment property are further explained in note 3,4 and 5 respectively.

Useful lives of intangible assets

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

1.3 Biological assets

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

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

Biological assets are measured at their fair value less costs to sell.

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

1.3 Biological assets (continued)

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

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined rate is used to determine fair value.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

1.4 Investment property

Investment property ls 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 initially recognised at cost. Transaction costs are included in the initial measurement.

Fair value

Subsequent to initial measurement, investment property is measured at fair value and reflects market conditions at the reporting date.

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

Fair values are determined based on an annual evaluation performed by an accredited external, independent valuer, applying general accepted valuation methods.

Transfers are made to (or from) investment property only when there is a change in use. Repossessed properties will only be classified as investment property if it is management's intention to retain the properties to earn rentals or for capital appreciation. If management's intention is to dispose of the repossessed properties, such properties will be classified as housing inventory until sold. The fair value at the date of reclassification to housing inventory becomes its cost for subsequent accounting.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the statement of profit or loss in the period of derecognition.

ACCOUNTING POLICIES

1.5 Property, plant and equipment

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

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

Bearer plants are included in property, plant and equipment. Bearer plants are living plants which are used in the production or supply of agricultural produce and are expected to bear produce for more than one period. They only qualify as bearer plants if there is only a remote likelihood of them being sold as agricultural produce.

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

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

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 company 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.

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

Major spare parts and standby equipment which are expected to be used for more than one year are included in property, plant and equipment.

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

Property, plant and equipment is subsequently stated at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

1.5 Property, plant and equipment (Continued)

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting year.

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

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset.

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

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

The revaluation reserve related to a specific item of property, plant and equipment is transferred directly to retained income as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

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

ACCOUNTING POLICIES

1.5 Property, plant and equipment (Continued)

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

Item	Depreciation method	Average useful life
Buildings	**Straight line**	20-30 years
Plant and machinery	**Straight line**	5-10 years
Furniture and fixtures	**Straight line**	3-10 years
Motor vehicles	**Straight line**	3-7 years
Office equipment	**Straight line**	3-10 years
IT equipment	**Straight line**	3-5 years
Bearer plants	**Straight line**	25-30 years
Bulk infrastructure	**Straight line**	4-100 years
Land	**Straight line**	Infinite

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

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

1.6 Intangible assets

Intangible assets are initially recognised at cost.

MEGA has water rights for 221.42ha for Tekwane registered with the Manchester Noordwyk Irrigation Board (22.82ha) and Crocodile River Irrigation Board (198.6ha) respectively. Management recognised these water rights as an intangible asset with an indefinite useful life. Water rights are measured at cost.

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

1.6 Intangible assets (Continued)

Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category consistent with the function of the intangible assets.

Expected future reduction in the selling price of an item that was produced using an intangible assets could indicate the expectation of technical or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

An amortisation method that is based on the revenue generated by an activity that includes the use on an intangible asset is inappropriate. The revenue generated by an activity that includes the use of an intangible asset typically reflects factors that are not directly linked to the consumption of the economic benefit embodied in the intangible asset.

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

Item	Useful Life
Water rights	Indefinite
Computer software	3 years

1.7 Investments in associates

An associate is an entity over which the group has significant influemce 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.

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

ACCOUNTING POLICIES

1.7 Investments in associates (Continued)

The entity's share of post-acquisition profit or loss is recognised in profit or loss, and its share of movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. 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

After application of the equity method, the entity determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the entity determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the entity calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss as 'Share of profit of an associate' in profit or loss.

When the entity reduces its level of significant influence or loses significant influence, the entity proportionately reclassifies the related items which were previously accumulated in equity through other comprehensive income to profit or loss as 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.

1.8 Financial instruments

Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the entity becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

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

Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified and measured at: amortised cost; FVOCI - debt investment; FVOCI - equity investment; or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and ;
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

1.8 Financial Instruments (continued)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling
- financial assets; and ;
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the entity may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the entity may irrevocably designate a financial asset that otheiwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otheiwise arise.

Financial assets - Business model assessment:

The entity makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Group's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transters of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales tor this purpose, consistent with the entity's continuing recognition of the assets. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL

ACCOUNTING POLICIES

1.8 Financial Instruments (continued)

Financial assets - assessment whether contractual cash flows are solely payments of principal and interest:

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the entity considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the entity considers:

- Contingent events that would change the amount or timing of cash flows;
- Terms that may adjust the contractual coupon rate, including variable-rate features;
- Prepayment and extension features; and
- Terms that limit the entity's claim to cashflows from specified assets (e.g. non-recourse features)

A prepayment feature is consistent with the sole payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets - Subsequent measurement and gains and losses:

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

1.8 Financial Instruments (continued)

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial assets

The entity classifies financial assets into the following categories:
- Financial assets at fair value through profit or loss - designated
- Held-to-maturity investments
- Loans and receivables
- Available-for-sale financial assets

Financial assets at FVTPL

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

Held-to-maturity financial assets

Measured at amortised cost using the effective interest method.

Loans and receivables.

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

ACCOUNTING POLICIES

1.8 Financial Instruments (continued)

Available-for-sale financial assets

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

Financial liabilities - Classification, subsequent measurement and gains and losses.

Financial liabilities are classified as measured at amortised cost or FVTPL

A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss excluding any change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability. The change in fair value attributable to a change in the credit risk, shall be presented in other comprehensive income.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Derecognition

Financial assets

The entity derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred and it does not retain control of the financial asset.

The entity enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The entity derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The entity also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

1.8 Financial Instruments (continued)

Financial liabilities (Continued)

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the entity currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Impairment

Non-derivative financial assets.

Financial instruments and contract assets
The entity recognises loss allowances for ECLs on:
- Financial assets measured at amortised cost;
- Debt investments measured at FVOCI; and
- Contract assets

The entity measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECL's:
- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the entity considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the entity's historical experience and informed credit assessment and including forward-looking information.

The entity assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The entity considers a financial asset to be in default when:
- the borrower is unlikely to pay its credit obligations to the entity in full or
- the financial asset is more than 90 days past due.

ACCOUNTING POLICIES

1.8 Financial Instruments (continued)

The entity considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally underslood definition of 'investment grade'.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the entity is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flow due to the entity in accordance with the contract and the cash flows that the entity expects to receive).

ECL's are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the entity assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit impaired. A financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit impaired includes the following observable data

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or being more than 90 days past due;
- The restructuring of a loan or advance by the entity on terms that the entity would not consider otherwise;
- It is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

1.8 Financial Instruments (continued)

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

Write-off

The gross carrying amount of a financial asset is written off when the entity has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the entity has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the entity individually makes an assessment with respect to the timing and amount of write off based on whether there is a reasonable expectation of recovery. The entity expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the entity's procedures for recovery of amounts due.

Cash and cash equivalents

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

1.9 Fair value measurement

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

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

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

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

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

ACCOUNTING POLICIES

1.9 Fair value measurement (Continued)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilise the asset in its highest and best use.

The entity uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2- Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis the entity determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Management determines the policies and procedures for both recurring fair value measurement, such as investment properties, biological assets and land and buildings and bulk infrastructure and unquoted available-for-sale equity instruments.

External valuers are involved for valuation of significant assets, investment properties, biological assets, land and buildings and bulk infrastructure. The involvement of external valuers is decided upon annually by management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management discuss which valuation techniques and inputs to use for each case.

At each reporting date, management analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the organisation's accounting policies. For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

1.10 Leases

The entity 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: Leases. The details of accounting policies under IAS 17 are disclosed separately if they are different from those under IFRS 16: Leases and the impact of changes is disclosed in Note 2. Changes in accounting policy.

Policy applicable from 1 April 2019

At inception of a contract, the entity 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 entity assesses whether:

- The contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The entity has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The entity has the right to direct the use of the asset. The entity has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the entity has the right to direct the use of the asset if either:
  - The entity has the right to operate the asset; or
  - The entity designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the entity allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the entity has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Policy applicable before 1 April 2019

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

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

ACCOUNTING POLICIES

1.10 Leases (continued)

As a lessee

Policy applicable from 1 April 2019

The entity 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 the 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 asset or the 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 the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are 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 remeasurements of the lease liability.

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

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- the exercise price under a purchase option that the entity is reasonably certain to exercise, lease payments in an optional renewal period if the entity is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the entity is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when the entity changes its assessment of whether it will exercise a purchase, extension or termination option.

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

The entity presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in loans and borrowings' in the statement of financial position.

1.10 Leases (continued)

Short-term leases and leases of low-value assets

The entity has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The entity recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Policy applicable before 1 April 2019

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

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

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

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

As a lessor

The accounting policies applicable to the entity as a lessor in the comparative period were not different from IFRS 16.

When the entity acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the entity makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the entity considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, the entity applies IFRS 15 on Revenue from contracts with Customers to allocate the consideration in the contract.

ACCOUNTING POLICIES

1.10 Leases (continued)

The entity recognises lease payments received under operating leases as income on a straight- line basis over the lease term. Income for leases is disclosed under revenue in profit or loss.

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.

Any contingent rent is recognised as revenue in the period incurred.

1.11 Inventories

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

Inventories are measured at the lower of cost and net realisable value on the weighted average basis.

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

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Where inventories are acquired at no cost or for nominal consideration, the cost is deemed to be the fair value as at the date of acquisition. Direct costs relating to unsold properties are accumulated for each separately identifiable development.

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

1.12 Impairment of assets

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

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

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

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

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

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

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

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

1.13 Share capital and equity

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

ACCOUNTING POLICIES

1.14 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits. (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

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

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts.

Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in future payments is available.

Termination benefits

Termination benefits are recognised as an expense when the entity is committed without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

Termination benefits for voluntary redundancies are recognised as an expense if the entity has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

1.14 Employee benefits (Continued)

Long-term service employee benefits

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

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

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

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

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

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

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

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

1.15 Provisions and contingencies

Provisions are recognised when:

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

ACCOUNTING POLICIES

1.15 Provisions and contingencies (continued)

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

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

Provisions are not recognised for future operating losses.

Restructuring provisions

A constructive obligation to restructure arises only when an entity:

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

Contingencies

Contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 31.

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

1.15 Provisions and contingencies (continued)

Decommissioning liability

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

Leave provision

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

1.16 Government grants

Government grants are recognised when there is reasonable assurance that:

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

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

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

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

ACCOUNTING POLICIES

1.17 Revenue from contracts with customers

The company recognises revenue from the following major sources:

- Sales of goods - wholesale
- Income from municipal services rendered
- Government nutritional programme (GNP)
- Rental income
- Interest income (Trading)

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The entity recognises revenue when it transfers control of a product or service to a customer.

Sale of goods - wholesale

For sales of goods to the wholesale market, revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the wholesaler's specific location. Following delivery, the wholesaler has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility of selling the goods and bears the risks of obsolescence and loss in relation to the qoods. A receivable is recoqnised by the entity when the goods are delivered to the wholesaler as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

The entity's sales of goods consist of lemon sales.

Income from municipal services rendered

Revenue is recognised based on the actual service provided to the end of the reporting period. This is determined based on the actual municipal services consumed.

The transaction price allocated to these services is recognised as a debtor at the time of the initial sales transaction and is recognised as revenue.

The entity's municipal services rendered consist of supply of electricity, water, sewerage and refuse removal.

