2023

ANNUAL REPORT

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

GENERAL INFORMATION

PUBLIC ENTITY'S GENERAL INFORMATION

1 **REGISTERED NAME**
MPUMALANGA ECONOMIC GROWTH AGENCY (MEGA)

2 **REGISTRATION NUMBER (IF APPLICABLE)**
NOT APPLICABLE

3 **PHYSICAL ADDRESS**
MEGA OFFICE PARK, 02 EASTERN BOULEVARD
RIVERSIDE, MBOMBELA, MPUMALANGA - 1201

4 **POSTAL ADDRESS**
P.O. BOX 952 - NELSPRUIT - 1200

5 **TELEPHONE NUMBER**
013 492 5818

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
ARAP : AUDIT REMEDIAL ACTION PLAN
APP : ANNUAL PERFORMANCE PLAN
BARCC : BOARD AUDIT, RISK AND COMPLIANCE COMMITTEE
BBBEE : BROAD-BASED BLACK EMPOWERMENT ACT
BRICS : BRAZIL, RUSSIA, INDIA, CHINA AND SOUTH AFRICA
CBDR : COMMON BUT DIFFERENTIATED RESPONSIBILITIES
CCMA : COMMISSION FOR CONCILIATION, MEDIATION AND ARBITRATION
CEO : CHIEF EXECUTIVE OFFICER
CFO : CHIEF FINANCIAL OFFICER
DBSA : DEVELOPMENT BANK OF SOUTHERN AFRICA
DEDT : DEPARTMENT OF ECONOMIC DEVELOPMENT AND TOURISM
EMIA : EXPORT MARKETING AND INVESTMENT ASSISTANCE
EPWP : EXPANDED PUBLIC WORKS PROGRAMME
ERM : ENTERPRISE-WIDE RISK MANAGEMENT
EXCO : EXECUTIVE COMMITTEE
FDI : FOREIGN DIRECT INVESTMENT
FICA : FINANCIAL INTELLIGENCE CENTRE ACT
FINCOM : FINANCE COMMITTEE
FLISP : FINANCE LINKED INDIVIDUAL SUBSIDY PROGRAMME
GDP : GROSS DOMESTIC PRODUCT
HR : HUMAN RESOURCE
ICT : INFORMATION AND COMMUNICATION TECHNOLOGY
ICT : INFORMATION AND COMMUNICATION TECHNOLOGY
IFRS : THE INTERNATIONAL FINANCIAL REPORTING STANDARDS
IMF : INTERNATIONAL MONETARY FUND
IPAP : INDUSTRIAL POLICY ACTION PLAN
LDI : LOCAL DIRECT INVESTMENT
MDG : MILLENNIUM DEVELOPMENT GOALS
MEC : MEMBER OF THE EXECUTIVE COUNCIL
MEGA : MPUMALANGA ECONOMIC GROWTH AGENCY
MEGDP : MPUMALANGA ECONOMIC GROWTH AND DEVELOPMENT PATH
MTSF : MEDIUM-TERM STRATEGIC FRAMEWORK
MYDF : MPUMALANGA YOUTH DEVELOPMENT FUND
NDP : NATIONAL DEVELOPMENT PLAN
NGP : NATIONAL GROWTH PLAN
NIPF : NATIONAL INDUSTRIAL POLICY FRAMEWORK
OD : ORGANISATIONAL DESIGN
OECD : ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPMENT
PAJA : PROMOTION OF ADMINISTRATIVE JUSTICE ACT, 2000
PFMA : PUBLIC FINANCE MANAGEMENT ACT
PMDS : PERFORMANCE MANAGEMENT AND DEVELOPENT SYSTEM
PoPIA : PROTECTION OF PERSONAL INFORMATION ACT
SADC : SOUTHERN AFRICAN DEVELOPMENT COMMUNITY
SCM : SUPPLY CHAIN MANAGEMENT
SCOPA : SELECT COMMITTEE ON PUBLIC ACCOUNTS
SDI : SPATIAL DEVELOPMENT INITIATIVES
SDPs : STRATEGIC DEVELOPMENT PARTNERS
SEDA : SMALL ENTERPRISE DEVELOPMENT AGENCY
SEZ : SPECIAL ECONOMIC ZONES
SMME : SMALL, MEDIUM AND MICRO-SIZED ENTERPRISES
SSAS : SECTOR SPECIFIC ASSISTANCE SCHEME
TLP : TAKING LEGISLATURE TO THE PEOPLE
UGCP : UNITED GLOBAL COMPACT PRINCIPLES

BOARD CHAIRPERSON

MR. T. MOTAU

TO OUR SHAREHOLDER

BOARD REPORT FOR 2022/23

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

INTRODUCTION

The entity has made significant progress in addressing the challenges relating to governance and organisational performance during the year under review. The positions of general managers which were for a long period occupied by officials in acting capacities were filled through secondments of senior managers within the entity. In addition, the entity began the process of filling all critical positions on an incremental basis, i.e. year-on-year, based on availability of budget.

The organizational structure was reviewed to address the risk of high vacancy rates and to also ensure alignment with the corporate strategy. This was achieved by management identifying and abolishing dormant positions to create a lean and mean organizational structure.

MEGA'S STRATEGY AND PERFORMANCE

During the Board Strategy Session held in the year under review, the vision and mission of the entity was reviewed and improved in order to send a positive message to citizens, partners and investors about its commitment to a sustainable economy.

The entity's performance has improved significantly compared to the past. The utilization of previous performance data for decision making by management contributed to an improved organisational performance year-on-year. The process involved the analysis of previous performance trends to determine areas of improvement and to ensure accurate timing of the implementation of the set targets

STRATEGIC RELATIONSHIPS

The entity continued its drive to forge strategic partnerships with key partners such as financial institutions, development partners, provincial and national government departments and entities. Through this drive, the entity commenced with the redevelopment of its two major shopping centres, namely: Kabokweni and Siyabuswa Shopping Centres.

Another major infrastructure investment relates to the development of an eco-industrial park project currently at its prefeasibility phase.

CHALLENGES FACED BY THE BOARD

The entity is struggling with debt collection from its customers and this had a negative impact on cash flow and the ability to pay its creditors on time. This has also resulted in a material provision for Impairment. The Board is however confident that the debt collection strategy put in place by management will ensure improvement in collection and in the entity's cash flow position.

THE YEAR AHEAD

The focus of the entity for 2023/2024 financial year is to carry out its bold initiative which is aimed at delivering massive infrastructure projects as it moves towards the journey of self-sustainability.

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.

Mr. T. MOTAU
Board Chairperson
Mpumalanga Economic Growth Agency

CHIEF EXECUTIVE OFFICER

MR. M.I. MAHLANGU

ACCOUNTIING AUTHORITY

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

WORD FROM THE EXECUTIVE

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

GENERAL FINANCIAL REVIEW

The entity continued to implement its revenue enhancement strategies aimed at improving cashflow and revenue generation which include the following: i) appointment of debt collection officers within the credit control unit to intensify collection on over-due accounts ii) continue with the implementation of a turn-around strategy for the property portfolio aimed at improving the condition of its investment properties, reduce distribution losses for municipal services and attract more tenants iii) continue with the implementation of a financial sustainability model to generate additional revenue and create new revenue streams.

CAPACITY CONSTRAINTS AND CHALLENGES FACING THE PUBLIC ENTITY

The vacancy rate pertaining to vacancies in certain critical positions continues to be a significant concern and can be associated with the slow pace in resolving audit findings. To address this short coming, the entity began the process of gradually filling all critical vacant positions.

DISCONTINUED ACTIVITIES / ACTIVITIES TO BE DISCONTINUED

On 25th November 2022, the Member of the Executive Council (MEC) for Finance, Economic Development & Tourism (Mpumalanga Provincial Government) approved MEGA's request to dispose of immovable property that MEGA deemed to be obsolete. The disposal will provide additional capital in order to fund some of the key initiatives and eliminate activities which affect the entity's ability to generate revenue.

NEW OR PROPOSED ACTIVITIES

The entity will continue to pursue strategic investment projects that have already been set in motion, such as the implementation of approved investment development projects (revitalisation and/or construction of investment properties in partnership with Strategic Development Partners (SDPs) and the disbursement of the Premier's Youth Development Fund (PYDF) to approved youth-owned businesses in partnership with Office of the Premier.

New initiatives for the 2023/2024 include the implementation of the InvestSA one-stop-shop in partnership with the dtic as well as the establishment of provincial co-operative banks to be implemented in partnership with the municipalities.

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 the Auditor General are being addressed to avoid their reoccurrence in the future.

AUDIT REPORT MATTERS

Through management's analysis over a five-year period, a notable improvement has been identified in the quality and accuracy of presentation of the financial affairs of the entity in the Annual Financial Statements.

This positive development is evidenced by the improved audit opinion issued by the Auditor-General South Africa (AGSA).

Although there is an improvement regarding the audit opinion and fair presentation of the financial statement, the entity will continue to implement audit remedial action plans aimed at addressing all audit findings preventing it to achieve a clean audit and to ensure improvements in the organization's internal control environment.

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.

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

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 2023.

Yours faithfully

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

STRATEGIC OVERVIEW

VISION

A prosperous Mpumalanga.

MISSION

Enable a sustainable economy for Mpumalanga through facilitating growth and development.

CORE VALUES

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

- **i. Upholding the highest levels of integrity.**
- **ii. Have courage to shape a better future.**
- **iii. Delivering to our stakeholders.**
- **iv. Being loyal, honest and accountable.**
- **v. Growing people's entrepreneurial capabilities.**
- **vi. Be a responsible global citizen.**

PROSPERITY

GROWTH

DEVELOPMENT

OBJECTIVES

In order to achieve the above strategic goals, MEGA will strive to achieve the following strategic objectives:

i. Provide funding in respect of property development including the granting of housing loans as well as in respect of approved enterprise and agricultural development focusing primarily on previously disadvantaged individuals within the Province.

ii. Deliver massive infrastructure, focusing on project management, property development and management of immovable property.

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

iv. Progressively increase own revenue generation and collection; and

v. Building a capable, ethical and developmental state.

LEGISLATIVE & OTHER MANDATES

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 MANDATES

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;
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.

MTSF

Outcome Delivery Agreement

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

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

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

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. Reduced unemployment, poverty and inequality

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. Efficient utilisation of government resources

a. MEGA shall continue restructuring, securing, and maintaining private sector investment on its equity investments, namely: Tekwane Lemon Farm, Loopspruit Winery, Nkomati Anthracite, Kangwane Anthracite and Highveld Fruit Packers.

a. MEGA will continue building internal capacity to deliver on its economic growth and developmental mandate.

LEGISLATIVE & OTHER MANDATES

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:

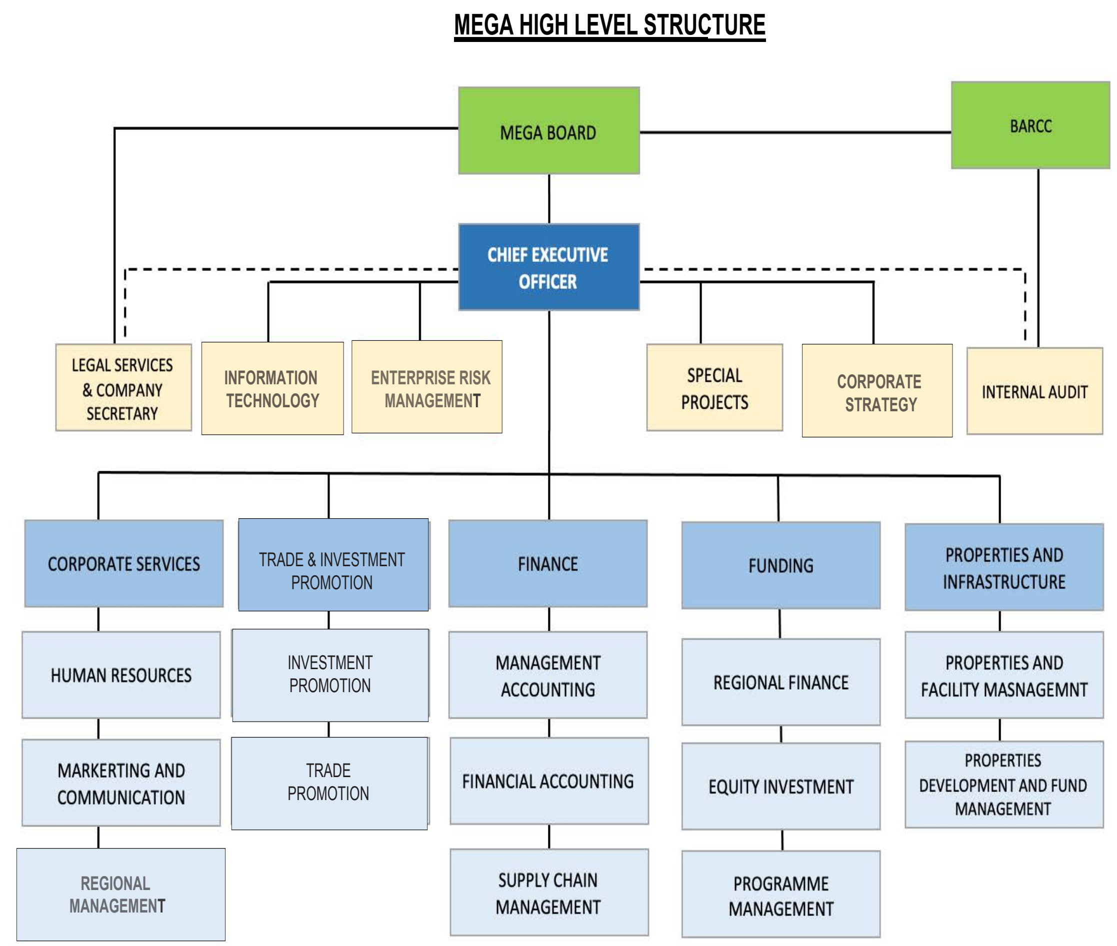
i. Increased employment by developing sectors with sustainable labour absorption potential;

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.

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 76 of the Auditors Report, published as Part F: Financial Information.

OVERVIEW OF THE ENTITY'S PERFORMANCE

1 SA Growth Rate for 2021 was between 4.6% and 4.8& according to SARB

2 Since joining BRICS SA's imports from these countries increased consistently.

3 The National Development Plan is targeting a 30% investment-to-GDP ratio, one third of which is expected to be delivered by the state.

Estimated South African growth rate for 2021 eventually between 4.6% and 4.8% according to the South African Reserve Bank (SARB), as well as the IMF and World Bank. A growth rate of just below 2% is expected for 2022. Risk factors to the downside include load shedding, rising inflation, as well as COVID-19 related factors.

Since joining BRICS, the value of both South Africa's exports to, and imports from, the BRICS countries have increased consistently. The investment levels have also increased between these countries and largely facilitated by the BRICS Bank.

South Africa's imports from these countries relative to South Africa's total imports increased steadily to 29% of total imports in 2021. South Africa's exports to these countries relative to South Africa's total exports have levelled off at around 15% since 2014.

Thematic issues for the MEGA - BRICS agenda revolve around the financing of infrastructure and the promotion of trade and Climate Finance: The Economic Reconstruction and Recovery Plan of government places infrastructure delivery at its Centre. It seeks to leverage infrastructure investments to propel faster and inclusive growth, address supply side constraints, and improve social welfare in the post Covid-19 era.

These objectives are consistent with the National Development Plan that is targeting a 30% investment-to-GDP ratio, one-third of which is expected to be delivered by the state. The National Infrastructure Plan 2050 identifies the most critical actions needed for sustained improvement in public infrastructure delivery. The two-thirds by the private sector depends on confidence in the country and if trading conditions are conducive.

Regarding infrastructure development, our focus is effectively to bridge the infrastructure investment gap, and pursue the goal of high-standard, sustainable, and people-centered development in delivering high-quality infrastructure projects. Over and above financing issues, knowledge sharing based on experiences of other countries is pivotal to South Africa achieving sustainable infrastructure development.

It is within this context that MEGA's BRICS agenda is proposed to advance an infrastructure-heavy focus:

a) Greater focus on PPPs and other blended-finance solutions to expand and accelerate public infrastructure delivery in Mpumalanga.

b) Promote the use of green finance in the development of energy infrastructure, the SEZ and the value chain supporting green energy developments.

c) Co-operate on a programmatic approach to infrastructure development and delivery

d) Promote trade and industrialisation using the Mpumalanga Energy resources

e) Mutual cooperation on Enhancing Resilience of the Mpumalanga Economy through financing and industrial adaptation to low carbon emission and effective and relevant systems for trade.

Our co-operation with BRICS countries is driven by the principle of upholding the Common but Differentiated Responsibilities (CBDR) and Respective Capabilities. We will take the best of what the BRICS alliance offers and in return offer the best of Mpumalanga. This will cover the commitment of financial, technological, and capacity building support for the province.

ORGANISATIONAL ENVIRONMENT

The Act mandates that MEGA is established to accomplish the following:

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

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

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

iv. To progressively increase its own revenue generation and collection.

Part of transforming MEGA from a compliance to performance organisation is to consistently measure performance of the institution based on the mandate and set deliverables.

The entity has consolidated their performance over the last few years and is positively positioned to achieve its long term goals and become a trend setter in the economic development sector (DFI) in South Africa.

After several years of leadership instability, the entity now has a strong administrative leadership and effective governance structures despite existing capacity challenges in some areas which hampers the performance of the organisation. These capacity challenges are being addressed through the capacitation of staff and management in a phased approach.

The entity has put the following measures in place to bring closure to some underlying issues that has affected its ability to excel operationally and to ensure financial sustainability:

i. Implementation of performance management framework to all levels to drive implementation of the Strategy, starting with executive level.

ii. Develop automated business processes across functions and sectors to improve efficiency and effectiveness of the institution.

iii. Implement a more rigorous monitoring and evaluation and organisational performance management system.

iv. Continued its mandate to fund small businesses and co-operatives in the province through strategic partnerships.

v. Optimal utilisation of its property portfolio which is valued above R1 billion to ensure self-sustainability.

vi. Promotion of black industrialists through exploiting opportunities presented by strategic initiatives such as, Industrial Technology Parks, Special Economic Zones and etc.

vii. Promote Trade and Investment guided by the Provincial Trade and Investment Strategy that will support key economic sectors of the province.

viii. Attract private sector investment and to increase infrastructure investment.

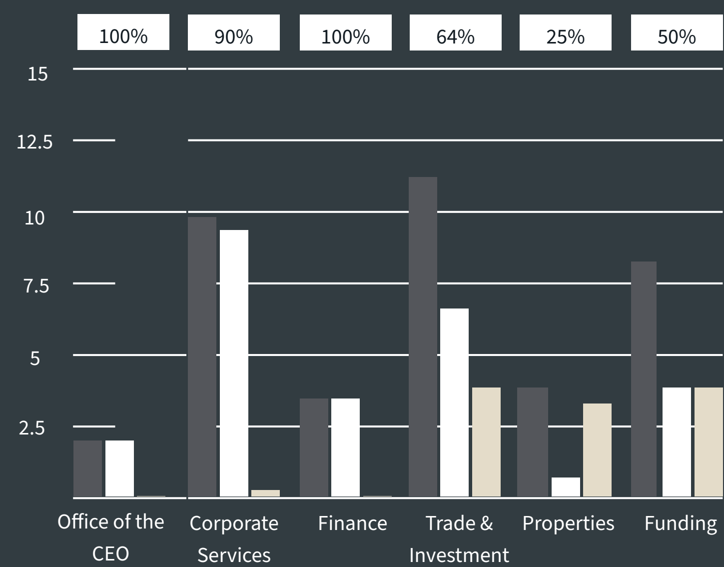
FROM A "DISCLAIMER" TO AN "UNQUALIFIED" AUDIT OPINION

PERFORMANCE HIGHLIGHTS

MEGA RECORDED AN OVERALL ORGANISATIONAL ACHIEVEMENT OF 68%.

For the 2022/23 financial year, MEGA planned 38 annual targets, achieved 26 and failed to achieve 12 of its planned targets. This translates to 68% achievement and 32% non-achievement. Calculations are depicted in figure 2 below.

FIGURE 2: CONSOLIDATED ANNUAL PERFORMANCE PER PROGRAMME / DIVISION



TARGET FOR THE THE MPUMALANGA YOUTH DEVELOPMENT FUND OF R 60 MILLION WAS OVER-ACHIEVED.

R 73,149,109.12

Value of youth businesses that received funding through the Mpumalanga Youth Development Fund.

