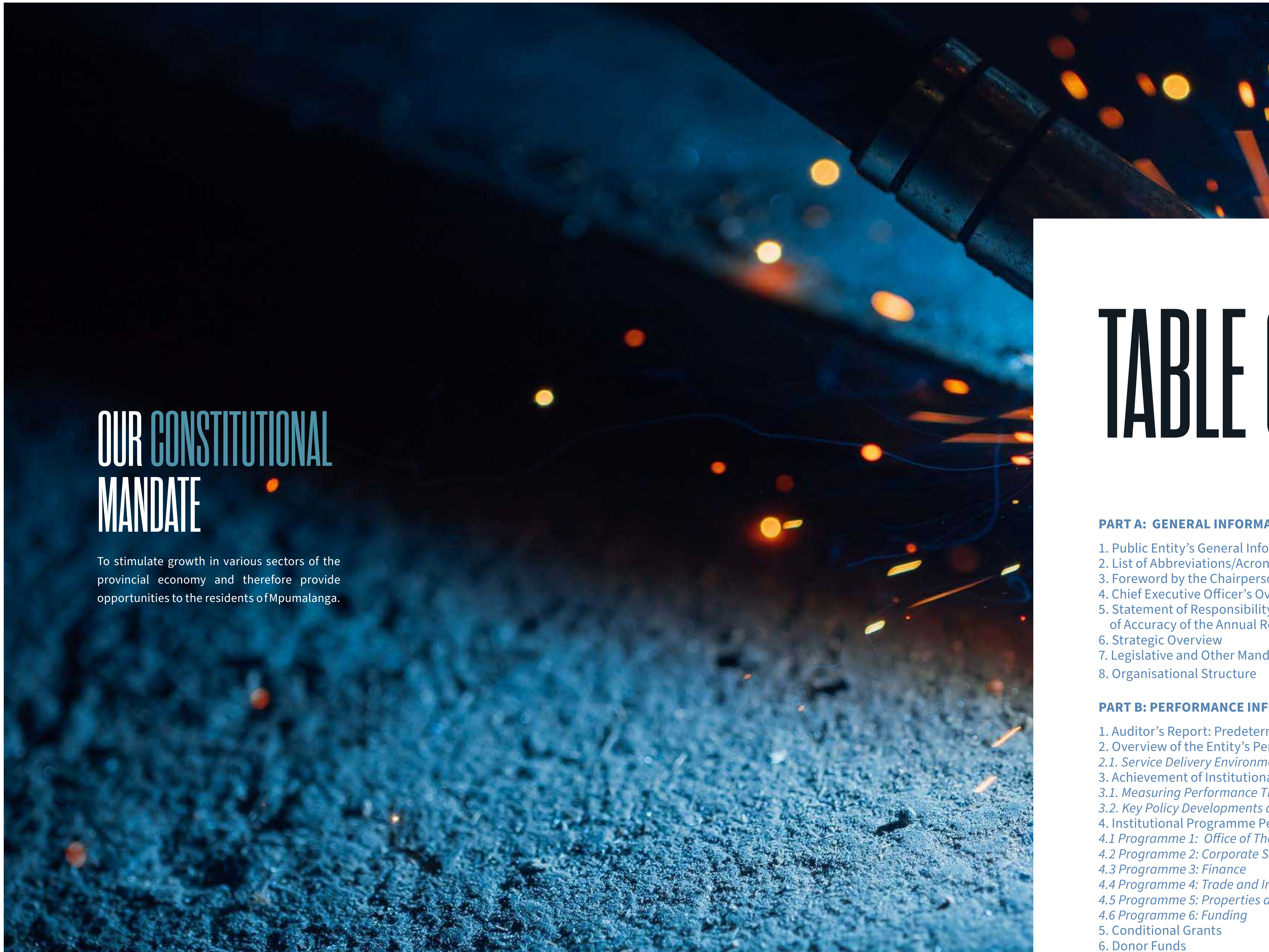
Capable, Credible and Resilient Tnstitution
Making meaningful measurable impact in the growth and development of the Mpumalanga economy.

ANNUAL REPORT

2020/2021

LET'S GROW TOGETHER!

MEGA
MPUMALANGA ECONOMIC GROWTH AGENCY



OUR CONSTITUTIONAL MANDATE

To stimulate growth in various sectors of the provincial economy and therefore provide opportunities to the residents of Mpumalanga.

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PART A

GENARAL INFORMATION

PUBLIC ENTITY'S GENERAL INFORMATION

1. **REGISTERED NAME**
   MPUMALANGA ECONOMIC GROWTH AGENCY (MEGA)
2. **REGISTRATION NUMBER (IF APPLICABLE)**
   NOT APPLICABLE
3. **PHYSICAL ADDRESS**
   ABSA SQUARE BUILDING - NO.20 PAUL KRUGER STREET - NELSPRUIT
   MPUMALANGA - 1201
4. **POSTAL ADDRESS**
   P.O. BOX 5838 - NELSPRUIT - 1200
5. **TELEPHONE NUMBER**
   013 752 2440
6. **WEBSITE ADDRESS**
   WWW.MEGA.GOV.ZA
7. **EXTERNAL AUDITORS**
   AUDITOR- GENERAL SOUTH AFRICA
8. **BANKERS**
   FIRST NATIONAL BANK
9. **COMPANY SECRETARY**
   ADV. S.P. MORGAN

LIST OF ABBREVIATIONS

ACRONYMS

AGSA	: AUDITOR-GENERAL OF SOUTH AFRICA
APP	: ANNUAL PERFORMANCE PLAN
CAPEX	: CAPITAL EXPENDITURE
CDC	: COEGA DEVELOPMENT CORPORATION
CEO	: CHIEF EXECUTIVE OFFICER
CFO	: CHIEF FINANCIAL OFFICER
CRDP	: 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 DESIGN
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

ONE OF OUR OWN

Junction Corner: Clau Clau (Zwelisha)

PROJECT VALUE: R 14 MILLION
ESTIMATED JOBS: 12

3. Foreword By The Chairperson

TO OUR SHAREHOLDER

BOARD REPORT FOR 2020/21

THE IMPACT OF THE PANDEMIC HAS SEEN THE ENTITY STRUGGLING WITH CASH FLOW CONSTRAINTS AND REDUCED REVENUE GENERATION

INTRODUCTION

The year under review has been very challenging for the entity due to the COVID-19 pandemic that has touched most continents, countries, business industries, individuals and communities since it began in Wuhan, China, in late 2019. As observed by many commentators, COVID-19 has turned the world upside down.

The impact of the pandemic has seen the entity struggling with cash flow constraints and reduced revenue generation as some clients failed to pay their instalments when they fall due and some even closing their businesses down.

MEGA'S STRATEGY AND PERFORMANCE

Due to the reduction in grant and income revenue, the entity could not meet most of its planned targets. Some targets which are of strategic in nature had to be put on hold until the financial position improves. These include the revitalisation of MEGA's property portfolio, trade & investment missions as well as the filling of vacant positions.

Apart from the limitations the entity was able to achieve the following strategic milestones:

a. The Organisational Design (OD) process that took years to finalise was finally concluded and all employees placed into the approved organisational structure.

b. The capacitation of the Nkomazi SEZ entity was finalised and the project handed over to the newly established Nkomazi SEZ entity for implementation.

c. Draft Turn-around Strategy developed and consultation with all relevant stakeholders commenced.

d. The construction of the Mpumalanga International Fresh Produce Market successfully handed over to the Department of Public Works, Roads and Transport (DPWRT) for implementation while focusing of the operationalisation side of the project.

STRATEGIC RELATIONSHIPS

MEGA has continued its drive to forge strategic partnerships with key partners such as financial institutions, development partners, provincial and national government departments and entities. These initiatives are aimed at enhancing revenue geared towards self-financial sustainability.

The initiatives that were planned for the year under review included the finalisation and conclusion of partnership agreements 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 restrictions imposed as a result of COVID-19 related lockdowns and financial constraints.

CHALLENGES FACED BY THE BOARD

The most challenging matter faced by the Board during the year under review has been the vacancies in the executive management and other critical positions. At the end of the financial year all executive management positions were vacant and occupied by officials in acting capacities.

The Board is however grateful of the thought leadership demonstrated by senior officials who were appointed in acting capacities. Their strategic leadership and dedication has put comfort to the Board in relation to delegated authority entrusted to management of the entity.

THE YEAR AHEAD

Apart from the challenges faced by the entity, the Board is confident that most of the strategic initiatives under implementation will be concluded in the next financial year. These include the following:

a. The process for the appointment of the CEO;
b. The finalisation and implementation of the Turn-around Strategy;
c. Approval of the investment development from strategic development partners;
d. Filling of vacant positions within the executive management level and other critical positions; and
e. Conclusion of agreements with strategic partners such as financial institutions, provincial and national government and other DFIs.

ACKNOWLEDGEMENTS /APPRECIATION

The Board would like to express its appreciation to the shareholder for its support and guidance, the strategic leadership demonstrated by management and the dedication of all employees at MEGA. The Board is confident that the entity is on the right path towards the execution of its mandate of stimulating investment in the province.

On behalf of the Board:

Mr. D.S. Mkhwanazi
Board Chairperson
Mpumalanga Economic Growth Agency

ACCOUNTIING AUTHORITY

The affairs of the Agency is managed and controlled by the Board as contemplated in Section 49 (2) (a) of the PFMA.

4. Chief Executive Officer's Overview

WORD FROM THE EXECUTIVE

THE ENTITY IS IMPLEMENTING REVENUE ENHANCEMENT STRATEGIES AIMED AT IMPROVING CASHFLOW AND REVENUE GENERATION

GENERAL FINANCIAL REVIEW

For the larger part of the year, MEGA's finances and operations were affected by the national lockdowns, reduction in operational grant by government in order to reprioritize funds to activities aimed at fighting the pandemic The effect of this is that the entity has struggled to meet some of its commitments when they became due.

The entity is implementing revenue enhancement strategies aimed at improving cashflow and revenue generation which include the following: i) the establishment of the Credit Control Committee to vigorously follow up on all outstanding debts ii) development of a turn-around strategy for the property portfolio aimed at improving the condition of our investment properties, reduce distribution losses for municipal services and attract more tenants iii) development of a financial sustainability model which looks at various ways of generating additional revenue and create new revenue streams.

CAPACITY CONSTRAINTS AND CHALLENGES FACING THE PUBLIC ENTITY

The entity has faced cashflow challenges as a result of a decrease in revenue collection from its clients who were affected by the COVID-19 pandemic. In addition, the entity could not fill most of its vacancies in critical positions. These had a negative impact on the overall performance of the entity.

DISCONTINUED ACTIVITIES / ACTIVITIES TO BE DISCONTINUED

There were no discontinued activities in the year under review, however, there were certain initiatives that were put on hold due to the challenges faced by the entity as a result of the COVID-19 related lockdowns and cashflow constraints. These include the trade and investment promotion missions and the filling of critical vacant positions.

NEW OR PROPOSED ACTIVITIES

The entity will continue to pursue strategic investment projects that have already been set in motion, such as the approval of the identified investment development projects (revitalisation and/or construction of investment properties in partnership with Strategic Development Partners (SDPs), funding agreements with financial institutions and filling of critical vacant positions). All these initiatives are aimed at improving the entity's financial position and ensure an improved organisational performance.

REQUESTS FOR ROLL OVER OF FUNDS

Requests for roll over of funds does not apply to the entity. However, the entity will continue advocating for recapitalisation from the shareholder as this will contribute towards its self-sustainability which in turn will ensure that it becomes less reliant on government grants.

SUPPLY CHAIN MANAGEMENT

The entity develops a procurement plan on an annual basis which assists the supply chain unit in managing the procurement of goods and services to ensure that procurement is done on time and with corresponding budget. In addition, supply chain management related audit issues raised by Auditor General are being addressed to avoid their reoccurrence in the future.

AUDIT REPORT MATTERS

The audit outcome of the entity has remained unchanged when compared to the previous audit outcome. Other financial assets remain a concern with the entity being unable to address all material misstatements which contribute to the current period modification of the audit opinion.

The entity will continue to implement audit remedial action plans aimed at addressing all audit findings preventing it from achieving a clean audit.

ACKNOWLEDGEMENT/S OR APPRECIATION

On behalf of management, I would like to express my appreciation to the shareholder for the support provided to the entity.

The strategic leadership provided to management by the Board is commendable as it ensured that strategic decisions are processed and implemented timeously.

Lastly, we would like to acknowledge and appreciate our dedicated staff for making sure that all activities and initiatives of the entity are implemented despite the challenges caused by the pandemic.

I have no doubt that by working closely and with common purpose we shall achieve our mandate and provide meaningful contribution to the economy of the province.

Mr. M.I. Mahlangu
Acting Chief Executive Officer
Mpumalanga Economic Growth Agency

STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY OF THE ANNUAL REPORT

This statement confirms that the annual report and financial statements conform to the respective guidelines issued by National Treasury.

5. Statement of Responsibility and Confirmation of Accuracy of the Annual Report

STATEMENT BY THE CEO

TO THE BEST OF MY KNOWLEDGE AND BELIEF, I CONFIRM THE FOLLOWING:

All information and amounts disclosed in the annual report are 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 controls which 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 2021.

Yours faithfully

Mr. M.I. Mahlangu
Acting Chief Executive Officer
Mpumalanga Economic Growth Agency

STRATEGIC OVERVIEW

HIGH PERFORMANCE

We strive for excellence in performance.

VISION

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

MISSION

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.

CAPABLE

CREDIBLE

RESILLIENT

CORE VALUES

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

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

OBJECTIVES

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

i. To provide funding in respect of property development including the granting of housing loans.
ii. To provide funding in respect of approved enterprises and agricultural development focusing primarily on previously disadvantaged individuals within the Province.
iii. To focus on project management, development and management of immovable property.
iv. 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.
v. The objects of the Agency expressly exclude the objects of the Mpumalanga Tourism and Parks Agency, the Mpumalanga Regional Training Trust and the Mpumalanga Economic Regulator. In achieving its objectives, the Agency shall endeavour to progressively increase its own revenue generation and collection.

LEGISLATIVE & OTHER MANDATE

CONSTITUTIONAL MANDATES

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.

LEGISLATIVE MANDATES

MEGA ACT 1 OF 2010: SECTION 3

MEGA's legal mandate in terms of Section 3 of the 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; and
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; and
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; and
iii. The provision of responsibilities of persons entrusted with financial management in the organisation.

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.

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 below);
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 CENTRE ACT NO. 38 OF 2001

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.

LEGISLATIVE & OTHER MANDATE

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.

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 MANDATES

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).

MEDIUM TERM STRATEGIC FRAMEWORK: OUTCOMES DELIVERY AGREEMENT

This Medium Term Strategic Framework (MTSF) is Government's strategic plan for the 2019-2024 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;

MTSF

Outcome Delivery Agreement

"The Medium Term Strategic Framework (MTSF) is Government's strategic plan for the 2019-2024 electoral term".

ix. Outcome 9: A responsive, accountable, effective & efficient local government system;
x. Outcome 11: Create a better South Africa and contribute to a better and safer Africa in a better World;
xi. Outcome 10: Environmental assets and natural resources that are well protected and continually enhanced;
xii. Outcome 12: An efficient, effective and development oriented public service and an empowered, fair and inclusive citizenship;
xiii. Outcome 13: An inclusive and responsive social protection system;
xiv. Outcome 14: Nation Building and Social Cohesion.

MEGA'S 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.

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", entail 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 NINE POINT PLAN

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

i. <u>Increased investment through 'crowding in' private sector capital and expertise</u>

a. MEGA will access investment opportunities for SMMEs through partnerships such as the Standard Bank Partnership, Strategic Development Partners, etc.

b. 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.

c. Through its Property Portfolio, MEGA will package strategic development projects (industrial, commercial, residential) and attract private sector partners.

d. 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. <u>Reduced unemployment, poverty and inequality</u>

a. MEGA will substantially grow loan advances, disbursing loans across all customer segments in order to stimulate job opportunities.

b. Customized financing approach to finance specific target groups such as the youth, women and people with disabilities.

c. Implement strategic investment projects such as the Mpumalanga International Fresh Produce Market, Nkomazi Specials Economic Zone to stimulate economic growth and create job opportunities.

ii. <u>Efficient utilisation of government resources</u>

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.

LEGISLATIVE & OTHER MANDATE

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

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. 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.

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.

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;

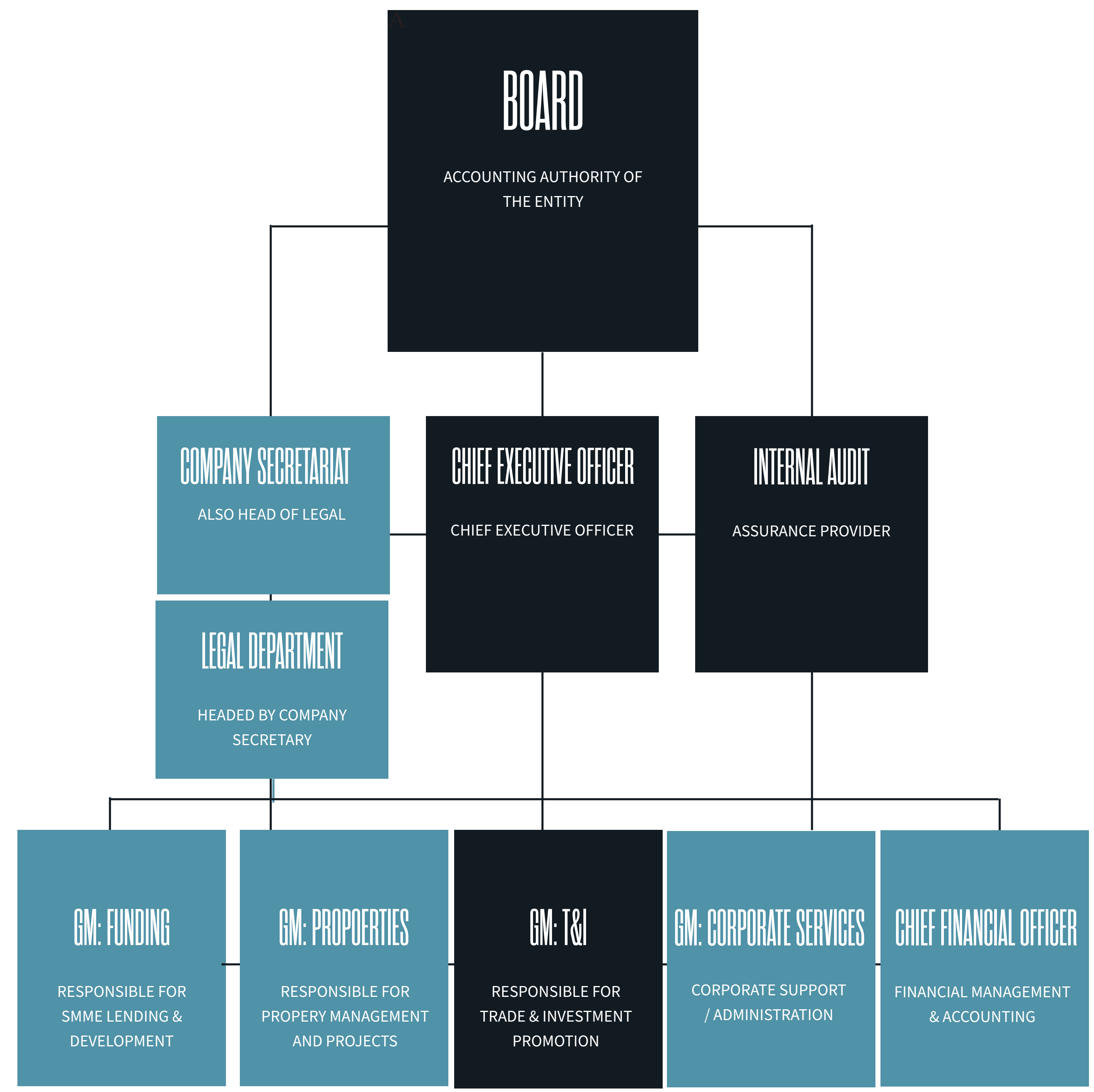
ii. Sustainable economic growth by developing sectors with high growth potential; and

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.

iv. MEGA has developed its strategic plan and policies towards achieving its mandate in line with the MEGDP. MEGA's Strategic Oriented Goals aimed towards growing a sustainable Mpumalanga economy are outlined under Part B, item 3.4.

8. Organisational Structure

THE ORGANISATIONAL STRUCTURE



PART B

PERFORMANCE INFORMATION

1. AUDITOR'S REPORT:

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

ORVERVIEW OF THE ENTITY'S PERFORMANCE

SERVICE DELIVERY ENVIRONMENT

Domestic Economic Outlook

"The relaxation of lockdown regulations saw a 66% rebound in the third quarter (Q3), but a lot of ground remains lost. Estimates generally peg the 2020 contraction at between 8% and 10%.".

1 StatsSA Social impact of COVID-19 (Wave 3): July 2020

2 Daily maverick: 5 key factors that will affect SA's economy: 10 January 2021

3 Socio-Economic Review and Outlook (SERO) of Mpumalanga

The COVID-19 pandemic has had a profound impact worldwide. The pandemic reached South Africa later than most of the world, but despite the delay, it has still had a wide-reaching impact on all South Africans. The president declared a state of national disaster on 23 March 2020. The lockdown, which was implemented on 26 March 2020 to prevent new infections, has influenced all residents [1].

South Africa's fragile economy is already off to a stumbling start in 2021. The economy began 2020 mired in recession and the hard lockdown imposed in late March triggered a contraction of 51% on an annualised basis in the second quarter.

The relaxation of lockdown regulations saw a 66% rebound in the third quarter (Q3), but a lot of ground remains lost. Estimates generally peg the 2020 contraction at between 8% and 10%. With renewed lockdown measures, the return of load shedding, mounting debt and shattered confidence, the outlook for 2021, with a few exceptions, is bleak [2].

Cabinet adopted a draft Economic Reconstruction and Recovery Plan that identifies catalytic and enabling actions with an overarching goal to rebuild and grow the economy ensuring sustainability, resilience and inclusion.

The key high impact actions of the national economic reconstruction and recovery plan are summarised as follows:

i. A massive rollout of infrastructure - unlocking over R1 trillion in new infrastructure investments.

ii. Achieving sufficient, secure and reliable energy supply and rapidly expanding generation capacity through a diverse energy mix.

iii. An employment stimulus to create jobs and support livelihoods. Creating and supporting over 800 000 employment opportunities through public and social employment, to respond to job losses in the aftermath of Covid-19.

iv. Pursuing new areas of growth through industrialisation, localisation and export promotion, helping businesses to thrive and expand.

v. Implementing decisive measures to reduce the cost of doing business, lower barriers to entry and create a more competitive and inclusive economy.

vi. Other key elements of the plan, include the growth and recovery of tourism, the Green Economy, gender equality and economic inclusion, as well as food security.

It is expected that the interventions will assist in lifting the country's overall economic performance, break the cycle of low economic performance, weakness in production and poor labour market outcomes by using infrastructure, localisation, re-industrialisation as levers to stimulate economic activity and to raise the standard of living in marginalized communities.

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MPUMALANGA ECONOMIC OUTLOOK [3]

The Mpumalanga economy experienced sluggish growth already before Covid-19 and probably won't improve soon to achieve the annual target of 5%. Economic growth challenges before Covid-19 in the primary and secondary sectors, especially agriculture, mining, manufacturing, electricity, construction and the transport industry, were already at play.

The average annual GDP growth for the province was 2.2% since 1995 and only an annual average of 1.4% since 2010, achieving considerably less than the growth target of 5% per annum. The weak performance of especially mining over the years had a negative impact on the overall economic performance of the province.