1.17 Revenue from contracts with customers (Continued)

Government nutritional programme (GNP)

Revenue is recognised based on the actual goods provided at the end of the reporting period and when control of the goods have been transferred, being when the goods have been distributed to the relevant, agreed location.

The entity invoices the Department of Education, Department of Health and Department of Social services for fresh produce delivered to either schools or hospitals

Rental income

Income from operating leases in respect of property is recognised in profit or loss on a straight-line basis over the lease term.

The entity's rental income consist of lease of property to natural and legal persons.

Interest income (Trading)

Interest income from financial assets at fair value through profit or loss is included in the net fair value gains/(losses) on these assets. Interest income on financial assets at amortised cost and financial assets at fair value through profit or loss calculated using the effective interest method is recognised in the statement of profit or loss as part of revenue related to contracts with customers.

Interest income is calculated monthly by applying the effective interest rate to the gross carrying amount of a financial asset. All financial assets, including financial assets that subsequently became credit impaired, are treated this way. For credit impaired financial assets the effective interest rate is applied to the gross carrying amount of the financial asset (before deduction of the loss allowance).

1.18 Other operating income

Government grants

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

ACCOUNTING POLICIES

1.18 Other operating income (continued)

Dividends

Dividends are recognised, in profit or loss, when the entity's right to receive payment has been established, which is generally when shareholders approve the dividend. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognised in Other Comprehensive Income if it relates to an investment measured at fair value through other comprehensive income.

Management fees

MEGA charges 5% management fee on the fresh produce market as implementing agent.

1.19 Cost of sales

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

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

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

Contract costs comprise:
- costs that relate directly to the specific contract;
- costs that are attributable to contract activity in general and can be allocated to the contract; and such other costs as are specifically chargeable to the customer under the terms of the contract.

1.20 Translation of foreign currencies

Foreign currency transactions

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

At the end of the reporting period:

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

In circumstances where the company receives or pays an amount in foreign currency in advance of a transaction, the transaction date for purposes of determining the exchange rate to use on initial recognition of the related asset, income or expense is the date on which the company initially recognised the non-monetary item arising on payment or receipt of the advance consideration.

If there are multiple payments or receipts in advance, company determines a date of transaction for each payment or receipt of advance consideration.

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

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

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

ACCOUNTING POLICIES

1.21 Commitments

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

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

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

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

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

1.22 Income Tax and Value Added Tax

Income Tax

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

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Value Added Tax

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

1.23 Related party disclosure

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

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

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

1.24 Irregular expenditure

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

1.25 Fruitless and wasteful expenditure

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

1.26 Unauthorised expenditure

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

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. Changes in accounting policy

The annual financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year except for the adoption of the following new or revised standards.

Application of IFRS16 Leases

The entity applied IFRS 16 with a date of initial application of 1 April 2019. As a result, the entity has changed its accounting policy for lease contracts as detailed below.

The entity applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 April 2019.The details of the changes in accounting policies are disclosed below.

As a Lessee

As a lessee, the entity previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the entity. Under IFRS 16, the entity recognises right-of-use assets and lease liabilities for most leases i.e. these leases are on balance sheet.

The entity decided to apply recognition exemptions to short-term leases of machinery and leases of IT equipment. For leases of other assets, which were classified as operating under IAS 17, the entity recognised right-of-use assets and lease liabilities.

Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the entity's incremental borrowing rate as at 1 April 2019. Right-of-use assets are measured as at 1 April 2019 on a lease by lease basis at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position.

The entity used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. The entity elected to apply the recognition exemption for short-term leases and leases of low-value assets, therefore it was not required to make any adjustments on transition for leases. The entity recognised the lease payments associated with those leases as an expense on a straight-line basis over the lease term. The entity used hindsight when determining the lease term if the contract contains options to extend or terminate the lease and applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.

Details of these new requirements as well as their impact on the entity's financial statements are described in note 25 and 30.

2. Changes in accounting policy (Continued)

As a lessor

The entity is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor. The entity accounted for its leases in accordance with IFRS 16 from the date of initial application.

The entity applied IFRS 15 Revenue from Contracts with Customers to allocate consideration in the contract to each lease and non-lease component.

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

3. New Standards and Interpretations

3.1 Standards and interpretations effective and adopted in the current year

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
IFRS 17 Insurance Contracts	01 January 2021	Unable to reliably estimate the impact
Plan Amendment, Curtailment or Settlement - Amendments to IAS 19	01 January 2019	The impact of the amendments is not material
Long-term Interests in Joint Ventures and Associates - Amendments to IAS 28	01 January 2019	The impact of the amendments is not material
Prepayment Features with Negative Compensation - Amendment to IFRS 9	01 January 2019	The impact of the amendments is not material
Amendments to IFRS 3 Business Combinations: Annual Improvements to IFRS 2015 - 2017 cycle	01 January 2019	The impact of the amendments is not material
Amendments to IFRS 11 Joint Arrangements: Annual Improvements to IFRS 2015 -2017 cycle	01 January 2019	The impact of the amendments is not material
Amendments to IAS 12 Income Taxes: Annual Improvements to IFRS 2015 -2017 cycle	01 January 2019	The impact of the amendments is not material
Amendments to IAS 23 Borrowing Costs: Annual Improvements to IFRS 2015 - 2017 cycle	01 January 2019	The impact of the amendments is not material
Uncertainty over Income Tax Treatments	01 January 2019	The impact of the amendments is not material
IFRS 16 Leases	01 January 2019	The impact of the amendments is not material

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

4. Property, plant and equipment

Figures in Rand	2020			2019			2018		
	Cost/ Revaluation	Accummulated Depreciation	Carrying Value	Cost/ Revaluation	Accummulated Depreciation	Carrying Value	Cost/ Revaluation	Accummulated Depreciation	Carrying Value
Land	**44 123 537**	-	44 123 537	44 716 997	-	44 716 997	43 397 779	-	43 397 779
Buildings	**53 161 003**	(1 346 598)	51 814 405	57 443 233	-	57 443 233	38 743 749	(1 414 711)	37 329 038
Plant and machinery	**14 352 193**	(4 693 732)	9 658 461	14 310 055	(3 531 581)	10 778 474	13 935 882	(2 342 130)	11 593 752
Motor vehicles	**1 658 526**	(1 240 060)	418 466	1 658 526	(1 216 280)	442 246	1 658 526	(1 192 499)	466 027
Office equipment	**3 941 937**	(2 521 260)	1 420 677	3 873 880	(2 369 889)	1 503 991	3 412 179	(2 230 258)	1 181 921
IT Equipment	**5 680 472**	(4 198 440)	1 482 032	5 645 654	(3 563 075)	2 082 579	5 134 114	(2 775 989)	2 358 125
Bearer plants	**17 690 173**	(5 575 968)	12 114 205	17 690 173	(4 752 243)	12 937 930	17 690 173	(3 928 515)	13 761 658
Bulk infrastructure	**310 289 556**	(20 567)	310 268 989	305 816 162	(12 065)	305 804 097	299 529 871	(10 054)	299 519 817
Capital - Work in progress	**-**	-	-	-	-	-	4 685 224	-	4 685 224
Total	**450 897 397**	**(19 596 625)**	**431 300 772**	**451 154 680**	**(15 445 133)**	**435 709 547**	**428 187 497**	**(13 894 156)**	**414 293 341**

4. Property, plant and equipment (Continued)

Reconciliation of Property, Plant and Equipment - 2020

	Opening Balance	Additions	Disposals	Transfers	Revaluations	Revaluation through Profit and loss	Depreciation	Total
Land	**44 716 997**	-	-	(369 264)	(34 067)	(190 129)	-	44 123 537
Buildings	**57 443 233**	-	-	(2 400 736)	-	(1 856 005)	(1 372 087)	51 814 405
Plant and machinery	**10 778 474**	43 539	(140)	-	-	-	(1 163 412)	9 658 461
Motor vehicles	**442 246**	-	-	-	-	-	(23 780)	418 466
Office equipment	**1 503 991**	80 869	(1 842)	-	-	-	(162 341)	1 420 677
IT equipment	**2 082 579**	70 000	(12 760)	-	-	-	(657 787)	1 482 032
Bearer plants	**12 937 930**	-	-	-	-	-	(823 725)	12 114 205
Bulk infrastructure	**305 804 097**	9 979 248	-	-	3 980 135	-	(9 494 491)	310 268 989
Total	**435 709 547**	**10 173 656**	**(14 742)**	**(2 770 000)**	**3 946 068**	**(2 046 134)**	**(13 697 623)**	**431 300 772**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

4. Property, plant and equipment (Continued)

Reconciliation of Property, Plant and Equipment - 2019

	Opening Balance	Additions	Disposals	Transfers	Revaluations	Revaluation through Profit and loss	Depreciation	Total
Land	43 397 779	-	-	-	1 319 218	-	-	44 716 997
Buildings	37 329 038	-	-	5 502 325	16 618 613	(1 104 093)	(902 650)	57 443 233
Plant and machinery	11 593 752	374 172	-	-	-	-	(1 189 450)	10 778 474
Motor vehicles	466 027	-	-	-	-	-	(23 781)	442 246
Office equipment	1 181 921	461 701	-	-	-	-	(139 631)	1 503 991
IT equipment	2 358 125	611 137	(43 617)	-	-	-	(843 066)	2 082 579
Bearer plants	13 761 658	-	-	-	-	-	(823 728)	12 937 930
Bulk infrastructure	299 519 817	538 530	-	-	14 816 803	-	(9 071 053)	305 804 097
Capital - Work in progress	4 685 224	817 101	-	(5 502 325)	-	-	-	-
Total	**414 293 341**	**2 802 641**	**(43 617)**	**-**	**32 754 634**	**(1 104 093)**	**(12 993 359)**	**435 709 547**

4. Property, plant and equipment (Continued)

Reconciliation of Property, Plant and Equipment - 2018

	Opening Balance	Additions	Disposals	Transfers	Revaluations	Depreciation	Total
Land	**42 838 386**	-	-	559 393	-	-	43 397 779
Buildings	**32 497 685**	4 273 588	-	1 284 607	-	(726 842)	37 329 038
Plant and machinery	**790 773**	11 835 917	(11 046)	-	-	(1 021 892)	11 593 752
Motor vehicles	**489 807**	-	-	-	-	(23 780)	466 027
Office equipment	**954 247**	480 131	(2 565)	-	-	(249 892)	1 181 921
IT equipment	**2 071 406**	1 153 920	(23 634)	-	-	(843 567)	2 35 8125
Bearer plants	**14 585 387**	-	-	-	-	(823 729)	13 761 658
Bulk infrastructure	**294 705 487**	-	-	-	13 476 894	(8 662 564)	299 519 817
Capital - Work in progress	**580 600**	-	-	4 104 624	-	-	4 685 224
Total	**389 513 778**	**17 743 556**	**(37 245)**	**5 948 624**	**13 476 894**	**(12 352 266)**	**414 293 341**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2020	2019
		Restated[1]
	R	R

4. Property, plant and equipment (Continued)

Property, plant and equipment encumbered as security

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

Other information

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

Buildings		
Cost	**44 709 766**	50 267 962
Accumulated depreciation and impairment	(5 016 251)	(4 234 254)
	39 693 515	**46 033 708**

Bulk infrastructure		
Cost	**275 882 410**	265 903 162
Accumulated depreciation and impairment	**(43 128 392)**	(35 959 159)
	232 754 018	**229 944 003**

Details of bearer plants

The vineyards of 21.1 hectares at Loopspruit Estate is situated on the banks of the Loopspruit river, 30km north of Bronkhorstspruit.