85%

The entity achieved 29% in Quarter 1.

73%

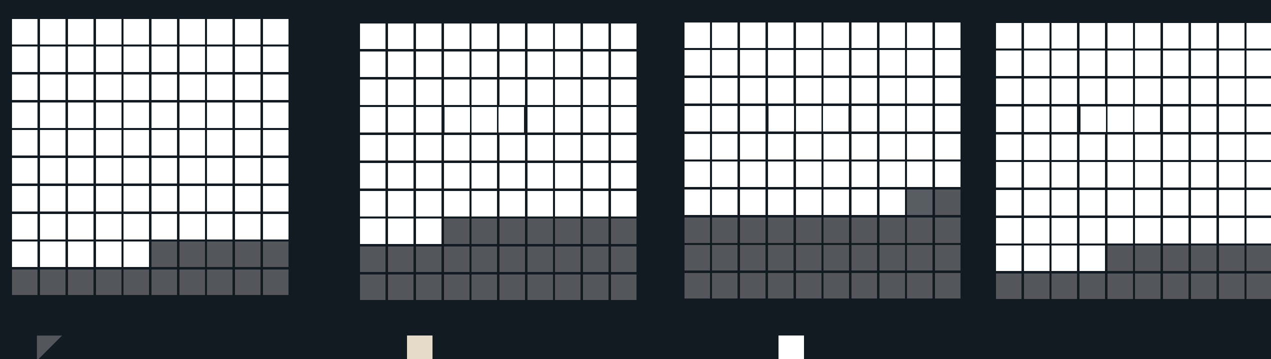
The entity achieved 39% in Quarter 2.

68%

The entity achieved 39% in Quarter 3.

84%

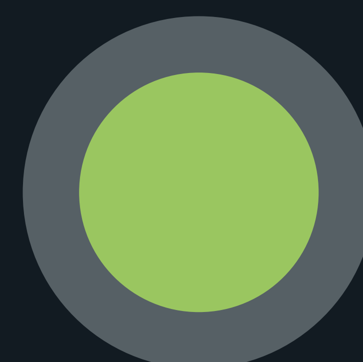
The entity achieved 84% in Quarter 4.



INVESTMENT MOBILIZATION

R 67,6 Billion

INVESTMENT SECURED FOR THE REVITALIZATION OFMEGA'S PROPERTIY PORTFOLIO TO BE IMPLEMENTED IN THE NEXT FIVE YEARS



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.

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.

ANNUAL PERFOMANCE

Strategic objectives, planned targets and actual achievements

Outcome	Output	Output Indicator	Audited Actual Performance 2020/2021	Audited Actual Performance 2021/2022	Planned Annual Target 2022/2023	Actual Achievement 2022/2023	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
Improvement in the effectiveness of internal control and governance	Approval of Annual Internal Audit Plan by BARCC	Level of implementation of three (3) year Internal Audit Plan	70%	100%	100%	100%	0%	None

STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

Not applicable.

LINKING PERFORMANCE WITH BUDGET

	2022/2023			2021/2022		
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	30 357	31 840	(1 483)	25 457	25 922	(465)
TOTAL	**30 357**	**31 840**	**(1 483)**	**25 457**	**25 922**	**(465)**

2. CORPORATE SERVICES

The Corporate Services division exists to render a comprehensive integrated human capital management and administration function, integrated Information and communication services, marketing & communication 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.
vii. 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.
viii. 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 CASCADING OF THE PERFORMANCE MANAGEMENT AND DEVELOPMENT SYSTEM

All employees were trained on PMDS in preparation for the implementation of the PMDS to all levels in the new financial year.

2 REVIEW OF HUMAN RESOURCES POLICIES

All policies have been reviewed and consultations were conducted through meetings and some electronically. The process will be finalised pending conclusion of the dispute with organised labour in relation to the consultation processes undertaken by management.

3 RECRUITMENT

All planned prioritized positions were filled. The recruitment for the two outstanding positions at executive level is in progress and planned to be completed in the first quarter of the new financial year.

4. INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION

ANNUAL PERFOMANCE

Strategic objectives, planned targets and actual achievements

Outcome	Output	Output Indicator	Audited Actual Performance 2020/2021	Audited Actual Performance 2021/2022	Planned Annual Target 2022/2023	Actual Achievement 2022/2023	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	% achieved on positions prioritised in a given year	New Indicator	New Indicator	100%	100%	0%	None
Improved organizational performance	Implement HR Strategies	% achieved on the HR Strategy Implementation Plan	New Indicator	New Indicator	100	92%	-8%	Delays rolling out of PMDS to the entire organization.
Improved organizational culture	Conduct organisational survey	% Achieved on Employee Satisfaction	69%	0%	0%	0%	0%	None
Enhanced all-inclusive and integrated information management system	Implement an ICT Infrastructure	% Implementation of IT Infrastructure	New Indicator	15%	50%	50%	0%	None
Improved risk maturity level	Implement Risk Maturity Implementation Plan	% Improvement on organisational risk maturity level	20%	25%	25%	25%	0%	None
STRATEGIC GOAL 7: IMPROVED CORPORATE IMAGE OF MEGA								
Increased MEGA Brand and Reputation	Implement Marketing and Communications Strategy	Number of external Newsletters	4	4	4	4	0	None
		Number of internal Newsletter	12	12	12	12	0	None
		% achieved on MEGA's Marketing & Communication Strategy	New Indicator	New Indicator	50%	50%	0%	None
		Number of Marketing Campaigns conducted	1	1	1	2	+1	A request to participate in the event planned by one of MEGA's key stakeholders resulted in an additional campaign being conducted.
	Organisational survey conducted	% Achieved on MEGA Brand and Reputation	60%	60%	60%	60%	0%	None
	Organisational survey conducted	Rating achieved on customer satisfaction survey	0%	25%	25%	25%	0%	None

STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

% ACHIEVED ON THE HR STRATEGY IMPLEMENTATION PLAN

All employees have been trained on PMDS and the rolling-out will commence in the ensuing financial year.

Engagements with the Union on the consultation process regarding the HR policies commenced.

LINKING PERFORMANCE WITH BUDGET

	2022/2023			2021/2022		
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	38 938	31 153	7 785	24 436	23 910	526
TOTAL	**38 938**	**31 153**	**7 784**	**24 436**	**23 910**	**526**

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:

1

AUDIT OUTCOME

IMPROVEMENT IN AUDIT OUTCOME

All the audit findings were resolved before the submission of the 2022/23 Annual Financial Statements except for one "Other Financial Assets", relating to the validation of loan balances which had material effect on the audit outcome.

The divisions continues to coordinate the implementation and monitoring of the Audit Remedial Action Plan (ARAP) in order to ensure improvement in the audit outcome

CHALLENGES

The validation of the loan book, which is a legacy issue, remains a challenge that threatens the entity's ability to obtain a clean audit.

ANNUAL PERFOMANCE

Strategic objectives, planned targets and actual achievements

Outcome	Output	Output Indicator	Audited Actual Performance 2020/2021	Audited Actual Performance 2021/2022	Planned Annual Target 2022/2023	Actual Achievement 2022/2023	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	% reduction in fruitless and wasteful expenditure	New Indicator	New Indicator	30%	91%	+61%	Over-achievement of targets was due to an improvement in the internal control environment
		% reduction in irregular expenditure	New Indicator	New Indicator	30%	67%	+37%	Over-achievement of targets was due to an improvement in the internal control environment
		% implementation of procurement plan	New Indicator	New Indicator	80%	100%	+20%	All procurement activities were verified for compliance, which directly contributed to an improvement in compliance to the procurement plan

STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

None.

LINKING PERFORMANCE WITH BUDGET

	2022/2023			2021/2022		
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	53 594	43 958	9 636	44 325	44 670	(345)
TOTAL	**53 594**	**43 958**	**9 636**	**44 325**	**44 670**	**(345)**

4. TRADE & INVESTMENT PROMOTION

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

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. Corporate Strategy

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

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

CHALLENGES

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

HIGHLIGHTS / PROGRESS MADE:

1 The commencement of the implementation of the One Stop Shop (OSS) is underway, with the Memorandum of Agreement was signed between MEGA and the Department of Trade Industry and Competition.

2 Collaborative efforts were established between MEGA and the Mpumalanga Green Cluster Agency to assist organizations interested in manufacturing opportunities in the green economy.

3 A Memorandum of Understanding was signed with the Southern African Development Community (SADC) Business Council focussing on the Maputo Development Corridor.

4 Developmental Impact assessment conducted to determine impact derived as a result of property leasing services provided by the entity on all its tenants within its property portfolio.

5 Implementation of the Performance Information Management Policy to ensure high performing organisation.

ANNUAL PERFOMANCE

Strategic objectives, planned targets and actual achievements

Outcome	Output	Output Indicator	Audited Actual Performance 2020/2021	Audited Actual Performance 2021/2022	Planned Annual Target 2022/2023	Actual Achievement 2022/2023	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	R0	R500m	R0	R0	Negative investment sentiment globally.
	Facilitation of new FDI / LDI Investment projects for Mpumalanga	Number of new FDI / LDI projects under facilitation for the period	4	4	4	2	-2	Due to the lengthy engagements that are supposed to take place prior to signing MOUs, at the time the investors could not commit to signing until certain aspects of the investments were addressed.
	Undertake Outward Investment Promotion Missions	Number of Outward / inward Investment Recruitment Missions undertaken	4	6	2	2	0	None
	Render assistance to potential investors in Mpumalanga	Number of interactions with potential Investors	9	20	10	19	+9	With the advent of the green energy sector, a number of interests have been registered from this sector more than anticipated.
	Host a Mpumalanga Investment Conference 2020	Number of Investment Conference hosted	0	0	1	0	-1	Target not carried out due to lack of budget

4. INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION

ANNUAL PERFOMANCE (Continued)

Strategic objectives, planned targets and actual achievements

Outcome	Output	Output Indicator	Audited Actual Performance 2020/2021	Audited Actual Performance 2021/2022	Planned Annual Target 2022/2023	Actual Achievement 2022/2023	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	Number of exporters / importers provided with foreign trade counselling	100	140	140	218	+78	Our exporter development workshops coupled with walkins to our offices have been well received by exporters in the Province.
	Undertake local trade exhibitions	Number of foreign / local trade exhibitions undertaken	4	9	4	4	0	None
	Promote and facilitate the use of the EMIA / SSAS export incentives	Number of EMIA / SSAS applications facilitated for Mpumalanga companies	2	10	5	7	+2	More applications received due to companies taking advantage of the schemes to promote their products and services outside the boarders of South Africa.
STRATEGIC GOAL 6: ENHANCED ORGANISATIONAL SUSTAINABILITY								
Improved organisational performance	Increased organisational performance	% Achieved on MEGA organisational performance	19%	54%	70%	68%	-2%	Some reported achievements by divisions lacked adequate support to back up reported achievement
		Number of statutory reports compiled and approved to determine the entity's performance	New Indicator	New Indicator	6	6	0	None
Assessed operational and developmental impact	Undertake independent and systematic evaluations of the entity's performance against its mandate	Number of independent and systematic evaluations of the entity's performance	1	1	1	1	0	None

STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

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

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

NUMBER OF NEW FDI / LDI PROJECTS UNDER FACILITATION FOR THE PERIOD

The target will be followed up in the next financial year.

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

To consider approaching existing investors for possible expansion prospects to their current operations in the Province.

NUMBER OF FOREIGN / LOCAL TRADE EXHIBITIONS UNDERTAKEN

Cash flow enhancement strategies to ensure targets are backed up with budget.

% ACHIEVED ON MEGA ORGANISATIONAL PERFORMANCE

Survey recommendations to be implemented by management.

LINKING PERFORMANCE WITH BUDGET

	2022/2023			2021/2022		
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	15 869	14 343	1 526	15 853	14 903	950
TOTAL	**15 869**	**14 343**	**1 526**	**15 853**	**14 903**	**950**

5. PROPERTIES & INFRASTRUCTURE

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

HIGHLIGHTS / PROGRESS MADE:

The industrial portfolio is continuing to attract more tenants due to the lower rentals that MEGA is offering. Ekandustria is receiving most of the interest from investors despite the rental portfolio's overall poor physical condition.

CHALLENGES

a) Persistent non-payment of rentals and services charges by some tenants. Distribution losses are still being attended to, and new electricity meters were installed in most factories which represent our big users. The old meters were unreliable in terms of the accuracy of readings and could not be calibrated anew due to obsolescence. The problem of non-payment by tenants persists, but MEGA management is working hard to arrest and reverse this trend through consistent credit control, the enforcement of property and facilities protocols (e.g., adhering to approved leasing standard operating procedures), as well as the minimization of (services) distribution losses.

b) The overall bad and deteriorated condition of the lettable stock (properties under management), as well as the services infrastructure, continues to present MEGA with unreasonably high maintenance costs. This has the net effect of diluting any revenue received while managing the property portfolio. MEGA is however on a renewal and revitalization path going into the future, as is evidenced by the development proposals currently being investigated by the appointed SDP's at Ekandustria, and the re-development projects for the Kabokweni and Siyabuswa shopping centers respectively.

ANNUAL PERFOMANCE

Strategic objectives, planned targets and actual achievements

Outcome	Output	Output Indicator	Audited Actual Performance 2020/2021	Audited Actual Performance 2021/2022	Planned Annual Target 2022/2023	Actual Achievement 2022/2023	Deviation from planned target to Actual	Reasons for deviations
STRATEGIC GOAL 2: INCREASED ATTRACTION OF SUITABLE INVESTORS TO THE PROVINCE BASED ON AN ATTRACTIVE VALUE PROPOSITION AND ATTRACTIVE INVESTMENT OPPORTUNITIES								
Increased investment attracted into the property portfolio	Increase investment attracted to Property Portfolio	Number of development projects implemented through appointed Strategic Development Partners	New Indicator	New Indicator	2	3	+1	Over-achievement as a result of a developmentl project planned in the previous financial year but only approved in the current financial year.
	Secure funds for the revitalisation of industrial parks	Value of funds secured for the revitalisation of industrial parks	0	0	R50m	0	-R50m	The dtic and DBSA (project managers for the dtic's Critical Infrastructure Programme) did not prioritize MEGA's project funding applications for 2022/23.
Completed and functional Mpumalanga International Fresh Produce Market	Operationalisation of the Mpumalanga International Fresh Produce Market	Completed milestones towards the operationalisation of the Mpumalanga International Fresh Produce Market	100% completion of Phase	0	Appointment of the Market Operator	0	Market Operator not appointed	Budget reduced by R150 million and management of construction transferred to the DPWRT with effect from the 1st December 2020.
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 own revenue generated through property portfolio in order to achieve financial sustainability	R32m	R32m	R120m	R100,9m	-R19,1m	High default rate due to tenants not servicing their rental and municipal accounts

STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

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

Continue engaging funders and make follow ups on applications already submitted.

APPOINTMENT OF THE MARKET OPERATOR

Request for funding has been submitted to provincial Treasury.

VALUE OF ANNUAL RENTAL REVENUE GENERATED FROM THE PROPERTY PORTFOLIO

Evacuations used as a last resort. Defaulters put on terms to service overdue accounts

LINKING PERFORMANCE WITH BUDGET

	2022/2023			2021/2022		
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	191 162	212 951	(21 789)	198 870	191 524	7 346
TOTAL	**191 162**	**212 951**	**(21 789)**	**198 870**	**191 524**	**7 346**

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 R 2m.

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 - 196 429 shares in Afrimat limited.
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)

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 :

a) MYDF funds amounting R73.1m were disbursed to approved youth enterprises.
b) Post-investment support services were successfully provided to both SMME and Agricultural loan clients, and home loan clients per the set targets.
c) Equity investments were successfully monitored during the quarter, to ensure the sustainability of these assets in the long term.

CHALLENGES

a) Performance outputs on loan approvals were not achieved. High-value applications were received for SMME and Agricultural loans which were more than the funds available and had to be referred to other financing institutions.
b) In the case of housing loans, the low budget was a limiting factor that dampened appetite for the home loan market. The turnaround plan is to strengthen relations with both public entities and government departments and market MEGA's housing products offerings including financing of solar panels (a new innovative product).
c) Failure to disburse loans was due to the following: bond registration processes on some housing loans were not finalized by the end of the year, rescission of loans approved, cash flow challenges, some loan applications not approved and value of some loans' applications exceeding the available budget.

ANNUAL PERFOMANCE

Strategic objectives, planned targets and actual achievements

Outcome	Output	Output Indicator	Audited Actual Performance 2020/2021	Audited Actual Performance 2021/2022	Planned Annual Target 2022/2023	Actual Achievement 2022/2023	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 loans approved to SMMEs using MEGA own funds	R1.5m	R2. 9m	R1m	R0m	-R1m	High-value applications were received for SMME and agricultural loans which were more than the funds available
	Disbursed business loans	Value of loans disbursed to SMMES using MEGA own funds	R6.8m	R 2.6m	R1m	R0m	-R1m	The under collection on revenue by the entity resulted in a failure to implement some of the planned projects, including loan disbursements
		Value of funds disbursed to SMMEs through partnerships	New Indicator	New Indicator	R60m	R73.1m	+R13.1m	Funds disbursed in the current financial year include payments made to the MYDF beneficiaries that were approved in the previous financial year.
Increased access to funding for housing clients	Approved housing loans	Value of housing loans approved	0	R 905 400	R3m	R993k	-R2.07m	The under collection on revenue by the entity resulted in a failure to implement some of the planned projects, including loan approvals
	Disbursed housing loans	Value of housing loans disbursed	R348k	R 1.2m	R3m	R0	-R3m	The under collection on revenue by the entity resulted in a failure to implement some of the planned projects, including loan disbursements
Improved sustainability of businesses	Post investment monitoring and support provided	Number of business support services provided to SMME and Agricultural loan clients	64	187	150	186	+36	The management of the disbursement of the MYDF Fund increased the level of post investment support provided to SMMEs and Agricultural clients
Improved quality of life through home ownership	Post investment monitoring and support provided	Number of post investment support services provided to home loan clients	60	225	200	203	+3	The audit clean-up project led to an increase in the provision of post investment services housing loan clients
Improved sustainability of equity investments	Perform oversight on equity investments	Number of equity investment monitoring reports	New Indicator	1	4	4	0	None

STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

VALUE OF LOANS APPROVED TO SMMES USING MEGA OWN FUNDS

Source funding from other financial institutions.

VALUE OF LOANS DISBURSED TO SMMES USING MEGA OWN FUNDS

Source funding from other financial institutions.

VALUE OF HOUSING LOANS APPROVED

Approvals to be done in the new financial year.

VALUE OF HOUSING LOANS DISBURSED

Disbursements to be done in the new financial year.

LINKING PERFORMANCE WITH BUDGET

	2022/2023			2021/2022		
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	72 115	59 460	12 655	85 105	77 610	7 495
TOTAL	**72 115**	**59 460**	**12 656**	**85 105**	**77 610**	**7 495**

CONDITIONAL GRANT

Only EPWP conditional grant for an amount of R1 500 000 was received in the financial year under review.

DONOR FUNDS

No conditional grants received in the financial year under review.

REVENUE COLLECTION

REVENUE COLLECTION

	2022/2023			2021/2022		
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	82 106	76 399	(5 707)	85 940	76 688	(9 252)
Rent	21 661	24 564	2 903	21 348	23 027	1 679
Loans	14 250	14 084	(166)	10 290	15 065	4 775
Other	28 654	8 312	(20 342)	41 804	14 367	(27 437)
Total	**146 671**	**123 359**	**(23 312)**	**159 382**	**129 147**	**(30 235)**

PROGRAMME EXPENDITURE

	2022/2023			2021/2022		
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	30 357	31 840	(1 483)	25 457	25 922	(465)
Corporate Services	38 938	31 153	7 785	24 436	23 910	526
Finance	53 594	43 958	9 636	44 325	44 670	(345)
Trade & Investment	15 869	14 343	1 526	15 853	14 903	950
Properties & Infrastructure	191 162	212 951	(21 789)	198 870	191 524	7 346
Funding	72 115	59 460	12 655	85 105	77 610	7 495
Total	**402 035**	**393 705**	**8 330**	**394 046**	**378 539**	**15 507**

CAPITAL INVESTMENT, MAINTENANCE AND ASSET MANAGEMENT PLAN

HIGHLIGHTS ON CAPITAL INVESTMENT AND ASSET MANAGEMENT PLAN

None.