It should be noted that Mpumalanga recorded growth rates of more than 4% before the 2008/09 recession and therefore has the potential to achieve growth rates of close to 5% per annum. Looking at the situation since 2014, the provincial economy recorded economic growth of 2.9% in 2014, -0.2% in 2015, 0.1% in 2016, 1.9% in 2017 and 0.6% in 2018. The growth rate in 2019 was close at 0,5% .

A broad provincial economic recovery and growth plan was adopted by the Mpumalanga Provincial Government's Executive Council already in July 2020. The plan is aligned with the national recovery plan with priorities such as the roll-out of the Mpumalanga Industrial Development Plan, Tourism Recovery Plan, Green Economy initiatives and the importance of catalytic economic projects and infrastructure investment.

The key priority areas of the provincial Economic Recovery Plan are:-

i. Provincial Relief Fund for SMMEs (including the tourism industry and the informal sector) affected by Covid-19 and the Mpumalanga Youth Development Fund announced by the Premier.

ii. Provincial Tourism Recovery Plan.

iii. Nkomazi SEZ (Special Economic Zone) and Mpumalanga International Fresh Produce Market (MIFPM) to grow the agricultural sector for export purposes.

iv. Highveld Steel to promote the establishment of the Mining and Metals Industrial Technology Park, particularly participation in the localisation programme of the steel industry.

v. Establishment of other Industrial Technology Parks also (petro-chemical and forestry) to increase the industrial base of the province and increase job opportunities.

vi. Future Production Technologies to skill young people in 4IR cutting-edge technologies such as robotics for example.

vii. Green Economy initiatives to mitigate the negative impact of climate change and create new green job opportunities.

viii. The focus on Ekandustria also to generate income for MEGA to be used in Mpumalanga to grow the economy and to create jobs for especially the poverty pockets areas.

ORGANISATIONAL ENVIRONMENT

CAPACITY TO DELIVER ON THE MANDATE

FINANCIAL SUSTAINABILITY

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 organizational structure aligned to the 2015 strategy was developed and approved by the Board in 2016. The capacitation of the organizational 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 MEC in November 2018. The Moratorium was lifted in August 2019 and the HR Board Committee approved the strategy on 12th February 2020. All unplaced employees have now been placed into positions and the entity commenced with the process of filling prioritised positions.

There's a negative impact on government revenue, which will influence budgets negatively and can eventually impact negatively on service delivery. The economy is more consumption than investment driven at the moment and a low investor confidence is experienced.

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 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 optimise certain processes in order to reduce costs and enhance revenue generation.

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.

FINANCIAL SUSTAINABILITY

Continued..

ii. 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.

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.

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 credit control unit to vigorously pursue arrear accounts.

xii. Investigate and facilitate the sale of non-core assets.

TOWARDS A CLEAN AUDIT OPINION

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.

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.

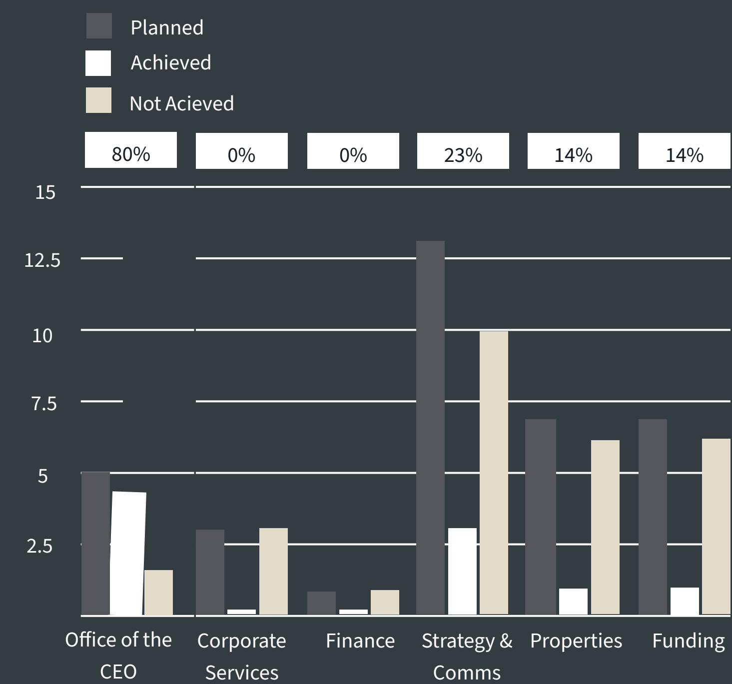
FROM A "DISCLAIMER" TO A "QUALIFIED" AUDIT OPINION

PERFORMANCE HIGHLIGHTS

MEGA RECORDED AN OVERALL ORGANISATIONAL ACHIEVEMENT OF 25%.

The major contributors to poor performance by the entity were inadequate budget, cash flow constraints and vacancies in critical positions. In addition, some strategic initiatives were removed from MEGA and transferred to government departments but the corresponding targets could not be removed from MEGA's APP.

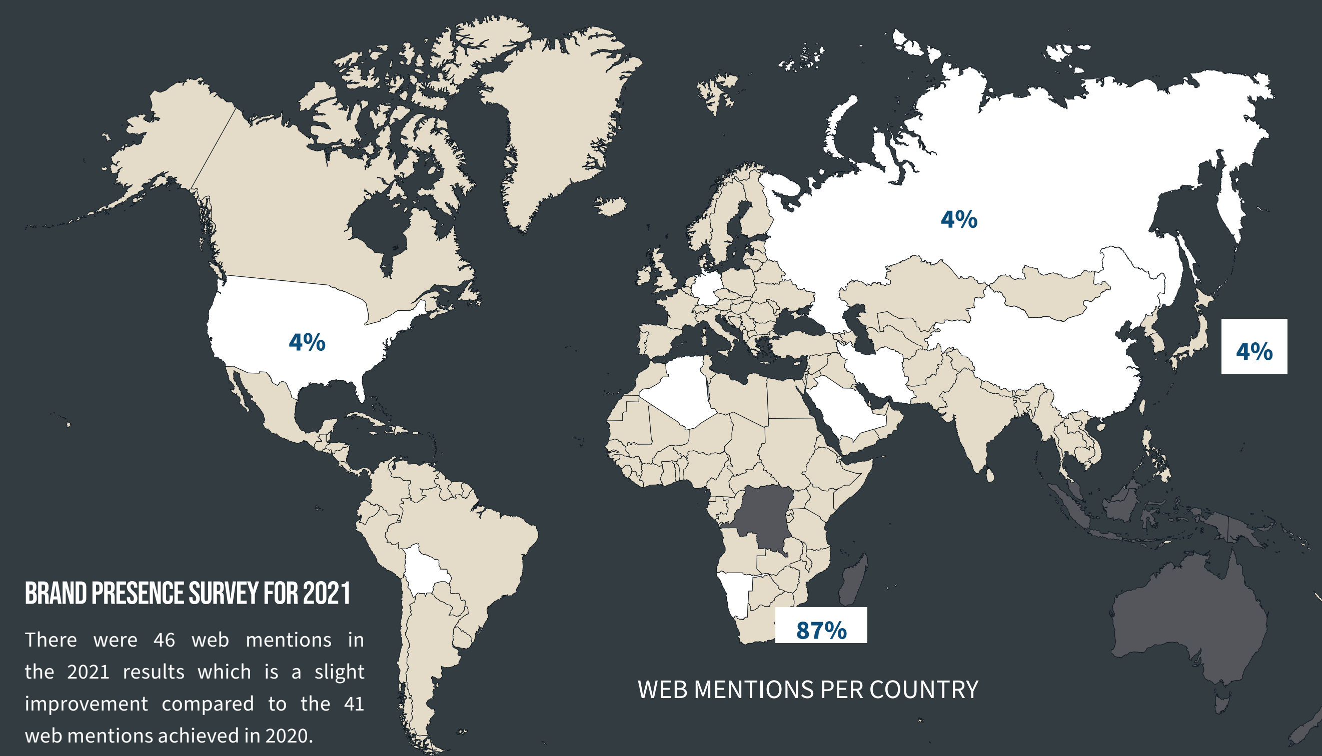
FIGURE 2: CONSOLIDATED ANNUAL PERFORMANCE PER PROGRAMME / DIVISION



HIGHLIGHTS ON THE RESULTS OF THE SMMEs DEVELOPMENTAL IMPACT AND BRAND PRESENCE SURVER.

R 33,255,000.00

Value of assets for 50 clients visited during the 2021 SMMEs Developmental Impact Survey



BRAND PRESENCE SURVEY FOR 2021

There were 46 web mentions in the 2021 results which is a slight improvement compared to the 41 web mentions achieved in 2020.

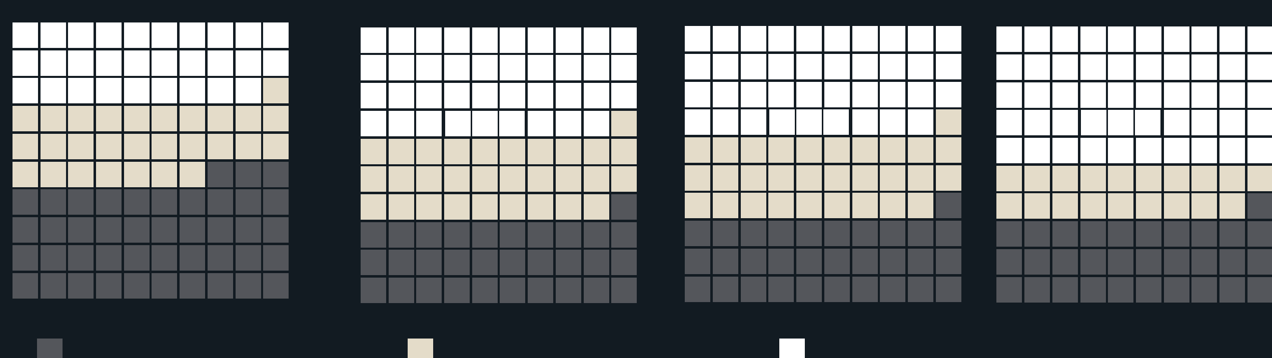
WEB MENTIONS PER COUNTRY

29%
The entity achieved 29% in Quarter 1.

39%
The entity achieved 39% in Quarter 2.

39%
The entity achieved 39% in Quarter 3.

50%
The entity achieved 50% in Quarter 4.



BUSINESS OWNERSHIP PER GENDER

42%

58%

FROM THE 50 BUSINESSES SELECTED FROM THE SURVEY PORPULATION, 43% WERE OWN BY WOMEN WHILE 58 WERE OWNED BY MEN.

1134 JOBS CREATED BY THE 50 CLIENTS THAT WERE SELECTED FOR SMMES DEVELOPMENTAL IMPACT ASSESSMENT

1. OFFICE OF THE CEO

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

The core purpose of the division is as follows:

i. Ensure that the organisation complies with all statutory and legislative requirements in the delivery of the organisation's mandate

ii. Ensure an effective administrative, secretarial and advisory services to the Board such that the Board's activities are carried out in line with the PFMA requirements and the Code of Good Practice.

iii. Provide strategic direction to ensure the achievement of short, medium and long-term strategic goals of the organisation's Corporate Strategy.

iv. Provide performance information management services and promote organisational performance through a systematic monitoring and evaluation support functions and systems.

v.Provide a systematic management of the organization's knowledge assets for the purpose of creating value and meeting tactical and strategic requirements.

vi. Assist the entity accomplish its objectives by bringing a disciplined approach to evaluate and improve the effectiveness of risk management, internal controls and governance processes.

4. INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION

HIGHLIGHTS / PROGRESS MADE:

1

MEGA LEGISLATIVE UNIVERSE

100% COMPLIANCE

The division monitored compliance to all laws and regulations applicable to the entity through implementation of the MEGA Legislative Universe.

2

INTERNAL AUDIT PLAN

100% IMPLEMENTATION

The target set on the implementation of the three (3) year Internal Audit Plan was fully achieved.

3

ORGANISATIONAL RISK MATURITY LEVEL

20% MATURITY LEVEL

Organisational risk maturity level increased substantially as compared to the previous financial year i.e. 20% v/s 4.8%. This is attributed to the appointment of the Chief Risk Officer who provided leadership within the Enterprise Risk Unit.

4

IMPLEMENTATION OF THE PERFORMANCE INFORMATION MANAGEMENT POLICY

STRATEGY MANAGEMENT, MONITORING & EVALUATION

The division facilitated compilation, approval and submission of Quarterly Performance Reports to relevant governance structures as well as adhoc reports requested from time to time by Legislature.

CHALLENGES

a) The entity operated without a Board for the better part of the 2020/21 financial year.

b) The entity struggled with cash flow challenges mainly due to the impact of the COVID-19 restrictions.

4. INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION

ANNUAL PERFOMANCE

Strategic objectives, planned targets and actual achievements

Outcome	Output	Output Indicator	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/2020	Planned Annual Target 2020/2021	Actual Achievement 2020/2021	Deviation from planned target to Actual	Reasons for deviations
STRATEGIC GOAL 6: ENHANCED ORGANISATIONAL SUSTAINABILITY								
Compliance with all statutory and legislative prescripts	Compilation of MEGA's Legislative Universe	% compliance with the MEGA Legislative Universe	New indicator	100%	100%	100%	0	None
Improved organisational performance	Approval of the Performance Information Management Policy	% achieved on MEGA organisational performance	31%	26%	75%	25%	50%	The non-achievement of most targets by various divi-sions was due to cashflow and human resource constraints as well as the effects of the COVID-19 restrictions
Assessed operational and developmental impact	Undertake indepen-dent and systematic evaluations of the entity's performance against its mandate	Assessed op-erational and developmen-tal impact	1	1	1	1	0	None
Improved risk maturity level	Implement Risk Maturity Implementa-tion Plan	% improvement on organisational risk maturity level	11.3%	4.8%	20%	20%	0%	None
Improvement in the effectiveness of internal control and governance	Approval of Annual Internal Audit Plan by BARCC	Level of imple-mentation of three (3) year Internal Audit Plan	90%	70%	100%	100%	0%	None

STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

% ACHIEVED ON ORGANISATIONAL PERFORMANCE

The introduction of revenue enhancement strategies to improve cashflow as well as the filling of critical vacant positions will have a positive impact on the overall performance of the entity.

REPORTING ON THE INSTITUTIONAL RESPONSE TO THE COVID-19 PANDEMIC

Organisational risk maturity level increased substantially as compared to the previous financial year i.e. 19.2% v/s 4.8%. This is attributed to the appointment of the Chief Risk Officer who provided leadership within the Enterprise Risk Unit. a) Following the emergence of COVID-19 across the globe which has triggered some new health and safety risks in the workplace associated with the virus, the division through its Risk Management Unit developed a Risk Management Implementation Plan for implementation within the entity. The Plan included adherence to the following measures:

i. Provision of hand sanitisers, placed in the entrance of every floor, reception area, all copying machines and any other strategic place in MEGA's offices;
ii. Displaying of posters to promote good hygiene practices and the virus;
iii. Encourage employees that are not well to seek medical help;
iv. Frequent communication and clear guidance with regard to COVID-19;
v. Provide employees with a contact person for COVID-19 related issues; and
vi. Encourage employees to use the National Department of Health WhatsApp number for reliability and integrity of information regarding COVID-19.

LINKING PERFORMANCE WITH BUDGET

	2020/2021			2019/2020		
Sub-Programmes	**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	27 034	17 084	9 950	17 071	14 129	2 942
TOTAL	**27 034**	**17 084**	**9 950**	**17 071**	**14 129**	**2 942**

2. CORPORATE SERVICES

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:

i. Promote sound employee relations and labour stability.

ii. Promote and practice effective recruitment and retention practices.

iii. Encourage a culture of excellence and high work ethic.

iv. Promote a safe and healthy working environment for all employees.

v. To constantly develop individual employees through training interventions.

vi. Provide an all-inclusive integrated and interoperable business systems and processes that enable the execution of the Corporate Strategy.

4. INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION

HIGHLIGHTS / PROGRESS MADE:

1

PROGRESS ON OD PROCESS

UNPLACED EMPLOYEES

All employees were placed in positions on the Organogram as approved by the MEGA Board and were issued with placement letters. Appeals were also received and management will establish an Appeal's Committee to consider the applications and make a determination.

2

REVIEW OF HUMAN RESOURCES POLICIES

IMPLEMENTATION OF THE GAP ANALYSIS REPORT

The HR Department conducted a gap analysis of all Human Resources Policies to address the shortfalls.

All HR policies are being reviewed in line with the gap analysis report to address identified gaps. It is anticipated that the review process will be concluded by the 1st week of July 2021.

3

HUMAN RESOURCES DEVELOPMENT

IMPLEMENTATION OF THE WORKPLACE SKILLS PLAN

The division continued to develop employees in various fields in line with the Workplace Skills Plan.

Bursaries were issued to six (6) employees in different fields.

4

IT INFRASTRUCTURE AND INFORMATION MANAGEMENT SYSTEM

INTEGRATED INFORMATION MANAGEMENT SYSTEM

The IT unit planned to implement an integrated information management system for improvement of MEGA's processes and upgrade of the current IT Infrastructure, however, the project had to be put on hold due to budgetary constraints. MEGA plans to implement the system in the 2021/22 financial year subject to budget permitting.

HIGHLIGHTS / PROGRESS MADE: (CONTINUED)

5

PROCUREMENT, REPLACEMENT, AND DISPOSING OF OBSOLETE LAPTOPS

REPLACEMENT OF OLD AND OBSOLETE HARDWARE

The IT Department commenced with the process of replacing old and obsolete hardware. This process started at the beginning of the financial year with only one batch received and currently awaiting the second batch. The process was delayed due to the lockdown in the first and second quarters of the year but managed to make progress during the third and fourth quarters.

6

STAFF ENGAGEMENT

ENGAGEMENT WITH ORGANISED LABOUR

Engagements with Organised labour have improved noticeably as regular meetings are held to consult on any organizational changes and other issues of mutual interest.

CHALLENGES

The entity was unable to fill critical and strategic (Executive) positions due to budgetary constraints in the current financial year. In addition, the implementation of key projects (upgrade of the ageing infrastructure and implementation of the Loans Management System) were delayed as a result of cashflow constraints.

ANNUAL PERFOMANCE

Strategic objectives, planned targets and actual achievements

Outcome	Output	Output Indicator	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/2020	Planned Annual Target 2020/2021	Actual Achievement 2020/2021	Deviation from planned target to Actual	Reasons for deviations
STRATEGIC GOAL 6: ENHANCED ORGANISATIONAL SUSTAINABILITY								
Capacitated organisation	Placement and recruitment processes approved by the Board	% of approved positions filled	New indicator	New Indicator	45%	33% [4]	12%	Lack of Budget to fill key positions
Improved organizational culture	Conduct organisational survey	% achieved on Employee Satisfaction	58%	65%	75%	69%	6%	Restrained interaction due to lockdown conditions as the survey was done in the first quarter
Enhanced all-inclusive and integrated information management system	Implement approved strategy and plan	% integration and/or interoperability of ICT systems	5%	New Indicator	75%	10%	65%	Delays in the procurement of the Integrated System due to budgetary constraints

STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

% OF APPROVED POSITIONS FILLED

The entity introduced revenue enhancement strategies to improve cashflow as well as utilising internal resources to fill the gap.

% ACHIEVED ON EMPLOYEE SATISFACTION

Regular meetings are held with organized labour to communicate issues of mutual interest. Internal newsletters are issued monthly to update employees on all developments taking place within the entity.

% INTEGRATION AND/OR INTEROPERABILITY OF ICT SYSTEMS

The entity introduced revenue enhancement strategies to improve cashflow. Success of these strategies will ensure that the systems are integrated in the 2021/22 financial year.

4 All employees on the pool were placed

REPORTING ON THE INSTITUTIONAL RESPONSE TO THE COVID-19 PANDEMIC

ia) Since the emergence of the COVID-19 pandemic and several announcements by the President to move the country into various levels in accordance with the risk-adjusted approach, the division developed a framework to ensure workforce readiness and adherence with applicable COVID-19 regulations.

b) During level 3 the entity put in place measures to ensure a gradual return to operations in a safe and responsible manner where a third (1/3) of its staff compliment returned to work on a rotational basis. In addition, ICT systems were geared for remote access and all key systems accessible via the APN (3G) to allow users working from home access to all systems.

c) Frequent notices were issued timeously to communicate health considerations and steps to be taken in case employees suspect any contamination. Information signs to the manned stations have been installed to give directions to key stations for screening. These notices cover direction to manned stations, social distancing guidelines and other health considerations in case of contamination.

d) Protective facial shields were provided to client-facing employees and Perspex Protective Screens installed at reception desks to ensure protection. The entity further procured all the necessary PPE required to ensure safety of its employees.

LINKING PERFORMANCE WITH BUDGET

	2020/2021			2019/2020		
Sub-Programmes	**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	33 195	26 607	6 588	24 198	23 770	428
TOTAL	**33 195**	**26 607**	**6 588**	**24 198**	**23 770**	**428**

ONE OF OUR OWN

Shopmor Enterprise: Mjejane Trust

PROJECT VALUE: R 7 MILLION
ESTIMATED JOBS: 40

3. FINANCE

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

HIGHLIGHTS / PROGRESS MADE:

AUDIT OUTCOME

IMPROVEMENT IN AUDIT OUTCOME

All the audit findings were resolved before the submission of the 2020/21 Annual Financial Statements except for one "Other Financial Assets", relating to the validation of loan balances which had material effect on the audit outcome.

MEGA has commenced a process of resolving the past year's audit findings. The efforts are to:

a) Re-negotiate loan agreements with the clients that do not have contracts with an aim of re-establishing contract documentation.

b) Appoint five (05) contract workers for a period of two years to deal with all loan agreements that MEGA is unable to validate.

CHALLENGES

The entity is currently not fully capacitated in terms of systems and human resources, coupled with the absence of clearly defined and documented business process mapping and standard operating procedures.

4. INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION

ANNUAL PERFOMANCE

Strategic objectives, planned targets and actual achievements

Outcome	Output	Output Indicator	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/2020	Planned Annual Target 2020/2021	Actual Achievement 2020/2021	Deviation from planned target to Actual	Reasons for deviations
STRATEGIC GOAL 6: ENHANCED ORGANISATIONAL SUSTAINABILITY								
To enhance governance and operational excellence	Implementation of Audit Remedial Action Plans	Improved audit opinion expressed by Auditor-General	Qualified	Qualified	Unqualified	Qualified	Unqualified	The validation of the loan book balances is a legacy issue predating the "new" MEGA that was formed in 2010. Approximately 80% of the loan book balances have been validated, after taking into consideration accounts to be written off. The remaining balance is, however, too material to remove the audit qualification.

STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

IMPROVED AUDIT OPINION EXPRESSED BY AUDITOR-GENERAL

Continue to ensure that all documentation in respect of new loans are retained for management and audit purposes.

OTHER EFFORTS INCLUDE THE FOLLOWING:

i. MEGA commenced a process of resolving this audit finding. The efforts are to:

ii. Re-negotiate loan agreements with the clients that do not have contracts with an aim of re-establishing contract documentation.

iii. Appoint five (05) contract workers for a period of two years to deal with all the loan agreements that MEGA is unable to validate.

REPORTING ON THE INSTITUTIONAL RESPONSE TO THE COVID-19 PANDEMIC

MEGA has implemented payment holidays to affected SMMEs and tenants occupying MEGA's properties, with a view to alleviate pressure on businesses affected by the pandemic.

