2023/24 ANNUAL REPORT

MOVING INDUSTRIES FORWARD

EASTERN CAPE
DEVELOPMENT
CORPORATION

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ACRONYM

AFS	Annual Financial Statements
AIDC	Automotive Industry Development Centre
ARC	Audit and Risk Committee
ATR	Annual Training Report
BPESA	Business Process Enabling South Africa
CIS	Country Investment Strategy
DEDEAT	Department of Economic Development, Environmental Affairs and Tourism
DFI	Development Finance Institution
DTIC	Department of Trade and Industry and Competition
EAP	Economically Active Population
ECDC	Eastern Cape Development Corporation
EDC & SS	Economic Development Coordination and Sector Support
ECSECC	Eastern Cape Socio-Economic Consultative Council
FY	Financial Year
GBS	Global Business Services
IBSP	Informal Business Support Programme
ICF	Imvaba Cooperative Fund
ILO	International Labour Organisation
IMTIP	Investment Management, Trade, and Investment Promotion
JSF	Jobs Stimulus Fund
KPIs	Key Performance Indicators
MDA	Maximum Development Area
MEC	Member of the Executive Council
MoU	Memorandum of Understanding
MSME	Micro, Small and Medium Enterprises
NDP	National Development Plan
NEHAWU	National Education, Health and Allied Workers Union
NMBBC	Nelson Mandela Bay Business Chamber
OD	Organisational Development
OSS	One Stop Shop
PACTOA	Public Assets Community-Based Tenants and Owners Association
PAIA	Promotion of Access to Information Act
PAYE	Pay As You Earn
PDP	Provincial Development Plan
PEDS	Provincial Economic Development Strategy
PFMA	Finance Management Act
PICF	Provincial Investment Council Framework
PIDS	Provincial Industrial Development Strategy
PMO	Project Management Office
POPIA	Protection of Personal Information Act
REF & BS	Rural Enterprise Finance and Business Support
SAEEC	South African Electro-Technical Export Council
SADC	Southern African Development Community
Sefa	Small Enterprise Finance Agency
SEZ	Special Economic Zone
STRTEP	Small Towns, Rural and Township Enterprise Support Programme
UAE	United Arab Emirates
UIF	Unemployment Insurance Fund
US	United States
USAID	United States Agency for International Development
WSP	Workplace Skills Plan
YTD	Year-To-Date

STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

To the best of our knowledge and belief, we confirm the following:
All information and amounts disclosed in the annual report is consistent with the annual financial statements audited by the Auditor General.

The annual report is complete, accurate and is free from any omissions.
The annual report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury.

The Annual Financial Statements (Part F) have been prepared in accordance with the standards applicable to the public entity.

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

The accounting authority is responsible for establishing and implementing a system of internal control 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 entity for the financial year ended 31 March 2024.

Ayanda Wakaba
Chief Executive Officer

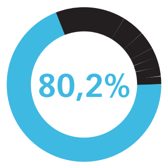
Vuyani Jarana
Chairperson of the Board

2023/24 HIGHLIGHTS

Rural, Enterprise Finance and Business Support

R47 million
in loan disbursements to 96 businesses

Loan collection rate



2073 jobs
created as a result of the enterprise finance & financial incentives

570
Enterprise finance jobs

1,503
Financial incentive jobs

360
businesses received loans & financial incentives

369
MSMEs received direct business development services

R91.6 million
leveraged for direct investment in MSMEs

Jobs Stimulus Fund

R14,8 million
disbursed through Jobs Stimulus Fund

1306
jobs saved via Jobs Stimulus Fund

Imvaba Cooperatives Fund

R22,1 million
approved for disbursement to 51 cooperatives

R21,2 million
Imvaba Co-operatives Fund disbursed

Investment Management, Trade and Investment Promotion

R213 million
value of exports facilitated

R1 billion
value of investments facilitated

R100 million
allocated to EC Economic Development Fund

R127 billion
declared at the 2023 investment conference

R70,3 million
leveraged through the EDF funded initiatives

Economic Development Coordination and Sector Support

12
catalytic projects supported

5
feasibility studies conducted with capex values of over R50 million

R60 M
funding leveraged through partnerships & co-funding agreements

Properties and Infrastructure Management Services

R28,4 million
raised from property disposals

R8,1 million
from external project management fees

R1.2 billion
Property portfolio value

60%
Rental collection rate.

R769 million
Value of external infrastructure projects implemented

R360 million
Value of internal infrastructure projects implemented

PART A

General Information

ABOUT THE ECDC

During the 2022/23 financial year (FY), the Eastern Cape Development Corporation (ECDC) reviewed its strategy, producing a five-year strategic plan for 2023/2024 to 2027/2028. The revised five-year strategy replaces the 2019/20-2023/24 strategic plan. The review of the five-year strategic plan follows the approval of the ECDC Reimagined Strategy 2021, which was concluded during the 2021/22 FY. The 2023/24 and 2024/25 corporate plans have been informed by the revised 2023/24 – 2027/28 five-year strategic plan.

The ECDC Reimagined Strategy is centred on refocusing, renewing and leveraging four broad areas: New development projects and financing instruments, new networks, new ways of working, and a new focus. The ECDC Reimagined Strategy 2021 informed the 2023/24 – 2027/28 five-year strategic plan, which introduced a revised mission and value statement, impact statement and six strategic pillars or themes.

VISION

A leader in facilitating inclusive, sustainable economic growth in the Eastern Cape.

MISSION

To accelerate sustainable and inclusive economic growth and job creation in the Eastern Cape by:

- Coordinating efforts to enhance economic competitiveness
- Unlocking opportunities for investment, and the expansion of the economy
- Creating an enabling environment for growth-targeted investment and trade
- Providing micro, small, and medium entrepreneurs and cooperatives with access to finance and business support that enables them to be competitive participants in the economy
- Serving as the preferred implementation agent for economic programmes and infrastructure projects.

OUTCOMES/STRATEGIC OBJECTIVES

A leader in facilitating inclusive, sustainable economic growth in the Eastern Cape.

1. A financially viable and sustainable organisation.
2. A well-managed, smart, and competitive property portfolio.
3. Increased investment in priority economic sectors, and diversification of exports and trade from traditional markets.
4. Increased growth and competitiveness of small enterprises in priority sector industries.
5. Enhanced planning and coordination of economic development programmes and projects.
6. A well governed, agile, and high performing organisation.

OUR VALUES

EXCELLENCE
We are results-driven, solution-oriented, and committed to superior performance. We strive to develop professionally by expanding our capabilities.

SUSTAINABLE GROWTH
We look beyond the present to deliver future value which is responsible and sustainable. We seek to innovate and continuously improve what we do.

ACCOUNTABILITY
We are uncompromising in our honesty and integrity, and we do what we say we will do. We are each responsible for our words, actions and results.

CLIENT FOCUS
We strive to provide speedy, responsive, and quality services, and place the client at the centre of what we do. We are committed to delivering value for money and return on investment.

COLLABORATION
We achieve more when we all work together for a common purpose. We work constructively with people from diverse backgrounds and demonstrate respect for and understanding of different points of view.

RELEVANT LEGISLATIVE AND POLICY MANDATES

The ECDC's mandate is derived from legislation (static mandates) and policy frameworks (dynamic mandates).

LEGISLATIVE MANDATES

The legislative prescripts impacting the ECDC mandate as reflected in the 2024-2028 strategic plan are:

Constitutional mandate

The Constitution of the Republic of South Africa (Act 108 of 1996):

- **Section 22** – Every citizen has the right to choose their trade, occupation, or profession freely and the practice of trade, occupation, or profession may be regulated by law.
- **Section 217** – When an organ of state contracts for goods and services, it must do so in accordance with a fair, equitable, transparent, competitive, and cost-effective system.
- **Chapter 3** pertains to cooperative government and assigns functions to the three spheres of government. Schedules 4 and 5 of Section 41(1) define the relationship and principles underlying cooperation between the various spheres of government. Economic development is an area of concurrent responsibility.
- **In terms of Chapter 6, Section 125**, the entity is mandated through the powers and responsibilities delegated by the Premier to the respective member of the executive council. The responsibility resides within the finance, economic development, environmental affairs, and tourism portfolio in the Eastern Cape.

The ECDC establishment mandate

Eastern Cape Development Corporation Act, 1997 (Act 2 of 1997):

Section 3 describes the primary objective of the ECDC as **to plan, finance, coordinate, market, promote and implement the development of the province and all its people** in the fields of industry, commerce, agriculture, transport, and finance.

Section 4 ascribes powers to the ECDC to plan and undertake activities, purchase and establish corporations, lend money, issue stock or debentures, and invest reserve funds.

Section 5 prescribes the duties of the ECDC.

- Public Finance Management Act, 1999 (Act 1 of 1999 as amended): The entity is listed as a Schedule 3D Provincial Business Enterprise, accountable to the MEC and the legislature.

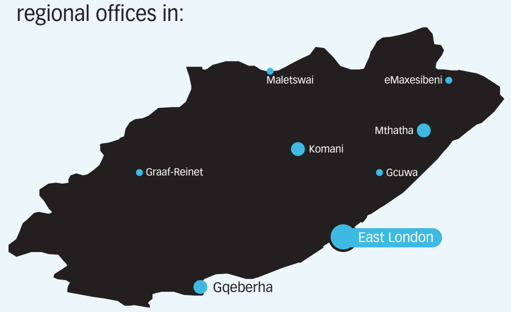
The core service delivery pillars which ensure effective delivery of the mandate are:

a. Rural, enterprise finance and business support
b. Investment management, trade and investment promotion
c. Properties and infrastructure management services
d. Economic development coordination and sector support.

These are supported by:

a. The Office of the CEO (Strategy and regional operations, internal audit, legal, compliance and governance and stakeholder management)
b. Finance and supply chain
c. Corporate services (Human resources, information communications and technology, records (ICT), document management, marketing, communication, office and corporate image management).

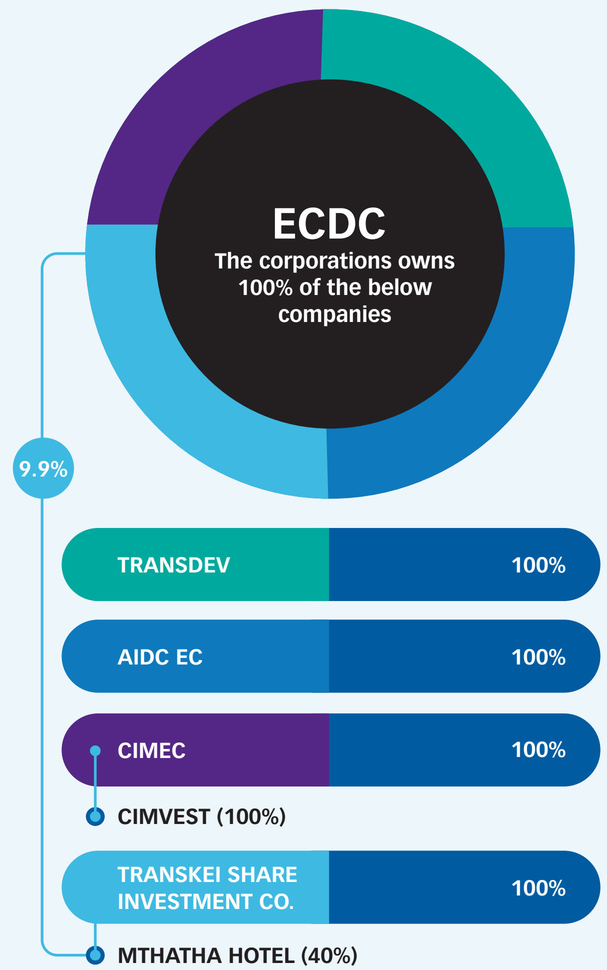
The ECDC's head office is in East London. It implements its work through regional offices in:



a. **East London** (satellite offices in Gcuwa (Butterworth))
b. **Mthatha** (satellite office in eMaxesibeni (Mount Ayliff))
c. **Komani** (satellite office in Maletswai (Aliwal North))
d. **Gqeberha** (satellite office in Graaff-Reinet).

ORGANISATIONAL GROUP STRUCTURE

The ECDC's group structure includes several subsidiaries:



- Transdev Properties owns the Garden Court building in Mthatha.
- The operations of the Garden Court are managed by Mthatha Hotel (Pty) Ltd.
- CIMVEST owns the ECDC head office building.

ECDC BOARD MEMBERS

Vuyani Jarana
Chairperson of the Board

Committees:
- Governance & Nominations

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

Tracy Cumming CA(SA)

Committees:
- Audit, Risk & Compliance
- Human Resources, Remuneration & Ethics

Nolitha Pietersen CA(SA)

Committees:
- Audit, Risk & Compliance
- Funding & Investment

Pumeza Bono

Committees:
- Governance & Nominations
- Funding & Investment
- Human Resources, Remuneration & Ethics

Dr Makaziwe Makamba

Committees:
- Funding & Investment
- Human Resources, Remuneration & Ethics

Siyabuka Siko CA(SA)

Committees:
- Funding & Investment
- Human Resources, Remuneration & Ethics

Babalwa Mhlubulwana

Committees:
- Funding & Investment
- Human Resources, Remuneration & Ethics

Xolile Titus

Committees:
- Funding & Investment

CHAIRPERSON'S FOREWORD

The Eastern Cape Development Corporation (ECDC) Board of Directors is excited to present the annual report for the year 2023/24 financial year. This year's annual report marks the second year of our revised "ECDC Reimagined Strategy 2021," approved by the Board on 3 December 2021. The strategy aims to build the ECDC into an agency capable of anchoring the economic development of the Eastern Cape.

At the heart of our strategy lies the ambition to build a fit-for-purpose ECDC with deep capabilities to address the Eastern Cape's persistent socio-economic development challenges, including unemployment, poverty, and inequality. It requires a holistic approach encompassing various facets of our operations, including operational efficiency, resource optimisation, skill enhancement, partnership development, and effective capital raising.

The expansion of our footprint, geographically and operationally, is yielding good results for the Corporation. By extending our reach, we can provide comprehensive support to more micro, small, and medium enterprises (MSMEs) while fostering an environment conducive to investment and entrepreneurship. We prioritised attracting third-party capital flows to catalyse economic growth and facilitate access to finance. By leveraging our position as a trusted intermediary, we mobilise capital for investment in the Eastern Cape's economy, stimulating job creation and fostering sustainable development.

Integral to our efforts to position the ECDC as a critical player in development finance is the generation of sustainable returns on investment from our assets and capital placed with us by third parties. By adopting a prudent yet progressive approach and underlying our investment decisions with sound commercial principles, we seek to instil confidence among capital providers and position the ECDC as a preferred investment vehicle for driving economic development in the Eastern Cape. As a vital player in the Eastern Cape's economic landscape, the ECDC is deeply engaged in aligning its efforts with the objectives outlined in the Country Investment Strategy (CIS) to maximise impact and drive sustainable development.

The CIS underscores the importance of enhanced investment coordination across all spheres of government to realise the full potential of the identified investment frontiers. Recognising coordination gaps in South Africa's investment ecosystem, the CIS advocates for structured collaboration to mobilise resources, promote investment, and enable conducive business environments. Accordingly, the CIS identifies five investment frontiers that represent strategic growth opportunities for South Africa:

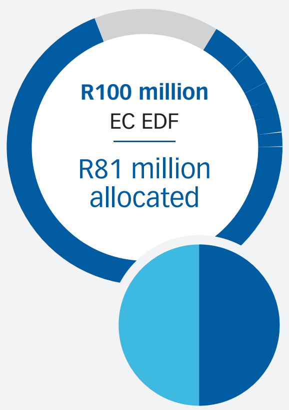
1. Green hydrogen
2. Next-generation digital industries and infrastructure
3. Special economic zones (SEZs) anchoring advanced manufacturing and logistics networks
4. Industrial cannabis and advanced agro-processing
5. Hyper-scaling impact investment to social and green economy objectives.

The Eastern Cape is uniquely positioned to capitalise on the opportunities presented by the CIS, leveraging its competitive advantages and economic strengths to drive growth and development. According to the CIS, the Eastern Cape performs strongly in critical sectors such as agriculture, electricity and water. However, due to a lack of diversification, the province faces challenges stemming from vulnerability to exogenous factors to the CIS; the ECDC is strategically aligning its efforts and focus areas to support and leverage the priority sectors identified in the Eastern Cape. By maximising the impact of its initiatives and resources, the ECDC aims to drive inclusive growth, create employment opportunities, and foster economic resilience in the province.

In 2023/24, ECDC was appointed to manage the Eastern Cape Economic Development Fund (EC EDF) with an allocation of R100 million. The fund was a wholesale fund with nine funding instruments or "fund products" aligned with the Provincial Economic Development Strategy (PEDS). These fund products have served as an access point for funding applications across several key industries, with purpose-built mechanisms facilitating growth and development in specific industries.

The fund has allocated R81 million to qualifying initiatives for the 2023/24 financial year, with 51% allocated to programmes with developmental returns such as job creation, industry and value-chain expansion, infrastructure and leveraged funding, while 49% has been allocated to programmes with financial returns or repayable enterprise funding.

ECONOMIC DEVELOPMENT FUNDING ALLOCATION



R81 m allocated to qualifying initiatives

51% allocated to programmes with developmental returns such as job creation, industry and value-chain expansion

49% allocated to programmes with financial returns or repayable enterprise funding

Our reflection on the ECDC's financial performance underscores our commitment to fiscal prudence, strategic foresight, and operational excellence, particularly in property management. By capitalising on emerging opportunities, addressing underlying challenges, and adhering to sound financial principles, we are confident in the Corporation's ability to attain financial sustainability for its trading services. It is necessary to achieve our mission of driving sustainable economic growth and job creation in the Eastern Cape.

As we continue to implement our strategy, we recognise the challenges and opportunities that lie ahead. From navigating the evolving global economic landscape to addressing local socio-economic dynamics, we remain committed to driving economic growth in the Eastern Cape. In closing, I thank our shareholders, stakeholders, and partners for their unwavering support. Together, we will continue to chart a course towards a brighter and more prosperous future for the Eastern Cape and its people.

Mr Vuyani Jarana
Chairperson of the Board
Eastern Cape Development Corporation

Laura Peinke

Acting Executive:
Economic Development
Coordination and Sector
Support

Lulama Mbobo-Vava

Executive:
Corporate Services

Darwin Zinzile Nkonki

Executive:
Rural, Enterprise
Finance and Business
Support

Ayanda Wakaba

Chief Executive Officer

Nielesh Ravgee

Chief Financial Officer

Khaya Zonke

Chief Investment
Officer

Nosipho Ngewu

Head:
Strategy and Regional
Operations

Norman Trimalley

Acting Executive:
Properties and Infrastructure
Management Services

CHIEF EXECUTIVE OFFICER'S REPORT

I am pleased to present the 2023/24 annual performance report of the Eastern Cape Development Corporation (ECDC). Steering the ECDC ship is a formidable enterprise that requires clarity of thought in our desire to deliver a pronounced development impact. The assignment requires a capable and capacitated ECDC that knows which levers to pull as an able steward and enabler for economic development.

Strategy is critical to performance and the effective implementation of mandate delivery. Consequently, the Board impressed on management the need to develop a wide range of stimulus instruments designed to implement the Corporation's Re-imagined Strategy 2021. Central to the strategy is developing a financially viable, astute, and fit-for-purpose ECDC, unlocking economic expansion and investment opportunities.

During the reporting period, the Corporation committed its resources to drive increased investment and trade, supporting small business growth, competitiveness, and productivity, improving sector coordination and development, and transforming the property portfolio into a competitive industry and platform to activate vibrant local economic activity.

These efforts are pivotal in responding to the immense socio-economic challenges that impact the operating environment. Constrained economic growth, characterised by high inflation, has led to a high interest rate environment, increasing fuel costs and the energy crisis, directly impacting economic activity. These factors have had a direct bearing on economic growth and job creation.

Ayanda Wakaba - CEO
Dressed by Iza Crafts
Beadwork: Nomhle Ngodwana

ECONOMIC DEVELOPMENT SUPPORT PACKAGES

Our response towards economic growth is multi-faceted. We have developed stimulus packages in the form of financial and business support packages to support the competitiveness, viability, and sustainability of small businesses and cooperatives. We have extended support for distressed firms to safeguard the retention and protection of at-risk jobs. We are strengthening our internal capacity and expertise to drive investment management, capital raise, trade and investment promotion. It is coupled with cementing our position as a preferred implementation partner for delivering economic programmes and infrastructure projects. We have set ambitious targets to overhaul and redesign the property portfolio to leverage investment and drive economic growth in the province.

The Corporation is harnessing the collective insights of industry experts, the government, and the business community to consider current and future strategies and interventions that are required to create a conducive environment for sustainable land-based commercial developments. These efforts are poised to facilitate the development of concise, strategic, and practical interventions that leverage critical state assets to grow the economy and reduce unemployment.

Among these enterprise support interventions is the R50 million Agri-Development Blended Finance Scheme that we implemented in partnership with the Eastern Cape Rural Development Agency (ECRDA) and the Department of Rural Development and Agrarian Reform (DRDAR). The scheme, financed with R25 million each from the ECDC and the ECRDA, is earmarked to support existing and aspirant black commercial farmers in the Eastern Cape. By the end of the financial year, the Agri-Development Blended Finance Scheme had approved R37,7 million for disbursement to 21 emerging farmers. Of this amount, R24,6 million was approved as an incentive, and R13 million as a loan, with 517 jobs created and retained through the disbursements from the scheme.

R50 MILLION
Agri-Development Blended Finance Scheme

R25 MILLION
each from ECDC and ECRDA

R37,7 MILLION
for disbursement to 21 emerging farmers

517 JOBS CREATED

Our development support apparatus was given further impetus with the allocation of R100 million for the Eastern Cape Economic Development Fund (EC EDF). The EC EDF is a wholesale fund with defined funding instruments or "fund products". These fund products are an access point for funding applications across several industries, with purpose-built mechanisms to facilitate growth and development. At the end of the reporting period, the Corporation had approved funding for six projects and interventions in pursuit of industry stimulation and job creation in key strategic industries such as automotive and manufacturing and enterprise finance.

ENTERPRISE FINANCE AND BUSINESS SUPPORT

We are equally cognisant that to achieve its aspirations of a high-performing development finance institution, the ECDC must evolve its funding instruments to stimulate economic growth and development. In this regard, we continuously improve our value proposition by developing innovative and inventive financial instruments that respond to current realities. These instruments are critical inputs for energising business performance and the efficacy of our small business ecosystem.

In response, we implemented several financial and non-financial support programmes that positively impacted small businesses. The Corporation continues offering diverse financial offerings, including contract-based, construction and term loans. We introduced and designed several programmes to inject buoyancy in an otherwise fragile economic environment. These include the Small Town, Township and Rural Entrepreneurship Support Programme (STTREP), Agri-Development Blended Finance Scheme, the Social Enterprise Replenishable Financial Support Programme, Business in a Box, and Channel Partners.

These support instruments complement the Imvaba Cooperative and the Jobs Stimulus funds, which incorporate job protection and creation interventions. The Corporation's programmes included R91.6 million in funding leveraged through commercial banks and other development finance institutions for direct enterprise finance. The ECDC is also collaborating with rural municipalities to revitalise retail trading facilities in the Eastern Cape.

In implementing the Social Enterprise Replenishable Financial Support Programme, the Corporation responded to the funding needs of a strata in our society with little to no access to funding. This stratum comprises micro-enterprises and enterprising individuals whose financial capital needs range between R3 000 and R12 000, with affected individuals unable to produce any collateral. The programme targets registered and unregistered micro-enterprises and individuals who are members of or linked to social institutions that can administer on behalf of the Corporation, as well as advances to enterprising individuals and enterprises based on the social capital of applicants. During the reporting period, the ECDC engaged social institutions as conduits to channel funding support for the benefit of micro-enterprises, with funding capped at R12 000 per application. By the end of the financial year, R790 877.45 had been disbursed by the social institution partners to 85 micro-enterprises and enterprising individuals. Beneficiaries of this programme are required to repay the advanced amount over a given period to enable the scheme's sustainability.

MICRO-ENTERPRISE FUNDING

R790 877.45 DISBURSED TO 85 MICRO-ENTERPRISES

R12,000 MAXIMUM FUNDING PER APPLICATION

We have reviewed our current loan and financial incentive frameworks and simplified them to improve access to finance by reducing barriers and flattening decision-making structures to improve turnaround times. These improvements resulted in the ECDC achieving six of the seven targets for the enterprise finance and business support function. The seventh target on resource mobilisation, which measures the value of funds leveraged, was partially achieved at 92%, with R92 million achieved against a target of R100 million.

ATTRACTIVE PROPERTY PORTFOLIO

In addition, the Corporation is implementing the modernisation of its property portfolio by making it attractive for private investment. We plan to enhance the portfolio's ability to support sustainable economic growth and job creation. The intention is to ensure these public properties generate economic value and respond to the province's economic challenges. This endeavour has not been without challenges. The state of lawlessness, property invasions, tenant delinquency and non-payments present the Corporation with daunting challenges.

The ECDC is actively engaging the public and private sectors to capitalise and resource the portfolio to improve the portfolio's efficacy, productivity, and future growth prospects. We are, therefore, engaging the private sector to invest in strategic property assets in return for long-term leases. We do this by calling for expressions of interest in commercially sound, mutually beneficial, developmental, and financially meaningful proposals. The private sector can invest in brown and greenfield developments in our large industrial, commercial and residential properties portfolio.

R136M ALLOCATION

We are grateful to the Eastern Cape government for the R136 million allocation over the last two years as part of the Corporation's capital raise programme to refurbish the ECDC properties.

The disposal of non-core assets continues through several auctions for residential and vacant land under 2 000 square metres. The process has also encountered challenges through interim court interdicts, a class action suit, and ongoing land claims.

Despite these challenges, the ECDC raised R28,5 million from the disposal programme during the 2023/24 financial year. We intend to dispose of the remaining 109 non-core properties over the next two financial years. The finalisation of the disposal programme for non-core assets will be affected by the resolution of land claims processes and the outcomes of the anticipated court proceedings in the new financial year.

R127 B INVESTMENT COMMITMENTS

TRADE & INVESTMENT PROMOTION

In the period under review, the Corporation intensified its investment promotion efforts by developing a quality pipeline of investors to support the province's economic imperatives. We have facilitated significant cross-sectoral investment opportunities in the Eastern Cape during the 2023/24 financial year. During the 2023/24 financial period, the ECDC hosted the third Eastern Cape Investment Conference on behalf of the provincial government. Investment commitments of R127 billion were announced at the conference, representing a pivotal moment in the province's economic trajectory.

Investments declared during the investment conference demonstrate alignment with the Provincial Economic Development Strategy. Positive investment trends consolidate the province's value proposition of being a preferred investment destination by providing enabling strategic infrastructure. The two special economic zones, the Coega and the East London Industrial Development Zone remain key investment localisation drivers for the Eastern Cape. Investments declared were primarily in agro-processing, sustainable energy, general manufacturing, automotive, cultural industries and the digital economy. These investments will inject substantial capital into the provincial economy, benefiting citizens, businesses, and the overall economic landscape.

During the reporting period, the Corporation empowered aspiring and existing Eastern Cape exporters through our varied export promotion and development programmes. We have implemented the Exporter Development Programme, Export Incentives Programme, and the Market Assistance Scheme. These programmes equip existing and potential exporters with the knowledge and skills to exploit new and more complex export opportunities. Five businesses were supported through the Export Incentive Programme, 207 businesses through the Export Market Assistance Scheme, and 188 businesses were assisted through the Exporter Development Programme.

ECONOMIC DEVELOPMENT & SECTOR COORDINATION

We have also prioritised the development of strategic alliances to facilitate economic development coordination and sector support. The Corporation is exploiting and mobilising the resources of partner institutions to extend the reach and impact of its development programmes. A Public Entities Collaboration Forum was established in March 2023, culminating in several partnerships that have begun to implement identified projects across the Eastern Cape in 2023/24.

12 catalytic projects identified and supported

5 feasibility studies

R50 million capex values

R60,5 million of leveraged funding through partnerships and co-funding agreements.

These projects are in all the province's districts and focus on the priority sectors and value chain support.

An agro-processing conditional grant from the Department of Economic Development, Environmental Affairs and Tourism (DEDEAT) bolstered agro-processing efforts and gave further impetus to implementing our economic development programmes. Work has been done to identify gaps and provide the requisite assistance in sector coordination, project management, and implementing economic impact projects among the province's district development agencies, local municipalities, metros, and other public sector agencies.

The ECDC has partnered with the Eastern Cape Socio-Economic Consultative Council (ECSECC) to support local municipalities with economic development, trade, and investment promotion coordination. This includes identifying municipal priority sectors and development programmes and aligning them with existing provincial strategies and frameworks.

PARTNERSHIPS

We continue to support the development of new high-value partnership opportunities, which broadens the scope and impact of the government's socio-economic development priorities. Growing demand for economic development support instruments has prompted the ECDC to exploit partner resources to effectively plan, execute, finance, and implement high-impact catalytic programmes. The common thread through all the ECDC's programmes is the pursuit of strategic partnerships to magnify the impact of development. The plan is to scope and develop future partnerships which complement our expertise in socio-economic development coordination and execution.

FUTURE OUTLOOK

The Corporation is committed to realising its desired outcome of stimulating economic growth in the Eastern Cape. The ECDC is strengthening its internal capacity and delivery network to implement economic development programmes to improve socio-economic development outcomes. Efforts to leverage public and private sector investment to augment and give impetus to the government's development programmes will remain high on the Corporation's agenda. Ultimately, the Corporation aims to build a committed, capable, and sustainable ECDC.

APPRECIATION

I am grateful to the Board for its enduring support in implementing the ECDC mandate in a challenging development landscape. I am thankful to the ECDC team for its resilience and commitment to the Corporation's cause, which requires precision in executing the development agenda. I thank the DEDEAT leadership team for their ongoing support and guidance. I am also grateful to the MEC Mlungisi Mvoko for his insightful leadership and support.

Ayanda Wakaba
Chief Executive Officer
Eastern Cape Development Corporation

Nielesh Ravgee - CFO
Dressed by Iza Crafts
Beadwork: Iza Crafts

CHIEF FINANCIAL OFFICER'S REPORT

GENERAL FINANCIAL REVIEW OF THE PUBLIC ENTITY

The financial performance of the Eastern Cape Development Corporation (ECDC) for the 2023/24 (FY) financial year has been influenced by several initiatives aligned with the approved renewal strategy that the ECDC is implementing. The renewal strategy formed the basis for an improved trajectory in the financial performance of the ECDC. Some initiatives include:

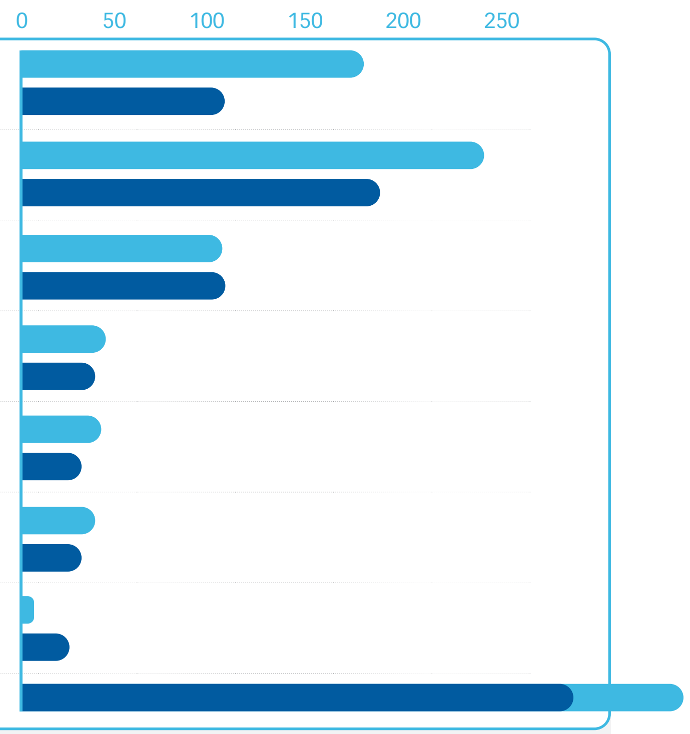
- Intensifying the implementation of the property modernisation strategy. The project started slow but gained momentum during the 2023/24 FY, and at year-end, the targeted spend for the next financial year had been committed.
- The Board also approved the recommendation to dispose of non-performing residential property, and although challenges were experienced, this process is well underway.
- The economic development and sector support intervention has initiated several projects. As these are rolled out, they will contribute to the Eastern Cape's economic development. The initiatives to attract investments and promote exports have also obtained support from the Office of the Premier, DEDEAT, and Provincial Treasury as they align with provincial priorities.
- The ECDC's finance department focused on initiatives to improve procurement processes, overall reporting and intensify the revenue collection and debt management strategy. This has proved to be a significant challenge, and several challenges have been addressed through this process.
- The budget allocation approved by the Department of Economic Development, Environmental Affairs and Tourism (DEDEAT) for the 2023/24 FY indicates the confidence the ECDC has instilled in our shareholders due to the achievements aligned with the renewal strategy.

The surplus for the year under review (excluding the fair value adjustments to investment properties) is R51,726 million, compared to a surplus of R11,393 million for the previous financial year. The surplus emanates from a combination of additional recognised recapitalisation grants, improved operating revenue, and operating expenditure. The improvement in operating revenue came from increased interest income, investment income, and management fees.

R51,726 MILLION
Surplus under the year under review

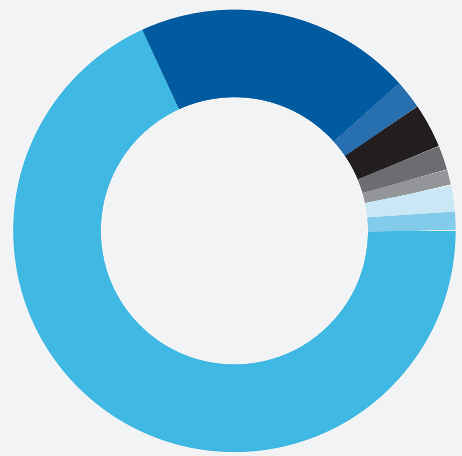
R11,393 MILLION
loss in the previous year

Sources of Revenue	2023/24	2022/23
Government Grants - Unconditional	165	94
Goverment Grants - Conditional	228	173
Rental Income	96	95
Interest Income	34	28
Investment Income	30	18
Management Fee	27	21
Other Income	12	13
Total Income	**592**	**442**



ASSETS

The statement of financial position reflects a very sound asset base, with the investment properties making up 68,23 % of the total assets. The challenge is the return on investment on properties, based on current operational challenges within the Properties unit.



- Investment property **1,284,595**
- Cash and cash equivalents **362,343**
- Loans and advances **46,267**
- Property, plant and equipment **59,198**
- Loans to subsidiaries & associates **36,897**
- Investment in subsidiaries & associates **37,836**
- Trade & other receivables **29,215**
- Investments **26,147**

SPENDING TRENDS OF THE PUBLIC ENTITY

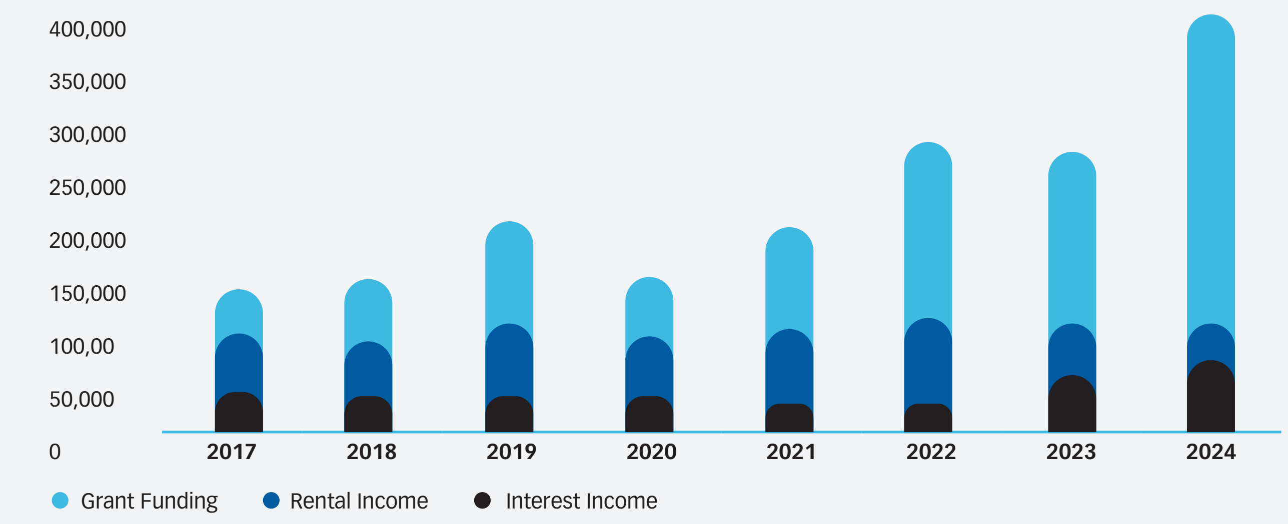
REVENUE STREAMS

Details	2017	2018	2019	2020	2021	2022	2023	2024
Grant Funding	141 864	150 148	203 117	147 160	193 115	268 732	267 429	393 885
Rental Income	74 249	78 420	96 695	83 016	93 774	99 301	94 873	94 802
Interest Income	31 197	23 107	27 344	29 601	17 634	17 364	46 334	63 756

Grant funding fluctuates yearly as the allocation is based on the annual requests and targets linked to Provincial initiatives and targets. The allocation by the Provincial Treasury is interrogated at the MTECH hearings conducted in October each year.

Rental income has been consistent, with marginal improvements over the last five years. Implementing the revenue generation strategy initiatives is envisaged to improve this trend over the MTEF period.

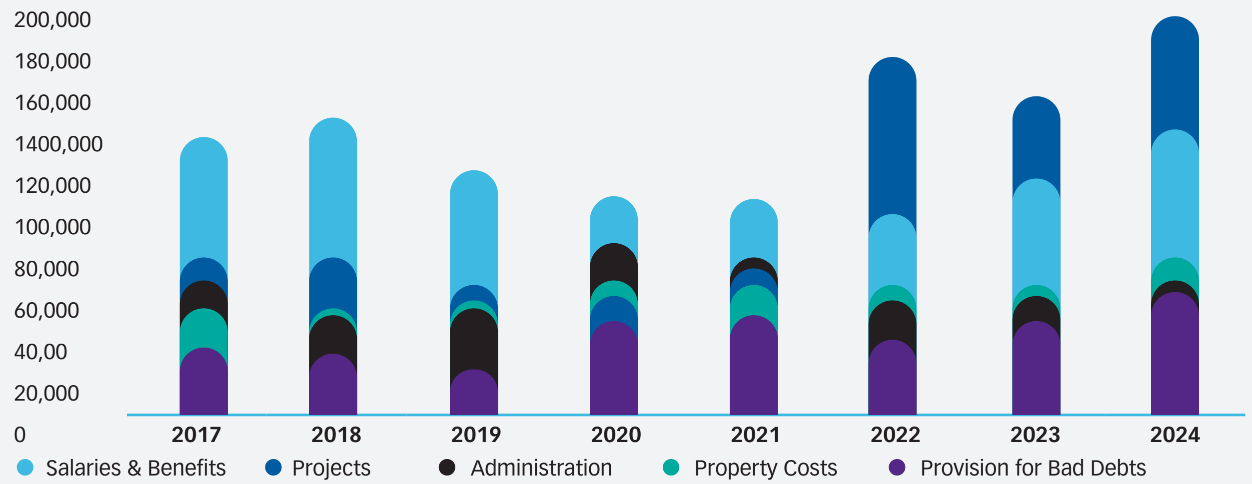
TRADE ON MAJOR SOURCES OF REVENUE



EXPENDITURE STREAMS

Details	2017	2018	2019	2020	2021	2022	2023	2024
Salaries & Benefits	131 220	142 476	114 341	105 530	101 426	95 675	114 591	136 696
Provision for Bad Debts	30 441	27 924	19 799	44 334	48 672	32 671	42 577	72 520
Administration	70 028	45 058	49 735	82 031	73 822	50 633	54 857	64 238
Projects	73 271	73 380	59 809	55 736	70 682	168 705	150 777	188 787
Property Costs	47 920	48 456	51 998	64 407	61 766	62 032	61 963	75 897

TRADE ON MAJOR EXPENSE ITEMS



The significant fluctuation in expenditure trends relates to project costs. There is a direct correlation between project costs and government grants, as most projects relate to ringfenced grants received for such projects. The other expenditure streams are consistent with marginal fluctuations. Provision for bad debts shows an increasing trend, and initiatives have been developed to ensure that debt collection is better managed.

CAPACITY CONSTRAINTS AND CHALLENGES FACING THE PUBLIC ENTITY

Capacity constraints have been a major stumbling block for the ECDC, and this was directly linked to the low revenue generation, low collection rates and the lack of recapitalisation funding for over 10 years. This situation was partially addressed in the 2023/24 FY and is part of the renewed strategic plan developed by the ECDC. The revised organogram now considers the critical positions required to ensure effective operations activities and that agreed-upon targets can be effectively pursued. Funding remains challenging, and the ECDC will continue to engage its shareholders and key stakeholders to secure additional funding.

DISCONTINUED KEY ACTIVITIES/ACTIVITIES TO BE DISCONTINUED

There are no discontinued activities or any intention of discontinuing any of its activities in the immediate future.

NEW OR PROPOSED KEY ACTIVITIES

No new key activities are proposed. The organogram's structure has been amended to separate economic development and sector support activities from the ECDC's Investment Management, Trade, and Investment Promotions unit.

REQUESTS FOR ROLL-OVER OF FUNDS

A request to roll-over funds for the 2023/24 FY has been made. The amount requested was R33,929 million and relates mainly to infrastructure projects, which are generally multi-year projects. The Provincial Treasury considers reviewing and approving these roll-overs during the budget adjustments estimate process, which takes place in October each year.

The project funds highlighted below are the unaudited project values as of 31 March 2024 because the legislated deadline date for submission of roll-over requests is 30 April 2024.

Description	Balance at 31 March 2024	Scource of Funding	Third party funding - Not subject to surrender	Request for roll over
ECDC & ECRDA collaboration	(6 982 321)	ECRDA	(6 982 321)	
Export Helpdesk - BCM	(70 737)	BCMM	(70 737)	
Investsa ec one stop shop	(1 270 592)	DTIC	(1 270 592)	
DIMBAZA REVITALISATION-BCMM	(19 990 865)	BCMM	(19 990 865)	
Zanyokhwe renovations	(981 725)	DALRRD	(981 725)	
Zanyokhwe hydroponics	(1 199 698)	DALRRD	(1 199 698)	
Mnqumashe abattoir	(2 660 599)	DALRRD	(2 660 599)	
Mbodla heritage facility	(660 901)	DALRRD	(660 901)	
Ebden substation upgrade	(3 387 193)	Enoch Mgijima Mun	(3 387 193)	
Zuurberg heritage memorial	(8 326 487)	DRSRC	(8 326 487)	
DALRRD shearing sheds projects	(1 021 018)	DALRRD	(1 021 018)	
Gwatyu access road	(2 629 563)	DALRRD	(2 629 563)	
Mvezo village irrigation syste	(1 755 661)	DALRRD	(1 755 661)	
Zwelihle community hall @ goss	(3 087 057)	DALRRD	(3 087 057)	
Small business development	(873 226)	IDSBD	(873 226)	
Agro-processing and capacity	(455 846)	DEDEAT		(455 846)
Film fund	(1 384 422)	DEDEAT		(1 384 422)
Film Fund - Infrastructure	(6 637 867)	DEDEAT		(6 637 867)
Makana sanitation	(4 100 614)	ECPT		(4 100 614)
Econstimulus- Dimbaza Park	(17 196 349)	DEDEAT		(17 196 349)
Econstimulus- Queendustria	(1 823 236)	DEDEAT		(1 823 236)
Econstimulus- MT Ayliff Trade	(1 046 871)	DEDEAT		(1 046 871)
SMME product and process certification and Supplier quality management development programme	(1 283 940)	DEDEAT		(1 283 940)
Total	**(88 826 787)**		**(54 897 642)**	**(33 929 145)**

SUPPLY CHAIN MANAGEMENT

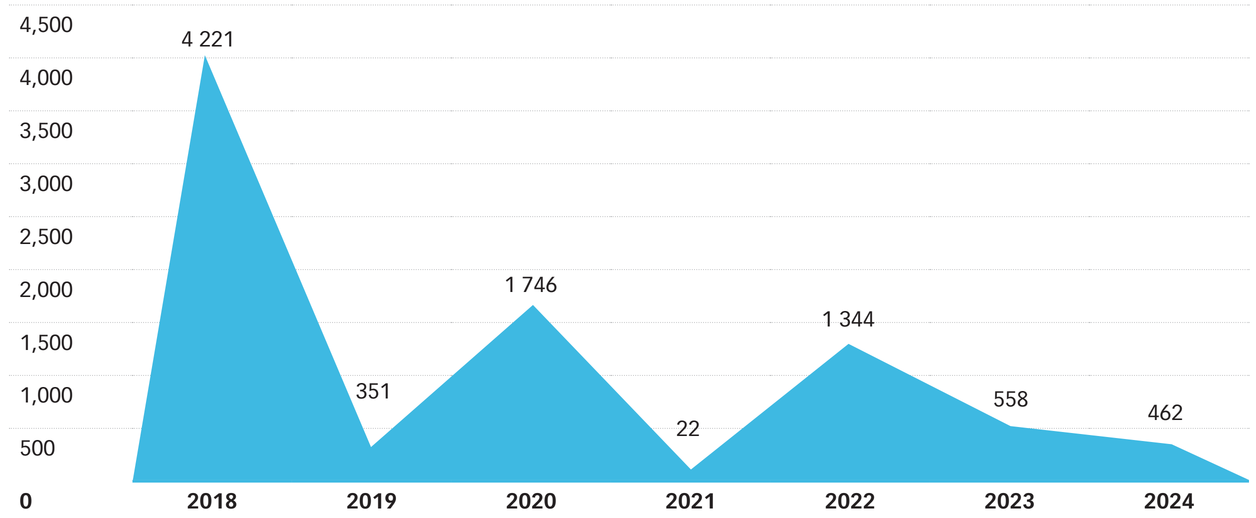
A formal approved supply chain management (SCM) Policy for goods and services and a separate SCM Policy for infrastructure are in place. Both policies were reviewed and amended during the year under review to accommodate the amendments related to the interventions applied by management to streamline the procurement processes, thus ensuring a quicker turnaround time. All related processes and procedures were also amended to accommodate these changes.