The lemon orchard of 118.5 hectares is at Tekwane Estate in the Mbombela District.

Revaluations

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2020	2019 Restated[1]	2018 Restated[1]
	R	R	R

4. Property, plant and equipment (Continued)

Fair value is determined using a market comparable method. Valuations performed by the valuer are based on active market prices, significantly adjusted for any difference in the nature, location or condition of the specific property. The date of the most recent revaluation for bulk infrastructure and land and buildings was 31 March 2020.

Fair value hierarchy of assets at revalued amounts through revaluation reserve

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

Level 3	Land	Buildings	Bulk Infrastructure	Total Revaluation
31 March 2020	**44 123 537**	51 814 404	310 268 990	406 206 931
31 March 2019	**44 716 997**	57 443 232	305 804 097	407 964 326
31 March 2018	**43 397 779**	37 329 038	299 519 817	380 246 634
	132 238 313	**146 586 674**	**915 592 904**	**1 194 417 891**

There is 1 commercial property with a fair value of R10 181 928 (2019: R15 137 475) which are controlled by MEGA but not registered in the entity's name, and concequently not recognised as property, plant and equipment by MEGA.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

5. Investment Property

Figures in Rand	2020			2019			2018		
	Cost/ Revaluation	Accummulated Depreciation	Carrying Value	Cost/ Revaluation	Accummulated Depreciation	Carrying Value	Cost/ Revaluation	Accummulated Depreciation	Carrying Value
Investment property	431 171 433	-	431 171 433	409 507 077	-	409 507 077	391 993 330	-	391 993 330

Reconciliation of investment property - 2020

	Opening Balance	Additions resulting from capitalised Subsequent expenditure	Transfer from property, plant and equipment	Fair Value Adjustments	Total
Reconciliation of investment property - 2020					
Investment property	409 507 077	381 195	2 770 000	18 513 161	431 171 433
Reconciliation of investment property - 2019					
Investment property	391 993 330	4 377 036	-	13 136 711	409 507 077
Reconciliation of investment property - 2018					
Investment property	**400 386 956**	8 493 066	(5 948 624)	(10 938 068)	391 993 330

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2020	2019 Restated [1]	2018 Restated [1]
	R	R	R

5. Investment Property (Continued)

Other disclosures

MEGA is currently administering 38 buildings valued at R34 930 000 (2019: R22 229 000) on land belonging to tribal authorities which are not currently included as investment properties. These properties will be recognised when MEGA's rights and obligations have been confirmed by the Department of Co-operative Governance and Traditional Affairs.

In addition to the aforesaid there are 34 residential properties with a fair value of R18 730 000 (2019: R16 577 000) and 19 commercial properties with a fair value of R29 610 000 (2019: R22 618 000) which are controlled by MEGA but not registered in the entity's name and are consequently not recognised as investment property by MEGA.

Details of valuation

The entity's investment property consists of commercial, industrial, farming and residential properties and vacant land. Management determined that the investment properties consist of five classes of assets commercial, industrial, farming and residential properties and vacant land based on the nature, characteristics and risks of each property . Fair value is determined using a combination of rental capitalisation method and comparable sales method. The most recent valuation was performed at 31 March 2020 by i@ consulting.

Fair value hierarchy of assets at fair amounts are as follows:

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

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2020	2019 Restated [1]	2018 Restated [1]
	R	R	R

5. Investment Property (Continued)

Level 3	2020	2019	2018
Commercial	39 360 000	34 773 000	31 721 000
Farms	26 670 000	8 326 131	7 731 000
Industrial	275 440 000	241 312 000	221 900 000
Land	78 690 000	107 421 480	116 217 700
Residential	11 011 433	13 297 430	14 423 630
Work in progress (WIP)	-	4 377 034	-
	431 171 433	**409 507 075**	**391 993 330**

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

Significant unobservable data Category	Rate per square meter
Commercial properties	**R14 - R33**
Industrial properties	**R20 - R65**
Vacant land	**R10-R100**
Farms	**R1.30 - R28**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

6. Biological Assets

Figures in Rand	2020			2019			2018		
	Cost/ Revaluation	Accummulated Depreciation	Carrying Value	Cost/ Revaluation	Accummulated Depreciation	Carrying Value	Cost/ Revaluation	Accummulated Depreciation	Carrying Value
Produce - Lemons	30 918 806	-	30 918 806	12 530 068	-	12 530 068	945 961	-	945 961

Reconciliation of biological assets

	Opening Balance	Decreases Due to Harvest/Sales	Gains (Losses) Arising from Changes in Fair Value	Total
Reconciliation of biological assets - 2020				
Produce - Lemons	12 530 068	(16 067 317)	34 456 055	30 918 806
Reconciliation of biological assets - 2019				
Produce - Lemons	945 961	(965 890)	12 549 997	12 530 068
Reconciliation of biological assets - 2018				
Produce - Lemons	20 149 647	(20 149 647)	945 961	945 961

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2020	2019 Restated[1]	2018 Restated[1]
	R	R	R

6. Biological Assets (Continued)

Nature of the entities biological assets

Tekwane estate is engaged in the production of lemons for supply to export markets. At 31 March 2020 the farm had 118.15ha of mature lemon trees in full production. No new trees have been planted/replaced in the current financial year. The harvest season for lemons is between April and August. During the year the entity sold 2268.15 tons lemons for export (2019: 137.7 tons) and 528 tons lemons for juicing (2019: 1 799 tons). The estimated fair value increased significantly as from 2018 to 2019 due to the improvement in the quality of the fruit for exports.

Valuation process of measuring biological assets at fair value

The fair value of growing lemons produce is determined by forecasted harvest information that was obtained from LONA. LONA was appointed to manage the Tekwane estate on behalf of MEGA as they have the expertise in the citrus industry. This include information regarding estimated haivest quantities and estimated market prices. The Funding department within MEGA reviews this information annually and Finance use these forecasted harvest information as inputs in calculating the estimated fair value of biological assets at year end. The material increase in the fair value of the biological assets can be attributed to the improvement in the quality of the lemons available for export. The key assumptions about unobservable inputs and their relationship to fair value is indicated below.

Valuation inputs and relationships to fair value

Significant unobservable data

Export market
The forecasted harvest has been estimated at 268 364 cartons (2019: 154 909 cartons). The estimated average fair value of R143.32 per carton (2019: R131.19 per carton).

Juicing for the local market
The forecasted harvest has been estimated at 2642.35 tons (2019: 1334,6 tons). The estimated average fair value at R750 per ton (2019: R1 900 per ton).

Relationship of unobservable inputs to fair value

The higher the quantities and market price, the higher the fair value.

	2020	2019 Restated[1]	2018 Restated[1]
	R	R	R

6. Biological Assets (Continued)

Fair value hierarchy

The fair value hierarchy of assets at fair value are as follows:

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

Level 3	2020	2019
Produce - Lemons	34 456 055	12 549 997

The main level 3 inputs used by the entity, are derived and evaluated as follows:

- The quantities are determined based on the age of the orchard, climate-induced variations such as severe weather events, plant losses and new areas coming into production.
- The lemon export prices and lemon juice prices are determined by the quality (graded per class) of the lemon produce and the estimated market price is denominated in US Dollar and translated to SA Rand.

The movements in the fair value of assets within level 3 of the hierarchy, being the lemon produce before harvesting, can be seen from the reconciliation. The gains recognised in relation to the lemon produce are as follows:

	2020	2019
Total gains for the period recognised in profit or loss under 'Other operating gains (losses)' also refer to note 24.	34 456 055	12 549 997

Lemon produce are harvested annually and sold during the year before the end of the reporting period. Therefore there are no changes in unrealised gains or losses for the period to be recognised in profit or loss attributable to lemon produce held at the end of the reporting period.

Net biological assets	2020	2019	2018
Non-current assets	30 918 806	12 530 068	945 961

7. Intangible assets

Figures in Rand	2020			2019			2018		
	Cost/ Valuation	Accummulated Amortisation	Carrying Value	Cost/ Valuation	Accummulated Amortisation	Carrying Value	Cost/ Valuation	Accummulated Amortisation	Carrying Value
Water rights	8 430 011	-	8 430 011	8 430 011	-	8 430 011	8 430 011		8 430 011
Computer software	1 721 928	(1 496 383)	225 545	1 721 928	(1 316 547)	405 381	1 354 632	(1 171 864)	182 768
Total	**10 151 939**	**(1 496 383)**	**8 655 556**	**10 151 939**	**(1 316 547)**	**8 835 392**	**9 784 643**	**(1 171 864)**	**8 612 779**

Reconciliation of intangible assets - 2020

	Opening Balance	Amortisation	Total
Water rights	**8 430 011**	-	**8 430 011**
Computer software	**405 381**	(179 836)	225 545
	8 835 392	**(179 836)**	**8 655 556**

7. Intangible assets (Continued)

Reconciliation of intangible assets - 2019

	Opening Balance	Additions	Amortisation	Total
Water rights	8 430 011	-	-	8 430 011
Computer software	182 768	367 295	(144 682)	405 381
	8 612 779	367 295	(144 682)	8 835 392

Reconciliation of intangible assets - 2018

	Opening Balance	Additions	Amortisation	Total
Water rights	8 430 011	-	-	8 430 011
Computer software	48 225	172 219	(37 676)	182 768
	8 478 236	172 219	(37 676)	8 612 779

Pledged as security

No intangible assets are pledged as security.

Other information

Water rights impairment

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2020	2019 Restated [1]	2018 Restated [1]
	R	R	R

8. Investments in associates

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

Name of company	Carrying amount 2020	Carrying amount 2019	Carrying amount 2018
KaNgwane Anthracite (Pty) Ltd	492 628	492 628	492 628
Hi-Veld Fruit Packers (Pty) Ltd	1 992 389	1 866 065	1 961 602
Nkomati Anthracite (Pty) Ltd	93 180	93 180	93 180
S'Buthe Mntimandze (Pty) Ltd	182 280	-	-
	2 760 477	**2 451 873**	**2 547 410**
Impairment of investments in associates	(585 808)	(585 808)	(585 808)
	2 174 669	**1 866 065**	**1 961 602**

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

Material associates

The following associates are material to the company:

Name of company	Country of Incorporation	Method	% Ownership interest		
			2020	2019	2018
KaNgwane Anthracite (Pty) Ltd	Ermelo/RSA	Equity	26%	26%	26%
Hi-Veld Fruit Packers (Pty) Ltd	Johannesburg/ RSA	Equity	40%	40%	40%
Nkomati Anthracite (Pty) Ltd	Nkomati/RSA	Equity	40%	40%	40%
Dalamba Victorious Trading Enterprise ond Projects (Pty) Ltd	Kinross/RSA	Equity	25%	25%	25%
Fuma Investments (Pty) Ltd	Bushbuckridge/RSA	Equity	25%	25%	25%
S'Buthe Mntimandze (Pty) Ltd	Hectorspruit/RSA	Equity	25%	25%	25%

	2020	2019 Restated[1]	2018 Restated[1]
	R	R	R

8. Investments in associates (Continued)

Associates with different reporting dates

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

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

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

The end of reporting year of Dalamba Victorius Trading Enterprise and Projects (Pty) Ltd and Fuma Investments (Pty) Ltd is 28 February

The end of reporting year of S'Buthe Mntimandze (Pty) Ltd is 31 August.

MEGA did not use a different reporting date or period to recognise the profit/(loss) share in an associate.