LINKING PERFORMANCE WITH BUDGET

	2020/2021			2019/2020		
Sub-Programmes	**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	43 926	33 204	10 722	61 947	56 781	5 166
TOTAL	**43 926**	**33 204**	**10 722**	**61 947**	**56 781**	**5 166**

ONE OF OUR OWN

Marena Mining: EMalahleni

PROJECT VALUE: R 4 MILLION

ESTIMATED JOBS: 09

4. TRADE & INVESTMENT PROMOTION

The Division is responsible for two main functions, namely, trade & investment promotion and, marketing and communication.

i. Trade and Investment Promotion

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

ii. 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.

HIGHLIGHTS / PROGRESS MADE:

1. The Coronavirus (COVID-19) and associated lockdowns have negatively affected the attainment of the Trade and Investment Promotion Unit's targets for the year. The COVID-19 mitigation measures have resulted in mass production shutdowns, supply chain disruptions and port closures around the world.

2. Although the Lebombo / Ressano Garcia Border remained open for essential trade, exporters experienced extensive border delays and the volume of cross-border trade was significantly impacted.

3. Many Trade and Investment Promotion events, like the annual Southern African International Trade Exhibition (SAITEX), were cancelled and no Inward Trade and Investment Missions took place

4. The Trade and Investment Promotion Events Calendar for 2020/2021 has been badly affected by the COVID-19 pandemic. The Unit adjusted downward the number of events planned for 2020/21 financial year. The review of the National Exporter Development Plan (NEDP) and Global Export Passport Programme (GEPP) has however continued with one-on-one online Zoom engagements with the facilitators Open Trade Gate of Sweden (OTG).

5. An online workshop took place on the 26th May 2020 for key provincial stakeholders. In light of the COVID-19 pandemic situation the shift towards and opportunities presented by e-Commerce have become evident. MEGA's Trade Promotion officials participated in a series of Webinars on this topic hosted by the ITC.

CHALLENGES

a) Vacant key positions affected the division's capacity to deliver on planned targets.

b) The COVID-19 Pandemic has stalled trade and investment activities and negatively affecting the trade and investment climate the whole world.

4. INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION

ANNUAL PERFOMANCE

Strategic objectives, planned targets and actual achievements

Outcome	Output	Output Indicator	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/2020	Planned Annual Target 2020/2021	Actual Achievement 2020/2021	Deviation from planned target to Actual	Reasons for deviations
STRATEGIC GOAL 3: INCREASED ATTRACTION OF SUITABLE INVESTORS TO THE PROVINCE BASED ON ATTRACTIVE VALUE PROPOSITION & ATTRACTIVE INVESTMENT OPPORTUNITIES								
Increased investment attracted through trade and investment promotion	Facilitation of FDI / LDI Investment projects in Mpumalanga until implementation	Value (R) of FDI / LDI MEGA facilitated projects implemented during the period	R150m	New Indicator	R150m	0	R150m	The prevailing COVID-19 environment hindered or delayed possible implementation of projects under facilitation.
	Facilitation of new FDI / LDI Investment projects for Mpumalanga	Number of new FDI / LDI projects under facilitation for the period	New Indicator	New Indicator	4	4	0	None
	Undertake Outward Investment Promotion Missions	Number of Outward / inward Investment Recruitment Missions undertaken	New Indicator	New Indicator	4	2	2	Most events were suspended due to COVID-19 related restrictions
	Render assistance to potential investors in Mpumalanga	Number of potential Investors engaged	New Indicator	New Indicator	9	18	-9	The division focused more on engagements with potential investors as opposed to undertaking outward missions. This led to over-achievement of planned target.
	Host a Mpumalanga Investment Conference 2020	Number of Investment Conference hosted	0	New Indicator	1	0	1	This event could not take place due to COVID-19 and financial constraints

4. INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION

ANNUAL PERFOMANCE (Continued)

Strategic objectives, planned targets and actual achievements

Outcome	Output	Output Indicator	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/2020	Planned Annual Target 2020/2021	Actual Achievement 2020/2021	Deviation from planned target to Actual	Reasons for deviations
STRATEGIC GOAL 4: INCREASED ACCESS TO EXPORT TRADE OPPORTUNITIES FOR MPUMALANGA COMPANIES								
Increased access to export trade opportunities for Mpumalanga businesses	Provide Foreign Trade counselling and support to exporters / importers	Mumber of exporters / importers provided with foreign trade counselling and support	New indicator	100	50	59	-9	The division focused more on assisting exporters with counselling and support as opposed to undertaking outward missions. This led to over-achievement of planned target.
	Undertake local trade exhibitions	Number of foreign / local trade exhibitions undertaken	New Indicator	6	4	0	4	All planned events were suspended due to COVID-19 restrictions
	Promote and facilitate the use of the EMIA / SSAS export incentives	Number of EMIA / SSAS applications facilitated for Mpumalanga companies	New Indicator	New Indicator	2	0	2	EMIA supported events were suspended due to COVID-19 restrictions
STRATEGIC GOAL 7: IMPROVED CORPORATE IMAGE OF MEGA								
Increased MEGA Brand and Reputation	Implement Marketing and Communications Strategy	Number of external Newsletters	New Indicator	New Indicator	3	0	3	Initiative put on hold due to COVID-19 pandemic
		Number of internal Newsletter	New Indicator	New Indicator	12	3	9	Fewer newsletters produced due to human resource capacity constraints
		Number of Marketing Campaigns conducted	New Indicator	New Indicator	1	0	1	Initiative put on hold due to COVID-19 pandemic
	Organisational survey conducted	% achieved on MEGA Brand and Reputation	New Indicator	0%	50%	0%	50%	The rating on MEGA's Brand and Reputation could not be ascertained due lack of online brand presence
	Organisational survey conducted	Rating achieved on customer satisfaction survey	68%	61%	70%	67%	3%	Concerns raised by MEGA clients included lack of adequate aftercare, failure in conducting routine inspections on MEGA properties, damaged properties as well as slow response to requests

STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

VALUE (R) OF FDI / LDI MEGA FACILITATED PROJECTS IMPLEMENTED DURING THE PERIOD

The division will continue to engage potential investors of projects under facilitation via virtual platforms to maintain momentum.

NUMBER OF OUTWARD / INWARD INVESTMENT RECRUITMENT MISSIONS UNDERTAKEN

The division will continue to engage potential investors via virtual platforms until safe to undertake actual missions to foreign countries.

NUMBER OF INVESTMENT CONFERENCE HOSTED

An investment conference is being planned for the second quarter of the 2021/22 financial year.

NUMBER OF FOREIGN / LOCAL TRADE EXHIBITIONS UNDERTAKEN

Numerous online training and export promotional events have been attended and the trend is set to continue.

NUMBER OF EMIA / SSAS APPLICATIONS FACILITATED FOR MPUMALANGA COMPANIES

The entity will closely monitor developments around future events for possible participation.

NUMBER OF EXTERNAL NEWSLETTERS

To be implemented in the next financial year, subject to budget availability.

NUMBER OF INTERNAL NEWSLETTER

To be implemented in the next financial year, subject to filling of vacant positions.

NUMBER OF MARKETING CAMPAIGNS CONDUCTED

To be implemented in the next financial year, subject to conditions permitting.

% ACHIEVED ON MEGA BRAND AND REPUTATION

Survey recommendations to be implemented by management.

RATING ACHIEVED ON CUSTOMER SATISFACTION SURVEY

Survey recommendations to be implemented by management.

REPORTING ON THE INSTITUTIONAL RESPONSE TO THE COVID-19 PANDEMIC

Facilitated access to COVID-19 relief packages offered by the Department of Small Business Development to local SMMEs in the visual and craft sectors.

LINKING PERFORMANCE WITH BUDGET

	2020/2021			2019/2020		
Sub-Programmes	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**
	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)
TRADE & INVESTMENT	15 345	7 751	7 594	14 477	13 497	980
TOTAL	**15 345**	**7 751**	**7 594**	**14 477**	**13 497**	**980**

5. PROPERTIES & INFRASTRUCTURE

HIGHLIGHTS / PROGRESS MADE:

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

Nkomazi Special Economic Zone

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

i. The Nkomazi SEZ entity has been officially registered as an SOC LTD

ii. MEGA has appointed four officials to the PMU to focus on the interim phase of the SEZ development, which includes fully establishing the SEZ entity and preparing the Nkomazi SEZ Strategy and Business Plan as per SLA entered into with DEDT.

iii. Four (04) officials seconded from MEGA to boost SEZ PMU capacity. These include an Interim Programme Manager & a Finance Manager, a Board Secretary and an Administrator.

iv. The SEZ PMU is currently working towards finalising the township establishment process.

v. The PMU working on finalising agreements and commitments on investment pipeline valued at R10.3 billion.

Mpumalanga International Fresh Produce Market

i. The provincial Executive Committee at its special sitting of 12th November 2020 resolved that the construction part of the project should be transferred to DPWRT for implementation.

ii. The transfer process commenced on 13th March 2020 as initiated by the MECs for DEDT and DPWRT.

iii. MEGA continued with the implementation of the project through 2020 whilst working with DEDT and DPWRT towards ensuring a smooth and seamless transfer of the construction responsibilities to DPWRT.

iv. DPWRT took over management of the MIFPM construction on 30th November 2020, however, MEGA remains responsible for the operationalization of the Market.

v. Progress on the construction of the agro-processing building was at 65% by end of March 2021.

CHALLENGES

a) Capacity shortages coupled with the impact on COVID-19 restrictions led to failure to meet targets in respect of securing additional investments from Strategic Development Partners.

b) Limited budget to deal with maintenance backlog required to improve MEGA's investment property portfolio

4. INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION

ANNUAL PERFOMANCE

Strategic objectives, planned targets and actual achievements

Outcome	Output	Output Indicator	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/2020	Planned Annual Target 2020/2021	Actual Achievement 2020/2021	Deviation from planned target to Actual	Reasons for deviations
STRATEGIC GOAL 2: INCREASED IMPLEMENTATION OF SUITABLE HIGH IMPACT INVESTMENTS OPPORTUNITIES IN THE PROVINCE								
Completed and functional Mpumalanga International Fresh Produce Market	MIFPM Project implemented	% progress in the construction of the Mpumalanga International Fresh Produce Market	New Indicator	New Indicator [5]	100% completion of Phase 1 [6]	65%	35%	Budget reduced by R150 million and management of construction transferred to the DPWRT with effect from the 1st December 2020.
Completed and functional Nkomazi Special Economic Zone	Nkomazi SEZ Project implemented	Progress in the development of the Nkomazi SEZ project	New Indicator	New Indicator [7]	Establishment of the SEZ Entity [8]	SEZ Entity Established	0	None
STRATEGIC GOAL 3: INCREASED ATTRACTION OF SUITABLE INVESTORS TO THE PROVINCE BASED ON AN ATTRACTIVE VALUE PROPOSITION AND ATTRACTIVE INVESTMENT OPPORTUNITIES								
Increased MEGA Brand and Reputation	Implement Marketing and Communications Strategy	Number of external Newsletters	New Indicator	New Indicator	3	0	3	Initiative put on hold due to COVID-19 pandemic
Increased investment attracted into the property portfolio	Strategic Development Partners' proposals approved by the Board	Value of Strategic Development Partners' investment approved by the Board	New Indicator	New Indicator	R350m	0	R350m	Transfer of properties (from DPWRT to MEGA) that had been identified for development in cooperation with Strategic Development Partners could not be finalised within the current financial year.
	Funding proposal approved by the dtic to revitalize the Property Portfolio	Value of revitalization funds approved by government and / or development finance institutions	New Indicator	New Indicator [9]	R150m	0	R150m	There were delays in finalising the identification of priority intervention areas & preparation of related BOQs in all three applications. This delayed the re-submission of funding applications to the dtic.

4. INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION

ANNUAL PERFOMANCE (Continued)

Strategic objectives, planned targets and actual achievements

Outcome	Output	Output Indicator	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/2020	Planned Annual Target 2020/2021	Actual Achievement 2020/2021	Deviation from planned target to Actual	Reasons for deviations
STRATEGIC GOAL 5: PROGRESSIVELY INCREASE OWN REVENUE GENERATION AND COLLECTION TO ACHIEVE FINANCIAL SUSTAINABILITY								
Progressively increase own revenue generation and collection to achieve financial sustainability	Billed revenue from the property portfolio (rental and utilities)	Value of annual rental revenue generated from the property portfolio	New Indicator	New Indicator [10]	R45m	R32m	R13m	Tenants could not pay their normal instalments due to the weak economic climate created by the COVID-19 pandemic.
	Improved property portfolio	% implementa-tion of Property Turnaround strategy [11]	New Indicator	New Indicator	30%	8%	22%	Implementation of the approved Properties Turn-around Strategy commenced in quarter 4 of the 2020/21 financial year.
	Increase occupation of the Property Portfolio	% achieved in occupancy rate of the property portfolio	New Indicator	66%	70%	58%	12%	Number of businesses closed down due to the impact of the Covid-19 pandemic on businesses

5 Completed enabling infrastructure

6 Construction of the Agro Processing building (measured quarterly and cumulatively in terms of % progress).

7 SEZ Designation and establishment of the Nkomazi SEZ entity

8 Registration of the entity, appointment of the Board and Executives.

9 R50m was secured for the revitalisation of Phase I Ekandustria

10 The target was measured in % in the previous annual financial year. The collection in value amounted to R40m.

11 Conduct property optimization study, attract equity partner, dispose non-core immovable assets (Each activity weight 10%)

STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

% PROGRESS IN THE CONSTRUCTION OF THE MPUMALANGA INTERNATIONAL FRESH PRODUCE MARKET

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

VALUE OF STRATEGIC DEVELOPMENT PARTNERS' INVESTMENT APPROVED BY THE BOARD

This initiative will now be implemented in the new financial year.

VALUE OF REVITALIZATION FUNDS APPROVED BY GOVERNMENT AND / OR DEVELOPMENT FINANCE INSTITUTIONS

A meeting between MEGA, the dtic and DBSA was held in March 2021 to fast track the process of unlocking the funds.

VALUE OF ANNUAL RENTAL REVENUE GENERATED FROM THE PROPERTY PORTFOLIO

A Credit Control Committee has been established to follow up on arrear accounts.

% IMPLEMENTATION OF PROPERTY TURNAROUND STRATEGY

Various strategies are being implemented.

% ACHIEVED IN OCCUPANCY RATE OF THE PROPERTY PORTFOLIO

Establish 39 new tenants to increase occupancy rate.

REPORTING ON THE INSTITUTIONAL RESPONSE TO THE COVID-19 PANDEMIC

i. MEGA, as a funding institution has clients that have been negatively affected by COVID-19, with some businesses completely closed following the decision to lockdown the country.

ii. In response to the needs of its tenants, the entity has introduced rent payment holidays with a qualifying criteria tailored to the needs of its tenants and based on individual merits. The payment holiday is however not extended to municipal charges (which remain due and payable).

LINKING PERFORMANCE WITH BUDGET

	2020/2021			2019/2020		
Sub-Programmes	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**
	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)
PROPERTIES & INFRASTRUCTURE	189 265	198 886	(9 621)	148 283	153 387	(5 104)
TOTAL	**189 265**	**198 886**	**(9 621)**	**148 283**	**153 387**	**(5 104)**

6. FUNDING

DIVISIONAL HIGHLIGHTS:

The Division is responsible for five main functions, namely, SMME's, Co-operatives, Housing and Agricultural Finance, and Equity Investments.

SMME Development Finance

The sub programme aims to ensure that businesses remain viable, as successful SMME businesses make a direct contribution to the goals set out in the MEGDP of the Province.

The programme provides the following support to existing SMME businesses:

A. Financial Support

Financial support is given to qualifying businesses by providing loans relating to:

i. Bridging finance for construction projects;
ii. Acquisition of plant and equipment;
iii. Financing tenders;
iv. Acquiring equity; and
v. Financing working capital.

B. Non-financial support

Non-financial support services in the programme are provided by Business Advisors who conduct mentorship programmes that are designed to improve business success, and these services include:

i. Training business owners on how to prepare financial statements and maintain good bookkeeping practices;
ii. Conducting business management seminars;
iii. Facilitating market linkages, by assisting small businesses to register with relevant government departments, so that their services can be used;
iv. Helping businesses brand and market their products in readiness for selling on the market;
v. By providing regulatory information, and also linking businesses to the relevant authorities or bodies that can regulate their products or services;
vi. Facilitating the preparation of business plans through the Small Enterprise Development Agency (SEDA) for submission to institutions which provide funds to existing and new enterprises.

DIVISIONAL HIGHLIGHTS: (CONTINUED)

Beneficiation

a. The programme aims to achieve beneficiation objectives by setting up incubators where potential entrepreneurs will be trained before they set up their own businesses. Specific industries have been targeted.

b. The initiative is aimed at reducing the number of businesses that fail at the initial stage while strengthening existing businesses. Initially incubators will be setup in the wood processing and steel manufacturing industries.

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

i. Information on improving the packaging of their products and services;
ii. Government Incentives (Grant Funding) for infrastructure and non-financial services.

Agriculture: Emerging Farmer Finance

This sub programme assesses farmer's needs in terms of the ability of the farmer to undertake the proposed business venture. All applications are considered by applying the regulations as required in the National Credit and FICA Acts.

The programme provides the following support to existing businesses:

a. Market linkages for farm produce;
b. Organising for farming inputs to be obtained at reasonable prices;
c. Providing mentorship to ensure business success through exchange programmes with established businesses including those in livestock and crop production;
d. Assisting in financial management and other specialised areas relevant to the business that has been funded;
e. Providing agricultural economics information. MEGA has access to statistics on climatic conditions of the province which it provides to farmers and businesses as a value added service;
f. Pursue profitable business ventures by identifying opportunities in which MEGA can become a strategic partner.

DIVISIONAL HIGHLIGHTS: (CONTINUED)

Home Loans

This programme provides loans and access to affordable houses and facilitate access to home ownership through the provision of finance to qualifying Mpumalanga citizens. Funding is provided for the following:

a. Building loan;
b. Purchase of a vacant stand;
c. House improvement loan;
d. Purchase of an existing house; and
e. Loan size: up to R1.5m.

Equity Investments

The programme has the following projects aimed at facilitating the implementation of high development impact investments resulting in providing additional income streams to fund MEGA's operations namely:

Partially Owned Investments

MEGA has shareholdings in other projects or institutions that are intended to contribute to its sustainability by providing income streams that fund MEGA's operations. The investments are as follows:

a. Mining - 40% shareholding in Nkomati Anthracite in Nkomazi;
b. Agriculture - 26% in Highveld Fruit Packers- Apple processing.

Wholly Owned Investments

Tekwane Citrus Farm

i. The farm produces citrus fruit which is sold to the local and foreign markets. 80% of the fruit is exported to Europe and the Far East.
ii. Tekwane Citrus Farm has not been able to function optimally and thus generate acceptable revenue. The major reasons for lack of profitability of Tekwane Farm include, inter alia: huge overhead costs that drain the operation's profitability as a result of historical decisions relating to the employment of staff; incorrect application of fertilizers and other necessary agricultural products for farming; aging mechanical equipment; and limited capital to fund operations.
iii. The farm has managed to realise profit in this financial year of reporting. This comes as a result of the deployment of resources through the service provider appointed to manage the farm production and market the fruit. This increased the yield and allowed for early harvesting and entry into the market at higher prices.
iv. MEGA aims at providing interventions for the commercialisation of Tekwane Citrus Farm.

DIVISIONAL HIGHLIGHTS: (CONTINUED)

CHALLENGES

a) Cashflow constraints and the impact of the national lockdown resulted in non-achievement of some of planned activities for the year.
b) Loans approval and disbursement targets were not met due to cashflow constraints.

Loopspruit Wine Farm

i. Loopspruit Wine Farm is a wine producing business operating, on a 430ha with grapes plantation. The farm had a fairly large infrastructure of buildings, including a well-equipped winery with two wine producing cellars, wine laboratory, restaurant and equipment. The land component consists of some 25ha grape vineyards while the remainder of the land consists of natural veld.
ii. Loopspruit Wine Farm has not been able to realize profits due to lack of financial and human resources, and the location which is a non-wine farm resulting in inconsistent and insufficient yield. The vineyards have been growing old with no planting of new trees due to lack of financial resources. The farm has consistently operated at a loss. In 2020, the farm was gutted by fire and destroyed.
iii. MEGA is currently seeking investors to develop the farm.
iv. MEGA aims at providing interventions for the commercialization of Loopspruit Farm and ensuring its subsequent profitability. Town planning and legal processes have commenced to transfer ownership of the farm from National Government to MEGA.

HIGHLIGHTS / PROGRESS :

This sub programme assesses farmer's needs in terms of the ability of the farmer to undertake the proposed business venture. All applications are considered by applying the regulations as required in the National Credit and FICA Acts.

The programme provides the following support to existing businesses:

a) Loans valued at R1.5 mil was approved and R6.8 million were disbursed to business clients. The disbursement mainly consisted of prior year approved loans not disbursed.
b) Despite the slowdown in the activities of the Division as a result of the national lockdown, funded clients were provided with non-financial support.
c) The type of support entailed contactless dissemination of important information including debt relief application forms, and options available in accessing relief funds from various institutions both private and public.

4. INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION

ANNUAL PERFOMANCE

Strategic objectives, planned targets and actual achievements

Outcome	Output	Output Indicator	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/2020	Planned Annual Target 2020/2021	Actual Achievement 2020/2021	Deviation from planned target to Actual	Reasons for deviations
STRATEGIC GOAL 2: INCREASED IMPLEMENTATION OF SUITABLE HIGH IMPACT INVESTMENTS OPPORTUNITIES IN THE PROVINCE								
Increased access to funding for businesses	Approved business loans	Value of business loans approved	R5.3m	R27.5m	R2m	R1.5m	R0.5m	Fewer loans were considered during the year under review due to cashflow constraints
	Disbursed business loans	Value of business loans disbursed	R7.3m	R16.8m	R14.2m	R6.5m	R7.7m	Fewer loans were disbursed during the year under review due to cashflow constraints
Increased access to funding for housing clients	Approved housing loans	Value of housing loans approved	R2.6m	0	R5m	0	R5m	No new home loans applications were considered due to cash flow constraints
	Disbursed housing loans	Value of housing loans disbursed	R1.1m	R1.7m	R6.45m	R348k	R6.1m	Loan disbursements were low due to the bonds that have not yet been registered. Some of the commitments were also withdrawn as clients did not meet the conditions of approval.
Improved sustainability of businesses	Post investment support provided	Number of businesses provided with post investment support	New Indicator	56	90	64	26	Support to businesses was impacted by the lockdown. Most clients could be contacted through telephones only or SMS
Improved quality of life through home ownership	Post investment support provided	Number of housing clients provided with post investment support	New Indicator	New Indicator	100	60	40	Support to housing clients was impacted by the lockdown. Most housing clients could be contacted through telephones only or SMS
Improved sustainability of equity investments	Perform oversight on equity investments	Number of equity investment monitoring reports	New Indicator	New Indicator	4	4	0	None

STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

VALUE OF BUSINESS LOANS APPROVED

Loan applications received were referred to Strategic Partners for consideration.

VALUE OF BUSINESS LOANS DISBURSED

Loans approved and not disbursed to be prioritised for processing in the next financial year, subject to budget availability.

VALUE OF HOUSING LOANS APPROVED

Loan applications received were referred to Strategic Partners for consideration and this is expected to continue to augment own resources.

VALUE OF HOUSING LOANS DISBURSED

Loans approved and not disbursed to be prioritised for processing in the next financial year, subject to budget availability.

NUMBER OF HOUSING CLIENTS PROVIDED WITH POST INVESTMENT SUPPORT

MEGA to Intensify aftercare to housing loan clients.

NUMBER OF BUSINESSES PROVIDED WITH POST INVESTMENT SUPPORT

MEGA to Intensify aftercare to housing loan clients.