SCM PROCESSES AND SYSTEMS

We are satisfied that adequate processes and systems are in place to ensure procurement is done fairly, transparently, and equitably, as required by the Constitution and all relevant SCM legislative documents. The huge reduction in the value of irregular expenditure incurred over the last five years indicates the extent to which systems and controls have been improving in relation to procurement policies, as reflected in the graph on the following page.

Details	2018	2019	2020	2021	2022	2023	2024
Irregular expenditure	4 221	351	1 746	22	1 344	558	462

IRREGULAR EXPENDITURE TREND



Irregular expenditures have been well managed over the last five years, and condonement requests have been submitted to the Provincial Treasury to clear these disclosure notes. Effective consequence management action has been taken in relation to these expenses.

PLANS TO ADDRESS FINANCIAL CHALLENGES

Numerous interventions have been initiated to address financial challenges:

- Management has developed a revenue generation strategy that aims to identify specific goals and targets to assist the organisation in improving revenue generation. The focus has been to strengthen current revenue streams. The two focus areas centre on:
  - Core commercial operations
  - The two primary sources of revenue are rental income from the property portfolio, loan interest and administration fees.
  - Rental income constitutes approximately 77% of its revenue generated.
  - Loan interest and administration fees constitute approximately 6% of the revenue generated.
- Secondary revenue generation streams
  - Interest on outstanding rental debtors
  - Management fees comprise project, implementation and management fees, which are explained below.
  - Interest on invested funds
  - Dividend income from equity investments in business enterprises.
- Cost containment measures
  - The use of virtual meetings has been continued, which has resulted in significant savings in travel, accommodation, and refreshment costs.
- Revenue and debt collection
  - Management has reviewed, developed, and approved a revenue generation and debt collection framework.
  - The roles and responsibilities related to managing debt collectors and attorneys appointed to assist with such matters have been mapped out, and the intention is to monitor this closely.
- Regular reports will be measured, and the number of meetings where outstanding debts are discussed will increase.

EVENTS AFTER THE REPORTING DATE

There has been a significant improvement in the status of outstanding municipal accounts in relation to the Buffalo City Metropolitan Municipality. Persistent efforts to reverse incorrect billing have finally come to fruition. All outstanding disputed amounts for BCMM have been cleared. This is disclosed in the annual financial statements under Note 38 relating to contingent liabilities.

GOING CONCERN

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

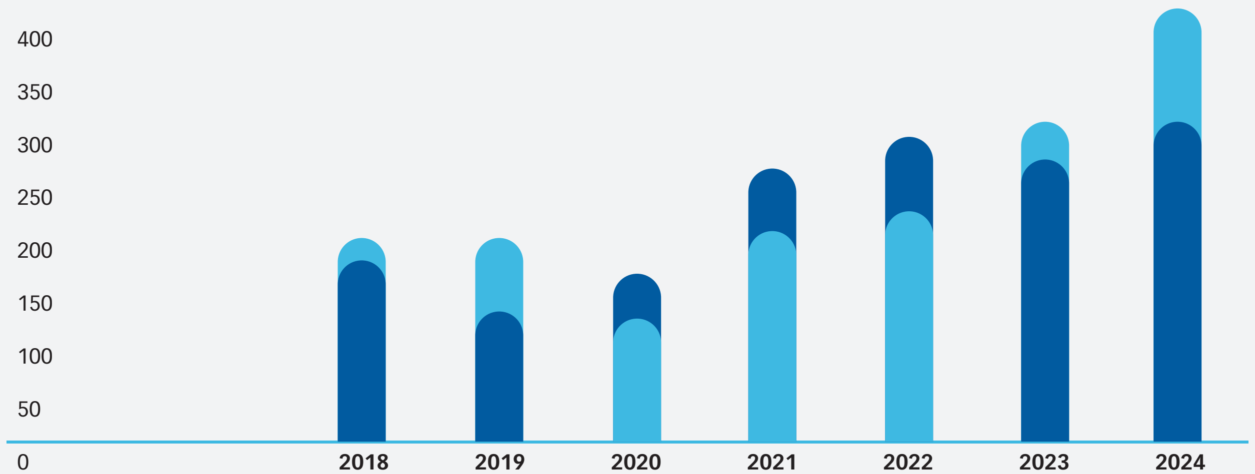
The factors in favour of the ECDC are:

- It continues to carry out various mandates on behalf of the government.
- The government sees the ECDC as a critical vehicle for assisting with initiatives to improve the Eastern Cape's economy and supporting SMMEs within identified sectors.
- The ECDC's appointment as the implementing agent for the Eastern Cape Economic Development Fund indicates the ECDC's future role.
- Despite liquidity challenges, the ECDC has managed its finances exceptionally well and has ensured that operations are contained within its available funding constraints.
- The ECDC continues to play a vital role in issuing loans and providing business support to SMMEs who cannot secure such loans from traditional financial institutions.

The ECDC's current ratio shows that management has effectively managed its cash flow, and the last two years have reflected a favourable ratio. Clearing the amount owed to the Provincial Treasury has contributed to the positive turnaround.

Details	2018	2019	2020	2021	2022	2023	2024
Current Assets	220	214	151	224	246	315	412
Current Liabilities	206	158	183	275	303	283	316

CURRENT RATIO TREND



	2018	2019	2020	2021	2022	2023	2024
Current Assets	220	214	151	224	246	315	412
Current Liabilities	206	158	183	275	303	283	316

SUBSIDIARIES AND ASSOCIATES

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

Audit outcomes

For the 2023/24 financial year the ECDC obtained an unqualified audit opinion with findings related to internal controls, revenue collection and debt management. The 2024/25 FY target is to obtain an unqualified audit opinion with no material findings from the Office of the Auditor-General of South Africa.

Acknowledgement and appreciation

The Finance team acknowledges the guidance and direction provided by the Board through the Audit and Risk Committee and the Funding and Investment Committee on all financial matters. It also appreciates the executive management team's support and input throughout the year. Acknowledgement and appreciation are also expressed for the Finance team, who worked tirelessly to ensure that all deadlines were met, audit queries were addressed, required documents were submitted on time, and all queries were adequately addressed. This entailed many long days, and this effort is appreciated.

Ravgee

Mr Nielesh Ravgee
Chief Financial Officer
Eastern Cape Development Corporation

Nosipho Ngewu - Head: Strategy and Regional Operations
Dressed by Iza Crafts
Doek: Blossom Crafter
Beadwork: Elsano Solutions
Basket - Thuliswa Mxhonywa

PART B
Performance Information

PREDETERMINED OBJECTIVES

The Auditor-General of South Africa (AGSA) 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 management report, with material findings being reported under "Predetermined Objectives" in the Auditor's Report on other legal and regulatory requirements

Overview of organisational performance

The ECDC developed its Corporate Plan and strategy to fulfil the provisions of Section 52 of the Public Finance Management Act, read with National Treasury Regulation 29.1.3.

The ECDC developed key performance indicators (KPIs) which assist to monitor and evaluate the success of the Corporate Plan's implementation. The performance scorecard details all the ECDC KPIs in its Corporate Plan. The Corporation achieved 86% (25) of its targets for 2023/24 FY, with 72% (21) fully achieved and 14% (4) partially achieved. Four targets (14%) were underachieved in the current financial year.

The corporate performance scorecard outlines the predetermined performance objectives, key performance indicators, annual targets, and performance against set targets.

2023/24 FY TARGETS OVERVIEW

86% (25) of the Corporation's targets were achieved for 2023/24 financial year

72% (21) of the targets were fully achieved

14% (4) of the targets were partially achieved

Performance against predetermined objectives

Outcome	Corporate Plan Outcome Referencing	Outputs	Responsible Division	Number of Output Indicators under Outcome 3	2022/23 Baseline	2023/24 Annual Target	2023/24 Actual performance	Variance (%)	Reason for Variance (whether positive or negative)
Increased investment in priority economic sectors and diversification of exports and trade in traditional and new markets	Outcome 3	Investment facilitation	Investment Management, Trade, and Investment Promotion	1.1 Rand value of investments facilitated per annum	R5,228,719,752	R350 million	R1 032 756 858	195%	The contribution from the renewable energy, film & auto sectors has a significant positive impact in investment attraction. The establishment of the PIC & investment management had a positive contribution
				1.2. Number of investor leads landed and/or existing investors supported	50	75	75	0%	Annual target achieved
				1.3. Number of sectoral catalytic investment projects supported	10	10	16	60%	The ECDC has upscaled sectoral support work relating to trade and investment promotion with a view to stimulating economic development and industrialisation.
				1.4. Number of jobs facilitated through trade and investment support per annum	1615	530	1325	150%	IMTIP overachieved its set target due to a contribution from the energy, film & auto sectors. The hard work from the team in attracting and retaining investments is bearing fruits through job creation. Overachievement on this target is a result of strategic partnerships with other public sector and industry bodies.
Increased investment in priority economic sectors and diversification of exports and trade in traditional and new markets	Outcome 3	Trade and export promotion		1.5 Rand value of exports facilitated per annum	R121,875,976	R200 million	R212 900 513	6%	The investment in trade missions and other market access platforms continues to expose the products of the Eastern Cape to the global and African markets. Because of these investments, the rand value of exports increased e.g. the export of manganese to China through the Port of East London, livestock exports to new markets in China and Egypt, deciduous fruit exports from Sarah Baartman to Mombasa in Kenya.
				1.6 Number of MSMEs assisted with integrated export support	147	200	207	3%	Annual target achieved.
				1.7 Number of enterprises trained on trade and export readiness	150	160	188	18%	The target was overachieved. Trainings are undertaken in partnership with strategic stakeholders. The main objective is to capacitate the local established and emerging exporters.
Increased growth and competitiveness of small enterprises in priority sector industries	**Outcome 4**	MSMEs supported with financial services	Rural and Enterprise Finance and Business Support	2.1 Number of MSMEs receiving financial support (loans and financial incentives)	105	330	360	9%	Target overachieved. This is an indication of high demand for financial support in the province.
				2.2. Number of co-operatives and participating enterprises/individuals receiving financial support	32	50	51	2%	Annual target achieved
				2.3. Value of funds leveraged directly for MSME projects	R52,951,500	R100 million	R91 595 346	-8%	The ECDC is at an advanced stage with new partners. Agreements will be concluded early in 2024/25.
		MSMEs supported with non-financial services		2.4. Number of enterprises and individuals receiving entrepreneurship and business development support	242	300	379	26%	Over achievement. This is a result of the market access programme which ECDC has been driving in partnership with stakeholders,
				2.5 Number of MSMEs supported with training and mentoring	568	600	638	6%	Collaboration with stakeholders throughout the year in the roll out of the demanded training has yielded positive results.
		MSME jobs facilitated, saved and/or created		2.6. Number of jobs facilitated (through loans)	526	250	570	128%	Over achievement in enterprises funded, was driven by the inclusion of MSMEs with large numbers of employees. Labour intensive MSMEs in the 2023/24 FY.
				2.7. Number of jobs saved and/or created through the Jobs Protection and Stimulus Fund, and Imvaba Fund	1,116	1 300	1503	16%	The target exceeded. Due to the review of the implementation strategy relating to the Job Stimulus and Imvaba funds.

Outcome	Corporate Plan Outcome Referencing	Outputs	Responsible Division	Number of Output Indicators under Outcome 3	2022/23 Baseline	2023/24 Annual Target	2023/24 Actual performance	Variance (%)	Reason for Variance (whether positive or negative)
A financially viable & sustainable organisation	**Outcome 1**	Property portfolio balance sheet management	Properties and Infrastructure Management Services	3.1. Property portfolio yield	10%	9%	11.32%	26%	Billing rates exceeded target.
				3.2. Rand value spend on the ECDC property acquisitions, refurbishment and upgrade	R11,134,309	R130 million	45 507 367.36	-65%	The Mthatha invasions made it impossible for the ECDC to access its buildings for scoping the work to be done. The Security Risk Management initiative coupled with a well-informed security risk framework is expected to be finalised in the first quarter of 2024/25. The framework will establish security risk management and improve access to buildings.
				3.3. Rand value capital raise from property disposals	R55,989,119	R37,7 million	28 479 929	-24%	Target underachieved. Legal battles have frustrated progress on the disposal of non-core residential properties, thus adversely impacting capital raise for property refurbishments. However, the ECDC is optimistic about the outcome of the legal proceedings.
				3.4. Rand value leverage from private sector	0	R50 million	0	-100%	Annual target not achieved. The ECDC is considering new proposals that will be reported in the new financial year 2024/25.
		Property portfolio cost management and efficiency		3.5. Property portfolio cost-to-income ratio	1:1.03	1:1.05	1:0.81	-22%	Annual target not achieved. Management has improved debt management and collection strategy. Expecting better results in 2024/25.
A well-managed, smart, and competitive property portfolio	**Outcome 2**	Property portfolio management		3.6 Rental collections as a percentage of billings	66%	72%	60%	-15%	Annual target underachieved. New strategic direction from the Board to dispose of all residential property frustrated by violence in Mthatha and protracted legal battles. The ECDC is positive about the legal process to win over these elements.
		Enhanced condition quality of the property portfolio, and property available to let		3.7. Percentage spend of maintenance programme budget (receipts)	N/A	75%	32.6%	-57%	Resource limitation challenged the capacity to deliver on this indicator. The ECDC has mobilised resources for 2024/25.
Enhanced planning and coordination of economic development programmes and projects	**Outcome 5**	Infrastructure delivery revenue generation		3.8 Rand value of Infrastructure programme under management for current year (external programmes)	N/A	R701 million	769 102 000	9%	Target overachieved.
				3.9. Rand value of revenue from project and programme management services (external clients)	R16,752,820	R18,4 million	8 106 695.30	-56%	Annual target not achieved. Intensified focus on new projects that will yield fee income for the year 2024/2025 has been planned.
A financially viable and sustainable organisation	**Outcome 1**	Capital raising and resource leveraging.	**Economic Development Coordination and Facilitation**	4.1 Rand value of funding leveraged for implementation of economic projects	R7,690,368	R60 million	R60 534 544	1%	n/a
Enhanced planning and co-ordination of economic development programmes and projects	**Outcome 5**	Economic development co-ordination and precision project planning		4.2. Number of catalytic economic development projects identified and supported, which are aligned with provincial priorities	7	12	12	0%	n/a
				4.3. Number of major projects (min R10 million per project) assessed for feasibility (internally or externally)	3	5	5	0%	Target achieved
A financially viable and sustainable organisation	**Outcome 1**	Financial management and internal controls	**Finance**	5.1. Cost-to-income ratio (excluding valuations and impairment)	1:1.03	1:1.05	1:1.40	36%	Target achieved
				5.2. Average number of days to pay suppliers	15 days	30 days	15days	100%	Target achieved
A well-governed, agile, and high-performing organisation	**Outcome 6**	Organisational governance and compliance		5.3 External audit outcomes	Unqualified Audit	Unqualified, with matters of emphasis	Unqualified Audit	0%	Measured audited AFS
		Human capital management and development	Corporate Services	5.4.Minimum percentage of annual performance contracts in place and reviews undertaken	90%	90%	94%	4%	Target achieved

OPERATIONS REVIEW

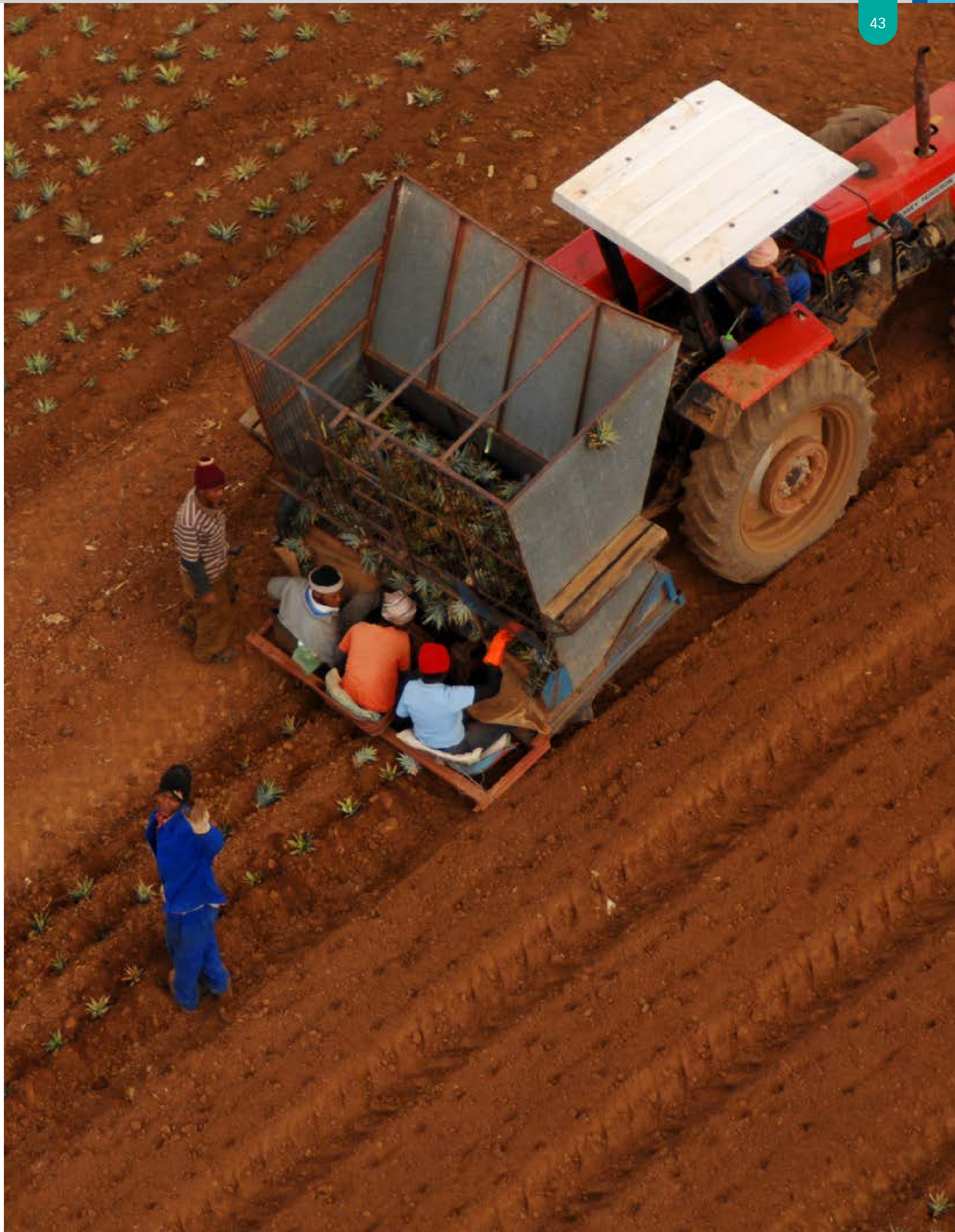
The ECDC consists of four core business units: Rural Enterprise Finance and Business Support; Investment Management, Trade, and Investment Promotion; and Properties and Infrastructure Delivery and Economic Development Coordination and Sector Support.

The **Rural, Enterprise Finance and Business Support** unit generates revenue that contributes to the Corporation's sustainability and the enterprises it supports. The primary drivers for the unit are capital, which it on-lends, and government grants, which it uses to assist micro, small, and medium enterprises (MSMEs) with financial incentives and non-financial support.

The **Investment Management, Trade and Investment Promotion** unit promotes the Eastern Cape as a destination for investment, trade, and tourism. It performs these functions in collaboration with various stakeholders, including embassies, investment promotion agencies, the Department of Economic Development, Environmental Affairs and Tourism (DEDEAT) and its entities, the Department of Trade, Industry and Competition (DTIC), municipalities, other state-owned entities, and other relevant stakeholders. The unit fulfils the objectives of marketing the Eastern Cape as an investment destination to facilitate foreign and local direct investment. It also provides aftercare services to existing investors, promotes trade, and facilitates increased exports from the Eastern Cape.

The ECDC's **Property Management** sub-unit aims to provide returns to the Corporation through prudent management of its residential, commercial, and industrial properties. The ECDC's industrial real estate comprises Vulindlela Industrial Park in the King Sabata Dalindyebo Local Municipality, Ibika Industrial Park in the Mnquma Local Municipality, and the Dimbaza and Fort Jackson industrial parks in the Buffalo City Metropolitan Municipality.
The **Infrastructure Management Services** sub-unit assists in implementing social, basic services and economic infrastructure. Programme delivery management services include infrastructure delivery for education (schools), health (clinics, hospitals, and requisite accommodation), social and economic development (ECDC-related industrial and commercial centres) and municipal services (water and sanitation).

The **Economic Development Coordination and Sector Support** unit aims to position the ECDC as the province's lead economic development agency by planning, coordinating, and implementing economic development projects.



Darwin Zinzile Nkonki - Executive: Rural, Enterprise Finance and Business Support
Dressed by Iza Crafts
Beadwork: Iza Crafts

RURAL, ENTERPRISE FINANCE AND BUSINESS SUPPORT

UNIT MANDATE AND OBJECTIVES

The unit supports commercially-viable Micro, Small, Medium Enterprises (MSME's) in the Eastern Cape with enterprise finance, financial and non–financial business support services. These services aim to stimulate the local economy and alleviate poverty by retaining and creating sustainable jobs.

OVERVIEW

Fiscal and budgetary pressures continue to impact the government's work in driving a spirited implementation of the development agenda. This is especially so in a post-COVID-19 and post-recessionary socio-economic environment, which has placed the provincial small business ecosystem under severe pressure. Entrepreneurs find it particularly challenging to rebuild their businesses, which suffered significantly during COVID-19. The effects of the pandemic still linger and continue to affect business performance.

Retaining existing jobs has been challenging, with many companies facing business closure and widespread job losses. Many have resorted to job cuts to stay afloat and maintain their going concern status. This has led to the province's inability to make significant inroads in job creation.

The status quo has necessitated government special purpose vehicles such as the ECDC to dig deep into their collective socio-economic development apparatus to find innovative means to effect the desired mandate outcomes.

It resulted in the Corporation's decisive action to develop small business support packages to cushion

Eastern Cape enterprises from an unforgiving economic environment. In response, the Corporation rolled out several financial and non-financial support programmes which have positively impacted the small business ecosystem in the province.

During the period under review, the ECDC introduced and designed several programmes to inject buoyancy in an otherwise fragile economic environment. These include the Agri-Blended Finance Scheme, the Social Enterprise Replenishable Financial Support Programme, Business in a Box and Channel Partners, including leveraged funding through commercial banks. The ECDC is collaborating with MSMEs and a rural municipality to revitalise retail trading in the Eastern Cape.

In partnership with the Eastern Cape Rural Development Agency (ECRDA), the ECDC implemented a R50 million Agri-Blended Finance Scheme. The scheme is intended to assist black farmers in commercialising their farming operations in the Eastern Cape.

The ECDC and ECRDA contributed R25 million each to establish the fund. The ECRDA's portion (50%) is an incentive, and the ECDC's contribution (50%) is disbursed as a loan.

R50 MILLION
Agri-Development Blended Finance Scheme

R25 MILLION
from ECDC is disbursed as a loan

R37,7 MILLION
from ECDRA is an incentive

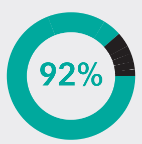
The fund encourages black farmers who require financial support to apply for funding. However, the scale may differ depending on the individual profiles of the farming operation, as the incentive may increase to a maximum of 70%.

To improve the quality of assessments and mitigate significant and inherent risks in farming, the ECDC partnered with an experienced agricultural non-governmental organisation that has been in South Africa for nearly 40 years. The partner conducts technical and commercial assessments of the farmer applicants. The technical partner provides pre-vetting services for the farmers, such as soil testing, required implements, feed, fertiliser, agricultural practices, and pesticide requirements, among other activities.

They also determine farmers' commercial prospects by ascertaining whether they have existing off-take agreements for their produce. The technical partner also offers post-investment support and skills transfer to farmers.

Under the partnership agreement, their services are extended to support all farmers who have received incentives through the Imvaba Cooperative Fund.

To strengthen the efficacy of its support programmes, the ECDC reviewed all its existing frameworks and simplified them to improve access to its services by reducing unnecessary barriers and flattening decision-making structures to improve turnaround times. As a result, the unit performed well, achieving six of the seven targets outlined in the Corporate Plan.



The seventh target, the value of funds leveraged, was partially achieved at 92%.

Targets were achieved for the primary incentive programmes, the Imvaba Cooperative and the Jobs Stimulus funds, which incorporate the Small Town, Township and Rural Entrepreneurship Support Programme (STTREP).

The ECDC continued to offer its diverse financial offerings, from simple contract-based loans tailored for the supply and delivery and construction-related contracts to ordinary and sector-specific term loans, including the Agri Blended Finance Scheme.

OPERATIONAL PERFORMANCE

In 2023/24, the Corporation disbursed loans totalling R47 million to 96 businesses, which is higher than the R42 million disbursed to 80 small businesses in the 2022/23 FY. The loan collection rate in 2023/24 was 80,2%.

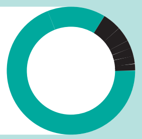
Of the 96 businesses that received loan funding, 36 were women-owned, accounting for R14,4 million of disbursements; 21 were youth-owned, accounting for R4,1 million. Enterprise finance facilitated the creation of 570 jobs in 2023/24.

2023/24

R47 million
In loans disbursed by the corporation

96 Businesses
received loans in 2023/24

80,2%
Loan collection rate



21
youth-owned businesses

R4,1
million in loans

36
female-owned businesses

R14,4
million in loans

570 JOBS **were facilitated by enterprise finance in 2023/24**

Other financial incentives, such as the Jobs Stimulus and Imvaba Cooperative funds and the Small Town, Township and Rural Entrepreneurship Support Programme, facilitated the creation of 1 503 jobs. In total, enterprise finance and financial incentives facilitated the creation of 2 073 jobs.

2073 total jobs
were facilitated in total by enterprise finance and financial incentives

A total of 360 small businesses received finance through loans and financial incentives, against a target of 330. The target was exceeded because of the implementation of new funding programmes that target businesses in rural, small town, and township localities. In addition, customised support targeted informal and social enterprises. These initiatives are designed to respond to the high demand for financial support in the Eastern Cape.

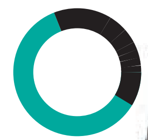
Agri-Blended Finance Scheme

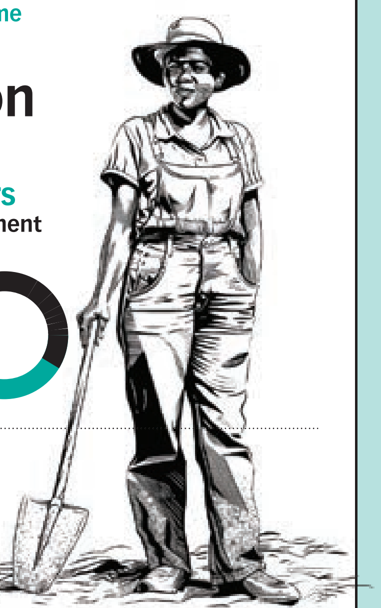
R37,7 million
approved for disbursment

21 Emerging farmers
would receive the disbursment

65,2% (R24,6m)
approved as incentive

34,8% (R13m)
approved as loans





The approved farmers farm pineapples, poultry, livestock, macadamia nuts, dairy, grain, and vegetables.

517 JOBS **were created or retained through the disbursement of the Agri-Blended Finance Scheme.**

Most farmers have a six to 12-month moratorium on repayments, depending on when their harvests are expected or gestation time. Thus, the repayment period is aligned to their specific business cycles.

DISBURSEMENT PER SECTOR

The supply and delivery services sector received the most disbursements, R33,5 million or (78 loans). This was followed by agriculture, at R8,1 million (16 loans), retail at R5 million (one loan), and construction, at R451 203 (one loan).

Construction
R451 203
1 business loan

Services (Supply & Delivery Other)
R33 553 523
78 business loans

Agriculture
R8 175 362
16 business loans

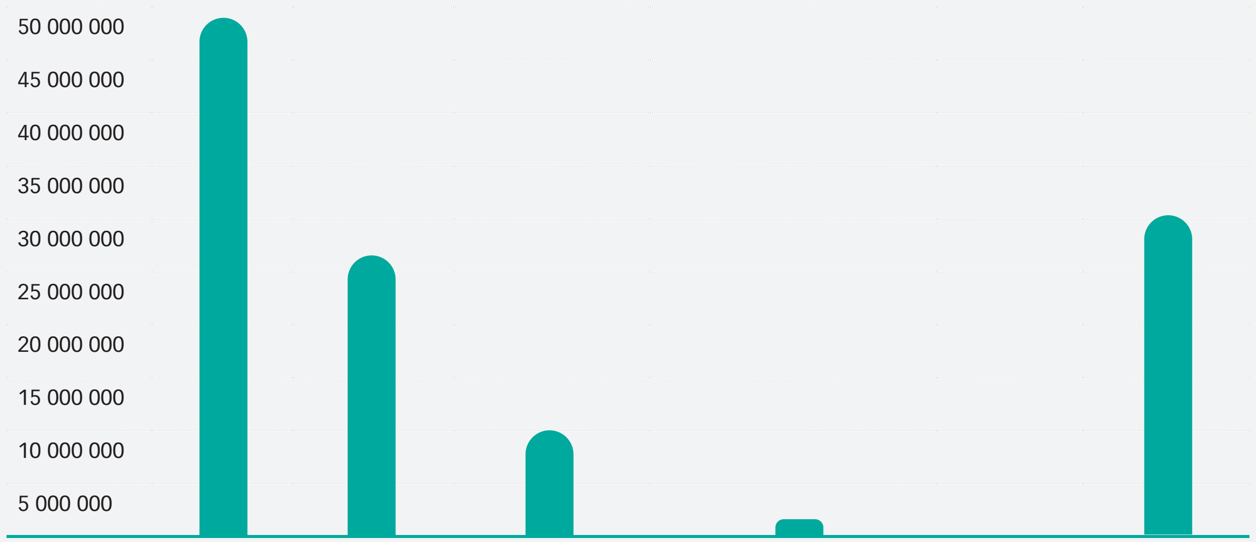
Retail
R5 002 600
1 business loan

Total
R47 182 689
96 business loans

DISBURSEMENTS BY LOAN PRODUCT

Seventy-six (76) small businesses received Nexus (trade) loans of R27,7 million, two (2) companies received TermCap loans of R10,6 million, one (1) company received a Workflow Construction loan valued at R451 203, one (1) company received a PowerPlus loan of R192,792, and sixteen (16) companies received Agri-Blended Finance Scheme loans totalling R8,1 million.

DISBURSEMENT PER LOAN PRODUCT



	Total	Nexus Trade	TermCap Loan	Workflow Construction	PowerPlus	Agri Blended
Amount	R47 182 689	R27 744 528	R 10 618 804	R451 203	R192 792	R8 175 362
Companies	96	76	2	1	1	16

GEOGRAPHIC SPREAD

In terms of the geographic spread, the majority of the loans went to enterprises in Nelson Mandela Bay, which accounted for R18,6 million (20) of the disbursements, R16,8 million (36) to those in the Amathole District, R8,5 million (25) to those in OR Tambo District, R1,8 million (8) to those in Chris Hani District, R1,1 million (4) to those in Alfred Nzo District and R261,687 (3) to those in Joe Gqabi District.

R261 687	Joe Gqabi	3
R1 120 509	Alfred Nzo	4
R-	Sarah Baartman	
R18 649 228	Nelson Mandela Bay	20
R16 814 003	Amathole	36
R8 529 195	OR Tambo	25
R1 808 067	Chris Hani	8

Enterprising duo Judy Jennings and Sibusiso "Sbu" Mqulo own KwaNobuhle Spar in Kariega, which received financial support in the 2023/24 financial year. Officially opened in October 2023, KwaNobuhle Spar used the loan for working capital, including purchasing stock. The loan funding complemented the funding provided by Spar, the franchisor. The store has already created 53 jobs, and 80% are from the KwaNobuhle township.

53 JOBS CREATED

Qualified auto mechanic Lunga Manyela's Mdantsane-based auto mechanic business, LG Auto Repairs, received R356 054, made possible through a combination of financial support instruments. The figure comprised R206 054 and a R150 000 incentive through STTREP. The ECDC also assisted the business with factory space at the Fort Jackson Industrial Park, which has been operating since 1 August 2022. The ECDC's assistance has enabled the entrepreneur to comply with the basic requirements of the retail motor industry organisation. Compliance with these basic requirements qualifies the company to compete for fleet management contracts. The business is in the process of penetrating the formal market of insurance companies for contracts.

R356 054 FUNDING RECEIVED

POST-INVESTMENT SUPPORT

The ECDC continues to provide further impetus to its post-investment support service. The aftercare services are crucial in detecting early warning signs that may inhibit effective loan recovery. The monitoring of the performance of funded businesses helps to address challenges that may threaten their overall sustainability. The exercise also assists the ECDC in implementing corrective measures, early work-outs, and -out and debt restructuring initiatives.

Regular meetings to track the performance of each loan client are part of the aftercare activities

JOBS STIMULUS FUND

The challenging business environment has necessitated deploying innovative enterprise support tools to ensure the sustainability of Eastern Cape enterprises. The Jobs Stimulus Fund incentivises businesses to retain, save, and protect jobs at risk in distressed enterprises.

The incentive disburses R10 000 for every job saved. The ECDC requires enterprises to present annual financial statements and management accounts for review to qualify for the Jobs Stimulus Fund.

In addition, qualifying businesses must meet the following criteria:

- Retain a minimum of five jobs up to a maximum of 250 jobs
- Tax compliant
- Must prove employees are permanently employed or have a contract of two years
- Operate within the Eastern Cape
- 70% of the employees must be South African
- Employees must reside within the Eastern Cape
- Must register employees with the Department of Labour for UIF and PAYE, if applicable.

The fund targets businesses in priority sectors such as agro-processing, the oceans economy, the green economy, tourism and hospitality, manufacturing (including automotive), capital goods, and construction.

OPERATIONAL PERFORMANCE

During the period under review, the Jobs Stimulus Fund incentive disbursed R14,8 million. Of this amount, R13 386 917.31 was used to save 1 306 jobs. The jobs figure comprised disbursements of R11,420,000 for jobs saved from the Jobs Stimulus Fund component and R1,966,917.31 for those jobs created under STTREP. The balance of R1,383,864.04 was for working capital from prior year disbursements.

The incentive assisted the distressed companies in remaining as going concerns while saving jobs. The Jobs Stimulus Fund also referred approved businesses for non-financial support, which helped identify the reasons for distress and implement remedies.

SECTOR SPREAD OF DISBURSEMENTS

R14,8 M
JSF incentive disbursed

R849 998
Agri-manufacturing

R1 588 943.11
Tourism

R7 609 248.74
Manufacturing

R2 674 303.58
Services

R1 600 000
Construction

R99 955.80
Green economy

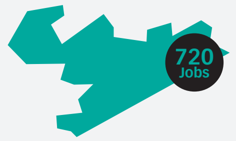
R148 333.12
Creative industry

R200 000
Petrochemical

R14 770 782.35
Total

GEOGRAPHIC SPREAD OF DISBURSEMENTS AND JOBS SAVED

R8 564 718.68
Buffalo City Metro



R240 000.00
Cacadu District

R75 000.00
Alfred Nzo

R1 250 000.00
Sarah Baartman

R719 932.00
Nelson Mandela Bay

R1 745 000.00
Amathole

R1 563 244.87
OR Tambo

R612 886.80
Chris Hani

MAKANA BRICK

In 2023/24, the Jobs Stimulus Fund disbursed R1 240 000 to save 124 jobs in Sarah Baartman District Municipality's Makana Brick. Makana Brick, which has invested more than R70 million into its infrastructure, experienced limitations that adversely impacted its cash flow. To mitigate the situation and retain employees, the company approached the ECDC to save existing jobs. Formed in 1994, the company has become the largest clay brick supplier in the Sarah Baartman District. Makana Brick now boasts one of the country's most technologically advanced clay brick plants, producing a full range of clay brick products, including face bricks, stock bricks and pavers.

R1 240 000
disbursed to Makana Brick

R70 million
invested by Makana into infrastructure

124 JOBS SAVED

S&K PANEL BEATERS AND USED SPARES

Established in 2000, S & K Panel Beaters and Used Spares operates in Vulindlela Heights, Mthatha, in the OR Tambo District Municipality. The company specialises in panel beating services to the public, motor vehicle repairs, panel beating, and spray painting. The company experienced cash flow challenges attributable to unfavourable repayment terms and other internal issues. The company approached the ECDC for assistance in alleviating these challenges. Subsequently, the Jobs Stimulus Fund disbursed R370 000 to the company to retain 37 permanent employees.

R370 000
disbursed to S&K Panel Beaters

37 JOBS RETAINED

IMVABA COOPERATIVE FUND

The ECDC administers the Imvaba Cooperative Fund (ICF), which disburses conditional grants to cooperative enterprises as part of its rural and enterprise finance package. The fund supports the sustainability of business operations of primary cooperative enterprises across the Eastern Cape. The fund is designed to develop sufficient institutional capacity, productivity, and competitiveness within these enterprises to support viability imperatives. In support of these objectives, funds are also allocated for non-financial support initiatives to support their overall growth and development.

In particular, the Imvaba Cooperative Fund supports entrepreneurial development, drives self-employment, and contributes to poverty relief and alleviation while ensuring that cooperatives improve their contribution to provincial economic activity. The fund supports cooperatives in sectors such as agriculture and agro-processing, manufacturing (timber industry, textiles, chemicals, automotive activities, metal processing), retail, services, creative industry (arts and crafts), tourism, green economy (biofuels and renewable energy), business process outsourcing (telecoms)), ICT and film production, textiles and the oceans economy.

OPERATIONAL PERFORMANCE

In 2023/24, the Imvaba Cooperative Fund approved the disbursement of R22,1 million to 51 cooperatives and enterprising individuals.

In addition, R1 561 166.49 was also disbursed to cooperatives and enterprising individuals approved in the previous financial year. Primary cooperatives comprised 199 members (95 - women, 89 – youth and 104 – men).

2023/24

R22,1 million
In loans disbursed by Imvaba Cooperative Fund

51 cooperatives
received the disbursment

Demographics

199 members
The 51 cooperatives had 199 members; 95 were female, 9 were youth and 104 were male.

104
males

95
females

89
youth

SECTOR SPREAD The supported cooperatives and enterprising individuals operate in the following sectors:

R13 545 718.58
Agriculture
29 individuals

R2 995 189.53
Apiculture
5 individuals

R569 962.60
Aquaculture
4 individuals

R600 000
Arts and Culture
1 individual

R605 303.38
Hospitality
2 individuals

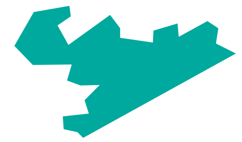
R567 652.59
ICT
1 individual

R2 591 865.61
Manufacturing
8 individuals

R149 999.30
Services
1 individual

THE GEOGRAPHIC SPREAD OF THE DISBURSEMENTS WAS

R1 350 000
Buffalo City Metro



3

R1 200 000
Joe Gqabi

2

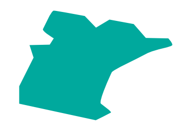
R1 344 025.29
Alfred Nzo

3

R2 319 045.40
Sarah Baartman

5

R1 693 480.82
Nelson Mandela Bay



6

R4 048 363.23
Amathole

8

R7 662 524.85
OR Tambo

18

R2 008 252.00
Chris Hani

6

TECHNOLOGY INNOVATORS HUB PRIMARY COOPERATIVE

Located in Wonkumntu, five kilometres from Mthatha, Technology Innovators Hub Primary Cooperative, which specialises in technological services, received R567 652.59 from the Imvaba Cooperative Fund in the 2023/24 financial year. Established in 2021, the six-member and 100% black youth-owned cooperative used the funds to purchase machinery, equipment, and stock. The funds resulted in the cooperative adding one more employee, a large format printer operator, to their staff. The members are experienced in technological services and are appropriately qualified in information communication technologies. Apart from its current market, the cooperative also received a service provider contract award of R10 600 from the ECDC during the period under review. They also secured orders from participants of a cell phone repair training programme to buy cell phone repair accessories. The ECDC conducted the programme with the Vaal University of Technology, the National Electronic Media Institute of South Africa (Nemisa) and Human Capital Solutions.

R567 652.59
disbursed to TIH

UITKOMST PRIMARY COOPERATIVE LIMITED

In 2023/24, the ECDC disbursed R561 978.55 to the four-member, women-owned Angora goat farming Uitkomst Primary Cooperative Limited in Jansenville, in the Sarah Baartman District Municipality. The funds were used to buy and install a fully equipped irrigation system to assist the cooperative in producing its own feed. The Angora goats are used to produce mohair. The intervention was necessary because during the drought or winter, the cooperative struggles to secure animal feed due to a lack of lucerne supplies in Jansenville. It requires the cooperative to source bales of lucerne from Paterson and 180 km from Jansenville as a supplement during the kidding and dry season. All Uitkomst members have collective experience, interest, and understanding of mohair production. Currently, the cooperative has 923 Angora goats with 25 rams, 46 Boer goats and 14 rams. The mohair is sold to the House of Fibre in Gqeberha two times a year in January/February and July/August. Angora goats that no longer produce enough mohair are sold to local markets for slaughter. Usually, a goat takes seven to eight years before it is sold. Uitkomst five employees have received three years of training from Mohair South Africa on mohair production and Angora goat farming.

R561 978.55
disbursed to the four-member, women-owned Angora goat farming Uitkomst Primary Cooperative

JAY JAY AGRICULTURAL PRIMARY COOPERATIVE LIMITED

Formally registered as a cooperative in 2019 in the Mputhi Location in the Bhaziya Administrative Area in Mthatha, Jay Jay Agricultural Primary Cooperative received R600 000 from the Imvaba Cooperative Fund to expand its maize production operations to 130 hectares. The Imvaba Cooperative Fund was used for mechanisation costs, accounting for 80 of the 130 hectares earmarked for expansion. The balance of 50 hectares was funded from their 2022/23 season maize sales income and the Ukhanyo Farmer Development support programme. The cooperative has five employees and is diversifying its grain production to include vegetable production. It intends to create diverse job opportunities and integrated income for the company and to promote a symbiotic relationship within enterprises to reduce production costs.

SOCIAL ENTERPRISE REPLENISHABLE FINANCIAL SUPPORT PROGRAMME

In the third quarter of the 2023/24 financial year, the ECDC introduced the Social Enterprise Replenishable Financial Support Programme. The programme is intended to address the needs of micro-enterprises in the Eastern Cape. It was necessitated since the province has no existing support programmes that address the needs of the smallest businesses that fall into the category of micro-enterprises.

The programme targets micro-enterprises such as hawkers, home-based businesses, and informal and formal traders. The programme also targets enterprising individuals who do not have formally registered businesses but sell products or services. To qualify for the programme, these individuals or micro-enterprises must be members of a social partner such as a stokvel, church, non-profit organisation, or burial society, agricultural co-operatives, among others.

To qualify for financial support, the social partner is required to apply to the ECDC, with funding capped at R1 million. Once approved, the Corporation disburses funds on a grant basis to the social partner. The social partner then accepts funding applications from its qualifying members running businesses for profit. Funding for qualifying businesses or enterprising individuals is capped at a maximum of R12 000 per application, with the social partner charging a management fee of between 15% and 18% per disbursement.

The qualifying criteria for members of social institutions include being in good standing within the institution. Another member of the social partner must vouch that the business or enterprising individual is a member in good standing. A member who received a grant cannot reapply within the first 12 months.