Restrictions relating to associates

No significant restrictions are applicable to all the associates as presented.

Unrecognised share of losses of associates

KaNgwane Anthracite (Pty) Ltd	1 540 575	1 450 467	1 423 060
Nkomati Anthracite (Pty) Ltd	173 517 176	173 517 176	130 862 006
S'Buthe Mntimandze (Pty) Ltd	-	41 755	58 707
Dalamba Victorious Trading Enterprise ond Projects (Pty) Ltd	351 300	333 340	254 865
Fuma Investments (Ply) Ltd	375 235	323 188	444 561
	175 784 286	**175 665 926**	**133 043 199**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2020	2019	2018
		Restated [1]	Restated [1]
	R	R	R

8. Investments in associates (Continued)

Nature of relationship with the associates

Associate	Nature of relationship
KaNgwane Anthracite (Pty) Ltd	KaNgwane Anthracite (Pty) Ltd was acquired in 2011. MEGA has a 40% shareholding in KaNgwane Anthracite (Pty) Ltd, mainly for income generation and to stimulate economic growth in the surrounding communities in Nkomazi. However, the investment is under care and maintenance.
Nkomati Anthracite (Pty) Ltd	Nkomati Anthracite (Pty) Ltd was historically acquired in 1980. MEGA currently holds a 40% interest in Nkomati Anthracite. The interest was acquired to generate income and to stimulate economic growth in the surrounding areas of Nkomazi.
Hi-Veld Fruit Packers (Pty) Ltd	MEGA has a 26% shareholding in Highveld fruit packers, acquired in 2006. MEGA provided finance for the expansion and restructuring of Highveld fruit packers to allow for its continued positive economic impact in the surrounding communities of Ermelo.
Dalamba Victorious Trading Enterprise ond Projects (Ply) Ltd	A loan of R6 390 000 was issued in 2017 to Dalamba Victorious Trading Enterprise and Projects (Pty) Ltd for the construction of a shopping mall (creation of economic hubs) in Kinross. The loan was in the form of preference shares redeemable over a period of 12 years. 639 preference shares were issued by Dalamba (Pty) Ltd to MEGA. In addition, MEGA subscribed to 335 Ordinary shares resulting in the 25.1% shareholding, to allow MEGA to influence the direction of the company.
Fuma Investments (Pty) Ltd	A loan of R9 210 702 was issued to Fuma Investments (Pty) Ltd for the construction of a shopping mall (creating economic hubs) in Bushbuck Ridge. The loan was in the form of preference shares redeemable over a period of 12 years. 921 preference shares were issued by Fuma (Pty) Ltd to MEGA. In addition, subscribed to 251 Ordinary shares, resulting in the 25.1% shareholding, to allow MEGA to influence the direction of the company.
S'Buthe Mntimandze (Pty) Ltd	A loan of R3 718 540 was issued to Shopmore Enterprises (S'buthe Mntimadze (Pty) Ltd for construction and development of a shopping center (Creation of economic hubs) in Nkomazi. The loan was in the form of preference shares redeemable over 5 years. 163 preference shares were issued by S'Buthe Mntimandze (Pty) Ltd to MEGA. In addition, MEGA subscribed to 251 Ordinary shares, resulting in the 25.1% shareholding, to allow MEGA to influence the direction of the company.

	2020 R	2019 Restated[1] R	2018 Restated[1] R
9. Other financial assets			
At fair value through profit or loss designated Unlisted shares. AGRI Limited shares @R7.06/share (2019:R7.06), KWV Holdings Limited shares @R12.50/ share (2019: R12.50), Stellenbosch Vineyards Group Limited shares @R5/share (2019: R5), Onderberg Verwerkingskooperasie Beperk shares @R0.25/share (2019: R0.25) and Capespan Group Limited shares @ R6.18/share (2019: R6.18).	1 609 673	1 613 930	1 606 355
Loans and Receivables *Housing loans* Housing loans are generally repayable over 20 years at 12% interest per annum, which is fixed over the term of the loan.	58 080 252	58 931 915	65 288 630
Small, medium and micro enterprises (SMME) loans The loans entail business capital funding and bridging finance over a maximum of 5 years. Interest rates are charged at the prevailing variable lending rates.	83 415 022	66 722 301	65 880 035
Agricultural loans The loans are for the financing of livestock and crops, with repayment terms varying from 3 months to 8 years. Interest is charged at variable percentages per annum.	33 385 623	32 402 288	35 017 117
Equity loans The loans consist of capital funding with participation in redeemable preference shares over a maximum period of 5 years.	9 711 395	9 506 007	9 320 125

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2020 R	2019 Restated[1] R	2018 Restated[1] R

9. Other financial assets (Continued)

Govan Mbeki Housing Company loan Tho loan is repayable in monthly installment after the full amount has been distributed. Interest will accrue from this date at a fixed rate of 12%.	11 662 263	11 662 263	11 662 263
KaNgwane Anthracite intercompany loan The loan is unsecured, interest free and repayable on demand. The loan have been subordinated until such time as KaNgwane Anthracite's asset exceed the liabilities which will provide sufficient funds to pay both existing and future debts as they become due.	492 588	492 588	492 588
	196 747 143	**179 717 362**	**187 660 758**
Less impairment on loans at amortised cost	(131 996 753)	(88 553 037)	(78 818 135)
	64 750 390	**91 164 325**	**108 842 623**
Total other financial assets	**66 360 063**	**92 778 255**	**110 448 978**
Non current assets			
Designated as at FV through profit and loss (fair value through income)	1 609 673	1 613 930	1 606 355
Loans at amortised cost	52 914 851	77 343 739	50 964 863
	54 524 524	**78 957 669**	**52 571 218**
Current assets			
Loans at amortised cost	11 835 539	13 820 586	57 877 760
	66 360 063	**92 778 255**	**110 448 978**

	2020	2019 Restated[1]	2018 Restated[1]
	R	R	R

9. Other financial assets (Continued)

Fair value information

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

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

- Class 1 - Listed shares
- Class 2 - Unlisted shares

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

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

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

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

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

Level 1			
Class 2	1 573 201	1 573 201	1 574 705
Level 1			
Class 2	36 475	40 729	31 650
	1 609 676	**1 613 930**	**1 606 355**

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

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

	2020 R	2019 Restated [1] R

9. Other financial assets (Continued)

Fair values of other financial assets at amortised cost

Housing loans	30 724 676	42 431 155
Small, medium and micro enterprises (SMME) loans	29 655 300	33 615 577
Agricultural loans	3 877 828	14 871613
Equity loans	-	-
KaNgwane Anthracite intercompany loan	492 588	492 588
Govan Mbeki Housing Company Loan	-	-

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

Detail of other financial assets at amortised cost

MEGA classifies its financial assets as at amortised cost only if both of the following criteria are met:

- The asset is held within a business model whose objective is to collect the contractual cash flows, and
- The contractual terms give rise to cash flows that are solely payments of principal and interest.

MEGA measures the expected credit loss as the difference between the asset's gross carrying amount (balance as on 31 March 2020) and the present value of estimated future cash flows discounted at the financial asset's effective interest rate. Any adjustment is recognised in profit or loss as an impairment gain or loss.

Housing loans		
Current	22 576 888	6 823 866
Non-current	35 503 364	52 165 270
	58 080 253	**58 989 136**
Less: Loss allowance on other financial assets at amortised cost	(27 355 577)	(16 557 980)
	30 724 676	**42 431 155**
Loss allowance on other financial assets at amortised cost		
Current	(19 459 815)	(2 839 292)
Non-current	(7 895 762)	(13 718 688)
	(27 355 577)	**(16 557 980)**

	2020	2019	2018
		Restated [1]	Restated [1]
	R	R	R

9. Other financial assets (Continued)

MEGA classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Housing loans are generally repayable over 20 years at 12% interest per annum, which is fixed over the term of the loan.

MEGA measure the expected credit loss as the difference between the asset's gross carymg amount (balance as on 31 March 2020) and the present value of estimated future cashflows discounted at the financial assets's effective interest rate.

Any adjustment is recognised in profit or loss as an impairment gain or loss.

Fair values of other financial assets at amortised cost	2020	2019	2018
Housing loans		30 724 676	42 431 155

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2020 R	2019 Restated [1] R	2018 Restated [1] R

9. Other financial assets (Continued)

Small, medium and micro enterprises (SMME) loans			
Current		54 952 716	29 734 520
Non-current		28 462 306	37 052 324
		83 415 022	**66 786 844**
Less: Loss allowance on other financial assets at amortised cost		(53 759 722)	(33 171 267)
		29 655 300	**33 615 577**
Loss allowance on other financial assets at amortised cost			
Current		(47 947 350)	(24 116 730)
Non-current		(5 812 373)	(9 054 537)
		(53 759 722)	**(33 171 267)**

MEGA classifies its financial assets as at amortised cost only if both of the following criteria are met:
- the asset is held within a business model whose objective is to collect the contractual cash flows; and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

The loans entail business capital funding and bridging finance over a maximum of 5 years. Interest rates are charged at the prevailing variable lending rates.

MEGA measure the expected credit loss as the difference between the asset's gross carying amount (balance as on 31 March 2020) and the present value of estimated future cashflows discounted at the financial assets's effective interest rate. Any adjustment is recognised in profit or loss as an impairment gain or loss.

	2020 R	2019 Restated[1] R	2018 Restated[1] R

9. Other financial assets (Continued)

Fair values of other financial assets at amortised cost

SMME loans		29 655 300	33 615 577
The fair values are not materially different to the carrying amounts, since the interest levied on these financial assets is either close to current market rates or the financial assets are of a short-term nature.			
Agricultural loans			
Current		29 755 494	15 730 456
Non-current		3 610 129	16 796 676
		33 385 623	**32 527 132**
Less: Loss allowance on other financial assets at amortised cost		(29 507 795)	(17 655 519)
		3 877 828	**14 871 613**
Loss allowance on other financial assets at amortised cost Current			
current		(28 547 246)	(12 004 011)
Non-current		(960 549)	(5 651 508)
		(29 507 795)	**(17 655 519)**

MEGA classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

The loans are for the financing of livestock and crops, with repayment terms varying from 3 months to 8 years. Interest is charged at variable percentages per annum.