REPORTING ON THE INSTITUTIONAL RESPONSE TO THE COVID-19 PANDEMIC

a. MEGA, as a funding institution has clients that have been negatively affected by COVID-19, with some businesses completely closed following the decision to lockdown the country.

b. In response to the needs of its funded clients, the entity has also considered introducing payment holidays of up to six months on a case by case basis, re-evaluated based on developments around the COVID-19 pandemic.

c. The entity is awaiting the outcome of the request submitted to government for special allocation to cater for the following:

   i. Business relief fund to respond to the needs of currently funded clients, in cases where the national relief fund is not accessed;

   ii. Honouring existing loan commitments; and

   iii. Possibly funding new loans post lockdown.

LINKING PERFORMANCE WITH BUDGET

	2020/2021			2019/2020		
Sub-Programmes	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**
	(R'000)	**(R'000)**	**(R'000)**	**(R'000)**	**(R'000)**	**(R'000)**
FUNDING	96 701	86 787	9 914	113 760	103 938	9 820
TOTAL	**96 701**	**86 787**	**9 914**	**113 760**	**103 938**	**9 820**

CONDITIONAL GRANT

No conditional grants received in the financial year under review.

DONOR FUNDS

No conditional grants received in the financial year under review.

REVENUE COLLECTION

REVENUE COLLECTION

	2020/2021			2019/2020		
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	54 778	67 970	13 192	67 939	67 585	(354)
Rent	26 434	41 550	15 116	36 603	36 802	199
Loans	17 240	14 700	(2 540)	16 310	15 693	(617)
Other	58 805	80 359	21 554	63 186	75 850	12 664
Total	**157 257**	**204 579**	**47 322**	**184 038**	**195 930**	**11 892**

PROGRAMME EXPENDITURE

	2020/2021			2019/2020		
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
Office of the CEO	27 034	17 084	9 950	17 071	16 797	274
Corporate Services	33 195	26 607	6 588	24 198	24 406	(208)
Finance	43 926	56 404	(12 478)	61 947	51 057	10 890
Trade & Investment	15 345	7 751	7 594	14 477	13 775	702
Properties & Infrastructure	189 265	198 886	(9 621)	148 283	161 091	(12 808)
Funding	96 701	86 787	9 914	113 760	111 434	2 326
Total	**405 465**	**393 520**	**11 945**	**379 736**	**378 560**	**1 176**

4. INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION

CAPITAL INVESTMENT, MAINTENANCE AND ASSET MANAGEMENT PLAN

HIGHLIGHTS ON CAPITAL INVESTMENT AND ASSET MANAGEMENT PLAN

MEGA will develop and finalise the Capital Investment and Asset Management Plan in the 2nd quarter of the 2021/22 financial year.

INFRASTRUCTURE PROJECTS

	2020/2021			2019/2020		
Infrastructure Projects	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**	**Budget**	**Actual Amount Invoiced**	**Over/(Under)**
	R'000	R'000	R'000	R'000	R'000	R'000
Mpumalanga International Fresh Produce Market	136,400	142,729	(6,329)	271,488	163,554	107,934
Nkomazi Special Economic Zone (SEZ)	35,000	7,912	27,088	6,384	1,730	4,654
Total	**171,400**	**150,641**	**20,749**	**277,872**	**164,554**	**112,588**

THE CURRENT STATE OF THE PUBLIC ENTITY'S CAPITAL ASSETS

Description	% Good	% Fair	% Poor
Plant and machinery	96%	3%	1%
Office furniture, fixtures and equipment	67%	32%	1%
Motor vehicles	87%	12%	1%
IT equipment	50%	48%	2%

PROGRAMME EXPENDITURE

	2020/2021			2019/2020		
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
Maintenance – vehicles	1	12	(11)	0	0	0
Maintenance – equipment	39	1	38	315	21	294
Maintenance – buildings	2 862	4 933	(2 071)	1 316	943	373
Maintenance – infrastructure	303	303	0	0	0	0
Total	**3 205**	**5 249**	**(2 044)**	**1 631**	**964**	**667**

ONE OF OUR OWN
Kildare Spar: Kildare

PROJECT VALUE:
ESTIMATED JOBS: 48

PART C

GOVERNANCE

CORPORATE GOVERNANCE

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

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.

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 profiles.

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 in 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.

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 2020/21 financial year, the ERM Unit undertook a comprehensive and independently conducted organisation-wide fraud risk assessment. The results enabled the 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 on ensuring full implementation and monitoring of the Fraud Prevention Plan in its entirety.

MINIMISING CONFLICT OF INTEREST

In minimising conflict of interest in Supply Chain Management [SCM], all companies that have 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.

IMPLEMENTATION OF THE FRAUD PREVENTION PLAN

During the 2020/21 financial year, the ERM Unit undertook a comprehensive and independently conducted organisation-wide fraud risk assessment. The results enabled the 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.

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 on the promotion of the Code as the moral compass of the organisation and these will include enlisting employees' commitment to abide by the Code.

HEALTH SAFETY AND ENVIRONMENTAL ISSUES

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

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

PORTFOLIO COMMITTEES

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

During the sittings the entity further provided progress reports on the implementation of the House Resolutions.

Dates and purpose of the Committee sittings are reflected below:

Date of the Meeting	Subject	Action Plan Undertaken by the Entity
11 June 2020	MEGA's Budget for 2020/21	Implemented house resolutions on MEGA's budget for 2019/20 and submitted progress report
28 July 2020	Analysis of the 2019/20 1st, 2nd, 3rd and 4th Quarterly Performance Reports	Submitted additional responses to follow up questions raised by the Committee on 31st July 2020
17 Sept 2020	Analysis of the 2020/21 First Quarterly Performance Report	Implementing house resolutions on 2020/21 Quarterly Performance Reports
	Progress report on the implementation of the house resolutions on MEGA's Annual Performance Plan for 2020/21	Implemented house resolutions on MEGA's Annual Performance Plan for 2019/20
24 Nov 2020	Analysis of the 2020/21 Second Quarterly Performance Report	Implementing house resolutions on First Quarterly Performance Report

SCOPA RESOLUTIONS

The entity appeared before the SCOPA to deliberate on the analysis on its Annual Financial Statements and Oversight Visits. 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:

Resolution No.	Subject	Details	Response by the entity	Resolved (Yes/No)
N/A	Letolo Fortune 40 oversight visit on 3rd December 2020	Follow up oversight visit on the project	Provided progress report	Yes
N/A	Oversight visit at Siyabuswa Community Hall	Petition on complaint submitted by TP Mabena	Provided written response to the Committee	Yes

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 Shareholder's 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
1st Quarter Report	14 May 2020
2nd Quarter Report	4 August 2020
3rd Quarter Report	31 January 2021
4th QR - 2019/2020	30 April 2021
Annual Report - 2019	31 July 2020
APP - 2021/2022	14 May 2021

CORPORATE GOVERNANCE (continued)

In terms of the Treasury Regulations issued in accordance with the PFMA, MEGA must, in consultation with its relevant Executive Authority (MEC for Finance, Economic Development & Tourism) annually conclude a Shareholders' Compact

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. Define levels of materiality, reserving specific powers to itself and delegating other matters, with the necessary written authority, to management;

c. Continuously monitor and review the exercise by management of delegated powers;

d. Ensure that a comprehensive system of policies and procedures is in place and that appropriate governance structures exist to ensure the smooth, efficient and prudent stewardship of MEGA;

e. Ensure compliance by MEGA with all relevant laws and regulations, audit and accounting principles, MEGA's Code of Ethics and Conduct, and such other principles as may be established by the Board from time to time;

f. Regularly review and evaluate the risks to the business of MEGA, including information technology ("IT") risks.

g. Ensure the existence of comprehensive, appropriate internal controls to mitigate against such risks, as well as ensure that there is an effective risk-based internal audit;

h. Exercise objective judgment on the affairs of MEGA, independent from management, but with sufficient management information to enable a proper and informed assessment to be made; and

i. Identify and monitor non-financial aspects relevant to the business of MEGA, and ensure that 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 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 Finance, 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

Delegation by the Board

"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. ".

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 their fiduciary responsibilities with due care, skill and diligence so as to 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. However, it should be noted that Board evaluation could not be done in the year under review due to the absence of a full-term Board and the constant change of Interim Boards.

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 Finance, Economic Development and Tourism (FDEDT) 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.

During the period under review, two (2) Interim Boards were appointed. The first Interim Board was appointed for a period of six (6) months starting from 22 June 2020 however, the Board was terminated prematurely on 15 July 2020.

Another Interim Board was appointed for a period of six (6) months effective from 12 September 2020 and whose term of office terminated on 20 March 2021.

During the period 22 June to 15 July 2020, the Interim Board comprised of the following Members:

Name	Date appointed	Date resigned	Qualifications	No. of Meetings attended
Mr. Mkhwanazi DS **Chairperson**	22 June 2020	Not Applicable	• Degree in Public Management; National Diploma in Public Management. • National Certificate in Public Management. • Certificate in Economics & Public Finance.	1/1
Mr. Maphanga NB **Deputy Chairperson**	22 June 2020	Not Applicable	• Bachelor's Degree in Education (TUT). • Bachelor's Degree Honours (TUT).	1/1
Mr. Mbungela BV **Board Member**	22 June 2020	Not Applicable	• BPROC (University of Limpopo). • Admitted Attorney of the High Court of South Africa).	1/1
Mr. LB Mashile **Board Member**	22 June 2020	Not Applicable	• National Diploma for Technicians-Civil Engineering (Technikon-Mangosuthu). • National Higher Diploma- Civil Engineering (Technikon Natal-Durban). • Bachelor of Technology- Civil Engineering (Technikon-Witwatersrand). • Diploma in Business Management (Institute of Business Management). • Wits WSD Graduate Certificate (Wits).	1/1
Mr. SW Lubisi **Board Member**	22 June 2020	Not Applicable	• Certificate in Personnel Management (RAU). • Certificate in Economics & Public Finance (UNISA).	1/1
Ms. A Mkhwanazi **Board Member**	22 June 2020	Not Applicable	• Executive Leadership Municipal Development Programme (University of Pretoria). • Computer Literacy Certificate (Pretoria Technikon).	1/1
Mr. P Motha **Board Member**	22 June 2020	Not Applicable	• Public Management N4 & N5 (Ehlanzeni FET College).	1/1
Ms. S Ndlovu **Board Member**	22 June 2020	Not Applicable	• Diploma Financial Management (Damelin). • Advanced Diploma- Executive Personal Assistant (Birnam Business College).	1/1
Ms. F Kabini **Board Member**	22 June 2020	Not Applicable	• BA Degree in Community Development and Leadership (UJ). • BA Degree in Social Sciences; Computer Literacy Certificate (University of Limpopo). • Computer Literary Certificate (University of Limpopo).	1/1

INTERIM BOARD

INTERIM BOARD

During the period 21 September 2020 to 31 March 2021, the Interim Board comprised of the following Members:

Name	Date appointed	Date resigned	Qualifications	No. of Meetings attended
Mr. Mkhwanazi DS **Chairperson**	21 Sept. 2020	Not Applicable	• Degree in Public Management; National Diploma in Public Management. • National Certificate in Public Management. • Certificate in Economics & Public Finance.	10/10
Mr. Maphanga NB **Deputy Chairperson**	21 Sept. 2020	Not Applicable	• Bachelor's Degree in Education (TUT). • Bachelor's Degree Honours (TUT).	10/10
Mr. Mbungela BV **Board Member**	21 Sept. 2020	Not Applicable	• BPROC (University of Limpopo). • Admitted Attorney of the High Court of South Africa).	10/10
Mr. ZT Shongwe **Board Member**	21 Sept. 2020	Not Applicable	• B. Com (University of Zululand). • Property Development and Investment (University of Cape Town).	10/10
Mr. JL Mahlangu **Board Member**	21 Sept. 2020	Not Applicable	• Diploma in Governance and Public Leadership (Graduate School of Governance-WITS). • Certificate in Governance and Public Leadership (Graduate School of Public and Development Management - WITS). • Certificate (Graduate School of Leadership (University of South Africa). • Management Development Programme (Graduate School of Management- University of Pretoria). • Marketing Management (Graduate School of Management- University of Pretoria). • Ithuteng Commercial College (North West).	10/10
Ms. S Sithole **Board Member**	21 Sept. 2020	Not Applicable	• Junior Primary Teachers Diploma (Transvaal College of Education). • Certificate in Technology Education. • Bachelor of Arts (UNISA). • LLB (University of South Africa). • Certificate in Financial and Accounting Principles for Public Entities (University of South Africa). • Professional Certificate in Public Management (WITS).	10/10
Ms. N Oyiya **Board Member**	21 Sept. 2020	Not Applicable	• Bachelor in Business Administration (Honours) Public Sector Management (Southern Business School). • Bachelor of Business Administration (BBA) Public Sector Management (Southern Business School). • Diploma: Public Sector Management (Southern Business School). • Bit Committees- PFMA (National School of Governance). • Certificate: Outcome Based Monitoring & Evaluation Implementation (University of Pretoria). • Certificate: Programme in Principles of Business Management (WITS). • Certificate: Programme in Principles of Business and Management (Wits). • Fundamentals of Microsoft Office (Damelin Business School).	10/10
Ms. S Shongwe **Board Member**	21 Sept. 2020	Not Applicable	• Introduction to Micro Computers for Windows (Damelin Business School). • Executive Management Programme NQF Level 8 (Turfloop Graduate School of Leadership)..	10/10
Mr. ZM Masilela **Board Member**	21 Sept. 2020	Not Applicable	• Fundamentals of Microsoft Office (Damelin Business School). • National Diploma in Journalism (Tshwane University of Technology.	10/10

CORPORATE GOVERNANCE (continued)

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.

AREA OF EXPERTISE AS PER THE MPUMALANGA ECONOMIC GROWTH AGENCY 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 during the period under review, consisted of four [4] Committees namely:

a. Human Resources & Remuneration Committee (HR)

b. Finance & Investment Committee (FINCOM)

c. Loans Committee

d. Board Audit, Risk & Compliance Committee (BARCC)

Human Resources & Remuneration Committee

The Human Resources and Remuneration Committee is comprised of five [5] Non-Executive Directors.

The objectives of the Committee are to:

a. Oversee the development and implementation of a comprehensive Human Resources Strategy that supports the entity's values, vision, mission and aspirations.

b. Review the 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.

Social Responsibilities (Regulation 43 of the Companies Act)

The Committee shall perform all the functions as are necessary to fulfil its role as stated above and including the following duties:

i. Monitoring the Agency's activities, having 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. Stakeholder relations including community development, stakeholder engagements, Management of Brand and Reputational Risks.

f. 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;

g. Drawing matters within its mandate to the attention of the Board as occasion requires

SECTION 6(d)

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".

Finance and Investment Committee

The Finance and Investment Committee is comprised of five [5] Non-Executive Directors.

a. The objectives of the Committee are inter alia to:

aa. Provide inputs on the Strategic Plan of the organization for approval by the Board.

bb. Review the accuracy of the draft budget as submitted by management, and ensure that the budget is aligned to the approved Strategic Plan.

cc. Review the financial quarterly performance reports as submitted by management and recommend same for Board approval.

dd. Ensure that MEGA has and maintains sound financial policies.

ee. Ensure proper control over MEGA's investment projects.

Loans Committee

The Loans Committee is comprised of five [5] 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.

Committee	No. of Meetings	No. of Members	Names of Members
LOANS	4	5	• Ms. N Oyiya (Chairperson) • Ms. A Mkhwanazi • Mr. M Masilela • Ms. B Mbungela • Mr. Sipho Shongwe
HUMAN RESOURCES	3	5	• Mr. JL Mahlangu (Chairperson) • Mr. N Maphanga • Ms. A Mkhwanazi • Ms. S Sithole • Mr. M Masilela
BARCC	8	5	• Mr. Sabatha Shongwe (Chairperson) • Ms. N Oyiya • Mr. JL Mahlangu • Ms. S Sithole • Mr. B Mbungela
FINCOM	4	5	• Mr. NB Maphanga (Chairperson) • Mr. JL Mahlangu • Ms. N Oyiya • Mr. Sabatha Shongwe • Mr. Sipho Shongwe

CORPORATE GOVERNANCE (continued)

Remuneration Committee

Board Members are remunerated in accordance with the rate as determined by National Treasury from time to time.

The Board's travel and subsistence allowances are also paid for by MEGA in line with the MEGA HR Policy.

A detailed remuneration table of each Board member is reflected under Part E of this report.

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).

INTERNAL CONTROL UNIT

The functions of Internal Control Unit are embedded in supporting divisions within the entity as follows:

a. Risk assessment: located within the Enterprise Risk Management Unit;

b. Internal Audit: located within the Internal Audit Unit;

c. 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.

INTERNAL AUDIT AND AUDIT COMMITTEES

Key activities and objectives

a. Summary of audit work done: The following internal audits were performed during the financial period under review:

b. 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 BARC 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.

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.

DELEGATION

Delegation by the Board

"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. ".

During the period 22 June to 15 July 2020, the Interim Board comprised of the following Members:

Name	Qualifications	External or Internal?	If internal, position in the public entity	Date Appointed	Date Resigned	No. of Meetings attended
Mr. Shongwe ZT **Chairperson**	• B. Com (University of Zululand) • Property Development and Investment (University of Cape Town)	External	N/A	21 September 2020	N/A	8/8
Mr. Mahlangu JL **Member**	• Diploma in Governance and Public Leadership (Graduate School of Governance-WITS) • Certificate in Governance and Public Leadership (Graduate School of Public and Development Management- WITS) • Certificate (Graduate School of Leadership (University of South Africa) • Management Development Programme (Graduate School of Management-University of Pretoria) • Marketing Management (Graduate School of Management- University of Pretoria)	External	N/A	21 September 2020	N/A	8/8
Ms. Sithole S **Member**	• Junior Primary Teachers Diploma (Transvaal College of Education) • Certificate in Technology Education • Bachelor of Arts (University of South Africa) • LLB (University of South Africa) • Certificate in Financial and Accounting Principles for Public Entities (University of South Africa) • Certificate in Project Management (Regenesys) • Professional Certificate in Public Management (WITS)	External	N/A	21 September 2020	N/A	8/8
Ms. Oyita N **Member**	• Bachelor in Business Administration (Honours) Public Sector Management (Southern Business School) • Bachelor of Business Administration (BBA) Public Sector Management (Southern Business School) • Diploma: Public Sector Management (Southern Business School) • Bit Committees- PFMA (National School of Governance) • Certificate: Outcome Based Monitoring & Evaluation Implementation (University of Pretoria) • Certificate: Programme in Principles of Business Management (WITS) • Certificate: Programme in Principles of Business and Management (Wits) • Fundamentals of Microsoft Office (Damelin Business School)	External	N/A	21 September 2020	N/A	8/8
Mr. Mbungela BV **Member**	• BPROC (University of Limpopo) • Admitted Attorney of the High Court of South Africa)	External	N/A	21 September 2020	N/A	8/8

CORPORATE GOVERNANCE (continued)

COMPLIANCE WITH LAWS AND 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.

COMPANY 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.

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.

AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2021.

Audit Committee Responsibility

The Audit Committee reports that it has complied with its responsibilities arising from Section of 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 audit work was completed during the year under review:

a) Follow up review; AGSA & IA report
b) IA considerations in the entity's response to COVID-19;
c) Review of the 2020/21 Interim Financial Statements;
d) Review of the 2019/20 Annual Financial Statements and Annual report;
e) IT Application control review;
f) Funding/Equity Investment;
g) SCM- Irregular expenditure;
h) Audit of Performance Information (2nd quarter);
i) Properties and Infrastructure;
j) Audit of Performance Information (3rd Quarter); and
k) Follow up review; AGSA & IA report.
l) Adhoc Reviews
i. Petty Cash Verification,
   aa. Acting Allowance,
   bb. Payroll,
   cc. Leave management,
   dd. Corporate plan review,
   ee. Contract Register, and
   ff. Interns on-boarding.

The internal control systems at MEGA regarding financial operations needs to be seriously looked upon as it impacts on the future sustainability of the organisation. These will have to be prioritised so that the organisation is not technically insolvent and can operate within the foreseeable future.

Of immediate concern when it comes to internal controls are the following operational areas:

a) Property and Infrastructure Development Management
b) Funding
c) Asset Management;
d) Supply Chain Management.

The going concern of MEGA is severely affected as it cannot repay its debt within the long term and short term when applying financial ratios, solvency and liquidity. The dependency of MEGA on allocation from the provincial fiscus is of concern as the entity is not generating sufficient revenue and not utilising its assets to their optimum.

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 raised except the following:

a) The financials still have material misstatement which are a concern.
b) The filling of General Manager positions is a major concern as the implementation of adequate controls heavily depends on their services.

BARCC

Responsibilities

"The responsibilities of the Board Audit, Risk and Compliance Committee is contained in Section of the Public Finance Management Act and Treasury Regulation 3.1.13.".

Delegation of Authority

The implementation of the plan has been slack and needs to be prioritised and resources be made available for such a purpose.

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.

BBBEE COMPLIANCE PERFORMANCE INFORMATION

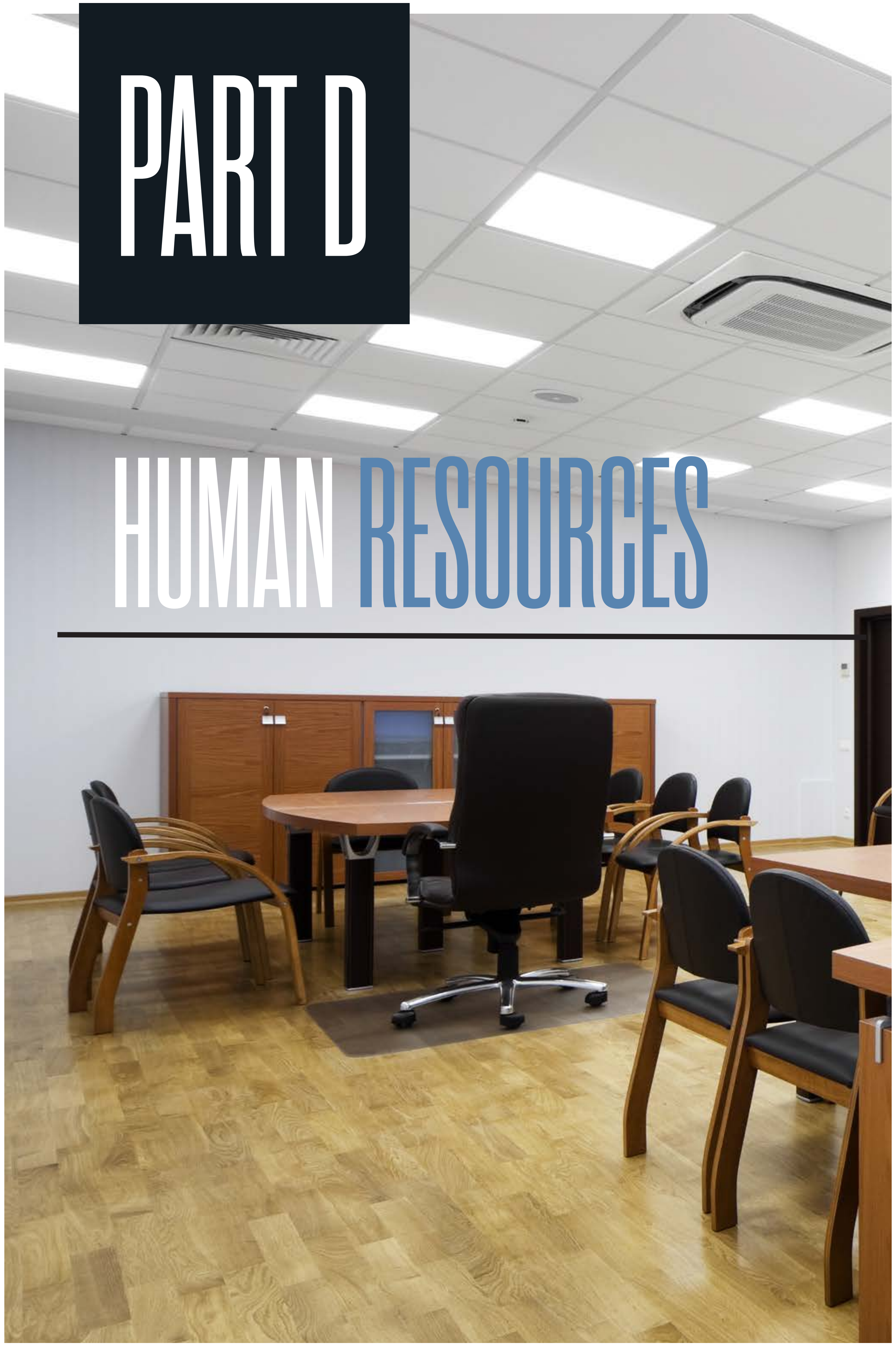
The following table has been completed in accordance with the compliance to the BBBEE requirements of the BBBEE Act of 2013 and as determined by the Department of Trade and Industry.