INFRASTRUCTURE PROJECTS

	2022/2023			2021/2022		
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	0	0	0	0	0	0
Nkomazi Special Economic Zone (SEZ)	0	0	0	20 000	5 880	14 120
Total	**0**	**0**	**0**	**20 000**	**5 880**	**14 120**

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

	2022/2023			2021/2022		
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	165	62	103	67	52	15
Maintenance – equipment	453	56	397	102	79	23
Maintenance – buildings	5 093	1 845	3 248	2 483	2 118	365
Maintenance – infrastructure	4 280	515	3 765	0	0	0
Total	**9 991**	**2 478**	**7 513**	**2 652**	**2 249**	**403**

PART C 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.

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.

CORPORATE GOVERNANCE

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

.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	Subject	Action Plan Undertaken by the Entity
9 to 13 May 2022	Dr Pixley Ka Isaka Seme "Taking the Legislature to the People" (TLP)	• Preparation of clients profiles to be visited by Legislature and participating in clients visits. • Participate in the Business Stakeholder Engagement Sessions.
31 May 2022	Portfolio Committee Meeting on 2021/22 4th Quarter Reports + 2022/23 APP & Budget Vote	• Presentaion and deliberation during the Committee meeting. • Provide responses on preliminary questions and progress report on the Implementation of the previous House Resolutions.
30 Aug 2022	Portfolio Committee Meeting on 2022/23 1st Quarter Reports	• Presentation and deliberation on the 1st Quarter Report for 2022/23 during Committee meeting. • Provide responses on the Implementation of the House Resolutions emanating from MEGA's 4th Quarter Report for 2022/23.
18 Nov 2022	Deliberation of the 2021/22 Annual Reports and 2022/23 Second (2nd) Quarter Report.	• Presentation and deliberation on the 2021/22 Annual Report and 2022/23 Second (2nd) Quarter Report. • Provide responses on the Implementation of the House Resolutions emanating from MEGA's 1st Quarter Report for 2021/22 and MEGA's 2019/20 Annual Report.
17 February 2023	SCOPA meeting to deliberate on the 2021/22 Financial Year Audit Outcome	• Presentation and deliberation on the 2021/22 Financial Year Audit Outcome. • Provide responses on the Implementation of the House Resolutions emanating from the 2020/21 Financial Year Audit Outcome
28 February 2023	Portfolio Committee meeting to deliberate of the 2022/23 Third (3rd) Quarter Report.	• Presentation and deliberation on the 2022/23 Third (3rd) Quarter Report. • Provide responses on the Implementation of the House Resolutions emanating from MEGA's 2nd Quarter Report for 2022/23.
23 March 2022	Portfolio Committee oversight on the Water Bottling Project – "Drink (Pty) Ltd.	• Preparation of the client profile (Water Bottling Project – "Drink (Pty) Ltd) and participate during the oversight visit.
28 to 31 March 2023	Taking the Legislature to the People" (TLP) at Thembisile Hani LM	• Preparation of the client profile and participate during the TLP visit. • Participate in the Business Stakeholder Engagement Sessions.

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	SCOPA meeting to deliberate on the 2021/22 Financial Year Audit Outcome	Deliberation on the 2021/22 Financial Year Audit Outcome	Provided progress report	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
2023/24 APP and Budget	28 Jan 2023

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.

A full term Board was appointed effective from 01 September 2021 and whose term of office shall not exceed four (4) years as contemplated in section 12(1) of the Act.

In so far as remuneration and allowances are concerned, Board Members hold office on terms and conditions determined in accordance with section 12(3) and (4) of the Act.

During the period 01 April 2022 to 31 March 2023, the full-term Board comprised of the following Members

THE BOARD

Name	Date appointed	Date resigned	Qualifications	No. of Meetings attended
Mr. Motau **Chairperson**	01 September 2021	Not Applicable	• Bachelor of Arts (University of Johannesburg) • Bachelor of Arts Honours- Public Management & Governance (University of Johannesburg	9/10
Ms D Pule **Deputy Chairperson**	01 September 2021	Not Applicable	• Bachelor of Arts (University of South Africa) • Secondary Teachers Diploma (Elijah Mango College) • Public Relations Certificate (PRISA) • Media Liaison Certificate (PRISA)	8/10
Ms M Mothoa **Board Member**	01 September 2021	Not Applicable	• University Diploma in Education (UDE) • Higher Diploma in Education (HED) • Advanced Certificate in Education • BED (HONS)- Management	10/10
Mr. C Pule **Board Member**	01 September 2021	Not Applicable	• BSc-Actuarial & Financial Mathematics (University of Pretoria)	10/10
Mr. JL Mahlangu **Board Member**	01 September 2021	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).	10/10
Ms. N Lebambo **Board Member**	01 September 2021	Not Applicable	• Financial Journalism-NQF Level 7 (Rhode University) • Online & social media-NQF Level 5 (Media24, FP&Mseta & AIP) • Media & Journalism (Jeppe College of Commerce & Computer Studies)	10/10
Mr D Maimela **Board Member**	01 September 2021	Not Applicable	• Master's in politics- Cum Laude (University of Johannesburg) • BA Hons-International Relations (University of Pretoria) • B. PoLSci- Political Sciences (University of Pretoria)	9/10

THE BOARD (CONTINUED.)

Name	Date appointed	Date resigned	Qualifications	No. of Meetings attended *
Ms N Mkhumane **Board Member**	01 Sept. 2021	Not Applicable	• Bachelor of Commerce Degree; UNISWA 1997 • Major: Finance and Management Accounting • Chartered Institute of Management Accountants (Diploma in Law and Taxation) IEIC, 2000 • Executive Management Development Programme; Wits Business School, 2003 • Project Management Appraisal (Queens University Canada), 2004 • Certificate in Board Leadership (GIBS Business School), 2009 & 2012 • O level: Saint Michaels Girls School, 1992 (passed in Merit category with distinction)	10/10
Mr. ZM Masilela **Board Member**	01 Sept. 2021	Not Applicable	• National Diploma (Tshwane University of Technology • B-Tech in Public Administration (Tshwane University of Technology) • Development & Management of Local Government (Wits Business School) • Municipal Finance & Supply Chain Management part 1- NQF Level 6	9/10

* The board held 4 ordinary board meetings, six (6) special Board meetings which equals 10 meetings.

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

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".

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.

Board Committees during the period 01 April 2022 to 31 March 2023

Committee	No. of Meetings	No. of Members	Names of Members
LOANS	3	4	• Ms. D Pule (Chairperson) • Mr. M Masilela • Ms. M Radebe • Ms. M Mothoa
HUMAN RESOURCES	7	4	• Mr. D Maimela (Chairperson) • Mr. M Masilela • Mr. C Pule • Ms. M Mothoa
BARCC	8	4	• Ms. N Mkhumane (Chairperson) • Mr. J Mahlangu • Mr. C Pule • Ms. N Lebambo
FINCOM	3	5	• Mr. JL Mahlangu (Chairperson) • Mr. D Maimela • Ms. N Mkhumane • Ms. D Pule • Ms. N Lebambo

** The HR Committee held four [4] ordinary meetings and three [3] extra special meetings, the BARCC held four 4 ordinary meetings and four [4] special meetings*

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.

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 of the Internal Audit

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

The Internal Audit function's responsibilities are defined by the Board as part of their oversight role and reports functionally to the Board Audit, Risk and Compliance Committee. The purpose of the MEGA's Internal Audit Function is to provide independent, objective assurance and consulting services designed to add value and improve the MEGA's operations. The mission of Internal Audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight.

The Internal Audit Function helps MEGA accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Internal Audit did review all major areas through an in-depth follow up audit conducted in 2022/23 of all reported areas from both the AGSA Management Report and the various Internal Audit reports concluded in 2022/23. This allowed appropriate coverage of key areas within MEGA.

Summary of the Audit Work Done

The Internal Audit Activity had 14 approved audits for the 2022/23 financial year, with an achievement of 100% of the total planned audits, the figure excludes ad hoc audits that were undertaken on management request.

a. Review of Annual Financial Statements and Annual report
b. Audit of Performance Information - Q4 2021_22
c. Performance Information AG Statutory Readiness
d. Housing Loan Recalculation
e. Annual Leave Provision Recalculation
f. Property Development & Infrastructure
g. Review of MEGA Fixed Assets
h. Payroll Management
i. IT Application Control Review (new system project governance activity), Business Continuity, IT and Cyber security
j. Review of Suspected Fraudulent Payment to Praeto
k. Payroll System Review
l. Funding – Equity Investment and Loans (SMMEs, Agriculture, Co-operative & Housing)

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. ".

Summary of the Audit Work Done (continued.)

m. Irregular Expenditure & Fruitless and Wasteful Expenditure review
n. Risk Management review
o. Interim Financial Statements
p. Supply Chain Management and Financial Management
q. Audit of Performance Information (Q1-Q3)
r. Revenue Collection, Expenditure and Budget Management
s. Follow up AG / IA report
t. Verification on MEGA Properties (Kabokweni and Ekundustia)

Key activities and objectives of the Board Audit, Risk and Compliance committee

The BARCC must function in accordance with Treasury Regulations 27.1 BARCC must, amongst others, 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 BARCC Charter.

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.

CORPORATE GOVERNANCE (continued)

The table below discloses relevant information on the Board Audit, Risk & Compliance Committee Members from 01 April 2022 to 31 March 2023:

Name	Date appointed	Date resigned	Qualifications	No. of Meetings attended
Ms N Mkhumane **Board Member**	01 Sept. 2021	Not Applicable	• Bachelor of Commerce Degree; UNISWA 1997 • Major: Finance and Management Accounting • Chartered Institute of Management Accountants (Diploma in Law and Taxation) IEIC, 2000 • Executive Management Development Programme; Wits Business School, 2003 • Project Management Appraisal (Queens University Canada), 2004 • Certificate in Board Leadership (GIBS Business School), 2009 & 2012 • O level: Saint Michaels Girls School, 1992 (passed in Merit category with distinction)	10/10
Mr. JL Mahlangu **Board Member**	01 September 2021	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).	10/10
Ms D Pule **Deputy Chairperson**	01 September 2021	Not Applicable	• Bachelor of Arts (University of South Africa) • Secondary Teachers Diploma (Elijah Mango College) • Public Relations Certificate (PRISA) • Media Liaison Certificate (PRISA)	8/10
Ms. N Lebambo **Board Member**	01 September 2021	Not Applicable	• Financial Journalism-NQF Level 7 (Rhode University) • Online & social media-NQF Level 5 (Media24, FP&Mseta & AIP) • Media & Journalism (Jeppe College of Commerce & Computer Studies)	10/10

** BARCC held four [4] ordinary BARCC sittings including four [4] extra special sittings.*

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.

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.".

AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2024.

Audit Committee Responsibility

The Audit Committee is responsible for ensuring that the Internal Audit function is independent and has the necessary resources, standing and authority within the entity to enable it to discharge its duties. Its duties are focused on the evaluation and improvement of the effectiveness of risk management control and governance processes.

The Audit Committee is also responsible for the assessment of the performance of the Chief Audit Executive and the Internal Audit function.

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 revealed certain weaknesses, which were then raised with management.

The following internal audit work was completed during the year under review:

a. Review of Annual Financial Statements and Annual report
b. Audit of Performance Information - Q4 2021_22
c. Performance Information AG Statutory Readiness
d. Housing Loan Recalculation
e. Annual Leave Provision Recalculation
f. Property Development & Infrastructure
g. Review of MEGA Fixed Assets
h. Payroll Management
i. IT Application Control Review (new system project governance activity), Business Continuity, IT and Cyber security
j. Review of Suspected Fraudulent Payment to Praeto
k. Payroll System Review
l. Funding – Equity Investment and Loans (SMMEs, Agriculture, Co-operative & Housing)
m. Irregular Expenditure & Fruitless and Wasteful Expenditure review
n. Risk Management review
o. Interim Financial Statements
p. Supply Chain Management and Financial Management
q. Audit of Performance Information (Q1-Q3)
r. Revenue Collection, Expenditure and Budget Management
s. Follow up AG / IA report
t. Verification on MEGA Properties (Kabokweni and Ekundustia)

Financial Statements, In-Year Management and Monthly / Quarterly Report

The public entity has submitted monthly and quarterly reports to the Executive Authority and Treasury as is required by the PFMA..

Evaluation of Financial Statements

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

We have also evaluated the expertise and experience of the chief financial officer and finance function and recommended certain improvements especially in the areas relating to the capacitation of the supply chain management function.

CORPORATE GOVERNANCE (continued)

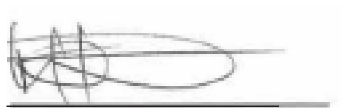
AUDIT COMMITTEE REPORT *(Continued)*

Auditor's Report

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

- Although there is an improvement regarding the audit opinion and fair presentation of the financial statement, there is a significant concern with regards to the organization's internal control environment which continues to decay. Internal audit has in the period under review identify internal control deficiencies which must be adequately addressed by management.
- The slow pace in resolving audit findings continues to be a major contributor towards the internal control deficiencies.

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.



Ms. N Mkhumane
Chairperson of the Audit Committee
Mpumalanga Economic Growth Agency

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."

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

Regrading of Positions

Training	Division
Performance Management and Development System	All Divisions
Practical Labour Law	Corporate Services
Compliance Essentials	Office of the CEO
Finance for Non-Financial Managers	All EXCO members
Finance insight for Non-Financial Directord	Top Management
Governance of Ethics	Top Management
Occupational Health and Safety	Occupational Health and Safety Committee
Supply Chain Management	Supply Chain
Commercial and contract law	Senior Management

The re-grading of all jobs have been finalised and the new grades are being implemented.

Review of Human Resources (HR) Policies and Procedures

The review of revised Human Resources (HR) Policies has been finalised. All revised twenty-three (23) HR Policies and three (3) new policies have been approved by the Board of Directors.

Human Resources Development

The division continued to develop employees in various fields in line with the Workplace Skills Plan. The developmental interventions include bursaries, skills programmes and short courses.

Short Courses:

National Skills Fund (NSF) artisan apprenticeship programme

MEGA received a discretionary grant from the National Department of Higher Education to implement apprenticeships for 200 learners in Mpumalanga Province in collaboration with FOREK INSTITUTE OF TECHNOLOGY, a service provider accredited by CETA.

NSF approved a total amount of R 46 424 031.25 for 46 months effective from 1 July 2022. The following is the summary per programme:

Programme	Number of Learners
Welders	50
Electrician	75
Plumbers	75

The training consists of 30% theory and 70% practical and will be performed in the properties of MEGA, as part of the maintenance programme. A governance structure has been established to ensure effective monitoring of the implementation of the apprenticeship programme.

Recruitment

Occupational level	Division	Race	Gender
Professional	Funding	1	Female
Skilled	Funding	1	Female
	Trade and Investment	1	Male
TOTAL		3	

HUMAN RESOURCES (continued)

Secondment of seniro managers in general managers position assisted in reducting vacancies within top management and in ensuring effective leadership within the entity.

R 138,102,102.00 EMPLOYEE COSTS

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	Total Expenditure for the entity	No. of employees @ 31 Mar 23	Personnel exp. as a % of total exp.	Average personnel cost per employee
CEO'S office	R12 100 132,64	8	9,3	R1 512 516,58
Finance	R19 645 540,61	19	15,1	R1 033 975,82
Corporate Services	R18 736 602,26	20	14,4	R936 830,11
Properties & Infrastructure	R22 431 296,77	44	17,3	R509 802,20
Trade and Investment	R9 437 260,28	10	7,3	R943 726,03
Funding	R37 733 524,32	51	29,0	R739 873,03
Interns	R2 624 768,86	20	2,0	R131 238,44
Main Total	**R122 709 125,74**	**172**	**94,4**	
SEZ	R3 887 359,76	5	3,0	R777 471,95
Board	R1 646 958,68	11	1,3	R149 723,52
EPWP	R1 412 631,99	37	1,1	R38 179,24
Loopspruit	R335 037,83	6	0,3	R55 839,64
Total 2	**R7 281 988,26**	**59**		
GRAND TOTAL	**R129 991 114,00**	**231**	**100**	

*NB*The total number of employees when accounting on personnel expenditure includes terminated employees because expenditure was incurred during the reporting period*

Average personnel cost per employee

Personnel cost by salary band

Level	Personnel Expenditure	% of personnel exp. to total personnel cost	No. of employees	Average personnel cost per employee
Top Management	R1 457 789,66	1	1	R1 457 789,66
Senior Management	R28 952 686,11	23	15	R1 930 179,07
Professional qualified	R23 780 613,80	19	20	R1 189 030,69
Skilled	R47 884 745,44	38	57	R840 083,25
Semi-skilled	R3 423 616,14	3	9	R380 401,79
Unskilled	R11 338 157,21	9	43	R263 678,07
SUB TOTAL	R116 837 608,36		145	R805 776,61
Interns and fixed-term	R2 320 843,59	2	19	R122 149,66
Pay-out on terminations	R3 517 664,26	3	15	234510,9507
EPWP	R1 241 675,45	1	28	R44 345,55
Loopspruit	R282 128,80	0	5	R56 425,76
Board	R2 291 003,44	2	19	R120 579,13
GRAND TOTAL	**R126 490 923,90**	**100**	**231**	

Performance Rewards

Performance rewards were not paid to employees during the period under review. However management is implementing a Performance Management and Development system at Executive level and only the CEO will be eligible for a Performance Bonuses based on the review by the Board.

Training Costs

Programme	Total Expenditure for the entity	Training cost	No. of employees trained per programme	Training Expenditure as a % of Personnel Cost.	Average training cost per employee
CEO'S office	R12 100 132,64	R 97 744,39	18	0,08	R5 430,24
Finance	R19 645 540,61	R 175 479,62	26	0,14	R6 749,22
Corporate Services	R18 736 602,26	R 151 982,50	31	0,12	R4 902,66
Properties	R22 431 296,77	R 87 949,00	13	0,07	R6 765,31
Strat Comm and T&I	R9 437 260,28	R 62 360,00	10	0,05	R6 236,00
Funding	R37 733 524,32	R 40 620,48	30	0,03	R1 354,02
Interns and fixed-term employees	R2 624 768,86			0,00	
TOTAL	**R122 709 125,74**	**R 616 135,99**	**128**	**0,50**	**0**

HUMAN RESOURCES (continued)

Employment and vacancies

Programme/activity/ objective	2020/2021 Approved Posts	2021/2022 No. of employees	2022/2023 No. of employees	2022/2023 Vacancies	% of vacancies
Finance	36	19	19	17	7
Corporate Services	38	19	19	18	7
Funding	67	49	49	18	7
Properties	73	40	40	32	12
Trade and Investment	30	8	8	22	8
TOTAL	**259**	**143**	**143**	**114**	**44**

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 Placement employees	Employment at end of the period
Top Management	8	0	0	8
Senior Management	19	0	1	18
Professional qualified	20	1	1	20
Skilled	49	2	1	50
Semi-skilled	41	0	1	40
Unskilled	8	0	1	7
Total	**145**	**3**	**5**	**143**

5
NO. OF STAFF LEAVING

Reasons for staff leaving

Reason	Number	% Of Total Number of Staff Leaving
Death	1	20
Resignation	0	0
Dismissal	0	0
Retirement	4	80
TOTAL	**5**	**100**

LABOUR RELATIONS: MISCONDUCT AND DISCIPLINARY ACTION

The following table illustrates the number of disciplinary actions taken against employees and Labour litigations against MEGA:

DISCIPLINARY CASES

Occupational Level	No. of Employees	Description	Status
Professional	1	Gross negligence by failing to monitor employee reporting to him	• The disciplinary process is in progress. However, it was delayed due to the health condition of the employee.
Skilled	1	Fraud in the payment of wages for EPWP workers and seasonal workers	• The matter was concluded and the sanction was a demotion from the position of a Payroll Practitioner to the position of an Administrator and payment of the fraudulent amount.
	1	The employee is alleged to have committed misconduct and the alleged six charges include gross dishonesty, fraud by accepting rental from clients, and failure to manage lease agreements	• The disciplinary process has commenced, however, it was delayed by the prolonged ill-health of the employee. The issue is being addressed in line with the Labour Relations Act and other relevant prescripts

LITIGATIONS

Occupational level	No. of employees	Description	Status
Professional	2	Unfair labour practice due to failure to implement job evaluation results from the evaluation but opted to harmonize salary grades.	• The matter is at CCMA
		Unfair labour practice due to the suspension of an employee while the disciplinary process is in progress	• The matter is at CCMA
Skilled	1	Unfair labour practice because the entity suspended the employee while on prolonged sick leave	• The matter is at CCMA
	1	Unfair labour promotion due to delays in the implementation of the job grading outcome.	• The matter was settled out of CCMA
	1	Unfair labour practice by the unilateral implementation of salary parity	• The matter was resolved by management
	1	Unfair treatment by manager and /or poor working relations	• The matter was resolved by management

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	0	1
Senior Management	4	2	1	1	0	0	0	1
Professional Qualified	5	5	1	0	0	1	1	1
Skilled	26	0	2	0	1	0	2	1
Semi-Skilled	6	0	0	0	0	0	0	0
Unskilled	30		0	0	0	0	0	0
TOTAL	**71**	**9**	**4**	**1**	**1**	**1**	**3**	**4**

LEVELS	MALES							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1	2	0	0	0	0	0	0
Senior Management	9	0	0	1	0	0	0	2
Professional Qualified	12	0	0	1	0	1	1	2
Skilled	26	0	0	0	0	1	1	2
Semi-Skilled	3	0	0	0	0	0	0	0
Unskilled	13	0	0	0	0	0	0	0
TOTAL	**64**	**2**	**0**	**2**	**0**	**2**	**2**	**6**

Health Safety and Environmental Issues

HEALTH SAFETY AND ENVIRONMENTAL ISSUES

Occupational Health and Safety (OHS)

The OHS Policy and procedure was reviewed and approved by the Board with the bulk HR policies. OHS committee and OHS managers have been appointed to monitor compliance to the legislation.