MEGA measure the expected credit loss as the difference between the asset's gross carying amount (balance as on 31 March 2020) and the present value of estimated future cashflows discounted at the financial assets's effective interest rate. Any adjustment is recognised in profit or loss as an impairment gain or loss.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2020	2019
		Restated [1]
	R	R

9. Other financial assets (Continued)

Fair values of other financial assets at amortised cost

Agricultural loans	3 877 828	14 871 613

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

Equity loans		
Current	9 711 395	9 506 007
Non-current	-	-
	9 711 395	**9 506 007**
Less: Loss allowance on other financial assets at amortised cost	(9 711 395)	(9 506 007)
Loss allowance on other financial assets at amortised cost	-	
Current	(9711395)	(9 506 007)
Non-current	--	-
	(9 711 395)	**(9 506 007)**

The loans consist of capital funding with participation in redeemable preference shares over a maximum period of 5 years

Reconciliation of provision for impairment of loans and receivables

The loss allowance for other financial assets at amortised cost as at 31 March 2019 reconciles to the opening loss allowance on 1 April 2019 and to the closing loss allowance as at 31 March 2020 as follows:

Housing Loans

Opening loss allowance as at 1 April 2018 - calculated under IFRS9		22 454 929
Increase/(Decrease) in loss allowance recognised in profit or loss during the year	-	(5 896 949)
Closing loss allowance as at 31 March 2019		16 557 980
Amounts restated through opening retained earnings		-
Opening loss allowance as at 1 April 2019 (calculated under IFRS9)		16 557 980
Increase/(Decrease) in loss allowance recognised in profit or loss during the year		10 797 597
		27 355 577

9. Other financial assets (Continued)

Reconciliation of provision for impairment of loans and receivables (Continued)

Small, medium and micro enterprises (SMME) loans	
Opening loss allowance as at 1 April 2018 - calculated under IFRS9	31 203 206
Increase/(Decrease) in loss allowance recognised in profit or loss during the year	1 968 061
Closing loss allowance as at 31 March 2019	33 171 267
Amounts restated through opening retained earnings	-
Opening loss allowance as at 1 April 2019 (calculated under IFRS9)	33 171 257
Increase/(Decrease) in Joss allowance recognised in profit or loss during the year	20 588 455
	53 759 722
Agricultural loans	
Opening loss allowance as at 1 April 2018 - calculated under IFRS9	15 839 874
Increase/(Decrease) in loss allowance recognised in profit or loss during the year	1 815 645
Closing loss allowance as at 31 March 2019	17 655 519
Amounts restated through opening retained earnings	-
Opening loss allowance as at 1 April 2019 (calculated under IFRS9)	17 655 519
Increase/(Decrease) in Joss allowance recognised in profit or loss during the year	11 852 276
	29 507 795
Equity loans	
Opening loss allowance as at 1 April 2018 - calculated under IFRS9	9 320 125
Increase/(Decrease) in loss allowance recognised in profit or loss during the year	185 881
Closing loss allowance as at 31 March 2019	9 506 007
Amounts restated through opening retained earnings	-
Opening loss allowance as at 1 April 2019 (calculated under IFRS9)	9 506 007
Increase/(Decrease) in Joss allowance recognised in profit or loss during the year	205 388
	9 711 395

Credit quality of other financial assets

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

Other financial assets pledged as security

Some Other financial assets are pledged as security for the DBSA loan of R0 (2019: 6,675,280; 2018: R 8,538,972). Refer to note 15 for more disclosure on the DBSA loan.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2020 R	2019 Restated[1] R	2018 Restated[1] R

10. Inventories

Work in progress	45 101 751	45 019 751	44 448 000
Consumables	1 282 893	1 192 639	1 399 327
Nutrition Programme Inventories	-	50 727	38 645
Lemon produce	26 024	19 930	-
	46 410 668	**46 283 047**	**45 885 92**

An assessment of work in progress inventory indicated damages and an indication of estimated cost of repairs was impaired.

The valuators i@consulting assisted MEGA with assessing the net realisable value of WIP housing inventory as at 31 March 2017, 31 March 2018 and 31 March 2019 respectively.

The amount of write-down of inventories recognised as an expense for 2020 is R0 (2019: R0)

Inventory pledged as security

None of the inventory is pledged as security.

	2020 R	2019 Restated[1] R	2018 Restated[1] R
11. Trade and other receivables			
Financial instruments:			
Trade receivables	311 501 189	250 904 154	208 970 039
Loss allowance	(271 456 811)	(214 476 014)	(174 691 008)
Trade receivables at amortised cost	40 044 378	36 428 140	34 279 031
Operating lease straight-lining asset	1 707 475	2 157 677	2 761 938
Department of Economic Development and Tourism	-	-	23 914 436
Department of Arts and Culture	42 191	42 191	42 191
Other receivables	1 338 493	1 169 557	6 366 236
Non-financial instruments:			
VAT	1 100 605	1 719 831	29 829 051
Prepayments	3 042 800	2 244 220	1 951 841
Total trade and other receivables	**47 275 942**	**43 761 616**	**99 144 724**

Trade and other receivables pledged as security

Trade and other receivables are not pledged as security.

Exposure to credit risk

Trade receivables inherently expose the company to credit risk, being the risk that the company will incur financial loss if customers fail to make payments as they fall due.

In order to mitigate the risk of financial loss from defaults, the company only deals with reputable customers with consistent payment histories. Sufficient collateral or guarantees are also obtained when appropriate. Each customer is analysed individually for creditworthiness before terms and conditions are offered. Statistical credit scoring models are used to analyse customers. These models make use of information submitted by the customers as well as external bureau data (where available). Customer credit limits are in place and are reviewed and approved by credit management committees. The exposure to credit risk and the creditworthiness of customers, is continuously monitored.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

11. Trade and other receivables (Continued)

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

A loss allowance is recognised for all trade receivables, in accordance with IFRS 9 Financial Instruments, and is monitored at the end of each reporting period. In addition to the loss allowance, trade receivables are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation. Trade receivables which have been written off are not subject to enforcement activities.

The company measures the loss allowance for trade receivables by applying the simplified approach which is prescribed by IFRS 9. In accordance with this approach, the loss allowance on trade 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.

The estimation techniques explained have been applied for the first time in the current financial period, as a result of the adoption of IFRS 9. Trade receivables were previously impaired only when there was objective evidence that the asset was impaired. The impairment was calculated as the difference between the carrying amount and the present value of the expected future cash flows.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The company 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.

11. Trade and other receivables (Continued)

	2020	2020	2019	2019
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**
Current (0-30 days)	33 573 119	3 699 195	6 301 472	1 012 908
31-60 days	11 934 759	2 900 786	17 437 952	3 118 906
61 - 90 days	6 091 433	909 952	1 432 502	730 968
91 - 120 days	(14 681 806)	1 820 059	(3 296 934)	759 619
121-150 days	6 170 935	710 017	7 421 713	1 648 126
151-180 days	5 054 445	1 889 212	7 016 939	1 708 052
Older than 180 days	259 527 590	259 527 590	210 876 991	205 497 435
Total	**307 670 475**	**271 456 811**	**247 190 635**	**214 476 014**

Reconciliation of loss allowances

The following table shows the movement in the loss allowance (lifetime expected credit losses) for trade and other receivables:

Opening balance in accordance with IFRS 9 (2019: IAS 39 Financial Instruments: Recognition and Measurement)	**(214 476 014)**	**(171 502 869)**
Adjustments upon application of IFRS 9	-	(3 189 140)
Opening balance in accordance with IFRS 9	**(214 476 014)**	**(174 691 008)**
Increase in loss allowance recognised in profit or loss during the year	(56 980 797)	(39 785 006)
Closing balance	**(271 456 811)**	**(214 476 014)**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

11. Trade and other receivables (Continued)

Credit risk disclosures tor comparatives under IAS 39

The following sections provide comparative information for trade and other receivables which have not been restated. The information is provided in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

Exposure to currency risk

The net carrying amounts, in Rand, of trade and other receivables, excluding non-financial instruments, are denominated in the following currencies. The amounts have been presented in Rand by converting the foreign currency amount at the closing rate at the reporting date.

Rand Amout			
Rand	43 132 537	39 797 565	67 363 832

Forward exchange contracts

Fair value of trade and other receivables

Due to the short-term nature of the current receivables, their carrying amounts are assumed to be the same as their fair value.

12. Cash and cash equivalents

Cash and cash equivalents consist of:			
Cash on hand	1 091	264	878
Bank balances	34 908 689	116 338 792	56 705 674
	34 909 780	**116 339 056**	**56 706 552**

Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable within 24 hours notice with no loss of interest.

13. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

2020

	At amortised cost	Fair value through profit or loss - designated	Total
Other financial assets	82 949 403	1 609 673	84 559 076
Trade and other receivables	41 036 799	-	41 036 799
Cash and cash equivalents	34 909 780	-	34 909 780
	158 895 982	**1 609 673**	**160 505 655**

2019

	At amortised cost	Fair value through profit or loss - designated	Total
Other financial assets	93 447 722	1 613 931	95 061 653
Trade and other receivables	44 717 542	-	44 717 542
Cash and cash equivalents	116 339 056	-	116 339 056
	254 504 320	**1 613 931**	**256 118 251**

2018

	At amortised cost	Fair value through profit or loss - designated	Total
Other financial assets	110 812 937	1 606 355	112 419 292
Trade and other receivables	99 779 887	-	99 779 887
Cash and cash equivalents	56 706 552	-	56 706 552
	267 299 376	**1 606 355**	**268 905 731**

Trade and other receivables excludes prepayments, operating lease straight lining assets and VAT as these receivables are not financial assets.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2020	2019 Restated [1]	2018 Restated [1]
	R	R	R

14. Revaluation reserve

The revaluation reseive is attributable to the revaluation adjustment on land and buildings and bulk infrastructure. The transfer to retained income refers to the revaluation reserve of a specific item of property, plant and equipment that is transferred directly to retained income as the asset is used.

15. Other financial liabilities

	2020	2019	2018
Held at amortised cost			
Secured			
Micro Agricultural Financial Institutions of South Africa (MAFISA): MAFISA reappointed MEGA as one of its implementing agents and consequently this amount must be reinvested in an interest bearing account with no immediate repayment due to MAFISA	15 088 887	15 088 887	14 498 727
Thaba Chweu Municipality: The loan is unsecured, interest free and repayable as and when the stands in Sabie, extension 10 are sold	4 816 364	4 816 364	4 816 364
Development Bank of South Africa (DBSA) - Housing loans The loans are secured by a notarial bond over the housing loans. Interest is charged at 8.5% per annum respectively.	-	6 675 280	8 538 972
Unsecured			
	19 905 251	**26 580 531**	**27 854 063**
Split between non-current and current portions			
Non-current liabilities	4 816 364	4 816 364	4 816 364
Current liabilities	15 088 887	21 764 167	23 037 699
	19 905 251	**26 580 531**	**27 854 063**

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

	2020	2019 Restated [1]	2018 Restated [1]
	R	R	R

15. Other financial liabilities (Continued)

Exposure to currency risk

Rand amount

	2020	2019	2018
Rand	19 905 251	26 580 531	27 854 063

16. Employee benefits

It is the policy of the entity to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The entity is under no obligation to cover any unfunded benefits.

	2020	2019	2018
The total group contribution to such schemes		9 937 635	9 311 730

17. Provisions

Reconciliation of provisions - 2020

	Opening Balance	Additions	Utilised during the year	Actuarial gain/(loss)	Unwinding of discount	Total
Environmental rehabilitation	906 582	-	-	-	36 263	942 845
Provision for litigation	2 627 227	-	(2 627 227)	-	-	-
Leave provision	12 475 023	10 732 430	(11 720 671)			11 486 782
Long service award	630 510	34 000	(130 640)	19 130	51 000	604 000
	16 639 342	**10 766 430**	**(14 478 538)**	**19 130**	**87 263**	**13 033 627**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Reconciliation of provisions - 2019

	Opening Balance	Additions	Utilised during the year	Actuarial gain/(loss)	Unwinding of discount	Total
Environmental rehabilitation	360 268	538 529	-	-	7 785	906 582
Provision for litigation	-	2 627 227	-	-	-	2 627 227
Leave provision	11 357 861	11 087 298	(9 970 136)	-	-	12 475 023
Long service award	723 750	46 000	(104 440)	(93 800)	59 000	630 510
	12 441 879	**14 299 054**	**(10 074 576)**	**(93 800)**	**66 785**	**16 639 342**

Reconciliation of provisions - 2018

	Opening Balance	Additions	Utilised during the year	Actuarial gain/(loss)	Unwinding of discount	Total
Environmental rehabilitation	352 649	-	-	-	7 619	360 268
Leave provision	11 508 758	10 714 546	(10 865 443)	-	-	11 357 861
Workmans compensation	75 157	-	(75 157)	-	-	-
Long service award	733 130	46 000	(115 380)	1 000	59 000	723 750
	12 669 694	**10 760 546**	**(11 055 980)**	**1 000**	**66 619**	**12 441 879**

Non-current liabilities-	1 546 845	1 537 092	1 084 018
Current liabilities	11 486 782	15 102 250	11 357 861
	13 033 627	**16 639 342**	**12 441 879**

17. Provisions (Continued)

	2020	2019	2018
		Restated [1]	Restated [1]
	R	R	R

Environmental rehabilitation

The provision is made for the estimated cost of rehabilitating the landfill site. The provision has been estimated using the valuation report of the provision for the final closure and rehabilitation costs of the Ekandustria landfill site. The valuation was prepared by Environmental and Sustainability Solutions CC, a specialist in environmental accounting, that was appointed by MEGA, for 31 March 2019.