Has the Department / 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?	N/A	N/A
Developing and implementing a preferential procurement policy?	N/A	N/A
Determining qualification criteria for the sale of state-owned enterprises?	N/A	N/A
Developing criteria for entering into partnerships with the private sector?	N/A	N/A
Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad Based Black Economic Empowerment?	N/A	N/A

PART D

HUMAN RESOURCES



CORPORATE SERVICES

"The division renders a comprehensive integrated human capital management and administration function, integrated information and communication services, communication and marketing as well as Enterprise-Wide Risk Management function ".

INTRODUCTION

The purpose of Corporate Services division is to render a comprehensive integrated human capital management and administration function, integrated information and communication services, communication and marketing 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 a high work ethic.

d. Promote a safe and healthy working environment for all employees.

e. Constantly develop individual employees through training interventions.

f. Create a risk-intelligent organization.

g. Provide inclusively integrated and interoperable business systems processes that enable the execution of the corporate strategy and ensure that records are created, used, maintained, and disposed of through their life.

aa. Make sensible and informed decisions and contribute independent, value-adding views to Board deliberations;

bb. Have an understanding of the legal and fiduciary responsibilities incumbent on Board members; and

cc. Discharge their fiduciary responsibilities with due care, skill and diligence so as to ensure that all Members are unequivocally committed to furthering the interests of MEGA.

Highlights / progress made

Progress on OD Process

The placement of employees has been finalised however, about 10% of the placed employees have appealed their placement. Management is currently in a process of handling the appeals which will be finalized during the 1st quarter of the 2021/22 financial year.

Review of Human Resources (HR) Policies

All Human Resources Policies and procedures are being reviewed. Consultation with the various stakeholders including Organised Labour, and Management is underway. It is anticipated that this process will be finalised in the 2nd quarter of the ensuing financial year (2021/22).

Human Resources Development

MEGA continues to develop employees in various fields in line with the Workplace Skills Plan (WSP).

Financial Modelling

An in-house training in Financial Modelling was facilitated. The training was aimed at addressing core competency requirements within the Funding Division, ensure that MEGA funds viable businesses and capacitating Business Advisors, Business Analysts, and Managers in assessing business proposals. The training was successful in that 71% of employees were found to be competent.

ABET

The facilitation of the ABET programme through the Provincial Department of Labour is in progress. Learners in levels 1 to 3 were grossly affected by the Covid-19 pandemic and lock-down because training centres had to comply with the Covid-19 regulations. Only level 4 employees were assessed and were all found to be competent.

UIF Learnerships

The Mpumalanga Provincial Treasury recruited and enrolled unemployed graduates on the South African Institute of Professional Accountants (SAIPA) learnership program which is fully funded by the Finance and Accounting Services Sector Education and Training Authority [FASSET]. MEGA was identified as one of the provincial entities to participate in the program and to this end, one [1] Trainee Accountant has been placed under the supervision of the CFO as Overall Evaluator (registered SAICA professional).

Internship Programme

MEGA currently employs a total of fourteen (14) Interns who are spread across the different Divisions as follows:

Division/ Department	Gender		Total
	Male	Female	
Internal Audit	1	1	2
Human Resources	3	1	4
Finance	3	1	4
Company Secretariat & Legal	1	2	3
Enterprise Wide Risk	1	0	1
TOTAL	**9**	**5**	**14**

HIGHLIGHTS / PROGRESS MADE

"The division renders a comprehensive integrated human capital management and administration function, integrated information and communication services, communication and marketing as well as Enterprise-Wide Risk Management function ".

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Division/ Department	Gender		Total
	Male	Female	
Internal Audit	1	1	2
Human Resources	3	1	4
Finance	3	1	4
Company Secretariat & Legal	1	2	3
Enterprise Wide Risk	1	0	1
TOTAL	**9**	**5**	**14**

HUMAN RESOURCES (continued)

Staff engagements have improved drastically, especially with organised labour as regular meetings are held with Management to consult on any organizational change and deal with issues of mutual interest.

Partnership with the Unemployment Insurance Fund: Labour Activation Programme

a. MEGA in partnership with the Department of Labour, is implementing the Unemployed Insurance Fund Labour Activation Programme (UIF LAP) aimed at re-skilling about 1200 Mpumalanga unemployed beneficiaries of UIF and skilling of unemployed youth and women to reintegrate them back into the labour market.

b. For the next 12 months, focus will be on the following programs:

aa. General Management: SMME NQF4

bb. General Management: Co-operatives NQF4

cc. Food and Beverages NQF1

c. MEGA has appointed six (6) Project Managers/Service Providers to assist the entity with the effective implementation of the programme.

d. The total cost of the project is R86m for over 12 months. The entity has managed to register a total of 863 learners on the learnership programmes and the summary is as follows:

Leanership	No. of Leaners
Food and Beverages	312
SMME	295
Corporative	256
TOTAL	**863**

The learnership programmes were also affected by the COVID 19 restrictions as a result, 110 participants dropped out after the lockdown. There were challenges in terms of facilitating some of the training remotely, however, the programmes managed to continue to finality. Learners in all three learnership programmes have completed the theoretical part of the training and they are currently doing practicals with host employers.

Staff Engagements

Staff engagements have improved drastically, especially with organised labour as regular meetings are held with Management to consult on any organizational change and deal with issues of mutual interest.

LEARNERSHIP CHALLENGES

The learnership programmes were also affected by the COVID 19 restrictions as a result, 110 participants dropped out after the lockdown.

HUMAN RESOURCES (continued)

MEGA experienced a high turn-over in Top Management level due to better career opportunities outside the entity and expiry of employment contracts.

R 109,569,615.21 TOTAL PERSONNEL COST

HUMAN RESOURCE OVERSIGHT STATISTICS

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

Personnel Cost by programme/ activity/ objective

Personnel Cost by Programme	Expenditure for the entity	No. of employees paid between April 2020 to 31 Mar 21	Personnel exp. as a % of total exp. (R'000)	Average personnel cost per employee (R'000)
CEO'S office	R7 125 695,22	10	6,8%	712 569,52
Finance	R16 895 191,62	22	16,0%	767 963,26
Corporate Services	R12 624 353,33	20	12,0%	631 217,67
Trade and Investment	R9 209 590,66	11	8,7%	837 235,51
Funding	R36 245 100,35	59	34,4%	614 323,73
Properties & Infrastructure	R18 558 665,12	46	17,6%	403 449,24
SEZ	R4 782 995,26	7	4,5%	683 285,04
Sub Total	R105 441 591,56	175	96,2%	602 523,38
Interns	R1 532 428,44	20	1,4%	76 621,42
Sub Total	R106 974 019,90	195	97,6%	548 584,72
EPWP	R846 971,72	28	82,5%	30 248,99
Loopspruit	R179 706,63	5	17,5%	35 941,33
Sub Total	R1 026 678,35	33	0,9%	31 111,47
Board	R1 568 916,96	15	1,4%	104 594,46
GRAND TOTAL	**R109 569 615,21**	**243**	**100,0%**	**450 903,77**

R 450,903.77 Average personnel cost per employee

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	4 949 145,11	4,5%	5	989829,02
Senior Management	15 136 224,34	13,8%	10	1513622,43
Professional qualified	31 298 563,58	28,6%	29	1079260,81
Skilled	33 354 650,05	30,4%	51	654012,75
Semi-skilled	13 053 343,43	11,9%	38	343509,04
Unskilled	8 676 343,30	7,9%	75	115684,58
Interns	1 532 428,44	1,4%	20	76621,42
Board	1 568 916,96	1,4%	15	104594,46
GRAND TOTAL	**109 569 615,21**	**100,0%**	**243**	**450903,77**

Performance Rewards

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

Training Costs

Level	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as a % of Personnel Cost.	No. of employees training per programme	Average training cost per employee
CEO's office	7 125 695,22	10 900,00	0,2%	1	10 900,00
Finance	16 895 191,62	211 503,95	1,3%	23	9 195,82
Corporate Services	12 624 353,33	110 568,01	0,9%	12	9 214,00
Funding	9 209 590,66	353 442,00	3,8%	29	12 187,66
Property Management and Infrastructure	36 245 100,35	50 165,00	0,1%	8	6 270,63
Trade and Investment	18 558 665,12	19 634,74	0,1%	1	19 634,74
SEZ	4 782 995,26	161 864,99	3,4%	2	80 932,50
TOTAL	**R105 441 591,56**	**R918 078,69**	**0,9%**	**76**	**12 079,98**

HUMAN RESOURCES (continued)

Employment and vacancies

Programme/activity/ objective	2019/2020 Approved Posts	2019/2020 No. of Employees	2019/2020 No. of Unplaced Employees	2020/2021 No. of employees	2021/2022 Vacancies	% of vacancies
CEO'S office	15	5	2	8	7	3
Finance	36	12	10	20	16	6
Corporate Services	38	13	5	17	21	8
Trade and Investment	67	39	20	54	13	5
Funding	73	37	8	42	31	12
Properties & Infrastructure	30	6	4	8	22	8
GRAND TOTAL	**259**	**112**	**49**	**149**	**110**	**42**

Temporary Employees

Programme/activity/ objective	2019/2020 Approved Posts	2019/2020 No. of Employees	2020/2021 No. of Employees
Corporate Services	1	1	1
Trade and investment	1	1	1

Nkomazi SEZ PMU

Programme/activity/ objective	2019/2020 Approved Posts	2019/2020 No. of Employees	2020/2021 No. of Employees
SEZ	9	1	6

Employment changes

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

Salary Band	Employment at beginning of period	Appointments and placements	Terminations Placed employees	Employment at end of the period
Top Management	4	0	4	0
Senior Management	9	1	0	10
Professional qualified	14	6	0	20
Skilled	27	30	3	54
Semi-skilled	5	13	3	15
Unskilled	53	0	3	50
TOTAL	**112**	**50**	**13**	**149**

9%

NO. OF STAFF LEAVING

Reasons for staff leaving

Reason	Number	% Of Total Number of Staff Leaving
Death	4	3
Resignation	2	1
Dismissal	0	0
Retirement	5	3
Expiry of employment contract	2	1
TOTAL	**13**	**9**

MEGA experienced a high turn-over in Top Management level due to better career opportunities outside the entity and expiry of employment contracts. We continue to train employees to perform functions which were vacated by the terminated employees, identified and transferred employees with the required skills, knowledge and competencies to fill the vacant position(s). Furthermore the filling of top management positions is in progress.

LABOUR RELATIONS: MISCONDUCT AND DISCIPLINARY ACTION

During the period under review, there were no misconduct and Disciplinary actions against employees.

The following are Labour litigations against MEGA:

Occupational Level	No. of Employees	Description	Status
Top Management	3	Constructive dismissal	Matter ruled in favour of MEGA
		Unfair dismissal on expiry of a fixed-term contract	Matter settled at CCMA.
		Unfair dismissal on expiry of a fixed-term contract	In progress
Professional	3	Unfair labour Practice	• 1 case was ruled in favour of MEGA • 2 cases are In progress

HUMAN RESOURCES (continued)

Equity Target and Employment Equity Status

The target as per the Employment Equity Plan was partially met due to budgetary constraints only the positions of top management and the CEO will be filled in ensuing financial year.

LEVELS	FEMALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	2	0	0	0	0	1	1
Senior Management	2	6	1	1	0	0	1	1
Professional Qualified	5	5	1	0	0	1	1	1
Skilled	25	0	2	0	1	0	1	1
Semi-Skilled	9	0	0	0	0	0	2	0
Unskilled	29	0	0	0	0	0	0	0
TOTAL	**70**	**13**	**4**	**1**	**1**	**1**	**6**	**4**

Temporary Employees

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

LEVELS	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	2	0	0	0	0	0	0
Senior Management	5	0	0	1	0	0	0	2
Professional Qualified	16	0	0	1	0	1	1	2
Skilled	25	0	0	0	0	1	1	2
Semi-Skilled	3	0	0	0	0	0	0	0
Unskilled	18	0	0	0	0	0	0	0
TOTAL	**67**	**2**	**4**	**2**	**0**	**2**	**2**	**6**

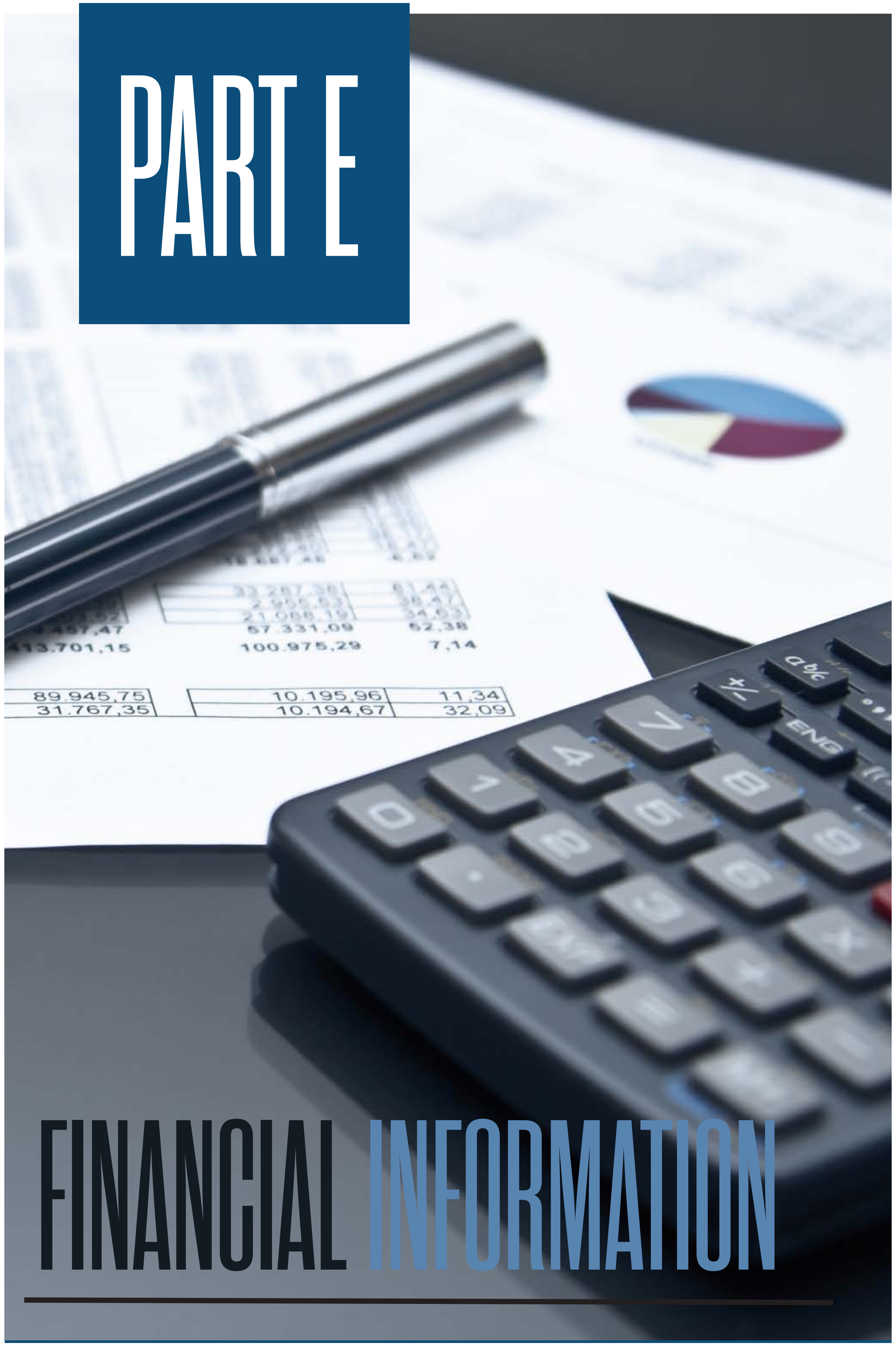
01 Employee with Disability

LEVELS	DISABLED STAFF			
	Male		Female	
	Current	Target	Current	Target
Top Management				
Senior Management				
Professional Qualified				
Skilled	1			
Semi-Skilled				
Unskilled				
TOTAL	**1**			

HEALTH SAFETY AND ENVIRONMENTAL ISSUES

MEGA is implementing an on-line employee wellness programme to assist employees and their immediate families in dealing with socio-economic issues i.e. stress management, financial management, legal etc.

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 95 to 175, which comprise the statement of financial position as at 31 March 2021, the 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 notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, except for the possible effects and effects of the matter described in the basis for qualified opinion section of this report, the financial statements present fairly, in all material respects, the financial position of the Mpumalanga Economic Growth Agency as at 31 March 2021, 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 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 entity did not provide loan agreements to confirm that loans and the related interest had been accounted for properly in the financial statements. I could not confirm the correctness of the loan amounts and related interest by alternative means, as the entity's record keeping system did not permit this. Consequently, I was unable to determine whether any adjustment was necessary relating to other financial assets of R50 432 641 (2019-20: R65 606 319), as disclosed in note 8 of the financial statements, and interest income of R42 025 237 (2019-20: R41 339 428), as disclosed in note 19 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 my report.

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

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

Emphasis of matters

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

Material impairments

8. As disclosed in note 8 to the financial statements, material impairments of R157 469 658 were incurred as a result of the provision for impairment of other financial assets.

9. As disclosed in note 10 to the financial statements, material impairments of R305 825 204 were incurred as a result of the provision for impairment of trade and other receivables.

Restatement of corresponding figures

10. As disclosed in note 32 to the financial statements, the corresponding figures for 31 March 2020 were restated as a result of an error in the financial statements of the entity at, and for the year ended, 31 March 2021.

Events after the reporting date

11. I draw attention to note 35 in the financial statements, which deals with subsequent events and specifically the possible effects of the future implications of covid-19 on the entity's future prospects, performance and cash flows. Management has also described how it plans to deal with these events and circumstances.

12. I draw attention to note 35 in the financial statements, which deals with subsequent events and specifically legal action that was taken by the entity against Afrimat for the expungement of the entity's 40% shareholding in Nkomati Anthracite Mine through a business rescue process. On 16 August 2021, an out of court agreement was reached that Afrimat would allocate R11 million worth of shares, amounting to 196 429 shares, to the entity to replace the shares in Nkomati.

13. I draw attention to note 35 in the financial statements, which deals with subsequent events and specifically the approval and disbursement of a loan for R6,3 million to Dalamba Victorious Trading for the development of a shopping centre. The construction was completed, but the client did not have sufficient funds to establish the supermarket. The entity then granted the client a second loan of R7,74 million. A deed of settlement was signed by both parties in June 2021 where ownership of the property would be transferred to the entity as settlement of an amount of R5,3 million. The shortfall of R1 million will remain under the first loan agreement, to be repaid within a period of six years.

Fruitless and wasteful expenditure

14. As disclosed in note 36 to the financial statements, the entity incurred fruitless and wasteful expenditure of R218 603 as a result of interest charged on overdue accounts.

Responsibilities of the accounting authority for the financial statements

15. 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.

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

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

17. 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.

18. 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

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

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

21. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the entity's annual performance report for the year ended 31 March 2021:

Programmes	Pages in the annual performance report
Programme 6 – funding	52 – 56

22. 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.

23. The material findings on the usefulness and reliability of the performance information of the selected programme are as follows:

Programme 6 – funding

Various indicators

24. The source information and method of calculation for achieving the planned indicators was not clearly defined for the indicators listed below.

- Number of businesses provided with post-investment support
- Number of housing clients provided with post-investment support

Number of equity investment monitoring reports

25. The source information and method of calculation for achieving the planned indicators was not clearly defined.

26. Adequate systems and processes were not established to enable consistent measurement and reliable reporting of performance against the predetermined indicator definitions.

27. The achievement of four equity investment reports was reported against a target of four equity investment reports in the annual performance report. However, the supporting evidence provided did not agree to the reported achievement and indicated an achievement of one equity investment report.

Other matter

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

Achievement of planned targets

29. Refer to the annual performance report on pages 26 to 57 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 paragraphs 24 to 27 of this report.

Report on the audit of compliance with legislation

Introduction and scope

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

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

Procurement and contract management

32. Some of the goods, works or services were not procured through a procurement process that is fair, equitable, transparent and competitive, as required by section 51(1)(a)(iii) of the PFMA.

Expenditure management

33. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R43 575 264, as disclosed in note 37 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA.

Revenue management

34. Effective and appropriate steps were not taken to collect all revenue due to the entity, as required by section 51(1)(b)(i) of the PFMA.

Annual financial statements, performance and annual report

35. 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.

36. Material misstatements of non-current assets and current assets items identified by the auditors in the submitted financial statements were corrected and the supporting records were provided subsequently, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified opinion.

Consequence management

37. 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 because investigations into irregular expenditure were not performed.

Other information

38. 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.

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

40. 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.

41. 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. I have nothing to report in this regard.

Internal control deficiencies

42. 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.

43. Management did not adequately exercise oversight responsibility to ensure appropriate financial and performance reporting, including compliance with laws and regulations.

44. The accounting authority's monitoring mechanisms were not effective in ensuring that its resolutions are fully implemented by management, resulting in remedial action plans not being fully achieved.

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

46. Management of the entity did not implement recommendations from the various governance and oversight structures that aim to improve significant deficiencies in the internal control environment. This resulted in material misstatements in the annual financial statements and non-compliance with legislation.

47. The audit committee did not function throughout the year as the appointments took place after the start of the financial year. Consequently, the committee did not oversee the implementation of the matters reported by the internal audit unit and external auditors.

Other reports

48. I draw attention to the following engagements conducted by various parties which had, or could have, an impact on the matters reported in the entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

49. The Special Investigating Unit conducted an investigation into the entity's compliance with laws and regulations in covid-19-related procurement. A report has been issued to the accounting authority.

Auditor - General

Mbombela

31 August 2021

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

Financial statements

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

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

Communication with those charged with governance

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

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

ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2021

GENERL 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); Mr Bonginkosi Victor Mbungela; Ms Salome S Sithole; Mr Sipho Shongwe; Mr Jabulani Lucas Mahlangu; Mr Sabatha Shongwe; Ms Noxolo Zephania Oyiya; Mr Melusi Swelo Masilela.

Registered office:

20 Paul Kruger Street, P.O.Box 5838, 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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Directors' Responsibilities and Approval

The directors are required in terms of the MEGA Act no.1 of 2010 and PFMA Act no.1 of 1999 to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the 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 2022 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 financial statements. The financial statements have been examined by the entity's external auditors.

The financial statements set out on pages 7 to 83, which have been prepared on the going concern basis, were approved by the board on 31 May 2021 and were signed by:

Mr David Mkhwanazi
Chairperson

Directors' Report

The directors have pleasure in submitting their report on the financial statements of Mpumalanga Economic Growth Agency (MEGA) for the year ended 31 March 2021.