The OHS system has also been enhanced and the file index for each workstation was developed.

Employee Wellness Programme

MEGA continue to implement 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. The utilisation of the programme has improved during the period under-review.

PART E

PFMA COMPLIANCE REPORT

DISCLOSSURE

Reports for provincial departments, trading entities and government components must be submitted to their relevant provincial treasury in a timeframe and a format as may be prescribed in the relevant provincial treasury instruction.

Information on Irregular, Fruitless and Wasteful Expenditure and Material Losses

Reconciliation of irregular expenditure

DESCRIPTION	2022/2023	2021/2022
	R'000	R'000
Opening balance	626 611 998,50	600 951 355,00
Add: Irregular expenditure confirmed	16 942 446,43	25 354 821,00
Less: Irregular expenditure condoned	-	305 822,50
Less: Irregular expenditure not condoned and removed	34 140 228,00	
Less: Irregular expenditure recoverable	-	-
Less: Irregular expenditure not recovered and written off	(447 167 219,06)	-
Closing balance		
	230 527 453,87	**626 611 998,50**

Reconciling notes

DESCRIPTION	2022/2023	2021/2022
	R'000	R'000
Irregular expenditure that was under assessment in 2020/21	-	-
Irregular expenditure that relates to 2020/21 and identified in 2021/22	-	-
Irregular expenditure for the current year	16 942 446,43	25 354 821,00
Total	**16 942 446,43**	**25 354 821,00**

Details of current and previous year irregular expenditure (under assessment, determination, and investigation)

DESCRIPTION	2022/2023	2021/2022
	R'000	R'000
Irregular expenditure under assessment	16 942 446,43	25 354 821,00
Irregular expenditure under determination	-	-
Irregular expenditure under investigation	-	-
Total	**16 942 446,43**	**25 354 821,00**

PFMA COMPLIANCE REPORT (continued)

PFMA

PFMA regulates financial management in the national government and provincial governments to ensure that all revenue, expenditure, assets and liabilities of those governments are managed efficiently and effectively.

Details of current and previous year irregular expenditure condoned

DESCRIPTION	2022/2023	2021/2022
	R'000	R'000
Irregular expenditure condoned	-	-
Total	**-**	**-**

Details of current and previous year irregular expenditure removed - (not condoned)

DESCRIPTION	2022/2023	2021/2022
	R'000	R'000
Irregular expenditure NOT condoned and removed	-	-
Total	**-**	**-**

Details of current and previous year irregular expenditure recovered

DESCRIPTION	2022/2023	2021/2022
	R'000	R'000
Irregular expenditure recovered	-	-
Total	**-**	**-**

of current and previous year irregular expenditure written off (irrecoverable)

DESCRIPTION	2022/2023	2021/2022
	R'000	R'000
Irregular expenditure written off	447 167	-
Total	**447 167**	**-**

ADDITIONAL DISCLOSURE RELATING TO INTER-INSTITUTIONAL ARRANGEMENTS

Details of non-compliance cases where an institution is involved in an inter-institutional arrangement (where such institution is not responsible for the non-compliance)

DESCRIPTION
Not applicable

Details of non-compliance cases where an institution is involved in an inter-institutional arrangement (where such institution is responsible for the non-compliance)

DESCRIPTION	2022/2023	2021/2022
	R'000	R'000
Not applicable	-	-
Total	**-**	**-**

Details of current and previous year disciplinary or criminal steps taken as a result of irregular expenditure

DESCRIPTION
Not applicable

FRUITLESS AND WASTEFUL EXPENDITURE

Reconciliation of fruitless and wasteful expenditure

DESCRIPTION	2022/2023	2021/2022
	R'000	R'000
Opening balance	4 378	3 923
Add: Fruitless and wasteful expenditure confirmed	102	455
Less: Fruitless and wasteful expenditure written off	4 008	-
Less: Fruitless and wasteful expenditure recoverable	-	-
Closing balance	**472**	**4 378**

Reconciling notes

DESCRIPTION	2022/2023	2021/2022
	R'000	R'000
Fruitless and wasteful expenditure that was under assessment in 2021/2022	370	3 923
Fruitless and wasteful expenditure that relates to 2021 and identified in 2022	-	-
Fruitless and wasteful expenditure for the current year	102	455
Total	**472**	**4 378**

PFMA COMPLIANCE REPORT (continued)

Details of current and previous year fruitless and wasteful expenditure (under assessment, determination, and investigation)

DESCRIPTION	2022/2023	2021/2022
	R'000	R'000
Fruitless and wasteful expenditure under assessment	102	455
Fruitless and wasteful expenditure under determination	-	-
Fruitless and wasteful expenditure under investigation	-	-
Total	**102**	**455**

Details of current and previous year irregular expenditure recovered

DESCRIPTION	2022/2023	2021/2022
	R'000	R'000
Fruitless and wasteful expenditure recovered	-	-
Total	**-**	**-**

Details of current and previous year irregular expenditure not recovered and written off

DESCRIPTION	2022/2023	2021/2022
	R'000	R'000
Fruitless and wasteful expenditure written off	4 008	-
Total	**-**	**-**

Details of current and previous year disciplinary or criminal steps taken as a result of fruitless and wasteful expenditure

DISCIPLINARY STEPS TAKEN
Not applicable

ADDITIONAL DISCLOSURE RELATING TO MATERIAL LOSSES IN TERMS OF PFMA SECTION 55(2)(B)(I) &(III))

Details of current and previous year material losses through criminal conduct

DESCRIPTION	2022/2023	2021/2022
	R'000	R'000
Theft	-	-
Other material losses	-	-
Less: Recovered	-	-
Less: Not recovered and written off	-	-
Total	**-**	**-**

Details of other material losses

DESCRIPTION	2022/2023	2021/2022
	R'000	R'000
Not applicable	-	-
Total	**-**	**-**

Other material losses recovered

DESCRIPTION	2022/2023	2021/2022
	R'000	R'000
Not applicable	-	-
Total	**-**	**-**

Other material losses written off

DESCRIPTION	2022/2023	2021/2022
	R'000	R'000
Not applicable	-	-
Total	**-**	**-**

Information on late and / or non-payment of suppliers

DESCRIPTION	2022/2023	2021/2022
	R'000	R'000
Valid invoices received	746	257 155
Invoices paid within 30 days or agreed period	734	159 842
Invoices paid after 30 days or agreed period	12	21 400
Invoices older than 30 days or agreed period (unpaid and without dispute)	12	126 223
Invoices older than 30 days or agreed period (unpaid and in dispute)	-	-

INFORMATION ON SUPPLY CHAIN MANAGEMENT

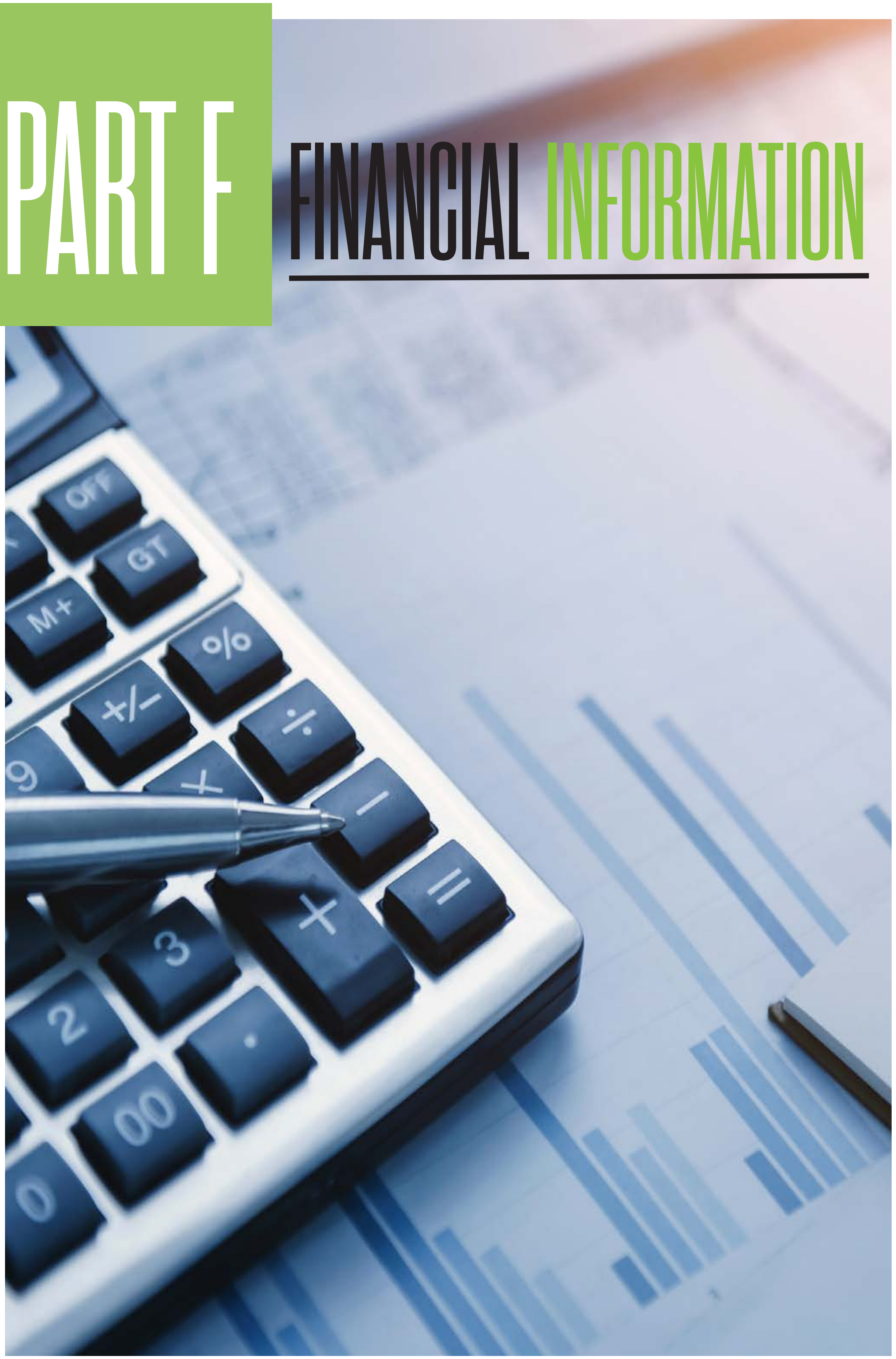
Procurement by other means

Project description	Name of supplier	Type of procurement by other means	Contract number	Value of contract
	R'000	R'000	R'000	R'000
Not applicable	-	-	-	-
Total	**-**	**-**	**-**	**-**

Contract variations and expansions

Project description	Project description	Name of supplier	Contract modification type (Expansion or Variation)	Contract number	Original contract value	Value of previous contract expansion/s or variation/s (if applicable)	Value of current contract expansion or variation
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Not applicable	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**

PART F FINANCIAL INFORMATION



1 REPORT OF THE EXTERNAL AUDITOR

Report of the auditor-general to the Mpumalanga Provincial Legislature on the Mpumalanga Economic Growth Agency

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Mpumalanga Economic Growth Agency (MEGA) set out on pages 88 to 171, which comprise the statement of financial position as at 31 March 2023, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the MEGA as at 31 March 2023, 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 opinion

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

4. 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.

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

Emphasis of matters

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

Material loss allowances

7. As disclosed in note 10 to the financial statements, material loss allowances of R129,6 million were incurred as a result of the provision for impairment of other financial assets.

8. As disclosed in note 11 to the financial statements, material loss allowances of R233,9 million were incurred as a result of the provision for impairment of trade and other receivables.

Restatement of corresponding figures

9. As disclosed in note 34 to the financial statements, the corresponding figures for 31 March 2022 were restated as a result of an error in the financial statements of the entity, at and for the year ended, 31 March 2023.

Other matter

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

National Treasury Instruction Note No. 4 of 2022-23: PFMA Compliance and Reporting Framework

11. On 23 December 2022, the National Treasury issued Instruction Note 4 of 2022-23, which came into effect on 3 January 2023, in terms of section 76(1)(b), (e) and (f), 2(e) and (4)(a) and (c) of the PFMA. The instruction note deals with the PFMA compliance and reporting framework and addresses, among others, the disclosure of unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure. Irregular expenditure and fruitless and wasteful expenditure incurred in prior financial years and not yet addressed no longer need to be disclosed in the disclosure notes to the annual financial statements. Only the current year and prior year figures are disclosed in note 38 and 39 to the financial statements of MEGA. Movements in respect of irregular expenditure and fruitless and wasteful expenditure also no longer need to be disclosed in the notes to the annual financial statements. The disclosure of these movements (e.g. condoned, recoverable, removed, written off, under assessment, under determination and under investigation) is now included as part of the other information in the annual report of the department. I do not express an opinion on the disclosure of irregular expenditure and fruitless and wasteful expenditure in the annual report.

Responsibilities of the accounting authority for the financial statements

12. 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.

13. 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.

Responsibilities of the auditor-general for the audit of the financial statements

14. 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.

15. 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

16. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for selected programmes presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.

17. I selected the following programmes presented in the annual performance report for the year ended 31 March 2023 for auditing. I selected programmes that measure the entity's performance on its primary mandated functions and that are of significant national, community or public interest.

Programme	Page numbers	Purpose
Programme 4 – Trade and investment	35 - 38	The division is mainly responsible for two main functions, namely, Trade and investment promotion and corporate strategy.
Programme 5 – Properties and infrastructure	39 - 41	The core purpose of the division is to use the MEGA/provincial property portfolio and infrastructure assets to advance growth and economic development within the Mpumalanga Province. The Division is responsible for three main functions, namely, property development, property management and infrastructure development.
Programme 6 – Funding	42 - 47	The division is responsible for the following main functions, namely, provision of finance and non-financial support to small, medium and micro enterprises (SMMEs), cooperatives, housing, agricultural enterprises, equity investments, project management and administration of regional networks. The core purpose of the division is: • Provision of access to affordable housing and facilitating home ownership through financing of qualifying Mpumalanga citizens who are unable to obtain finance through the mainstream commercial system • Promoting and facilitating growth and development by providing financial support to SMMEs, agricultural enterprises and co-operatives in all prioritised sectors of the economy • Provision of non-financial support through training, capacity-building, mentorship, counselling, market facilitation and linkages.

18. I evaluated the reported performance information for the selected programmes against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the entity's planning and delivery on its mandate and objectives.

19. I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the entity's mandate and the achievement of its planned objectives
- the indicators are well defined and verifiable to ensure that they are easy to understand and apply consistently and that I can confirm the methods and processes to be used for measuring achievements
- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
- the indicators and targets reported on in the annual performance report are the same as what was committed to in the approved initial or revised planning documents
- there is adequate supporting evidence for the achievements reported

20. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion.

21. The material findings on the performance information of the selected programmes are as follows:

Programme 4 – Trade and investment

Number of foreign/local trade exhibitions undertaken

22. An achievement of 4 was reported against a target of 4. I could not determine if the reported achievement was correct, as adequate supporting evidence was not provided for auditing. Consequently, the achievement might be more or less than reported and was not reliable for determining if the target had been achieved.

Other matters

23. I draw attention to the matters below.

Achievement of planned targets

24. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- and underachievements. This information should be considered in the context of the material findings on the reported performance information.

Material misstatements

25. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of trade and investment, properties and infrastructure and funding. Management did not correct all of the misstatements and I reported material findings in this regard.

Report on compliance with legislation

26. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the entity's compliance with legislation.

27. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

28. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

29. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Revenue management.

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

Expenditure management

31. Effective and appropriate steps were not taken to prevent irregular expenditure as disclosed in note 39 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the irregular expenditure was caused by contract extensions which had not been approved as required by section 56 of the PFMA.

Procurement and contract management

32. Bid documentation for procurement of commodities designated for local content and production, did not stipulated the minimum threshold for local production and content as required by the 2017 Preferential Procurement Regulation 8(2).

Annual financial statements

33. The financial statements submitted for auditing were not fully prepared in accordance with the prescribed financial reporting framework, as required by section 55(1) (b) of the PFMA. Material misstatements of non-current assets, current assets and disclosure items identified by the auditors in the submitted financial statement were corrected, resulting in the financial statements receiving an unqualified audit opinion.

Other information in the annual report

34. The accounting authority is responsible for the other information included in the annual report. The other information referred to 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 on in this auditor's report.

35. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation, do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.

36. My responsibility is to read this other information and, in doing so, consider whether it 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.

37. 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

38. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.

39. The matters reported below are limited to the significant internal control deficiencies that resulted in the material findings on the annual performance report and the material findings on compliance with legislation included in this report.

40. Oversight responsibility was not fully exercised over financial and performance reporting. Insufficient reviews were conducted over the correct application of the requirements of the IFRS and there was insufficient monitoring over compliance with laws and regulations.

Material irregularities

41. In accordance with the PAA and the Material Irregularity Regulations, I have a responsibility to report on material irregularities identified during the audit and on the status of material irregularities as previously reported in the auditor's report.

Material irregularities identified during the audit

42. The material irregularities identified are as follows:

Extension of time claims on the Mpumalanga International Fresh Produce Market

43. The entity was appointed as the implementing agent to manage the construction of the Mpumalanga International Fresh Produce Market. As implementing agent, MEGA would be responsible for processing payments to service providers upon receipt of invoices, including the verification of work done prior to approval and processing of such payments.

44. MEGA failed to make payments to the contractor timeously due to poor budgeting practices which led to the supplier claiming for standing time amounting to 27 days, which MEGA approved and paid resulting in non-compliance with section 51(1)(a)(i) of the PFMA. . The non-compliance is likely to result in a material financial loss for MEGA.

45. The accounting authority was notified of the material irregularity on 12 August 2022 and invited to make a written submission on the actions taken and that will be taken to address the matter. An investigation into the matter by the internal audit unit and recommended that the expenditure be written off as irrecoverable and that no official be held liable for the matter.

46. The accounting authority approved the write-off of the fruitless and wasteful expenditure on 26 April 2022.

47. The material irregularity (MI) is therefore resolved.

Status of previously reported material irregularities

Payment for services not received on the Government Nutrition Programme

48. In 2017, MEGA was appointed to implement the Government Nutrition Programme. On 3 May 2017 MEGA entered into a three-year service level agreement (SLA) and appointed a service provider to act as a strategic partner in the implementation of the programme.

49. In March 2019 MEGA put the programme on hold and subsequently discontinued the programme. MEGA did not proactively enter into negotiations with the service provider to terminate the agreement, taking into account the resolution to discontinue implementation of the programme. The entity continued paying the service provider a management fee of R1 771 958.33 per month until August 2019. On 10 October 2019, MEGA and the service provider concluded a settlement agreement which obligated MEGA to pay the service provider R8 000 000 for management fees for the remaining months of the three-year appointment. No services were rendered by the service provider for the management fees paid, resulting in non-compliance with section 57(b) of the PFMA. The non-compliance is likely to have resulted in a material financial loss for MEGA.

50. The accounting authority was notified of the MI on 9 December 2021 and was invited to make a written submission on the actions taken and that will be taken to address the matter. The accounting officer responded with the actions taken to resolve the material irregularity. My assessment is that the actions taken are not appropriate to resolve the material irregularity.