As a check and balance, social partners are required to open a separate bank account to conduct the affairs of the programme. Two ECDC employees are co-signatories of the social partner's bank account. At the disbursement stage, co-approval between the ECDC and the social partner is required when releasing payments. The social partners are required to maintain detailed records of all activities. These records must be provided to the ECDC at least monthly. These measures are intended to assess the effectiveness of the ECDC's control measures for reporting purposes and determine the programme's impact.

OPERATIONAL PERFORMANCE

During the review period, the Eastern Cape Economic Development Fund approved R5 million for the activities of the Social Enterprise Replenishable Financial Support Programme. In the 2023/24 financial year, five social partners were approved to participate in the programme. They were approved for R2 550 000. Of this amount, R1 050 000 was disbursed to the five social partners. The balance of R2,550,000 will be disbursed to them depending on how quickly they disburse the funds and on members' commitment to honour repayment obligations. By the end of 2023/24, the social institutions had disbursed R790 877.45 to 85 micro-enterprises and enterprising individuals.

Of the 85 beneficiaries, 71 are from the OR Tambo District, and 14 are from Nelson Mandela Bay. The OR Tambo District had a greater uptake of the programme, which is in its infancy, with three of the five coming from the region. The remaining two are from Nelson Mandela Bay and the Amathole District.

The 85 businesses and enterprising individuals' business activities include the beauty business, street vendors, construction and maintenance, home industries, poultry, retail (clothing), landscaping, day care services, and crop farming.

In the new financial year, the intention is to identify more social institutions pending the availability of funds.

R5 million
for activities of the Social Enterprise Replenishable Financial Support Programme

5 social partners
approved to participate in 2023/24

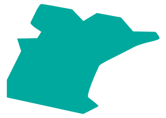
R2 550 000
approved amount

R1 050 000
disbursed to the five social partners

R809 877.45
disbursed by the social institutions to 80 micro-enterprises and enterprising individuals

71 beneficiaries
OR Tambo

14 beneficiaries
Nelson Mandela Bay



BUSINESS SUPPORT

The ECDC offers empowering non-financial support tools to improve small businesses' competitiveness and productivity in the Eastern Cape. These support tools are pivotal to improved business performance while supporting viability imperatives. Non-financial support tools complement the financial instruments the Corporation deploys to stimulate economic activity.

Providing non-financial support is increasingly important in a fast-changing and highly competitive global marketplace. Local entrepreneurs are required to compete with counterparts from the developed world and are empowered to provide competitive products and services.

Small businesses continue to demonstrate their formidable usefulness in addressing existing socio-economic challenges such as job creation, income generation, and poverty alleviation. They are also critical to promoting the equitable participation of youth and women in the mainstream economy. Small businesses have high labour absorption rates and are the largest group of employers. Throughout the globe, they are at the epicentre of economic growth and innovation.

While they contribute to job creation and the development of an inclusive economy, they experience a high mortality rate due to an inability to access markets, failure to comply with the regulatory environment, limited or no business acumen, limited business management skills, and poor financial management.

Small businesses make up more than 90% of business in South Africa, contributing 50% to 60% to employment and 34% of gross domestic product (GDP). Despite this substantial contribution to economic development, early-stage entrepreneurship remains three times lower than other African nations. This reinforces the need to ramp up the ECDC's non-financial support machinery.

The ECDC's non-financial support tools are designed to promote entrepreneurship by extending business development services which support performance and sustainability. The Corporation is acutely aware that sustainable economic growth and development rests on bolstering and energising this segment of the economy.

Every year, the ECDC opens its doors and various platforms for engagement with hundreds of small businesses determined to build sustainable and profitable enterprises. A critical business support element is helping these businesses secure markets for their products and services. The Corporation is actively unearthing market access opportunities for its small businesses.

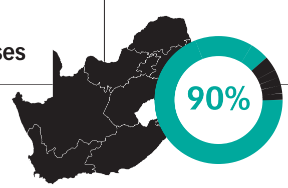
The Corporation offers business development support services through a demand-driven approach. Walk-in clients or referrals request individual business assistance. Support is also provided through focused enterprise development programmes.

The ECDC often leverages the resources and expertise of partner institutions to extend the reach and impact of its business support programmes. Partnerships and strategic alliances are central to the Corporation's business development ethos. Resource mobilisation demands a collaborative approach to tackling the increased demand for support.

During the period under review, the ECDC participated in several multi-stakeholder small business support programmes, such as the Nelson Mandela Bay Enterprise Development Programme and the incubation programmes.

Despite the budget and targets being slightly lower than the previous year, there was an increased demand for business support services.

90% of business in South Africa are small businesses



50% to 60% contribution to employment

OPERATIONAL PERFORMANCE

In the period under review, 1 007 enterprises received business support interventions. Of this number, 369 enterprises benefited from direct business development services. A total of 1 379 people received other business development services through training and business seminars.

1 007 enterprises received business support

369 enterprises benefited from direct business development services

1 379 people received other business development services

TRAINING

During the period under review, 33 training sessions were held, in which 638 enterprises participated. These businesses received training in business management, financial management, cooperative governance, quality management, and productivity improvement. From the 638 businesses, 774 individuals received direct training support. Of the 774 individuals who received training, 394 were women, and 302 were youth.

These training programmes are intended to build capacity within small businesses and develop skills to support their profitability and sustainability.

33 training session in 2023/24

774 individuals received direct training support

394 women

302 youth

BUSINESS SEMINARS

In the 2023/24 financial year, 20 business seminars were held. A total of 423 businesses participated in the 20 seminars. Of the 423 businesses, 596 individuals received direct assistance through these seminar sessions. Of the 596 individuals, 397 were women, and 201 were youth. The seminars covered women in business, funding opportunities, business productivity, compliance, export opportunities, product awareness, market access, tendering to secure business, cost management and tax workshops.

Entrepreneurs were also extended one-on-one business advisory services such as business planning, mentorship, intellectual property, and financial management support.

20 business seminars were held in 2023/24

423 businesses participated in 20 seminars

596 individuals received direct assistance through the seminar

397 women

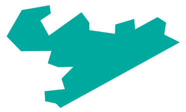
201 youth

DIRECT BUSINESS DEVELOPMENT SERVICES

In the period under review, the Corporation provided direct business development support services to 369 enterprises against a target of 350. Of the 369 enterprises, 271 are women-owned and accounted for 73 % of businesses supported during the review period. Youth-owned businesses accounted for 109 or 29% of the businesses supported during the 2023/24 financial year.

30% **110** Chris Hani

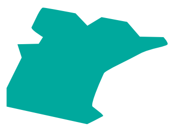
15% **52** Buffalo City Metro



15% **56** OR Tambo

15% **54** Joe Gqabi

14% **52** Nelson Mandela Metro



6% **23** Amathole

4% **16** Alfred Nzo

2% **6** Sarah Baartman

Most business development services were disbursed to the following districts: Chris Hani District (30%), Buffalo City Metropole (15%), OR Tambo District (15%), Joe Gqabi District (15%), Nelson Mandela Bay Metropole (14%), Amathole District (6%), Alfred Nzo District (4%), and Sarah Baartman District (2%).

While these figures demonstrate a generally balanced geographic spread of interventions, there is a need to improve participation from the Sarah Baartman and Alfred Nzo districts. Plans are being developed to ensure that interventions are more evenly spread.

TYPE OF BUSINESS SUPPORT, GENDER AND AGE SPREAD

NATURE OF SUPPORT

65%	240	Marketing Support
13%	50	Incubation
13%	48	Business Plan Development
4%	15	Business Plan
3%	10	Productivity mentorship
2%	7	Incubation
0%	1	Feasibility Study

271 (73%) Females

108 (27%) Males

111 (29%) Youth-owned businesses

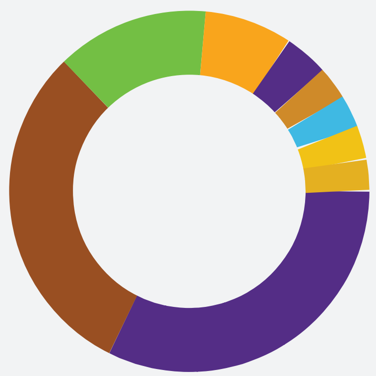
Access to markets is a key impediment to small business development and sustainability. During the period under review, there was an improved focus on addressing market access deficiencies among small businesses. As a result, 65% of business support was aimed at facilitating market access, followed by business incubation services at 13%.

Youth-owned businesses received about 29% of the business development services provided during the period under review.

Female-owned businesses accounted for 73% of business development services, with 27% going to businesses owned by males.

The manufacturing sector (31%) accounted for significant number of business development services in the 2023/24 financial year. This is linked to, among others, the support for business incubation as a service, particularly in the chemical sector. This is an important shift from previous years when typically enterprises in the services sector were the primary beneficiaries of business development services. Manufacturing follows the services sector which is leading in sectoral interventions by 33%.

SECTOR SPREAD



33%	Services	121 businesses
31%	Manufacturing	115 businesses
14%	Agriculture	51 businesses
8%	Creative	29 businesses
4%	ICT	13 businesses
3%	Construction	12 businesses
2%	Hospitality	8 businesses
2%	Automotive	7 businesses
2%	Tourism	6 businesses
1%	Retail	4 businesses
0%	Mining	1 business
0%	Green Economy	1 business

The non-financial support programmes are available to walk-in clients and organised groups. Depending on the programme's scope, they last from nine months to two years. The long-term customised programmes aim to build the capacity of participating entrepreneurs.

BUSINESS SUPPORT PROGRAMMES

NELSON MANDELA BAY ENTERPRISE DEVELOPMENT PROGRAMME

The nine-month Nelson Mandela Enterprise Development Programme completed its ninth phase during the 2023/24 financial year.

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

The programme was evaluated in the ninth phase. This involved interviewing the 213 businesses participating in the first eight phases to determine which required additional support.

Of the 213, 54 were enrolled in the ninth phase, and all had completed the programme. These businesses are expected to graduate in May 2024. Of the 54, 54% are women-owned businesses, and 35% are owned by youth.

Through the programme, the 54 businesses created an additional 73 jobs, resulting in 403 people employed by these enterprises. Their collective turnover increased by R5,3 million year-on-year because they participated in the programme. The collective turnover of the businesses is R59,9 million. Their total assets improved by R1,4 million, with their total assets valued at R11,1 million by the end of the review period. Businesses in the programme secured nine additional contracts.

The enterprise development programme has helped strengthen their operations, refine their strategies, improve their communication and advertising, and ultimately increase their staff complements, sales/revenue, and prospects of securing funding. The businesses are also connected with organisations associated with the Nelson Mandela Bay Business Chamber enabling them to access information and market opportunities.

54 businesses
enrolled in the ninth phase of the programme

73 jobs
created by the 54 businesses

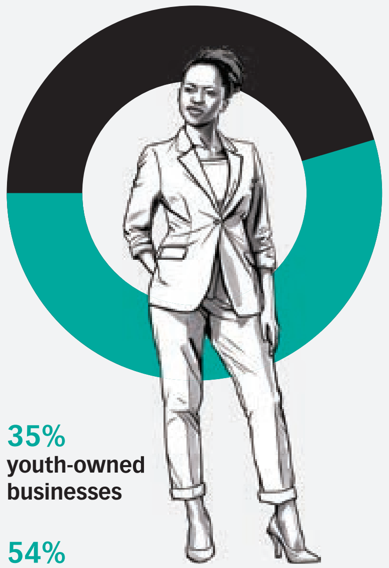
403 people
employed by these enterprises

R5,3 million
collective turnover increase

R59,9 million
collective turnover for all participating businesses

R1,4 million
improvement on collective assets

R11,1 million
collective total asset value



35%
youth-owned businesses

54%
women-owned businesses

SMALL TOWNS, RURAL AND TOWNSHIP ENTERPRISE SUPPORT PROGRAMME (STTREP)

The programme aims to provide integrated support to formal and informal small businesses operating in rural and township localities, and small towns in the Eastern Cape. The programme responds to the marginalised, disjointed, and dualistic nature of the economies in these areas. The programme acknowledges that revitalised rural, township and small-town economies require a multi-faceted and coordinated approach. The programme adopts an integrated support approach, providing financial and non-financial business development services. These services are strategic and operational. They are directly aimed at improving the operations of existing enterprises.

The programme was implemented in the third quarter of the 2022/23 financial year. Drawn across the Eastern Cape, 159 enterprises were supported through the programme in the 2023/24 financial year. This is a marked improvement from the 38 businesses supported in 2022/23. Businesses received financial incentives valued at R15,9 million versus the R4 million in 2022/23. Each enterprise received an average of R100 000 for equipment, tools, infrastructure, and assets. Of this value, 20% was allocated for working capital. Of the 159 businesses, 48 were youth-owned and 80 women-owned. A total of 829 jobs were supported through this intervention.

159 enterprises
supported in 2023/24

R15,9 million
in financial incentives for the enterprises

The programme has had a noticeable impact on Eastern Cape's small businesses, which has resulted in continued demand and support. The programme is designed to increase the productive capability of existing businesses at these locations and ensure they are linked to business development services to support their sustainability and competitiveness.

R137K STTREP Incentive

ESTRATWENI HUB AND GRILL

In 2023/24, the Estratweni Hub and Grill in Mlungisi Township in Komani received an STTREP incentive of R137 000. Established in 2019 and operating in a busy street in the township, the business previously operated from a shed that served as a selling and cooking point, with an outside area used as a braai space. Due to the informal structure, insufficient space and equipment for cooking and health and safety issues were challenging. Through the STTREP incentive, the business bought a six-metre container (sink, four-plate gas burner stove, double gas chip fryer, gas grill, counter for serving and shelves for storing) refrigerator and a bicycle to provide a delivery service. Since the business received the incentive, the client has updated his menu and is attracting increased demand for his services.

R122K STTREP Incentive

ELUTHANDWENI LAKHE TRADING ENTERPRISE

Eluthandweni Lakhe Trading Enterprise, which operates from Gqeberha's Motherwell Township, received R122 456 as an incentive from STTREP in the 2023/24 financial year.

The bakery business produces roasted bread at a cross-road taxi rank in the centre of the township. The business was operating out of a Wendy's house, which was in poor condition. The ECDC supported the client with a container to replace the Wendy house and other specialised baking equipment, such as a deep fryer, dough mixer, and stock.

R55K STTREP Incentive

NOZIE FAST FOOD

STTREP also awarded R55 000 to Mthatha's Nozie Fast Food for a fitted and modified prefabricated kitchen to replace the old caravan the business had rented. The caravan had no windows and was not secure. The health and safety conditions were not ideal because of the ageing caravan's condition. The business has operated since 2004 with a King Sabatha Dalindyebo Local Municipality operating permit.

MARKET ACCESS PROGRAMME

The ECDC hosted agriculture and food trade fairs and exhibitions to stimulate a stagnant economic environment in the 2023/24 financial year. These trade fairs facilitate access to the market for Eastern Cape entrepreneurs. The intention is to expose small business operators' products and services and link them with potential buyers and traders. The exposure also helps to build the entrepreneurial capacity of market requirements and trends. In addition, these platforms create networking and collaboration opportunities. During the review period, two trade fairs were held in Mthatha, another Art and Design Flea Market in Komani and the Kasi Food Festival in Gqeberha. Facilitating market access opportunities exposes enterprises to potential markets and link them with interested buyers. Exposure does not only end at market linkages but also builds entrepreneurial capacity. Entrepreneurs are empowered to understand market requirements and trends. Further, these platforms create network and collaboration opportunities.

PRODUCTIVITY IMPROVEMENT PROGRAMME

In partnership with Productivity South Africa, the ECDC is implementing a Productivity Improvement Programme to assist small businesses in improving their productivity, profitability, and sustainability. The partnership also aims to implement a 12-month Workplace Challenge Programme and a Business Turnaround and Recovery Programme.

The Workplace Challenge Programme intends to introduce continuous world-class productivity improvement techniques. It is focused on capacity-building, diagnosis of bottlenecks, process mapping, prioritisation of solutions, project implementation, and key performance indicator definition and monitoring. The Business Turnaround and Recovery Programme supports the recovery of distressed companies.

During the period under review, productivity awareness business seminars were hosted at Butterworth and Komani. The business seminars aimed to recruit 10 enterprises for the 12-month Workplace Challenge Programme.

Five enterprises were enrolled in the Business Turnaround and Recovery Programme, which complements the Jobs Stimulus Fund and supports distressed businesses. The 10 businesses that participated in the workplace challenge experienced an improvement in areas such as speed in terms of the number of products produced, reduction in defects, material wastage, reduced machine downtime, improved sales and more employees.

QUALITY MANAGEMENT PROGRAMME

In the third quarter of the 2023/24 financial year, the ECDC implemented the Quality Management Programme. The programme aims to support participating enterprises to attain International Standards Organisation (ISO) certification. Introducing the quality management programme is essential for improving business operations and supporting them in meeting customer requirements. Attaining quality management certification contributes towards facilitating market access. The programme started training 23 enterprises with the introduction and understanding of quality management systems (QMS).

The full implementation of the ISO standards (ISO 9001:2015) programme commenced in the fourth quarter of the period under review. The process includes developing policies and procedures through a QMS process. This enables effective control of operational processes and promotes continuous improvement, resulting in promoting efficiency and sustainability.

This is a 12-to-18-month journey for each participating enterprise. Full implementation means embedding the quality system in participating companies of certification. During the reporting period, 14 companies were targeted for implementation. The balance of the companies will begin implementation in the next financial year.

MSME VIRTUAL PLATFORM

A significant ECDC achievement was the launch of the Micro, Small and Medium Enterprise (MSME) Virtual Platform. The loan origination system facilitates access to finance and information, builds the capacity of MSMEs and brings services to a wider range of entrepreneurs in remote areas of the Eastern Cape. The platform is accessible via the ECDC website and enables applicants to submit applications online and engage online with the ECDC. This form of engagement reduces red tape and the cost of doing business. The platform does not only match applicant requests with the ECDC's products but links applicants with other financing institutions if they do not match the ECDC products.

The MSME Virtual Platform digitalises business development services and financing products, supplementing the ECDC's capacity by enabling it to meet and bolster access to business support services and funding in the province. Furthermore, the platform assists businesses with compliance as it integrates useful links for entrepreneurs such as the Companies and Intellectual Property Commission (CIPC), Unemployment Insurance Fund (UIF), Department of Labour, South African Revenue Services (SARS) and others.

The ECDC is beginning to reap the benefits of the successful launch of this engagement platform. To date, 3 405 small businesses have registered on the system. Of these, 1 195 have completed the basic screening, with another 958 passing the screening phase, which allows them to apply for funding. Of this number, 57 applicants have completed their applications, and the required documents are being processed. Seven applications have been approved online, and four disbursements have been made. The benefit is that the ECDC has extended its distribution and footprint to remote parts of the Eastern Cape. In addition, the system is available 24 hours a day.

3 405 small businesses
have registered

958
passing the screening phase

57 applicants
completed their applications

BUSINESS INCUBATION PROGRAMMES

Business incubation is integral to the ECDC's business development services ecosystem. It aims to support enterprises during their infancy by reducing the start-up costs of running a business. Incubation provides operational space and related infrastructure intended to increase the chances of success in start-up businesses.

CHEMIN INCUBATION PROGRAMMES: BUFFALO CITY METROPOLITAN MUNICIPALITY AND MTHATHA

The ECDC operates two chemical incubation centres in Mthatha and the Buffalo City Metropole in partnership with Chemin, a chemical technology incubator. The incubator assists emerging and new businesses in the downstream chemical industry in operationalising and growing their businesses by providing technical skills, business infrastructure, access to production equipment, business support training, and mentorship.

During the 2023/24 financial year, 62 enterprises were incubated in these centres, exceeding the annual target of 55 incubated businesses. Of the incubated enterprises, 70% were youth-owned, and 90% were women-owned. The total income generated by the incubated businesses was R1,65 million. While this turnover is low, the programme supports emerging enterprises with a strong focus on product and business development, including certification. A total of 44 of the supported enterprises did not trade during the review period. It is envisaged the financial impact of the support will be evident in the coming years.

62 enterprises
incubated in these centres

70% youth-owned
businesses

BUFFALO CITY INNOVATION HUB

The Buffalo City Innovation Hub was established in 2022 as a township incubation centre in Duncan Village to support ICT enterprises and emerging entrepreneurs. It was established in partnership with the Nelson Mandela Bay iHub, Buffalo City Municipality and Telkom. The centre offers working space with connectivity and access to business development services, coaching and mentorship.

During the review period, seven enterprises were incubated. These enterprises are at different stages of development. Sixty per cent of the businesses are youth-owned. The direct impact of the intervention has been the creation of eight jobs and an improved turnover of R666 500.

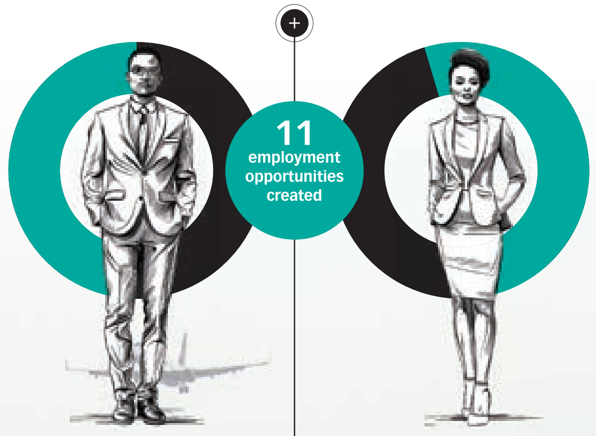
FURNTECH

The ECDC continued to provide in-kind support to Furntech, a furniture manufacturing incubator in Mthatha. The incubator has been supplied with operating space at a significantly reduced cost, contributing considerably to its sustainability. Operating infrastructure costs are a key cost driver in running an incubator.

BUSINESS ACCELERATOR PROGRAMME

In the 2022/23 financial year, 40 small businesses were supported through a virtual incubation platform provided in partnership with Black Umbrellas. Fourteen supported enterprises graduated from the first or foundation phase to a more extensive incubation programme called Siyakhula in the 2023/24 financial year. The Siyakhula programme is designed to cater to the unique requirements of each entrepreneur's specific growth stage. It is envisaged to help business owners identify growth opportunities and overcome current business challenges.

Of the 14 businesses supported, 54% are women-owned, while 51% are youth-owned. A total of 72 hours was invested in nine beneficiaries, while 15 hours of mentorship were provided to three beneficiaries. During the 2023/24 financial year, 26 jobs were retained, while 11 new employment opportunities were created.



51% youth-owned
businesses

54% women-owned
businesses

FUTURE OUTLOOK

Additional interventions such as process re-engineering and filling critical positions in the previous financial year are paying off, as evidenced by the additional financial incentives granted and improved debt collection processes as the quality of the loan portfolio improved.

The Corporation is proud of the uptake of the new finance programme targeting micro-enterprises or survivalists through its social partners. These groups have been abused by loan sharks for decades. As a result of these initiatives, more effort will be made to stimulate economic activity in the province through self-employment programmes.

Khaya Zonke - Chief Investment Officer
Dressed by Iza Crafts
Beadwork: Iza Crafts
Beaded Stick: Sithembene Women's Co-Op

INVESTMENT MANAGEMENT, TRADE AND INVESTMENT PROMOTION

UNIT MANDATE

The ECDC mandate includes the promotion of the Eastern Cape as an attractive destination for foreign direct investment (FDI) and local direct investment (LDI). In addition, the unit facilitates support for Eastern Cape enterprises that export goods and services to domestic and international markets to increase the provincial share of exports. Furthermore, the ECDC was appointed as a fund manager for the Eastern Cape Economic Development Fund (EC EDF), which seeks to facilitate inclusive growth, industrial development, and other developmental outcomes by investing in projects and ventures that are commercially sound, stimulate economic growth, support entrepreneurship, and create sustainable employment opportunities. The Investment Management, Trade and Investment Promotion (IMTIP) unit delivers these imperatives.

OPERATIONAL PERFORMANCE

The investment and trade promotion environment is recovering from the effects of the COVID-19 pandemic. The pandemic stifled trade and investment activities, resulting in widespread economic stagnation. This led to downstream industries affecting every sector of the economy.

Although still below pre-COVID-19 levels, the recovery process is underway, with a steady stream of foreign and local direct investment flows. There has also been a multi-year gap between the Renewable Energy Independent Power Producer Procurement (REIPPP) Programme Bid Windows, which negatively impacted localisation in the solar PV value chain. This left local manufacturers with insufficient investor demand and uncertainty. Despite these constraints, the ECDC managed to facilitate significant investments in this sector during the period under review.

In the 2023/24 financial year, the ECDC facilitated investments of R1 billion against a target of R350 million. This was because of substantial investments in the renewable energy sector. The Corporation facilitated exports valued at R213 million, exceeding the R200 million target set for the 2023/24 financial year.

The Corporation also facilitated the creation of 1 325 jobs, exceeding the 530-job target set for the period under review. Furthermore, 188 Eastern Cape businesses, against a target of 150, participated in export promotion activities organised by the ECDC during the review period.

The Corporation implemented 16 planned sectoral catalytic projects against a target of 10. In addition, 75 investor leads were secured, including support for existing investors.

INVESTMENT

2023/24 Target

R350 million
investments target

2023/24 Outcome

R1 billion
facilitated investments

Due to substantial investments in the renewable energy sector

EXPORTS

2023/24 Target

R200 million
export target

2023/24 Outcome

R213 million
export value

JOB CREATION

2023/24 Target

530
job target

2023/24 Outcome

1 325
jobs created

INVESTMENT PROMOTION

During the period under review, the ECDC intensified its investment promotion efforts which are targeted at attracting and developing a quality pipeline of investors to support the Eastern Cape's economic imperatives.

The intention is to attract quality investors in priority sectors that drive innovation, skills development, and job creation. The province is actively polishing its value proposition and unique selling points to prime itself for significant foreign and domestic investment flows. Several engagement platforms, such as the Eastern Cape Investment Conference, are designed to drive interest in the province as an investment destination of choice.

These conversations and support packages are cognisant that foreign and local direct investment is vital for inspired economic activity. Investment flows stimulate the development of downstream industries while developing a quality pipeline of small businesses.

The ECDC is also engaged in promotional campaigns to position the province as an attractive investment and business destination. The ECDC's aftercare support services are also meant to support the expansion activities of existing investors, as they directly impact the creation of jobs and new small businesses. The idea is to assist investors in navigating red tape so that they can focus on their core business activities.

In this regard, the ECDC facilitated significant cross-sectoral investment opportunities in the Eastern Cape in the 2023/24 financial year. These sectors are aligned with the Provincial Economic Development Strategy 2023, demonstrating positive investment trends that consolidate the province's value proposition as a preferred investment destination. These sectors are primarily the agro-industry, sustainable energy, general manufacturing, automotive, cultural industries and the digital economy. The efficacy of these interventions is demonstrated through the pipeline of investments facilitated during the period under review.

During the period under review, the province appointed the ECDC to host the third Eastern Cape Investment Conference in East London in September 2023. The conference was a resounding success, with investment declarations exceeding the R46 billion declared in the previous year.

The third Eastern Cape Investment Conference announced **R127 billion in new investment commitments in the Eastern Cape**, representing a pivotal moment in the province's economic trajectory.

These investments will inject substantial capital into the provincial economy, creating a to a cascade of positive effects that benefit citizens, businesses, and the overall economic landscape. The investment commitments are in the energy, manufacturing, information communication technology, property, tourism, film, oil and gas, and healthcare sectors.

The province welcomes these declarations as they underscore the government's commitment to fostering economic growth, job creation, and sustainable development while positioning the province as a compelling destination for local, national, and international investors. These investment declarations represent diverse sectors spanning a significant portion of the Eastern Cape's districts, providing extensive economic development prospects. They represent a pivotal moment in the provincial economic trajectory, positioning the province for robust growth and a prosperous future.

In April 2023, the Provincial Executive Council approved the Provincial Investment Council Framework for establishing the Provincial Investment Council (PIC). The PIC was officially launched in September 2023, on the eve of the Provincial Investment Conference. The PIC membership includes industry, large corporations, established business chamber representatives, and the chief executive officers of provincial state entities. Chaired by the Premier, the council meets twice a year, with its main objective being to improve the interface and coordination between government and industry players on trade and investment matters.

The broad objectives of the council are to lead and coordinate investment efforts in the province, strengthen province-wide planning, reporting, operation, and implement investment activities, and identify investment stimulation measures, including critical reform programmes. The PIC means to unblock red tape by addressing any bureaucratic processes that impact industry development relevant to the provincial departments, provincial agencies, and national government.

During the period under review, the ECDC developed the Global Business Services (GBS) value proposition and launched the ECDC's GBS Incentive. The primary objective of the GBS incentive is to provide investment funding support for financially viable investment propositions that create employment in the Eastern Cape by servicing offshore activities.

The secondary objectives of the fund are to create and support employment opportunities for youth in the sector (aged 18-34), position the Eastern Cape as a prime location for offshored services, and increase the provincial contribution of export revenue through offshored services. It also aims to strengthen the GBS investment value proposition by creating a sustainable GBS business ecosystem.

The ECDC also positioned the province as the "remote work" destination for South Africa at the "Running Remote Conference" in Portugal in April 2023. The Running Remote conference is a global meeting place for remote work professionals. At the 2023 Running Remote Conference, the ECDC signed a memorandum of understanding with a large international organisation with access to over 2,000 global clients. It promoted, attracted, and expanded key GBS investments in the Eastern Cape.

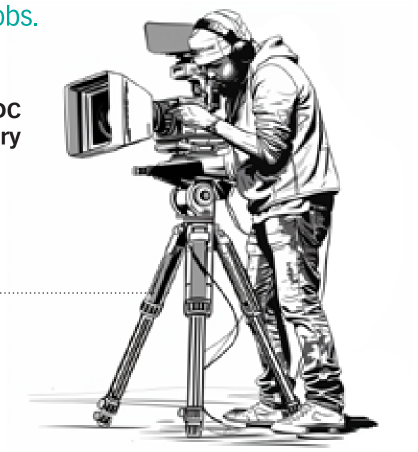
The ECDC also played a key role in assisting Redcap Energy to implement the multi-billion-rand 110 MW Mpofu Wind Energy facility (WEF) near Jeffreys Bay. In 2023/24, the WEF reached a financial close. It allowed the associated off-take agreements and investments to take place. The project involves the construction of approximately 100km of powerlines into Nelson Mandela Bay. Redcap is the project developer, and Enel Green Power will manage the WEF. The off-takers are Sasol and Air Liquide. The green energy generated from the facility will be wheeled through the national grid to Gauteng.

In addition, Nordex is investing R750 million in constructing a concrete wind turbine tower factory near Jeffreys Bay, which is expected to create 300 jobs. Engagements at the Windaba Conference highlighted Nordex's Eastern Cape investment interests and support for resolving environmental and logistics-related matters. The ECDC has engaged the Coega Development Corporation and other departments to transport turbines from Coega to other locations. They will be required to assist over the life of the project.

R750 million
investment by Nordex

300 jobs
exppected to be created

In 2023/24, the ECDC invested R9,5 million into films produced in the Eastern Cape. The films generated an investment value of R131 million, creating 1 137 jobs.



R9,5 million
investment by ECDC into EC film industry

1 137 jobs
created by the investment

The ECDC also invested an additional R4 million in the second season of Gqeberha: The Empire and Multichoice's R80 million investment in the show following its success in the first season. The show created 640 jobs, and 110 small businesses were contracted for the production.

R4 million
investment by ECDC into season 2 of Gqeberha: The Empire

640 jobs
created by the show

110
Small businesses contracted

The Corporation also invested in 10 episodes of Smoke and Mirrors, which were partly shot in the Alfred Nzo District and broadcast in December 2023. The film attracted R10 million in investment and created 159 jobs, while 40 small businesses were contracted during production.

The ECDC also supported the second edition of the Eastern Cape Film Expo, held in Makhanda in partnership with the South African Broadcasting Corporation, National Film and Video Foundation, National Empowerment Fund, and Industrial Development Corporation, among others. The expo promotes the Eastern Cape as a filmmaking destination while providing an outlet for locally produced films. The expo attracted the interest of emerging and established filmmakers, film funding organisations, distributors, and broadcasters. International delegates from the Netherlands Film Commission and World Color Studio 22 from Germany also participated.

The Film Expo attracted emerging and established filmmakers, film funding bodies, distributors, and broadcasters. International delegates from the Netherlands Film Commission and World Color Studio 22 (UG) from Germany also honoured it.

In March 2024, the ECDC signed a three-year R10 million memorandum of agreement (MoA) with the Mandela Bay Development Agency (MBDA) to establish film infrastructure in Nelson Mandela Bay. In terms of the agreement with the MBDA, the ECDC will make available an initial budget of R5 million towards establishing a film studio in Gqeberha. In turn, the MBDA will make a property or land valued at R5 million available to set up the desired film infrastructure. The MBDA has committed to the Aberdeen building as part of the agreement as the first hub for film industry infrastructure support.

The agreement will run over three years from 1 October 2023 to 30 September 2026 and is intended to attract and retain film productions in the region, increase the induced film tourism in the region, promote the region as a film destination of choice, and reduce the cost of filming in the region. The provincial government has provided financial support through the ECDC to ensure film studios are established for the benefit of local creatives.

Since 2018, the ECDC has invested R39 million in 25 films produced in the Eastern Cape. The investment has attracted investment revenue of R499 million into the Eastern Cape while creating short-term employment for 8 400 people. A total of 690 local small businesses benefited from these productions.

R39 million
investment by ECDC into EC film industry since 2018

R499 million
investment revenue attracted into the Eastern Cape

690
small businesses that participated

In November 2023, the ECDC held a Property Development Roundtable in East London. The objective of the property roundtable included exploring how property assets can be transformed into productive resources that can fuel the growth of the Eastern Cape economy. By harnessing the collective insights of industry leaders, government representatives, and the business community, the property development roundtable considered current and future strategies and interventions required to create a conducive environment for sustainable property-based commercial developments.

The roundtable culminated in the appointment of a Property Development Advisory Panel. The panel comprises leaders in the property development sector, including leaders of investment promotion agencies, representatives from the private sector, industry organisations, key government departments, and other important stakeholders. The advisory panel means to reinforce the province's efforts to streamline property development coordination throughout the Eastern Cape.

TRADE PROMOTION AND DEVELOPMENT

The ECDC's trade promotion and development activities are designed to support the growth of the province's export base, including the number of exporters and the number and value of exports. These activities are intended to support the overall competitiveness of local exporters so that they can compete favourably with their global counterparts. The programmes encourage local entrepreneurs to expand their markets beyond the borders of South Africa to improve their income generation capabilities. These activities support sustainability imperatives and encourage job creation and the retention of existing jobs.

Through this programme, the ECDC intends to increase Eastern Cape exports to the African continent and create new opportunities in the Middle East, the United States, and the European Union markets. The Middle East is the Eastern Cape's fastest-growing market for fast-moving consumer goods and agricultural products. As the largest producer of livestock herds and agricultural products in South Africa, the Eastern Cape views the Middle East as a strategic market for this sector.

EXPORT PROMOTION

Export promotion involves several initiatives, including the Exporter Development Programme, Export Incentives Programme, and the Market Assistance Scheme. These programmes aim to equip exporters and potential exporters with the knowledge and skills required to take advantage of new and more complex export opportunities.

In 2023/24, five businesses were supported under the Export Incentives Programme. Their business needs range from product registration with relevant international bodies in the export market to international packaging and labelling requirements, specialised shipping requirements for export orders, international nutritional analyses, and product certification. The Export Incentives Programme is specifically designed to support small businesses in overcoming cultural, regulatory, product safety and standards, intellectual property protection, logistical barriers, and financial barriers to entry into new markets.

Founded in Gqeberha in 2004, Coti Chocolates, which received support for its United States Market Initiative, successfully shipped a container worth R1.4 million to the United States. The chocolate maker also shipped another container worth R1.5 million to the United Arab Emirates in March 2024.

Another company, Gqeberha's Life is Grape, was supported by specialised shipping needs to export its product to Japan following its participation at the Japan International Food Expo. The company is in the food and beverage sector and produces alcoholic beverages, including wine and spirits.

During the period under review, 207 businesses were assisted through the Export Market Assistance Scheme. The ECDC helped the companies attend trade exhibitions in Italy, Egypt, Mozambique, Nigeria, Japan, the United Kingdom, and Germany through the scheme,. These missions helped these businesses showcase their products and services to a diverse audience, expand their market reach, and forge valuable connections with potential customers and partners. Products are showcased through participation in national and international trade fairs, exhibitions, and small business expos.

In 2023/24, the ECDC hosted the 5th Eastern Cape Export Symposium held over two days in August 2023 in East London. A total of 350 delegates from the agriculture, food and beverages, manufacturing, automotive, transport and logistics, ICT, finance, and other sectors attended the symposium. Deals, sales, and orders worth R7,027 million, including one long-term deal, were secured. The symposium attracted trade and business delegations from the BRICS (Brazil, Russia, India, China and South Africa) countries and inward buying missions from Kenya, Ghana, and Ethiopia, resulting in growing global attention for the region.

The initiative included a two-day conference, exhibition, and match-making meetings attended by global trade role-players, including key government officials such as the Secretary General of The African Continental Free Trade Agreement (AfCFTA) Wamkele Mene, Department of Trade and Industry and Competition (thedtic) Deputy Minister Fikile Majola, Eastern Cape Premier Lubabalo Oscar Mabuyane, and the executive mayors of the province's two metropolitan municipalities.

Based in the Ongeluksnek farming region of Matatiele, livestock and crop producer, Kevinot Farming, secured trade deals during a 2023 Italy Outward Trade and Investment Mission. Kevinot Farming is in the process of obtaining an export licence to supply yellow maize to China. The company is also working on transitioning its products from genetically modified organisms (GMOs) to non-GMO due to a demand for these products. The ECDC has also extended other funding support to Kevinot Farming to help the company expand its production capacity to meet growing demand in Nigeria, China, Ghana, and Italy.

White Maize
Kevinot Farming is in the process of obtaining an export licence to supply yellow maize to China.

Owned by Tando Mandela, MNodayimani Investments, a business in the agricultural sector in Mpongo (Macleantown), secured an R3.5 million off-take agreement to export oats and sunflower seeds to Italy following its participation at the MacFrut Trade Show in Italy.

R3,5 million
off-take agreement to export to Italy

East London's Summerpride, which produces pineapple juice extract, concluded an R4,5 million order for eight 20ft containers. The order was secured following Summerpride's participation at the Japan International Food Expo 2023.

R4,5 million
order of pineapple juice extract to Japan

The export symposium is one of the tools the province uses to showcase its export capabilities to local, national, regional, and international trade representatives. It also provides the Eastern Cape export role-players first-hand information on export opportunities and updates on export support resources and incentives. It aims to develop new markets and partnerships for trade by exploring the untapped potential for exports from the Eastern Cape. The attendance of local, national, and international trade representatives provides a unique opportunity for the region to build relationships and showcase the Eastern Cape's export capability. It also provides local export role-players with first-hand analysis and updates on the resources, incentives, and opportunities for trade with new and existing trade partners.

EXPORT DEVELOPMENT

In the 2023/24 financial year, the ECDC trained 188 firms through the exporter development programme. The programme supports the sustainability and competitiveness of emerging exporters. It also prepares them for the rigours and demands of the export market. The increased number of local entrepreneurs-turned-exporters demonstrates an increased uptake of export opportunities. The comprehensive training and support programme covers a wide range of topics such as export finance, export procedures, quality control measures, and contract negotiation. The programme also provides participants with personalised mentorship opportunities with established exporters, which assist them in designing, developing, and implementing their international marketing.

In August 2023, 15 Eastern Cape businesses graduated from the 12-month Exporter Development Programme run by the ECDC, Exporters Eastern Cape, and the Nelson Mandela Bay Business Chamber. The export development programme addresses the barriers local companies face before entering the export market, especially those with the potential to export but who need more support to expand their market footprint. The companies operate in the agriculture, creative industry, light manufacturing, food and beverages and services sectors.

The ECDC invested R500 000 into the programme, which ensures companies are export-ready. The third intake of the programme involved companies being taken through trade theory, export requirements, legalities, liabilities, export terms, and how to be competitive in international markets. After completing the programme, the 15 companies were able to develop their own export marketing strategies and identify attractive markets for their products. The ECDC also takes them through its export promotion programme and exposes them to international markets through trade exhibitions and missions.

During the period under review, 20 companies participated in the Global Exporter Passport Programme. Conducted in four phases incorporating formal and informal workshops, the programme is a result of an ECDC collaboration with the Department of Trade Industry and Competition. The programme is integral to the National Exporter Development Programme and is intended to assist small, medium, and large enterprises to expand their export activities. It equips companies with export-readiness skills to thrive in international markets. Further support is provided to the companies through regular export readiness assessments to identify and address specific challenges and requirements.

In 2023/24, 50 companies participated in e-business training as part of the ECDC's Export Development Programme. The training exercise included topics in international e-payment, cross-border delivery, and market preparation. The e-business training also covers a wide range of other topics, including e-business training tailored to empower small and medium-sized enterprises to capitalise on e-business opportunities and actively participate in international trade through mobile applications and other digital channels. The training aims to help companies scale up and broaden their reach through e-commerce. E-business has created new prospects for companies to access international markets, discover new sources of demand, and leverage new technologies to enhance their value.

In addition, 18 companies participated in the Export Readiness Development Programme. The programme is designed to provide focused training for companies in power (electrical) engineering, renewable energy, electronics information communication, and digital technology. The training includes modules on pitching and presenting business effectively, conducting business in Africa, understanding incoterms and contracts in international trade, trade agreements and rules of origin (South African Development Community, European Union, and European Free Trade Association), as well as transportation, insurance, and international methods of payment.

The ECDC also identified a need to improve the ability of companies to pitch and sell their products on international platforms. This led to the development of a comprehensive training programme to equip companies with essential product and sales pitching skills.

The result was the Exhibition Preparatory and Etiquette Training, which empowered 85 companies with selling skills and strategies, allowing them to achieve significant success in professional selling. The training covers various topics, including skills and scripts for a successful trade show exhibit, proper booth etiquette, lead generation techniques, and identifying qualified leads. Exporters must understand how to conduct themselves and engage with visitors effectively at their exhibition booth. The product and sales pitch skills portion of the training focuses on structuring dynamic presentations, negotiating and pricing products, pre-pitching product and service skills, delivering effective pitches, and customising sales pitches for different clients.

CREATIVE INDUSTRY

The Eastern Cape Craft Collection Shop supported 131 crafters in the 2023/24 financial year, and craft shop sales were R332 867 for the year. The shop marketed crafters' products at the BRICS Summit in Port Alfred, the Arts and Culture Provincial Awards in East London, the Eastern Cape Export Symposium, and Awards in East London, the Eastern Cape Export Symposium and the Eastern Cape Auto Week in Gqeberha.

131 crafters
supported by ECDC in 2023/24

R332 867
Craft Shop sales for the year under review

EASTERN CAPE ECONOMIC DEVELOPMENT FUND

In the second quarter of 2023/24, the ECDC commenced the implementation phase of the Eastern Cape Economic Development Fund (EC EDF). The implementation followed six months of programme preparation, funding apparatus development and stakeholder engagement.

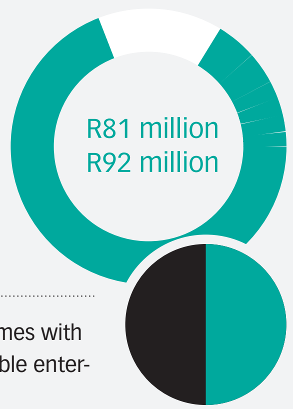
The fund was set up as a wholesale fund with nine funding instruments - termed "fund products" - under its umbrella in line with the Provincial Economic Development Strategy (PEDS). These fund products have served as an access point for funding applications across several key industries, with purpose-built mechanisms that have facilitated growth and development in those industries.

FUNDING ALLOCATION

R81 m of R92 m available for funding for 2023/24

51% allocated to programmes with developmental returns such as job creation, industry, value-chain expansion, infrastructure development

49% allocated to programmes with financial returns or repayable enterprise funding



Of the R100 million (R92 million net of management fees) allocated for the 2023/24 financial year R11 million in residual funding is available for fundable programmes. Of the R11 million, R10,2 million is being considered for a funding application from the agro-processing sector, with R800,000 rolled over into the new financial year. It is expected that should funding be awarded, about R6,6 million will be approved.

Six programmes, including automotive, manufacturing, ICT, and finance, have been approved for funding from key strategic industries.

ENTREPRENEURSHIP AND SMALL BUSINESS DEVELOPMENT

A total of R35 million was allocated directly to support rural and township entrepreneurial programmes. These programmes support small businesses and micro-enterprises in the province's most underdeveloped areas. A business loan facility, leveraging the inclusion of private funders like commercial banks and other public funding facilities, is also underway.

Furthermore, R17 million has been allocated to fund a graduate and artisan placement and entrepreneurship programme that meets the developmental objectives of job creation and industrial development.

Commercial banks and other finance providers are expected to be key in increasing the fund's resource pool. The EC EDF has set aside R20 million to unlock a five-fold leveraged loan capital value of R100 million for loans specifically aimed at business support in key industries.