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 2021 of R (98 033 245). This represented an increase from the net loss after tax of the prior year of R(11 709 318).

Revenue increased from R178 484 143 in the prior year to R185 205 344 for the year ended 31 March 2021

Directors' Report

3. Directorate

During the period 22 June to 15 July 2020, the interim Board comprised of the following members:

Directors		Designation	Nationality	Appointed
Mr David Mkhwanazi (Chairperson)	Independent	Non-executive	South African	22 June 2020
Mr Nkululeko Berthwell Maphanga (Deputy Chairperson)	Independent	Non-executive	South African	22 June 2020
Mr Bonginkosi Victor Mbungela	Independent	Non-executive	South African	22 June 2020
Mr Lemias Mashile	Independent	Non-executive	South African	22 June 2020
Ms Augustine Mkwanazi	Independent	Non-executive	South African	22 June 2020
Ms Zanele Valencia Phungwayo	Independent	Non-executive	South African	22 June 2020
Mr SW Lubisi	Independent	Non-executive	South African	22 June 2020
Mr P Motha	Independent	Non-executive	South African	22 June 2020
Ms S Ndlovu	Independent	Non-executive	South African	22 June 2020
Ms F Kabini	Independent	Non-executive	South African	22 June 2020

During the period 21 September 2020 to 31 March 2021, the interim Board comprised of the following members::

Directors		Designation	Nationality	Appointed
Mr David Mkhwanazi (Chairperson)	Independent	Non-executive	South African	21 September 2020
Mr Nkululeko B Maphanga (Deputy Chairperson)	Independent	Non-executive	South African	21 September 2020
Mr Sipho Shongwe	Independent	Non-executive	South African	21 September 2020
Ms Salome S Sithole	Independent	Non-executive	South African	21 September 2020
Mr Jabulani L Mahlangu	Independent	Non-executive	South African	21 September 2020
Mr Sabatha Shongwe	Independent	Non-executive	South African	21 September 2020
Ms Noxolo Z Oyiya	Independent	Non-executive	South African	21 September 2020
Mr Melusi S Masilela	Independent	Non-executive	South African	21 September 2020
Mr Bonginkosi V Mbungela	Independent	Non-executive	South African	21 September 2020

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. 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 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.

6. 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 1 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 12%. The entity is currently unable 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.

Directors' Report

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.

7. Auditors

Auditor-General of South Africa continued in office as auditors for the entity for 2021 in accordance with section 55 of MEGA Act and the PFMA Act.

8. Company secretary

The Company Secretary is Advocate SP Morgan.

Mpumalanga Economic Growth Agency (MEGA)

Financial Statements for the year ended 31 March 2021

Statement of Financial Position as at 31 March 2021

	Note(s)	2021 R	2020 Restated * R	2019 Restated * R
Assets				
Non-Current Assets				
Property, plant and equipment	3	428 979 881	431 413 916	435 343 116
Investment property	4	452 960 001	478 870 001	445 586 645
Biological assets	5	15 185 161	30 918 806	12 530 068
Intangible assets	6	8 477 109	8 655 556	8 835 392
Investments in associates	7	8 156 219	3 099 862	1 866 065
Other financial assets	8	40 308 590	53 797 287	78 408 280
		954 066 961	**1 006 755 428**	**982 569 566**
Current Assets				
Inventories	9	45 968 457	46 410 668	46 283 047
Trade and other receivables	10	46 508 992	54 403 069	52 286 755
Other financial assets	8	10 124 051	11 809 032	13 794 079
Cash and cash equivalents	11	30 036 260	34 909 780	116 339 056
		132 637 760	**147 532 549**	**228 702 937**
Total Assets		**1 086 704 721**	**1 154 287 977**	**1 211 272 503**
Equity and Liabilities				
Equity				
Reserves		134 464 840	128 820 360	127 381 802
Retained income		711 921 364	806 915 852	815 843 704
		846 386 204	**935 736 212**	**943 225 506**
Liabilities				
Non-Current Liabilities				
Other financial liabilities	13	4 816 364	4 816 364	4 816 364
Provisions	15	1 562 129	1 546 845	1 537 092
		6 378 493	**6 363 209**	**6 353 456**
Current Liabilities				
Trade and other payables	16	191 449 474	173 375 033	214 664 014
Other financial liabilities	13	15 088 799	15 088 887	21 764 167
Unspent Conditional grants	17	16 969 200	12 237 854	10 163 110
Provisions	15	10 432 551	11 486 782	15 102 250
		233 940 024	**212 188 556**	**261 693 541**
Total Liabilities		**240 318 517**	**218 551 765**	**268 046 997**
Total Equity and Liabilities		**1 086 704 721**	**1 154 287 977**	**1 211 272 503**

* See Note 2 & 32

Mpumalanga Economic Growth Agency (MEGA)

Financial Statements for the year ended 31 March 2021

Statement of Profit or Loss and Other Comprehensive Income

	Note(s)	2021 R	2020 Restated * R
Revenue	19	185 205 344	178 484 143
Cost of sales	20	(146 033 753)	(106 783 930)
Gross profit		**39 171 591**	**71 700 213**
Other operating income	21	170 992 891	190 635 161
Other operating gains (losses)	22	(10 896 240)	72 502 331
Other operating expenses		(300 683 214)	(351 385 828)
Operating loss	23	**(101 414 972)**	**(16 548 123)**
Investment income	25	1 176 849	4 307 265
Finance costs	26	(637 721)	(702 257)
Income from equity accounted investments	7	2 842 599	1 233 797
Loss for the year		**(98 033 245)**	**(11 709 318)**
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Gains on property revaluation (Refer to note 3)		8 683 236	4 220 024
Other comprehensive income for the year		**8 683 236**	**4 220 024**
Total comprehensive loss for the year		**(89 350 009)**	**(7 489 294)**

* See Note 2 & 32

Mpumalanga Economic Growth Agency (MEGA)

Financial Statements for the year ended 31 March 2021

Statement of Changes in Equity

	Revaluation reserve R	Retained income R	Total equity R
Opening balance as previously reported	127 888 932	816 718 051	944 606 983
Adjustments			
Prior year adjustments	(507 130)	(874 345)	(1 381 475)
Restated balance at 01 April 2019	**127 381 802**	**815 843 706**	**943 225 508**
Loss for the year	-	(11 709 318)	(11 709 318)
Other comprehensive income	4 220 025	-	4 220 025
Total comprehensive Loss for the year	**4 220 025**	**(11 709 318)**	**(7 489 293)**
Transfer between reserves	(2 781 466)	2 781 466	-
Total contributions by and distributions to owners of entity recognised directly in equity	**(2 781 466)**	**2 781 466**	**-**
Opening balance as previously reported	128 916 669	746 276 929	875 193 598
Adjustments			
Prior year adjustments	(96 307)	60 638 922	60 542 615
Restated balance at 1 April 2020	**128 820 362**	**806 915 851**	**935 736 213**
Loss for the year	-	(98 033 245)	(98 033 245)
Other comprehensive income	8 683 236	-	8 683 236
Total comprehensive Loss for the year	**8 683 236**	**(98 033 245)**	**(89 350 009)**
Transfer between reserves	(3 038 758)	3 038 758	-
Total contributions by and distributions to owners of company recognised directly in equity	**(3 038 758)**	**3 038 758**	**-**
Balance at 31 March 2021	**134 464 840**	**711 921 364**	**846 386 204**

Note(s)

The accounting policies on pages 11 to 31 and the notes on pages 32 to 81 form an integral part of the financial statements.

* See Note 2 & 32

Mpumalanga Economic Growth Agency (MEGA)

Financial Statements for the year ended 31 March 2021

Statement of Cash Flows

	Note(s)	2021 R	2020 Restated * R
Cash flows from operating activities			
Cash receipts from customers		370 000 507	373 385 000
Cash paid to suppliers and employees		(415 721 441)	(493 712 049)
Cash used in operations	27	(45 720 934)	(120 327 049)
Interest income		1 176 681	4 306 856
Finance costs		(637 721)	(702 257)
Net cash from operating activities		**(45 181 974)**	**(116 722 450)**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(3 554 702)	(424 978)
Renovation of investment property (WIP)	4	-	(381 195)
Additional investment in associate		(2 213 757)	-
Sale of financial assets		15 158 027	26 706 901
Sale of biological assets	5	30 918 805	16 067 317
Dividends received		168	409
Net cash from investing activities		**40 308 541**	**41 968 454**
Cash flows from financing activities			
Repayment of borrowings		(88)	(6 675 280)
Net cash from financing activities		**(88)**	**(6 675 280)**
Total cash movement for the year		**(4 873 521)**	**(81 429 276)**
Cash at the beginning of the year		34 909 780	116 339 056
Total cash at end of the year	11	**30 036 260**	**34 909 780**

* See Note 2 & 32

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 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 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:

Lease classification

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

MEGA has entered into commercial property leases on its investment property portfolio. The entity has determined, based 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.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

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

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

Key sources of estimation uncertainty

Trade receivables and loans and receivables

MEGA assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the organisation makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from 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 discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit 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.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

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 15.

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 15.

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 2021. 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.

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.

Accounting Policies

1.4 Investment property

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

Investment property is 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.

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 stand by equipment which are expected to be used for more than one year are included in property, plant and equipment.

Accounting Policies

1.5 Property, plant and equipment (continued)

Subsequent to initial recognition, property, plant and equipment is measured at cost less accumulated depreciation and any accumulated impairment losses, except for land and buildings 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.

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.

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

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

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.

Accounting Policies

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.

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 influence and which is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

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

Accounting Policies

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.

Financial assets are not reclassified subsequent to their initial recognition unless the entity changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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.

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 otherwise 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 otherwise 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.

Accounting Policies

1.8 Financial instruments (continued)

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for 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

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, inclyding 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.

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

Accounting Policies

1.8 Financial instruments (continued)

- 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.

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.

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Accounting Policies

1.8 Financial instruments (continued)

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.

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 understood 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.

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.

Accounting Policies

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.

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.

Accounting Policies

1.10 Leases

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.

As a lessee

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.

<u>Short-term leases and leases of low-value assets</u>

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.

Accounting Policies

1.10 Leases (continued)

As a lessor

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.

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 are 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.

Accounting Policies

1.12 Impairment of assets (continued)

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

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

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

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

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

1.13 Share capital and equity

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

1.14 Employee benefits

Short-term employee benefits

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

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

The expected cost of 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.

Accounting Policies

1.14 Employee benefits (continued)

Defined contribution plans

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

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

Termination benefits

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

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

Long-term service employee benefits

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

For long-term service benefits the cost of providing the benefits is determined using the projected unit credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries.

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

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

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

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

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

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

1.15 Provisions and contingencies

Provisions are recognised when:

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

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 29.

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

Decommissioning liability

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

Leave provision

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

Accounting Policies

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.

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 goods. A receivable is recognised 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.

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 invoice Department of Education, Department of Health and Department of Social services for fresh produce delivered to either schools or hospitals.

Accounting Policies

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.

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.

Accounting Policies

1.20 Deviations

Deviations arise when a procurement process was implemented which is not in line with the PFMA, either through a sole provider (firm has experience of exceptional worth) or an emergency (a rapid selection is essential). Deviations are disclosed in the notes to the financial statements when approved by the Accounting Officer and the reasons are justifiable and do not constitute Irregular Expenditure. Deviations are disclosed when the affected transaction has occurred as per the accrual basis of accounting (i.e. services received).

1.21 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 financial statements are recognised in profit or loss in the period in which they arise.

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

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.

1.22 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.

Accounting Policies

1.23 Income Tax and Value Added Tax

Income Tax

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

Value Added Tax

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

1.24 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.

1.25 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.

1.26 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.

1.27 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 Financial Statements

	2021	2020 Restated *	2019 Restated *
	R	R	R

2. Changes in accounting policy

The financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year.

* See Note 2 & 32

Notes to the Financial Statements

Figures in Rand	2021	2020	2019

3. Property, plant and equipment

	2021			2020			2019		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Land	44 123 537	-	44 123 537	44 123 537	-	44 123 537	44 716 997	-	44 716 997
Buildings	54 021 003	(2 732 286)	51 288 717	54 021 003	(1 366 143)	52 654 860	58 415 233	(112 000)	58 303 233
Plant and machinery	14 914 310	(5 304 657)	9 609 653	14 352 193	(4 693 732)	9 658 461	14 310 055	(3 531 581)	10 778 474
Motor vehicles	3 062 760	(1 229 586)	1 833 174	1 658 526	(1 240 060)	418 466	1 658 526	(1 216 280)	442 246
Office equipment	3 737 198	(2 354 716)	1 382 482	3 941 937	(2 521 260)	1 420 677	3 873 880	(2 369 889)	1 503 991
IT Equipment	6 216 226	(4 860 795)	1 355 431	5 680 472	(4 198 440)	1 482 032	5 645 654	(3 563 075)	2 082 579
Bearer plants	17 056 573	(5 766 095)	11 290 478	17 690 173	(5 575 968)	12 114 205	17 690 173	(4 752 243)	12 937 930
Bulk infrastructure	308 125 478	(29 069)	308 096 409	309 562 245	(20 567)	309 541 678	304 589 731	(12 065)	304 577 666
Total	**451 257 085**	**(22 277 204)**	**428 979 881**	**451 030 086**	**(19 616 170)**	**431 413 916**	**450 900 249**	**(15 557 133)**	**435 343 116**

* See Note 2 & 32

Notes to the Financial Statements

	2021	2020	2019
		Restated *	Restated *
	R	R	R

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Revaluations	Depreciation	Total
Land	44 123 537	-	-	-	-	44 123 537
Buildings	52 654 859	-	-	-	(1 366 142)	51 288 717
Plant and machinery	9 658 461	1 223 835	(96 142)	-	(1 176 501)	9 609 653
Motor vehicles	418 466	1 460 900	(14 166)	-	(32 026)	1 833 174
Office equipment	1 420 677	199 205	(45 342)	-	(192 058)	1 382 482
IT equipment	1 482 032	537 752	(100)	-	(664 253)	1 355 431
Bearer plants	12 114 205	-	-	-	(823 727)	11 290 478
Bulk infrastructure	309 541 678	133 010	-	8 683 237	(10 261 516)	308 096 409
	431 413 915	**3 554 702**	**(155 750)**	**8 683 237**	**(14 516 223)**	**428 979 881**

* See Note 2 & 32

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Notes to the Financial Statements

Figures in Rand	2021	2020	2019

3. 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	58 303 233	-	-	(2 400 736)	-	(1 856 004)	(1 391 633)	52 654 860
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	304 577 669	10 209 817	-	-	4 254 091	-	(9 499 896)	309 541 681
	435 343 119	**10 404 225**	**(14 742)**	**(2 770 000)**	**4 220 024**	**(2 046 133)**	**(13 722 574)**	**431 413 919**

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Transfers	Revaluations	Depreciation	Total
Land	43 397 779	-	-	-	1 319 218	-	44 716 997
Buildings	38 071 038	-	-	5 502 325	15 646 520	(916 650)	58 303 233
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	296 374 064	538 530	-	-	14 723 300	(9 058 225)	304 577 669
Capital - Work in progress	4 685 224	817 101	-	(5 502 325)	-	-	-
	413 889 588	**2 802 641**	**(43 617)**	**-**	**31 689 038**	**(12 994 531)**	**435 343 119**

* See Note 2 & 32

Mpumalanga Economic Growth Agency (MEGA)
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Notes to the Financial Statements

	2021 R	2020 Restated * R	2019 Restated * R

3. 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:

	2021	2020	2019
Buildings			
Cost		45 549 766	45 549 766
Accumulated depreciation and impairment		(6 049 846)	(5 142 250)
		39 499 920	**40 407 516**
Bulk infrastructure			
Cost		274 357 634	274 357 634
Accumulated depreciation and impairment		(50 684 025)	(43 002 668)
		223 673 609	**231 354 966**

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

Fair value is determined using a market comparable method. Valuations performed by the valuer are based on active market prices, significantly adjusted for any difference in the nature, location or condition of the specific property. The date of the most recent revaluation for bulk infrastructure was 31 March 2021.

Fair value hierarchy of assets at revalued amounts through revaluation reserve
- Level 1 represents those assets which are measured using unadjusted quoted prices in an active market
- Level 2 applies inputs which are based on observable market data
- Level 3 applies inputs which are based on significant unobservable inputs

Level 3	**2021**	**2020**	**2019**
Land	44 123 537	44 123 537	44 716 997
Buildings	51 288 717	52 654 860	58 303 233
Bulk infrastructure	307 963 401	309 541 678	304 577 666
	403 375 655	**406 320 075**	**407 597 896**

There is 1 commercial property with a fair value of R2 603 775 (2020: R10 181 928) which are controlled by MEGA but not registered in the entity's name, and concequently not recognised as property, plant and equipment by MEGA.

* See Note 2 & 32

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Notes to the Financial Statements

Figures in Rand	2021	2020	2019

4. Investment property

	2021			2020			2019		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	452 960 001	-	452 960 001	478 870 001	-	478 870 001	445 586 645	-	445 586 645

Reconciliation of investment property - 2021

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	478 870 001	(10 250 000)	(15 660 000)	452 960 001

Reconciliation of investment property - 2020

	Opening balance	Additions resulting from capitalised subsequent expenditure	Transfer from property plant and equipment	Fair value adjustments	Total
Investment property	445 586 645	381 195	2 770 000	30 132 161	478 870 001

Reconciliation of investment property - 2019

	Opening balance	Additions resulting from capitalised subsequent expenditure	Fair value adjustments	Total
Investment property	427 861 900	4 377 036	13 347 709	445 586 645

* See Note 2 & 32

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Notes to the Financial Statements

	2021	2020 Restated *	2019 Restated *
	R	R	R

4. Investment property (continued)

Other disclosures

MEGA is currently administering 18 buildings valued at R13 730 000 (2020: R12 940 000) 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 25 residential properties with a fair value of R16 730 000 (2020: R16 050 000) and 10 commercial properties with a fair value of R9 790 000 (2020: R10 560 000) which are neither controlled by MEGA nor registered in the entity's name and are consequently not recognised as investment property by MEGA. These properties would only be recognised once MEGA has rental agreements in place and there is evidence of maintenance being assumed by MEGA, then only will these properties indicate substantive rights by MEGA.

There are 25 residential properties derecognised in the current financial year which are still registered in the entity's name but are not controlled by MEGA and no rental income was received on these properties.

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 2021 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

Level 3	2021	2020	2019
Commercial	50 740 000	51 590 000	43 893 000
Farms	17 460 000	26 670 000	8 326 131
Industrial	297 340 000	308 110 000	265 782 000
Land	82 010 000	78 690 000	107 421 480
Residential	5 410 000	13 810 000	15 787 000
Work in progress	-	-	4 377 034
	452 960 000	**478 870 000**	**445 586 645**

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

Significant unobservable data Category	Rate per square meter
Commercial properties	R14 - R34.78
Industrial properties	R10 - R45
Vacant land	R20 - R125
Farms	R1 - R28
Residential properties	R63.38 - R370

* See Note 2 & 32

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Notes to the Financial Statements

Figures in Rand	2021	2020	2019

5. Biological assets

	2021			2020			2019		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Produce - Lemons	15 185 161	-	15 185 161	30 918 806	-	30 918 806	12 530 068	-	12 530 068

* See Note 2 & 32

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Figures in Rand	2021	2020	2019

5. Biological assets (continued)

Reconciliation of biological assets - 2021

	Opening balance	Decreases due to harvest / sales	Gains (losses) arising from changes in fair value	Total
Produce - Lemons	30 918 806	(30 918 806)	15 185 161	15 185 161

Reconciliation of biological assets - 2020

	Opening balance	Decreases due to harvest / sales	Gains (losses) arising from changes in fair value	Total
Produce - Lemons	12 530 068	(16 067 317)	34 456 055	30 918 806

Reconciliation of biological assets - 2019

	Opening balance	Decreases due to harvest / sales	Gains (losses) arising from changes in fair value	Total
Produce - Lemons	945 961	(965 890)	12 549 997	12 530 068

* See Note 2 & 32

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5. 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 2021 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 6667.8 tons lemons for export (2020: 4025.46 tons) and 2642.34 tons lemons for juicing (2020: 2009.7 tons).

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 harvest 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 200 000 cartons (2020: 268 364 cartons). The estimated average fair value of R112.75 per carton (2020: R143.32 per carton).

Juicing for the local market

The forecasted harvest has been estimated at 1969.23 tons (2020: 2642.35 tons). The estimated average fair value at R650 per ton (2020: R750 per ton).

Relationship of unobservable inputs to fair value

The higher the quantities and market price, the higher the fair value.

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

* See Note 2 & 32

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Figures in Rand	2021	2020	2019

5. Biological assets (continued)
- Level 2 applies inputs which are based on observable market data
- Level 3 applies inputs which are based on significant unobservable inputs

Level 3	2021	2020
Produce - Lemons	15 185 161	34 456 055

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:

	2021	2020
Total gains for the period recognised in profit or loss under 'Other operating gains (losses)' also refer to note 22	15 185 161	34 456 055

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

	2021	2020	2019
Non-current assets	15 185 161	30 918 806	12 530 068

* See Note 2 & 32

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Figures in Rand	2021	2020	2019

6. Intangible assets

	2021			2020			2019		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Water rights	8 430 011	-	8 430 011	8 430 011	-	8 430 011	8 430 011	-	8 430 011
Computer software	1 721 928	(1 674 830)	47 098	1 721 928	(1 496 383)	225 545	1 721 928	(1 316 547)	405 381
Total	**10 151 939**	**(1 674 830)**	**8 477 109**	**10 151 939**	**(1 496 383)**	**8 655 556**	**10 151 939**	**(1 316 547)**	**8 835 392**

Reconciliation of intangible assets - 2021

	Opening balance	Amortisation	Total
Water rights	8 430 011	-	8 430 011
Computer software	225 545	(178 447)	47 098
	8 655 556	**(178 447)**	**8 477 109**

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**

* See Note 2 & 32

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Figures in Rand	2021	2020	2019

6. 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**

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.

* See Note 2 & 32

Notes to the Financial Statements

	2021	2020 Restated *	2019 Restated *
	R	R	R

7. Investments in associates

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

Name of company	Held by	Carrying amount 2021	Carrying amount 2020	Carrying amount 2019
KaNgwane Anthracite (Pty) Ltd		492 628	492 628	492 628
Hi-Veld Fruit Packers (Pty) Ltd		8 126 203	2 917 582	1 866 065
Nkomati Anthracite (Pty) Ltd		-	93 180	93 180
Fuma Investments (Pty) Ltd		30 016	-	-
S'Buthe Mntimandze (PtyL Ltd		-	182 280	-
		8 648 847	3 685 670	2 451 873
Impairment of investments in associates		(492 628)	(585 808)	(585 808)
		8 156 219	3 099 862	1 866 065

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

Material associates

The following associates are material to the company:

	Country of incorporation	Method	% Ownership interest 2021	2020	2019
Hi-Veld Fruit Packers (Pty) Ltd	Ermelo/RSA	Equity	26 %	26 %	26 %
KaNgwane Anthracite (Pty) Ltd	Johannesburg/ RSA	Equity	40 %	40 %	40 %
Nkomati Anthracite (Pty) Ltd	Nkomati/RSA	Equity	- %	40 %	40 %
Dalamba Victorious Trading Enterprise and Projects (Pty) Ltd	Kinross/RSA	Equity	25 %	25 %	25 %
Fuma Investments (Pty) Ltd	Bushbuckridge/ RSA	Equity	25 %	25 %	25 %
S'Bithe Mntimandze (Pty) Ltd	Hectorspruit/R SA	Equity	25 %	25 %	25 %

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.