A discounted rate of 4% (2019: 4%) has been applied to discount the current prices.

Leave Provision

The provision is measured at the expected cost to settle the obligation using the accrued leave days at reporting date multiplied by the rate per day.

The rate per day is calculated as follows:
- Permanent and temporary staff - gross remuneration per month divided by 21.75 days
- Seasonal contract staff - minimum wage as determined by the Department of Labour

Annual leave days entitlement is calculated as follows:
- Permanent staff: 2.0833 days for every 25 days worked
- Temporary staff: 1.75 days for every 21 days worked
- Seasonal staff: 1 day for every 17 days worked

Long service awards

The entity has an obligation to provide long service awards benefits to all its permanent employees. An employee is eligible for a long service award for the first five years of continuous service, and every five years continuous service subsequent to that. The actuarial valuation of the present value of the obligation at 31 March 2019 was carried out by PricewaterhouseCoopers Assurance Services (Proprietary) Limited.

Assumptions used on last valuation on 31 March 2019:

Discount rates used	8,20%	8,20%
Expected retirement age	63 years	63 years
Benefit awards inflation	4,40%	4,40%

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

18. Trade and other payables

Financial instruments:

Trade payables	130 130 956	110 887 094	118 507 199
Other payables	11 437 336	79 681 254	18 983 843
UIF Programme	17 794 144	-	-
Accrued expense	12 767 532	17 559 317	7 980 581
Deposits received	3 524 504	3 213 739	3 589 720
LONA Payable	-	3 565 047	3 565 047
	175 654 472	**214 906 451**	**152 626 390**

Trade payables are usually paid within 30 days of recognition. The carrying amount approximate the fair value.

	2020 R	2019 Restated [1] R	2018 Restated [1] R

19. Unspent conditional grants

	2020	2019	2018
Department of Trade and Industry (Special Economic Zone Project) Funds were received from the dtic in order to plan and prepare for the establishment of a SEZ in Mpumalanga and to develop a suitable business model to attract investors for such a SEZ	-	-	1 443 597
Department of Public Works (Expanded Public Works Program) Funds were received from the Department of Public Works to create work opportunities in the infrastructure, non-state, environmental, culture and social sectors.	204 006	32 821	-
Industrial Development Corporation Funds were received from the IDC for the purpose of upgrading the factory sites located at the Kabokweni industrial area.	871 805	871 805	871 805
Department of Arts and Culture (Bushbuckridge craft project) Funds were received from the Department of Arts and Culture to support crafters in the Bushbuckridge area and to address developmental needs of crafters in the Ga-Mathibela community.	720 000	720 000	720 000
Department of Arts and Culture (Promoting sports and culture project) Funds were received from the Department of Arts and Culture to support socio-economic development by establishing sport and culture as an economic investment and to promote existing cultural facilities for communities.	2 304 273	2 304 273	2 304 273
Department of Sports & Culture Funds were received from the Department of Sports and Culture to foresee the implementation of refurbishment projects in Johannes Stegman Theatre, Mbombela Civic Theatre and Emalahleni Theatre.	7 290 657	7 290 657	-
Department of Economic Development & Tourism Funds were received from the Department of Economic Development & Tourism in relation to the Nkomazi Special Economic Zone	4 000 000	-	-
	15 390 741	**11 219 556**	**5 339 675**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

20. Financial liabilities by category

	Financial liabilities at amortised cost	Total
2020		
Other financial liabilities	19 905 251	19 905 251
Trade and other payables	171 608 663	171 608 663
Unspent conditional grants	11 320 741	11 320 741
	202 834 655	**202 834 655**
2019		
Other financial liabilities	26 580 531	26 580 531
Trade and other payables	214 355 601	214 355 601
Unspent conditional grants	11 262 056	11 262 056
	252 198 188	**252 198 188**
2018		
Other financial liabilities	27 854 063	27 854 063
Trade and other payables	152 626 390	152 626 390
Unspent conditional grants	5 339 675	5 339 675
	185 820 128	**185 820 128**

	2020	2019 Restated [1]
	R	R

21. Revenue

Revenue from contracts with customers

	2020 R	2019 Restated [1] R
Sale of wine	3 696	10 428
Municipal services	71 047 383	69 239 007
Interest income (Trading)	42 278 147	39 679 834
GNP Revenue	84 999	42 041 886
Sale of lemons - export	31 673 987	1 008 056
Sale of lemons - local	1 632 917	2 531 680
Rental income	36 801 968	35 794 779
	183 523 097	**190 305 670**

22. Cost of sales

	2020 R	2019 Restated [1] R
Sale of lemons and wine	29 886 910	4 831 289
Bulk purchases	76 862 677	54 592 036
Nutrition programme	34 343	46 055 308
	106 783 930	**105 478 633**

23. Other operating income

	2020 R	2019 Restated [1] R
Administration and management fees received	45 076	82 493
Fees earned	500	713 241
Commissions received	11 105 179	7 091 663
Bad debts recovered	115 119	58 769
Reversal of impairment	82 000	571 751
Insurance claims received	80 480	31 351
Government grants	174 842 474	170 960 756
	186 270 828	**179 510 024**

Government grants of R174 842 474 (2019: R170 960 756) are included in other operating income. There are no unfulfilled conditions or other contingencies attaching to these grants. MEGA did not benefit directly from any other forms of government assistance.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

		2020 R	2019 Restated [1] R

24. Other operating gains (losses)

Gains (losses) on disposals, scrappings and settlements			
Property. plant and equipment	4	(14 742)	(43 617)
Fair value gains (losses)			
Biological assets	6	34 456 055	12 549 997
Land and buildings		(2 046 134)	(1 104 092)
Investment property	5	18 513 161	13 136 711
Financial assets designated as at fair value through profit or loss		(4 257)	7 575
Bulk infrastructure donation received		9 979 248	-
		60 898 073	**24 590 191**
Total other operating gains (losses)		**60 883 331**	**24 546 574**

25. Operating profit (loss)

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

Auditor's remuneration - external		
Audit fees	5 094 815	5 761 516
Remuneration, other than to employees		
Consulting and professional services	12 157 607	33 637 604
Leases		
Operating lease charges		
Premises	8 435 988	7 541 299
Equipment	743 578	1 353 416
	9 179 566	**8 894 715**

	2020 R	2019 Restated [1] R

25. Operating profit (loss) Continued

Depreciation and amortisation		
Depreciation of property, plant and equipment	13 697 623	12 993 359
Amortisation of intangible assets	179 836	144 683
Total depreciation and amortisation	**13 877 459**	**13 138 042**

Other expenses relating to leases		
Short-term leases		6 827 627
Leases of low-value assets, excluding short-term leases of low-value assets		825 497

26. Employee costs

Employee costs		
Basic	114 491 901	117 154 470
Workmens' compensation contributions	67 315	-
Leave pay provision charge	(201 235)	1 746 017
Directors' fees	1 932 886	1 264 536
Other short term costs	2 683 039	3 535 779
Long-term benefits - incentive scheme	53 130	(47 800)
	119 027 036	**123 653 002**

27. Investment income

Dividend income received		
Equity instruments at fair value through profit or loss:		
Unlisted investments - Local	409	15

Interest income		
Investments in financial assets:		
Loans at amortised cost	4 306 856	4 021 534
Total investment income	**4 307 265**	**4 021 549**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2020 R	2019 Restated [1] R

28. Finance costs

Non-current borrowings	614 994	936 922
Unwinding of discount on provisions for environmental rehabilitation cost	36 263	7 784
Unwinding of discount on long-term employee benefit obligation	51 000	59 000
Total finance costs	**702 257**	**1 003 706**

29. Cash (used in) / generated from operations

Loss before taxation	(27 016 710)	(66 222 331)
Adjustments for:		
Depreciation and amortisation	13 877 459	13 138 042
Losses on disposals, scrappings and settlements of assets and liabilities	14 742	43 617
Income from equity accounted investments	(308 604)	95 538
Dividend income	(409)	(15)
Interest income	(4 306 856)	(4 021 534)
Finance costs	702 257	1 003 706
Fair value gains	(60 898 073)	(24 590 191)
Movement in provisions	(3 605 715)	4 197 463
Changes in working capital:		
Inventories	(127 621)	(397 075)
Trade and other receivables	(3 514 326)	55 383 108
Trade and other payables	(39 251 979)	62 280 061
Unspent conditional grants	4 171 185	5 879 881
	(120 264 650)	**46 790 270**

	2020	2019 Restated[1]
	R	R

30. Commitments and lease arrangements

Authorised capital expenditure

Already contracted for but not provided for		
• Commitments incurred as implementing agent	1 094 829 340	1 254 869 417
• Loans approved but not yet paid	31 839 719	22 693 204
• Suppliers commitments	1 702 654	8 674 310
• Goven Mbeki Housing Company	8 337 736	8 337 736

Operating leases - as lessee (expense)

Minimum lease payments due - contractual undiscounted cash flows		
• Less than one year	2 317 537	1 403 467
• One to five years	501 467	1 345 144
	2 819 004	**2 748 611**

The entity leases buildings for its office space. The leases of office space typically run for a period of three years.
Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

The entity also leases IT equipment and machinery with contract terms of one to three years.

These leases are short-term and/or leases of low-value items. The entity has elected not to recognise right-of-use assets and lease liabilities for these leases.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2020 R	2019 Restated [1] R

30. Commitments and lease arrangements (Continued)

Operating leases - as lessor (income)

Minimum lease receipts due:

• Within year 1	15 716 227	23 481 243
• Within year 2	10 059 105	12 426 655
• Within year 3	6 253 071	6 856 123
• Within year 4	2 635 101	3 656 803
• Within year 5	900 977	612 992
• remaining later than five years	-	324 913
	35 564 481	**47 358 729**

Certain of the company's property is held to generate rental income. Lease agreements vary from month-to-month, indefinite to 20 years. There are no contingent rents receivable.

31. Contingencies

1. March 2020: Bicacon (Pty) Ltd

Bicacon has instituted legal proceedings against MEGA for breach of contract, to the amount of R520 716, relating to the construction of a bulk water pipeline. MEGA ceded its rights to Umkhondo Local Municipality, but according to the municipality no contract was concluded with Bicacon. MEGA has instructed its attorneys to defend the High Court Action. The matter is still in progress and MEGA enjoined as first defendant.