AUTOMOTIVE AND NON-AUTOMOTIVE MANUFACTURING

The Automotive Operator Blended Finance Scheme has been introduced to assist in financing the growth or opportunity response-related funding needs of the targeted automotive operators. As such, the scheme will primarily finance fixed fixtures, equipment, machinery, stock, and other distinctive critical industry compliance or operating environment improvement measures, such as a specific accreditation programme, or specialised training.

The fund has also partnered with the East London Industrial Development Zone (ELIDZ) to partially fund the formation of a manufacturing incubator hub at the ELIDZ Science and Technology Park. Mercedes-Benz South Africa has already taken a key participatory stake in the initiative, leveraging opportunities to multiply the initial R14 million EC EDF investment fourfold.

Ten incubated enterprises have been selected to participate in the five-year programme. Plans are also in place to include a second original equipment manufacturer in the list of off-takers for the incubator.

Several other areas in general manufacturing also stand to benefit from the shared services model used by the incubator programme. Twenty jobs have been created from the funded construction phase, with 141 jobs and R70,3 million in leveraged value unlocked by the EC EDF's funding of this phase. Partners in logistics, engineering and fabrication, capital equipment, processing and telecommunications provide the opportunity to further leverage private capital investment in the programme.

R70,3 million
in leveraged value unlocked by the EC EDF's funding

141
jobs leveraged in this phase

INVESTMENT PROJECTS DEVELOPMENT

The investment project mandate is to catalyse economic growth in the province by focusing on sourcing and developing investment project opportunities and actively managing these investments with value-added initiatives. It includes realising investment returns for the ECDC while attracting and raising funds from external investors.

Investment project development intends to capacitate priority sectors by supporting feasibility studies, business case improvements, project development guidance, and project finance checklists to reach financial close. This means that the ECDC will be able to support projects to reach financial close by utilising different interventions through the project finance process and post-deal value-add support.

The Investment Projects sub-unit will also be a key enabler in facilitating partnerships with banks, commercial lenders, development finance institutions, donors, and government entities. This will allow us to achieve successful project implementation and breach historical structural constraints such as gap funding, syndicating loans, and co-investment, develop credit enhancements, and facilitate other key technical assistance required to develop the province.

The Investment Projects sub-unit began its work in 2024 by developing an investment policy framework in line with the ECDC Renewal and Strategic Plan. The Board will shortly sign off on an investment policy that will allow the ECDC to support investment-grade economic growth and development projects. Investment Projects has also set up a panel of transactional advisors to help identify and support investment projects to get across the line relative to project preparation and project finance checklist requirements.

The ECDC has already supported a few transactions across the province that promise to be economically viable and socially transformative.

FUTURE OUTLOOK

Despite the unfavourable economic climate, which includes budget cuts, among other factors, the ECDC remains optimistic about the improvements in the investment and trade promotion environment. The ECDC's strategic focus areas for 2024/25 include:

- Support for the EC-IPF and the PIC
- Trade missions to selected African regions, Middle East and EU markets
- Drive campaigns to attract Global Business Services businesses to the Eastern Cape
- Implement a programme to develop the film industry value chain in the Eastern Cape
- Drive capital-raising initiatives
- Establish deal origination networks
- Explore opportunities for co-funding or joint project packaging or syndication.

ECONOMIC DEVELOPMENT COORDINATION AND SECTOR SUPPORT

Unit mandate

The mandate of the Economic Development Coordination and Sector Support unit (EDC and SS) is to position the ECDC as the lead economic development agency in the Eastern Cape by planning, executing, financing, and implementing economic development projects and infrastructure in the province.

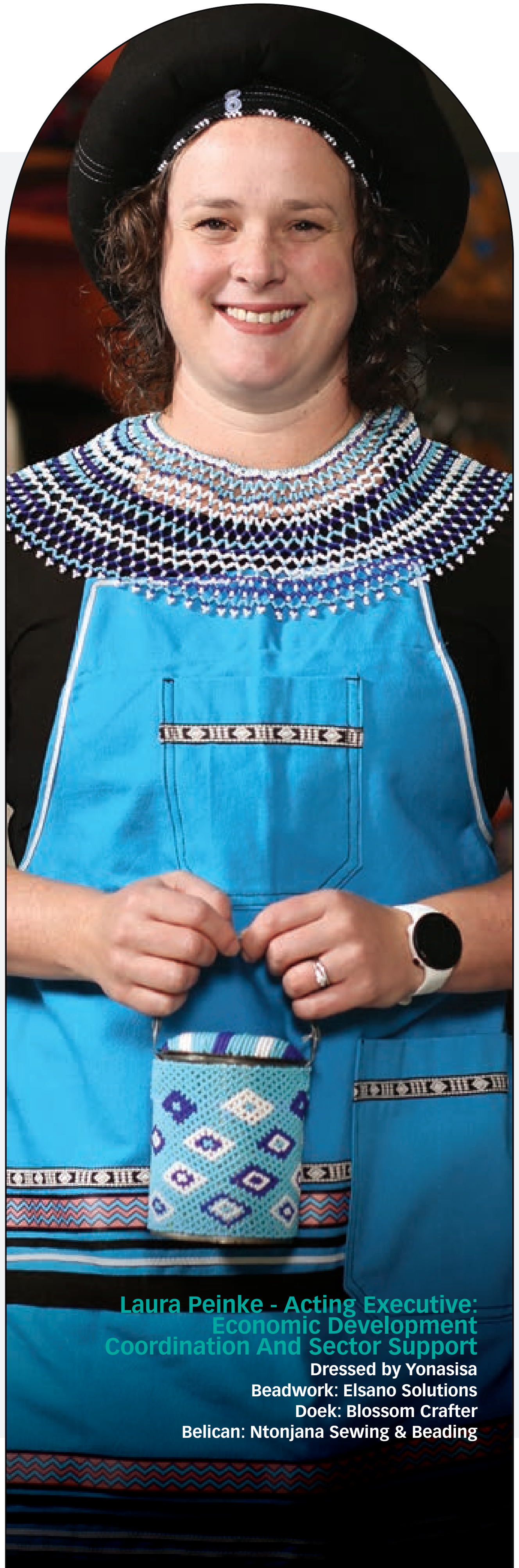
The unit develops relationships with public entities, industry associations, the private sector, and social agencies to use resources and funding effectively.

Economic development initiatives 2023/24

During the period under review, the Economic Development Coordination and Sector Support unit undertook several economic development initiatives designed to exploit the collaborative energy of partner institutions and deliver a pronounced economic dividend.

The leveraging of strategic alliances and partner resources is at the core of these economic development initiatives. Harnessing the collaborative energy of partner institutions ensures that the government can extend the reach and impact of its development programmes. Partnerships are pivotal in an operating environment characterised by widespread austerity measures and fiscal constraints.

Therefore, state institutions such as the ECDC are required to do more with less in the face of growing demand for economic development support tools. Strategic partnerships allow the ECDC to take advantage of partner resources to effectively plan, execute, finance, and implement high-impact catalytic programmes.



Laura Peinke - Acting Executive: Economic Development Coordination And Sector Support
Dressed by Yonasisa
Beadwork: Elsano Solutions
Doek: Blossom Crafter
Belican: Ntonjana Sewing & Beading

The capacitation of the unit with the requisite human capital in 2022 was a catalyst for inspired programme design, which responds to pressing socio-economic challenges. Human capital has been employed in industrial development, manufacturing and agro-processing. Additional resources have been allocated to effectively implement economic development in the regional offices. Further, capable human resources are still required to inspire mandate delivery and position the ECDC as an effective steward of economic development programmes.

Community ownership of development initiatives through strong social compacts is pivotal for the effective implementation of economic development programmes. The Corporation is ramping up its focus on ensuring inclusivity in identified intervention areas, especially in relation to industrial parks and rural and township economy initiatives.

In executing its programmes, the ECDC is working hard to mitigate the effects of loadshedding, deteriorating infrastructure, high unemployment, and low education levels when implementing economic development programmes. Local government support in implementation, project management methodologies, and service delivery are imperative to addressing economic development impact.

The unit was also energised by the allocation of operational funding and an agro-processing conditional grant from the Department of Economic Development, Environmental Affairs and Tourism (DEDEAT) in the 2023/24 financial year.

Developing high-value public and private sector partnerships with like-minded organisations has been at the centre of the ECDC's economic development imperatives in the 2023/24 financial year. Work has been done to identify gaps and provide the requisite assistance in sector coordination, project management, and implementation of economic impact projects among district development agencies, local municipalities, metros, and other public sector agencies.

As such, a Public Entities Collaboration Forum was established in March 2023, culminating in several partnerships that began implementing identified projects across the Eastern Cape in 2023/24.

In this regard, the ECDC has partnered with the Eastern Cape Socio-Economic Consultative Council (ECSECC) on a programme designed to support local municipalities with economic development, trade and investment promotion coordination skills. This includes publishing an investment projects promotion booklet. The Matatiele, Enoch Mgijima, and Port St John's local municipalities were the first to benefit from the partnership. The programme will be rolled out to other municipalities as it progresses.

The revitalisation of industrial parks across the province is gaining traction with work done in 2023/24 to support DEDEAT in finalising and implementing the recommendations on the master plans for Vulindlela Heights in Mthatha, Butterworth, and Fort Jackson. The Somerset East Industrial Park Master Plan is expected to be concluded in 2024/25, while the Dimbaza Industrial Park Master Plan was finalised in 2016 with an updated revision planned for 2024/25. The ECDC is responsible for implementing the recommendations of the master plans, together with partner district development agencies with the Corporation prioritising the improvement of governance structures.

The focus on technology and innovation as a foundation for sustainability and revitalisation of the industrial parks is critical. In May 2023, the "Innovate Dimbaza" launch event was co-hosted by the Non-Automotive Manufacturing (NAM) Cluster, the Council for Scientific and Industrial Research's Technology Localisation Implementation Unit (TLIU), and the ECDC. The event showcased 15 local manufacturing and agro-processing companies and was held at Site 3 in the industrial park, which is being earmarked for refurbishment for a Rapid Prototype facility. The ECDC appointed a contractor in March 2024 for the refurbishment project.

During the review period, the ECDC signed the first management agreement with the NAM Cluster to improve governance and support investment promotion activities in the Dimbaza Industrial Park. This is a first step in improving governance structures in line with the master plan and international best practice. It seeks to increase investment and improve day-to-day communication with tenants.

As part of a broader stakeholder engagement support package to bolster the development of the industrial parks, the ECDC concluded a memorandum of understanding (MoU) with the King Hintsa Technical and Vocational Education and Training College (TVET). In addition, a draft MoU is underway with Lovedale TVET College. The ECDC has also co-funded a Technohub Feasibility Study with the Council for Scientific and Industrial Research (CSIR) and the Department of Science & Innovation (DSI) for Fort Jackson Industrial Park.

The ECDC has identified incubation hubs, access complexes, innovation ecosystems, governance and management structures, and energy solutions as its priority focus areas for revitalising industrial parks.

The ECDC attracted several investors in the industrial parks during the 2023/24 financial year. The NAM Cluster and the ECDC are working with an investor on a Biofuels Investment Programme in Dimbaza, and licencing and regulatory processes are already underway.

A wool processing plant worth R45 million was established and opened in Butterworth, creating 45 permanent jobs and 100 seasonal staff. A highlight of the industrial parks programme was the completion of the first phase investment for a R300 million logistics facility to support an automotive component manufacturer in the Fort Jackson Industrial Park. The Corporation is working to secure the second phase investment with the tenant estimated at R1 billion.

A site has been identified, and building has commenced for an automotive component manufacturer's expansion investment in Butterworth. Similarly, a new engineering firm has been opened at the Butterworth Industrial Park.

45
permanent jobs
100 seasonal

A wool processing plant worth R45 million was established and opened in Butterworth

Completion of the first phase investment for a R300 million logistics facility in the Fort Jackson Industrial Park for an automotive component manufacturer

Furthermore, in 2023/24, the ECDC was engaged in several priority sector interventions in line with the revised Provincial Economic Development Strategy and the 2022 Economic Development Reprioritisation Plan.

In 2023/24, the ECDC activated the agro-processing route-to-market conditional grant received from DEDEAT. The ECDC implemented 10 programmes worth R17,7 million from the conditional grant, which leveraged partnerships and funding of R13 million across the province. The R13 million excludes amounts not finalised by the end of the 2023/24 financial year.

R17,7m programmes value

These programmes include the OR Tambo District Fresh Produce Packhouse, developed in partnership with the Ntinga OR Tambo Development Agency. The ECDC contributed R5 million through the agro-processing route-to-market conditional grant. The programme includes designing and constructing a fresh produce packhouse and supporting small business certification.

R5m ECDC contribution

One of the programmes is a Grain Feasibility Study and Value Chain Operational Model being implemented in partnership with the National Agricultural Marketing Council. The ECDC contributed R2 million through the conditional grant. The programme is focused on support for smallholder grain farmers in the OR Tambo District, including financial support for the establishment of grain silos and processing operations.

R2m ECDC contribution

The ECDC has committed R2 million to developing Aquaculture Value Chains and Operational Models in partnership with the World Wide Fund for Nature South Africa. Funding of R2,7 million has been leveraged for the programme, which includes project packaging and operational model value chain assessments in the OR Tambo, Amathole, and Sarah Baartman districts.

R2m ECDC contribution

A total of R2 million was committed for a Fast-Moving Consumer Goods Incubator in partnership with Walter Sisulu University, Tushiyah Advisory, and First Business South Africa. The focus is assisting 30 companies supported through the Centre for Entrepreneurship Rapid Incubator (CfERI) and training them through retail enterprise and supplier development (ESD) programmes.

R2m committed by ECDC

In addition, R1 million has been allocated for mohair industry support for equipment such as shearing sheds for black-owned emerging mohair farmers. Funding of R1.490 million has been leveraged for the programme's rollout which will be implemented in partnership with the Mohair Empowerment Trust and the Mohair Industry Association of South Africa. The partnership has leveraged cooperative funding and financial support for purchasing additional equipment and shearing sheds for 15 farmers.

R1m allocated by ECDC

Through the conditional grant, the ECDC has also contributed R2 million to the Somerset East Food and Beverage Accelerator in partnership with the Cacadu District Development Agency. The programme's focus on establishing a food and beverage accelerator at the Somerset East Industrial Park in the Sarah Baartman District Municipality.

R2m contributed by ECDC

The ECDC also rolled out several trade fairs across the province in the 2023/24 financial year. These trade fairs are being implemented to support the route-to-market interventions for emerging farmers and traders. Trade fairs were held for the first time in Mthatha, Makhanda, and Mnquma. The intention is to work with stakeholders to establish regular markets where smallholder farmers can sell their goods.

The Eastern Cape Oceans Economy Value Chain and MSME Opportunities Report was published in collaboration between the ECDC and the South African International Maritime Institute (SAIMI). Several programmes outlined in the report will be prioritised for implementation.
The partnership between the ECDC and the World-Wide Fund for Nature (WWF-SA) will also support the project packaging and operational model required for the completion of the Hamburg Oyster Nursery, the East Coast Rock Lobster Fishery Improvement Project, and the Wild Abalone Ranching Small Scale Aquaculture Project.

The Eastern Cape Digital Economy Transformation strategy was launched at the end of the third quarter of the 2023/24 financial year. It is underway with multiple interviews and stakeholder engagements. The envisaged outcome is a master plan and includes a costed implementation plan.

Operational performance

Three planned targets for the 2023/24 financial year were achieved. The targets identified 12 catalytic projects for support; five feasibility studies with capex values of over R50 million, and securing R60 million of leveraged funding through partnerships and co-funding agreements. These targets cover all the province's districts and focus on priority sectors and value chain support.

The ongoing cultivation of long-term strategic and high-value strategic alliances and the maintenance of a steady pipeline of programmes and identified interventions, will remain critical to the unit's achieving its targets. Funding commitments via operational or grant funding allocations are equally crucial to maximising the economic dividend and increasing the value of leverage funding.

FUTURE OUTLOOK

The Economic Development Coordination and Sector Support unit is growing and has maximised funding and resources for programme implementation throughout the Eastern Cape.

In 2024/25, the unit intends to build on the milestones achieved in the two years since its establishment. It will continue prioritising interventions focused on employment opportunities, economic growth, recovery, and poverty eradication.

The unit will focus on five key areas in the 2024/25 financial year. These are industrial park revitalisation, support interventions for small-holder farmer value chains, Wild Coast tourism, oceans economy and agro-processing sector interventions, and the digital economy strategy implementation and funding. Finally, in 2024/25, the unit will target procuring a socio-economic statistical-founded model to accurately assess the impact of the ECDC's interventions and programmes on the provincial economy in support of stakeholders and DEDEAT priorities.

With the support of the ECDC's internal units, public and private sector stakeholders, academia, and the supporting sectoral associations, the EDC and SS unit has ambitious targets to ensure inclusive and sustainable economic impact and growth in the Eastern Cape.

PROPERTIES AND INFRASTRUCTURE MANAGEMENT SERVICES

UNIT MANDATE

The Properties and Infrastructure Management Services division of the ECDC is the custodian of the Corporation's investment property portfolio. The portfolio complements the ECDC's business services, particularly in investor attraction, by providing affordable commercial and industrial properties for the investor community.

PORTFOLIO OVERVIEW

The ECDC owns and manages a substantial property portfolio, making it one of the largest property owners in the Eastern Cape. The portfolio comprises residential, commercial, leisure, industrial and retail properties. In addition, the portfolio consists of vacant land in residential, commercial, and industrial areas. The portfolio is spread throughout the province but mainly concentrated in Mthatha, the Buffalo City Metropolitan Municipality (Qonce and surrounds), Komani and Gcuwa (Butterworth).

The ECDC portfolio constitutes a significant asset base at the government's disposal to leverage investment and drive economic growth in the province. Therefore, the ECDC is well-poised to facilitate the development of concise, strategic, and practical interventions that leverage key state assets to grow the economy and reduce unemployment.

A significant opportunity exists to improve yields and return on investment from these key asset bases. The ECDC is, therefore, intent on exploring how these assets can be transformed into productive resources that can fuel the growth of the Eastern Cape economy. The ECDC is harnessing the collective insights of industry experts, the government, and the business community to consider current and future strategies and interventions required to create a conducive environment for sustainable property-based commercial developments.

The ECDC is actively making the portfolio more attractive for private investment so that the properties support sustainable economic growth and job creation. The Corporation has already begun the modernisation process and is courting private sector investment. The intention is to ensure that these public properties generate economic value and respond to the economic challenges facing the province.

Furthermore, the ECDC is actively engaging the public and private sectors to capitalise on and resource the portfolio, improving the portfolio's efficacy, productivity, and future growth prospects.

The portfolio plays a critical role in supporting the development of the small business sector in the province. It also plays a significant role in supporting the trade and investment promotion activities of the ECDC and Eastern Cape. In both these cases, the portfolio is available to investors and small businesses at affordable commercial and industrial production sites.

To catalyse its efficiencies, the ECDC is arranging the portfolio to support sustainability and viability objectives. It intends to do this through considered and astute facilities, project, asset, and leasehold management.

R136M ALLOCATION

CAPITAL RAISE PROGRAMME

The ECDC property portfolio urgently needs capitalisation. The ECDC is also cognisant that its financial resources are limited and actively lobbying for investment from the public and private sectors.

In 2023/24, the ECDC's capital raise programme received R136 million from the Eastern Cape government for the refurbishment programme, and the Corporation anticipates future allocations from the government.

The capital raise resulted in professional teams being appointed to the value of R65 million for the 14 clusters of refurbishment projects in the 2023/24 financial year. Completed detailed designs preceded construction valued at R220 million at nine sites awarded during the period under review. The figure included professional fees.

Construction projects valued at R140 million are in the final stages of procurement and are due for award in the new financial year.

Internal procurement processes have been reviewed and improved to support operational efficiencies without adverse effects on effectiveness and risk management.

A further R26,5 million has been secured from the provincial government for the 2024/25 financial year

PROPERTY DISPOSAL PROGRAMME

The disposal of non-core assets is ongoing. Several auctions to dispose of residential and vacant land assets have achieved limited success. The disposal process has faced various challenges, including sustained litigation through interim interdicts, class action suits, and ongoing land claims in Mthatha.

While relief has been achieved in the land claims, the ECDC's tenants and sub-tenants have resorted to vexatious court actions to prevent the Corporation from releasing the property units to the open market. This is despite the ECDC's considerable concessions, including giving tenants the first option to buy the properties. They have also resorted to disrupting the conveyancing process to prevent transfers from being realised by denying lawful access to the ECDC properties.

The disposal process has shifted its focus to less contentious asset classes, such as vacant residential land in Butterworth. However, the Corporation is pleased that it raised R28,4 million from the disposal programme in the period under review. The plan is to dispose of the remaining 109 non-core properties over the next two financial years. However, these plans are subject to the resolution of land claims and the outcomes of court proceedings in the new financial year.

LEASEHOLD MANAGEMENT

INVESTMENT PROPERTY PORTFOLIO PERFORMANCE

The portfolio is resilient and has responded positively to strategic interventions in the 2023/24 financial year. In 2023/24, the ECDC recorded rental collection of 60% as a percentage of billing. Yields in the investment portfolio, exceeded the year's target of 9% to 11,32%. The disposal of non-core assets and the refurbishment of properties should further improve yields in the new financial year.

60%
rental collection rate as a percentage of billing

11.32%
yield in the investment portfolio

Financial prudence resulted in expenses being contained to 24% below budget due to the settlement of some disputed municipal rates, taxes, and service charges from prior years. The disposal programme will curtail unnecessary expenditure on municipal charges in the new year.

These improvements result from a concerted drive to improve the unit's human capital capacity, management systems, credit control and debt collection during the period under review. Despite the positive improvements, aspects such as debt collection, tenant management and fewer property vacancies require continued attention in the new financial year.

REVENUE IMPROVEMENT PROGRAMME

The Corporation has embarked on a revenue improvement programme that includes collecting outstanding rental debt, improving occupancy levels in the rental stock, and strengthening the property policy.

The programme further entails developing streamlined business processes and standard operating procedures to respond more effectively to market demands, improve tenant management systems and deal more efficiently with delinquent tenants.

During the financial year, debt settlement incentives were created where interest on the debt could be reversed in exchange for the prompt settlement of outstanding capital amounts. The process continues in parallel to the Corporation's standard debt collection procedures.

In 2023/24, the occupancy levels regressed year-on-year from 35% to 39%. The verification of tenants was initiated during the year to confirm the occupation of rental units and the status of lease arrangements with occupants. It will continue in the new financial year and inform management of areas needing attention. The verification process will determine if the ECDC will normalise lease arrangements or proceed with vacating properties to make way for new tenants.

The ECDC has changed its property management system from the NICOR system to the new, improved Maximum Development Area (MDA) system. The improvement in the tenant management system has resulted in the electronic capture of all rental leases and a weekly focus on eradicating expired leases and reducing rental arrangements where leases have been misplaced. The new MDA system has also refined data management and reporting, empowering management to make more informed decisions.

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

BUILDING REQUISITE CAPABILITIES

The resourcing of the Properties and Infrastructure unit is vital. Staff recruitment continues in earnest, with new appointments made in the 2023/24 financial year to improve the unit's capacity. Additional appointments in the 2024/25 financial year should consolidate the unit's capacity and capabilities.

Key new appointments during the past and coming financial year include:

- Senior manager: Leasehold
- Assistant manager: Leasehold
- Senior manager: Facilities Management
- Regional manager: Properties (Mthatha)
- Regional manager: Properties (East London).
- Project Manager: Infrastructure.

The existing staff complement and recruits have contributed strongly to the property unit's improved performance, which is expected to continue in the new financial year.

REGAINING INVADED PROPERTIES

Property invasions in Mthatha remain a key concern. An MoU signed with the Public Assets Community-based Tenants and Owners Association (PACTOA) in November 2021 is now redundant due to new violent invasions of Indalo Court and a factory site in Mthatha in the second quarter of the year.

Similarly, another three units were invaded, including two standalone houses and a factory unit. There were 342 invaded properties by the end of the 2023/24 financial year.

Significant investments are being made to secure the ECDC's properties and the safety of the Corporation's staff in the Mthatha region.

Management is undertaking the following actions regarding the ongoing threats of invasions against ECDC officials and tenants:

- Increased security, including roving armed response units on 24-hour duty
- An armed security emergency response team to work with the South African Police Service (SAPS) to remove invaders promptly
- Security camera systems linked to a 24-hour command centre to monitor key property installations
- Armed security at the Mthatha regional office
- A roving security team.

An interim security risk manager has been appointed, pending the recruitment of a permanent security risk manager.

INFRASTRUCTURE MANAGEMENT SERVICES

The ECDC's infrastructure management services are engaged in implementing externally funded projects and the ongoing internal refurbishment programme.

The external programmes are externally funded, and the internal projects relate to the refurbishing the ECDC's portfolio.

The ECDC's property refurbishment programme is being implemented over three financial years. Over 65 properties have been identified for refurbishment based on their potential for high investment returns, strategic geographical location, high public visibility, and their likely attractiveness to institutional tenants. The refurbishment programme commenced in the 2022/23 financial year with a budget of R81 million. The refurbishment includes industrial, commercial, leisure and residential (flats and townhouse complexes).

The total projects under the internal refurbishment programme is R360 million. The refurbishment programme's impact is expected to increase the property portfolio's yield from the current 10% to at least 15% over the three years.

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

CLIENT INFRASTRUCTURE PROGRAMMES

In 2023/24, the ECDC planned to improve revenue generation from project management fees earned from implementing external programmes. A target of R18,6 million was set for fees from external projects valued at R769 million. However, the Corporation only generated R8,1 million in fees, mainly because attention was shifted to the new internal programme. The external programmes included four main clients:

DEPARTMENT OF ECONOMIC DEVELOPMENT, ENVIRONMENTAL AFFAIRS AND TOURISM (DEDEAT)

The ECDC is implementing projects funded by the Provincial Economic Stimulus Fund. It continued to provide programme oversight and advisory services through the Project Management Office (PMO) appointment for the Provincial Economic Stimulus Fund. The PMO oversight role is for the 15 projects funded through the PESF.

The ECDC was appointed to implement four of 15 projects, three of which were related to infrastructure development.

The three external infrastructure projects awarded to the ECDC include:

- Dimbaza Industrial Park Phase 2 for road upgrades, electrical installations, and wastewater treatment works upgrades
- Queendustria substation upgrade
- eMaxesibeni (Mount Ayliff) informal trader infrastructure projects.

DEPARTMENT OF AGRICULTURE, LAND REFORM AND RURAL DEVELOPMENT (DALRAD)

The ECDC is also implementing various projects valued at R245 million on behalf of the Eastern Cape Department of Agriculture, Land Reform and Rural Development (DALRRD). By the end of the 2023/24 financial year the ECDC had implemented 13 projects valued at R259 million for DALRRD.

PROJECT NAME	PROJECT COST (R million)
Zanyokwe Refurbishment	15 519
Keiskamahoek Hydrophonics	15 000
Mbodla Heritage Site	5 615
Zuurberg Peace Memorial Heritage Project	42 193
Mnqumashe Abattoir	65 774
Mvezo Irrigation Scheme	9 251
Zwelihle Community Hall	23 810
Sizindeni River Crossing Bridge	10 780
Carolina Farm Housing	47 408
Gwatyu Farm Access Road	16 624
Goqwana Shearing Shed and Dipping Tank, Tsolo	2 475
Mabhobho Shearing Shed and Dipping Tank, KwaBhaca (Mt Frere)	2 747
Khiba Shearing Shed and Dipping Tank, Sterkspruit	2 776
Total	**R259 000 000**

ENOCH MGIJIMA LOCAL MUNICIPALITY

The ECDC was appointed to implement the R17,7 million Ebden sub-station upgrade in the Enoch Mgijima Local Municipality.

MAKANA LOCAL MUNICIPALITY

The ECDC is implementing the Alicedale Sewer Upgrade Completion project in the Makana Local Municipality, which is valued at R4,1 million. This is the final package of the Makana Sanitation Intervention.

FUTURE OUTLOOK

The 2024/25 financial year has laid the foundation for:

- Concluding the property rationalisation pillar of the property modernisation strategy
- Rolling out the comprehensive property refurbishment programme
- Improving income and reducing expenditure
- Improving the property management systems
- Sourcing additional human resource capacity.

Therefore, the outlook for the property portfolio's continued improved performance is positive, with the targets set by the Board in the Corporation's corporate plan achievable.

Norman Trimalley - Acting Executive: Properties and Infrastructure Management Services
Dressed by Iza Crafts
Beadwork: Iza Crafts

PART C
Governance

GOVERNANCE AND OVERVIEW OF GOVERNANCE STRUCTURES

The ECDC endorses the code of good corporate governance practices as contained in the King IV Report on Corporate Governance and affirms its commitment to complying with all the material aspects of the principles incorporated in these reports.

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

BOARD OF DIRECTORS

The Corporation has a duly constituted Board of Directors, which is the base of the Corporation's corporate governance.

The Member of the Executive Council appointed the ECDC Board, responsible for the Department of Economic Development, Environmental Affairs and Tourism (Shareholder) in terms of Section 7(3) of the Eastern Cape Development Act, 1997 (Act 2 of 1997).

The institutional environment of good governance is prescribed by the Constitution of South Africa, 1996, the Public Finance Management Act, 1999, the National Treasury Regulations promulgated in terms thereof, the Protocol on Good Corporate Governance in the Public Sector and King IV to the extent it is necessary.

The ECDC Board of Directors comprises 10 directors, of which 9 directors are non-executive with the CEO being an ex-officio member of the Board as per the ECDC Act 2 of 1997.

The Board includes two non-remunerated members from DEDEAT and Provincial Treasury. The current ECDC Board of Directors' term in office was renewed for a second three-year period commencing 22 February 2024 to 21 February 2027.

A Shareholders Compact Agreement, recording the rights and obligations between the ECDC and the Province, is concluded annually between the parties.

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

BOARD CHARTER

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

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

BOARD COMMITTEES

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

Committee members are elected and appointed based on relevant qualifications, skills, and competencies.

HUMAN RESOURCES, REMUNERATION, SOCIAL AND ETHICS COMMITTEE (HRSEC)

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

FINANCE AND INVESTMENT COMMITTEE (FINCO)

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

GOVERNANCE AND NOMINATIONS COMMITTEE (GNC)

The Committee is responsible for providing monitoring and governance oversight of Board performance appraisals, size, structure and composition, corporate governance framework, monitoring for the ECDC, directors' indemnity insurance, Board succession planning, CEO performance management, subsidiaries, director development, annual reporting and planning for the Annual General Meeting. The Committee consists of the chairpersons of the four sub-Committees and the Board Chairperson.

AUDIT, RISK AND COMPLIANCE COMMITTEE (ARC)

The Committee is a Board Committee responsible for overseeing the Corporation's financial reporting, accounting, risk, compliance, information technology, internal control, financial reporting practices, combined assurance, and effective and efficient functioning of internal audit. The Committee consists of five members of which three are Independent, including its chairperson.

Name	Board	Audit, Risk & Compliance Committee	Human Resources, Remuneration And Ethics	Funding and Investment Committee	Governance & Nominations Committee
	Meetings 6	Meetings 6	Meetings 4	Meetings 6	Meetings 2
Mr V Jarana	6				2
Mr S Somdyala	6			6	2
Ms. T Cumming	6	6	3		
Ms. N Pietersen	4	3		6	
Ms. P Bono	5		4	1	2
Ms. S Siko	5		4	5	
Dr M Makamba	6		4	1	
Ms. B Mhlubulwana	2		2	3	
Ms. X Titus	3			2	
Mr V Tshangana*	5	6			2
Ms. L Smith*		6			
Mr T Maphanga*		1			
Dr A Madyibi*		2			

* Independent ARC Committee members

ENTERPRISE-WIDE RISK MANAGEMENT

MANDATE

The mandate for risk management is derived from the Public Finance Management Act (PFMA). Section 51(1)(a)(i) of the PFMA requires accounting authorities to ensure that a public entity has and maintains effective, efficient, and transparent systems of financial risk management and internal control. Furthermore, the ECDC Board subscribes to the King Report on Corporate Governance (King IV), as issued by the Institute of Directors of Southern Africa.

ECDC has adopted the following in its integrated Enterprise Risk Management (ERM) Policy Framework to ensure significant risks and related incidents are identified, documented, managed, monitored, and reported in a consistent and structured manner across ECDC.:

1. The Integrated ERM Framework (2004) developed by the Committee of Sponsoring Organisations of the Treadway Commission (COSO);
2. The National Treasury Public Sector Risk Management Framework; and
3. The International Organisation for Standardisation ISO 31000:2009 Risk management – Principles and guidelines.

Effective management of risk provides an essential contribution towards the achievement of ECDC's strategic and operational goals and objectives.

GOVERNANCE AND OVERSIGHT OF RISK MANAGEMENT

The Board retains overall accountability for the governance of risk and has mandated the Board's Audit, Risk and Compliance Committee to assist the Board in giving effect to its accountability and receives quarterly assurance on the significant risks and plays an important role in ensuring appropriate responses to the top risks facing the Corporation. The Board has delegated the responsibility to implement and execute effective risk management to the Chief Executive Officer.

MANAGING OUR RISK APPETITE AND TOLERANCE

The Board of Directors has approved a Risk Appetite and Tolerance Framework which forms the basis of the extent to which ECDC tolerates risks as described by Key Risk indicators, operational parameters, and process controls to increase shareholder value. Risk appetite measures the extent and type of risks the organisation are willing to take to meet our strategic objectives. Risk tolerance measures the level of uncertainty we are prepared to accept. It identifies the maximum boundary, beyond which we are unwilling to operate. Risk tolerance levels assists management to make better informed business decisions, focus on risks that exceeds the risk appetite and to develop a culture where management is aware of the risks taken. The application of the risk appetite and tolerances metrics are monitored quarterly and reviewed annually.

ENTERPRISE-WIDE RISK STRATEGY AND PLAN

Annually, the Corporation approves an Enterprise-Wide Risk Strategy and Plan to ensure that Risk management is embedded in all organisational activities. In executing our ERM process, we follow a "Plan- Do -Review and Improve" model to identify, understand, execute, monitor, govern, assure and report on our top risks and respond to significant risks being faced in the short, medium and long term. There is a common understanding of our risks and how they are managed. The process to measure, control and monitor risks are clearly defined in the risk management practice and is being improved continuously.

COMBINED ASSURANCE MODEL, FRAMEWORK, STRATEGY, PLAN AND MAP

During the year, the Corporation has also adopted a Combined Assurance Model, Framework, Strategy, Plan and Map. Combined Assurance integrate and align assurance processes in the Corporation to maximise risk and governance oversight and control efficiencies and optimise overall assurance to the Audit, Risk and Compliance Committee, by considering the Corporation's risk appetite.

BUSINESS CONTINUITY AND RESILIENCE

The Board has approved a Business Continuity Policy and Plan to ensure the management of the Business Continuity Risks such as critical skills and human resource capital, information technology and cybersecurity taking into consideration the impact of serious incidents and disasters, including inadequate processes, loss of people, lack of financial controls and resources and severe reputational damage that result in the ECDC being unable to recover over a short period and continue with its operations.

RISK LANDSCAPE

In the table below, include the Corporations identified key risks with their associated key business drivers and key responses. The Corporations top risk categories have been linked with key business imperatives, connected to our objectives to preserve, and create shared value.

Outcome	Key risks	Key mitigations
A financially viable and sustainable organisation	• Failure of borrower or debtor to meet its payment obligations in accordance with agreed terms. • Inadequate return on assets • Lack of funds to support enterprise development. • Delays in the approval and completion of projects and programmes at the right quality and within budget • Lower than anticipated profits or experiencing a loss rather than taking a profit. • Inability to meet short- and long-term obligations on a timely basis	• Implement asset whole lifecycle management. • Cash flow forecasting submitted to Exco and Board subcommittees. • Revenue optimisation and cost minimisation strategy implemented. • Implement best practice credit management principles e.g. credit risk analysis, risk mitigation (security), monitoring, credit control and debt collection. • Engage with the government and private sector to secure funding for loans, projects, and investments.
A well-managed, smart and competitive property portfolio	• Ineffective maintenance planning and operating model • Safety incident(s), due to non-compliance with Occupational Health and Safety Act and other legislation • Lack of private sector partnerships/support • Invasions, land grabs, and vandalism • Lower than anticipated profits or experiencing a loss rather than taking a profit	• Implement the revised property modernisation strategy. • Market studies commissioned to support investment decision and ideal tenant mix. • Financial viability conducted to ensure required rates of return are achievable. • Establish the capacity and capabilities to deliver quality infrastructure on time, - skills, tools of trade, and systems/processes • Implement a maintenance strategy and operating model. • Enhance infrastructure procurement processes and capabilities. • Revenue optimisation and cost minimisation strategy implemented. • Implement best practice credit management principles e.g. credit risk analysis, risk mitigation (security), monitoring, credit control and debt collection.
Increased investment in priority economic sectors, and diversification of exports and trade in traditional and new markets	• Lack of access to domestic and global markets • Investors prefer other provinces as investment destinations. • Lack of skills required by the high-potential economic sectors	• Facilitate access to new markets for MSMEs nationally, regionally, and globally, • Strengthen relationship with DTIC to access incentive grants and support related to improving investment destination. • Collaborate with relevant stakeholders at community, local, and provincial level.
Increased growth and competitiveness of small enterprises in priority sector industries	• Low labour absorption rates despite growing MSMEs • Inadequate return on assets deployed. • High default rates that are not in line with defined appetite levels • Lack of investment and delivering on key strategic socio-economic development sectors and priorities in the Eastern Cape	• Prioritise business support to MSMEs that absorb more labour units per rand value borrowed. • Implement an automated workflow and integrate with the back-end systems. • Implement best practice credit management principles e.g. due diligence, credit risk analysis, risk mitigation (security), monitoring, credit control and debt collection. • Internal performance reviews, quarterly reviews and reporting against the annual corporate plan to Exco and the Board to prevent delivery gaps. • Strengthen the business support function to assist in business success rate, sustainability, job creation and de- risking the ECDC's investment
Enhanced economic development planning and coordination for the effective implementation of development programmes and projects	• Poor integration and coordination between stakeholders with similar mandates, to protect the best interest of ECDC over time. • Inadequate capacity/resources to deliver at the required rate • Poor project and quality management processes • Delays in the approval of projects and programmes	• Implement the ECDC EDP • Lead initiatives to coordinate the economic cluster stakeholders to improve collaboration and integration of economic initiatives. • Ensure relevance and accuracy of research and knowledge produced. • Secure project partnerships (consultation, joint planning) • Secure funding
A well-governed, agile, and high- performing organisation	• Adverse audit outcome • Service delivery targets not achieved of ECDC's promised products and services (inclusive of stakeholder's perceptions) • Non-compliance, contravention, and inability to remedy gaps in business processes. • Inadequate and/or inappropriate performance and monitoring management • Overall high culture entropy level (35%)	• Continue to review the organisational structure and change management interventions. • Evaluate the regional office network to ensure its capacity is closer to its target market. • Digitise/automate key business processes. • Monitor and improve on fraud, corruption and theft mitigation and ethics enhancement activities. • Increase the risk maturity of the organisation. • Identify and provide job-specific learning and development solutions (linked with training and development programmes based on the gaps identified) • Continue with ongoing training and awareness on key legislation applicable to the ECDC, • Fully implement performance contracting and management system • Employ a skilled work force.

INFORMATION TECHNOLOGY RISKS

The Audit, Risk and Compliance Committee assessed the impact of information technology risks on its functions by:

- Reviewing the policies managing IT risks as these pertain to financial reporting and found these to be adequate.
- Considering and reviewing the findings and recommendations of the Internal Audit.
- Monitoring and evaluating significant IT investments, delivery of services, IT governance and IT management.

COMPLIANCE WITH LAWS AND REGULATIONS

The Corporation subscribes to strict adherence to all applicable legal prescripts and corporate governance practices, which include but are not limited to the Eastern Cape Development Act, 1997 (Act 2 of 1997), Public Finance Management Act, 1999 (Act 1 of 1999), Labour Relations Act, 1995 (Act 66 of 1995), Basic Conditions of Employment Act, 1997 (Act 75 of 1997), Consumer Protection Act, 2008 (Act 68 of 2008), National Credit Act, 2005 (Act 34 of 2005) and the Occupational Health and Safety Act, 1993 (Act 85 of 1993) to ensure a safe working environment for its employees and stakeholders.

The Corporation has adopted a Promotion of Access to Information Act (PAIA)/ Protection of Personal Information Act (POPIA) Manual per the Promotion of Access to Information Act, 2000 (Act 2 of 2000) and the Protection of Personal Information Act, 2013 (Act 4 of 2013). The manual is available on the ECDC website.

A Compliance Register is maintained, which is monitored by the Audit, Risk and Compliance Committee on a quarterly basis.

ANTI-FRAUD, CORRUPTION PREVENTION AND THEFT

The Corporation adopted a zero-tolerance approach to any activities associated with fraud, corruption, or theft. The Corporation developed an Anti-Fraud, Corruption Prevention and Theft Policy as well as the Whistleblowing Policy.

In addition, the Corporation approved an Anti-Fraud, Corruption Prevention Strategy and Response Plan. These policies are reviewed annually to test their relevance and alignment with societal advancements and developments. These policies require the Corporation to have a Fraud and Ethics Hotline. The hotline details appear on the bottom page of each employee's email signature and all Supply Chain documentation, as well as the ECDC website. These initiatives ensure that all fraud and corruption risks are identified and mitigated.

An Anti-Fraud, Corruption Prevention and Theft report is presented to the Audit, Risk and Compliance Committee on a quarterly basis, incorporating key risks, status of risk mitigating plans, investigations etc. All reported cases are included in a Fraud, Corruption, Theft and Unethical Conduct Register, forwarded to Internal Audit for an initial preliminary investigation. Any subsequent investigations are performed by independent, duly qualified investigators, of which the report is then provided to SAPS when a case is reported. Disciplinary action are taken against implicated employees.

ILLEGAL INVASIONS

Several of the Corporations properties have been invaded. The arrested alleged perpetrators remain in custody pending the finalisation of the criminal court matter. Civil action has also been instituted to evict illegal invaders. A Special Security Intervention Plan has been established which includes the employment of a dedicated Security Manager, increased security patrols and armed support.

CYBER SECURITY

Cybersecurity threats are continuously monitored to identify, detect, protect against, respond to, and recover from cyber breaches. Information security controls, including cybersecurity training and awareness, Information Technology (IT) security continuity plans, and the monitoring of critical software and hardware operational security controls, are implemented.

MINIMISING CONFLICT OF INTEREST

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

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

HEALTH, SAFETY, AND ENVIRONMENT

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

CORPORATE SOCIAL RESPONSIBILITY

The Corporation recognises its integral part of the broader society in which it operates, with certain rights but also responsibilities and obligations and is committed to incorporate social and environmental considerations in its decision-making and be accountable for the impacts of its decisions and activities on the society and the environment. In general, the organisation embraces development that meets the needs of the present without compromising the ability of future generations. As such the organisation monitors its Social Responsibility Impact on four pillars, Economy, Workplace, Natural Environment and Social Impact.

SOCIAL RESPONSIBILTY IMPACT

ECONOMY	WORKPLACE	NATURAL ENVIRONMENT	SOCIAL ENVIRONMENT
• Economic development • Fraud and Corruption-Prevention • Broad-based black economic empowerment • Transparent tax policies	• Employment equity • Decent work • Employee safety & health • Employee relations • Education of employees • Fair remuneration • Organisational ethics	• Environmental impact • Pollution • Waste disposal • Bio-diversity	• Community development • Donations sponsorships • Public health & safety • Advertising • Consumer protection • Consumer relations • Human rights • Stakeholder relationshipss

The Human Resources, Remuneration, Social and Ethics Committee monitors the Social Responsibility Impact and Organisational Ethics on a quarterly basis. A Social Responsibility and Ethics Policy has been approved by the Board. Annually the Strategy is reviewed and a Plan approved by the Committee to embed Social Responsibility and Ethical Behaviour in the organisation.

The organisation monitors the social impact of ECDC, according to some legislation, but also with codes of best practice that seem to be obviously relevant.

AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT

MANDATE

The report is provided by the Audit Risk and Compliance Committee (ARC) in respect of the 2023/24 financial year of Eastern Cape Development Corporation (ECDC). The Audit, Risk and Compliance Committee's function is guided by a detailed Charter informed by the relevant governance prescript and aligned to the business.

PURPOSE

The Audit, Risk and Compliance Committee's purpose is to assist the Board in discharging its duties providing oversight with regard to the safeguarding of assets, risk management, compliance with legislation, Information technology, combined assurance and the internal audit function to ensure a strong internal control environment and reporting processes, and ultimately the submission of accurate, valid and complete reporting and financial statements in compliance with the applicable legal requirements and accounting standards.

OVERVIEW

We are pleased to present our report for the financial year ending 31 March 2024 for the Audit, Risk and Compliance Committee.

AUDIT, RISK AND COMPLIANCE COMMITTEE MEMBERS

The Audit, Risk, and Compliance Committee consists of the members listed below. According to the terms of reference, the Committee must convene at least four times a year. During the period under review, six meetings were held. The Committee's membership structure changed with the resignation of an independent member in May 2023. A replacement member was appointed in January 2024.