* See Note 2 & 32

Notes to the Financial Statements

	2021	2020 Restated *	2019 Restated *
	R	R	R

7. Investments in associates (continued)

Restrictions relating to associates

No significant restrictions are applicable to all the associates as presented.

Unrecognised share of losses of associates

	2021	2020	2019
KaNgwane Antracite (Pty) Ltd	1 452 067	1 540 575	1 450 467
Nkomati Antracite (Pty) Ltd	173 517 176	173 517 176	173 517 176
S'Buthe Mntimandze (Pty) Ltd	94 518	-	41 755
Dalamba Victorious Trading Enterprise and Projects (Pty) Ltd	868 387	351 300	333 340
Fuma Investments (Pty) Ltd	-	375 235	323 188
	175 932 148	**175 784 286**	**175 665 926**

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 held a 40% interest in Nkomati Anthracite Mine. The interest was acquired to generate income and to stimulate economic growth in the surrounding areas of Nkomazi. The mine was placed under Business Rescue on the 13th October 2020 by one of its suppliers, Afrimat. The business rescue plan which made provision for the expungement of the 40% shares held by MEGA was approved by creditors on the 30th November 2020. Afrimat paid R0.40 for the 40% shares which were held by MEGA. MEGA is currently opposing the business rescue plan through a legal process. The investment in associate was derecognised due to the lack of prospects of any future economic benefits flowing to MEGA from Nkomati Anthracite.
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 and Projects (Pty) 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.

* See Note 2 & 32

Notes to the Financial Statements

	2021 R	2020 Restated * R	2019 Restated * R

7. Investments in associates (continued)

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 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. As at year-end the loan approval has been rescinded due to the fact that the business could not meet conditions precedent for the equity funding which would have enabled MEGA to have shares in the business, hence equity funding could not be disbursed, therefore the investment in associate was derecognised.

* See Note 2 & 32

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8. Other financial assets

	2021 R	2020 Restated * R	2019 Restated * R
At fair value through profit or loss - designated			
Unlisted shares AGRI Limited shares @R7.06/share (2020:R7.06), KWV Holdings Limited shares @R12.50/share (2020: R12.50), Stellenbosch Vineyards Group Limited shares @R5/share (2020: R5), Onderberg Verwerkingskooperasie Beperk shares @R0.25/share (2020: R0.25, number of shares 145 900) and Capespan Group Limited shares @R6.18/share (2020: R6.18).	1 594 023	1 609 673	1 613 930
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.	58 750 742	57 961 684	58 813 347
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.	92 130 077	82 749 990	66 237 798
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.	33 436 468	33 441 986	32 455 970
Equity loans The loans consist of capital funding with participation in redeemable preference shares over a maximum period of 5 years.	9 836 138	9 684 888	9 479 500
Govan Mbeki Housing Company loan The loan is repayable in monthly instalments after the full amount has been distributed. Interest will accrue from this date at a fixed rate of 12%.	11 662 263	11 662 263	11 662 263
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
	206 308 276	195 993 399	179 141 466
Less impairment on loans at amortised cost	(157 469 658)	(131 996 753)	(88 553 037)
	48 838 618	**63 996 646**	**90 588 429**
Total other financial assets	**50 432 641**	**65 606 319**	**92 202 359**
Non-current assets			
Designated as at FV through profit and loss (fair value through income)	1 594 023	1 609 673	1 613 930
Loans at amortised cost	38 714 567	52 187 614	76 794 350
	40 308 590	**53 797 287**	**78 408 280**
Current assets			
Loans at amortised cost	10 124 051	11 809 032	13 794 079
	50 432 641	**65 606 319**	**92 202 359**

* See Note 2 & 32

Notes to the Financial Statements

	2021 R	2020 Restated * R	2019 Restated * R

8. 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.

	2021 R	2020 Restated * R	2019 Restated * R
Level 1			
Class 2	1 573 201	1 573 201	1 573 201
Level 2			
Class 2	20 822	36 475	40 729
	1 594 023	**1 609 676**	**1 613 930**

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

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

Fair values of other financial assets at amortised cost

	2020 Restated * R	2019 Restated * R
Housing loans	27 866 520	30 724 676
Small, medium and micro enterprises (SMME) loans	17 659 919	29 655 300
Agricultural loans	2 819 591	3 877 828
Equity loans	-	-
KaNgwane Anthracite intercompany loan	492 588	492 588

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.

* See Note 2 & 32

Notes to the Financial Statements

	2021 R	2020 Restated * R	2019 Restated * R

8. Other financial assets (continued)

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 calsh 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 and the present value of estimated future cashflows discounted at the financial asset's effective interest rate. Any adjustment is recognised in profit or loss as an impairment gain or loss.

	2020 Restated * R	2019 Restated * R
Housing loans		
Current	11 937 984	22 576 888
Non-current	46 812 758	35 503 364
	58 750 741	58 080 253
Less: Loss allowance on other financial assets at amortised cost	(30 884 222)	(27 355 577)
	27 866 520	30 724 676
Loss allowance on other financial assets at amortised cost		
Current	(7 530 083)	(19 459 815)
Non-current	(23 354 139)	(7 895 762)
	(30 884 222)	**(27 355 577)**

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 carying amount 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 Restated * R	2019 Restated * R
Fair values of other financial assets at amortised cost		
Housing loans	27 866 520	30 724 676

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.

* See Note 2 & 32

Notes to the Financial Statements

	2021 R	2020 Restated * R	2019 Restated * R

8. Other financial assets (continued)

	2021 R	2020 Restated * R	2019 Restated * R
Small, medium and micro enterprises (SMME) loans			
Current		49 101 889	54 952 716
Non-current		43 028 188	28 462 306
		92 130 077	83 415 022
Less: Loss allowance on other financial assets at amortised cost		(74 470 158)	(53 759 722)
		17 659 919	29 655 300
Loss allowance on other financial assets at amortised cost		-	-
Current		(45 215 947)	(47 947 350)
Non-current		(29 254 211)	(5 812 373)
		(74 470 158)	**(53 759 722)**

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 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.

	2021 R	2020 Restated * R	2019 Restated * R
Fair values of other financial assets at amortised cost			
SMME loans		17 659 919	29 655 300

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.

	2021 R	2020 Restated * R	2019 Restated * R
Agricultural loans			
Current		17 550 145	29 755 494
Non-current		15 886 323	3 610 129
		33 436 468	33 385 623
Less: Loss allowance on other financial assets at amortised cost		(30 616 877)	(29 507 795)
		2 819 591	3 877 828
Loss allowance on other financial assets at amortised cost		-	-
Current		(16 212 514)	(28 547 246)
Non-current		(14 404 363)	(960 549)
		(30 616 877)	**(29 507 795)**

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 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.

* See Note 2 & 32

Notes to the Financial Statements

8. Other financial assets (continued)

	2021 R	2020 Restated * R	2019 Restated * R
Fair values of other financial assets at amortised cost			
Agricultural loans		2 819 591	3 877 828

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.

	2021 R	2020 Restated * R	2019 Restated * R
Equity loans			
Current		9 836 138	9 684 888
Non-current		-	-
		9 836 138	9 711 395
Less: Loss allowance on other financial assets at amortised cost		(9 836 138)	(9 711 395)
		-	-
Loss allowance on other financial assets at amortised cost		-	-
Current		(9 836 138)	(9 711 395)
Non-current		-	-
		(9 836 138)	**(9 711 395)**

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 2020 reconciles to the opening loss allowance on 1 April 2020 and to the closing loss allowance as at 31 March 2021 as follows:

Housing loans	
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
Closing loss allowance as at 31 March 2020	27 355 577
Increase/(Decrease) in loss allowance recognised in profit or loss during the year	-
Opening loss allowance as at 1 April 2020 - Calculated under IFRS9	27 355 577
Increase/(Decrease) in loss allowance recognised in profit or loss during the year	3 528 645
Closing loss allowance as at 31 March 2021	**30 884 222**

* See Note 2 & 32

	2021 R	2020 Restated * R	2019 Restated * R
8. Other financial assets (continued)			
Small, medium and micro enterprises (SMME) loans			
Opening loss allowance as at 1 April 2019 Calculated under IFRS9			33 171 267
Increase/(Decrease) in loss allowance recognised in profit or loss during the year			20 588 455
Closing loss allowance as at 31 March 2020			53 759 722
Increase/(Decrease) in loss allowance recognised in profit or loss during the year			-
Opening loss allowance as at 1 April 2020 - Calculated under IFRS9			53 759 722
Increase/(Decrease) in loss allowance recognised in profit or loss during the year			20 710 436
Closing loss allowance as at 31 March 2021			**74 470 158**
Agricultural loans			
Opening loss allowance as at 1 April 2019 Calculated under IFRS9			17 655 519
Increase/(Decrease) in loss allowance recognised in profit or loss during the year			11 852 276
Closing loss allowance as at 31 March 2020			29 507 795
Increase (decrease) in loss allowance recognised in profit or loss during the year			-
Opening loss allowance as at 1 April 2020 - Calculated under IFRS9			29 507 795
Increase/(Decrease) in loss allowance recognised in profit or loss during the year			1 109 082
Closing loss allowance as at 31 March 2021			**30 616 877**
Equity loans			
Opening loss allowance as at 1 April 2019 Calculated under IFRS9			9 506 007
Increase (decrease) in loss allowance recognised in profit or loss during the year			205 388
Closing loss allowance as at 31 March 2020			9 711 395
Increase (decrease) in loss allowance recognised in profit or loss during the year			-
Opening loss allowance as at 1 April 2020 - Calculated under IFRS9			9 711 395
Increase/(Decrease) in loss allowance recognised in profit or loss during the year			124 743
Closing loss allowance as at 31 March 2021			**9 836 138**

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 (2020: 0; 2019: R 6,675,280). Refer to note 14 for more disclosure on the DBSA loan.

* See Note 2 & 32

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	2021 R	2020 Restated * R	2019 Restated * R
9. Inventories			
Work in progress	45 169 751	45 101 751	45 019 751
Consumables	725 850	1 282 893	1 192 639
Nutrition Programme Inventories	-	-	50 727
Lemon produce	72 856	26 024	19 930
	45 968 457	**46 410 668**	**46 283 047**

The valuators i@consulting assisted MEGA with assessing the net realisable value of WIP housing inventory as at 31 March 2019, 31 March 2020 and 31 March 2021 respectively.

The amount of write-down of inventories recognised as an expense for 2021 is R0 (2020: R0)

Inventory pledged as security

None of the inventory is pledged as security.

10. Trade and other receivables

	2021 R	2020 Restated * R	2019 Restated * R
Financial instruments:			
Trade receivables	344 992 166	308 933 034	249 829 631
Loss allowance	(305 825 204)	(271 456 811)	(214 476 014)
Trade receivables at amortised cost	39 166 962	37 476 223	35 353 617
Operating lease straight-lining asset	1 635 236	1 707 475	2 157 677
Department of Arts and Culture	42 191	42 191	42 191
Other receivables	1 049 780	1 338 493	1 169 557
Non-financial instruments:			
VAT	2 412 759	10 795 887	11 319 493
Prepayments	2 202 064	3 042 800	2 244 220
Total trade and other receivables	**46 508 992**	**54 403 069**	**52 286 755**

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.

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

* See Note 2 & 32

Notes to the Financial Statements

	2021 R	2020 Restated * R	2019 Restated * R

10. Trade and other receivables (continued)

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.

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 The loss allowance provision is determined as follows:

	2021	2021	2020	2020
Expected credit loss rate:	**Estimated gross carrying amount at default**	**Loss allowance (Lifetime expected credit loss)**	**Estimated gross carrying amount at default**	**Loss allowance (Lifetime expected credit loss)**
Current (0-30days)	12 362 242	1 959 915	33 573 119	3 699 195
31 - 60 days	14 840 067	4 266 649	11 934 759	2 900 786
61 - 90 days	2 143 104	970 744	6 091 433	909 952
91 - 120 days	1 478 767	1 064 567	(14 681 806)	1 820 059
121 - 150 days	(11 181 127)	2 572 286	6 170 935	710 017
151 - 180 days	7 079 749	2 780 017	5 054 445	1 889 212
Older than 180 days	313 299 747	292 211 026	259 527 590	259 527 590
Total	**340 022 549**	**305 825 204**	**307 670 475**	**271 456 811**

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	**(271 456 811)**	**(214 476 01**
Increase in loss allowance recognised in profit or loss during the year	(34 368 393)	(56 980 79
	-	
Closing balance	**(305 825 204)**	**(271 456 81**

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.

* See Note 2 & 32

Notes to the Financial Statements

	2021 R	2020 Restated * R	2019 Restated * R

11. Cash and cash equivalents

Cash and cash equivalents consist of:

	2021 R	2020 Restated * R	2019 Restated * R
Cash on hand	453	1 091	264
Bank balances	30 035 807	34 908 689	116 338 792
	30 036 260	**34 909 780**	**116 339 056**

Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable within 24 hours notice with no loss of interest.

12. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

2021

	At amortised cost	**Fair value through profit or loss - designated**	**Total**
Other financial assets	48 838 618	1 594 023	50 432 641
Trade and other receivables	39 166 962	-	39 166 962
Cash and cash equivalents	30 036 260	-	30 036 260
	118 041 840	**1 594 023**	**119 635 863**

2020

	At amortised cost	**Fair value through profit or loss - designated**	**Total**
Other financial assets	64 750 390	1 609 673	66 360 063
Trade and other receivables	47 275 942	-	47 275 942
Cash and cash equivalents	34 909 780	-	34 909 780
	146 936 112	**1 609 673**	**148 545 785**

2019

	At amortised cost	**Fair value through profit or loss - designated**	**Total**
Other financial assets	91 164 324	1 613 931	92 778 255
Trade and other receivables	43 761 616	-	43 761 616
Cash and cash equivalents	116 339 056	-	116 339 056
	251 264 996	**1 613 931**	**252 878 927**

Trade and other receivables excludes prepayments, operating lease straight lining assets and VAT as these receivables are not financial assets.

* See Note 2 & 32

Mpumalanga Economic Growth Agency (MEGA)
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Notes to the Financial Statements

	2021 R	2020 Restated * R	2019 Restated * R
13. Other financial liabilities			
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	15 088 799	15 088 887	15 088 887
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
Unsecured			
	19 905 163	**19 905 251**	**26 580 531**

Split between non-current and current portions

	2021 R	2020 Restated * R	2019 Restated * R
Non-current liabilities	4 816 364	4 816 364	4 816 364
Current liabilities	15 088 799	15 088 887	21 764 167
	19 905 163	**19 905 251**	**26 580 531**

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.

14. 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.

	2021 R	2020 Restated * R	2019 Restated * R
The total group contribution to such schemes		9 805 746	9 937 635

* See Note 2 & 32

Mpumalanga Economic Growth Agency (MEGA)
Financial Statements for the year ended 31 March 2021

Notes to the Financial Statements

15. Provisions

Reconciliation of provisions - 2021

	Opening balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	942 845	-	-	-	37 714	980 559
Provision for litigation	-	1 085 095	-	-	-	1 085 095
Leave provision	11 486 782	10 914 751	(13 054 077)	-	-	9 347 456
Long service award	604 000	34 000	(72 430)	(35 000)	51 000	581 570
	13 033 627	**12 033 846**	**(13 126 507)**	**(35 000)**	**88 714**	**11 994 680**

Reconciliation of provisions - 2020

	Opening balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	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**

Reconciliation of provisions - 2019

	Opening balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	360 268	538 529	-	-	7 785	906 582
Legal proceedings	-	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**

	2021 R	2020 Restated * R	2019 Restated * R
Non-current liabilities	1 562 129	1 546 845	1 537 092
Current liabilities	10 432 551	11 486 782	15 102 250
	11 994 680	**13 033 627**	**16 639 342**

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% (2020: 4%) has been applied to discount the current prices.

* See Note 2 & 32

Notes to the Financial Statements

	2021 R	2020 Restated * R	2019 Restated * R

15. Provisions (continued)

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%	8,20%
Expected retirement age	63 years	63 years	63 years
Benefit awards inflation	4,40%	4,40%	4,40%

16. Trade and other payables

	2021 R	2020 Restated * R	2019 Restated * R
Financial instruments:			
Trade payables	124 094 761	129 904 215	110 660 354
Other payables	34 780 060	11 421 638	79 665 557
UIF Programme	5 107 322	15 757 144	-
Accrued expense	18 284 510	12 767 532	17 559 317
Deposits received	3 920 886	3 524 504	3 213 739
LONA Payable	5 261 935	-	3 565 047
	191 449 474	**173 375 033**	**214 664 014**

Trade payables are usually paid within 30 days of recognition. The carrying amount approximate the fair value.

* See Note 2 & 32

Notes to the Financial Statements

17. Unspent Conditional grants

	2021 R	2020 Restated * R	2019 Restated * R
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 and culture and social sectors.	552 448	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	7 290 657
Department of Economic Development and Tourism Funds were received from the Department of Economic Development and Tourism in relation to the Nkomazi Special Economic Zone	2 934 239	847 114	(1 056 446)
COVID relief funding	2 295 778	-	-
	16 969 200	**12 237 855**	**10 163 110**

* See Note 2 & 32

Notes to the Financial Statements

	2021 R	2020 Restated * R	2019 Restated * R

18. Financial liabilities by category

2021

	Financial liabilities at amortised cost	Total
Other financial liabilities	19 905 163	19 905 163
Trade and other payables	196 895 375	196 895 375
Unspent conditional grants	15 206 215	15 206 215
	232 006 753	**232 006 753**

2020

	Financial liabilities at amortised cost	Total
Other financial liabilities	19 905 251	19 905 251
Trade and other payables	173 617 472	173 617 472
Unspent conditional grants	15 390 741	15 390 741
	208 913 464	**208 913 464**

2019

	Financial liabilities at amortised cost	Total
Other financial liabilities	26 580 531	26 580 531
Trade and other payables	214 906 451	214 906 451
Unspent conditional grants	11 219 556	11 219 556
	252 706 538	**252 706 538**

19. Revenue

	2021	2020
Revenue from contracts with customers		
Sale of wine	-	3 696
Municipal services	67 696 740	67 337 790
Interest income (Trading)	42 025 237	41 339 428
GNP Revenue	-	84 999
Sale of lemons - export	34 265 591	31 673 987
Sale of lemons - local	51 810	1 632 917
Rental income - properties	41 075 966	36 411 326
Rental income - equipment	90 000	-
	185 205 344	**178 484 143**

* See Note 2 & 32

Notes to the Financial Statements

20. Cost of sales

		2021 R	2020 Restated * R
Sale of goods		41 510 745	29 886 910
Rendering of services		103 644 840	76 862 677
Inventories lost or written off		878 168	-
Nutrition programme		-	34 343
		146 033 753	**106 783 930**

21. Other operating income

	2021	2020
Administration and management fees received	33 389	45 400
Fees earned	-	231 069
Commissions received	6 205 622	11 105 179
Bad debts recovered	101 764	115 119
Reversal of impairment	68 000	82 000
Insurance claims received	-	80 480
Government grants	164 584 116	178 975 914
	170 992 891	**190 635 161**

Government grants of R164 584 116 (2020: R178 975 914) 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.

22. Other operating gains (losses)

	Note	2021	2020
Gains (losses) on disposals, scrappings and settlements			
Investment property	4	(10 250 000)	-
Property, plant and equipment	3	(155 751)	(14 742)
		(10 405 751)	**(14 742)**
Fair value gains (losses)			
Biological assets	5	15 185 161	34 456 055
Agricultural produce		-	(2 046 134)
Investment property	4	(15 660 000)	30 132 161
Financial assets designated as at fair value through profit or loss		(15 650)	(4 257)
Bulk infrastructure - donations received		-	9 979 248
		(490 489)	**72 517 073**
Total other operating gains (losses)		**(10 896 240)**	**72 502 331**

23. Operating profit (loss)

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

	2021	2020
Auditor's remuneration - external		
Audit fees	6 370 844	5 094 815
Remuneration, other than to employees		
Consulting and professional services	9 973 140	12 157 607

* See Note 2 & 32

Notes to the Financial Statements

	2021 R	2020 Restated * R
23. Operating profit (loss) (continued)		
Leases		
Operating lease charges		
Premises	8 163 874	8 435 988
Equipment	262 304	743 578
	8 426 178	**9 179 566**
Depreciation and amortisation		
Depreciation of property, plant and equipment	14 516 223	13 722 574
Amortisation of intangible assets	178 447	179 836
Total depreciation and amortisation	**14 694 670**	**13 902 410**

24. Employee costs

	2021 R	2020 Restated * R
Employee costs		
Basic	116 473 367	114 491 901
Workmens' compensation contributions	61 857	67 315
Leave pay provision charge	(692 412)	(201 235)
Directors' fees	1 521 275	1 932 886
Other short term costs	3 396 043	2 683 039
Long-term benefits - incentive scheme	(1 000)	53 130
	120 759 130	**119 027 036**

25. Investment income

	2021 R	2020 Restated * R
Dividend income		
Equity instruments at fair value through profit or loss:		
Unlisted investments - Local	168	409
Interest income		
Investments in financial assets:		
Loans at amortised cost	1 176 681	4 306 856
Total investment income	**1 176 849**	**4 307 265**

26. Finance costs

	2021 R	2020 Restated * R
Non-current borrowings	549 007	614 994
Unwinding of discount on provisions for environmental rehabilitation cost	37 714	36 263
Unwinding of discount on long-term employee benefit obligation	51 000	51 000
Total finance costs	**637 721**	**702 257**

* See Note 2 & 32

Notes to the Financial Statements

27. Cash (used in)/generated from operations

	2021 R	2020 Restated * R
Loss before taxation	(98 033 245)	(11 709 318)
Adjustments for:		
Depreciation and amortisation	14 694 670	13 902 410
Losses on disposals, scrappings and settlements of assets and liabilities	10 405 751	14 742
Income from equity accounted investments	(2 842 599)	(1 233 797)
Dividend income	(168)	(409)
Interest income	(1 176 681)	(4 306 856)
Finance costs	637 721	702 257
Fair value losses (gains)	490 489	(72 517 073)
Movement in provisions	(1 038 947)	(3 605 715)
Impairment reversals	-	(115 119)
Changes in working capital:		
Inventories	442 211	(127 620)
Trade and other receivables	7 894 077	(2 116 314)
Trade and other payables	18 074 441	(41 288 981)
Unspent Conditional grants	4 731 346	2 074 744
	(45 720 934)	**(120 327 049)**

* See Note 2 & 32

Notes to the Financial Statements

	2021 R	2020 Restated * R
28. Commitments and lease arrangements		
Authorised capital expenditure		
Already contracted for but not provided for		
• Commitments incurred as implementing agent	1 126 282	1 094 829 340
• Loans approved but not yet paid	10 357 344	31 726 923
• Supplier commitments	1 892 300	1 702 654
• Goven Mbeki Housing Company	8 337 736	8 337 736
Operating leases – as lessee (expense)		
Minimum lease payments due		
- within one year	5 042 375	2 665 168
- in second to fifth year inclusive	361 740	576 687
	5 404 115	**3 241 855**

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.

	2021 R	2020 Restated * R
Operating leases – as lessor (income)		
- Within year 1	14 590 885	15 716 227
- Within year 2	10 496 098	10 059 105
- Within year 3	6 142 894	6 253 071
- Within year 4	2 734 599	2 635 101
- Within year 5	292 861	900 977
- remaining later than five years	35 053	-
	34 292 390	**35 564 481**

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.