51. I notified the AA of the following recommendations, which should be implemented by 23 September 2023:

- Appropriate action should be taken to investigate the non-compliance with Section 57(b) of the PFMA in order to determine the circumstances that led to the non-compliance for the purpose of taking appropriate corrective actions and to address control weaknesses in terms of the applicable instruction note(s) issued by the National Treasury dealing with fruitless and wasteful expenditure.
- The financial loss should be quantified.
- All persons, including juristic persons, liable for the losses should be identified and appropriate action should commence to recover the financial loss. The recovery process should not be unduly delayed.
- Effective and appropriate disciplinary steps should be initiated, without undue delay, against all officials that the investigation found to be responsible, as required by section 51(1)(e) of the PFMA.

Other reports

52. In addition to the investigations relating to material irregularities, I draw attention to the following engagements conducted by various parties. 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.

53. The internal audit unit through an independent external service provider conducted a forensic investigation into the allegations of a possible fraudulent payment at the request of the management. The investigation was concluded in October 2022 and the report submitted to the chief executive officer (CEO).

54. The internal audit unit through an independent external service provider conducted a forensic investigation into irregular rental collection and allegations of reckless lending within the funding division at the request of the management. The investigation was concluded in October 2022 and the report submitted to the CEO.

55. The internal audit unit through an independent external service provider conducted a an ad hoc review of the payroll system with a view to improve the internal controls to ensure any elements of fraud or misconduct do not occur going forward at the request of the management. The investigation was concluded in January 2023 and the report submitted to the CEO.

Auditor - General

Mbombela

1 August 2023

AUDITOR-GENERAL
SOUTH AFRICA
Auditing to build public confidence

Annexure to the auditor's report

The annexure includes the following:

- the auditor-general's responsibility for the audit
- the selected legislative requirements for compliance testing.

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

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 selected requirements in key legislation.

Financial statements

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
- conclude on the appropriateness of the 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 entity to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause 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

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.

I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence and to 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.

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Public Finance Management Act No.1 of 1999 (PFMA)	Section 50(3) Section 51(1)(a)(iii); 51(1)(a)(iv); 51(1)(b)(i); 51(1)(b)(ii); 51(1)(e)(iii) Section 52(b) Section 53(4) Section 54(2)(c'); 54(2)(d) Section 55(1)(a); 55(1)(b); 55(1)(c)(i) Section 56 Section 57(b) Section 57(d) Section 66(3)(d); 66(5); 67
Treasury Regulations for departments, trading entities, constitutional institutions and public entities (TR)	Treasury Regulation 29.1.1; 29.1.1(a); 29.1.1(c'); 29.2.1; 29.2.2; 29.3.1 Treasury Regulation 31.1.2(c') Treasury Regulation 31.2.5; 31.2.7(a) Treasury Regulation 32.1.1(a); 32.1.1(b); 32.1.1(c') Treasury Regulation 33.1.1; 33.1.3
Prevention and Combating of Corrupt Activities Act No.12 of 2004 (PRECCA)	Section 34(1)
Construction Industry Development Board Act No.38 of 2000 (CIDB)	Section 18(1) Section 22(3)
CIDB Regulations	CIDB regulation 17; 25(1); 25 (5) & 25(7A)
PPPFA	Section 1(i); 2.1(a); 2.1(b); 2.1(f)
PPR 2017	Paragraph 4.1; 4.2 Paragraph 5.1; 5.3; 5.6; 5.7 Paragraph 6.1; 6.2; 6.3; 6.5; 6.6; 6.8 Paragraph 7.1; 7.2; 7.3; 7.5; 7.6; 7.8 Paragraph 8.2; 8.5 Paragraph 9.1; 9.2 Paragraph 10.1; 10.2 Paragraph 11.1; 11.2 Paragraph 12.1 and 12.2
PPR 2022	Paragraph 3.1 Paragraph 4.1; 4.2; 4.3; 4.4 Paragraph 5.1; 5.2; 5.3; 5.4
NT SCM Instruction Note 03 2021/22	Paragraph 4.1; 4.2; 4.2 (b); 4.3; 4.4; 4.4 (c);4.4(d); 4.6 Paragraph 5.4
NT SCM Instruction 4A of 2016/17	Paragraph 6
NT SCM Instruction Note 03 2019/20	Paragraph Par 5.5.1(iv); 5.5.1(x)
NT SCM Instruction Note 11 2020/21	Paragraph 3.1; 3.4 (a); 3.4(b); 3.9: 6.1;6.2;6.7
PFMA SCM instruction 08 of 2022/23	Paragraph 3.2 Paragraph 4.3.2; 4.3.3
Competition Act	Section 4(1)(b)(ii)

Compliance with legislation – selected legislative requirements *(Continued.)*

The selected legislative requirements are as follows:

Legislation	Sections or regulations
NT instruction note 4 of 2015/16	Paragraph 3.4
Second amendment of NTI 05 of 2020/21	Paragraph 4.8; 4.9 ; 5.1 ; 5.3
Erratum NTI 5 of 202/21	Paragraph 1
Erratum NTI 5 of 202/21	Paragraph 2
NT instruction note 5 of 2020/21	Paragraph 5.1 and 5.3

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 TP Motau (Chairperson); Ms DD Pule; Ms MM Mothoa; Mr CJ Pule; Mr JL Mahlangu; Ms N Lebambo; Mr DM Maimela; Ms NH Mkhumane; Mr ZM Masilela.

Registered office:
MEGA Office Park, 02 Eastern Boulevard, Riverside, Mbombela, 1200

Business address:
MEGA Office Park, 02 Eastern Boulevard, Riverside, Mbombela, 1200

Postal address:
P.O.Box 952, 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 annual financial statements.

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

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

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

The directors have reviewed the entity's cash flow forecast for the year to 31 March 2024 and, in light of this review and the current financial position, they are satisfied that the entity has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors and their report is presented on pages 4 to 3.

The annual financial statements set out on pages 7 to 84, which have been prepared on the going concern basis, were approved by the Board on 31 July 2023 and were signed by:

Mr TP Motau
Chairperson

Directors' Report

The directors have pleasure in submitting their report on the annual financial statements of Mpumalanga Economic Growth Agency (MEGA) for the year ended 31 March 2023.

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 2023 of R (139 429 143). This represented an increase from the net loss after tax of the prior year of R(82 708 005).

Revenue increased from R169 755 463 in the prior year to R172 719 134 for the year ended 31 March 2023.

Directors' Report

3. Directorate

The directors in office at the date of this report are as follows:

Directors		Designation	Nationality	Appointed	Changes
Mr TP Motau (Chairperson)	Independent	Non-executive	South African	01 September 2021	
Ms DD Pule	Independent	Non-executive	South African	01 September 2021	
Ms MM Mothoa	Independent	Non-executive	South African	01 September 2021	
Mr CJ Pule	Independent	Non-executive	South African	01 September 2021	
Mr JL Mahlangu	Independent	Non-executive	South African	01 September 2021	
Ms N Lebambo	Independent	Non-executive	South African	01 September 2021	
Mr DM Maimela	Independent	Non-executive	South African	01 September 2021	
Ms NH Mkhumane	Independent	Non-executive	South African	01 September 2021	
Ms ME Radebe	Independent	Non-Executive	South African	01 September 2021	Resigned, 30 April 2022
Mr ZM Masilela	Independent	Non-Executive	South African	01 September 2021	

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 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

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

The directors believe that the entity has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis.

The directors have satisfied themselves that the entity is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new 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.

Directors' Report

The following events or conditions (financial indicators) cast doubt on the entity's ability to continue as going concern and therefore the need to adequately disclose the material uncertainty (i.e. all these negative financial indicators need to be adequately disclosed in this note) and mitigating measures which need to be supported and audited as part of the going concern assessment:

a) Losses for the year in the current
i. The losses for the year are mainly attributed by the inability of the entity to collect its revenue. The following measures have been put in place to improve revenue collection

ii. Debt collection Company has been appointed for the Debt collection for all overdue account from MEGA Debtors

iii. Long overdue account are also handed over to MEGA Legal Division for collection

iv. Regarding municipal services, the Entity is implementing stringent measures to ensure that, overdue accounts relating municipal services are effective managed. This include continuous assessment on Debtors payments and implementation of disconnection measures to Debtors who are not paying.

b) Net current liability position
i. The R353 million for trade and other payables includes amongst other payables, the outstanding account with the City of Tshwane with a balance of around R280 million. The entity will ensure that, trade and other payables (except for the City of Tshwane outstanding account) are settled during 2023-24 financial year.

ii. The following mitigations are in place to deal with the city of Tshwane outstanding account:
- The Entity is implementing the Ekandustria Industrial Park revitalization programme to improve the park and ensure the attraction of investments to the park and also ensuring that the outstanding municipal account for the City of Tshwane is paid.
- Utilities management company will be appointed to manage the municipal services at the Ekandustria Industrial park.

c) Cash flows from operating activities
i. The entity is in a process to deal with the City of Tshwane outstanding municipal account. The account has a balance of around R280 million and the only account resulting in the entity having a negative cash flow from operations.

ii. The following mitigations are in place to deal with the city of Tshwane outstanding account:
- The Entity is implementing the Ekandustria Industrial Park revitalization programme to improve the park and ensure the attraction of investments to the park and also ensuring that the outstanding municipal account for the City of Tshwane is paid.
- Utilities management company will be appointed to manage the municipal services at the Ekandustria Industrial park.

d) Inability to collect revenue as indicated by the high loss allowance
The following measures have been put in place to improve revenue collection:

i. Debt collection Company has been appointed for the Debt collection for all overdue account from MEGA Debtors
ii. Long overdue account are also handed over to MEGA Legal Division for collection
iii. Regarding municipal services, the Entity is implementing stringent measures to ensure that, overdue accounts relating municipal services are effective managed. This include continuous assessment on Debtors payments and implementation of disconnection measures to Debtors who are not paying.

e) High balance of creditors as a percentage of cash and cash equivalents
i. The entity is going to ensure that, all outstanding payables are settled during 2023-24 financial year, except for the City of Tshwane outstanding municipal account. The outstanding municipal account will be address in accordance with item "C" above, under the heading "**Negative cash flows from operating activities".**

ii. The Entity is also planning to increase the value of own revenue generated through property portfolio in order to achieve financial sustainability.

7. Auditors

Auditor-General of South Africa continued in office as auditors for the entity for 2022/23 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)

Annual Financial Statements for the year ended 31 March 2023

Statement of Financial Position as at 31 March 2023

	Note(s)	2023 R	2022 Restated * R	2021 Restated * R
Assets				
Non-Current Assets				
Property, plant and equipment	3	403 826 384	394 848 867	437 367 805
Right-of-use assets	4	260 759 014	-	-
Investment property	5	420 630 000	469 040 000	459 470 000
Biological assets	6	-	-	15 185 161
Intangible assets	7	8 433 901	8 437 728	8 477 109
Investments in associates	8	9 105 543	8 257 020	8 156 219
Other financial assets	10	33 430 250	24 112 373	35 028 225
Investments at fair value	12	11 270 173	14 921 652	1 594 023
		1 147 455 265	**919 617 640**	**965 278 542**
Current Assets				
Inventories	9	46 778 235	47 110 593	45 968 457
Other financial assets	10	12 738 100	14 559 492	10 124 052
Trade and other receivables	11	52 243 814	39 859 537	45 210 729
Cash and cash equivalents	13	58 867 210	58 333 256	30 036 261
		170 627 359	**159 862 878**	**131 339 499**
Non-current assets held for sale	14	5 260 000	-	-
Total Assets		**1 323 342 624**	**1 079 480 518**	**1 096 618 041**
Equity and Liabilities				
Equity				
Reserves		129 205 435	105 684 365	135 115 589
Retained income		505 921 256	641 412 012	720 725 675
		635 126 691	**747 096 377**	**855 841 264**
Liabilities				
Non-Current Liabilities				
Other financial liabilities	16	4 816 364	4 816 364	4 816 364
Lease liabilities	4	269 841 121	-	-
Provisions	17	1 577 692	1 612 203	1 562 129
		276 235 177	**6 428 567**	**6 378 493**
Current Liabilities				
Trade and other payables	18	353 936 204	256 350 869	191 506 880
Other financial liabilities	16	14 905 522	15 088 799	15 088 799
Unspent conditional grants	19	31 159 781	44 976 979	16 969 200
Provisions	17	11 979 249	9 538 927	10 833 405
		411 980 756	**325 955 574**	**234 398 284**
Total Liabilities		**688 215 933**	**332 384 141**	**240 776 777**
Total Equity and Liabilities		**1 323 342 624**	**1 079 480 518**	**1 096 618 041**

* See Note 2 & 34

Mpumalanga Economic Growth Agency (MEGA)

Annual Financial Statements for the year ended 31 March 2023

Statement of Profit or Loss and Other Comprehensive Income

	Note(s)	2023 R	2022 Restated * R
Revenue	21	172 719 134	169 755 463
Cost of sales	22	(126 550 752)	(137 765 590)
Gross profit		**46 168 382**	**31 989 873**
Other operating income	23	215 738 122	202 090 975
Other operating gains (losses)	24	(48 323 893)	18 712 356
Other operating expenses		(344 897 699)	(334 919 560)
Operating loss	25	**(131 315 088)**	**(82 126 356)**
Investment income	27	2 095 451	1 022 380
Finance costs	28	(11 058 030)	(1 704 830)
Income from equity accounted investments		848 524	100 801
Loss for the year		**(139 429 143)**	**(82 708 005)**
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Gains (losses) on property revaluation		27 459 457	(26 036 882)
Other comprehensive income for the year net of taxation		**27 459 457**	**(26 036 882)**
Total comprehensive loss for the year		**(111 969 686)**	**(108 744 887)**

* See Note 2 & 34

Mpumalanga Economic Growth Agency (MEGA)
Annual Financial Statements for the year ended 31 March 2023

Statement of Changes in Equity

	Revaluation reserve R	Retained income R	Total equity R
Opening balance as previously reported	134 864 180	707 467 772	842 331 952
Adjustments			
Prior year adjustments	251 409	13 257 903	13 509 312
Restated* Balance at 01 April 2021 as restated	**135 115 589**	**720 725 675**	**855 841 264**
Loss for the year	-	(82 708 005)	(82 708 005)
Other comprehensive income	(26 036 882)	-	(26 036 882)
Total comprehensive Loss for the year	**(26 036 882)**	**(82 708 005)**	**(108 744 887)**
Transfer between reserves	(3 394 342)	3 394 342	-
Total contributions by and distributions to owners of company recognised directly in equity	**(3 394 342)**	**3 394 342**	**-**
Opening balance as previously reported	104 625 020	628 126 366	732 751 386
Adjustments			
Prior period errors	1 059 345	13 285 646	14 344 991
Balance at 01 April 2022 as restated	**105 684 365**	**641 412 012**	**747 096 377**
Loss for the year	-	(139 429 143)	(139 429 143)
Other comprehensive income	27 459 457	-	27 459 457
Total comprehensive Loss for the year	**27 459 457**	**(139 429 143)**	**(111 969 686)**
Transfer between reserves	(3 938 387)	3 938 387	-
Total contributions by and distributions to owners of company recognised directly in equity	**(3 938 387)**	**3 938 387**	**-**
Balance at 31 March 2023	**129 205 435**	**505 921 256**	**635 126 691**

Note(s)
The accounting policies on pages 11 to 32 and the notes on pages 33 to 82 form an integral part of the annual financial statements.

* See Note 2 & 34

Mpumalanga Economic Growth Agency (MEGA)
Annual Financial Statements for the year ended 31 March 2023

Statement of Cash Flows

	Note(s)	2023 R	2022 Restated * R
Cash flows from operating activities			
Cash receipts from customers		103 293 312	145 128 741
Cash receipts from grants		234 789 000	217 320 000
Cash paid to suppliers and employees		(349 145 884)	(341 554 848)
Cash generated from operations	29	(11 063 572)	20 893 893
Interest income - Investments		2 088 027	955 129
Finance costs		-	-
Interest income - Loans		11 475 374	12 321 117
Net cash from operating activities		**2 499 829**	**34 170 139**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(1 463 998)	(1 895 873)
Purchase of investment property	5	(386 333)	(1 260 000)
Purchase of other intangible assets	7	-	(11 411)
Receipts from loans receivable at amortised cost		67 733	(2 764 760)
Dividends received		-	58 900
Net cash from investing activities		**(1 782 598)**	**(5 873 144)**
Cash flows from financing activities			
Repayment of borrowings		(183 277)	-
Net cash from financing activities		**(183 277)**	**-**
Total cash movement for the year		**533 954**	**28 296 995**
Cash at the beginning of the year		58 333 256	30 036 261
Total cash at end of the year	13	**58 867 210**	**58 333 256**

* See Note 2 & 34

Accounting Policies

Corporate information

Mpumalanga Economic Growth Agency (MEGA) is a Schedule 3D public entity incorporated and domiciled in South Africa.
The registered office is:
MEGA Office Park
02 Eastern Boulevard
Riverside
Mbombela

1. Significant accounting policies

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

1.1 Basis of preparation

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

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

The 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.

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:

Mpumalanga Economic Growth Agency (MEGA)
Annual Financial Statements for the year ended 31 March 2023

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Lease classification

The entity is party to leasing arrangements, both as a lessee and as a lessor. The treatment of leasing transactions in the annual financial statements is mainly determined by whether the lease 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.

Entities in which the entity holds less than half 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.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

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 recoverable.

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

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

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

Provisions

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

MEGA has recognised a provision for decommissioning obligations associated with its landfill site at Ekandustria. In determining the provision amount, assumptions and estimates are made in relation to discount rates, the expected cost to rehabilitate the environment and the expected timing of those costs as detailed in note 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 value 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 2023. 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 lives 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.

Accounting Policies

1.3 Biological assets (continued)

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.

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.

Accounting Policies

1.5 Property, plant and equipment (continued)

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.

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

Accounting Policies

1.5 Property, plant and equipment (continued)

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.

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

Accounting Policies

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.

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, including variable-rate features;
- Prepayment and extension features; and
- Terms that limit the entity's claim to cashflows from specified assets (e.g. non-recourse features)

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

Financial assets – Subsequent measurement and gains and losses:

Financial assets at FVTPL

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

Financial assets at amortised cost

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

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

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.

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

<u>Financial instruments and contract assets</u>

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.

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.

1.10 Leases

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

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

Accounting Policies

1.10 Leases (continued)

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

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

Entity as lessee

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

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

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

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

Right-of-use assets

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

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

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

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

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

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

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

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

Accounting Policies

1.10 Leases (continued)

Entity as lessor

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

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

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

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 Non-current assets (disposal groups) held for sale or distribution to owners

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

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

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

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

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

Accounting Policies

1.13 Impairment of assets

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

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

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

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

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

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

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

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

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

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

1.14 Share capital and equity

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

1.15 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

1.15 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.

1.16 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

1.16 Provisions and contingencies (continued)

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

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

Provisions are not recognised for future operating losses.

Restructuring provisions

A constructive obligation to restructure arises only when an entity:

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

Contingencies

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

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

Decommissioning liability

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

Leave provision

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

1.17 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.

1.18 Revenue from contracts with customers

The company recognises revenue from the following major sources:

- Sales of goods - wholesale
- Income from municipal services rendered
- 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.

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.

Revenue from contracts with customers (continued)

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).

1.19 Other operating income

***Government grant*s**

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.

1.20 Cost of sales

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

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

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

Contract costs comprise:

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

1.21 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).

Accounting Policies

1.22 Translation of foreign currencies

Foreign currency transactions

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

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

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

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

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

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

1.23 Commitments

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

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

Approved and contracted for capital commitments are where the expenditure has been approved and the contract has been awarded at the reporting date.

Approved and not yet contracted for capital commitments are where the expenditure has been approved, but the contract has not yet been awarded or is awaiting finalisation at the reporting date.

Commitments are not recognised in the statement of financial position and statement of financial performance but are included in the disclosure notes.

1.24 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.

Accounting Policies

1.24 Income Tax and Value Added Tax (continued)

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.

1.25 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.

1.26 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.

1.27 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.

1.28 Unauthorised expenditure

Unauthorised expenditure is recognised in the statement of financial position until such time as the expenditure is either:
- approved by Parliament or the Provincial Legislature with funding and the related funds are received; or
- approved by Parliament or the Provincial Legislature without funding and is written off against the appropriation in the statement of financial performance; or
- transferred to receivables for recovery.

Unauthorised expenditure is measured at the amount of the confirmed unauthorised expenditure.