Name	Position
Mr Tshangana	Independent Chairperson (appointed 3 May 2022)
Ms Cumming	Board Member (Appointed 22 February 2021)
Ms Pietersen	Board Member (Appointed 22 February 2021)
Ms Smith	Independent Member (Appointed 3 May 2022)
Mr Maphanga	Independent Member (resigned 19 May 2023)
Dr Madyibi	Independent member (Appointed 01 January 2024)

AUDIT, RISK AND COMPLIANCE COMMITTEE'S ROLE AND RESPONSIBILITIES

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

EFFECTIVENESS OF INTERNAL CONTROL

During the year, the Audit Risk and Compliance Committee reviewed various internal audit reports.

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

EVALUATION OF ANNUAL FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION

The Audit, Risk and Compliance Committee has:

- Reviewed and discussed the annual financial statements to be included in the annual report with the Auditor-General of South Africa.
- Reviewed the information on pre-determined objectives to be included in the annual report and noted the report by the Auditor-General of South Africa.
- Reviewed the quality and timeliness of the financial information availed to the Audit, Risk and Compliance Committee for oversight purposes during the year.
- The Corporation's performance in terms of finances and pre-determined objectives was reported at each Audit, Risk and Compliance Committee meeting.

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

INTERNAL AUDIT

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

- The function is effective, and there were no unjustified restrictions or limitations.
- The internal audit reports were reviewed at quarterly meetings, including its annual work programme, coordination with the external auditors, the reports of significant investigations and management's responses to issues raised in these reports.

#	Project Name (Emanating from 2022/2023)	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Comments
1	Audit of Predetermined Objectives – Annual Results	●				Completed
2	Audit of Predetermined Objectives - Quarterly 1	●				Completed
3	Audit of Predetermined Objectives - Quarterly 2		●			Completed
4	Audit of Predetermined Objectives - Quarterly 3			●		Completed
5	Audit of Predetermined Objectives - Quarterly 4				●	Completed
6	Debt Management Review (Property Rentals and Loans Debtors) – Quarter 2		●			Completed
7	Development Funding and Business Support (Loans, Imvaba, Jobs Fund) – administration	●				Completed
8	Development Funding and Business Support (Loans, Imvaba, Jobs Fund) - Physical verifications Q3			●		Completed
9	Enterprise Risk Management (ERM)				●	Completed
10	Property Management Review	●				Completed
11	Property Management Review – Follow Up			●		Completed
12	Supply Chain Management (Quarter 2)		●			Completed
13	Supply Chain Management – (Quarter 4) (Follow Up Review)				●	Completed
14	Human Resources Management & Payroll		●			Completed
15	Human Resources Management & Payroll (Follow Up)				●	Completed
16	Project Management Review		●			Completed
17	IT Governance Review (Follow Up on 2022/23)				●	Outsourced – Completed
18	Annual Financial Statements Review	●				Outsourced
19	AG Audit Improvement Plan	●	●	●	●	On-going

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

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

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

LEGAL AND COMPLIANCE

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

The Audit, Risk and Compliance Committee confirms that its meetings were attended by the Corporation's Senior Manager: Risk, Compliance and Ethics and has reviewed the Compliance Register presented quarterly. A Compliance Policy, Framework and Plan has been developed and approved from implementation in the 2024/25 financial year.

ENTERPRISE-WIDE RISK

The Audit, Risk and Compliance Committee received quarterly Enterprise-Wide Risk reports, including emerging risks and mitigating plans. The Committee monitors the Key Risk Indicators as per the Board approved Risk Appetite and Tolerance Framework.

COMBINED ASSURANCE

During the year a Combined Assurance Model and Framework has been developed and approved. The Corporation has developed its inaugural Combined Assurance Strategy, Plan and Map, that is currently being implemented and will be amended as the organisation matures.

ANTI-FRAUD, CORRUPTION PREVENTION AND THEFT

The Committee is updated quarterly on the status of reports received, investigations and status of the recovery of financial losses.

Auditor-General of South Africa (To be completed after year end audit)

V Tshangana
Chairperson of the Audit, Risk and Compliance Committee
Eastern Cape Development Corporation

DIRECTORS' REPORT

The directors are pleased to present their report and the audited financial statements for the year ended 31 March 2024. The Corporation is established by the Eastern Cape Development Corporation Act, 1997 (Act 2 of 1997). It is listed in Schedule 3 D of the Public Finance Management Act, 1999 (Act 1 of 1999) (the PFMA) as a Provincial Government Business Enterprise.

SHAREHOLDING

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

DIRECTORS

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

ACCOUNTING POLICIES

The accounting policies disclose that judgements made by management are supported by the Board in the application of International Financial Reporting Standards (IFRIS) that significantly impact the annual financial statements.

CRITICAL JUDGMENTS AND ESTIMATIONS MADE IN APPLYING THE ACCOUNTING POLICIES

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

AUTHORISED AND ISSUED SHARE CAPITAL

The authorised share capital of the Corporation remained unchanged at R1 billion-rand worth of ordinary shares. The Corporation issued R427 589 674 million worth of ordinary shares to the Provincial Government of the Eastern Cape (Department of Economic Development, Environmental Affairs and Tourism). The issued share capital comprises 213 794 837 million "A" shares of R1 each and 213 794 837 million "B" shares of R1 each.

R1 billion-rand
worth of ordinary shares

R427 589 674 million
worth of ordinary shares to the Provincial Government of the Eastern Cape

DIVISIONS, SUBSIDIARIES AND ASSOCIATE COMPANIES

The supplementary information to the annual financial statements contains a detailed list of subsidiaries and associate companies.

DIVIDENDS

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

JUDICIAL PROCEEDINGS

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

POST-BALANCE SHEET EVENTS REVIEW

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

GOING CONCERN

Having reviewed the Corporation's cash flow forecast for the year 2024 and, in the light of this review and current financial position, the directors are satisfied that the Corporation has, or has access to, adequate resources to continue its operational existence for the future. However, note must be taken of note 45 of the financial statements.

REMUNERATION PHILOSOPHY

The ECDC continues to regard its employees as the most valued asset of the business. The Human Resources Strategy remains one of the pillars of the ECDC strategy and provides the framework for addressing HR challenges. The HR Strategy remains focused on providing the right skills in the right place at the right time to support the ECDC's business objectives. The ECDC recognises that remuneration is a business issue, not purely a human resources issue, as it directly impacts operational expenditure, organisational culture, employee behaviour and ultimately, the financial sustainability of the Corporation.

As such, the ECDC's approach to reward is consistent with its objectives and strategic value drivers. Accordingly, the ECDC remuneration philosophy aims to:

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

DIRECTOR FEES

Fees were paid to directors for Board, sub-committee and ad hoc attendance during the financial year under review. These are set out below:

Name	Board	Audit, Risk & Compliance	HRSEC	FINCO	Governance & Nominations Committee	Ad-hoc & Strategic Engagements	TOTAL
Mr Jarana	R79 125.00				R15 825.00	R142 423.00	R237 375.00
Mr Somdyala	R63,300.00			R26 375.00	R10 550.00	R126 600.00	R226 823.00
Ms Cumming	R47 475.00	R31 650.00	R15 825.00			R55 387.50	R150 337.50
Ms Pietersen	R23 737.50	R15 825.00		R21 100.00		R65 937.50	R126 600
Ms Bono	R39 562.50		R31 650.00		R10 550.00	R100 225.00	R181 987.50
Ms Siko	R39 562.50		R21 100.00	R21 100.00		R39 562.50	R121 325.00
Dr Makamba	R39 562.50		R21 100.00	R5 275.00		R129 237.50	R195 175.00
Ms Mhlubulwana*	R0		R0				R0
Ms Titus*	R0		R0				R0
Mr Tshangana	R26 375.00	R63 300.00			R10 550.00	R42 200.00	R142 425.00
Ms Smith*	R0	R31 650.00				R36 925.00	R68 575.00
Mr Maphanga*	R0	R4 825.00					R4 825.00
Dr Madyibi*	R0	R10 550.00				R5 275.00	R15 825.00
Total	R358 700.00	R157 800.00	R89 675.00	R73 850.00	R47 475.00	R743 773.00	R1,471,273.00

*Ms Mhlubulwana & Ms Titus are employed in the public sector - no fees payable.
*Mr Tshangana, Ms Smith, Dr Madyibi are independent members of ARC Committee.

Lulama Mbobo-Vava - Executive: Corporate Services
Dressed by Iza Crafts
Smoking Pipe: Iza Crafts
Headgear: Ilinge Women's Co-op
Neckpiece: Kwinzaz
Armband: Iza Crafts

PART D

Human Resource Management

HUMAN RESOURCES OPERATIONAL OVERVIEW

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

HUMAN RESOURCE MANAGEMENT

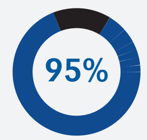
Human Resources (HR) subscribes to the standards of the South African Board of People Practitioners and provides services related to strategic human resource management. The support and service solutions provided to employees and business units are future-oriented and solve business problems, talent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

REVIEW OF POLICIES

Four policies were reviewed and approved by the Board in November 2023, namely: Material Terms and Conditions of Services policy, Recruitment and Selection policy, Remuneration Policy and Education, Training and Development policy. 5 Policy Awareness and Culture Change sessions were held in all the regions between June and July 2023. Awareness roadshows were held across all regions in January 2024 for all staff to update their Provident Fund and Funeral Benefits forms.

PERFORMANCE MANAGEMENT

In the period under review, the human resource's function has enhanced some innovative improvements in the HR Focus system to enforce maximum compliance to improve turnaround times and business processes for efficiency and effectiveness. Employees will continuously be orientated/trained on the HR Focus system improvements to ensure that everyone is on board, and that constant interaction with the service provider of the system is continuing to provide the necessary support. Furthermore, HR continues to provide the required support to employees and managers to improve the embedment of a performance management culture whilst closely monitoring compliance by business units, impact on performance trends and realisation of organisational objectives. By the end of the 2023/24 the organisation achieved 95% in employees who signed performance contracts, exceeding a target of 90%.



of employees signed performance contracts. Target exceeded by 5%

REVIEWED ORGANISATIONAL STRUCTURE

All employees were placed in the new organisational structure through a matching and placement process that took place in the last quarter of 2023/24. Critical positions, starting with executive positions were identified for filling over a three-year period.

EMPLOYEE HEALTH AND WELLNESS PROGRAMME (EWP)

ECDC has an Occupational Health Policy that promotes occupational wellness for employees. The general physical working environment is regarded as good. However, challenges such as inadequate space planning (leading to overcrowding) are to be addressed. Occupational health support is provided by promoting opportunities and providing guidance that enables employees to effectively manage their own physical, mental, spiritual, financial, and social well-being. The Wellness office initiated a sports and recreation committee that coordinates activities designed to use sports to boost employee engagement and wellness.

Our wellness partner currently is iCAS (contract will expire in December 2024) to provide a comprehensive a virtual Employee Assistance Program. Our compulsory Medical Aid scheme partner Discovery Health also provides support/benefits available to all their members in the mental health space, regardless of plan option. Both Employee Assistance Program (EAPs) are a multifaceted resource, providing everything from counselling and mental health support to debt advice, legal advice, and general health advice. The services are easily accessible on a self-referral basis as well as managerial referral.

STAFF PROFILE

Staff profile as of 31 March 2024 is illustrated in the table below;

STAFF ESTABLISHMENT PROFILE

Employees as at 01 April 2023	152 PEOPLE
Add	**+26**
Recruitment - Permanent	09
Fixed Term Contract (FTC)	17
Less	**-24**
Resignations	18
Contract expired	1
Separation Agreement	1
Retirement	1
Dismissals	2
Death	1
Total permanent employees	**103 PEOPLE**
Contract Employees	51 PEOPLE
Total employees at the end of period March 2024	**154**
Total Staff Establishment	245
- Vacant positions	91
- Vacancy rate	37.14%
- Vacancy rate on approved positions	
Graduates at beginning of period	**35**
Less: Contract expiry	10
Less: Resignation (Must be all resignations)	3
Total graduates at the end of period March 2024	22
Total headcount as at end March 2024	176

In the period under review, the ECDC's workforce comprised 154 contract and permanent employees. The vacancy rate is 37.1% in respect of the total staff establishment of 245, a slight improvement from 38.95% in 2023/24. Of the 91 vacancies, some of which were created during the organisational structure review process, management identified 33 vacancies to be filled in 2023 and 40% of these were filled by end of the 2023/24 financial year.

Several key positions have been filled in various units, such as properties and infrastructure management services, rural enterprise finance and business support, investment management, trade and investment promotion, economic development coordination and sector support, the CEO's office, and regional offices, to build capacity to enable delivery on the mandate and revised strategy. The reason for a slight change in vacancy rates is the higher staff turnover rate (11.8%) due to, in the main, resignations. Five out of seven executive positions were filled and the sixth one was in the recruitment and selection process.

EMPLOYMENT EQUITY

The Employment Equity Act aims to achieve workplace equity by promoting equal opportunity and fair treatment through employment by eliminating unfair discrimination. The primary intention of employment equity at the ECDC is to ensure that there is equitable consideration of all population groupings when the demographic character of the Eastern Cape is considered.

Attaining targets in women at senior and executive level, will be the priority of the new financial year.

ECDC TRANSFORMATION AND DIVERSITY GOALS (EMPLOYMENT EQUITY)

NUMERICAL TARGETS FOR YEAR 3 ENDING 1 APRIL 2023- 31 MARCH 2024 AS PER THE CURRENT EMPLOYMENT EQUITY PLAN

Occupational Levels	Male				Female				Total
	A	C	I	W	A	C	I	W	
Top management (20-25)	4	0	0	1	3	0	0	0	8
Senior management (17-19)	12	1	2	1	6	1	1	1	25
Professionally qualified and experienced specialists and mid-management (14 -16)	6	1	0	5	9	1	0	1	23
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents (10-13)	24	1	1	1	35	2	1	3	68
Semi-skilled and discretionary decision making (7-9)	12	1	0	1	32	2	1	1	50
Unskilled and defined decision making (2-6)	1	0	0	0	6	0	0	0	7
TOTAL PERMANENT	59	4	3	9	91	6	3	6	181
Persons with disabilities	1	0	0	0	1	0	0	0	2
Fixed-term contracts	4	0	0	0	5	0	0	0	9
TOTAL TARGETS	**63**	**2**	**2**	**6**	**107**	**1**	**0**	**5**	**192**

The above table depicts the numerical goals and targets for the year and further demonstrates the inroads made towards the achievement of the targets across the occupational levels by race and gender. Our total targets for the year ending 31 March 2024 is 192 and the Corporation has achieved a staff complement of 154, with a variance of 38 and excluding the 22 young professionals in the graduate program.

EQUITY REPRESENTATION PER OCCUPATION LEVEL ACROSS GENDER AND RACIAL GROUPS

Occupational Levels	Male				Female				Total
	A	C	I	W	A	C	I	W	
Top management (20-25)	2	0	1	0	1	0	0	0	4
Senior management (17-19)	2	1	0	0	3	0	0	2	8
Professionally qualified and experienced specialists and mid-management (14 -16)	8	0	1	2	17	0	0	1	29
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents (10-13)	14	0	0	1	42	1	0	1	59
Semi-skilled and discretionary decision making (7-9)	1	0	0	0	0	0	0	0	1
Unskilled and defined decision making (2-6)	0	0	0	0	2	0	0	0	2
TOTAL PERMANENT	27	1	2	3	65	1	0	4	103
Persons with disabilities	0	0	0	0	0	0	0	0	0
Fixed-term contracts	26	1	0	1	21	1	0	1	51
TOTAL EMPLOYEES	53	2	2	4	86	2	0	5	154
Young Graduates Program	5	0	0	0	17	0	0	0	22
GRAND TOTAL	**58**	**2**	**2**	**4**	**103**	**2**	**0**	**5**	**176**

The table above provides a snapshot that illustrates the overall number of employees in each occupational level and across genders and racial categories. These numbers include all forms of employment within the Corporation.

COMPARISON AGAINST THE PROVINCIALLY ECONOMICALLY ACTIVE POPULATION

Occupational levels	Male				Female				Foreign nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
TOTAL STAFF	53	2	2	4	86	2	0	5	0	0	154
TOTAL Percent	50.9%	1.92%	1.92%	3.84%	82.7%	1.92%	0	4.8%	0	0	0
PROVINCIAL EAP	42.3%	4.8%	0.5%	3.7%	40.1%	4.7%	0.3%	3.6%	0	0	100%
TOTAL VARIANCE	+8.6%	-2.8%	+1.4%	+0.14%	+42.6%	-2.78%	-0.3%	+1.2%	0	0	0

Source: Stats SA - Labour Force Survey (2023)

The table above reflects the complete picture in comparison to provincial averages of the overall Economically Active Population(or Labour force participation rate). The picture depicts that Coloureds (males and females) as well as Indian females are slightly under-represented. On the contrary, there is an over representation of Black and White employees (males and females) within the ECDC when compared against the EAP. Conversely, the notable over-representation by black females is largely concentrated in the lower occupational levels.

The assumption underlying the targets for the EE plan was that the natural attrition rate for the previous years would decrease and that the organisation would retain and increase the staff complement. The plan to attract and retain staff was arrested by the financial outlook of the organisation over the years resulting in a lower than anticipated uptake. The targets will be reviewed as per the amended Employment Equity Act and the new 5-year EE plan will be aligned to take this into consideration. Progress on the implementation of the attracting and retaining persons living with disabilities programme was also not as anticipated, however efforts to address this challenge will be enhanced in the new financial year.

SKILLS DEVELOPMENT

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

The Workplace Skills Plan (WSP) and Annual Training Report (ATR) were submitted annually to the Services SETA by 30 April 2023. The training programmes were clustered and estimates for each programme were sought from various service providers. Training programmes offered in the 2023/24 financial are as follows:

- HR Business Partnering Program
- First Aid Level 1, Basic Fire Fighting and Basic SHE Rep
- Skills Development Facilitator Workshop
- Certified Internal Auditor (Part 1) and Gleim CIA Review (Part 1)
- Developing and Implementing Electronic Document and Records Management Systems
- Supply Chain Management: Identify, Analyze, Respond and Manage Risk
- Contracts Management and SLA's Training
- HR Performance Management system workshop
- Supply Management training.
- A-Z 104 Microsoft Azure Administrator training
- Business System Analysis training
- Digital Marketing training
- Fundamentals of cybersecurity
- Monitoring and Evaluation training
- Candy Training (C201, C202, C203) Online Course
- Ethics in Supply Chain
- Strategic sourcing and category management
- Fundamentals of Financial Management

Twenty-four (24) employees were awarded bursaries, at 80% of tuition fees, for study in 2023/24 and 2024/25.

80%

YOUNG PROFESSIONALS GRADUATE DEVELOPMENT PROGRAMME

The Eastern Cape Development Corporation (ECDC) implemented the Graduate Development Programme as part of its contribution to skills development initiatives as expressed in the National Skills Development Strategy (NSDS III), National Growth Plan (NGP), Provincial Growth Development Strategy (PGDS) and the National Development Plan, (NDP) Vision 2030.

The objectives are to attract unemployed graduates to participate in the programme, providing them with valuable work experience and increasing their employment opportunities. The programme is fully structured, and the ECDC pays the successful graduates a monthly stipend/allowance for 24 months. Forty graduates have been recruited and placed in various departments and regional offices. Six of the graduates secured employment during their internship.

EMPLOYEE RELATIONS:

1. Collective Bargaining

The focus at the Human Capital Management unit is fostering capabilities that will enable the organisation to deliver on its mandate. This is achievable through promoting sound labour relations, organisational discipline, and fair people management practices. During the year under review, focus was on rebuilding the HCM policy framework as well as relationships with recognised labour formations. This was achieved through joint consultative structures and bilateral mechanisms.

2. Organisational Discipline

The focus has been on enhancing the current framework to be more dynamic taking cognisance of the changing workforce drivers. Our philosophy is to attract, retain and enable high performance by ensuring that policies conform to supporting business and HCM strategies which must be legislatively compliant, internally integrated, consistent across topics and disciplines and aligned to market best practice.

MISCONDUCT AND DISCIPLINARY ACTION

Three formal disciplinary actions were undertaken for various acts of misconduct. Two of these have been finalised, culminating in one dismissal and a resignation.

PART E

PFMA Compliance Report

IRREGULAR, FRUITLESS & WASTEFUL EXPENDITURE & MATERIAL LOSSES

IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE AND MATERIAL LOSSES

IRREGULAR EXPENDITURE

a) Reconciliation of irregular expenditure

Description	2024 (R'000)	2023 (R'000)
Opening balance	3 664	3 106
Add: Irregular expenditure confirmed (current year)	462	558
Add: Irregular expenditure confirmed (prior years discovered in the current year)	4 453	
Less: Irregular expenditure condoned	(1 768)	0
Less: Irregular expenditure not condoned and removed	0	0
Less: Irregular expenditure recoverable	0	0
Less: Irregular expenditure not recovered and written off	**0**	**0**
Closing balance	**6 811**	**3 664**

The amount of R4 453 million related to a fraud and corruption case involving an ex-employee and a service provider which occurred during the 2017/18 financial year.
Cases have been opened with the SAPS and criminal proceedings are currently underway against the alleged perpetrators. ECDC has also instituted civil proceedings to recover the losses

Reconciling notes

Description	2024 (R'000)	2023 (R'000)
Irregular expenditure that was under assessment in 2022	3 664	3 106
Irregular expenditure that relates to prior years (2017/18 and identified in 2023	4 453	0
Irregular expenditure for the current year	462	558
Total	**8 579**	**3 664**

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

Description	2024 (R'000)	2023 (R'000)
Irregular expenditure under assessment	3 664	1762
Irregular expenditure under determination		
Irregular expenditure under investigation	4 915	1 902
Total	**8 579**	**3 664**

c) Details of current and previous year irregular expenditure condoned

Description	2024 (R'000)	2023 (R'000)
Irregular expenditure condoned	(1 768)	0
Total	**(1 768)**	**0**

c) Details of current and previous year irregular expenditure condoned

Description	2024 (R'000)	2023 (R'000)
Irregular expenditure condoned	(1 768)	0
Total	**(1 768)**	**0**

Submissions to the value of R1,768 million were condoned by Provincial Treasury and confirmed in August 2023.

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

Description	2024 (R'000)	2023 (R'000)
Irregular expenditure NOT condoned and removed	0	0
Total	**0**	**0**

e) Details of current and previous year irregular expenditure recovered

Description	2024 (R'000)	2023 (R'000)
Irregular expenditure recovered	0	0
Total	**0**	**0**

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

Description	2024 (R'000)	2023 (R'000)
Irregular expenditure written off	0	0
Total	**0**	**0**

ADDITIONAL DISCLOSURE RELATING TO INTER-INSTITUTIONAL ARRANGEMENTS

g) 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
There are no inter-institutional arrangements which have resulted in irregular expenditure being incurred

h) 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	2024 (R'000)	2023 (R'000)
No matters to report	0	0
Total	**0**	**0**

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

Disciplinary steps taken
- Investigations for prior year irregular expenditure had been concluded and consequence management action had been taken against responsible officials
- Investigations for the 2023/24 irregular expenditure are still in progress
- For the irregular expenditure related to the fraud and corruption case of R4,453 million, cases have been opened with the SAPS and criminal proceedings are currently underway against the alleged perpetrators. - ECDC has also instituted civil procedings to recover the losses

FRUITLESS AND WASTEFUL EXPENDITURE

a) Reconciliation of fruitless and wasteful expenditure

Description	2024 (R'000)	2023 (R'000)
Opening balance	301	301
Add: Fruitless and wasteful expenditure confirmed	0	0
Less: Fruitless and wasteful expenditure written off	0	0
Less: Fruitless and wasteful expenditure recoverable	0	0
Closing balance	**301**	**301**

Reconciling notes

Description	2024 (R'000)	2023 (R'000)
Fruitless and wasteful expenditure that was under assessment in 2022	301	301
Fruitless and wasteful expenditure that relates to 2022 and identified in 2023		
Fruitless and wasteful expenditure for the current year	0	0
Total	**301**	**301**

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

Description	2024 (R'000)	2023 (R'000)
Fruitless and wasteful expenditure under assessment	0	0
Fruitless and wasteful expenditure under determination	0	0
Fruitless and wasteful expenditure under investigation	301	301
Total	**301**	**301**

c) Details of current and previous year irregular expenditure recovered

Description	2024 (R'000)	2023 (R'000)
Fruitless and wasteful expenditure recovered	0	0
Total	**0**	**0**

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

Description	2024 (R'000)	2023 (R'000)
Fruitless and wasteful expenditure written off	0	0
Total	**0**	**0**

e) Details of current and previous year disciplinary or criminal steps taken because of fruitless and wasteful expenditure

Disciplinary steps taken
Investigations have been concluded and the appropriate consequence management actions are being considered.

Additional disclosure relating to material losses in terms of PFMA Section 55(2)(b)(i) &(iii))

a) Details of current and previous year material losses through criminal conduct

Material losses through criminal conduct	2024 (R'000)	2023 (R'000)
Theft, fraud and corruption	677	0
Other material losses	26 395	11 117
Less: Recovered	0	0
Less: Not recovered and written off	0	0
Total	**27 072**	**11 117**

Include discussion here where deemed relevant.

a) Fraud, theft and corruption by a tenant and a legal service provided – R0,677 million This occurred in 2020 and was only discovered in the current financial year.

b) Loss of revenue from invaded properties R26,395 million (2023 – R 11,117 million)

b) Details of other material losses

Nature of other material losses	2024 (R'000)	2023 (R'000)
Loss of revenue from invaded properties	26 395	11 117
Total	**26 395**	**11 117**

c) Other material losses recovered

Nature of losses	2024 (R'000)	2023 (R'000)
(Group major categories, but list material items)	0	0
Total	**0**	**0**

d) Other material losses written off

Nature of losses	2024 (R'000)	2023 (R'000)
(Group major categories, but list material items)	0	0
Total	**0**	**0**

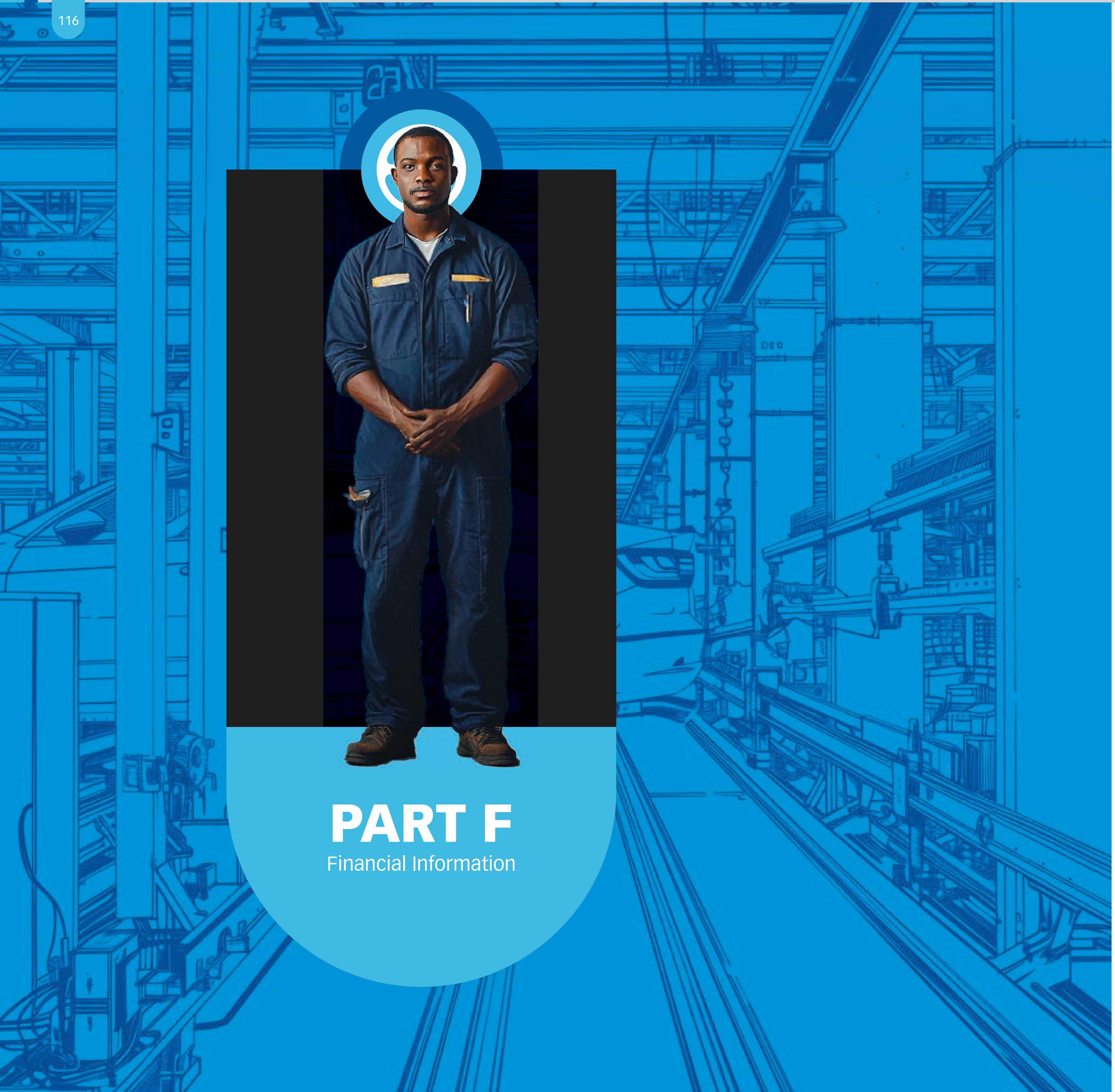
LATE AND/OR NON-PAYMENT OF SUPPLIERS

The ECDC has developed a system in which the payment period of supplier invoices can be tracked. There have been challenges with the system which are being addressed. Generally, invoices are paid within 30 days of receipt, and are only delayed when there are queries on the amounts charged.

SUPPLY CHAIN MANAGEMENT

Procurement by other means - contract variations and expansions

Tender nr	Short description	Procurement Method	Service Provider	Value of the deviation / single source / variation	Contract Value
ECDC/ DEV/08/062023	Exhibition at the Japan International Food Expo 2023 taking place 21 – 23 June 2023	Single source	RX Japan LTD	$49 838	R845 136
ECDC/ DEV/12/072023	Provision of Security services by existing providers to various ECDC Premises for an additional one month (1 – 31 August 2023)	Deviation	Whispers Events Ithuba Security Services NA Security	R307 402 R72 410 R303 552	R307 402 R72 410 R303 552
ECDC/ DEV//17/082023	Continuation of the current Provision of Security Services to Various ECDC Premises for an additional three months (1st of September to 30th of November 2023)	Deviation	Whispers Ithuba NA Security	R1 073 956 R217 232 R803 521	R1 073 956 R217 232 R803 521
ECDC/ DEV/22/092023	Procurement of Job Profiling/ Evaluation Service provider	Sole source	Deloitte Consulting Pty Ltd	R500 000	R500 000
ECDC/ DEV/23/102023	Provision of generic training priorities in relation to ECDC employees through various institutions of higher learning and all accredited training service providers	Deviation	Universities and Private institutions that partner with the above listed institutions of higher learning.	R 3 500 000	R 3 500 000
ECDC/ DEV/24/102023	Procurement of Exhibition Stands at the Intra Africa Trade Fair taking place from 9 – 15 November in Cairo Egypt	Sole source	Afrexim Bank	R1 000 000	R1 000 000
ECDC/ DEV/26/112023	The Organisational Response and cost arising from the attempt on the life of Mr Nobanda.	Ratification of Close Protection Services	Falcon Private Security	R1 192 320	R 1 192 320
ECDC/ DEV/31/012024	Extension of the current travel management travel services with Willards for a period of four months from 10th of December 2023 to 9th of April 2024.	Deviation	Willards Travel	Rates based	Rates base
ECDC/ DEV/33/022024	Urgent Repairs and Maintenance to Mdantsane Mall in terms of the Department of Labour Notice	Deviation	HDM Construction	R990 628	R990 628
ECDC/ DEV/34/022024	Provision of Rental Office Space for ECDC for an additional period of 12 months in East London at InvestSA One Stop Shop commencing on 1st April 2024 to 31st May 2025.	Deviation	Sthathu Funding Pty Ltd	(R146 985.07*12)	R1 763 821



PART F

Financial Information

GENERAL INFORMATION

COUNTRY OF INCORPORATION AND DOMICILE
South Africa

NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES
The ECDC is a Schedule 3D Provincial Government Business Enterprise, established in terms of the PFMA. Its mandate is obtained from the Eastern Cape Development Corporation Act 2 of 1997 and it operates as both a development finance institution as well as an economic development agency. Its principal activities involve the provision of financial and non-financial support to small, medium and micro enterprises, stimulation of economic growth, stimulation of job creation opportunities, promotion of imports, exports and investments and the promotion of economic development programmes for the Province.

REGISTERED OFFICE
Ocean Terrace Park
Moore Street, Quigney
East London

POSTAL ADDRESS
PO Box 11197, Southernwood, 5213

HOLDING DEPARTMENT
Department of Economic Development, Environmental Affairs and Tourism

AUDITORS
Auditor-General South Africa (Eastern Cape)

LEGAL FORM
Government Business Enterprise

INDEX

The reports and statements set out below comprise the consolidated annual financial statements presented to the shareholder:

A report of the directors has not been prepared as the Group is a wholly owned subsidiary of the Department of Economic Development, Environmental Affairs and Tourism which is incorporated in South Africa.

The consolidated annual financial statements set out on pages 124-233, which have been prepared on the going concern basis, were approved by the board of directors on 31 July 2024 and were signed on its behalf by:

Chief Executive Officer
Mr A Wakaba

Board Chairperson
Mr V Jarana

Report of the auditor-general to Eastern Cape Provincial Legislature on Eastern Cape Development Corporation

Report on the audit of the consolidated and separate financial statements

Opinion

1. I have audited the consolidated and separate financial statements of the Eastern Cape Development Corporation and its subsidiaries (the group) set out on pages 124-233, which comprise the consolidated and separate statement of financial position as at 31 March 2024, consolidated and separate statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, as well as notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

2. In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the Eastern Cape Development Corporation as at 31 March 2024 and their financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (FRS) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA) and the Eastern Cape Development Corporation Act 2 of 1997 (ECDC Act).

Basis for opinion

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

Loss allowances

7. As disclosed in notes 10 and 12 to the annual financial statements, loss allowance of R106,3milion and R494,9 million has been provided for on loan receivables and rental debtors, respectively.

Material losses through criminal conduct

8. As disclosed in note 47 to the annual financial statements, a material loss of R26,4 million was incurred as a result of illegal invasion of the entity's investment properties.

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

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

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

Responsibilities of the auditor-general for the audit of the consolidated and separate financial statements

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

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

Report on the annual performance report

13. 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 information against predetermined objectives for the selected outcome presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.

14. I selected the following material performance indicators related to Outcome 4: Increased growth and competitiveness of small enterprises in priority sector industries presented in the annual performance report for the year ended 31 March 2024. I selected those indicators that measures the entity's performance on its primary mandated functions and that is of significant national, community or public interest.

    - Number of MSMEs receiving financial support (loans and financial incentives)
    - Number of co-operatives and participating enterprises/individuals receiving financial support
    - Value of funds leveraged directly for MSME projects
    - Number of jobs facilitated (through loans)
    - Number of jobs saved and/or created through the Jobs Protection and Stimulus Fund, and Imvaba Fund

15. I evaluated the reported performance information for the selected material performance indicators 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.

16. 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
    - all the indicators relevant for measuring the entity's performance against its primary mandated and prioritised functions and planned objectives are included
    - the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so 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 those committed to in the approved initial or revised planning documents
    - the reported performance information presented in the annual performance report in the prescribed manner.

17. I performed the procedures to report material findings only; and not to express an assurance opinion or conclusion.

18. I did not identify any material findings on the reported performance information for the selected material indicators

Other matters

19. I draw attention to the matters below:

Achievement of planned targets

20. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- and under-achievements.

21. The table that follows provides information on the achievement of planned targets and lists the key service delivery indicator that was not achieved as reported in the annual performance report. The reasons for any underachievement of targets are included in the annual performance report on pages (38 to 41).

Outcome 4: Increased growth and competitiveness of small enterprises in priority sector industries

Targets achieved: 85,7% Budget spent: 91,5%

Key indicator not achieved	Planned target	Reported achievement
Value of funds leveraged directly for MSME projects	R100 million	R91 596 346

Material misstatements

22. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for outcome 4: Increased growth and competitiveness of small enterprises in priority sector industries. Management subsequently corrected al the misstatements, and I did not include any material findings in this report.

Report on compliance with legislation

23. 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.

24. 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.

25. 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.

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

Revenue management

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

Other information in the annual report

28. The accounting authority is responsible for the other information included in the annual report, which includes the directors' report and the audit committee's report. The other information referred to does not include the consolidated and separate financial statements, the auditor's report and the selected outcome presented in the annual performance report that have been specifically reported on in this auditor's report.

29. My opinion on the consolidated and separate 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 Ido not express an audit opinion or any form of assurance conclusion on it.

30. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the consolidated and separate financial statements and the selected outcome in the presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Internal control deficiencies

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

33. Management did not adequately ensure that appropriate steps as indicated in the revenue collection policy are properly and continuously implemented so as ensure efficient and effective collection of revenue due to the corporation.

Auditor-General

East London

31 July 2024

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 consolidated and separate financial statements and the procedures performed on reported performance information for selected material performance indicators and on the entity's compliance with selected requirements in key legislation.

Financial statements

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

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

Communication with those charged with governance

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 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
Value of funds leveraged directly for MSME projects	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); 57(d)
Treasury Regulations for departments, trading entities, constitutional institutions and public entities (TR)	TR 29.1.1; 29.1.1(a); 29.1.1(c); 29.2.1; 29.2.2; 29.3.1 TR 31.1.2(c) TR 33.1.1; 33.1.3
Prevention and Combating of Corrupt Activities Act No. 21 of 2004 (Precca)	Section 34(1)
Construction Industry Development Board Act 38 of 2000 (CIDB)	Section 18(1) Section 22(3)
CIDB Regulations	CIDB Regulation 17 and 25(7A)
Preferential Procurement Policy Framework Act, No.5 of 2000 (PPPFA)	Section 3.1(a); 2.1(b); 2.1 (f)
Preferential Procurement Regulations 2017 (PPR)	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; PPR 2017 Par.7.5 Paragraph 7.1; 7.2; 7.3; 7.5; 7.6 Paragraph 8.2; 8.5 Paragraph 9.1; 9.2 Paragraph 11.2 Paragraph 12;1 and 12.2
	Paragraph 11.2 Paragraph 12;1 and 12.2
PPR 2022	Paragraph 4.1; 4.2; 4.3; 4.4 Paragraph 5.1;5.2; 5.3; 5.4
NT SCM Instruction Note 03 of 2021/22	Paragraph 4.3;4.4; 4.4(c); 4.4(d)
NT SCM Instruction Note 1 of 2020/21	Paragraph 3.1;3.4(a); 3.4(b); 3.9
NT SCM Instruction Note 04 of 2015/16	Paragraph 3.4
NT InstructionNote05of2020/21	Paragraph 5.1 and 5.3
Second amendment of NTI 05 of 2020/21	Paragraph 4.8; 4.9; 5.1; 5.3
Erratum NTI 05 of 2020/21	Paragraph 1 and 2

Eastern Cape Development Corporation
Consolidated Annual Financial Statements for the year ended 31 March 2024

Statement of Financial Position as at 31 March 2024

		Group			Company		
Figures in Rand thousand	Note(s)	2024	2023 Restated *	2022 Restated *	2024	2023 Restated *	2022 Restated *
Assets							
Non-Current Assets							
Property, plant and equipment	3	90 072	82 275	76 605	43 721	45 240	41 889
Right-of-use assets	4	5 685	1 440	1 656	15 287	19 588	3 378
Investment property	5	1 370 395	1 332 586	1 385 346	1 284 595	1 246 786	1 302 602
Intangible assets	6	244	637	729	190	534	683
Investments in subsidiaries	7	-	-	-	23 012	23 012	23 012
Investments in associates	8	34 653	17 457	17 077	14 824	-	-
Loans to group companies	9	-	-	-	36 897	36 713	33 751
Loans receivable (at amortised cost)	10	25 565	17 282	16 629	25 565	17 282	16 629
Investments at fair value	11	27 613	43 015	41 293	26 147	42 069	39 846
Deferred tax	13	1 026	739	-	-	-	-
		1 555 253	**1 495 431**	**1 539 335**	**1 470 238**	**1 431 224**	**1 461 790**
Current Assets							
Loans receivable (at amortised cost)	10	20 702	13 081	13 826	20 702	13 081	13 826
Trade and other receivables	12	31 236	32 067	32 555	29 215	30 698	37 690
Current tax receivable		75	-	98	-	-	-
Cash and cash equivalents	14	435 635	303 285	233 703	362 343	272 095	197 370
		487 648	**348 433**	**280 182**	**412 260**	**315 874**	**248 886**
Total Assets		**2 042 901**	**1 843 864**	**1 819 517**	**1 882 498**	**1 747 098**	**1 710 676**
Equity and Liabilities							
Equity							
Equity Attributable to Equity Holders of Parent							
Share capital	15	427 590	427 590	427 590	427 590	427 590	427 590
Reserves	16	437 787	436 277	429 506	431 607	430 097	425 776
Retained income		734 040	647 843	653 627	598 525	522 895	536 867
		1 599 417	1 511 710	1 510 723	1 457 722	1 380 582	1 390 233
Non-controlling interest		981	925	920	-	-	-
		1 600 398	**1 512 635**	**1 511 643**	**1 457 722**	**1 380 582**	**1 390 233**
Liabilities							
Non-Current Liabilities							
Loans from group companies	17	-	-	-	47 683	40 737	29 144
Borrowings	18	20 000	-	-	20 000	-	-
Lease liabilities	4	607	1 099	1 312	11 583	14 932	1 312
Retirement benefit obligation	19	29 926	26 574	26 749	29 926	26 574	26 749
Deferred income	21	37 671	5 681	1 065	-	-	-
		88 204	**33 354**	**29 126**	**109 192**	**82 243**	**57 205**

Eastern Cape Development Corporation
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Statement of Financial Position as at 31 March 2024

		Group			Company		
Figures in Rand thousand	Note(s)	2024	2023 Restated *	2022 Restated *	2024	2023 Restated *	2022 Restated *
Current Liabilities							
Trade and other payables	22	96 962	85 860	80 607	90 341	81 635	77 873
Lease liabilities	4	551	465	436	5 251	4 945	2 414
Deferred income	21	256 720	207 340	193 879	219 992	193 933	179 191
Current tax payable		66	450	66	-	-	-
Other financial liabilities	20	-	3 760	3 760	-	3 760	3 760
		354 299	**297 875**	**278 748**	**315 584**	**284 273**	**263 238**
Total Liabilities		**442 503**	**331 229**	**307 874**	**424 776**	**366 516**	**320 443**
Total Equity and Liabilities		**2 042 901**	**1 843 864**	**1 819 517**	**1 882 498**	**1 747 098**	**1 710 676**

Eastern Cape Development Corporation
Consolidated Annual Financial Statements for the year ended 31 March 2024

Statement of Profit or Loss and Other Comprehensive Income

		Group		Company	
Figures in Rand thousand	Note(s)	2024	2023 Restated *	2024	2023 Restated *
Revenue	23	109 463	106 066	98 680	96 792
Interest revenue	23	33 916	27 850	33 916	27 850
Gross profit		**143 379**	**133 916**	**132 596**	**124 642**
Government grants and Other operating income	24&25	481 445	348 648	432 744	301 602
Other operating gains (losses)	26	102	(5 261)	(339)	(4 603)
Other operating expenses	27	(592 618)	(473 682)	(538 138)	(424 765)
Operating profit (loss)		**32 308**	**3 621**	**26 863**	**(3 124)**
Investment income	30	30 689	15 757	29 840	18 484
Finance costs	31	(3 236)	(3 571)	(4 977)	(3 967)
Income from equity accounted investments	8	2 455	540	-	-
Other non-operating gains (losses)	32	23 904	(22 309)	23 904	(25 365)
Profit (loss) before taxation		**86 120**	**(5 962)**	**75 630**	**(13 972)**
Taxation	33	133	181	-	-
Profit (loss) for the year		**86 253**	**(5 781)**	**75 630**	**(13 972)**
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Gains on property revaluation		1 510	6 771	1 510	4 321
Other comprehensive income for the year net of taxation	34	**1 510**	**6 771**	**1 510**	**4 321**
Total comprehensive income (loss) for the year		**87 763**	**990**	**77 140**	**(9 651)**
Profit (loss) attributable to:					
Owners of the parent		86 197	(5 786)	75 630	(13 972)
Non-controlling interest		56	5	-	-
		86 253	**(5 781)**	**75 630**	**(13 972)**
Total comprehensive income (loss) attributable to:					
Owners of the parent		87 707	985	77 140	(9 651)
Non-controlling interest		56	5	-	-
		87 763	**990**	**77 140**	**(9 651)**

Eastern Cape Development Corporation
Consolidated Annual Financial Statements for the year ended 31 March 2024

Statement of changes in Equity for the year ended 31 March 2024

Figures in Rand thousand	Share capital	Revaluation reserve	Reserve for valuation of investments	Other NDR	Total reserves	Retained income	Total attributable to equity holders of the group /Company	Non-controlling interest	Total equity
Group									
Opening balance as previously reported	427 590	11 758	23 092	384 265	419 115	607 293	1 453 998	920	1 454 918
Adjustments									
Prior year errors (refer to note 41)	-	10 391	-	-	10 391	46 334	56 725	-	56 725
Restated* Balance at 01 April 2022 as restated	**427 590**	**22 149**	**23 092**	**384 265**	**429 506**	**653 627**	**1 510 723**	**920**	**1 511 643**
Loss for the year	-	-	-	-	-	(5 785)	(5 785)	5	(5 780)
Other comprehensive income	-	6 771	-	-	6 771	-	6 771	-	6 771
Total comprehensive Loss for the year	**-**	**6 771**	**-**	**-**	**6 771**	**(5 785)**	**986**	**5**	**991**
Retained income remeasurement 2022/2023	-	-	-	-	-	1	1	-	1
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**-**	**-**	**-**	**-**	**1**	**1**	**-**	**1**
Balance at 01 April 2023	**427 590**	**28 920**	**23 092**	**384 265**	**436 277**	**647 843**	**1 511 710**	**925**	**1 512 635**
Profit for the year	-	-	-	-	-	86 197	86 197	56	86 253
Other comprehensive income	-	1 510	-	-	1 510	-	1 510	-	1 510
Total comprehensive income for the year	**-**	**1 510**	**-**	**-**	**1 510**	**86 197**	**87 707**	**56**	**87 763**
Balance at 31 March 2024	**427 590**	**30 430**	**23 092**	**384 265**	**437 787**	**734 040**	**1 599 417**	**981**	**1 600 398**
Note(s)	15	16&34	16&34	16		34			

* See Note 41

Eastern Cape Development Corporation
Consolidated Annual Financial Statements for the year ended 31 March 2024

Statement of Changes in Equity for the year ended 31 March 2024

Figures in Rand thousand	Share capital	Revaluation reserve	Reserve for valuation of investments	Other NDR	Total reserves	Retained income	Total attributable to equity holders of the group / company	Non-controlling interest	Total equity
Company									
Opening balance as previously reported	427 590	8 028	23 092	384 265	415 385	490 532	1 333 507	-	1 333 507
Adjustments									
Retained Income remeasurement 2022/2023	-	-	-	-	-	1	1	-	1
Prior year errors (refer to note 41)	-	10 391	-	-	10 391	46 334	56 725	-	56 725
Restated* Balance at 01 April 2022	**427 590**	**18 419**	**23 092**	**384 265**	**425 776**	**536 867**	**1 390 233**	**-**	**1 390 233**
Restated Loss for the year	-	-	-	-	-	(13 972)	(13 972)	-	(13 972)
Other comprehensive income	-	4 321	-	-	4 321	-	4 321	-	4 321
Total comprehensive Loss for the year	**-**	**4 321**	**-**	**-**	**4 321**	**(13 972)**	**(9 651)**	**-**	**(9 651)**
Balance at 01 April 2023	**427 590**	**22 740**	**23 092**	**384 265**	**430 097**	**522 895**	**1 380 582**	**-**	**1 380 582**
Profit for the year	-	-	-	-	-	75 630	75 630	-	75 630
Other comprehensive income	-	1 510	-	-	1 510	-	1 510	-	1 510
Total comprehensive income for the year	**-**	**1 510**	**-**	**-**	**1 510**	**75 630**	**77 140**	**-**	**77 140**
Balance at 31 March 2024	**427 590**	**24 250**	**23 092**	**384 265**	**431 607**	**598 525**	**1 457 722**	**-**	**1 457 722**
Note(s)	15	16&34	16&34	16		34			

* See Note 41

Eastern Cape Development Corporation
Consolidated Annual Financial Statements for the year ended 31 March 2024

Statement of Cash Flows

Figures in Rand thousand	Note(s)	Group 2024	Group 2023 Restated *	Company 2024	Company 2023 Restated *
Cash flows from operating activities					
Cash (used) in/ generated from operations	35	157 987	15 118	101 006	11 563
Interest income	30	30 555	15 578	27 917	14 536
Dividends received	30	134	179	-	-
Finance costs	31	-	(271)	-	(271)
Tax paid	36	(613)	(76)	-	-
Net cash generated! (used) in operating activities		**188 063**	**30 528**	**128 923**	**25 828**
Cash flows from investing activities					
Purchase of property, plant and equipment	3	(11 444)	(2 750)	(1 671)	(2 554)
Proceeds from sale of property, plant and equipment	3	24	5	10	2
Cash additions to right of-use-assets	4	(4 735)	-	-	-
Purchases of investment property	5	(40 990)	(1 309)	(40 990)	(1 309)
Proceeds from sales of investment property	5	31 792	24 941	31 792	24 941
Purchases of intangible assets	6	(4)	(393)	-	(172)
Purchases of investments in associates (additional 8% shares in Cross-med)	8	(3 953)	-	(3 953)	-
Cash receipts on repayments of loans to group companies	9	-	-	(28)	986
Cash advanced in loans receivable (at amortised cost)	10	(47 183)	(47 765)	(47 183)	(47 765)
Cash receipts on repayments of loans receivable (at amortised cost)	10	25 107	66 778	25 107	66 778
Net cash (used) in/ generated from investing activities		**(51 386)**	**39 507**	**(36 916)**	**40 907**
Cash flows from financing activities					
Repayments of loans from group companies	17	-	-	6 946	11 593
Cash repayments on lease liabilities	4	(567)	(453)	(4 945)	(3 603)
Repayments of other financial liabilities	20	(3 760)	-	(3 760)	-
Net cash from financing activities		**(4 327)**	**(453)**	**(1 759)**	**7 990**
Total cash movement for the year		**132 350**	**69 582**	**90 248**	**74 725**
Cash and cash equivalents at the beginning of the year		303 285	233 703	272 095	197 370
Cash and cash equivalents at the end of the year	14	**435 635**	**303 285**	**362 343**	**272 095**

Eastern Cape Development Corporation
Consolidated Annual Financial Statements for the year ended 31 March 2024

Accounting Policies

1. Material accounting policies

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

1.1 Basis of preparation

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

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

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

Functional and presentation currency

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

Underlying assumptions

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

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

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

Recognition of assets and liabilities

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

Accounting Policies

1.1 Basis of preparation (continued)

Derecognition of assets and liabilities

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

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

Post-balance sheet events

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

These accounting policies are consistent with the previous period.