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Notes to the Financial Statements

	2021 R	2020 Restated * R

29. Contingencies

1. Bicacon (Pty) Ltd (Claim amount: R520,716)

Bicacon has instituted legal proceedings against MEGA for breach of contract, 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. Nemorango Consulting Engineers (Claim amount: R11,000,524)

Nemorango was appointed to provide professional engineering services for the Mpumalanga International Fresh Produce Market. On 12 December 2019, MEGA represented by Mr. Camane, concluded a settlement agreement with Nemorango in respect of outstanding professional fees as well as future fees following termination of the contract due to non-performance. MEGA undertook to pay an amount of R17.4 million before 16 Dec. 2019.

MEGA was subsequently served with provisional sentence summons and as a result of the plaintiff's action of instituting the provisional sentence proceedings, MEGA instituted a counter-claim against the applicant which was filed with the Court on 17 July 2020. On 29 October 2020, a court order was granted against MEGA and in terms of the order, two [2] payments were to be made. The first payment of R4, 754.475.70 was made directly to Nemorango. The second payment in terms of the court order is an amount of R 11 000 524.35 that is to be paid into MEGA's attorneys of record's trust account pending the finalization of the litigation. This payment has not been made due to the unavailability of the funds in MEGA or the Department. The matter is to be heard at the Mpumalanga High Court on 25 May 2021 wherein Nemorango seeks to enforce the court order for the payment of an amount of R 11 000 524.35.

3. Roadspan (Claim amount: R4,784,315)

On or about 28 February 2020, Roadspan instituted action proceedings claiming that MEGA owes it R4 784 315.52 plus interest of 9.5% per annum for work done at the Mpumalanga International Fresh Produce Market.

Our statement of claim is that MEGA only had a contract with Liviero Civils (Pty) Ltd, which has since been terminated following Liviero's inability to complete the works as per provisions of the contract.

MEGA is opposing Roadspan's claim. Our response thereto was communicated to applicant on 23 April 2020 wherein we denied being indebted to Roadspan nor Liviero Civils in respect of the amount claimed. Matter still in progress.

4. Mr. EL Potgieter (Claim amount: R5,173,335)

Mr. Potgieter, former CFO also lodged a grievance after the expiry of his 5 years fixed term of employment contract on the 31st January 2021, wherein he alleged the following:

i) Unfair dismissal due to non-renewal of the fixed-term employment contract.

ii) None-payment of Cost of Leaving Salary increase on appointment and for the financial year 2018/2019.

iii) None-payment of performance bonus.

Notes to the Financial Statements

	2021 R	2020 Restated * R

29. Contingencies (continued)

The CCMA conciliation meeting was held on 19 February 2021 and the matter was not resolved. It must be noted that in terms of the CCMA rules a matter regarding unfair dismissal must be referred to CCMA for arbitration within 90 calendar days after conciliation. Mr. Potgieter only referred the matter for arbitration on the 3 of May 2021, which was after the lapse of the afore-mentioned period without an application for condonation. MEGA intends to oppose the application based on the afore-mentioned rule and will only confirm the ruling of the CCMA.

Contingent assets

Nkomati Anthracite (Pty) Ltd

Legal action was taken by MEGA against Afrimat for the expungement of MEGA shares in Nkomati Anthracite Mine through a business rescue process. MEGA held 40% shares in Nkomati Anthracite Mine. Through the business rescue process Afrimat paid R0.40 to MEGA after the approval of the business rescue plan by the creditors in November 2020. The carrying amount of MEGA's investment in Nkomati Anthracite was R93 180 at the time. MEGA challenged the business rescue plan through the court and was also disputing the section 11 transfer of the whole shares of Nkomati to Afrimat in March 2021 through a legal appeals process with the Minister of the DMRE which was still pending as at year-end.

Notes to the Financial Statements

30. Related parties

Relationships

Associates	Refer to note 7
Close family member of key management (Key management being MEGA officials part of Executive Management)	Mr ZL Dlabazama
Government departments (All government institutions are subject to the same accounting authority in terms of the sphere of government and are also under the same executive leadership and are therefore related parties to MEGA)	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

	2021 R	2020 Restated * R
Loan accounts - Owing (to) by related parties		
Department of Agriculture, Forestry and Fisheries	(15 088 887)	(15 088 887)
Dalama Voctorious Trading Enterprise and Projects (Pty) Ltd	8 858 873	8 179 944
Fuma Investments (Pty) Ltd	8 300 390	8 615 564
S'Buthe Mntimandze (Pty) Ltd	2 701 624	2 647 139
Mr GJ Dladla	1 275 079	1 347 826
Mr ZL Dlabazama	2 071 938	2 071 938
Amounts included in Trade receivable (Trade Payable) regarding related parties		
Department of Arts and Culture (Promoting Sports and Culture)	(12 610 708)	(10 272 739)
Department of Public Works (EPWP)	(552 448)	(204 006)
Department of Public Works	(841 137)	(841 137)
Kangwane Anthracite (Pty) Ltd	492 588	492 588
Department of Economic Develpment and Tourism	(33 783 396)	(1 329 149)
Department of Economic Develpment and Tourism	8 350 985	8 350 985
Department of Trade and Industry	(2 934 239)	-
Department of Human Settlement	5 528 326	5 528 326
Amounts owed by client departments for Government Nutrition Programme		
Department of Education	802 107	802 107
Department of Health	169 673	169 673

Related party transactions

	2021 R	2020 Restated * R
Loans repaid		
Mr GJ Dladla	226 320	248 431
Fuma Investments (Pty) Ltd	1 030 535	1 336 856
Grants received from		
Department of Economic Development and Tourism - Operational grant	185 462 727	196 853 000
Department of Economical Development and Tourism - EPWP	1 200 000	1 070 000
Department of Sports and Culture	2 475 778	-
Department of Economic Development and Tourism - SEZ	10 000 036	4 000 000
Department of Economic Development and Tourism - Mpumalanga International Fresh Produce	136 400 000	125 362 000
Shareholders contribution made		
Hi-veld Fruit Packers (Pty) Ltd	(2 213 757)	-
Revenue from the Government Nutrition Programme		

Notes to the Financial Statements

	2021 R	2020 Restated * R
30. Related parties (continued)		
Department of Health	-	84 999

Notes to the Financial Statements

	2021 R	2020 Restated * R

31. Board members and key management emoluments

Board members

2021

	Director's fees	Total
Mr NB Maphanga	106 431	106 431
Mr DS Mkhwanazi	129 502	129 502
Mr JL Mahlangu	149 283	149 283
Miss AD Mkhwanazi	94 284	94 284
Mr ZT Shongwe	148 218	148 218
Mr BV Mbungela	96 903	96 903
Mr SW Lubisi	5 238	5 238
Mr BL Mashile	5 238	5 238
Mr MSK Masilela	81 234	81 234
Mrs SF Sithole	123 093	123 093
Mrs NZ Oyiya	133 569	133 569
Miss FM Kabini	5 238	5 238
Miss HR Ndlovu	5 238	5 238
Mr LP Motha	5 238	5 238
Mr S Shongwe	86 427	86 427
Travel and Subsistence reimbursement	393 783	393 783
	1 568 917	**1 568 917**

2020

	Director's fees	Total
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 Shabango	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**

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Notes to the Financial Statements

	2021	2020
		Restated *
	R	R

31. Board members and key management emoluments (continued)

Key management

2021

	Emoluments	Total
Mrs TC Mametja (ACEO) *	950 424	950 424
Mr MM Gaffane *	828 629	828 629
Ms LD Ntshingila	51 826	51 826
Mr GJ Dladla	1 809 979	1 809 979
Mr KB Sibanyoni ****	885 480	885 480
Adv SP Morgan	1 621 338	1 621 338
Mr MS Mkhabela ***	1 824 893	1 824 893
Mr EL Potgieter	2 093 742	2 093 742
Mrs F Masuku	1 355 085	1 355 085
Mr ZS Macu **	320 949	320 949
Mr TS Nobela ***	1 782 178	1 782 178
Mr MI Mahlangu (ACEO) *****	661 448	661 448
Total re-imbursements for the year	238 664	238 664
	14 424 635	**14 424 635**

* Appointed 1 April 2020 to 31 August 2020
** Appointed 1 February 2021
*** Appointed 1 April 2020
**** Appointed 1 November 2020
***** Appointed 7 September 2020

2020

	Emoluments	Total
Mr CT Camane	1 945 769	1 945 769
Ms TC Mametja	1 800 052	1 800 052
Mr GJ Dladla	2 086 501	2 086 501
Adv SP Morgan	1 558 905	1 558 905
Ms JC Botha*	349 654	349 654
Mr EL Potgieter (CFO)	1 852 717	1 852 717
Ms LD Ntshingila	1 676 878	1 676 878
Mr XGS Sithole (CEO)	2 396 689	2 396 689
Mr PJ Velelo*	516 213	516 213
Mr MM Gaffane	1 386 515	1 386 515
Mr MS Makhabela**	341 675	341 675
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.

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Notes to the Financial Statements

32. Prior period restatements

During the current financial year the following retrospective restatements have been made due to the significant nature of the adjustments. These corrections resulted in the following adjustments:

Statement of financial position

	2021 R	2020 Restated * R
Trade and other receivables		
Balance previously reported		47 275 942
Correction of rental debtors		(513 766)
Correction of Municipal debtors		(1 880 846)
Correction of the VAT treatment on grants		9 521 739
		54 403 069
Trade and other payables		
Balance previously reported		175 654 472
Reclassification from retained earnings		(2 037 000)
Trade payables written off		(242 439)
		173 375 033
Other financial assets		
Balance previously reported		66 360 063
Correction of prior period SMME, Agriculture and Home loans		(753 742)
		65 606 321
Property Plant and equipment		
Balance previously reported		431 300 772
Removing bulk Infrustructure components at Depreciated Replacement Cost Value as on 31 March 2018		(2 040 259)
Recognising omitted bulk infrastructure components at Depreciated Replacement Cost Value as on 31 March 2018/19/20		1 125 073
Eliminating / Reversal of Accumulated depreciation when revalued on 31 March 2019/20		7 422
Revaluation surplus adjustments relating to bulk infrastructure		180 453
Recognision of ommitted office building NKOMA001T23		840 455
		431 413 916
Unspent conditional grants		
Balance previously reported		15 390 741
Recognition of revenue on conditional grants		(3 152 887)
		12 237 854

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	2021 R	2020 Restated * R
32. Prior period errors (continued)		
Retained income		
Balance previously reported 1 April 2019		746 276 929
Bulk infrastructure revaluation adjustments		(504 547)
Recognition of revenue on conditional grants		3 152 885
Write down of creditor		226 740
Recognition of revenue incorrectly posted to a control account		15 698
Back billing for under invoicing of rental debtors		180 578
Interest adjustment on loans		(1 339 166)
Correction of over invoicing on municipal debtors		(1 177 178)
Correction of over invoicing on rental debtors		(694 346)
Mapping error corrected		2 037 000
Admin fees raised on SMME loans		325
Recognition of profit share of associate - Hi-veld Fruit Packers (Pty) Ltd		925 192
Correction of the VAT treatment on grants		9 521 741
Recognision of ommitted office building recognised KOMA001T23		714 000
Recording of investment property where MEGA applied the principles of substance over form		47 580 000
		806 915 851
Revaluation reserve		
Balance previously reported		128 916 669
Revaluation adjustments on bulk infrastructure		180 453
Bulk infrastructure reverse transfer from revaluation reserve to retained earnings (difference in depreciation between fair value and cost model)		(403 215)
Revaluation of ommitted office building recognised KOMA001T23		132 000
Transfer from Revaluation Reserve to Retained earnings on the ommitted office building		(5 547)
		128 820 360
Investment property		
Balance previously reported		431 171 433
Correction of home loan debtor repayment incorrectly processed against investment property		118 568
Recording of investment property where MEGA applied the principles of substance over form		47 580 000
		478 870 001
Statement of Profit and Loss and other Comprehensive Income		
Revenue		
Total as previously reported		183 523 097
Correction of over invoicing on rental debtors		(694 345)
Interest adjustment on loans		(881 838)
Municipal services own consumption netted off against municipal revenue		(3 462 771)
		178 484 143
Other operating income		
Total as previously reported		186 270 828
Recognition of revenue on conditional grants		2 096 440
Mapping error corrected		2 037 000
Admin fees raised on SMME loans		324
Bulk infrustructure recognition		230 569
		190 635 161
Other operating expenses		
Total as previously recorded		354 823 648
Correction of depreciation on bulk infrustructure		5 405

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Notes to the Financial Statements

	2021 R	2020 Restated * R
32. Prior period errors (continued)		
Municipal services own consumption netted off against municipal revenue		(3 462 771)
		351 366 282
Income from equity accounted investments		
Total as previously reported		308 604
Recognition of profit share of associate - Hi-veld Fruit Packers (Pty) Ltd		925 192
		1 233 796

Notes to the Financial Statements

	2021 R	2020 Restated * R

33. 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.

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 the debt to equity ratio below 1:2. The entity includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and cash equivalents. Total equity is represented in the statement of financial position.

In order to achieve this overall objective, the entity's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call up loans and borrowings. There have been no breaches of the financial covenants of any interest bearing loans and borrowings in the current period.

The debt equity ratio of the company at 31 March 2021 and 31 March 2020 respectively were as follows:

Borrowings	13	19 905 163	19 905 251	26 580 531
Trade and other payables	16	191 449 474	173 375 033	214 664 014
Total borrowings		**211 354 637**	**193 280 284**	**241 244 545**
Cash and cash equivalents	11	(30 036 260)	(34 909 780)	(116 339 056)
Net borrowings		**181 318 377**	**158 370 504**	**124 905 489**
Equity		846 386 201	935 736 211	943 225 508
Gearing ratio		21 %	18 %	15 %

Notes to the Financial Statements

	2021 R	2020 Restated * R

33. Financial instruments and risk management (continued)

Financial risk management

The principal financial liabilities comprise loans and borrowings, trade and other payables, and unspent conditional grants. The main purpose of these financial liabilities is to finance the operations. The principal financial assets include loans and receivables, trade and other receivables, and cash and cash equivalents that arrive directly from its operations.

The entity is exposed to market risk, credit risk and liquidity risk.

The entity's senior management oversees the management of these risks. The entity's senior management is supported by a financial risk committee that advises on financial risks and the appropriate financial risk governance framework for the entity. The financial risk committee provides assurance to the entity's senior management that the entity's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with entity policies and entity risk appetite. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

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.

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

Other financial assets		
Housing loans	58 750 741	58 080 252
Small, medium and micro enterprises (SMME) loans	92 130 077	83 415 022
Agricultural loans	33 436 468	33 385 623
Equity loans	9 836 138	9 711 395
Govan Mbeki Housing Company loan	11 662 263	11 662 263
KaNgwane Anthracite	492 588	492 588
	206 308 275	**196 747 143**
Trade and other receivables		
Rental and municipal receivables	299 437 684	249 750 587

		2021 R	2020 Restated * R

33. Financial instruments and risk management (continued)

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 R32 938 102 (2020: R34 908 689) 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 2021 (2020: 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.

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.

2021

Non-current liabilities		
Borrowings	13	4 816 364
Current liabilities		
Trade and other payables		191 449 474
Borrowings	13	15 088 799
		211 354 637

2020

Non-current liabilities		
Borrowings	13	4 816 364
Current liabilities		
Trade and other payables	16	173 375 033
Borrowings	13	15 088 887
		193 280 284

2019

Non-current liabilities		
Borrowings	13	4 816 364
Current liabilities		
Trade and other payables	16	214 664 014

		2021 R	2020 Restated * R

33. Financial instruments and risk management (continued)

Borrowings	13	21 764 167
		241 244 545

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.

	2021 R	2020 Restated * R

33. Financial instruments and risk management (continued)

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.

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.

34. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The impact of the national lockdown announced by the President of South Africa to combat the spread of the COVID-19 pandemic was taken into account when assessing the applicability of the going concern principles.

Government announced measures to fund various relief measures to soften the impact of the pandemic on the economy and the lives and livelihood of the vulnerable. Part of these initiatives will be funded by a reduction in grant allocations for the 2020/21 financial year.

The effective reduction in grant funding to MEGA for the 2020/21 financial year is 13%. The entity is currently unable 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.

	2021 R	2020 Restated * R	2019 Restated * R

35. Events after the reporting period

Afrimat share allocation to MEGA

Legal action was taken by MEGA against Afrimat for the expungement of MEGA shares in Nkomati Anthracite Mine through a business rescue process. MEGA held 40% shares in Nkomati Anthracite Mine. Through the business rescue process Afrimat paid R0.40 to MEGA after the approval of the business rescue plan by the creditors in November 2020. MEGA challenged the business rescue plan through the court, and the matter was settled out of court. An agreement was reached that Afrimat would allocate to MEGA R11 000 000 worth of shares in Afrimat replacing the Nkomati shares. The transaction has been effected, 196 429 shares in Afrimat have been allocated to MEGA on 16 August 2021.

COVID 19

The impact of the COVID-19 lockdown regulations on the operations of the entity after the reporting date, is discussed more fully in note 34 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.

Dalamba Victorius Trading Enterprises and Projects (Pty) Ltd

MEGA has previously approved and disbursed a loan for the development of a shopping centre to Dalamba Victorious Trading for an amount of R6.3 million. The construction was completed and the client's inability to raise funds for the establishment of the supermarket led to MEGA approving a second loan of R7.740 million. A deed of settlement was signed by both parties in June 2021 whereby it was agreed that the ownership of the property will be transferred into the names of MEGA as settlement of an amount of R5.3 million. The shortfall of an amount of R1 million will remain under the first loan agreement to be repaid within a period of 6 years. text

36. Fruitless and wasteful expenditure

	2021	2020
Opening balance	314 653	296 410
Written off during the year	(321 279)	-
Current year expenditure incurred	218 603	18 243
	211 977	**314 653**

Fruitless and wasteful expenditure incurred by MEGA was as a result of Interest that was charged on overdue accounts for the whole financial year.

On 25 November 2020, MEGA Board granted approval to write - off R321 279 fruitless and wasteful expenditure. The reasons for the fruitless and wasteful expenditure write - off was that:

a. It was not recoverable.

b. The root cause was cashflow constrains.

c. there was no official responsible in law for the occurrence of the fruitless and wasteful expenditure.

37. Irregular expenditure

	2021	2020
Opening balance	587 451 603	493 774 330
Current year expenditure incurred	43 575 264	93 677 273
Irregular Expenditure Condoned by Provincial Treasury	(34 140 229)	-
	596 886 638	**587 451 603**
Detail of current year expenditure incurred		
Payments made to suppliers whose contracts were extended without valid deviations	-	19 236 765
Prior period contraventions in awarding tenders carried forward to the current period	43 393 104	74 440 508
Variation order not in compliance with requirements	182 160	-
	43 575 264	**93 677 273**

Notes to the Financial Statements

	2021 R	2020 Restated * R	2019 Restated * R

37. Irregular expenditure (continued)

A submission was made to Provincial Treasury in May 2017 relating to irregular expenditure of R225.8 million and MEGA received the Provincial Treasury response letter dated 02 May 2020. The Provincial Treasury letter granted approval for condonement of R34,1 million for the 2016-17 Financial year and the rest of the Irregular Expenditure contraventions were not condoned.

An investigation relating to the whole Irregular Expenditure register as Instructed by Provincial Treasury, including Government Nutrition programme was commissioned by MEGA Board on 19 March 2021. Thabi Consulting was appointed to investigate in detailed, MEGA Irregular Expenditure and provide a report for the Board for consideration and implementation.

The terms of reference for the investigation stated clearly that, the investigation report should precisely provide the following:

a) root causes that led to the transgressions;
b) impact of the transgression;
c) fraudulent, corrupt or other criminal conduct;
d) employee(s) responsible for the irregular expenditure;
e) whether MEGA suffered a loss;
f) whether the matter must be referred to the South African Police Service; and
g) any breakdowns in the designed internal controls and the impact thereof.

38. 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:

	2020	2019
Media coverage	117 606	415 467
Single sourcing of quotations due to emergencies	175 696	2 373 026
Sole supplier	1 125 355	1 585 458
Technical professional services	-	40 250
	1 418 657	**4 414 201**

Detailed Statement of Profit or Loss

	Note(s)	2021 R	2020 Restated * R
Revenue			
Sale of wines		-	3 696
Municipal services		67 696 740	67 337 790
Interest income (Trading)		42 025 237	41 339 428
Rental income		41 075 966	36 411 326
GNP Revenue		-	84 999
Sale of lemons - export		34 265 591	31 673 987
Sale of lemons - local		51 810	1 632 917
Rental income - Equipment		90 000	-
	19	**185 205 344**	**178 484 143**
Cost of sales			
Opening stock		(1 282 893)	(1 243 366)
Purchases		(103 965 965)	(77 281 648)
Cost of manufactured goods		-	(34 343)
Closing stock		725 850	1 282 893
Cost of sales for agricultural activities		(41 510 745)	(29 507 466)
	20	**(146 033 753)**	**(106 783 930)**
Gross profit		**39 171 591**	**71 700 213**
Other operating income			
Administration and management fees received		33 389	45 400
Management fees received		6 205 622	11 105 179
Fees earned		-	231 069
Reversal of impairment		68 000	82 000
Government grants		164 584 116	178 975 914
Insurance claims received		-	80 480
Recoveries		101 764	115 119
	21	**170 992 891**	**190 635 161**
Other operating gains (losses)			
Losses on disposal of assets		(10 405 751)	(14 742)
Fair value (losses) gains		(490 489)	72 517 073
	22	**(10 896 240)**	**72 502 331**
Expenses (Refer to page 83)		**(300 683 214)**	**(351 385 828)**
Operating/ (loss) profit	23	**(101 414 972)**	**(16 548 123)**
Investment income	25	1 176 849	4 307 265
Finance costs	26	(637 721)	(702 257)
Income from equity accounted investments		2 842 599	1 233 797
Loss for the year		**(98 033 245)**	**(11 709 318)**

* See Note 2 & 32

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Detailed Statement of Profit or Loss

	Note(s)	2021 R	2020 Restated * R
Other operating expenses			
Advertising		(514 618)	(766 119)
Amortisation		(178 447)	(179 836)
Auditors remuneration	23	(6 370 844)	(5 094 815)
Bad debts		(59 754 472)	(99 986 503)
Bank charges		(150 361)	(190 237)
Cleaning		(255 247)	(279 613)
Commission paid		-	(1 292 544)
Computer expenses		(1 504 200)	(1 780 760)
Consulting and professional fees		(5 725 526)	(6 944 620)
Depreciation		(14 516 223)	(13 722 574)
Donations		-	(4 851)
Employee Assistance Programs		(53 854)	-
Employee costs		(120 759 130)	(119 027 036)
Entertainment		(196 114)	(373 557)
Farming expenses		(21 692)	(186 703)
Government Nutrition Programme expenses		-	(14 893 440)
Grant expenditure		(12 049 387)	(3 281 018)
Insurance		(7 405 515)	(8 549 276)
Lease rentals on operating lease		(8 426 178)	(9 179 566)
Legal fees		(4 247 614)	(5 212 987)
Levies		(170 296)	(200 892)
Motor vehicle expenses		(26 511)	(44 278)
Municipal expenses		(17 930 419)	(23 602 207)
Other expenses		(2 798 003)	(3 746 923)
COVID 19 expenditure _ PPE		(538 274)	-
Postage		(19 596)	(71 781)
Printing and stationery		(140 142)	(486 817)
Protective clothing		(72 668)	(29 010)
Repairs and maintenance		(4 618 678)	(987 352)
Security		(25 909 989)	(21 078 885)
Staff welfare		(62 809)	(204 263)
Subscriptions		(819 263)	(922 680)
Telephone and fax		(2 192 741)	(1 724 933)
Training		(584 758)	(458 416)
Transport and freight		(2 368 320)	(4 336 323)
Travel - local		(301 325)	(1 111 735)
Travel - overseas		-	(3 465)
VAT apportionment expense		-	(1 429 813)
		(300 683 214)	**(351 385 828)**

* See Note 2 & 32

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