Notes to the Annual Financial Statements

	2023	2022	2021
		Restated*	Restated *
	R	R	R

2. Changes in accounting policy

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

* See Note 2 & 34

Notes to the Annual Financial Statements

Figures in Rand	2023	2022	2021

3. Property, plant and equipment

	2023			2022			2021		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Land	44 614 137	-	44 614 137	44 614 137	-	44 614 137	44 123 537	-	44 123 537
Buildings	59 274 257	(2 872 189)	56 402 068	59 274 257	-	59 274 257	53 161 003	(2 693 195)	50 467 808
Plant and machinery	14 850 013	(7 742 115)	7 107 898	15 260 414	(6 600 746)	8 659 668	14 914 310	(5 304 657)	9 609 653
Motor vehicles	3 062 760	(1 542 636)	1 520 124	3 062 760	(1 386 111)	1 676 649	3 062 760	(1 229 586)	1 833 174
Office equipment	4 106 982	(2 757 619)	1 349 363	3 738 147	(2 549 862)	1 188 285	3 737 198	(2 354 716)	1 382 482
IT Equipment	8 546 191	(6 117 953)	2 428 238	7 520 839	(5 562 541)	1 958 298	6 216 226	(4 860 795)	1 355 431
Bearer plants	17 056 573	(8 698 123)	8 358 450	17 056 573	(6 589 822)	10 466 751	17 056 573	(5 766 095)	11 290 478
Bulk infrastructure	282 092 179	(46 073)	282 046 106	267 048 393	(37 571)	267 010 822	317 334 311	(29 069)	317 305 242
Total	**433 603 092**	**(29 776 708)**	**403 826 384**	**417 575 520**	**(22 726 653)**	**394 848 867**	**459 605 918**	**(22 238 113)**	**437 367 805**

* See Note 2 & 34

Notes to the Annual Financial Statements

Figures in Rand	2023	2022	2021

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers	Revaluations	Depreciation	Impairment loss	Total
Land	44 614 137	-	-	-	-	-	-	44 614 137
Buildings	59 274 257	-	-	-	-	(2 872 189)	-	56 402 068
Plant and machinery	8 659 668	-	(352)	(223 117)	-	(1 328 301)	-	7 107 898
Motor vehicles	1 676 649	-	-	-	-	(156 525)	-	1 520 124
Office equipment	1 188 285	374 835	-	(491)	-	(213 266)	-	1 349 363
IT equipment	1 958 298	1 089 163	(41 635)	-	-	(577 588)	-	2 428 238
Bearer plants	10 466 751	-	-	-	-	(823 727)	(1 284 574)	8 358 450
Bulk infrastructure	267 010 821	-	(870 089)	-	27 459 458	(11 554 084)	-	282 046 106
	394 848 866	**1 463 998**	**(912 076)**	**(223 608)**	**27 459 458**	**(17 525 680)**	**(1 284 574)**	**403 826 384**

* See Note 2 & 34

Notes to the Annual Financial Statements

Figures in Rand	2023	2022	2021

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers	Revaluations	Depreciation	Total
Land	44 123 537	-	-	(900 000)	1 390 600	-	44 614 137
Buildings	50 467 807	-	-	(1 400 000)	11 540 937	(1 334 487)	59 274 257
Plant and machinery	9 609 653	346 104	-	-	-	(1 296 089)	8 659 668
Motor vehicles	1 833 174	-	-	-	-	(156 525)	1 676 649
Office equipment	1 382 482	950	-	-	-	(195 147)	1 188 285
IT equipment	1 355 431	1 365 492	(39 791)	-	-	(722 834)	1 958 298
Bearer plants	11 290 478	-	-	-	-	(823 727)	10 466 751
Bulk infrastructure	317 172 235	183 323	(585 481)	133 010	(38 968 419)	(10 923 847)	267 010 821
Capital - Work in progress	133 010	-	-	(133 010)	-	-	-
	437 367 807	**1 895 869**	**(625 272)**	**(2 300 000)**	**(26 036 882)**	**(15 452 656)**	**394 848 866**

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Revaluations	Depreciation	Total
Land	44 123 537	-	-	-	-	44 123 537
Buildings	51 814 405	-	-	-	(1 346 598)	50 467 807
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	318 587 481	-	(173 718)	9 520 915	(10 762 443)	317 172 235
Capital - Work in progress	-	133 010	-	-	-	133 010
	439 619 264	**3 554 702**	**(329 468)**	**9 520 915**	**(14 997 606)**	**437 367 807**

* See Note 2 & 34

Notes to the Annual Financial Statements

	2023	2022 Restated *	2021 Restated *
	R	R	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:

Buildings			
Cost		43 413 016	43 413 016
Accumulated depreciation and impairment		(7 480 852)	(6 621 008)
		35 932 164	**36 792 008**
Bulk infrastructure			
Cost		282 864 868	283 664 880
Accumulated depreciation and impairment		(68 597 275)	(58 911 295)
		214 267 593	**224 753 585**

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 and land & buildings was 31 March 2023.

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	**2023**	**2022**	**2021**
Land	44 614 137	44 614 137	44 123 537
Buildings	56 402 068	59 274 257	50 467 808
Bulk infrastructure	282 046 105	267 010 821	317 305 345
	383 062 310	**370 899 215**	**411 896 690**

There are 2 commercial properties with a fair value of R3 795 660 (2022: R4 039 800) which are controlled by MEGA but not registered in the entity's name, and consequently not recognised as property, plant and equipment by MEGA.

* See Note 2 & 34

Notes to the Annual Financial Statements

	2023	2022 Restated *	2021 Restated *
	R	R	R

4. Leases (company as lessee)

Details pertaining to leasing arrangements, where the entity is lessee are presented below:

MEGA has entered into a lease agreement for its office space. The lease of the Head Office building is for a period of 10 years. The lease agreement offers an option of renewal after the intial period of 10 years and it also offers MEGA an option to purchase the building at any given time during the lease period.

Net carrying amounts of right-of-use assets

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

Buildings	260 759 014	-	-

Depreciation recognised on right-of-use assets

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

Buildings	6 686 128	-	-

Lease liabilities

The maturity analysis of lease liabilities is as follows:

Within one year	17 623 825	-	-
Two to five years	85 768 126	-	-
More than five years	663 616 662	-	-
	767 008 613	-	-
Less finance charges component	(497 167 492)	-	-
	269 841 121	**-**	**-**
Non-current liabilities	269 841 121	-	-

Future cash outflows not reflected in lease liabilities

The Entity is exposed to the following potential future undiscounted cash outflows which are not included in the measurement of lease liability:
Purchase options not reasonably assured 157 952 827

* See Note 2 & 34

Notes to the Annual Financial Statements

Figures in Rand	2023	2022	2021

5. Investment property

	2023			2022			2021		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	420 630 000	-	420 630 000	469 040 000	-	469 040 000	459 470 000	-	459 470 000

Reconciliation of investment property - 2023

	Opening balance	Additions resulting from Capitalised subsequent expenditure	Disposals	Transfer to Non-current assets held for sale	Fair value adjustments	Total
Investment property	469 040 000	386 333	(41 530 000)	(5 500 000)	(1 766 333)	420 630 000

Reconciliation of investment property - 2022

	Opening balance	Additions resulting from substance over form	Transfer from Property, plant & equipment	Fair value adjustments	Total
Investment property	459 470 000	1 260 000	2 300 000	6 010 000	469 040 000

Reconciliation of investment property - 2021

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	484 220 000	(10 250 000)	(14 500 000)	459 470 000

* See Note 2 & 34

Notes to the Annual Financial Statements

	2023	2022 Restated *	2021 Restated *
	R	R	R

5. Investment property (continued)
Other disclosures

MEGA is currently administering 12 buildings valued at R12 190 000 (2022: R1 450 000) on land belonging to tribal authorities which are not currently included as investment properties. These properties will be recognised when MEGA's rights and obligations have been confirmed by the Department of Co-operative Governance and Traditional Affairs.

In addition to the aforesaid there are 34 residential properties with a fair value of R20 370 000 (2022: R17 090 000) and 21 commercial properties with a fair value of R26 640 000 (2022: R7 230 000) 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 35 residential properties with a fair value of R16 040 000 (2022: R12 860 000) which are still registered in the entity's name but are not controlled by MEGA.

Details of valuation

The entity's investment property consists of commercial, industrial, farming and residential properties and vacant land. Management determined that the investment properties consist of five classes of assets commercial, industrial, farming and residential properties and vacant land based on the nature, characteristics and risks of each property . Fair value is determined using a combination of rental capitalisation method and comparable sales method. The most recent valuation was performed at 31 March 2023 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	**2023**	**2022**	**2021**
Commercial	43 200 000	58 000 000	56 110 000
Farms	17 040 000	17 300 000	17 460 000
Industrial	271 460 000	305 170 000	298 480 000
Land	88 930 000	82 940 000	82 010 000
Residential	-	5 630 000	5 410 000
	420 630 000	**469 040 000**	**459 470 000**

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

Significant unobservable data Category	**Rate per square meter**
Commercial properties	R12 - R50.89
Industrial properties	R5.25 - R36
Vacant land	R22 - R140
Residential properties	R74.14 - R450
Farms	R1 - R28

* See Note 2 & 34

Mpumalanga Economic Growth Agency (MEGA)
Annual Financial Statements for the year ended 31 March 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022	2021

6. Biological assets

	2023			2022			2021		
	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

* See Note 2 & 34

Mpumalanga Economic Growth Agency (MEGA)
Annual Financial Statements for the year ended 31 March 2023

Notes to the Annual Financial Statements

	2023	2022 Restated *	2021 Restated *
	R	R	R

6. Biological assets (continued)

Reconciliation of biological assets

	Produce - Lemons	**Total**
At 01 April 2020	30 918 806	30 918 806
Decreases due to harvest, death or sales	(30 918 806)	(30 918 806)
Gains or losses arising from changes in fair value less estimated point of sale cost	15 185 161	15 185 161
At 31 March 2021	**15 185 161**	**15 185 161**
At 01 April 2021	15 185 161	15 185 161
Decreases due to harvest, death or sales	(15 185 161)	(15 185 161)
At 31 March 2022	-	-

Nature of the entities biological assets

Tekwane estate is engaged in the production of lemons for supply to export markets. At 31 March 2023 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 787.49 tons lemons for export (2022:1846.82 tons) and 2122.13 tons lemons for juicing (2022: 1354.33 tons).

Valuation process of measuring biological assets at fair value

MEGA appointed i@consulting to perform a valuation of the biological assets at Tekwane & Loopspruit for the year ended 31 March 2023.

Valuation biological assets at Loopspruit

The Loopspruit Wine Estate hasn't been operational for the past couple of years and experience a fire in 2020. The trellises for the vineyards are dilapidated, weeds have taken over and the neglected 50-year-old vineyards have been left to die.
The bearer plants (22.26ha vineyard) situated on the remaining Extent of Portion 4 of the Farm Loopspruit No. 435 JR, have no value. As the vineyards are non-bearing (don't produce any grapes due to the condition of the bearer plants), the value of the biological assets (grapes) is also zero.

Valuation biological assets at Tekwane

Confirmation was received that the lemons haven't been harvested due to a disease that affected all the trees (bearer plants) from all the orchard blocks and all the fruit (biological assets) during the 2022/23 financial year. The main contributor was that no pesticides were sprayed in time to control and managed the invested disease. The market has rejected the quality of the lemons and no lemons were harvested in 2022/2023.

Other deficiency symptoms noted were the lack of irrigation and fertilizer for some time. It was further noted that some lemon trees that died, were not replaced, therefore the tree density per ha is less than the norm.
It is therefor the opinion that the biological assets (lemons on 116.95ha) situated on Portion 9 of the Farm Tekwane No. 573 JU, have no value.

Net biological assets

	2023	2022	2021
Non-current assets	-	-	15 185 161

* See Note 2 & 34

Notes to the Annual Financial Statements

Figures in Rand	2023	2022	2021

7. Intangible assets

	2023			2022			2021		
	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	11 412	(7 522)	3 890	1 733 339	(1 725 622)	7 717	1 721 928	(1 674 830)	47 098
Total	**8 441 423**	**(7 522)**	**8 433 901**	**10 163 350**	**(1 725 622)**	**8 437 728**	**10 151 939**	**(1 674 830)**	**8 477 109**

Reconciliation of intangible assets - 2023

	Opening balance	**Disposals**	**Amortisation**	**Total**
Water rights	8 430 011	-	-	8 430 011
Computer software	7 717	(23)	(3 804)	3 890
	8 437 728	**(23)**	**(3 804)**	**8 433 901**

Reconciliation of intangible assets - 2022

	Opening balance	**Additions**	**Amortisation**	**Total**
Water rights	8 430 011	-	-	8 430 011
Computer software	47 098	11 411	(50 792)	7 717
	8 477 109	**11 411**	**(50 792)**	**8 437 728**

* See Note 2 & 34

Notes to the Annual Financial Statements

	2023	2022 Restated *	2021 Restated *
	R	R	R

7. Intangible assets (continued)

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**

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 & 34

Notes to the Annual Financial Statements

	2023	2022 Restated *	2021 Restated *
	R	R	R

8. Investments in associates

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

Name of company	Carrying amount 2023	Carrying amount 2022	Carrying amount 2021
KaNgwane Anthracite (Pty) Ltd	492 628	492 628	492 628
Hi-Veld Fruit Packers (Pty) Ltd	9 105 543	8 257 020	8 126 203
Dalamba Victorius Trading Enterprise and Projects (Pty) Ltd	-	-	-
Fuma Investments (Pty) Ltd	-	-	30 016
	9 598 171	8 749 648	8 648 847
Impairment of investments in assocs	(492 628)	(492 628)	(492 628)
	9 105 543	8 257 020	8 156 219

KaNgwane Anthracite (Pty) Ltd and Dalamba Victorius Trading Enterprise and Projects (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 2023	2022	2021
Hi-Veld Fruit Packers (Pty) Ltd	Ermelo/RSA	Equity	26 %	26 %	26 %
KaNgwane Anthracite (Pty) Ltd	Johannesburg/ RSA	Equity	40 %	40 %	40 %
Dalamba Victorius Trading Enterprise and Projects (Pty) Ltd	Kinross/RSA	Equity	25 %	25 %	25 %
Fuma Investments (Pty) Ltd	Bushbuckridge/ RSA	Equity	25 %	25 %	25 %

Associates with different reporting dates

The end of the reporting year of Mpumalanga Economic Growth Agency is 31 March.

The reporting date of KaNgwane Anthracite (Pty) Ltd was 30 June each year. The reporting date changed in 2022 from 30 June each year to 31 March each year.

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

MEGA did not use a different reporting date or period to recognise the profit / (loss) share in an associate.

* See Note 2 & 34

Notes to the Annual Financial Statements

	2023	2022 Restated *	2021 Restated *
	R	R	R

8. 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

KaNgwane Antracite (Pty) Ltd	4 034 407	3 830 678	3 630 166
	-	-	-
Dalamba Victorious Trading Enterprise and Projects (Pty) Ltd	1 061 083	1 061 083	868 387
Fuma Investments (Pty) Ltd	51 620	186 211	-
	5 147 110	**5 077 972**	**4 498 553**

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. The investment in associate was derecognised in 2020/21 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.
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.

* See Note 2 & 34

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	R	R	R

8. Investments in associates (continued)

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.

9. Inventories

	2023 R	2022 Restated * R	2021 Restated * R
Work in progress	45 297 751	45 278 751	45 169 751
Consumables	1 480 484	1 831 842	725 850
Lemon produce	-	-	72 856
	46 778 235	**47 110 593**	**45 968 457**

The valuators i@consulting assisted MEGA with assessing the net realisable value of WIP housing inventory as at 31 March 2021, 31 March 2022 and 31 March 2023 respectively.

Inventory pledged as security

None of the inventory is pledged as security.

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10. Other financial assets

Other financial assets are presented at amortised cost, which is net of loss allowance, as follows:

	2023 R	2022 Restated * R	2021 Restated * R
Housing loans Housing loans are generally repayable over 20 years at 10% interest per annum, which is fixed over the term of the loan.	22 910 102	23 894 599	24 291 458
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.	510 971	1 168 216	2 704 846
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.	12 254 689	13 116 462	17 663 385
Govan Mbeki Housing Company loan The principal debt is repayable in monthly instalments for a period of 120 months (10 years), calculated from 01 January 2025. Interest will accrue from this date at at fixed rate of 7%.	10 000 000	-	-
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
	46 168 350	**38 671 865**	**45 152 277**

Split between non-current and current portions

	2023 R	2022 Restated * R	2021 Restated * R
Non-current assets	33 430 250	24 112 373	35 028 225
Current assets	12 738 100	14 559 492	10 124 052
	46 168 350	**38 671 865**	**45 152 277**

Loans pledged as security

Other financial assets are not pledged as security.

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.

Notes to the Annual Financial Statements

	2023 R	2022 Restated * R	2021 Restated * R

10. Other financial assets (continued)

Fair value information

Fair values of other financial assets at amortised cost

	2023	2022	2021
Housing loans		22 910 102	23 894 599
Agricultural loans		510 971	1 168 217
Small, medium and micro enterprises (SMME) loans		12 254 689	13 116 462
Govan Mbeki Housing Company loan		10 000 000	
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.

Detail of other financial assets at amortised cost

MEGA classifies its financial assets as at amortised cost only if both of the following criteria are met:
- The asset is held within a business model whose objective is to collect the contractual cash flows, and
- The contractual terms give rise to cash flows that are solely payments of principal and interest.

MEGA measures the expected credit loss as the difference between the asset's gross carrying amount 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.

Housing loans

	2023	2022	2021
Current		21 208 554	26 722 010
Non-current		21 350 741	22 833 618
		42 559 295	49 555 628
Less: Loss allowance on other financial assets at amortised cost		(19 649 193)	(25 661 029)
		22 910 102	23 894 599

	2023	2022	2021
Loss allowance on other financial assets at amortised cost			
Current		(15 257 501)	(19 155 486)
Non-current		(4 391 692)	(6 505 543)
		(19 649 193)	**(25 662 029)**

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 10% 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 carrying 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.

Fair values of other financial assets at amortised cost	2023	2022	2021
Housing loans		22 910 102	23 894 599

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 & 34

Notes to the Annual Financial Statements

	2023 R	2022 Restated * R	2021 Restated * R

10. Other financial assets (continued)

Small, medium and micro enterprises (SMME) loans

	2023	2022	2021
Current		80 093 858	75 690 105
Non-current		12 110 754	19 715 164
		92 204 612	95 405 269
Less: Loss allowance on other financial assets at amortised cost		(79 949 923)	(82 288 807)
		12 254 689	13 116 462

	2023	2022	2021
Loss allowance on other financial assets at amortised cost		-	-
Current		(74 287 407)	(70 149 976)
Non-current		(5 662 516)	(12 138 831)
		(79 949 923)	**(82 288 807)**

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.

Fair values of other financial assets at amortised cost	2023	2022	2021
SMME loans		12 254 689	13 116 462

The fair values are not materially different to the carrying amounts, since the interest levied on these financial assets is either close to current market rates or the financial assets are of a short-term nature.

Agricultural loans

	2023	2022	2021
Current		26 368 075	31 584 680
Non-current		4 095 630	1 151 500
		30 463 706	32 736 179
Less: Loss allowance on other financial assets at amortised cost		(29 952 735)	(31 567 964)
		510 971	1 168 216

	2023	2022	2021
Loss allowance on other financial assets at amortised cost		-	-
Current		(25 880 068)	(30 624 429)
Non-current		(4 072 667)	(943 535)
		(29 952 735)	**(31 567 964)**

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 & 34

Notes to the Annual Financial Statements

	2023 R	2022 Restated * R	2021 Restated * R

10. Other financial assets (continued)

Fair values of other financial assets at amortised cost			
Agricultural loans		510 971	1 168 216

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.