1.2 Consolidation

Basis of consolidation

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

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

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

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

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

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

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

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

Accounting Policies

1.2 Consolidation (continued)

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

1.3 Investments in associates

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

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

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

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

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

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

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

1.4 Investment property

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

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

Investment properties are initially recognised at cost, including transaction costs, and are subsequently stated at fair value determined by an independent sworn appraiser, every third year. It must be noted that Investment properties with market values equal to or less than R100 thousand are valued every five years. Management reviews these valuations for reasonability and adjustments are made where it is deemed to be necessary.

Accounting Policies

1.4 Investment property (continued)

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

Fair value

Subsequent to initial measurement investment property is measured at fair value.

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.

If the fair value of investment property under construction is not determinable, it is measured at cost until the earlier of the date it becomes determinable or construction is complete.

1.5 Property, plant and equipment

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

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

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

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

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

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

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

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

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

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Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

Item	Depreciation method	Average useful life
Land	Land is not depreciated	Indefinite
Right-of-use-assets	Straight line	3-5 years
Furniture and fixtures	Straight line	6-10 years
Motor vehicles	Straight line	4-5 years
Office equipment	Straight line	4-6 years
IT equipment	Straight line	3 years
Computer software	Straight line	2-3 years
Leasehold improvements	Straight line	5-20 years
Buildings	Straight line	25-50 years
Other property, plant and equipment	Straight line	5-6 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate. Cost versus benefit is considered when making a decision whether to assess useful lives or calculate residual values.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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

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

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

1.6 Intangible assets

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Accounting Policies

1.6 Intangible assets (continued)

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

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

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

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

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

Item	Amortisation method	Average useful life
Computer software	Straight line	1-5 years

1.7 Investments in subsidiaries

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

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

Consolidated annual financial statements

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

Corporation annual financial statements

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

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

Accounting Policies

1.8 Investments in associates

Consolidated annual financial statements

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

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

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

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

The excess of cost of acquisition over the Group's interest in the net fair value of an associate's identifiable assets, liabilities and contingent liabilities is accounted for as goodwill, and is included in the carrying amount of the associate. Amortisation of that goodwill is not permitted.

Any excess of the entity's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.

Corporation annual financial statements

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

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

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

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

The excess of cost of acquisition over the Group's interest in the net fair value of an associate's identifiable assets, liabilities and contingent liabilities is accounted for as goodwill, and is included in the carrying amount of the associate. Amortisation of that goodwill is not permitted.

Any excess of the entity's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.

Accounting Policies

1.9 Financial instruments

Financial instruments held by the Group are classified in accordance with the provisions of IFRS 9 Financial Instruments.

Broadly, the classification possibilities, which are adopted by the Group, as applicable, are as follows:

Financial assets which are debt instruments

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

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

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

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

Financial assets which are equity instruments

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

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

Note 42 Financial instruments and risk management presents the financial instruments held by the Group based on their specific classifications.

Loans receivable at amortised cost

Classification

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

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

Accounting Policies

1.9 Financial instruments (continued)

Recognition and measurement

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

They are subsequently measured at amortised cost.

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

Application of the effective interest method

Interest income is calculated using the effective interest method, and is included in profit or loss in investment income (note 30).

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

Impairment

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

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

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

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

Definition of default

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

Accounting Policies

1.9 Financial instruments (continued)

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

Write off policy

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

Measurement and recognition of expected credit losses

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

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

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

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

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

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

Credit risk

Details of credit risk related to loans receivable are included in the specific notes and the financial instruments and risk management (note 42).

Trade and other receivables

Classification

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

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

Recognition and measurement

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

Accounting Policies

1.9 Financial instruments (continued)

They are subsequently measured at amortised cost.

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

Application of the effective interest method

For receivables which contain a significant financing component, interest income is calculated using the effective interest method, and is included in profit or loss in investment income (note 30).

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

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

Impairment

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

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

Measurement and recognition of expected credit losses

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

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

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is included in other operating expenses in profit or loss as a movement in credit loss allowance (note 27).

Write off policy

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

Accounting Policies

1.9 Financial instruments (continued)

Credit risk

Details of credit risk are included in the trade and other receivables note (note 12) and the financial instruments and risk management note (note 42).

Investments in equity instruments

Classification

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

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

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

Recognition and measurement

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

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

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

Fair value gains or losses recognised on investments at fair value through profit or loss are included in other non-operating gains (losses) (note 32).

Dividends received on equity investments are recognised in profit or loss when the Group's right to received the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in investment income (note 30).

Impairment

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

Investments in debt instruments at fair value through profit or loss

Borrowings and loans from related parties

Classification

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

Recognition and measurement

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

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

Accounting Policies

1.9 Financial instruments (continued)

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

Interest expense, calculated on the effective interest method, is included in profit or loss in finance costs (note 31.)

Borrowings expose the Group to liquidity risk and interest rate risk. Refer to note 42 for details of risk exposure and management thereof.

Trade and other payables

Classification

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

Recognition and measurement

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

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

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

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs (note 31).

Trade and other payables expose the Group to liquidity risk and possibly to interest rate risk. Refer to note 42 for details of risk exposure and management thereof.

Financial liabilities at amortised cost

Classification

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

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

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

Accounting Policies

1.9 Financial instruments (continued)

Recognition and measurement

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

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

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

Cash and cash equivalents

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

Bank overdrafts

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

Reclassification

Financial assets

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

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

Financial liabilities

Financial liabilities are not reclassified.

1.10 Tax

Current tax assets and liabilities

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

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax asset is recognised for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.

Accounting Policies

1.10 Tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:
- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

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

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

1.11 Leases

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

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

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

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

Group as lessee

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the Group is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense (note 27) on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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

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

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

Accounting Policies

1.11 Leases (continued)

Lease liability

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

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

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

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

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. Interest charged on the lease liability is included in finance costs (note 31).

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

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

Accounting Policies

1.11 Leases (continued)

Right-of-use assets

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

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

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

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

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

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

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

Group as lessor

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

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

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

Operating leases

Lease payments from operating leases are recognised on a straight-line basis over the term of the relevant lease, or on another systematic basis if that basis is more representative of the pattern in which the benefits form the use of the underlying asset are diminished. Operating lease income is included in other operating income (note 25).

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

Accounting Policies

1.11 Leases (continued)

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

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

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

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

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

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

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

1.13 Impairment of assets

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

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

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

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

Accounting Policies

1.14 Share capital and equity

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

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

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

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

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

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

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

1.15 Employee benefits

Short-term employee benefits

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

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

Post-employment benefit obligations

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

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected unit credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Accounting Policies

1.15 Employee benefits (continued)

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

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

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

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

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

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

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

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

1.16 Government grants and deferred income

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

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

Government grants are recognised when there is reasonable assurance that:
- the Group will comply with the conditions attaching to them; and
- the grants will be received.

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

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

Accounting Policies

1.16 Government grants and deferred income (continued)

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

1.17 Revenue

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

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

The Group recognises revenue from the following major sources:
- Interest on loans
- Administration and other fees

Revenue from operating leases

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

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

1.18 Key assumptions concerning the future and key sources of estimation

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

Credit impairment of loans and advances

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

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

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

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

Accounting Policies

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

Provisions, contingent liabilities and contingent assets

Provisions

Provisions are recognised when:
- The Corporation has a present legal or constructive obligation as a result of past events.
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

- A reliable estimate of the obligation can be made.

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

Contingent liabilities

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

Contingent assets

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

1.19 Interest bearing borrowing and borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:
- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

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

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

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

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

Accounting Policies

1.20 Irregular Expenditure

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

National Treasury instruction note no. 4 of 2022/2023 requires the following:

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

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register must be updated with the amount condoned.

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

If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant expenditure item, and updated accordingly in the irregular expenditure register.

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

1.21 Fruitless and wasteful expenditure

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the Statement of Profit or Loss and Other Comprehensive Income in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as income in the Statement of Profit or Loss and Other Comprehensive Income.

Notes to the Consolidated Annual Financial Statements

Figures in Rand thousand	Group 2024	Group 2023 Restated *	Group 2022 Restated *	Company 2024	Company 2023 Restated *	Company 2022 Restated *

2. New Standards and Interpretations

2.1 Standards and interpretations not yet effective

The Group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Group's accounting periods beginning on or after 01 April 2024 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Presentation and disclosures in Financial Statements (IFRS18)	01 January 2027	Unlikely there will be a material impact
• Lack of exchangeability - amendments to IAS 21	01 January 2025	Unlikely there will be a material impact
• Supplier finance arrangements - amendments to IAS 7 and IFRS 7	01 January 2024	Unlikely there will be a material impact
• Non-current liabilities with covenants - amendments to IAS 1	01 January 2024	Unlikely there will be a material impact
• Lease liability in a sale and leaseback	01 January 2024	Unlikely there will be a material impact

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Figures in Rand thousand	Group 2024	Group 2023 Restated *	Group 2022 Restated *	Company 2024	Company 2023 Restated *	Company 2022 Restated *

3. Property, plant and equipment

Group	2024 Cost or revaluation	2024 Accumulated depreciation	2024 Carrying value	2023 Cost or revaluation	2023 Accumulated depreciation	2023 Carrying value
Land	4 565	-	4 565	4 565	-	4 565
Buildings	82 472	(11 562)	70 910	80 961	(10 232)	70 729
Furniture and fixtures	4 593	(3 063)	1 530	4 258	(2 828)	1 430
Motor vehicles	925	(369)	556	184	(184)	-
Office equipment	2 148	(1 897)	251	2 781	(2 247)	534
IT equipment	12 728	(9 602)	3 126	13 021	(8 020)	5 001
Other property, plant and equipment	611	(607)	4	826	(810)	16
Capital - Work in progress	9 130	-	9 130	-	-	-
Total	**117 172**	**(27 100)**	**90 072**	**106 596**	**(24 321)**	**82 275**

Group	2022 Cost or revaluation	2022 Accumulated depreciation	2022 Carrying value
Land	4 565	-	4 565
Buildings	74 190	(9 554)	64 636
Furniture and fixtures	4 792	(3 553)	1 239
Motor vehicles	184	(184)	-
Office equipment	3 236	(2 413)	823
IT equipment	17 824	(12 512)	5 312
Other property, plant and equipment	1 952	(1 922)	30
Capital - Work in progress	-	-	-
Total	**106 743**	**(30 138)**	**76 605**

Company	2024 Cost or revaluation	2024 Accumulated depreciation	2024 Carrying value	2023 Cost or revaluation	2023 Accumulated depreciation	2023 Carrying value
Land	3 265	-	3 265	3 265	-	3 265
Buildings	47 672	(11 562)	36 110	46 161	(10 232)	35 929
Furniture and fixtures	4 481	(2 991)	1 490	4 146	(2 767)	1 379
Motor vehicles	925	(369)	556	184	(184)	-
Office equipment	2 003	(1 804)	199	2 628	(2 171)	457
IT equipment	10 675	(8 578)	2 097	11 568	(7 371)	4 197
Other property, plant and equipment	599	(595)	4	814	(801)	13
Total	**69 620**	**(25 899)**	**43 721**	**68 766**	**(23 526)**	**45 240**

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	Group			Company		
Figures in Rand thousand	2024	2023 Restated *	2022 Restated *	2024	2023 Restated *	2022 Restated *

3. Property, plant and equipment (continued)

Company	2022		
	Cost or revaluation	Accumulated depreciation	Carrying value
Land	3 265	-	3 265
Buildings	41 840	(9 554)	32 286
Furniture and fixtures	4 673	(3 498)	1 175
Motor vehicles	184	(184)	-
Office equipment	3 054	(2 330)	724
IT equipment	16 559	(12 143)	4 416
Other property, plant and equipment	1 940	(1 917)	23
Total	**71 515**	**(29 626)**	**41 889**

Figures in Rand thousand	Group 2024	Group 2023	Group 2022	Company 2024	Company 2023	Company 2022

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Group - 2024

	Opening balance	Additions	Disposals	Revaluations	Depreciation	Total
Land	4 565	-	-	-	-	4 565
Buildings	70 729	-	-	1 511	(1 330)	70 910
Furniture and fixtures	1 430	538	(5)	-	(433)	1 530
Motor vehicles	-	741	-	-	(185)	556
Office equipment	534	9	(1)	-	(291)	251
IT equipment	5 001	1 026	(9)	-	(2 892)	3 126
Other property, plant and equipment	16	-	-	-	(12)	4
Capital - Work in progress	-	9 130	-	-	-	9 130
	82 275	**11 444**	**(15)**	**1 511**	**(5 143)**	**90 072**

Reconciliation of property, plant and equipment - Group - 2023

	Opening balance	Additions	Disposals	Transfers	Revaluations	Depreciation	Total
Land	4 565	-	-	-	-	-	4 565
Buildings	64 636	-	-	-	6 771	(678)	70 729
Furniture and fixtures	1 239	493	(4)	1	-	(299)	1 430
Office equipment	823	21	-	1	-	(311)	534
IT equipment	5 312	2 236	(6)	-	-	(2 541)	5 001
Other property, plant and equipment	30	-	-	(2)	-	(12)	16
	76 605	**2 750**	**(10)**	**-**	**6 771**	**(3 841)**	**82 275**

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	Group			Company		
Figures in Rand thousand	2024	2023	2022	2024	2023	2022

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Group – 2022

	Opening balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Depreciation	Total
Land	4 565	-	-	-	-	-	-	4 565
Buildings	55 715	-	-	8	(481)	10 086	(692)	64 636
Furniture and fixtures	1 537	28	-	(3)	-	-	(323)	1 239
Office equipment	1 136	12	(10)	2	-	-	(317)	823
IT equipment	4 202	2 784	(17)	2	-	-	(1 659)	5 312
Other property, plant and equipment	57	-	-	-	-		(27)	30
	67 212	**2 824**	**(27)**	**9**	**(481)**	**10 086**	**(3 018)**	**76 605**

Reconciliation of property, plant and equipment - Company - 2024

	Opening balance	Additions	Disposals	Revaluations	Other changes, movements	Depreciation	Total
Land	3 265	-	-	-	-	-	3 265
Buildings	35 929	-	-	1 511	-	(1 330)	36 110
Furniture and fixtures	1 379	538	(5)	-	-	(422)	1 490
Motor vehicles	-	741	-	-	-	(185)	556
Office equipment	457	8	-	-	-	(266)	199
IT equipment	4 197	384	-	-	1	(2 485)	2 097
Other property, plant and equipment	13	-	-	-	-	(9)	4
	45 240	**1 671**	**(5)**	**1 511**	**1**	**(4 697)**	**43 721**

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	Group			Company		
Figures in Rand thousand	2024	2023	2022	2024	2023	2022

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Company - 2023

	Opening balance	Additions	Disposals	Transfers	Revaluations	Depreciation	Total
Land	3 265	-	-	-	-	-	3 265
Buildings	32 286	-	-	-	4 321	(678)	35 929
Furniture and fixtures	1 175	493	(5)	2	-	(286)	1 379
Office equipment	724	13	-	1	-	(281)	457
IT equipment	4 416	2 048	(4)	(2)	-	(2 261)	4 197
Other property, plant and equipment	23	-	-	(1)	-	(9)	13
	41 889	**2 554**	**(9)**	**-**	**4321**	**(3 515)**	**45 240**

Reconciliation of property, plant and equipment - Company - 2022

	Opening balance	Additions	Transfers	Revaluations	Other changes, movements	Depreciation	Total
Land	3 265	-	-	-	-	-	3 265
Buildings	23 365	-	1	(481)	10 086	(685)	32 286
Furniture and fixtures	1 483	9	-	-	-	(317)	1 175
Office equipment	1 010	5	-	-	-	(291)	724
IT equipment	3 288	2 539	2	-	-	(1 413)	4 416
Other property, plant and equipment	46	-	-	-	-	(23)	23
	32 457	**2 553**	**3**	**(481)**	**10 086**	**(2 729)**	**41 889**

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	Group			Company		
Figures in Rand thousand	2024	2023 Restated *	2022 Restated *	2024	2023 Restated *	2022 Restated *

3. Property, plant and equipment (continued)

Revaluations

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

The fair value measurements as of 31 March 2024 were performed by independent valuers not related to the Group. The valuers utilised by the Group are members of the Institute of Valuers and they have the appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations.

Refer to note 43 for specific details regarding the valuation of the land and buildings.

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

Office Buildings	16 950	12 439	13 326	16 950	12 439	13 326

Other information

Fully depreciated property, plant and equipment still in use	2	2	4	2	2	4

Details of property, plant and equipment

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

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

The Eastern Cape Development Corporation (ECDC) leases a property owned by a subsidiary, Cimvest SOC Ltd. The property is situated in East London and is utilised as the ECDC Head Office building. The lease has a five-year term, with a renewal date of 01 January 2027. A lease liability related to this lease has been recognised and measured at the present value of future lease payments, discounted at an incremental borrowing rate of 10.50%. There is no significant option for an extension or early termination included in the lease agreement, therefore this has not been included in the assessment of the lease term. The remaining lease period on the building without considering options to extend or terminate is 45 months.

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

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

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

Group	2024			2023		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Buildings	1 982	(1123)	859	1 982	(661)	1 321
Office equipment	140	(49)	91	140	(21)	119
Leasehold improvements	4 735	-	4 735	-	-	-
Total	**6 857**	**(1 172)**	**5 685**	**2 122**	**(682)**	**1 440**

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	Group			Company		
Figures in Rand thousand	2024	2023 Restated *	2022 Restated *	2024	2023 Restated *	2022 Restated *

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

Group	2022		
	Cost	Accumulated depreciation	Carrying value
Buildings	3 506	(1 854)	1 652
Office equipment	130	(126)	4
Leasehold improvements	-	-	-
Total	**3 636**	**(1 980)**	**1 656**

Company	2024			2023		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Buildings	21 210	(5 923)	15 287	21 210	(1 622)	19 588

Company	2022		
	Cost	Accumulated depreciation	Carrying value
Buildings	12 138	(8 760)	3 378

Net carrying amounts of right-of-use assets

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

Buildings	859	1 321	1 652	15 287	19 588	3 378
Office equipment	91	119	4	-	-	-
Leasehold improvements	4 735	-	-	-	-	-
	5 685	**1 440**	**1 656**	**15 287**	**19 588**	**3 378**

Additions to right-of-use assets

Buildings	-	-	1 982	-	19 228	1 982
Office equipment	-	139	-	-	-	-
Leasehold improvements	4 735	-	-	-	-	-
	4 735	**139**	**1 982**	**-**	**19 228**	**1 982**

Depreciation recognised on right-of-use assets

Depreciation recognised on each class of right-of-use assets, is presented below. It includes depreciation which has been expensed in the total depreciation charge in profit or loss (note 27), as well as depreciation which has been capitalised to the cost of other assets.

Buildings	462	330	330	4 301	3 018	2 632
Office equipment	28	25	26	-	-	-
	490	**355**	**356**	**4 301**	**3 018**	**2 632**

Other disclosures

Interest expense on lease liabilities	161	130	111	1 902	526	437

Notes to the Consolidated Annual Financial Statements

Figures in Rand thousand	Group 2024	Group 2023 Restated *	Group 2022 Restated *	Company 2024	Company 2023 Restated *	Company 2022 Restated *

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

Lease liabilities

The maturity analysis of lease liabilities is as follows:

Within one year	551	465	436	5 251	4 945	2 414
Two to five years	719	1 146	1 599	15 182	20 433	1 685
	1 270	1 611	2 035	20 433	25 378	4 099
Less finance charges component	(112)	(47)	(287)	(3 599)	(5 501)	(373)
	1 158	**1 564**	**1 748**	**16 834**	**19 877**	**3 726**
Non-current liabilities	607	1 099	1 312	11 583	14 932	1 312
Current liabilities	551	465	436	5 251	4 945	2 414
	1 158	**1 564**	**1 748**	**16 834**	**19 877**	**3 726**

5. Investment property

Group	2024 Valuation	2024 Accumulated depreciation	2024 Carrying value	2023 Valuation	2023 Accumulated depreciation	2023 Carrying value
Investment property	1 370 395	-	1 370 395	1 332 586	-	1 332 586

Group	2022 Valuation	2022 Accumulated depreciation	2022 Carrying value
Investment property	1 385 346	-	1 385 346

Company	2024 Valuation	2024 Accumulated depreciation	2024 Carrying value	2023 Valuation	2023 Accumulated depreciation	2023 Carrying value
Investment property	1 284 595	-	1 284 595	1 246 786	-	1 246 786

Company	2022 Valuation	2022 Accumulated depreciation	2022 Carrying value
Investment property	1 302 602	-	1 302 602

Reconciliation of investment property - Group – 2024

	Opening balance	Additions	Disposals	Other changes, movements adjustments	Fair value	Total
Investment property	1 332 586	40 990	(30 401)	(2 994)	30 214	1 370 395

Notes to the Consolidated Annual Financial Statements

Figures in Rand thousand	Group 2024	Group 2023 Restated *	Group 2022 Restated *	Company 2024	Company 2023 Restated *	Company 2022 Restated *

5. Investment property (continued)

Reconciliation of investment property - Group – 2023

	Opening balance	Additions	Disposals	Other changes, movements	Fair value adjustments	Total
Investment property	1 385 346	1 309	(19 137)	(10 400)	(24 532)	1 332 586

Reconciliation of investment property - Group – 2022

	Opening balance	Disposals	Other changes, movements	Fair value adjustments	Total
Investment property	1 380 430	(2 208)	624	6 500	1 385 346

Reconciliation of investment property - Company – 2024

	Opening balance	Additions	Disposals	Other changes, movements	Fair value adjustments	Total
Investment property	1 246 786	40 990	(30 401)	(2 994)	30 214	1 284 595

Reconciliation of investment property - Company – 2023

	Opening balance	Additions	Disposals	Other changes, movements	Fair value adjustments	Total
Investment property	1 302 602	1 309	(19 137)	(10 400)	(27 588)	1 246 786

Reconciliation of investment property - Company – 2022

	Opening balance	Disposals	Other changes, movements	Fair value adjustments	Total
Investment property	1 297 686	(2 208)	624	6 500	1 302 602

Information on the Investment property portfolio

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

Tribal land

The Investment properties include properties that are located on Tribal Land, where the Group has assumed "Permission to Occupy". The majority of these properties are situated on forestry estates and hotels on the Wild Coast.
The Group's right to occupy properties to the value of R31.5 million (2023: R31.5 million) (2022: R74.9 million) above, has not been reduced to writing. However, the Group has occupied these properties for a number of years and derives economic benefits from their use and assumes the risks and rewards that are substantially incidental to ownership.

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

	Group			Company		
Figures in Rand thousand	2024	2023 Restated *	2022 Restated *	2024	2023 Restated *	2022 Restated *

5. Investment property (continued)

Invaded Investment Properties

A number of Investment Properties owned by the Eastern Cape Development Corporation in Mthatha have been invaded due to illegal occupation. The combined fair value of the affected properties in the current year is R174,030 million (2023: R125,215 million, 2022:R133,316 million).

There are 342 (2023:146) lettable units invaded. Consequently, the Corporation has lost potential income amounting to R77,978 million since the properties were invaded and the impact of the current year is R26,395 million (2023: R11,117 million).

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

Disposals

The Investment properties with combined value of R30,401 million (2023: R19,137 million) were disposed of as at 31 March 2024 financial year. The proceeds received from these sales amounted to R31, 792 million (2023: R24, 941 million).

Other movements – R2,994 million (2023: R10,400 million) which comprises of various long list of ERF numbers, which are available at ECDC's internal records. The breakdown of R2,994 million is as per below:

- These derecognitions (R1,735 million) were identified through the extensive exercise that ECDC engaged in to ensure revenue completeness. It was identified that even though these properties were in our Register they are not registered under ECDC name, and we also do not bill on them, we therefore do not have control of these properties. Investigations are being conducted with the Department of Public Works to determine who the rightful owners are.

- Dilapidated/damaged Investment Properties amounting to R1,548 million were identified during the current financial year. These were as a result of natural causes such as strong wings, heavy rains etc.

- These are additions (R290 thousand) that were identified during the current financial year and a valuator was sent to do a physical inspection as well as determining the value of the property.

Other disclosures

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

ECDC valued about 27% (2023:22%) of the investment property portfolio for the year ended 31 March 2024.

The remainder were all valued within the 3-year cycle (5 years for investment properties less than R 100 thousand) for external valuations in line with our accounting policy. Valuations of investment properties are performed by the professional valuers using a combination of income capitalisation, depreciated cost method and comparable sales, depending on the existing use of each individual investment property.

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

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	Group			Company		
Figures in Rand thousand	2024	2023 Restated *	2022 Restated *	2024	2023 Restated *	2022 Restated *

5. Investment property (continued)

Amounts recognised in profit and loss for the year

Rental income from investment property	104 118	102 342	97 671	95 802	94 873	91 528
Direct operating expenses from rental generating property	(53 705)	(37 734)	(37 961)	(53 705)	(37 734)	(37 961)
Direct operating expenses from non-rental generating property	(13 205)	(12 291)	(16 389)	(11 709)	(12 291)	(16 389)
	37 208	**52 317**	**43 321**	**30 388**	**44 848**	**37 178**

6. Intangible assets

Group	2024			2023		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	1 292	(1 048)	244	1 288	(651)	637

Group	2022		
	Cost	Accumulated amortisation	Carrying value
Computer software	5 302	(4 573)	729

Company	2024			2023		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	1 029	(839)	190	1 029	(495)	534

Company	2022		
	Cost	Accumulated amortisation	Carrying value
Computer software	5 105	(4 422)	683

Reconciliation of intangible assets - Group - 2024

	Opening balance	Additions	Amortisation	Total
Computer software	637	4	(397)	244

Reconciliation of intangible assets - Group – 2023

	Opening balance	Additions	Transfers	Amortisation	Total
Computer software	729	393	(3)	(482)	637

Reconciliation of intangible assets - Group – 2022

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

Notes to the Consolidated Annual Financial Statements

	Group			Company		
Figures in Rand thousand	2024	2023 Restated *	2022 Restated *	2024	2023 Restated *	2022 Restated *

6. Intangible assets (continued)

Reconciliation of intangible assets - Company - 2024

	Opening balance	Amortisation	Total
Computer software	534	(344)	190

Reconciliation of intangible assets - Company - 2023

	Opening balance	Additions	Transfers	Amortisation	Total
Computer software	683	172	(1)	(320)	534

Reconciliation of intangible assets - Company - 2022

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

Other information

Some of the computer software utilised by the Group in its operations has been fully amortised and is still in use and the carrying value of such assets as at 31 March 2024 is R1 (2023: R 1; 2022: R 31).

Notes to the Consolidated Annual Financial Statements

	Group			Company		
Figures in Rand thousand	2024	2023 Restated *	2022 Restated *	2024	2023 Restated *	2022 Restated *

7. Investments in subsidiaries

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

Company

Name of company	Held by	% holding 2024	% holding 2023	% holding 2022	Carrying Amount 2024	Carrying Amount 2023	Carrying amount 2022
Automotive Industry Development Centre (Eastern Cape)	Eastern Cape Development Corporation	100,00%	100,00%	100,00%	-	-	-
Centre for Investment and Marketing Authority in the Eastern Cape (NPC)	Eastern Cape Development Corporation	100,00%	100,00%	100,00%	-	-	-
Cimvest (Pty) Ltd	Centre for Investment and Marketing Authority in the Eastern Cape (NPC)	100,00%	100,00%	100,00%	-	-	-
Transdev Properties SOC Ltd	Eastern Cape Development Corporation	100,00%	100,00%	100,00%	2	2	2
Transkei Share Investment SOC Ltd	Eastern Cape Development Corporation	98,00%	98,00%	98,00%	23 010	23 010	23 010
					23 012	23 012	23 012

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Figures in Rand thousand	Group 2024	Group 2023 Restated *	Group 2022 Restated *	Company 2024	Company 2023 Restated *	Company 2022 Restated *

8. Investments in associates

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

Group

Name of company	Held by	% ownership interest 2024	% ownership interest 2023	% ownership interest 2022	Carrying amount 2024	Carrying amount 2023	Carrying amount 2022
Mthatha Hotel (Pty) Ltd	Transkei Share Investment SOC Ltd	40.00 %	40.00 %	40.00 %	17 257	15 291	14 859
Mthatha Hotel (Pty) Ltd	Eastern Cape Development Corporation	9.95 %	9.95 %	9.95 %	2 572	2 166	2 218
Cross-Med Health Centre (Pty) Ltd		30.00 %	- %	- %	14 824	-	-
					34 653	17 457	17 077

Company

Name of company	Held by	% ownership interest 2024	% ownership interest 2023	% ownership interest 2022	Carrying amount 2024	Carrying amount 2023	Carrying amount 2022
Cross-Med Health Centre (Pty) Ltd		30.00 %	-%	- %	14 824	-	-

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Figures in Rand thousand	Group 2024	Group 2023	Group 2022	Company 2024	Company 2023	Company 2022

8. Investments in associates (continued)

Summarised financial information of material associates

Summarised Statement of Profit or Loss and Other Comprehensive Income	Mthatha Hotel (Pty) Ltd			Cross-Med Health Centre (Pty) Ltd			Total		
	2024	2023	2022	2024	2023	2022	2024	2023	2022
Revenue	59 411	52 683	42 999	-	-	-	59 411	52 683	42 999
Other income and expenses	(54 497)	(51 388)	(39 099)	-	-	-	(54 497)	(51 388)	(39 099)
(Loss)/ profit for the year	4 914	1 295	3 900	-	-	-	4 914	1 295	3 900
Total comprehensive loss (income) for the year	4 914	1 295	3 900	-	-	-	4 914	1 295	3 900

Summarised Statement of Financial Position	Mthatha Hotel (Pty) Ltd			Cross-Med Health Centre (Pty) Ltd			Total		
	2024	2023	2022	2024	2023	2022	2024	2023	2022
Assets									
Non-current	13 557	14 419	15 812	-	-	-	13 557	14 419	15 812
Current	37 894	30 620	24 515	-	-	-	37 894	30 620	24 515
Total assets	51 451	45 039	40 327	-	-	-	51 451	45 039	40 327
Liabilities									
Non-current	2 009	1 854	1 671	-	-	-	2 009	1 854	1 671
Current	6 576	5 232	1 999	-	-	-	6 576	5 232	1 999
Total liabilities	8 585	7 086	3 670	-	-	-	8 585	7 086	3 670
Total net assets	42 866	37 953	36 657	-	-	-	42 866	37 953	36 657

Reconciliation of the summarised financial information presented to the carrying amount	Mthatha Hotel (Pty) Ltd			Cross-Med Health Centre (Pty) Ltd			Total		
	2024	2023	2022	2024	2023	2022	2024	2023	2022
Opening carrying value	17 457	17 077	14 762	-	-	-	17 457	17 077	14 762
Income from equity accounted investments	2 455	540	2 681	-	-	-	2 455	540	2 681
Fair value adjustments	(83)	(160)	(366)	-	-	-	(83)	(160)	(366)
Purchase of additional shares from Cross-Med Health Centre (Pty) Ltd	-	-	-	14 824	-	-	14 824	-	-
Carrying value of investment in associate	19 829	17 457	17 077	14 824	-	-	34 653	17 457	17 077

Notes to the Consolidated Annual Financial Statements

	Group			Company		
Figures in Rand thousand	2024	2023	2022	2024	2023	2022

8. Investments in associates (continued)

ECDC acquired additional 8% shares from Cross-Med Health Centre (Pty) Ltd as at 27 March 2024. This resulted to ECDC holding 30% of the shares at the Cross-Med and now having a significant influence on the operational affairs of Cross-Med. The purchase happened after year end (28 February 2024) of Cross-Med. The purchase price was determined through a valuation done by an independent valuator, who has knowledge and skill in the valuation sector of such companies. This has resulted to the Cross-Med being recorded at its fair value as at 31 March 2024 and the equity accounting for this investment will only be done in the new financial accounting period.

Associates with different reporting dates

The year ends of the Mthatha Hotel (Pty) Ltd and Cross-Med Health Centre (Pty) Ltd (Associates) is 28 February of each year. Management of ECDC considered that the exercise to obtain financial statements as at 31 March of each year outweighs the benefits that will be derived from it. It was further considered that 1 month reporting difference between the Group, Mthatha Hotel and Cross Med will have immaterial impact on the overall Group reporting. We therefore report the results of the associates (Mthatha Hotel and Cross Med) as at February of each year without further adjusting their reported figures.

9. Loans to group companies

Subsidiaries

Centre for Investment and Marketing in the Eastern Cape (NPC) The loan bears interest at 5.25% per annum and is repayable on demand.	-	-	-	36 897	36 713	33 751

Notes to the Consolidated Annual Financial Statements

	Group			Company		
Figures in Rand thousand	2024	2023 Restated *	2022 Restated *	2024	2023 Restated *	2022 Restated *

10. Loans receivable

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

Loans receivable	152 602	124 776	183 423	152 602	124 776	183 423
Loss allowance	(106 335)	(94 413)	(152 968)	(106 335)	(94 413)	(152 968)
	46 267	**30 363**	**30 455**	**46 267**	**30 363**	**30 455**

Split between non-current and current portions

Non-current assets	25 565	17 282	16 629	25 565	17 282	16 629
Current assets	20 702	13 081	13 826	20 702	13 081	13 826
	46 267	**30 363**	**30 455**	**46 267**	**30 363**	**30 455**

Exposure to credit risk

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

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

A credit loss allowance is recognised for loans receivable, in accordance with IFRS 9 Financial Instruments, and is monitored at the end of each reporting period. In addition to the credit loss allowance, loans receivable are written off when there is no reasonable expectation of recovery.

Impact on equity reserves

The Group is sensitive to the movement in the market interest rate and a sensitivity analysis technique that measures the estimated change in profit or loss of an instantaneous increase or decrease of 1% (100 basis points) in market interest rates from the applicable rate as at 31 March 2024 has been used.

Market interest rate changes may affect equity (capital) in either higher or lower profit resulting from higher or lower net interest income.

Collateral value

The nature of the collateral available to the Group varies as it depends on the conditions of each loan, mainly it would be assets and liquid investments ceded to the Group. The estimated value of the collateral on loans advanced as at 31 March 2024 was R69,987 million (2023: R53,703 million).

Loan commitments

The value of loans that were approved and taken up but not yet fully disbursed at 31 March 2024 was R11,789 million (2023: R6,344 million).

Contractual amounts that were written off

During the current financial year, loans to the value of R0 (2023: R54,622) were written off.

The Expected Credit Loss allowance (ECL) is measured at an amount equal to 12-month expected credit losses. The balance of the credit allowances on the loans advanced as at 31 March 2024 is R106,335 million (2023: R94,413 million)

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	Group			Company		
Figures in Rand thousand	2024	2023 Restated *	2022 Restated *	2024	2023 Restated *	2022 Restated *

10. Loans receivable (continued)

Impact on earnings

The table below shows the impact of earnings of a 100 bps up and down movement in market interest rates for the Group Loans receivable:

	100 basis point increase	100 basis point decrease
FY 2024	1 431	(1 431)
FY 2023	968	(968)
	2 399	**(2 399)**

Reconciliation of loss allowances

The following tables show the movement in the loss allowances for loans receivable.

	Group			Company		
Figures in Rand thousand	2024	2023	2022	2024	2023	2022
Opening balance	94 413	152 968	147 881	94 413	152 968	147 881
Increase (decrease) in allowance	11 922	(3 933)	5 087	11 922	(3 933)	5 087
Write off	-	(54 622)	-	-	(54 622)	-
Subtotal	106 335	94 413	152 968	106 335	94 413	152 968
	106 335	**94 413**	**152 968**	**106 335**	**94 413**	**152 968**

11. Investments at fair value

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

Mandatorily at fair value through profit or loss:						
Listed shares	2 907	2 470	3 130	-	-	-
Unlisted shares	793	16 632	14 250	2 234	18 156	15 933
Equity investments at fair value through other comprehensive income:						
Unlisted shares	23 913	23 913	23 913	23 913	23 913	23 913
	27 613	**43 015**	**41 293**	**26 147**	**42 069**	**39 846**

Fair value information

Refer to note 43 Fair value information for details of valuation policies and processes.

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	Group			Company		
Figures in Rand thousand	2024	2023 Restated *	2022 Restated *	2024	2023 Restated *	2022 Restated *

11. Investments at fair value (continued)

Equity instruments at fair value through other comprehensive income

Certain investments in equity instruments have been designated, at initial recognition, as at fair value through other comprehensive income. The reason for this designation as opposed to fair value through profit or loss, is to avoid the effect of volatilities in the fair values of the investments from impacting profit or loss.

The specific investments which are measured at fair value through other comprehensive income are as follows:

Investments held at reporting date – Group

	2024 Fair value	2024 Dividends received	2023 Fair value	2023 Dividends received	2022 Fair value	2022 Dividends received
Singisi Forest Products (Pty) Ltd	23 913	-	23 913	-	23 913	-

Investments held at reporting date – Company

	2024 Fair value	2024 Dividends received	2023 Fair value	2023 Dividends received	2022 Fair value	2022 Dividends received
Singisi Forest Products (Pty) Ltd	23 913	-	23 913	-	23 913	-

The investment in Cross-Med Health Centre (Pty) Ltd was transferred to Investments in associates because Group purchased additional 8% shares at Cross-Med which led to the Group having a significant influence in the operational and financial affairs of Cross-Med. Shareholding at year end on Cross-Med is now at 30%.

12. Trade and other receivables

Financial instruments:

Rental receivables	505 858	450 885	420 494	504 738	448 127	417 744
Loss allowance	(494 926)	(434 341)	(404 774)	(494 903)	(434 304)	(404 747)
Rental receivables at amortised cost	10 932	16 544	15 720	9 835	13 823	12 997
Deposits	837	30	30	-	-	-
Other receivable	18 548	14 430	9 620	18 538	16 014	24 693
Non-financial instruments:						
VAT	556	129	7129	556	-	-
Prepayments	363	934	56	286	861	-
Total rental and other receivables	31 236	32 067	32 555	29 215	30 698	37 690

Split between non-current and current portions

Current assets	31 236	32 067	32 555	29 215	30 698	37 690

Categorisation of rental and other receivables

At amortised cost	30 317	31 004	25 370	28 373	29 837	37 690
Non-financial instruments	919	1 063	7 185	842	861	-
	31 236	32 067	32 555	29 215	30 698	37 690

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Figures in Rand thousand	2024	2023 Restated *	2022 Restated *	2024	2023 Restated *	2022 Restated *

12. Trade and other receivables (continued)

Exposure to credit risk

Trade receivables inherently expose the Group to credit risk, being the risk that the Group will incur financial loss if customers fail to make payments as they fall due.