2. June 2020: Nemorango Consulting Engineers

Nemorango Consulting Engineers instituted a claim against MEGA on 9 June 2020 for an amount of R15 755 000 including interest, in respect of a written settlement agreement for professional services delivered by the Engineers relating to construction drawings prepared for the Design and Construction of the Mpumalanga Fresh Produce Market Ancilary Buildings and Services Project. MEGA has a counter claim of R13 750 655 and have already paid the difference to the service provider. The service provider refuses to accept the counter claim by MEGA. MEGA expects that the legal proceedings will lead to a cash outflow of R500 000.

	2020	2019
		Restated [1]
	R	R

32. Related Parties

Relationships

Associates	Refer to note 8
Close family member of key management	Mr. ZL Dlabazama
Government departments	• Department of Agriculture, Land Reform and Rural Development • Department of Economic Development and Tourism • Department Human Settlements • Department of Trade and Industry • Department of Arts and Culture • Department of Public Works • Department of Education • Department of Social Development • Department of Health

Related party balances

Loan accounts• Owing (to) by related parties

	2020 R	2019 R
Department of Agriculture, Land Reform and Rural Development	(15 088 887)	(15 088 887)
Dalamba Victorius Trading Enterprise and Projects (Pty) Ltd	8 179 944	7 551 393
Fuma Investments (Pty) Ltd	8 615 564	9 187 637
S'Buthe Mntimandze (Pty) Ltd	2 647 139	2 442 187
Mr. GJ Dladla	1 347 826	1 430 060
Mr. ZL Dlabazama	2 071 938	2 213 831

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2020	2019
		Restated [1]
	R	R

32. Related Parties (Continued)

Amounts included in Trade receivable (Trade Payable) regarding related parties		
Department of Arts and Culture	(10 272 739)	(10 272 739)
Expanded Public Works Program (EPWP)	(204 006)	(75 321)
Department of Public Works	(841 137)	(841 137)
KaNgwane Anthracite (Pty) Ltd	492 588	492 588
Department of Economic Development and Tourism	(1 329 149)	(67 607 745)
Department of Economic Development and Tourism	8 350 985	8 350 985
Department of Human Settlement	5 528 326	5 528 326
Amounts owed by client departments for the Government Nutrition Programme		
Department of Education	802 107	802 107
Department of Health	169 673	295 186
Related party transactions		
Home loans repaid to MEGA		
Mr. GJ Dladla	248 431	216 000
Grants received from		
Department of Economic Development and Tourism		
• Operational grant in the running of daily operations	196 853 000	94 957 000
Department of Economic Development and Tourism		
• Creative Industries	-	4 000 000
• Mining incubation	-	20 000 000
Department of Sports and Culture	-	7 290 657
Department of Economic Development and Tourism - SABS certification	-	10 000 000

	2020	2019
		Restated [1]
	R	R

32. Related Parties (Continued)

Grants received from (Continued)		
Department of Economic Development and Tourism - Sanitary programme	-	20 000 000
Department of Economic Development and Tourism. SMME kickstart	-	2 500 000
Department of Economic Development and Tourism - Tyre business programme	-	3 500 000
Department of Economic Development and Tourism - Township Recapitalisation	-	13 000 000
Department of Economic Development and Tourism - Loan disbursements	-	22 500 000
Department of Economic Development and Tourism • EPWP Funds were received to create work opportunities in the infrastructure, non-state, environmental and culture and social sectors	1 070 000	1 000 000
Department of Economic Development and Tourism - SEZ	4 000 000	-
Department of Economic Development and Tourism - Construction of Mpumalanga International Fresh Produce Market Funds were received for the revitalisation of agriculture and the processing value chain as key economic drivers for the Province, by construction of the Mpumalanga Fresh Produce Market.	125 362 000	271 488 000
Revenue from the Government Nutrition programme		
Department of Education	-	38 638 450
Department of Health	84 999	3 360 552
Department of Social Development	-	42 884
Loan account repayment		
Fuma Investments (Pty) Ltd	1 336 856	736 856

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2020	2019 Restated [1]
	R	R

33. Board members and key management emoluments

Board Members

2020

Mr MC Seleke	44 523	44 523
Mr NB Maphanga	263 372	263 372
Mr DS Mkhwanazi	375 579	375 579
Miss ZV Phungwayo	133 569	133 569
Miss AD Mkhwanazi	75 951	75 951
Mr BL Mashile	112 617	112 617
Miss NR Shabangu	155 355	155 355
Mr BV Mbungela	164 997	164 997
Mr S Ledwaba	78 570	78 570
Miss LN Mtsweni	107 379	107 379
Travel and Subsistence reimbursement	401 334	401 334
	1 913 246	**1 913 246**

	2020	2019
		Restated [1]
	R	R

33. Board members and key management emoluments (Continued)

Board Members (Continued)

2019

-

	Directors' fees	Total
Mr DN Mculu (Chairman)	206 991	206 991
Mr SM Bhembe	112 617	112 617
Ms GA Deiner	171 765	171 765
Mr ST Khumalo	68 094	68 094
Mr SW Lubisi	79 141	79 141
Mr MR Lubisi	109 998	109 998
Ms M Malumane	15 714	15 714
Ms T Mabasa	62 856	62 856
Ms TS Masenya	9 932	9 932
Ms PM Mooketse	80 894	80 894
Mr M Petje	106 479	106 479
Mr TR Tshabalala	75 477	75 477
Travel and Subsistence reimbursement	164 577	164 577
	1 264 535	**1 264 535**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2020	2019
		Restated [1]
	R	R

33. Board members and key management emoluments (Continued)

Key Management

2020

	Emoluments	Total
Mr MM Gaffane	1 386 515	1 386 515
Mr CT Camane	1 945 769	1 945 769
Mr GJ Dladla	2 086 501	2 086 501
Mr PJ Velelo*	516 213	516 213
Adv SP Morgan	1 558 905	1 558 905
Mr MS Mkhabela**	341 675	341 675
Mr EL Potgieter (CFO)	1 852 717	1 852 717
Ms JC Botha•	349 654	349 654
Mrs TC Mametja	1 800 052	1 800 052
Ms LD Ntshingila	1 676 878	1 676 878
Mr XGS Sithole (CEO)	2 396 689	2 396 689
Total re-imbursements for the year	534 087	534 087
	16 445 655	**16 445 655**

* Mr PJ Velelo and Ms JC Botha were acting as GM Funding and CFO respectively until 09 July 2019.
** Mr MS Mkhabela was acting as GM Corporate Services from 01 January 2020 until 31 March 2020.

	2020	2019 Restated [1]
	R	R

33. Board members and key management emoluments (Continued)

Key Management

2019

	Emoluments	Total
Mr CT Camane	1 992 467	1 992 467
Ms TC Mametja	1 751 025	1 751 025
IVlr GJ Dladla	2 086 501	2 086 501
Adv SP Morgan	1 411 042	1 411 042
Ms JC Botha*	178 325	178 325
Mr EL Potgieter (CFO)	1 855 980	1 855 980
Ms LD Ntshingila	1 676 711	1 676 711
Mr XGS Sithole (CEO)	2 864 840	2 864 840
Mr PJ Velelo*	263 238	263 238
Mr MM Gaffane*	216 031	216 031
Total re-imbursements for the year	656 644	656 644
	14 952 804	**14 952 804**

* These Indlvlduals were appointed In an acting capacity as executives from 8 February to 3'1 March 20'19.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

34. Prior period errors

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

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

Statement of changes in Equity

Retained income Balance as at 1 April 2018	
Balance previously reported	(773 785 497)
Revaluation deficit	1 104 092
Reversal of rent due to evacuation	7 350
Rental income adjustments	705 074
Rental income re-invoiced	417 691
Home loan written off	21 300
Loan repayments recorded after year end	26 010
Reversal of interest and insurance	(9 456)
Rent undercharged from April 2018 to March 2019	(41 899)
Home loans adjustment against rental income	9 000
Adjustments to professional fees	479 000
Municipal services	139 314
Conditional grants	(42 500)
Movement in unlisted shares	452 798
	(770 517 724)

Revaluation reserve	
Balance previously reported	(133 961 760)
Revaluation of land and buildings, previously incorrectly stated	6 215 239
	(127 746 520)

34. Prior period errors (Continued)

Statement of financial position

Trade and other receivables

Balance previously reported	44 717 542
Correction of prior period rental debtors	(1 071 619)
- Reversal due to evacuation	-
- Credit note issued and invoice re-issued	-
Correction of prior period VAT	115 693
	43 761 616

Property plant and equipment

Balance previously reported	443 028 879
Land and buildings: Revaluations	(7 319 332)
	435 709 547

Other financial assets

Balance previously reported	93 024 863
Correction of prior period SMME, Agriculture and Home loans:	(246 607)
• Reversal of loans written off in previous years	
• Interest correction	
• Reallocation from bad debt recoveries to the relevant debtor accounts	
	93 778 256

Trade and other payables

Balance previously reported	(214 355 601)
Record professional fees after year end	(550 850)
	(214 906 451)

Investment in associates

Balance previously reported	2 318 867
Reversal of profit recognised in prior year	(452 802)
	1 866 065

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

34. Prior period errors (Continued)

Statement of Profit and Loss and other Comprehensive Income

Revenue	
Total as previously reported	190 767 871
Rent reversal due to evacuation	(215 493)
Interest reversal due to evacuation	(7 039)
Correction of rental income	100 481
Municipal debtor correction against municipal revenue	(139 314)
Rental debtor credit note	(1 083)
Rental adjustments on municipal debtor accounts	(199 753)
	190 305 670

Other operating expenses	
Total as previously reported	357 410 108
Rental debtor correction against building maintenance	139 163
Professional fees recorded after year end	479 000
	358 028 271

34. Prior period errors (Continued)

Other operating income	
Total as previously recorded	179 467 524
Salaries paid - reallocated to the correct account	42 500
	179 510 024
	-
Income from equity accounted investments115 693	
Total as previously reported	357 264
Movement in investment in associates	(452 802)
	(95 538)

35. Financial instruments and risk management

Risk from bearer plants and biological assets

Biological assets are lemon orchards and grapevines managed by MEGA. Agricultural produce is the harvested product obtained from the biological asset. These biological assets are exposed to various production, ecological and market risks.

Production risk includes weather conditions, pests, and diseases. Ecological risks includes production, climate change, and management of natural resources such as water rights. Market risks includes output and input price variability.

MEGA has put in place measures and controls to mitigate losses from the above risks. These measures and controls include, inter alia, insurance, irrigation and monitoring of pests and treating them accordingly at the first signs of infestation through use of pesticides. As well as ensuring that the area around the lemon trees, grapevines is free from debris and weeds that harbour fungal disease as well as insects.

MEGA is exposed to financial risks arising from changes in lemon and wine prices. MEGA does not anticipate that lemon and wine prices will decline significantly in the foreseeable future. MEGA has not entered into any derivative contracts to manage the risk of a decline in lemon and wine prices. MEGA reviews its outlook for lemon and wine prices regularly in considering the need for active financial risk management.

35. Financial instruments and risk management (Continued)

Categories of financial instruments

Capital risk management

The capital structure of the organisation consists of debt which includes the borrowings, cash and cash equivalents, unspent government grants and equity as disclosed in the statement of financial position.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Consistent with others in the industry, the entity monitors capital on the basis of the gearing ratio. The entity monitors capital using a debt to equity ratio, which is net debt divided by total capital plus net debt. The entity's policy is to keep tho debt to equity ratio below 1:2. The entity includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and cash equivalents. Total equity is represented in the statement of financial position.