Govan Mbeki Housing Company Loan			
Current		-	-
Non-current		10 000 000	11 662 263
Less: Loss allowance on other financial assets at amortised cost		-	(11 662 263)
		10 000 000	-
Loss allowance on other financial assets at amortised cost		-	-
Current		-	-
Non-current		-	(11 662 263)
		-	**(11 662 263)**

Consolidation of loss allowances			
Housing loans		(19 649 193)	(25 662 029)
SMME loans		(79 949 923)	(82 288 807)
Agricultural loans		(29 952 735)	(31 567 964)
Govan Mbeki Housing Company Loan		-	(11 662 263)
		(129 551 851)	**(151 181 063)**

Reconciliation of provision for impairment of loans and receivables

The loss allowance for other financial assets at amortised cost as at 31 March 2022 reconciles to the opening loss allowance on 1 April 2022 and to the closing loss allowance as at 31 March 2023 as follows:

Housing loans	
Opening loss allowance as at 01 April 2021	30 884 222
Increase / (Decrease) in loss allowance recognised in profit or loss during the year	(5 223 192)
Closing loss allowance as at 31 March 2022	25 661 029
Increase/ (Decrease) in loss allowance recognised in profit or loss during the year	-
Opening loss allowance as at 1 April 2022 - Calculated under IFRS9	25 661 029
Increase/ (Decrease) in loss allowance recognised in profit or loss during the year	(6 011 836)
Closing loss allowance as at 31 March 2023	**19 649 193**

* See Note 2 & 34

Notes to the Annual Financial Statements

	2023 R	2022 Restated * R	2021 Restated * R

10. Other financial assets (continued)

Small, medium and micro enterprises (SMME) loans	
Opening loss allowance as at 01 April 2021	74 470 158
Increase / (Decrease) in loss allowance recognised in profit or loss during the year	7 818 649
Closing loss allowance as at 31 March 2022	82 288 807
Increase/ (Decrease) in loss allowance recognised in profit or loss during the year	-
Opening loss allowance as at 1 April 2022 - Calculated under IFRS9	82 288 807
Increase/(Decrease) in loss allowance recognised in profit or loss during the year	(2 338 885)
Closing loss allowance as at 31 March 2023	**79 949 923**

Agricultural loans	
Opening loss allowance as at 1 April 2021	30 616 877
Increase/ (Decrease) in loss allowance recognised in profit or loss during the year	951 087
Closing loss allowance as at 31 March 2022	31 567 964
Increase/ (Decrease) in loss allowance recognised in profit or loss during the year	-
Opening loss allowance as at 1 April 2022 - Calculated under IFRS9	31 567 964
Increase/ (Decrease) in loss allowance recognised in profit or loss during the year	(1 615 229)
Closing loss allowance as at 31 March 2023	**29 952 735**

Govan Mbeki Housing Company loan	
Opening loss allowance as at 1 April 2021 Calculated under IFRS9	11 662 263
Increase (decrease) in loss allowance recognised in profit or loss during the year	-
Closing loss allowance as at 31 March 2022	11 662 263
Increase (decrease) in loss allowance recognised in profit or loss during the year	-
Opening loss allowance as at 1 April 2022 - Calculated under IFRS9	11 662 263
Increase/(Decrease) in loss allowance recognised in profit or loss during the year	(11 662 263)
Closing loss allowance as at 31 March 2023	**-**

11. Trade and other receivables

	2023	2022	2021
Financial instruments:			
Trade receivables	267 942 718	401 813 655	343 486 373
Loss allowance	(233 923 410)	(370 048 246)	(305 825 204)
Trade receivables at amortised cost	34 019 308	31 765 409	37 661 169
Operating lease straight-lining asset	2 857 240	1 869 133	1 581 255
Department of Arts and Culture	42 191	42 191	42 191
Other receivables	1 037 833	1 185 495	1 049 780
Non-financial instruments:			
VAT	14 058 075	4 685 162	2 674 270
Prepayments	229 167	312 147	2 202 064
Total trade and other receivables	**52 243 814**	**39 859 537**	**45 210 729**

Trade and other receivables pledged as security

Trade and other receivables are not pledged as security.

* See Note 2 & 34

Notes to the Annual Financial Statements

	2023	2022 Restated *	2021 Restated *
	R	R	R

11. Trade and other receivables (continued)

Exposure to credit risk

Trade receivables inherently expose the entity to credit risk, being the risk that the entity 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 entity 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.

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 entity 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.

* See Note 2 & 34

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	2023	2022 Restated *	2021 Restated *
	R	R	R

11. Trade and other receivables (continued)

The entity 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:

	2023	2023	2022	2022
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)	15 766 257	968 631	8 283 106	1 232 291
31 - 60 days	14 129 251	5 164 890	17 249 389	5 669 573
61 - 90 days	2 704 535	1 414 232	1 301 742	1 379 057
91 - 120 days	4 435 764	1 345 956	5 100 477	1 396 593
121 - 150 days	6 494 436	3 155 722	9 380 558	3 137 517
151 - 180 days	7 403 618	3 516 488	6 072 551	2 806 784
Older than 180 days	217 008 857	218 357 491	354 425 832	354 426 432
Total	**267 942 718**	**233 923 410**	**401 813 655**	**370 048 247**

Reconciliation of loss allowances

The following table shows the movement in the loss allowance (lifetime expected credit losses) for lease receivables:

Opening balance in accordance with IFRS 9	**(233 923 410)**	**(370 048 246)**	**(305 825 204)**
Remeasurement of loss allowance - comparative	136 124 836	(64 223 042)	(34 368 393)

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 & 34

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	2023 R	2022 Restated * R	2021 Restated * R

12. Investments at fair value

Investments held by the entity which are measured at fair value, excluding derivatives are as follows:

	2023 R	2022 Restated * R	2021 Restated * R
At fair value through profit or loss:			
Listed shares	9 683 950	13 337 529	-
Afrimat Limited shares @R49.30/share, number of shares 196 429 (2022: R67.90/share)			
Unlisted shares	1 586 223	1 584 123	1 594 023
AGRI Limited shares @ R7.06/share (2022:R7.06)			
KWV Holdings Limited shares @R12.50/share (2022: R12.50)			
Stellenbosch Vineyards Group Limited shares @R5/share (2022: R5)			
Onderberg Verwerkingskooperasie Beperk 52 100 shares @R0.25/share (2022: R0.25, number of shares 43 700)			
Capespan Group Limited shares @R6.18/share (2022: R6.18).			
	11 270 173	**14 921 652**	**1 594 023**

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 investments at fair value through profit or loss are measured to fair value using the 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.

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.

13. Cash and cash equivalents

Cash and cash equivalents consist of:

	2023 R	2022 Restated * R	2021 Restated * R
Cash on hand	2 792	4 212	470
Bank balances	58 864 418	58 329 044	30 035 791
	58 867 210	**58 333 256**	**30 036 261**

* See Note 2 & 34

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14. Non-current assets held for sale

A decision was taken to dispose 5 properties in MEGA's investment property portfolio due to the fact of the poor financial performance and/or poor physical condition of these properties. These properties will be sold for cash during the next 3 months with assistance from ARI Auctioneers.

Assets and liabilities

	2023 R	2022 Restated * R	2021 Restated * R
Non-current assets held for sale			
Investment property	5 260 000	-	-

15. Financial assets by category

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

2023

	At amortised cost	Fair value through profit or loss - designated	Total
Other financial assets	46 168 350	11 270 173	57 438 523
Trade and other receivables	59 118 266	-	59 118 266
Cash and cash equivalents	58 866 596	-	58 866 596
	164 153 212	**11 270 173**	**175 423 385**

2022

	At amortised cost	Fair value through profit or loss - designated	Total
Other financial assets	38 671 865	14 921 652	53 593 517
Trade and other receivables	40 822 509	-	40 822 509
Cash and cash equivalents	58 333 256	-	58 333 256
	137 827 630	**14 921 652**	**152 749 282**

2021

	At amortised cost	Fair value through profit or loss - designated	Total
Other financial assets	45 152 277	1 594 023	46 746 300
Trade and other receivables	45 821 116	-	45 821 116
Cash and cash equivalents	30 036 260	-	30 036 260
	121 009 653	**1 594 023**	**122 603 676**

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

* See Note 2 & 34

Notes to the Annual Financial Statements

	2023 R	2022 Restated * R	2021 Restated * R

16. Other financial liabilities

	2023	2022	2021
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	14 905 522	15 088 799	15 088 799
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
Unsecured			
	19 721 886	**19 905 163**	**19 905 163**

Split between non-current and current portions

	2023	2022	2021
Non-current liabilities	4 816 364	4 816 364	4 816 364
Current liabilities	14 905 522	15 088 799	15 088 799
	19 721 886	**19 905 163**	**19 905 163**

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.

* See Note 2 & 34

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	2023 R	2022 Restated * R	2021 Restated * R

17. Provisions

Reconciliation of provisions - 2023

	Opening balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	1 019 781	-	-	-	40 792	1 060 573
Leave provision	9 538 927	12 233 617	(9 793 295)	-	-	11 979 249
Long service award	592 422	33 540	(115 380)	(39 824)	46 361	517 119
	11 151 130	**12 267 157**	**(9 908 675)**	**(39 824)**	**87 153**	**13 556 941**

Reconciliation of provisions - 2022

	Opening balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	980 559	-	-	-	39 222	1 019 781
Provision for litigation	1 085 095	-	(1 085 095)	-	-	-
Leave provision	9 748 310	1 142 357	(1 351 740)	-	-	9 538 927
Long service award	581 570	34 000	(69 920)	3 772	43 000	592 422
	12 395 534	**1 176 357**	**(2 506 755)**	**3 772**	**82 222**	**11 151 130**

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
Legal proceedings	-	1 085 095	-	-	-	1 085 095
Leave provision	9 080 385	2 006 720	(1 338 795)	-	-	9 748 310
Long service award	604 000	34 000	(72 430)	(35 000)	51 000	581 570
	10 627 230	**3 125 815**	**(1 411 225)**	**(35 000)**	**88 714**	**12 395 534**

	2023	2022	2021
Non-current liabilities	1 577 692	1 612 203	1 562 129
Current liabilities	11 979 249	9 538 927	10 833 405
	13 556 941	**11 151 130**	**12 395 534**

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% (2022: 4%) has been applied to discount the current prices.

* See Note 2 & 34

Notes to the Annual Financial Statements

	2023	2022 Restated *	2021 Restated *
	R	R	R

17. 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 2023 was carried out by Chapu Chartered Accountants Inc.

Assumptions used on last valuation on 31 March 2023:

	2023	2022	2021
Discount rate	9,03%	8,67%	8,20%
CPI	4,60%	5,42%	
Expected retirement age	63 years	63 years	63 years
Benefit awards inflation			4,40%

18. Trade and other payables

	2023	2022	2021
Financial instruments:			
Trade payables	238 924 960	180 593 473	124 152 166
Other payables	30 864 363	29 375 675	34 159 042
UIF Programme	3 115 320	2 918 930	5 107 322
Accrued expense	50 547 864	13 279 412	18 284 510
Deposits received	5 091 992	5 442 363	4 541 905
LONA payable	25 391 705	24 741 016	5 261 935
	353 936 204	**256 350 869**	**191 506 880**

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

* See Note 2 & 34

Notes to the Annual Financial Statements

19. Unspent conditional grants

	2023 R	2022 Restated * R	2021 Restated * R
Office of the Premier (Mpumalanga Youth Development Fund) The Youth Development Fund is a strategic intent and commitment of the Mpumalanga Provincial Government as an intervention measure to mitigate youth unemployment and economic participation of youth (18 - 35 years).	26 636 655	40 740 531	-
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.	247 480	310 370	552 448
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
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	349 568	-	2 934 239
COVID relief funding	30 000	30 000	2 295 778
	31 159 781	**44 976 979**	**16 969 200**

* See Note 2 & 34

Notes to the Annual Financial Statements

	2023 R	2022 Restated * R	2021 Restated * R

20. Financial liabilities by category

2023

	Financial liabilities at amortised cost	Total
Other financial liabilities	19 721 886	19 721 886
Trade and other payables	352 222 345	352 222 345
Unspent conditional grants	31 156 051	31 156 051
	403 100 282	**403 100 282**

2022

	Financial liabilities at amortised cost	Total
Other financial liabilities	19 905 163	19 905 163
Trade and other payables	256 350 869	256 350 869
Unspent conditional grants	44 976 979	44 976 979
	321 233 011	**321 233 011**

2021

	Financial liabilities at amortised cost	Total
Other financial liabilities	19 905 163	19 905 163
Trade and other payables	191 506 880	191 506 880
Unspent conditional grants	16 969 200	16 969 200
	228 381 243	**228 381 243**

21. Revenue

	2023	2022
Revenue from contracts with customers		
Municipal services	78 786 151	70 786 894
Interest income (Trading)	45 593 922	44 129 464
Sale of lemons - export	4 757 792	14 843 382
Sale of lemons - local	664 765	372 654
Rental income - properties	42 916 504	39 623 069
	172 719 134	**169 755 463**

22. Cost of sales

	2023	2022
Sale of goods	4 212 199	28 895 328
Rendering of services	122 298 837	108 817 877
Inventories lost or written off	39 716	52 385
	126 550 752	**137 765 590**

* See Note 2 & 34

Notes to the Annual Financial Statements

23. Other operating income

	2023 R	2022 Restated * R
Administration and management fees received	77 515	56 741
Fees earned	551 596	1 443 325
Commissions received	1 989 830	1 393 642
Bad debts recovered	123 256	3 400
Reversal of impairment	19 000	109 000
Government grants	212 976 925	199 084 867
	215 738 122	**202 090 975**

Government grants of R212 976 925 (2022: R199 084 867) 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.

* See Note 2 & 34

Notes to the Annual Financial Statements

	Note	2023 R	2022 Restated * R
24. Other operating gains (losses)			
Gains (losses) on disposals, scrappings and settlements			
Investment property	5	(41 530 000)	-
Property, plant and equipment	3	(1 136 081)	(625 273)
		(42 666 081)	**(625 273)**
Fair value gains (losses)			
Investment property	5	(1 766 333)	6 010 000
Financial assets designated as at fair value through profit or loss		(3 651 479)	13 327 629
Non-current assets held for sale		(240 000)	-
		(5 657 812)	**19 337 629**
Total other operating gains (losses)		**(48 323 893)**	**18 712 356**

25. Operating profit (loss)

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

	2023 R	2022 Restated * R
Auditor's remuneration - external		
Audit fees	12 676 889	10 186 076
Remuneration, other than to employees		
Consulting, legal and other professional services	19 483 564	23 834 306
Leases		
Equipment	286 927	246 426
Premises	3 086 791	6 326 477
Depreciation and amortisation		
Depreciation of property, plant and equipment	17 525 680	15 452 656
Depreciation of right-of-use assets	6 686 128	-
Amortisation of intangible assets	3 804	50 792
Total depreciation and amortisation	**24 215 612**	**15 503 448**

26. Employee costs

	2023 R	2022 Restated * R
Employee costs		
Basic	125 584 275	105 649 015
Bonus	-	7 312 563
Workmens' compensation contributions	293 477	62 797
Leave pay provision charge	2 933 057	121 934
Directors' fees	1 528 526	2 194 161
Acting allowances and other short term costs	7 769 426	10 989 952
Long-term benefits - incentive scheme	(6 659)	37 772
	138 102 102	**126 368 194**

* See Note 2 & 34

Notes to the Annual Financial Statements

	2023 R	2022 Restated * R
27. Investment income		
Dividend income		
Equity instruments at fair value through profit or loss:		
Unlisted investments - Local	-	58 900
Interest income		
Investments in financial assets:		
Loans receivable at amortised cost	2 095 451	963 480
Total investment income	**2 095 451**	**1 022 380**

Investment income on financial instruments which are available for sale or held to maturity are only presented for comparative purposes for financial instruments held in the prior reporting period but which were disposed of prior to the beginning current reporting period, which is the date of adoption of IFRS 9 Financial Instruments. Investment income on all other financial assets has been reclassified in compliance with IFRS 9.

28. Finance costs

	2023 R	2022 Restated * R
Non-current borrowings	101 907	1 622 608
Lease liabilities	10 868 971	-
Unwinding of discount on provisions and other liabilities	40 791	39 222
Unwinding of discount on long-term employee benefit obligation	46 361	43 000
Total finance costs	**11 058 030**	**1 704 830**

29. Cash (used in)/generated from operations

	2023 R	2022 Restated * R
Loss before taxation	(139 429 143)	(82 708 005)
Adjustments for:		
Depreciation and amortisation	24 215 612	15 503 448
Losses on disposals, scrappings and settlements of assets and liabilities	42 666 081	625 273
Income from equity accounted investments	(848 524)	(100 801)
Dividends received (trading)	-	(58 900)
Interest income	(2 095 451)	(963 480)
Finance costs	11 058 030	1 704 830
Fair value losses (gains)	5 657 812	(19 337 629)
Impairment / (reversal) of impairment on fixed assets	1 284 574	-
Movements in provisions	2 405 811	(1 244 404)
Changes in working capital:		
Inventories	332 358	(1 142 136)
Trade and other receivables	(53 048 988)	61 062 397
Trade and other payables	96 738 256	47 553 300
	(11 063 572)	**20 893 893**

* See Note 2 & 34

Notes to the Annual Financial Statements

30. Commitments and lease arrangements

Authorised capital expenditure

	2023 R	2022 Restated * R
Already contracted for but not provided for		
• Loans approved but not yet paid	9 187 880	8 976 009
• Supplier commitments	2 158 317	1 149 854
• Govan Mbeki Housing Company	-	8 337 736

Operating leases – as lessor (expense)

	2023 R	2022 Restated * R
Minimum lease payments due		
- within one year	-	5 485 400
- in second to fifth year inclusive	-	42 054 403
	-	**47 539 803**

The entity leases buildings for its office space. The leases of office space typically run for a period of one to 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.

	2023 R	2022 Restated * R
Operating leases - as lessor (income)		
- Within year 1	18 568 312	20 627 650
- Within year 2	13 104 443	16 673 078
- Within year 3	10 446 107	11 376 088
- Within year 4	6 553 605	8 652 364
- Within year 5	492 086	5 622 315
	49 164 553	**62 951 495**

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.

Notes to the Annual Financial Statements

	2023 R	2022 Restated * R

31. Contingencies (continued)

1. Roadspan - Claim amount: R4,784,315 (2022: 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. MEGA is defending the matter.

2. Mr. EL Potgieter - Claim amount: R1,930,217 (2022: R1,930,217)

Mr. Potgieter, former CFO lodged a grievance after the expiry of his 5 years fixed term of employment contract on the 31st January 2021, wherein he alleged unfair dismissal due to non-renewal of the fixed-term employment contract.

Applicant subsequently referred a dispute for unfair dismissal and unfair labour practice to the CCMA and an arbitration award was rendered on 16 August 2021, in terms of which MEGA was ordered to pay the Applicant R1 930 217.16 compensation in respect of unfair dismissal. MEGA has filed an affidavit simply to request that the matter be remitted back to the CCMA in the event the award is set aside.

3. I@Consulting (Pty)Ltd - Claim amount: R3,298,833 (2022: R3,298,833)

On or about 29 March 2022, I @ Consulting (Pty) Ltd instituted action proceedings against MEGA for breach of contract for the provision of technical and advisory support to the Project Management Unit of the Nkomazi Economic Zones (SEZ) following its appointment through a competitive bidding process on 16 November 2022.

The matter was subsequently referred to DEDT to settle since the budget for the SEZ was transferred to the Department. Furthermore, the Opponent had also not taken the matter further after our attorneys of record requested some time to engage DEDT for a possible out of court settlement.

4. Coega Development Corporation (Pty) Ltd - Claim amount: R4,774,394 (2022: R0)

Coega Development Corporation (Pty) Ltd instituted action proceedings against MEGA on 21 April 2022, in which they claim payment of an amount of R 3 206 548.58 plus interest of R 1 567 845.92. The claim is predicated upon a written agreement for provision of technical services, including program management fees. MEGA is defending the matter.

5. LONA Citrus (Pty) Ltd - Claim amount: R26,851,227 (2022: R0)

LONA Citrus Ltd has instituted action proceedings seeking for a judgement on the allegations that MEGA owes the company an amount of R26 851 226.86. This is allegedly a cumulative debt from the funds the company has used in the management of Tekwane Citrus Farm. MEGA is defending the matter on the grounds that there is no agreement on the total amount allegedly owed to LONA.

6. Slip Knot Investments (Pty) Ltd - Claim amount: R22,833,009 (2022: R0)

SLIP KNOT Investments (Pty) Ltd instituted action proceedings against MEGA on 19 April 2023 for alleged breach of contract by MEGA in respect of the ABSA Square Building lease agreement which MEGA officially terminated on 30 September 2023 prior to moving to the new MEGA Head offices situated at No. 02 Eastern Boulevard, Riverside, Mbombela. Plaintiff alleges that MEGA is still liable for the rentals and all other charges that the Plaintiff would have been entitled to receive from the Defendant (MEGA) from 01 October 2022 to date of termination of the lease renewal by effluxion of time which is December 2025. MEGA is disputing the allegation and thus defending the matter.