There 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 rental receivables, in accordance with IFRS 9 Financial Instruments, and is monitored at the end of each reporting period. In addition to the loss allowance, rental receivables are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation. Rental receivables which have been written off are not subject to enforcement activities.

The Group measures the loss allowance for rental receivables by applying the simplified approach which is prescribed by IFRS 9. In accordance with this approach, the loss allowance on rental receivables is determined as the lifetime expected credit losses on trade receivables. These lifetime expected credit losses are estimated using a provision matrix, which is presented below. The provision matrix has been developed by making use of past default experience of debtors but also incorporates forward looking information and general economic conditions of the industry as at the reporting date.

The Group's Expected Credit Loss (ECL) for rental receivables as at 31 March 2024 is R 494,926 million (2023: R 434,341 million).
The Group's historical credit loss experience does not show significantly different loss patterns for different customer segments. The provision for credit losses is therefore based on past due status without disaggregating into further risk profiles. The loss allowance provision is determined as follows:

Group

	2024	2024	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)	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)
Less than 3 months due: 0% (2023: 0%; 2022: 0%)	2 380	-	6 340	-	9 967	-
More than 3 months past due: 25% (2023: 25%, 2022: 25%)	1 023	(36)	1 301	(46)	808	(44)
More than 4 months past due: 30% (2023: 30%; 2022:30%)	1 038	(147)	931	(73)	933	(53)
More than 5 months past due: 40% (2023: 40%; 2022:40%)	1 374	(346)	1 360	(294)	1 531	(258)
More than 6 months past due: 50% (2023: 50%; 2022: 50%)	1 182	(438)	4 405	(1 656)	1 427	(446)
More than 7 months past due: 60% (2023: 60%; 2022: 60%)	1 174	(587)	2 880	(1 378)	1 475	(676)
More than 8 months past due: 70% (2023: 70%; 2022: 70%)	2 137	(1 255)	709	(413)	848	(482)
More than 9 months past due: 100% (2023: 100%; 2022: 100%)	276 058	(272 634)	268 886	(266 408)	296 752	(296 140)
Vacated tenants: 100% (2023: 100%; 2022: 100%)	219 492	(219 483)	164 073	(164 073)	106 753	(106 675)
Total	**505 858**	**(494 926)**	**450 885**	**(434 341)**	**420 494**	**(404 774)**

Company	2024	2024	2023	2023	2022	2022

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	Group			Company		
Figures in Rand thousand	2024	2023 Restated *	2022 Restated *	2024	2023 Restated *	2022 Restated *

12. Trade and other receivables (continued)

Expected credit loss rate:	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)
Less than 3 months due: 0% (2023: 0%; 2022: 0%)	1 285	-	3 582	-	7 245	-
More than 3 months past due: 25% (2023: 25%, 2022: 25%)	1 023	(36)	1 301	(46)	808	(44)
More than 4 months past due: 30% (2023: 30%; 2022:30%)	1 038	(147)	931	(73)	933	(53)
More than 5 months past due: 40% (2023: 40%; 2022:40%)	1 374	(346)	1 360	(294)	1 531	(258)
More than 6 months past due: 50% (2023: 50%; 2022: 50%)	1 182	(438)	4 405	(1 656)	1 427	(446)
More than 7 months past due: 60% (2023: 60%; 2022: 60%)	1 174	(587)	2 880	(1 378)	1 475	(676)
More than 8 months past due: 70% (2023: 70%; 2022: 70%)	2 137	(1 255)	709	(413)	848	(482)
More than 9 months past due: 100% (2023: 100%; 2022: 100%)	276 033	(272 611)	268 886	(266 371)	296 724	(296 113)
Vacated tenants: 100% (2023: 100%; 2022: 100%)	219 492	(219 483)	164 073	(164 073)	106 753	(106 675)
Total	**504 738**	**(494 903)**	**448 127**	**(434 304)**	**417 744**	**(404 747)**

Reconciliation of loss allowances

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

Opening balance	(434 341)	(404 774)	(358 080)	(434 304)	(404 747)	(358 080)
Provision raised on new trade receivables	(60 598)	(47 294)	(46 694)	(60 599)	(47 284)	(46 667)
Write off - deceased tenants	-	17 727	-	-	17 727	-
Other - AIDC movement in credit losses	13	-	-	-	-	-
Closing balance	**(494 926)**	**(434 341)**	**(404 774)**	**(494 903)**	**(434 304)**	**(404 747)**

Fair value of trade and other receivables

The fair value of trade and other receivables approximates their carrying amounts. All trade and other receivables are short term in nature.

13. Deferred tax

The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement.

AIDC our subsidiary decided to recognise the deferred tax liability in the current financial year on their separate annual financial statements. This has resulted to disclosure of the reconciliation of the deferred tax in the previous financial year. Deferred tax asset/liability was nil for the year ended 31 March 2022 and such reconciliation is reflected below.

Deferred tax liability	1 026	739	-	-	-	-

Notes to the Consolidated Annual Financial Statements

Figures in Rand thousand	Group 2024	Group 2023 Restated *	Group 2022 Restated *	Company 2024	Company 2023 Restated *	Company 2022 Restated *

13. Deferred tax (continued)

Reconciliation of deferred tax asset

At beginning of year	739	-	-	-	-	-
Decrease in tax loss available for set off against future taxable income	-	-	107	-	-	-
(Deductible) temporary difference on leave pay	80	259	(74)	-	-	-
(Deductible) taxable temporary difference movement on employee benefit provision	210	489	(341)	-	-	-
(Deductible) taxable temporary difference on allowance for credit losses	(2)	5	-	-	-	-
Taxable temporary difference movement on lease liability	-	6	(1)	-	-	-
Taxable / Deductible temporary difference movement on prepaid expenses	(1)	(20)	8	-	-	-
Deferred tax not recognised / recognised	-	-	301	-	-	-
	1 026	**739**	**-**	**-**	**-**	**-**

Recognition of deferred tax asset

An entity shall disclose the amount of a deferred tax asset and the nature of the evidence supporting its recognition, when:

- the utilisation of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences; and
- the entity has suffered a loss in either the current or preceding period in the tax jurisdiction to which the deferred tax asset relates.

14. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	241 419	159 460	160 112	168 127	128 270	123 779
Short-term deposits	194 216	143 825	73 591	194 216	143 825	73 591
	435 635	**303 285**	**233 703**	**362 343**	**272 095**	**197 370**
Cash and cash equivalents held by the entity that are not available for use by the group.	294 391	213 021	194 944	219 992	193 933	179 191

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Figures in Rand thousand	Group 2024	Group 2023 Restated *	Group 2022 Restated *	Company 2024	Company 2023 Restated *	Company 2022 Restated *

15. Share capital

Authorised						
50 billion Ordinary Type A shares of one cent each	500 000	500 000	500 000	500 000	500 000	500 000
50 billion Ordinary Type B shares of one cent each	500 000	500 000	500 000	500 000	500 000	500 000
	1 000 000	**1 000 000**	**1 000 000**	**000 000**	**1 000 000**	**1 000 000**
Reconciliation of number of shares issued:						
21.3795 billion Ordinary Type A shares of one cent each	213 795	213 795	213 795	213 795	213 795	213 795
21.3795 billion Ordinary Type B shares of one cent each	213 795	213 795	213 795	213 795	213 795	213 795
	427 590	**427 590**	**427 590**	**427 590**	**427 590**	**427 590**
Issued						
Reported as at 31 March 2024	427 590	427 590	427 590	427 590	427 590	427 590

The directors of the corporation shall not have the power to allot or issue shares of the corporation without the prior written approval of the responsible MEC and the prior approval of the corporation in general meeting.

All type A shares issued are not transferable otherwise than by an Act of the Eastern Cape Provincial Parliament. The responsible MEC can transfer/sell/dispose off the type B shares. The shares held by the State shall entitle it to a majority vote. No shares were issued during the year.

In the current financial year management corrected a transposition error that occurred on the reconciliation of number of shares issued. The transposition error happened in year ending 31 March 2019. We have subsequently restated our comparatives figures for the reconciliation of the number of shares issued. The effect of the transposition error for all 3 reported years is a reduction in the number of shares by 360 000 (Type A shares by 180 000 from 213 975 000 to 213 795 000 as well as reduction in Type B shares by 180 000 from 213 975 000 to 213 795 000). The Rand vaue of the share capital is not affected by this transposition error.

16. Reserves

The group management made corrections on the Revaluation surplus in prior years. The previous version of Promun (ERP system) was not calculating Revaluation surplus correctly and as such management updated the PPE asset module on Promun to accommodate revaluations. This has resulted to a prior year error which has been fully described in note 41 below, as such prior year revaluation surplus balances have been restated.

Balances as at 31 March 2024 are as follows:

Pre-incorporation Reserve	384 265	384 265	384 265	384 265	384 265	384 265
Property, plant and equipment revaluation	30 430	28 920	22 149	24 250	22 740	18 419
Fair value adjustment on investments at fair value	23 092	23 092	23 092	23 092	23 092	23 092
	437 787	**436 277**	**429 506**	**431 607**	**430 097**	**425 776**

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	Group			Company		
Figures in Rand thousand	2024	2023 Restated *	2022 Restated *	2024	2023 Restated *	2022 Restated *

17. Loans from group companies

Subsidiaries

Transkei Share Investment Company SOC Ltd The loan is unsecured, interest free and is payable on demand	-	-	-	24 780	24 820	25 059
Transdev SOC Ltd The loan is unsecured, interest free and is payable on demand. It is not likely that the loan will be settled within the next 12 months.	-	-	-	22 903	15 917	4 085
	-	**-**	**-**	**47 683**	**40 737**	**29 144**

Split between non-current and current portions

Non-current liabilities	-	-	-	47 683	40 737	29 144

Refer to note 44 Changes in liabilities arising from financing activities for details of the movement in loans from group companies during the reporting period.

18. Borrowings

Held at amortised cost

Loan from Economic Development Fund	20 000	-	-	20 000	-	-

Split between non-current and current portions

Non-current liabilities	20 000	-	-	20 000	-	-

The loan was granted to ECDC by the Economic Development Fund. It must also be noted that the Economic Development fund is managed by ECDC. ECDC applied for this Loan like any other institutions and was approved for a Funding of R20 million. The interest charged on the loan is repo less 2% and the interest rate is variable. The Loan is repayable over a 5 year period with equal annual instalments of R5.109 million. ECDC was granted a moratorium of 12 months on both the interest and the capital value. Because the Economic Development Fund is also managed by ECDC, the debtor (loan granted) is not reflected in the books of ECDC, only the creditor is reflected where ECDC is expected to repay the funds back to the Economic Development Fund. ECDC also considered the impact of time value of money due to moratorium given with this loan and its impact was considered to be immaterial (R103.6 thousand) and as such the present value of the Loan was not amended.

Refer to note 44 Changes in liabilities arising from financing activities for details of the movement in the borrowings during the reporting period and note 42 Financial instruments and financial risk management for the fair value of borrowings.

19. Retirement benefits

Defined benefit plan

The Corporation operates a medical aid defined benefit plan which provides post-employment medical benefits. The medical scheme provides retired employees with medical benefits. In terms of the plan, the Corporation is liable to the employees for specific payments on retirement for these benefits. The liabilities of these plans are reflected in the Statement of Financial Position. The ECDC does not have specific assets set aside to prefund this liability.

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	Group			Company		
Figures in Rand thousand	2024	2023 Restated *	2022 Restated *	2024	2023 Restated *	2022 Restated *

19. Retirement benefits (continued)

Carrying value

Present value of the defined benefit obligation-wholly unfunded	26 574	26 749	27 864	26 574	26 749	27 864
Present value of the defined benefit obligation-partially or wholly funded	914	801	1 045	914	801	1 045
Fair value of plan assets	3 075	3 170	3 018	3 075	3 170	3 018
Net actuarial (losses) gains not recognised	603	(3 070)	(4 194)	603	(3 070)	(4 194)
Past service cost not recognised	(1 240)	(1 076)	(984)	(1 240)	(1 076)	(984)
	29 926	**26 574**	**26 749**	**29 926**	**26 574**	**26 749**

The fair value of plan assets includes:

Changes in present value

Opening balance	26 574	26 749	27 864	26 574	26 749	27 864
Contributions by members	(1 240)	(1 076)	(984)	(1 240)	(1 076)	(984)
Movement recognised in profit or loss	4 592	901	(131)	4 592	901	(131)
	29 926	**26 574**	**26 749**	**29 926**	**26 574**	**26 749**

Movement recognised in profit or loss

Current service cost	914	801	1 045	914	801	1 045
Interest cost	3 075	3 170	3 018	3 075	3 170	3 018
Actuarial (losses) gains	603	(3 070)	(4 194)	603	(3 070)	(4 194)
	4 592	**901**	**(131)**	**4 592**	**901**	**(131)**

Interest cost on defined benefit obligations was previously reported as past service cost. In the current financial year we have changed the disclosure of past service cost and referred it as interest cost in line with the requirements of IAS 19. The impact of these changes is a reduction in past service cost and an increase in interest cost (finance cost); this change affects the 2 previous reported periods as well as the current financial year. The change has not impacted the reported figures of Profit or Loss and Other Comprehensive Income, Statement of Financial Position or the Cash Flow Statement of the Group. The change has only affected disclosures in our annual financial statements.

Notes to the Consolidated Annual Financial Statements

	Group			Company		
Figures in Rand thousand	2024	2023 Restated *	2022 Restated *	2024	2023 Restated *	2022 Restated *

19. Retirement benefits (continued)

Past (accrued) and future service liability

Assumptions used are according to the valuation performed for the year ended 31 March 2024.

Discount rates used	10.99%	7.65%	8.37%	10.99%	7.65%	8.37%
Expected rate of return on assets	15.16%	11.64%	11.91%	15.16%	11.6%4	11.91%

Effect of 1% change in assumed medical cost trend rates

It is the policy of the Group to provide retirement benefit to all its employees. Based on the actuarial valuation performed at 31 March 2024, assumptions used in the sensitivity analysis are one percentage variation in health care cost inflation, mortality and resignation rate.

The Group is under no obligation to cover any unfunded benefits.

	Group			Company		
Figures in Rand thousand	2024	2023	2022	2024	2023	2022
1% increase - effect on accumulated benefit obligation	2 990	3 485	2 981	2 990	3 485	2 981
1% decrease - effect on current service cost & interest cost	(870)	(482)	(748)	(870)	(482)	(748)
1% decrease - effect on accumulated benefit obligation	(3 588)	(2 914)	(3 632)	(3 588)	(2 914)	(3 632)

Mortality Rate

Mortality during employment	SA 85-90 light	SA 85-90 (Light)-3	SA 85-90 (Light)-3	SA 85-90 light	SAB85-90(Light)-3	SAB85-90(Light)-3
Post-employment mortality	PA(90) -1 with a 1% mortality improveme-nt p.a. from 2010	PA(90) -1 with a 1% mortality improve-ment p.a. from 2010	PA(90) -1 with a 1% mortality improve-ment p.a. from 2010	PA(90) -1 with a 1% mortality improveme-nt p.a. from 2010	PA (90)-1	PA (90)-1
Retirement age	60 years	60 years	60 years	60 years	60 years	60 years

SA 85-90(Light) - 3: This reflects the mortality experience in South Africa rated down by three years for females.

PA (90) - 1: This refers to the standard actuarial mortality tables for current and prospective pensioners rated down by one year.

Five year forecast	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Post retirement obligation at beginning of period	26 574	29 926	33 862	37 967	42 626	48 039
Interest Cost	3075	4 496	5 063	5 681	6 390	7 211
Service cost	914	850	1 087	1 209	1 415	1 749
Expected benefit payments	(1 240)	(1 410)	(2 045)	(2 231)	(2 392)	(2 720)
Actuarial gains (losses)	603	-	-	-	-	-
	29 926	**33 862**	**37 967**	**42 626**	**48 039**	**54 279**

Notes to the Consolidated Annual Financial Statements

	Group			Company		
Figures in Rand thousand	2024	2023 Restated *	2022 Restated *	2024	2023 Restated *	2022 Restated *

20. Other financial liabilities

	Group			Company		
Figures in Rand thousand	2024	2023	2022	2024	2023	2022
Current Liabilities	-	3 760	3 760	-	3 760	3 760

This relates to funds that were identified by the Eastern Cape Provincial Treasury and Planning (ECPT) as uncommitted as at 31 March 2018 and therefore should be surrendered. The ECPT assessed the surrenders and roll over requests for the last 5 years and concluded that R43,859 million of the amount of R47,619 million previously requested for surrender were spent on social responsibility projects and was not subject to surrender. The value which was surrendered was eventually paid to the ECPT and that amounted to R3.760m. The funds that ECDC was no longer required to pay were setoff against Retained income so as the remove the liability in the books of ECDC.

21. Deferred income

Government grants	294 391	213 021	194 944	219 992	193 933	179 191

Split between non-current and current portions

Non-current liabilities	37 671	5 681	1 065	-	-	-
Current liabilities	256 720	207 340	193 879	219 992	193 933	179 191
	294 391	**213 021**	**194 944**	**219 992**	**193 933**	**179 191**

Government grants are deferred to the extent that they are unspent. Funds that have been received for specific projects but not yet spent at 31 March are classified as deferred income and cash resources to fund deferred projects have been ring-fenced.

Analysis per entity	2024	2023	2022	2024	2023	2022
Eastern Cape Development Corporation	219 992	193 933	179 191	219 992	193 933	179 191
AIDC Development Centre Eastern Cape SOC Ltd	74 399	19 088	15 753	-	-	-
Total	**294 391**	**213 021**	**194 944**	**219 992**	**193 933**	**179 191**

22. Trade and other payables

Financial instruments:						
Trade payables	23 254	14 429	17 704	22 440	14 376	17 659
Government Funds	-	5 624	4 965	-	5 624	4 965
Retention liability	1 882	-	-	1 882	-	-
Accrued expense	35 199	26 385	25 244	34 586	25 397	24 770
Deposits received	8 507	8 988	9 115	8 507	8 988	9 115
Other payables	13 486	17 217	11 223	13 437	16 952	10 997
Non-financial instruments:						
VAT payable	1 299	715	1 260	-	565	1 240
Accrued leave pay	9 513	9 416	8 603	8 257	8 458	7 896
Accrued bonus	3 822	3 086	2 493	1 232	1 275	1 231
	96 962	**85 860**	**80 607**	**90 341**	**81 635**	**77 873**

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	Group			Company		
Figures in Rand thousand	2024	2023 Restated *	2022 Restated *	2024	2023 Restated *	2022 Restated *

22. Trade and other payables (continued)

Reclassification

Management of ECDC decided to reclassify the accrued leave pay and accrued bonus out of Financial instruments to Non financial instruments in line with IAS 19 regarding short term benefits. The reclassification does not have an impact on the overall Trade and other payables' balance as reflected on statement of Financial position in all these 3 reporting periods. The impact is only on the disclosure note, where Financial instruments movement was decreased and Non financial instrument disclosure was increased. The impact over the prior year periods is decrease in Financial instrument (Group) (2023: R 12 502, 2022: R 11 096) and (Company) impact is (2023: R 9 733, 2022: R 9 127). The corresponding impact is an increase in Non financial instruments (Group) (2023: R 12 502, 2022: R11 096) and (Company) impact is (2023: R 9 733, 2022 R 9 127).

We have reclassified unallocated deposits from other receivables to other payables in line with the correct disclosure of unallocated deposits. This has resulted to an increase in trade and other receivables in both Group and Company by (2023: R 1,214 million, 2022: R 3,545 million) and increase in trade and other payables by the corresponding amounts in those respective years.

Exposure to liquidity risk

Refer to note 42 Financial instruments and financial risk management for details of liquidity risk exposure and management.

Fair value of trade and other payables

The fair value of trade and other payables approximates their carrying amounts.

23. Revenue

Revenue from contracts with customers				
Rendering of services	5 345	3 724	2 878	1 919
Operating lease and Interest revenue				
Rental Income	104 118	102 342	95 802	94 873
Interest received (trading)	33 916	27 850	33 916	27 850
Subtotal	**138 034**	**130 192**	**129 718**	**122 723**
Total	**143 379**	**133 916**	**132 596**	**124 642**
Revenue				
Rendering of services	5 345	3 724	2 878	1 919
Rental income	104 118	102 342	95 802	94 873
	109 463	**106 066**	**98 680**	**96 792**
Interest revenue				
Interest on Loans	7 781	8 258	7 781	8 258
Interest on Rental	26 135	19 592	26 135	19 592
	33 916	**27 850**	**33 916**	**27 850**

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		Group		Company	
Figures in Rand thousand		2024	2023 Restated *	2024	2023 Restated *

23. Revenue (continued)

Disaggregation of revenue from contracts with customers

The Group disaggregates revenue from customers as follows:

Timing of revenue recognition

At a point in time					
Administration fees		(5 345)	(3 724)	(2 878)	(1 919)
Over time					
Interest on loans		(7 781)	(8 258)	(7 781)	(8 258)
Rental income		(104 118)	(102 342)	(95 802)	(94 873)
Interest on rent		(26 135)	(19 592)	(26 135)	(19 592)
		(138 034)	**(130 192)**	**(129 718)**	**(122 723)**

24. Government grants

Unconditional grants		216 821	142 929	166 254	94 286
Conditional grants		227 631	173 099	227 631	173 143
		444 452	**316 028**	**393 885**	**267 429**

25. Government grants and Other operating income

Administration and management fees received		26 843	20 773	26 843	20 773
Commissions received		12	13	12	13
Bad debts recovered		201	731	184	731
Other recoveries		9 517	6 688	9 517	6 688
Other income		420	4 415	2 303	5 968
Government grants		444 452	316 028	393 885	267 429
		481 445	**348 648**	**432 744**	**301 602**

26. Other operating gains (losses)

Gains (losses) on disposals, scrappings and settlements					
Investment property	5	1 391	5 804	1 391	5 804
Property, plant and equipment	3	9	(5)	5	(7)
		1 400	**5 799**	**1 396**	**5 797**
Fair value gains (losses)					
Investment property	5	(1 298)	(11 060)	(1 735)	(10 400)
Total other operating gains (losses)		**102**	**(5 261)**	**(339)**	**(4 603)**

27. Other operating expenses

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

Auditor's remuneration - external					
Audit fees		4 461	4 063	4 154	3 793

Remuneration, other than to employees

Notes to the Consolidated Annual Financial Statements

Figures in Rand thousand	Group 2024	Group 2023 Restated *	Company 2024	Company 2023 Restated *

27. Other operating expenses (continued)

Consulting and professional services	16 603	12 119	16 218	11 733
Secretarial services	5	4	-	-
	16 608	**12 123**	**16 218**	**11 733**

Employees costs

As at 31 March 2024 the Company had 176 permanent employees (2023: 186 ; 2022: 150). The total cost of employment of all employees, including executive directors, was as follows:

Salaries, wages, bonuses and other benefits	164 049	141 027	137 333	118 737
Retirement benefit plans: defined benefit expense	638	(3 067)	(637)	(4 146)
Total employee costs	**164 687**	**137 960**	**136 696**	**114 591**

Leases

Premises	838	715	447	333
Equipment	692	752	692	752
	1 530	1 467	1 139	1 085

Depreciation and amortisation

Depreciation of property, plant and equipment	5 143	3 841	4 697	3 515
Depreciation of right-of-use assets	490	355	4 301	3 018
Amortisation of intangible assets	399	484	345	320
Total depreciation and amortisation	**6 032**	**4 680**	**9 343**	**6 853**

Expenses by nature

The major operating expenses are disclosed below by their nature. Included in Other expenses line item are Insurance, Legal matters and Marketing & Communication.

Employee costs	164 687	137 960	136 696	114 591
Lease expenses	1 530	1 467	1 139	1 085
Depreciation and amortisation	6 032	4 680	9 343	6 853
Other expenses	71 101	57 984	62 053	53 003
Debt impairments recognised in profit or loss	72 534	42 587	72 520	42 577
Assessment rates, municipal charges & utilities	66 911	55 409	65 415	54 025
Projects implemented	206 111	171 127	188 787	150 777
Directors Fees and other director related costs (travel, accommodation and training)	3 712	2 467	2 185	1 854
	592 618	**473 681**	**538 138**	**424 765**

Interest cost on defined benefit obligations was previously reported as past service cost. In the current financial year management have changed the disclosure of past service cost and referred it as interest cost in line with the requirements of IAS 19. The impact of this change in prior year is as follows:

Decrease in in other expenses by R3 170 (Company: R3 170) thousand and increase in finance costs by R3 170 (Company: R3 170) thousand. The overall profit or loss for the prior year remains the same as this change is just reclassification on expense line items.

Notes to the Consolidated Annual Financial Statements

Figures in Rand thousand	Group 2024	Group 2023 Restated *	Company 2024	Company 2023 Restated *

28. Employee costs

Employee costs				
Basic	160 426	138 098	136 419	117 936
Bonus	2 383	1 811	-	-
Medical aid - company contributions	914	801	914	801
UIF	70	57	-	-
WCA	(1)	70	-	-
SDL	257	190	-	-
Retirement benefit plans	638	(3 097)	(637)	(4 146)
	164 687	**137 960**	**136 696**	**114 591**

29. Depreciation, amortisation and impairment losses

Depreciation	5 143	3 841	4 697	3 515
Property, plant and equipment	490	355	4 301	3 018
Right-of-use assets	**5 633**	**4 196**	**8 998**	**6 533**
Amortisation				
Intangible assets	399	484	345	320
Total depreciation, amortisation and impairment				
Depreciation	5 633	4 196	8 998	6 533
Amortisation	399	484	345	320
	6 032	**4 680**	**9 343**	**6 853**

30. Investment income

Dividend income				
Equity instruments at fair value through profit or loss:				
Listed investments - Local	134	179	-	-
Interest income				
Investments in financial assets:				
Bank and other cash	30 555	15 578	27 917	14 536
Loans to group companies:				
Subsidiaries	-	-	1 923	3 948
Total interest income	**30 555**	**15 578**	**29 840**	**18 484**
Total investment income	**30 689**	**15 757**	**29 840**	**18 484**

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.

31. Finance costs

Lease liabilities	161	130	1 902	526
Unwinding of discount on provisions and other liabilities	3 075	3 170	3 075	3 170
Other interest paid	-	271	-	271
Total finance costs	**3 236**	**3 571**	**4 977**	**3 967**

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Notes to the Consolidated Annual Financial Statements

Figures in Rand thousand	Group 2024	Group 2023 Restated *	Company 2024	Company 2023 Restated *

32. Other non-operating gains (losses)

Fair value gains (losses)				
Investment property	28 956	(24 532)	28 956	(27 588)
Financial assets designated as at fair value through profit or loss	(5 052)	2 223	(5 052)	2 223
	23 904	**(22 309)**	**23 904**	**(25 365)**

33. Taxation

Major components of the tax (income) expense

Current				
Local income tax - current period	154	558	-	-
Deferred				
Originating and reversing temporary differences	(287)	(219)	-	-
Derecognition of deferred tax asset	-	(520)	-	-
	(287)	**(739)**	**-**	**-**
	(133)	**(181)**	**-**	**-**

Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

Accounting loss	(490)	1 247	-	-
Tax at the applicable tax rate of 27% (2023: 27%)	(132)	336	-	-
Tax effect of adjustments on taxable income				
Non-deductible expenses	15	3	-	-
Deferred tax asset recognised in the current year	(16)	(520)	-	-
	(133)	**(181)**	**-**	**-**

34. Other comprehensive income

Components of other comprehensive income - Group - 2024

	Gross	Tax	Net
Movements on revaluation			
Gains (losses) on property revaluation	1 510	-	1 510

Components of other comprehensive income - Group - 2023

	Gross	Tax	Net
Movements on revaluation			
Gains (losses) on property revaluation	6 771	-	6 771

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Figures in Rand thousand	Group 2024	Group 2023 Restated *	Company 2024	Company 2023 Restated *

34. Other comprehensive income (continued)

Components of other comprehensive income - Company - 2024

	Gross	Tax	Net
Items that will not be reclassified to profit (loss)			
Movements on revaluation			
Gains (losses) on property revaluation	1 510	-	1 510

Components of other comprehensive income - Company - 2023

	Gross	Tax	Net
Items that will not be reclassified to profit (loss)			
Movements on revaluation			
Gains (losses) on property revaluation	4 321	-	4 321

35. Cash generated from operations

Profit (loss) before taxation	86 120	(5 961)	75 630	(13 972)
Adjustments for non-cash items:				
Depreciation, amortisation, impairments and reversals of impairments	6 030	4 678	9 342	6 853
Gains on sale of assets and liabilities	(1 400)	(5 799)	(1 396)	(5 797)
Fair value (gains) losses	(25 600)	22 970	(25 163)	25 365
Defined benefit plan expense	3 352	(175)	3 352	(175)
Other non cash - derecognition of investment properties	2 994	10 400	2 994	10 400
Share of profit or loss of equity accounted investments	(2 455)	(540)	-	-
Other non-cash item - Interest on Leases	161	130	1 902	526
Other non-cash item - Interest on CIMEC Loan	-	-	(1 923)	(3 948)
Other non-cash items - loans receivables	1 290	(14 133)	1 290	(14 136)
Other non-cash items	-	-	1 766	-
Adjust for items which are presented separately:				
Interest income	(30 555)	(15 578)	(27 917)	(14 536)
Dividends received	(134)	(179)	-	-
Finance costs	-	271	-	271
Changes in working capital:				
(Increase) decrease in trade and other receivables	831	(1 844)	1 483	4 659
Increase (decrease) in trade and other payables	11 102	7 585	8 706	6 095
Increase (decrease) in deferred income	101 370	18 078	46 059	14 743
Other non cash items – Loans receivables/reclassification	4 881	(4 785)	4 881	(4 785)
	157 987	**15 118**	**101 006**	**11 563**

36. Tax paid

Balance at beginning of the year	(450)	32	-	-
Current tax recognised in profit or loss	(154)	(558)	-	-
Balance at end of the year	(9)	450	-	-
	(613)	**(76)**	**-**	**-**

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Rand thousand	2024	2023 Restated *	2024	2023 Restated *

37. Commitments

Authorised capital expenditure

Already contracted for but not provided for				
• Project expenditure contracted for at the end of the reporting period but not yet recognised as expenditure	285 434	23 475	285 434	23 475

Operating leases – as lessor (income)

Minimum lease payments due				
- first year	42 450	38 914	42 450	38 914
- second year	34 625	30 107	34 625	30 107
- third year	26 736	22 783	26 736	22 783
- fourth year	20 011	17 648	20 011	17 648
- fifth year	14 044	13 079	14 044	13 079
- sixth year and onwards	33 258	27 679	33 258	27 679
	171 124	**150 210**	**171 124**	**150 210**

The Group leases out its investment properties and the leases have been classified as operating leases, as they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

A number of leases have expired and they automatically become month to month agreements until the lease is renewed.

Rental income recognised by the Group during the year ending 31 March 2024 was R 104,118 million (2023: R 102,342 million).

38. Contingent assets and liabilities

Contingent assets
The Group has contingent assets of R 50,552 million (2023: R 59,252 million).

Investment properties:
On an annual basis, the Corporation undertakes a process of ensuring the completeness of investment properties in the register . Investment properties worth R29,672 million were identified as being registered in the name of the ECDC. However, management deemed it prudent to investigate these properties to confirm control over them.

ECDC vs Responded A:
The matter is expected to be allocated a trial date in June / July 2024. The parties have entered into settlement discussions with the objective to settle the matter in the best interest of the ECDC. The value of contingent asset is estimated at R 19,358 million.

ECDC vs Respondent B:
The respondent's objections to the Bill of Costs is due on or before 15 May 2024. ECDC's reply to the respondent's objections, if any, will be due on or before 12 June 2024. Thereafter, ECDC will apply to the Taxing Master by 14 June 2024 to set down the matter for opposed taxation. Should no objections be received from the respondent, ECDC will apply to the Taxing Master by 17 May 2024 for the bill to be taxed on an unopposed basis. Recovery of ECDC's costs is in progress and the estimated amount of the fees to be recovered is R 1,522 million.

Contingent liabilities
The Group has exposure to litigation of R1,400 million (2023: R5,687 million) and disputed municipal accounts of R134,615 million (2023: R158,676 million).

2024 Financial Year

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Rand thousand	2024	2023 Restated *	2024	2023 Restated *

38. Contingent assets and liabilities (continued)

The matters under litigation are as follows:

EASTERN CAPE DEVELOPMENT CORPORATION

1. The claim relates to a boundary wall which collapsed (R1,399,719) - Summons issued in May 2023 by **"Plaintiff A "**. The wall separates a commercial ECDC property (Erf 2626 Mthatha) and the property of the plaintiff. The ECDC filed its plea and also obtained an engineer's report in respect of the collapse of the wall. The engineers report indicates that both parties are responsible for the collapse of the wall. The ECDC engineers prepared a report with remedial options which was submitted to the Plaintiff. It is also submitted to the Plaintiff that the parties contribute on a 50/50 basis in respect of the agreed remedial action – this is based on the initial ECDC engineer's report which states that both parties contributed to the collapse of the wall.

Disputed municipal accounts are as follows:

1. BCM - Fort Jackson - R5,568,608
2. BCM (Dimbaza) - R91,241,232
3. OR Tambo DM - R37,804,899

These matters are currently pending. ECDC is challenging these charges with the respective municipalities. No summons has been issued. ECDC efforts have shown significant progress as BCM has credited ECDC with an amount over R75m related to Fort Jackson. Subsequent to year end, BCM further credited ECDC with R100,551 million which related to incorrect billing.

2023 Financial Year

The matters under litigation are as follows:

EASTERN CAPE DEVELOPMENT CORPORATION

1. Claim for payment of damages **– "Applicant A"** and four others.

Approximate liability: R3,122,109

Status of the matter: The matter is pending at the East London High Court. ECDC Attorneys were mandated to write to the opposing parties. ECDC is awaiting the Sherriff's Return of Service. In the instance, the ECDC will instruct the lawyers to recover costs.

2. Claim for payment of damages - **"Applicant B"**

Approximate liability: R2,565,006

Status of the matter: Status of the matter: The matter is pending at the Grahamstown High Court. ECDC Attorneys were mandated to write to the opposing parties. ECDC is awaiting the Sherriff's Return of Service. In the instance, the ECDC will instruct the lawyers to recover costs.

Disputed municipal accounts are as follows:
1. BCM - Fort Jackson - R59,128,977
2. BCM (Dimbaza) - R65,626,055
3. OR Tambo DM - R33,919,217

Notes to the Consolidated Annual Financial Statements

Figures in Rand thousand	Group 2024	Group 2023 Restated *	Company 2024	Company 2023 Restated *

38. Contingent assets and liabilities (continued)

These matters are currently pending. ECDC is challenging these charges with the respective municipalities. No summons has been issued.

Please note that the names of applicants and respondents have been omitted for disclosure purposes. Should the user of the annual report require the names of any of the applicants and defendants, they may contact the ECDC.

39. Related parties

Relationships	
Holding company	Department of Economic Development, Environmental Affairs and Tourism
Subsidiaries	Refer to note 7
Associates	Refer to note 8
Minority shareholding held to safeguard interest against loans advanced	Ndlambe Natural Industries Products (Pty) Ltd
Members of key management	Mr A Wakaba (Chief Executive Officer) Mr N Ravgee (Chief Financial Officer) Mr C Thompson (Executive: Properties and Infrastructure Delivery) Mr M Zonke (Chief Investment Officer) from 05 June 2023 Mr P George (Acting: Chief Investment Officer) up until 4 June 2023 Ms L Peinke (Acting Executive: Economic Development and Sector Support) Mr R Nayo (Acting Executive: Properties and Infrastructure Delivery) from 01 March 2024 Mr F Botha (Acting Head: Legal, Compliance and Governance) from 01 December 2023 Ms Z Thomas (Acting Head: Legal, Compliance and Governance) from01 April 2023 up to 30 November 2023 Mr M Mpikashe (Head: Legal, Compliance and Governance) up to 31 January 2024 Mr DZ Nkonki (Executive: Enterprise Finance and Business Support) Ms L Mbobo-Vava (Executive: Corporate Services) from 01 December 2023 Ms N Matoti (Acting Executive: Corporate Services) up until 3 November 2023

Notes to the Consolidated Annual Financial Statements

39. Related parties (continued)

Figures in Rand thousand	Group 2024	Group 2023 Restated *	Company 2024	Company 2023 Restated *
Related party balances				
Loan accounts - Owing (to) by related parties				
Cross-med Health Care Proprietary Limited	-	-	3 503	3 503
Ndlambe Natural Industries Products Proprietary Limited	-	-	9 169	8 342
Centre for Investment and Marketing in the Eastern Cape (NPC	-	-	36 897	36 713
Transdev Properties SOC Ltd	-	-	(22 903)	(15 917)
Transkei Share Investments Company SOC Ltd	-	-	(24 780)	(24 820)
Amounts included in Trade receivable (Trade Payable) regarding related parties				
Department of Public Works	-	-	29	514
Eastern Cape Provincial Arts and Culture	-	-	15	3
Department of Economic Development , Environmental Affairs and Tourism (DEDEAT)	-	-	-	33
Related party transactions				
Interest paid to (received from) related parties				
Centre for Investment and Marketing in the Eastern Cape (NPC)	-	-	(1 923)	(3 948)
Ndlambe Natural Industries Products (Pty) Ltd	-	-	(827)	(610)
Purchases/services rendered from (sales/services rendered to) related parties				
Department of Economic Development , Environmental Affairs and Tourism (DEDEAT)	-	-	(2 037)	(7 901)
Rent paid to (received from) related parties				
CIMVEST SOC LTD	-	-	4 480	3 172
Department of Public Works (Rent including interest charged on rent)	-	-	(49)	(34)
Eastern Cape Provincial Arts and Culture	-	-	(382)	(348)
Administration fees paid to (received from) related parties				
Department of Economic Development , Environmental Affairs and Tourism (DEDEAT)	-	-	(128)	(362)
CIMVEST SOC LTD	-	-	(672)	(476)
Transdev Properties SOC Ltd	-	-	(1 247)	(1 120)
Government Grants paid to related parties				
AIDC Development Centre Eastern Cape SOC Ltd	-	-	122 684	57 800
Eastern Cape Socio-Economic Consultative Council (ECSECC)	-	-	2 400	-

All transactions and balances with related parties are at arm's length.

Notes to the Consolidated Annual Financial Statements

Figures in Rand thousand	Group 2024	Group 2023 Restated *	Company 2024	Company 2023 Restated *

40. Directors' and prescribed officer's emoluments

Non-executive

2024

Directors' emoluments

Services as director or prescribed officer	Board	Total
Chairperson of the Board - Mr V Jarana	237	237
Deputy Chairperson of the Board - Mr S Somdyala	227	227
Ms S Siko	121	121
Ms P Bono	182	182
Ms T Cumming	150	150
Ms N Pietersen	127	127
Dr M Makamba	195	195
Mr V Tshangana (Audit committee member only)	142	142
Mr T Maphanga (Audit committee member only)	5	5
Ms L Smith (Audit committee member only)	69	69
Dr A Madyibi (Audit committee member only)	16	16
	1 471	**1 471**

2023

Directors' emoluments

Services as director or prescribed officer	Board	Total
Chairperson of the Board - Mr V Jarana	247	247
Deputy Chairperson of the Board - Mr S Somdyala	187	187
Ms S Siko	150	150
Ms P Bono	145	145
Ms T Cumming	153	153
Ms N Pietersen	167	167
Mr R Nicholls - External Audit Committee Member	5	5
Dr M Makamba	5	5
Mr V Tshangana (audit committee member only)	153	153
Mr T Maphanga (Audit committee member only)	64	64
Ms L Smith (Audit committee member only)	53	53
	1 329	**1 329**

Compensation to ECDC executive management

2024

Remuneration to executives	Earnings	Gratuity	Contributions paid under pension scheme and medical aid	Total
Compensation to ECDC executive management				
Mr A Wakaba (Chief Executive Officer	3 198	-	229	3 427
Mr N Ravgee (Chief Financial Officer)	2 193	-	-	2 193
Mr C Thompson (Head: Properties and Infrastructure Delivery)	1 849	1 715	149	3 713

Notes to the Consolidated Annual Financial Statements

Figures in Rand thousand	Group 2024	Group 2023 Restated *	Company 2024	Company 2023 Restated *

40. Directors' and prescribed officer's emoluments (continued)

Ms L Peinke (Acting Executive: Econ Dev Coordination and Sector Support)	138	-	-	138
Ms N Matoti (Acting executive: Corporate services) up until 3 Nov 2023	79	-	-	79
Ms L Mbobo-Vava (Executive: Corporate services) from 1 December 2023	615	-	73	688
Mr DZ Nkonki (Executive: Enterprise Finance and Business Support)	2 070	-	-	2 070
Mr M Mpikashe (Head: Legal, Compliance and Governance) until 31 January 2024	1 636	-	186	1 822
Mrs Z Thomas (Acting Head: Legal, Compliance and Governance) until 30 Nov 2023	91	-	-	91
Mr F Botha (Acting Head: Legal, Compliance and Governance) from 1 December 2023	38	-	-	38
Mr P George (Acting Executive: Chief Investment Officer) until 4 June 2023	33	-	-	33
Mr K Zonke (Chief Investment Officer) from 5 June 2023	1 955	-	150	2 105
Mr N Nayo (Acting Head: Properties and Infrastructure Delivery) from 1 March 2024	12	-	-	12
	13 907	**1 715**	**787**	**16 409**

2023

Remuneration to executives	Earnings	Contributions paid under pension scheme & medical aid	Total
Compensation to ECDC executive management			
Mr A Wakaba - Chief Executive Officer	3 077	228	3 305
Mr N Ravgee - Chief Financial Officer	1 247	-	1 247
Mr C Thompson (Head: Properties and Infrastructure Delivery)	1 679	149	1 828
Ms L Peinke (Acting Executive: Econ Dev Coordination and Sector Support) appointed on 7 October 2022	62	-	62
Mr L Govender (Executive: Corporate Services) until 30 September 2022	907	60	967
Ms N Matoti (Acting Executive: Corporate Services) appointed on 1 October 2022	65	-	65
Mr P George (Acting Executive: Chief Investment Officer)	123	-	123
Mr M Geqeza (Acting Head: Development Finance and Business Support) up to April 2022	9	-	9
Mr E Jooste (Acting Head: Development Finance and Business Support) appointed on 12 April 2022 until 31 December 2022	90	-	90
Mr DZ Nkonki (Executive: Rural and Enterprise Finance and Business Support) appointed on 1 January 2023	491	15	506
Mrs Z Thomas (Acting Head: Legal, Compliance and Governance) appointed on 23 August 2022	82	-	82
Mr M Mpikashe (Head: Legal, Compliance and Governance)	1 526	213	1 739
	9 358	**665**	**10 023**

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	Group		Company	
Figures in Rand thousand	2024	2023 Restated *	2024	2023 Restated *

41. Prior period errors

Restatement to Investment Properties relates to the following:

Recognition – Three investment properties were recognised in the current year; these were confirmed to be belonging to ECDC. ECDC intensely correlated asset register to MDA to ensure Revenue completeness. It was during this process that three properties were billed on MDA, but were not reflected on our Property register.

The combined value of Investment properties recognised in the current year is R623 thousand with these ERF numbers (1986, 7079 and 2470) all these assets are in the Amathole region.

Fair Value was incorrectly recorded in the property register - The value of the investment properties was increased by R2, 719 million due to corrections made comprising of 13 properties in total.

Realisation of disposal proceeds on legacy sales - Proceeds were incorrectly realised to profit before the property was transferred. The net value of this entry is R1,963 million increase in trade and other payables and relates to these ERF numbers (2446, 846, 6831 and 9978). The entry does not affect investment properties, but a reduction in trade and other payables.

Rent an billing errors - Property division:
The error relates to an incorrectly extracted report from MDA which was used to process a rental billing journal on Promun. The report was extracted using incorrect parameters and the impact is an in trade receivables (R226 thousand), increase in Retained income (R264 thousand) and increase in VAT output (R38 thousand).

Reclassification from other receivables to other payables:
We have reclassified unallocated deposits from other receivables to other payables in line with the correct disclosure of unallocated deposits. This has resulted to an increase in trade and other receivables in both Group and Company by (2023: R 1,214 million, 2022: R 3,545 million) and increase in trade and other payables by the corresponding amounts in those respective years.

Leave pay provision:
The error arose in the previous years where a manual calculation was done to reduce the leave balance to 40 days as at year end so as not to overstate leave provision by employees who have leave days in excess of 40 days. However management did not realised that the system had already limited the leave pay provision to 40 days and as such the leave pay provision on the General ledger was less than the leave pay provision calculated by the system. A correction was done for this understatement (R1, 027million) where Retained income was reduced and the Leave provision was increased.

Revaluation of PPE (Revaluation surplus):
The group management made corrections on the Revaluation surplus in prior years as well as the Carrying value (CV) of the Property, plant and equipment (PPE). The previous version of Promun (ERP system) was not calculating Revaluation surplus correctly and as such management updated the PPE asset module on Promun to accomodate revaluations done on our Properties. The previous Promun version used to create a new asset whenever a revaluation was done on our properties, it was not able to update the CV of the property that is being revalued. This has resulted to an increase in the CV of our Land and Buildings by R10, 086 million, an increase in Revaluation surplus by R10, 391 million and a reduction in Retained income by R305 thousand.