In order to achieve this overall objective, the entity's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call up loans and borrowings. There have been no breaches of the financial covenants of any interest bearing loans and borrowings in the current period.

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

		2020 R	2019 Restated[1] R	2018 Restated[1] R

35. Financial instruments and risk management (Continued)

Capital risk management

The debt equity ratio of the company at 31 March 2020 and 31 March 2019 respectively were as follows:

Borrowings	15	19 905 251	26 580 531	27 854 063
Trade and other payables	18	175 654 472	214 906 451	152 626 390
Total borrowings		**195 559 723**	**241 486 982**	**180 480 453**
Cash and cash equivalents	12	(34 909 780)	(116 339 056)	(56 706 552)
Net borrowings		**160 649 943**	**125 147 926**	**123 773 901**
Equity		875 193 596	898 264 242	931 731 228
Gearing ratio		**18 %**	**15 %**	**14 %**

Financial risk management

The principal financial liabilities comprise loans and borrowings, trade and other payables, and unspent conditional grants. The main purpose of these financial liabilities is to finance the operations. The principal financial assets include loans and receivables, trade and other receivables, and cash and cash equivalents that arrive directly from its operations.

The entity is exposed to market risk, credit risk and liquidity risk.

The entity's senior management oversees the management of these risks. The entity's senior management is supported by a financial risk committee that advises on financial risks and the appropriate financial risk governance framework for the entity. The financial risk committee provides assurance to the entity's senior management that the entity's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with entity policies and entity risk appetite. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

35. Financial instruments and risk management (Continued)

Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The entity is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institution and other financial instruments.

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

Customer credit risk is managed by the risk control unit subject to the entity’s established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. Outstanding customer receivables are regularly monitored.

The requirement for an impairment is analysed at each reporting date on an individual basis. The calculation is based on actual incurred historical data. The entity does not hold collateral as security. The entity evaluates the concentration of risk with respect to trade receivables as high due to the volatility of the current market conditions.

	2020	2019
		Restated [1]
	R	R

35. Financial instruments and risk management (Continued)

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

Other financial assets

Housing loans	55 139 778	58 956 126
Small, medium and micro enterprises (SMME) loans	83 407 287	66 786 844
Agricultural loans	33 160 944	32 527 132
Equity loans	9 711 395	9 506 007
Govan Mbeki Housing Company loan	11 662 263	11 662 263
KaNgwane Anthracite	492 588	492 588
	193 574 255	**179 930 960**

Trade and other receivables

Rental and municipal receivables	249 750 587	225 245 857

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash deposits and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. At the end of the reporting period the entity held deposits of R116 338 775 (2019: R116 338 775) that are expected to readily generate cash inflows for managing liquidity risk. Due to the dynamic nature of the underlying entity, the finance committee maintains flexibility in funding by managing availability under committed credit lines.

The entity's objective is to maintain a balance between continuity of funding and flexibility through the use of loans and borrowings. Based on the carrying value of borrowings reflected in the financial statement, 97% of the entity's debt will mature in less than one year at 31 March 2020 (2019: 97%). The entity assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

35. Financial instruments and risk management (Continued)

Liquidity risk (Continued)

The table below analyses the company's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

2020		
Non-current liabilities		
Borrowings	15	4 816 364
Current liabilities		
Trade and other payables		175 654 472
Borrowings	15	15 088 887
		195 559 723
2019		
Non-current liabilities		
Borrowings	15	4 816 364
Current liabilities		
Trade and other payables	18	214 906 451
Borrowings	15	21 764 167
		241 486 982

35. Financial instruments and risk management (Continued)

2018		
Non-current liabilities		
Borrowings	15	4 816 364
Current liabilities		
Trade and other payables	18	152 626 390
Borrowings	15	23 037 699
		180 480 453

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The entity's exposure to the risk of changes in foreign exchange rates relates primarily to lemon export sales of R20 197 801 (R1 008 056). The lemons are sold to the Middle East through an export sales agent. The export sales agent sells the lemons in US dollars. The entity receives the rand equivalent less the agent fees.

The entity reviews its foreign currency exposure, including commitments on an ongoing basis.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The entity's potential exposure to the risk of changes in market interest rates relates primarily to the entity's long-term debt obligations. The entity's long term debt obligations are both interest free and fixed term borrowings. The entity manages its interest rate risk by having a balanced portfolio of interest free and fixed rate loans and borrowings.

Interest rate sensitivity is not analysed as the organisation is borrowing at fixed interest rates.

35. Financial instruments and risk management (Continued)

Price risk

Commodity price risk
The company's operating activities involve leasing of residential and industrial properties, housing, agricultural and SMME financing and sale of lemons and wines. The nature of the products are such that they are not significantly affected by volatility as they are not volatile in nature.

Equity price risk
The entity's unlisted shares are susceptible to market-price risk arising from uncertainties about future values of the investment. The organisation manages the equity price risk by limiting such investment to shares necessary to carry out its agricultural activities.

At the reporting date, the exposure to unlisted shares at fair value was only limited to R74 825 (2019: R74 825) therefore any significant change in the price will have an insignificant impact on MEGA.

The remainder of the balance amounting to R1 539 098 (2019: R1 539 098) is not exposed to market-price risk as the shares relating to Afgri Limited and Capespan Group Limited will be bought back at a fixed price.

36. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obllgations and commitments will occur 1n the ordinary course of business.

37. Events after the reporting period

The impact of the COVID-19 lockdown regulations on the operations of the entity after the reporting date, is discussed more fully in note 37 on the going concern. It is, however, not possible to quantify with accuracy the full impact of COVID-19 on the business of the entity in the 2020/21 financial year.

38. Fruitless and wasteful expenditure

	2020 R	2029 R
Opening balance	296 410	123 316
Current year expenditure incurred	18 243	173 094
	314 653	**296 410**

	2020	2019
		Restated [1]
	R	R

39. Irregular expenditure

Heading		
Opening balance	493 774 330	378 040 590
Current year expenditure incurred	93 677 273	115 733 740
	587 451 603	**493 774 330**

Detail of current year expenditure incurred		
Payments made to suppliers whose contracts were extended without valid deviations	12 783 469	12 816 402
Prior period contraventions in awarding tenders carried forward to the current period	68 824 582	102 430 005
Three quotations not obtained for transactions between R10 000 & R500 000 (PN 9 of 2007/2008)	-	207 333
Preference procurement regulation 2017 Para 4(2) not applied correctly	-	280 000
Payments made to suppliers in excess of the approved contract or quoted amount	12 069 222	-
	93 677 273	**115 733 740**

A submission was made to Provincial Treasury in May 2017 relating to irregular expenditure of R225.8 million. Provincial Treasury reviewed the submission and thereafter forwarded it to National Treasury for condonation. No feedback has been received from National Treasury, but in terms of the Irregular Expenditure Framework these items can now be reviewed and approved by Provincial Treasury. Our Internal Audit Department will review the balance of the irregular expenditure of R305.6 million commencing in November 2019.

40. Deviations from Supply Chain Management Regulations

The Accounting Officer may under certain circumstances deviate from following normal procurement processes. Any such deviations are reported on a monthly basis to Provincial Treasury and can be summarised as follows:

Media Coverage	415 467	1 206 565
Other	-	541 100
Single sourcing of quotations due to emergencies	2 373 026	2 986 573
Sole supplier	1 585 458	3 282 702
Technical professional services	40 250	2 564 496
	4 414 201	**10 581 436**

DETAILED INCOME STATEMENT

	Note	2020 R	2019 Restated [1] R
Revenue			
Sale of wines		3 696	10 428
Municipal services		71 047 383	69 239 007
Interest income (Trading)		42 278 147	39 679 834
Rental income		36 801 968	35 794 779
GNP Revenue		84 999	42 041 886
Sale of lemons - export		31 673 987	1 008 056
Sale of lemons - local		1 632 917	2 531 680
	21	**183 523 097**	**190 305 670**
Cost of sales			
Opening stock		(1 243 366)	(1 437 972)
Purchases		(77 281 648)	(54 397 430)
Cost of manufactured goods		(34 343)	(46 055 308)
Closing stock		1 282 893	1 243 366
Cost of sales for agricultural activities		(29 507 466)	(4 831 289)
	22	**(106 783 930)**	**(105 478 633)**
		76 739 167	**84 827 037**

	Note	2020 R	2019 Restated [1] R
Gross profit			
Other operating income			
Administration and management fees received		45 076	82 493
Management fees received		11 105 179	7 091 663
Fees earned		500	713 241
Reversal of impairment		82 000	571 751
Government grants		174 842 474	170 960 756
Insurance claims received		80 480	31 351
Recoveries		115 119	58 769
	23	**186 270 828**	**179 510 024**
Other operating gains (losses)			
Losses on disposal of assets		(14 742)	(43 617)
Fair value gains		60 898 073	24 590 191
	24	**60 883 331**	**24 546 574**
Expenses (Refer to page 242)		**(354 823 648)**	**(358 028 271)**
Operating/ (loss) profit	25	**(30 930 322)**	**(69 144 636)**
Investment income	27	4 307 265	4 021 549
Finance costs	28	(702 257)	(1 003 706)
Income from equity accounted investments		308 604	(95 538)
Loss for the year		**(27 016 710)**	**(66 222 331)**

DETAILED INCOME STATEMENT

		2020	2019
			Restated [1]
		R	R
Other operating expenses			
Advertising		(766 119)	(3 580 626)
Amortisation		(179 836)	(144 683)
Auditors remuneration	25	(5 094 815)	(5 761 516)
Bad debts		(99 986 503)	(63 712 951)
Bank charges		(190 237)	(210 374)
Cleaning		(279 613)	(261 183)
Commission paid		(1 292 544)	(6 987)
Computer expenses		(1 780 760)	(1 306 816)
Consulting and professional fees		(6 944 620)	(25 745 956)
Depreciation		(13 697 623)	(12 993 359)
Donations		(4 851)	(122 000)
Employee costs		(119 027 036)	(123 653 002)
Entertainment		(373 557)	(398 203)
Farming expenses		(186 703)	(175 411)
Gifts		-	(14 029)
Government Nutrition Programme expenses		(14 893 440)	(26 994 071)
Grant expenditure		(3 281 018)	(7 749 243)
Insurance		(8 549 276)	(8 124 605)
Lease rentals on operating lease		(9 179 566)	(8 894 715)

	2020	2019 Restated [1]
	R	R
Other operating expenses (Continued)		
Legal fees	(5 212 987)	(7 891 648)
Levies	(200 892)	(138 374)
Motor vehicle expenses	(44 278)	(193 342)
Municipal expenses	(27 064 978)	(23 795 887)
Other expenses	(3 746 923)	(3 687 988)
Postage	(71 781)	(36 249)
Printing and stationery	(486 817)	(453 629)
Protective clothing	(29 010)	(231 168)
Repairs and maintenance	(987 352)	(2 989 379)
Security	(21 078 885)	(17 340 704)
Staff welfare	(204 263)	(124 718)
Subscriptions	(922 680)	(1 622 036)
Telephone and fax	(1 724 933)	(2 034 866)
Training	(458 416)	(954 325)
Transport and freight	(4 336 323)	(108 140)
Travel - local	(1 111 735)	(2 195 590)
Travel - overseas	(3 465)	(249 995)
VAT apportionment expense	(1 429 813)	(4 130 503)
	(354 823 648)	**(358 028 271)**

THANK YOU!

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