Notes to the Annual Financial Statements

	2023 R	2022 Restated * R

31. Contingencies (continued)

7. ENZA Construction (Pty) Ltd - Claim amount: R43 548 910 + R50 666 432 (2022: R0)

ENZA instituted action against MEGA as well as the Department of Public Works and the Department of Economic Development and Tourism. As Public works have taken over the Mpumalanga International Fresh Produce Market project from MEGA it is unclear whether MEGA is liable in part or at all. Public Works is currently assessing the situation and has been requested to advise by the end of May 2023 whether there is any liability of MEGA in respect of this action.

Contingent assets

Mire Beck Properties (Pty) Ltd - Claim amount: R0 (2022: R4,437,322)

MEGA instituted action proceedings against Mire Beck Properties (Pty) Ltd (Mire Beck) emanating from a development agreement between MEGA and the Defendant/ Respondent due to alleged failure to complete the construction work for the MEGA Head Office situated at Riverside Park, Nelspruit. A letter of demand was issued to the Defendant/ Respondent on 15-09-2021. A without prejudice round table discussion which took place virtually on 12-10-2021 did not succeed to resolving the dispute. The matter has since been referred to arbitration and we await an agreement in terms of an arbitrator to preside over the dispute.

Notes to the Annual Financial Statements

32. Related parties

Relationships

Associates	Refer to note 8
Board members and key management emoluments	Refer to note 33
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 National Department of Education (NSF) Department of Economic Development and Tourism Department of Arts and Culture Department of Human Settlements Department of Public Works Department of Trade and Industry Department of Education Department of Health Office of the Premier

Related party balances

	2023 R	2022 Restated * R
Loan accounts - Owing (to) by related parties		
Department of Agriculture, Forestry and Fisheries	(14 905 522)	(15 088 887)
Mr ZL Dlabazama	2 071 938	2 071 938
Dalamba Victorius Trading Enterprise and Projects (Pty) Ltd	10 390 461	9 594 153
Fuma Investments (Pty) Ltd	7 303 798	7 839 310
S'Buthe Mntimandze (Pty) Ltd	-	2 934 463
Amounts included in Trade receivable (Trade Payable) regarding related parties		
Department of Arts and Culture (Promoting Sports and Culture)	(3 054 273)	(3 054 273)
Office of the Premier (MYDF)	(26 636 655)	(40 740 530)
Department of Public Works (EPWP)	(247 480)	(310 370)
Department of Public Works	(841 137)	(841 137)
Kangwane Anthracite (Pty) Ltd	492 558	492 558
Department of Economic Development and Tourism	(24 088 397)	(24 088 397)
Department of Economic Development and Tourism	8 001 417	8 490 500
Department of Human Settlement	-	891 584
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

	2023 R	2022 Restated * R
Loans repaid		
Fuma Investments (Pty) Ltd	1 223 000	1 150 000
Grants received from		
Department of Economic Development and Tourism - Operational Grant	233 289 000	216 020 000
Department of Economic Development and Tourism - EPWP	1 500 000	1 300 000
Office of the Premier - MYDF	59 045 964	81 952 518
National Department of Education (NSF Project)	12 975 014	-
Department of Economic Development and Tourism - SEZ	4 614 073	2 805 787
Management fees received from related parties		
Office of the Premier - MYDF	2 559 830	1 393 642

Notes to the Annual Financial Statements

	2023	2022 Restated *
	R	R

33. Board members and key management emoluments

Board members

2023

Directors' emoluments	Directors' fees	Total
Mr TP Motau (Chairperson)	215 850	215 850
Ms DD Pule	123 816	123 816
Ms MM Mothoa	115 236	115 236
Mr CJ Pule	146 664	146 664
Mr JL Mahlangu	146 664	146 664
Ms N Lebambo	141 426	141 426
Mr DM Maimela	109 998	109 998
Ms NH Mkhumane	165 939	165 939
Ms ME Radebe	7 857	7 857
Mr MSK Masilela	102 141	102 141
Travel and Subsistence reimbursement	252 935	252 935
	1 528 526	**1 528 526**

2022

Directors' emoluments	Directors' fees	Total
Mr TP Motau (Chairperson)	198 582	198 582
Ms DD Pule	89 814	89 814
Ms MM Mothoa	70 713	70 713
Mr CJ Pule	81 189	81 189
Mr JL Mahlangu	170 235	170 235
Ms N Lebambo	75 951	75 951
Mr DM Maimela	75 951	75 951
Ms NH Mkhumane	193 616	193 616
Ms ME Radebe	68 094	68 094
Ms AD Mkhwanazi	78 570	78 570
Mr ZT Shongwe	128 877	128 877
Mr BV Mbungela	73 332	73 332
Mr DS Mkhwanazi	112 242	112 242
Mr MSK Masilela	133 569	133 569
Mrs SFT Sithole	99 522	99 522
Mrs NZ Oyiya	73 332	73 332
Mr NB Maphanga	12 794	12 794
Mr S Shongwe	57 618	57 618
Travel and Subsistence reimbursement	400 571	400 571
	2 194 572	**2 194 572**

Key management

2023

Notes to the Annual Financial Statements

	2023	2022 Restated *
	R	R

33. Board members and key management emoluments (continued)

Directors' emoluments	Emoluments	Total
Mr MI Mahlangu (CEO)	3 221 335	3 221 335
Mr ZS Macu	2 402 993	2 402 993
Mr E Nyathikazi	2 410 628	2 410 628
Adv SP Morgan	2 211 046	2 211 046
Mr MS Mkhabela	2 221 714	2 221 714
Ms RF Masuku	1 924 565	1 924 565
Ms CM Nkambule	2 407 520	2 407 520
Mr TS Nobela	2 170 025	2 170 025
Travel and Subsistence reimbursement	442 694	442 694
	19 412 520	**19 412 520**

2022

Directors' emoluments	Emoluments	Total
Mr MI Mahlangu (CEO)	1 446 682	1 446 682
Mr ZS Macu	2 338 485	2 338 485
Mr E Nyathikazi	2 308 722	2 308 722
Adv SP Morgan	2 126 696	2 126 696
Mr MS Mkhabela	2 162 426	2 162 426
Ms RF Masuku	1 899 348	1 899 348
Ms CM Nkambule	2 455 928	2 455 928
Mr TS Nobela	2 151 998	2 151 998
Travel and Subsistence reimbursement	239 569	239 569
	17 129 854	**17 129 854**

Notes to the Annual Financial Statements

34. 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

	2023 R	2022 Restated * R
Trade and other receivables		
Balance previously reported		40 786 662
Correction of Municipal debtors - own consumption		(1 093 405)
Movement of VAT due to taxable corrections		166 280
		39 859 537
Investment property		
Balance previously reported		462 360 001
Recording of properties where MEGA applied substance over form		1 320 000
Recording of omitted properties		5 359 999
		469 040 000
Trade and other payables		
Balance previously reported		255 659 198
Accruals not accounted for in previous year		691 671
		256 350 869
Property Plant and equipment		
Balance previously reported		385 560 776
Recognising omitted bulk infrastructure components at Depreciated Replacement Cost Value		9 288 091
		394 848 867
Reserves		
Balance previously reported		104 625 018
Revaluation reserves for the omitted bulk infrastructure recognised		1 059 347
		105 684 365
Retained income		
Balance previously reported 1 April 2021		707 467 772
Recognition of bulk infrastructure omitted		8 941 531
Depreciation and fair value adjustments		(423 206)
Alignment between fixed asset register and general ledger		(35)
Recognition of investment properties omitted		5 350 000
Municipal services - own consumption		(610 387)
		720 725 675
Intangible assets		
Balance previously reported		8 442 029
Derecognition of IT software - only 12 months license		(4 301)
		8 437 728

Statement of Profit and Loss and other Comprehensive Income

	2023 R	2022 Restated * R
Other operating income		
Total as previously reported		200 647 652
Recording of properties where MEGA applied substance over form		1 443 323

Notes to the Annual Financial Statements

34. Prior period restatements (continued)

	2023 R	2022 Restated * R
		202 090 975
Other operating gains (losses)		
Total as previously reported		18 662 356
Change to the fair value adjustment for Investment Property		50 000
		18 712 356
Other operating expenses		
Total as previously recorded		333 793 454
Correction of depreciation - bulk infrastructure		465 982
Accounting of professional fees		322 057
Accounting of subscription and license fees		24 100
Accounting of water waste		238 979
Accounting of maintenance - buildings		70 688
Accounting of IT software & licenses - previously capitalised		4 300
		334 919 560
Other disclosures - Irregular expenditure		
Total as previously reported		626 306 176
Additional irregular expenditure identified		305 822
		626 611 998

Notes to the Annual Financial Statements

	2023	2022 Restated *
	R	R

35. Financial instruments and 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 entity at 31 March 2023 and 31 March 2022 respectively was as follows:

Borrowings	16	19 721 886	19 905 163	19 905 163
Lease liabilities		269 841 121	-	-
Trade and other payables	18	353 936 204	256 350 869	191 506 880
Total borrowings		**643 499 211**	**276 256 032**	**211 412 043**
Cash and cash equivalents	13	(58 867 210)	(58 333 256)	(30 036 261)
Net borrowings		**584 632 001**	**217 922 776**	**181 375 782**
Equity		635 126 691	747 096 374	855 841 261
Gearing ratio		92 %	30 %	21 %

Notes to the Annual Financial Statements

	2023	2022 Restated *
	R	R

35. Financial instruments and risk management (continued)

Financial risk management

Overview

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 the following risks from its use of financial instruments:
- Credit risk;
- Liquidity risk; and
- Market risk (currency risk, interest rate risk and price 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 entity 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.

Notes to the Annual Financial Statements

Figures in Rand — 2023 — 2022

35. Financial instruments and risk management (continued)

The maximum exposure to credit risk is presented in the table below:

		2023			2022			2021		
		Gross carrying amount	**Credit loss allowance**	**Amortised cost / fair value**	**Gross carrying amount**	**Credit loss allowance**	**Amortised cost / fair value**	**Gross carrying amount**	**Credit loss allowance**	**Amortised cost / fair value**
Other financial assets	10	175 720 201	(129 551 851)	46 168 350	189 851 928	(151 180 063)	38 671 865	202 621 935	(157 469 658)	45 152 277
Trade and other receivables	11	286 167 224	(233 923 410)	52 243 814	409 907 783	(370 048 246)	39 859 537	351 035 933	(305 825 204)	45 210 729
Cash and cash equivalents	13	58 867 211	-	58 867 211	58 333 256	-	58 333 256	30 036 261	-	30 036 261
		520 754 636	**(363 475 261)**	**157 279 375**	**658 092 967**	**(521 228 309)**	**136 864 658**	**583 694 129**	**(463 294 862)**	**120 399 267**

Notes to the Annual Financial Statements

	2023 R	2022 Restated * R

35. 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 R58 864 418 (2022: R58 329 044) 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 2023 (2022: 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.

2023

		Carrying amount
Non-current liabilities		
Borrowings	16	4 816 364
Lease liabilities		269 841 121
Current liabilities		
Trade and other payables		353 936 204
Borrowings	16	14 905 522
		(643 499 211)

2022

		Carrying amount
Non-current liabilities		
Borrowings	16	4 816 364
Current liabilities		
Trade and other payables	18	256 350 869
Borrowings	16	15 088 799
		(276 256 032)

Notes to the Annual Financial Statements

	2023 R	2022 Restated * R

35. Financial instruments and risk management (continued)

2021

		Carrying amount
Non-current liabilities		
Borrowings	16	4 816 364
Current liabilities		
Trade and other payables	18	191 506 880
Borrowings	16	15 088 799
		(211 412 043)

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 R4 757 792. The lemons are sold to the Middle East through an export sales agent. The export sales agent sells the lemons in US dollars. The entity receives the rand equivalent less the agent fees.

The entity reviews its foreign currency exposure, including commitments on an ongoing basis.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The entity's potential exposure to the risk of changes in market interest rates relates primarily to the entity's long-term debt obligations. The entity's long term debt obligations are both interest free and fixed term borrowings. The entity manages its interest rate risk by having a balanced portfolio of interest free and fixed rate loans and borrowings.

Interest rate sensitivity is not analysed as the organisation is borrowing at fixed interest rates.

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 R47 125 (2022: R45 025) therefore any significant change in the price will have an insignificant impact on MEGA.

Notes to the Annual Financial Statements

	2023 R	2022 Restated * R

35. Financial instruments and risk management (continued)

The remainder of the balance amounting to R1 539 098 (2022: R1 539 098) is not exposed to market-price risk as the shares relating to Afgri Limited and Capespan Group Limited will be bought back at a fixed price.

36. Going concern

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

The directors believe that the entity has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the entity is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new 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.

The following events or conditions (financial indicators) cast doubt on the entity's ability to continue as going concern and therefore the need to adequately disclose the material uncertainty (i.e. all these negative financial indicators need to be adequately disclosed in this note) and mitigating measures which need to be supported and audited as part of the going concern assessment:

a) Losses for the year in the current
i. The losses for the year are mainly attributed by the inability of the entity to collect its revenue. The following measures have been put in place to improve revenue collection
ii. Debt collection Company has been appointed for the Debt collection for all overdue account from MEGA Debtors
iii. Long overdue account are also handed over to MEGA Legal Division for collection
iv. Regarding municipal services, the Entity is implementing stringent measures to ensure that, overdue accounts relating municipal services are effective managed. This include continuous assessment on Debtors payments and implementation of disconnection measures to Debtors who are not paying.

b) Net current liability position

i. The R353 million for trade and other payables includes amongst other payables, the outstanding account with the City of Tshwane with a balance of around R280 million. The entity will ensure that, trade and other payables (except for the City of Tshwane outstanding account) are settled during 2023-24 financial year.
ii. The following mitigations are in place to deal with the city of Tshwane outstanding account:

- The Entity is implementing the Ekandustria Industrial Park revitalization programme to improve the park and ensure the attraction of investments to the park and also ensuring that the outstanding municipal account for the City of Tshwane is paid.
- Utilities management company will be appointed to manage the municipal services at the Ekandustria Industrial park.

c) Cash flows from operating activities

i. The entity is in a process to deal with the City of Tshwane outstanding municipal account. The account has a balance of around R280 million and the only account resulting in the entity having a negative cash flow from operations.
ii. The following mitigations are in place to deal with the city of Tshwane outstanding account:

- The Entity is implementing the Ekandustria Industrial Park revitalization programme to improve the park and ensure the attraction of investments to the park and also ensuring that the outstanding municipal account for the City of Tshwane is paid.
- Utilities management company will be appointed to manage the municipal services at the Ekandustria Industrial park.

Notes to the Annual Financial Statements

	2023 R	2022 Restated * R

36. Going concern (continued)

d) Inability to collect revenue as indicated by the high loss allowance

The following measures have been put in place to improve revenue collection:

i. Debt collection Company has been appointed for the Debt collection for all overdue account from MEGA Debtors
ii. Long overdue account are also handed over to MEGA Legal Division for collection
iii. Regarding municipal services, the Entity is implementing stringent measures to ensure that, overdue accounts relating municipal services are effective managed. This include continuous assessment on Debtors payments and implementation of disconnection measures to Debtors who are not paying.

e) High balance of creditors as a percentage of cash and cash equivalents

i. The entity is going to ensure that, all outstanding payables are settled during 2023-24 financial year, except for the City of Tshwane outstanding municipal account. The outstanding municipal account will be address in accordance with item “C” above, under the heading “**Negative cash flows from operating activities”.**

ii. The Entity is also planning to increase the value of own revenue generated through property portfolio in order to achieve financial sustainability.

37. Events after the reporting period

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

* See Note 2 & 34

Notes to the Annual Financial Statements

38. Fruitless and wasteful expenditure

	2023 R	2022 Restated * R
Current year expenditure incurred	101 907	454 636

Details pertaining to the Fruitless and wasteful expenditure incurred for the year are included in the Annual Report.

39. Irregular expenditure

	2023 R	2022 Restated * R
Current year expenditure incurred	16 942 446	25 354 821
Additional irregular expenditure identified	-	305 822
	16 942 446	**25 660 643**

Details pertaining to the Irregular expenditure incurred for the year are included in the Annual Report.

40. Deviations from Supply Chain Management Regulations

The Accounting Officer may under certain circumstances deviate from following normal procurement processes. Any such deviations are reported on a monthly basis to Provincial Treasury and can be summarised as follows:

	2023 R	2022 Restated * R
Media coverage	-	154 430
Variation order	26 000	-
Single sourcing of quotations due to emergencies	446 020	43 285
Sole supplier	3 129 351	2 334 153
Impractical SCM processes	74 417	-
	3 675 788	**2 531 868**

* See Note 2 & 34

Detailed Statement of Profit or Loss

	Note(s)	2023 R	2022 Restated * R
Revenue			
Municipal services		78 786 151	70 786 894
Interest income (Trading)		45 593 922	44 129 464
Rental income		42 916 504	39 623 069
Sale of lemons - export		4 757 792	14 843 382
Sale of lemons - local		664 765	372 654
	21	**172 719 134**	**169 755 463**
Cost of sales			
Opening stock		(1 831 842)	(725 850)
Purchases		(121 987 195)	(109 976 254)
Closing stock		1 480 484	1 831 842
Cost of sales for agricultural activities		(4 212 199)	(28 895 328)
	22	**(126 550 752)**	**(137 765 590)**
Gross profit		**46 168 382**	**31 989 873**
Other operating income			
Administration and management fees received		77 515	56 741
Management fees received		1 989 830	1 393 642
Fees earned		551 596	1 443 325
Reversal of impairment		19 000	109 000
Government grants		212 976 925	199 084 867
Recoveries		123 256	3 400
	23	**215 738 122**	**202 090 975**
Other operating gains (losses)			
Losses on disposal of assets or settlement of liabilities		(42 666 081)	(625 273)
Fair value (losses) gains		(5 657 812)	19 337 629
	24	**(48 323 893)**	**18 712 356**
Expenses (Refer to page 84)		**(344 897 699)**	**(334 919 560)**
Operating/ (loss) profit	25	**(131 315 088)**	**(82 126 356)**
Investment income	27	2 095 451	1 022 380
Finance costs	28	(11 058 030)	(1 704 830)
Income from equity accounted investments		848 524	100 801
Loss for the year		**(139 429 143)**	**(82 708 005)**

* See Note 2 & 34

Detailed Statement of Profit or Loss

	Note(s)	2023 R	2022 Restated * R
Other operating expenses			
Advertising		(1 609 221)	(256 708)
Amortisation		(3 804)	(50 792)
Auditor's remuneration	25	(12 676 889)	(10 186 076)
Bad debts		(67 179 535)	(75 253 322)
Bank charges		(143 272)	(111 302)
Cleaning		(129 289)	(320 338)
Computer expenses		(4 744 840)	(2 032 355)
Consulting and professional fees		(15 422 597)	(17 153 844)
Legal fees		(4 060 967)	(6 680 462)
Depreciation		(24 211 808)	(15 452 656)
Employee costs		(138 102 102)	(126 368 194)
Entertainment		(780 060)	(420 486)
Grant expenditure		(6 120 656)	(7 205 482)
Management fee		-	(531 000)
COVID 19 expenditure _ PPE		(23 000)	(109 785)
Shareholder contribution		-	(626 445)
Other farming expenses		(97 849)	(264 035)
Impairment		(1 284 574)	-
Insurance		(7 498 992)	(7 762 906)
Leases of low value assets		(3 086 791)	(6 326 477)
Short-term leases		(286 927)	(246 426)
Levies		(230 492)	(222 891)
Motor vehicle expenses		(70 764)	(26 442)
Municipal expenses		(18 273 351)	(17 374 514)
Other expenses		(2 703 716)	(2 962 804)
Postage		(38 108)	(30 975)
Printing and stationery		(615 711)	(253 522)
Protective clothing		(6 935)	(165 097)
Repairs and maintenance		(2 770 052)	(1 745 564)
Security		(26 221 565)	(26 012 016)
Staff welfare		(492 174)	-
Subscriptions		(1 118 273)	(974 656)
Telephone and fax		(1 638 275)	(2 278 693)
Training		(653 077)	(694 792)
Transport and freight		(949 889)	(3 924 275)
Travel - local		(1 652 144)	(894 228)
		(344 897 699)	**(334 919 560)**

* See Note 2 & 34

About MEGA

MEGA is a provincial government business enterprise listed under Scdedule 3D PFMA entity. It was established through the MEGA Act 1 of 2010.

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ISBN: 978-0-621-51427-8
PR: 254/2023

MEGA
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