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Figures in Rand thousand	2024	2023 Restated *	2024	2023 Restated *

41. Prior period errors (continued)

Deferred income (One Stop Shop operational costs):
ECDC was advised by DTIC to reverse some of operational costs that were booked against the Grant from DTIC. The initial grant for set up costs for One stop shop (OSS) does not cover operational costs; it only cover costs related to setting up a OSS. We agreed with DTIC to reverse these costs and they became costs of ECDC. DTIC only cover operational costs once the OSS has been launched by the President of the Republic and in the case of ECDC, such launch has not occurred. The value of operational costs reversed against Retained income is R1, 236 million which is coming from prior years.

Other financial liabilities - Funds no longer surrendered to Treasury:
The 2017/18 Surrender of R47.619 million: the amount in question includes an amount of R43. 859 million which relates to ECDC's pledge to social infrastructure intervention in the Makana sanitation crises. The source of this amount is ECDC's own revenue generated from the infrastructure implementation capacity in 2012. The total surrender amount is therefore reduced by R43.859 million, resulting in the net amount of R3.760 million to be surrendered back to the PRF

Interest cost on defined benefit obligation:
Interest cost on defined benefit obligations was previously reported as past service cost. In the current financial year management have changed the disclosure of past service cost and referred it as interest cost in line with the requirements of IAS 19. The impact of this change in prior year is as follows:

Decrease in in other expenses by R3 170 (Company: R3 170) thousand and increase in finance costs by R3 170 (Company: R3 170) thousand. The overall profit or loss for the prior year remains the same as this change is just reclassification on expense line items.

Financial instrument disclosure note:
Management of ECDC decided to reclassify the accrued leave pay and accrued bonus out of Financial instruments to Non financial instruments in line with IAS 19 regarding short term benefits. The reclassification does not have an impact on the overall Trade and other payables' balance as reflected on statement of Financial position in all these 2 prior reporting periods.

The impact is only on the disclosure note, where Financial instruments movement was decreased and Non financial instrument disclosure was increased. The impact in prior years is decrease in Financial instrument (Group) (2023: R 12 502, 2022: R 11 096) and (Company) impact is (2023: R 9 733, 2022: R 9 127). The corresponding impact is an increase in Non financial instruments (Group) (2023: R 12 502, 2022: R11 096) and (Company) impact is (2023: R 9 733, 2022 R 9 127).

The above prior year adjustments did not have an impact on the 2023 Statement of of Profit or Loss and Other Comprehensive Income as well as Statement of Cash Flows for the same accounting period. The adjustments were booked against opening Retained income of 2022 as most of errors corrected relates to prior years. The exception is on the Finance costs which were reclassified from other operating expenses to Finance costs, due to its materiality in nature.

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Figures in Rand thousand	Group 2024	Group 2023 Restated *	Company 2024	Company 2023 Restated *

41. Prior period errors (continued)

The correction of the error(s) resulted in adjustments as follows in the 2023 and 2022 financial years:

Statement of Financial Position 2023	As previously reported	Adjustments	As restated	As previously reported	Adjustments	As restated
Investment Properties	1 329 243	3 343	1 332 586	1 243 443	3 343	1 246 786
Trade and other payables	(85 546)	(314)	(85 860)	(81 321)	(314)	(81 635)
Trade and other receivables	31 079	988	32 067	29 710	988	30 698
Property, plant and equipment	72 189	10 086	82 275	35 154	10 086	45 240
Other financial liabilities	(47 619)	43 859	(3 760)	(47 619)	43 859	(3 760)
Deferred income	(206 104)	(1 236)	(207 340)	(192 697)	(1 236)	(193 933)
Subtotal	1 093 242	56 726	1 149 968	986 670	56 726	1 043 396
	1 093 242	**56 726**	**1 149 968**	**986 670**	**56 726**	**1 043 396**

Statement of Financial Position 2022	As previously reported	Adjustments	As restated	As previously reported	Adjustments	As restated
Investment Properties	1 382 003	3 343	1 385 346	1 299 259	3 343	1 302 602
Trade and Other payables	(77 961)	(2 646)	(80 607)	(75 226)	(2 647)	(77 873)
Trade and other receivables	29 235	3 320	32 555	34 369	3 321	37 690
Property, plant and Equipment	66 519	10 086	76 605	31 803	10 086	41 889
Other financial liabilities	(47 619)	43 859	(3 760)	(47 619)	43 859	(3 760)
Deferred income	(192 642)	(1 237)	(193 879)	(177 954)	(1 237)	(179 191)
Subtotal	1 159 535	56 725	1 216 260	1 064 632	56 725	1 121 357
	1 159 535	**56 725**	**1 216 260**	**1 064 632**	**56 725**	**1 121 357**

Statement of Profit or Loss and Other Comprehensive Income	As previously reported	Adjustments	As restated	As previously reported	Adjustments	As restated
Other operating expenses	476 851	(3 170)	473 681	427 935	(3 170)	424 765
Finance costs	401	3 170	3 571	797	3 170	3 967
Subtotal	477 252	-	477 252	428 732	-	428 732
	477 252	**-**	**477 252**	**428 732**	**-**	**428 732**

Summary of prior year restatements	Total
Recognition of investment property	(623)
Fair Value was incorrectly recorded in the property register	(2 720)
Deferred income	1 236
Errors on revaluation of prior year disposals	(10 086)
Realisation of disposal proceeds on legacy sales	(1 963)
Liability cleared by Provincial Treasury (Funds previously requested to be surrendered by Treasury)	(43 859)
Incorrect rent billings relating to prior years	264
Leave pay provision	1 026
	(56 725)

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Figures in Rand thousand	Group 2024	Group 2023 Restated *	Company 2024	Company 2023 Restated *

42. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

Group - 2024

	Note(s)	Fair value through other comprehensive income - equity instruments	Fair value through profit or loss - Mandatory	Amortised cost	Total	Fair value
Loans receivable	10	-	-	46 267	46 267	-
Investments at fair value	11	23 913	3 700	-	27 613	27 613
Trade and other receivables	12	-	-	30 317	30 317	-
Cash and cash equivalents	14	-	-	435 635	435 635	-
		23 913	**3 700**	**512 219**	**539 832**	**27 613**

Group - 2023

	Note(s)	Fair value through other comprehensive income - equity instruments	Fair value through profit or loss - Mandatory	Amortised cost	Total	Fair value
Loans receivable	10	-	-	30 363	30 363	-
Investments at fair value	11	23 913	19 102	-	43 015	43 015
Trade and other receivables	12	-	-	31 004	31 004	-
Cash and cash equivalents	14	-	-	303 285	303 285	-
		23 913	**19 102**	**364 652**	**407 667**	**43 015**

Group - 2022

	Note(s)	Fair value through other comprehensive income - equity instruments	Fair value through profit or loss - Mandatory	Amortised cost	Total	Fair value
Loans receivable	10	-	-	30 455	30 455	-
Investments at fair value	11	23 913	17 380	-	41 293	41 293
Trade and other receivables	12	-	-	25 370	25 370	-
Cash and cash equivalents	14	-	-	233 703	233 703	-
		23 913	**17 380**	**289 528**	**330 821**	**41 293**

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Rand thousand	2024	2023 Restated *	2024	2023 Restated *

42. Financial instruments and risk management (continued)

Company – 2024

	Note(s)	Fair value through other comprehensive income - equity instruments	Fair value through profit or loss - Mandatory	Amortised cost	Total	Fair value
Loans to group companies	9	-	-	36 897	36 897	-
Loans receivable	10	-	-	46 267	46 267	-
Investments at fair value	11	23 913	2 234	-	26 147	26 147
Trade and other receivables	12	-	-	28 373	28 373	-
Cash and cash equivalents	14	-	-	362 343	362 343	-
		23 913	**2 234**	**473 880**	**500 027**	**26 147**

Company – 2023

	Note(s)	Fair value through other comprehensive income - equity instruments	Fair value through profit or loss - Mandatory	Amortised cost	Total	Fair value
Loans to group companies	9	-	-	36 713	36 713	-
Loans receivable	10	-	-	30 363	30 363	-
Investments at fair value	11	23 913	18 156	-	42 069	42 069
Trade and other receivables	12	-	-	29 837	29 837	-
Cash and cash equivalents	14	-	-	272 095	272 095	-
		23 913	**18 156**	**369 008**	**411 077**	**42 069**

Company - 2022

	Note(s)	Fair value through other comprehensive income - equity instruments	Fair value through profit or loss - Mandatory	Amortised cost	Total	Fair value
Loans to group companies	9	-	-	33 751	33 751	-
Loans receivable	10	-	-	30 455	30 455	-
Investments at fair value	11	23 913	15 933	-	39 846	39 846
Trade and other receivables	12	-	-	37 690	37 690	-
Cash and cash equivalents	14	-	-	197 370	197 370	-
		23 913	**15 933**	**299 266**	**339 112**	**39 846**

Categories of financial liabilities

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Rand thousand	2024	2023 Restated *	2024	2023 Restated *

42. Financial instruments and risk management (continued)

Group - 2024

	Note(s)	Amortised cost	Leases	Total	Fair value
Trade and other payables	22	82 328	-	82 328	-
Borrowings	18	20 000	-	20 000	-
Lease liabilities	4	-	1 158	1 158	-
		102 328	**1 158**	**103 486**	**-**

Group - 2023

	Note(s)	Amortised cost	Leases	Total	Fair value
Trade and other payables	22	72 643	-	72 643	-
Finance lease obligations	4	-	1 564	1 564	-
		72 643	**1 564**	**74 207**	**-**

Group - 2022

	Note(s)	Amortised cost	Leases	Total	Fair value
Trade and other payables	22	68 251	-	68 251	-
Finance lease obligations	4	-	1 748	1 748	-
		68 251	**1 748**	**69 999**	**-**

Company - 2024

	Note(s)	Amortised cost	Leases	Total	Fair value
Trade and other payables	22	80 852	-	80 852	-
Loans from group companies	17	47 683	-	47 683	-
Borrowings	18	20 000	-	20 000	-
Lease liabilities	4	-	16 834	16 834	-
		148 535	**16 834**	**165 369**	**-**

Company - 2023

	Note(s)	Amortised cost	Leases	Total	Fair value
Trade and other payables	22	71 337	-	71 337	-
Loans from group companies	17	40 737	-	40 737	-
Finance lease obligations	4	-	19 877	19 877	-
		112 074	**19 877**	**131 951**	**-**

Company - 2022

	Note(s)	Amortised cost	Leases	Total	Fair value
Trade and other payables	22	67 506	-	67 506	-
Loans from group companies	17	29 144	-	29 144	-
Finance lease obligations	4	-	3 726	3 726	-
		96 650	**3 726**	**100 376**	**-**

Notes to the Consolidated Annual Financial Statements

Figures in Rand thousand	Group 2024	Group 2023 Restated *	Company 2024	Company 2023 Restated *

42. Financial instruments and risk management (continued)

Pre tax gains and losses on financial instruments

Gains and losses on financial assets

Group - 2024

	Note(s)	Fair value through profit or loss - Mandatory	Fair value through profit or loss - Designated	Amortised cost	Total
Recognised in profit or loss:					
Interest income	30	-	-	30 555	30 555
Dividend income	30	134	-	-	134
Gains (losses) on valuation adjustments	26	-	(5 052)	-	(5 052)
Net gains (losses)		**134**	**(5 052)**	**30 555**	**25 637**

Group - 2023

	Note(s)	Fair value through profit or loss- Mandatory	Fair value through profit or loss - Designated	Amortised cost	Total
Recognised in profit or loss:					
Interest income	30	-	-	15 578	15 578
Dividend income	30	179	-	-	179
Gains (losses) on valuation adjustments	26	-	2 223	-	2 223
Net gains (losses)		**179**	**2 223**	**15 578**	**17 980**

Company - 2024

	Note(s)	Fair value through profit or loss - Designated	Amortised cost	Total
Recognised in profit or loss:				
Interest income	30	-	29 840	29 840
Gains (losses) on valuation adjustments	26	(5 052)	-	(5 052)
Net gains (losses)		**(5 052)**	**29 840**	**24 788**

Company - 2023

	Note(s)	Fair value through profit or loss - Designated	Amortised cost	Total
Recognised in profit or loss:				
Interest income	30	-	18 484	18 484
Gains (losses) on valuation adjustments	26	2 223	-	2 223
Net gains (losses)		**2 223**	**18 484**	**20 707**

Gains and losses on financial liabilities

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Figures in Rand thousand	Group 2024	Group 2023 Restated *	Company 2024	Company 2023 Restated *

42. Financial instruments and risk management (continued)

Group – 2024

	Note(s)	Leases	Total
Recognised in profit or loss:			
Finance costs	31	(161)	(161)

Group - 2023

	Note(s)	Amortised cost	Leases	Total
Recognised in profit or loss:				
Finance costs	31	(271)	(130)	(401)

Company - 2024

	Note(s)	Leases	Total
Recognised in profit or loss:			
Finance costs	31	(1 902)	(1 902)

Company - 2023

	Note(s)	Amortised cost	Leases	Total
Recognised in profit or loss:				
Finance costs	31	(271)	(526)	(797)

Capital risk management

The Group's objective when managing capital which includes share capital, borrowings, working capital and cash and cash equivalents is to maintain a flexible capital structure that reduces the cost of capital to an acceptable level of risk and to safeguard the Group's ability to continue as a going concern while taking advantage of strategic opportunities in order to maximise stakeholder returns sustainably.

The capital structure and gearing ratio of the Group at the reporting date was as follows:

		Group			Company		
Figures in Rand thousand		2024	2023	2022	2024	2023	2022
Loans from group companies	17	-	-	-	47 683	40 737	29 144
Borrowings	18	20 000	-	-	20 000	-	-
Lease liabilities	4	1 158	1 564	1 748	16 834	19 877	3 726
Trade and other payables	22	96 962	85 860	80 607	90 341	81 635	77 872
Other financial liabilities	20	-	3 760	3 760	-	3 760	3 760
Total borrowings		**118 120**	**91 184**	**86 115**	**174 858**	**146 009**	**114 502**
Cash and cash equivalents	14	(435 635)	(303 285)	(233 703)	(362 343)	(272 095)	(197 370)
Net borrowings		**(317 515)**	**(212 101)**	**(147 588)**	**(187 485)**	**(126 086)**	**(82 868)**
Equity		1 600 401	1 512 632	1 511 641	1 457 723	1 380 580	1 390 236
Gearing ratio		(20)%	(14)%	(10)%	(13)%	(9)%	(6)%

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Rand thousand	2024	2023 Restated *	2024	2023 Restated *

42. Financial instruments and risk management (continued)

Financial risk management

Overview

Risk management is fundamental to the Group's business and plays a fundamental role in enabling management to operate more effectively in an ever-changing environment.

The approach followed by the Group to manage risk is to ensure that all significant risks are identified and managed.

This note describes the Group's overall risk management. Information has been disaggregated relative to the characteristics of the various financial instruments used by the Group. Further, quantitative information in respect of these risks is presented throughout these Group consolidated annual financial statements.

The Group is exposed to the following risks from its financial instruments:

- Credit risk related to the potential for counterparty default
- Liquidity and/or funding risk relating to the cost of maintaining various financial positions, financial compliance risk and the
dependency in relation to income from grant funding;
- Market risk related to the volatility in interest rates and inappropriate pricing relative to the cost of funding and risk assumed;
- Concentration risk of investments in certain asset classes, industries and/or regions; and
- Dependency in relation to income on a limited number of exposures or counterparties and/or financial products. The board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework.
- The board has established the risk committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports quarterly to the board of directors on its activities.

The Board of Directors has overall responsibility for the determination of the Group's risk management objectives and policies and for the establishment and oversight of the Group's risk management framework. The board has established the Audit, Risk and Compliance Committee, which is responsible for developing and monitoring the Group's risk management policies and framework. The committee reports regularly to the Board of Directors on its activities.

The overall objective of the Board is to set policies that reduce the risk that they are exposed to as far as possible without unduly affecting the Group's general business operations. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group has established an Enterprise Risk Management Framework (ERM) that is organisationally embedded and is reviewed on a regular basis by the Audit, Risk and Compliance Committee. ERM is considered from an enterprise wide portfolio perspective, namely, integration (spanning all lines of business), comprehensive (covering all types of risk) and strategic (aligned with the overall business strategy).

The objective of ERM is to continuously provide and update risk identification, validation, management and review of the risks.

One of the key practices of risk management is the determination and quantification of an organisation's risk appetite based on what is of strategic importance. The risk appetite forms the basis of the extent to which the Group tolerates risks as identified by performance indicators, operational parameters and process controls to increase shareholder value.

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Rand thousand	2024	2023 Restated *	2024	2023 Restated *

42. Financial instruments and risk management (continued)

The Group audit committee oversees how management monitors compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.
The audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit and the risk committee and followed up through their internal audit findings review.

Credit risk refers to the risk that a counterparty to a financial instrument fails to meet its obligations in accordance with the agreed terms and conditions of the underlying contract, thereby causing the asset holder to suffer a financial loss.

Credit risk comprises the potential loss on loans receivable, advances, operating lease receivables, equity instruments at fair value through other comprehensive income, investments and the placement of cash and cash equivalents (deposits) with financial institutions. Credit risk for exposures other than those arising on cash and cash equivalents, are managed by making use of credit approvals, limits and monitoring.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Operating Leases (rental receivables)

At initial recognition of an operating lease the credit risk of default of the tenant is assessed on an individual basis taking into account historic, current and forward looking information. Tenant collateral in the form of deposits and/or guarantees are obtained. When determining the risk of default, management considers information such as payment history to date.

Cash and cash equivalents

Credit risk exposure arising on cash and cash equivalents is managed by the Group through dealing with well-established financial institutions with high credit ratings.

Loans receivable

At initial recognition the credit risk of loans receivable is evaluated with reference to available historical, forward looking financial information and external bureau data (where available) of each transaction on its own merit before terms and conditions of the loan is offered.

Collateral is also obtained when necessary. Counterparty credit limits are in place and are reviewed and approved by credit management committees. The exposure to credit risk and the creditworthiness of counterparties is continuously monitored.

Credit loss allowances

Credit loss allowances for expected credit losses are recognised for all debt instruments, but excluding those measured at fair value through profit or loss. Credit loss allowances are also recognised for loan commitments and financial guarantee contracts.

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	Group		Company	
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42. Financial instruments and risk management (continued)

In order to calculate credit loss allowances, management determines whether the loss allowances should be calculated on a 12 month or on a lifetime expected credit loss basis. This determination depends on whether there has been a significant increase in the credit risk since initial recognition. If there has been a significant increase in credit risk, then the loss allowance is calculated based on lifetime expected credit losses. If not, then the loss allowance is based on 12 month expected credit losses. This determination is made at the end of each financial period. Thus the basis of the loss allowance for a specific financial asset could change year on year.

Management applies the principle that if a financial asset's credit risk is low at year end, then, by implication, the credit risk has not increased significantly since initial recognition. In all such cases, the loss allowance is based on 12 month expected credit losses. Credit risk is assessed as low if there is a low risk of default (where default is defined as occurring when amounts are 90 days past due).

In any event, if amounts are 30 days past due, then the credit risk is assumed to have increased significantly since initial recognition. Credit risk is not assessed to be low simply because of the value of collateral associated with a financial instrument. If the instrument would not have a low credit risk in the absence of collateral, then the credit risk is not considered low when taking the collateral into account. Rental receivables and loans which do not contain a significant financing component are the exceptions and are discussed below.

The methodology and assumptions used for estimating future cash flows are reviewed on a regular basis to reduce any differences between loss estimates and actual loss experience. A measurement of Expected Credit Loss (ECL) allowances has been done, taking into account the forward looking information, time value of money. Based on the regression analysis performed, there was no correlation between the loss rates and the macroeconomic factors. However, no adjustment factor for the impact of Covid-19 has been applied to the allowances for loans advanced and rent receivables as the impact has been insignificant.

The Group's internal rating is applied on rental receivables and loans advanced based on the national or local economic conditions that correlate with defaults on the receivables. Objective reasons may further result in an exposure being classified manually based on covenant breaches and payment arrangements made.

The credit rating categories are assigned to the rent receivables and loans advanced, on an individual basis.

The exposure of the Group to credit risk at the end of the reporting period, without taking into account any collateral held, would increase to the full balances of gross carrying amounts indicated in the table below. Credit risk for exposures other than those arising on cash and cash equivalents, are managed by making use of credit approvals, limits and monitoring. The Group only deals with reputable counterparties with consistent payment histories. Sufficient collateral or guarantees are also obtained when necessary. Each counterparty is analysed individually for creditworthiness before terms and conditions are offered. The analysis involves making use of information submitted by the counterparties as well as external bureau data (where available). Counterparty credit limits are in place and are reviewed and approved by credit management committees. The exposure to credit risk and the creditworthiness of counterparties is continuously monitored.

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

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42. Financial instruments and risk management (continued)

Group

		2024			2023			2022		
		Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value
Loans receivable	10	152 602	(106 335)	46 267	124 776	(94 413)	30 363	183 423	(152 968)	30 455
Trade and other receivables	12	526 162	(494 926)	31 236	466 408	(434 341)	32 067	437 329	(404 774)	32 555
Cash and cash equivalents	14	435 635	-	435 635	303 285	-	303 285	233 703	-	233 703
		1 114 399	**(601 261)**	**513 138**	**894 469**	**(528 754)**	**365 715**	**854 455**	**(557 742)**	**296 713**

Company

		2024			2023			2022		
		Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value
Loans to group companies	9	36 897	-	36 897	36 713	-	36 713	33 751	-	33 751
Loans receivable	10	152 602	(106 335)	46 267	124 776	(94 413)	30 363	183 423	(152 968)	30 455
Trade and other receivables	12	524 118	(494 903)	29 215	465 002	(434 304)	30 698	442 437	(404 747)	37 690
Cash and cash equivalents	14	362 343	-	362 343	272 095	-	272 095	197 370	-	197 370
		1 075 960	**(601 238)**	**474 722**	**898 586**	**(528 717)**	**369 869**	**856 981**	**(557 715)**	**299 266**

Concentration Risk

Risk concentrations can arise in a financial organisation’s assets, liabilities or off-balance sheet items, through the execution or processing of transactions (either product or service), or through a combination of exposures across these broad categories. The potential for loss reflects the size of the position and the extent of loss given a particular adverse circumstance

.
The Group can be exposed to various forms of credit risk concentration which, if not properly managed, may cause significant losses that could threaten its financial health. Accordingly, the Group considers the management (including measurement and control) of its credit concentrations to be of vital importance. In this instance, due to ECDC’s business model, ECDC is exposed to the economic conditions affecting the Eastern Cape.

However, despite the recognition of credit concentration as important sources of risk for portfolios, there is no generally accepted approach or methodology for dealing with the issue (including measurement) of concentration particularly with respect to sector or industry concentration. The Group's risk appetite and tolerance framework, sets concentration limits which are monitored on an individual and asset level.

Notes to the Consolidated Annual Financial Statements

Figures in Rand thousand	Group 2024	Group 2023 Restated *	Company 2024	Company 2023 Restated *

42. Financial instruments and risk management (continued)

Liquidity risk

The ECDC is accountable to its sole shareholder, the Department of Economic Development Department (DEDEAT). The performance as well as management of ECDC's capital is supported by the agreement between the Corporation and the shareholder in a form of the Shareholder's Compact which outlines the agreements between the two parties.

The Group is exposed to liquidity risk, which is the risk that the Group will encounter difficulties in meeting its obligations as they become due.

The Group manages its liquidity risk by effectively managing its working capital, capital expenditure and cash flows. The financing requirements are met through cash generated from operations and deposits are held at central banking institutions.

The ECDC's risk appetite and tolerance framework, sets the liquidity requirement which is monitored by management and the Board on a regular basis.

Further, a twelve month cash flow forecast is prepared to identify and manage liquidity risk. Where necessary, additional resources are secured from the shareholder to shore up liquidity. In addition to these measures, management constantly assesses the most liquid assets for liquidation should the need arise to mitigate the liquidity risk.

The maturity profile of contractual cash flows of non-derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.

Group - 2024

	Note	Less than 1 year	2 to 5 years	Over 5 years	Total	Carrying amount
Non-current liabilities						
Borrowings	18	-	-	20 000	20 000	20 000
Lease liabilities	4	-	607	-	607	607
Current liabilities						
Trade and other payables	22	82 328	-	-	82 328	82 328
Lease liabilities	4	551	-	-	551	551
		(82 879)	**(607)**	**(20 000)**	**(103 486)**	**(103 486)**

Group - 2023

	Note	Less than 1 year	2 to 5 years	Total	Carrying amount
Non-current liabilities					
Lease liabilities		-	1 099	1 099	1 099
Current liabilities					
Trade and other payables	22	72 643	-	72 643	72 643
Lease liabilities	4	465	-	465	465
		(73 108)	**(1 099)**	**(74 207)**	**(74 207)**

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Figures in Rand thousand	Group 2024	Group 2023 Restated *	Company 2024	Company 2023 Restated *

42. Financial instruments and risk management (continued)

Group – 2022

	Note	Less than 1 year	2 to 5 years	Total	Carrying amount
Non-current liabilities					
Lease liabilities		-	1 312	1 312	1 312
Current liabilities					
Trade and other payables	22	64 706	-	64 706	67 506
Lease liabilities		436	-	436	436
		(65 142)	**(1 312)**	**(66 454)**	**(69 254)**

Company - 2024

	Note	Less than 1 year	2 to 5 years	Over 5 years	Total	Carrying amount
Non-current liabilities						
Loans from group companies	17	-	-	47 683	47 683	47 683
Borrowings	18	-	-	20 000	20 000	20 000
Lease liabilities		-	11 583	-	11 583	11 583
Current liabilities						
Trade and other payables	22	80 852	-	-	80 852	80 852
Lease liabilities	4	5 251	-	-	5 251	5 251
		(86 103)	**(11 583)**	**(67 683)**	**(165 369)**	**(165 369)**

Company - 2023

	Note	Less than1 year	2 to 5 years	Over 5 years	Total	Carrying amount
Non-current liabilities						
Loans from group companies	17	-	-	40 737	40 737	40 737
Lease liabilities		-	14 932	-	14 932	14 932
Current liabilities						
Trade and other payables	22	71 337	-	-	71 337	71 337
Lease liabilities	4	4 945	-	-	4 945	4 945
		(76 282)	**(14 932)**	**(40 737)**	**(131 951)**	**(131 951)**

	Group		Company	
Figures in Rand thousand	2024	2023 Restated *	2024	2023 Restated *

42. Financial instruments and risk management (continued)

Company – 2022

		Less than1 year	2 to 5 years	Over 5 years	Total	Carrying amount
Non-current liabilities						
Loans from group companies	17	-	-	29 144	29 144	29 144
Lease liabilities		-	1 312	-	1 312	1 312
Current liabilities						
Trade and other payables	22	67 506	-	-	67 506	67 506
Lease liabilities	4	2 414	-	-	2 414	2 414
		(69 920)	**(1 312)**	**(29 144)**	**(100 376)**	**(100 376)**

Management of ECDC decided to reclassify the accrued leave pay and accrued bonus out of Financial instruments to Non financial instruments in line with IAS 19 regarding short term benefits. The reclassification does not have an impact on the overall Trade and other payables' balance as reflected on statement of Financial position in all these reporting periods. The impact is only on the disclosure note, where Financial instruments movement was decreased and Non financial instrument disclosure was increased. The impact over the prior year periods is decrease in Financial instrument (Group) (2023: R 12 502, 2022: R 11 096) and (Company) impact is (2023: R 9 733, 2022: R 9 127). The corresponding impact is an increase in Non financial instruments (Group) (2023: R 12 502, 2022: R11 096) and (Company) impact is (2023: R 9 733, 2022 R 9 127).

We have reclassified unallocated deposits from other receivables to other payables in line with the correct disclosure of unallocated deposits. This has resulted to an increase in trade and other receivables in both Group and Company by (2023: R 1,214 million, 2022: R 3,545 million) and increase in trade and other payables by the corresponding amounts in those respective years.

Market risk

Interest rate risk

Fluctuations in interest rates impact on the value of investments and financing activities, giving rise to interest rate risk.
Interest rate risk is the potential negative impact on Interest income and it refers to the vulnerability of the Group's financial condition to the movement in interest rates. Changes in interest rates affect earnings, value of assets, liabilities and cash flow.

The Group policy with regards to financial assets, is to invest cash at floating rates of interest and to maintain cash reserves in short-term investments in order to maintain liquidity, while also achieving a satisfactory return for shareholders.

The Group is exposed to interest rate risk arising mainly from the investment in development loans, rent receivables and investment in surplus operational cash. The changes in prime lending rate throughout the financial year ending 31 March 2020 has reduced the interest earned on loans advanced, rent receivables and investment income earned on surplus operational cash. Interest rates have started going up during 2022 financial year end as a result of high inflation forcing the Reserve bank to increase its Repo rate and subsequent increase in Prime lending rates.

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	Group		Company	
Figures in Rand thousand	2024	2023 Restated *	2024	2023 Restated *

42. Financial instruments and risk management (continued)

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

Details of interest rate risk exposure are contained in the relevant notes throughout these financial statements.

43. Fair value information

Fair value hierarchy

The table below analyses assets and liabilities carried at fair value. The different levels are defined as follows:

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the Group can access at measurement date.

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

Levels of fair value measurements

Level 1

Recurring fair value measurements

	Note(s)						
Assets							
Financial assets mandatorily at fair value through profit or loss	11						
Listed shares		2 907	2 470	3 130	-	-	-
Total		**2 907**	**3 130**	**2 512**	**-**	**-**	**-**

Listed shares are valued at their market values as at year end. The share price for all shares held by Group is readily available on JSE.

Notes to the Consolidated Annual Financial Statements

Figures in Rand thousand	Note(s)			Group 2024	Group 2023 Restated *	Company 2024	Company 2023 Restated *

43. Fair value information (continued)

Level 2

Recurring fair value measurements

Assets	Note(s)			Group 2024	Group 2023 Restated *	Company 2024	Company 2023 Restated *
Investment property	5						
Investment property		1 370 362	1 332 586	1 385 346	1 284 562	1 246 786	1 302 602
Property, plant and equipment	3						
Land		4 565	4 565	4 565	3 265	3 265	3 265
Buildings		70 910	70 729	64 636	36 110	35 929	32 286
Total property, plant and equipment		**75 475**	**75 294**	**69 201**	**39 375**	**39 194**	**35 551**
Equity investments at fair value through other comprehensive income	11						
Unlisted shares		23 913	23 913	23 913	23 913	23 913	23 913
Financial assets mandatorily at fair value through profit or loss	11						
Unlisted shares		793	16 632	14 250	2 234	18 156	15 933
Total		**1 470 543**	**1 371 626**	**-**	**1 350 084**	**1 287 509**	**-**

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Group Company
Figures in Rand thousand 2024 2023 Restated * 2024 2023 Restated *

43. Fair value information (continued)

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

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

2. The fair value of office buildings (owner occupied properties which includes and land buildings) is determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the investment property being valued. The valuation company provides the fair value of the Group's property portfolio every third year and when suitable to dispose of a property.

3. Investments in equity instruments that are accounted for through other comprehensive income are valued using the free cash flow valuation technique. In the current financial year we have used an unofficial valuation that was done by SAFCOL who is also a shareholder at Singisi, SAFCOL owns 10% of shares at Singisi. This valuation was also compared the net asset value (Equity) of Singisi, which is significantly higher than the valuation actually performed. To be prudent we used a lower value which was free cash flow in this case.

4. Investments in equity instruments that are accounted for through profit or loss are valued using the Earnings based method. The Earnings growth are looked for over a period of time to establish the growth in the entity.

The group policy is to value its investments in equity every 3 years. Yearly valuations are done where valuation information is available.

Eastern Cape Development Corporation
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43. Fair value information (continued)

Reconciliation of assets and liabilities measured at level 1 & 2

	Note(s)	Opening balance	Gains (losses) recognised in profit (loss)	Gains (losses) recognised in other comprehensive income	Purchases	Sales	Other movements or changes	Closing balance
Group – 2024								
Assets								
Investment property								
Investment property		1 332 586	30 214	-	40 990	(30 401)	(2 994)	1 370 395
Property, plant and equipment	3							
Land		4 565	-	-	-	-	-	4 565
Buildings		70 729	-	1 511	-	-	(1 330)	70 910
Total property, plant and equipment		**75 294**	**-**	**1 511**	**-**	**-**	**(1 330)**	**75 475**
Equity investments at fair value through other comprehensive income	11							
Unlisted shares		23 913	-	-	-	-	-	23 913
Financial assets mandatorily at fair value through profit or loss	11							
Listed shares		2 470	134	-	-	-	303	2 907
Unlisted shares		16 632	(4 968)	-	-	-	(10 871)	793
Total financial assets mandatorily at fair value through profit or loss		**19 102**	**(4 834)**	**-**	**-**	**-**	**(10 568)**	**3 700**
Total		**1 450 895**	**25 380**	**(28 890)**	**-**	**(30 401)**	**(11 898)**	**1 473 483**

Group - 2023

Assets

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Notes to the Consolidated Annual Financial Statements

43. Fair value information (continued)

	Note(s)	Opening balance	Gains/losses recognised in profit or loss	Gains/losses recognised in other comprehensive income	Purchases	Sales	Issues	Closing balance
Investment property	5							
Investment property		1 385 346	(24 532)	-	1 309	(19 137)	(10 400)	1 332 586
Property, plant and equipment	3							
Land		4 565	-	-	-	-	-	4 565
Buildings		64 636	-	6 771	-	-	(678)	70 729
Total property, plant and equipment		**69 201**	**-**	**6 771**	**-**	**-**	**(678)**	**75 294**
Equity investments at fair value through other comprehensive income	11							
Unlisted shares		23 913	-	-	-	-	-	23 913
Financial assets mandatorily at fair value through profit or loss	11							
Listed shares		3 130	(660)	-	-	-	-	2 470
Unlisted shares		14 250	2 382	-	-	-	-	16 632
Total financial assets mandatorily at fair value through profit or loss		**17 380**	**1 722**	**-**	**-**	**-**	**-**	**19 102**
Total		**1 495 840**	**(22 810)**	**6 771**	**1 309**	**(19 137)**	**(11 078)**	**1 450 895**
Group - 2022								
Assets								
Investment property	5							
Investment property		1 380 430	6 500	-	-	(2 208)	624	1 385 346

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	Note(s)	Opening balance	Gains/losses recognised in profit or loss	Gains/losses recognised in other comprehensive income	Purchases	Sales	Issues	Closing balance
43. Fair value information (continued)								
Property, plant and equipment	3							
Land		4 565	-	-	-	-	-	4 565
Buildings		55 715	-	(481)	-	-	9 402	64 636
Total property, plant and equipment		**60 280**	**-**	**(481)**	**-**	**-**	**9 402**	**69 201**
Equity investments at fair value through other comprehensive income	11							
Unlisted shares		2 647	-	22 143	-	-	(877)	23 913
Financial assets mandatorily at fair value through profit or loss	11							
Listed shares		2 512	618	-	-	-	-	3 130
Unlisted shares		8 608	5 642	-	-	-	-	14 250
Total financial assets mandatorily at fair value through profit or loss		**11 120**	**6 260**	**-**	**-**	**-**	**-**	**17 380**
Total		**1 454 477**	**12 760**	**21 662**	**-**	**(2 208)**	**9 149**	**1 495 840**
Company - 2024								
Assets								
Investment property	5							
Investment property		1 246 786	30 214	-	40 990	(30 401)	(2 994)	1 284 595
Property, plant and equipment	3							
Land		3 265	-	-	-	-	-	3 265
Buildings		35 929	-	1 511	-	-	(1 330)	36 110
Total property, plant and equipment		**39 194**	**-**	**1 511**	**-**	**-**	**(1 330)**	**39 375**

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Notes to the Consolidated Annual Financial Statements

43. Fair value information (continued)

	Note(s)	Opening balance	Gains/losses recognised in profit or loss	Gains/losses recognised in other comprehensive income	Purchases	Sales	Issues	Closing balance
Equity investments at fair value through other comprehensive income	11							
Unlisted shares		23 913	-	-	-	-	-	23 913
Financial assets mandatorily at fair value through profit or loss	11							
Unlisted shares		18 156	(5 051)	-	-	-	(10 871)	2 234
Total		**1 328 049**	**25 163**	**1 511**	**40 990**	**(30 401)**	**(15 195)**	**1 350 117**

Company - 2023

Assets

	Note(s)	Opening balance	Gains/losses recognised in profit or loss	Gains/losses recognised in other comprehensive income	Purchases	Sales	Issues	Closing balance
Investment property	5							
Investment property		1 302 602	(27 588)	-	1 309	(19 137)	(10 400)	1 246 786
Property, plant and equipment	3							
Land		3 265	-	-	-	-	-	3 265
Buildings		32 286	-	4 321	-	-	(678)	35 929
Total property, plant and equipment		**35 551**	**-**	**4 321**	**-**	**-**	**(678)**	**39 194**
Equity investments at fair value through other comprehensive income	11							
Unlisted shares		23 913	-	-	-	-	-	23 913
Financial assets mandatorily at fair value through profit or loss	11							
Unlisted shares		15 933	2 223	-	-	-	-	18 156
Total		**1 377 999**	**(25 365)**	**4 321**	**1 309**	**(19 137)**	**(11 078)**	**1 328 049**

Company - 2022

Notes to the Consolidated Annual Financial Statements

	Note(s)	Opening balance	Gains/losses recognised in profit or loss	Gains/losses recognised in other comprehensive income	Purchases	Sales	Issues	Closing balance

43. Fair value information (continued)

	Note(s)	Opening balance	Gains/losses recognised in profit or loss	Gains/losses recognised in other comprehensive income	Purchases	Sales	Issues	Closing balance
Assets								
Investment property	5							
Investment property		1 297 686	6 500	-	-	(2 208)	624	1 302 602
Property, plant and equipment	3							
Land		3 265	-	-	-	-	-	3 265
Buildings		23 365	-	(481)	-	-	9 402	32 286
Total property, plant and equipment		**26 630**	**-**	**(481)**	**-**	**-**	**9 402**	**35 551**
Equity investments at fair value through other comprehensive income	11							
Unlisted shares		2 647	-	22 143	-	-	(877)	23 913
Financial assets mandatorily at fair value through profit or loss	11							
Unlisted shares		10 693	5 240	-	-	-	-	15 933
Total		**1 337 656**	**11 740**	**21 662**	**-**	**(2 208)**	**9 149**	**1 377 999**

The fair value of unlisted investments is performed by the Group's finance department, every third year and at any time when suitable to dispose of the investment.

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

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

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Notes to the Consolidated Annual Financial Statements

44. Changes in liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities - Group – 2024

	Opening balance	Other non-cash movements	Total non-cash movements	Cash flows	Closing balance
Borrowings	-	20 000	20 000	-	20 000
Other financial liabilities	3 760	-	-	(3 760)	-
Lease liabilities	1 564	161	161	(567)	1 158
	5 324	**20 161**	**20 161**	**(4 327)**	**21 158**
Total liabilities from financing activities	**5 324**	**20 161**	**20 161**	**(4 327)**	**21 158**

Reconciliation of liabilities arising from financing activities - Group – 2023

	Opening balance	New leases	Other non-cash movements	Total non-cash movements	Cash flows	Closing balance
Other financial liabilities	3 760	-	-	-	-	3 760
Finance lease liabilities	1 748	187	129	316	(500)	1 564
	5 508	**187**	**129**	**316**	**(500)**	**5 324**
Total liabilities from financing activities	**5 508**	**187**	**129**	**316**	**(500)**	**5 324**

Reconciliation of liabilities arising from financing activities - Group – 2022

	Opening balance	New leases	Other non-cash movements	Total non-cash movements	Cash flows	Closing balance
Other financial liabilities	47 619	-	(43 859)	(43 859)	-	3 760
Finance lease liabilities	35	1 743	-	1 743	(30)	1 748
	47 654	**1 743**	**(43 859)**	**(42 116)**	**(30)**	**5 508**
Total liabilities from financing activities	**47 654**	**1 743**	**(43 859)**	**(42 116)**	**(30)**	**5 508**

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Notes to the Consolidated Annual Financial Statements

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

Reconciliation of liabilities arising from financing activities - Company – 2024

	Opening balance	Other non-cash movements	Total non-cash movements	Cash flows	Closing balance
Borrowings	-	20 000	20 000	-	20 000
Other financial liabilities: current	3 760	-	-	(3 760)	-
Lease liabilities	19 877	1 902	1 902	(4 945)	16 834
Loans from group companies	40 737	-	-	6 946	47 683
	64 374	**21 902**	**21 902**	**(1 759)**	**84 517**
Total liabilities from financing activities	**64 374**	**21 902**	**21 902**	**(1 759)**	**84 517**

Reconciliation of liabilities arising from financing activities - Company - 2023

	Opening balance	New leases	Other non-cash movements	Total non-cash movements	Cash flows	Closing balance
Other financial liabilities: current	3 760	-	-	-	-	3 760
Finance lease liabilities	3 726	19 228	526	19 754	(3 603)	19 877
Loans from group companies	29 144	-	-	-	11 593	40 737
	36 630	**19 228**	**526**	**19 754**	**7 990**	**64 374**
Total liabilities from financing activities	**36 630**	**19 228**	**526**	**19 754**	**7 990**	**64 374**

Notes to the Consolidated Annual Financial Statements

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

Reconciliation of liabilities arising from financing activities - Company – 2022

	Opening balance	New leases	Other non-cash movements	Total non-cash movements	Cash flows	Closing balance
Other financial liabilities	47 619	-	(43 859)	(43 859)	-	3 760
Finance lease liabilities	4 402	1 743	340	2 083	(2 759)	3 726
Loans from group companies	25 095	-	-	-	4 049	29 144
	77 116	**1 743**	**(43 519)**	**(41 776)**	**1 290**	**36 630**
Total liabilities from financing activities	**77 116**	**1 743**	**(43 519)**	**(41 776)**	**1 290**	**36 630**

45. Going concern

We draw attention to the fact that at 31 March 2024, the Group had accumulated surplus of R734,040 million and that the Group's total assets exceeded its liabilities by R1,600 billion.

We also draw attention to the following factors:

- The Group experienced an operating surplus for the current financial year R86,253 million (2023: 5,786 million deficit).

- Stringent cash flow management was applied due to the liquidity challenges experienced by the Group

- Adverse key ratios exist in relation to the liquidity ratio’s, rental and loan collection rates and debt impairment.

Management have mitigated the impact of these factors through effective cash flow management, cost reduction initiatives and have started to implement its approved renewal strategy.

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

46. Events after the reporting period

The directors are not aware of any other matters or circumstances arising since the end of the financial year which significantly affect the financial position of the Group or the results of its operations.

47. Material losses through criminal conduct, Irregular and fruitless & wasteful expenditure

	Group		Company	
	2024	2023	2024	2023
Irregular expenditure	462	827	462	558
Fruitless and wasteful expenditure	-	-	-	-
Estimated annual loss from properties that were invaded illegally	26 395	11 117	26 395	11 117
Total	**26 857**	**11 944**	**26 857**	**11 675**

Notes to the Consolidated Annual Financial Statements

	Group			Company		
Figures in Rand thousand	2024	2023 Restated *	2022 Restated *	2024	2023 Restated *	2022 Restated *

47. Material losses through criminal conduct, Irregular and fruitless & wasteful expenditure (continued)

Material losses through criminal conduct:

The Eastern Cape Development Corporation experienced the following material losses through criminal conduct during the current financial year: Estimated annual loss from properties that were invaded illegally (R 26,395 million).

Cases have been opened with the SAPS and criminal proceedings are currently underway against the alleged perpetrators.

Irregular expenditure:

The Eastern Cape Development Corporation incurred irregular expenditure of R 462 thousand, (2023: R 558 thousand). Expenditure for 2024 relates to the following procurement against the suppliers indicated below:

1. Legal firm - Payment made to service provider who was irregularly appointed for the provision of secretarial services. The investigation is in progress. The full year expenditure is R262 thousand.

2. Recruitment company - Payment made to service provider for services rendered beyond the approved contract value. The investigation is in progress. The cost for irregular expenditure is R 200 thousand.

Please note that the names of suppliers have been omitted for disclosure purposes. Should the user of the annual report require the names of any of the applicants and defendants, they may contact the ECDC.

An application to the Provincial Treasury for the balance of the irregular expenditure is underway.

The AIDC:
The AIDC did not incur irregular expenditure in the current financial year (2023:R 269 thousand)

The company is in the process of applying for Condonation of all its irregular expenditure.

Fruitless and wasteful expenditure:

The Group did not incur any wasteful and fruitless expenditure in the current financial year (2023: R 0 thousand).

48. Compliance with Broad Based Economic Empowerment Act

In terms of section 13G(1) all spheres of government, public entities and organs of state must report on their compliance with the Broad Based Black Economic empowerment in their annual financial statements and annual reports. ECDC has submitted its Annual report to BBBEE commission timeously and was found to be compliant.

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DEVELOPMENT
CORPORATION

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