2021/2022 INTEGRATED ANNUAL REPORT

REBUILDING OUR ECONOMY

MAKING IT HAPPEN TOGETHER

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ithala
DEVELOPMENT FINANCE CORPORATION LIMITED

VISION, MISSION AND VALUES

VISION

To be the catalyst for growth, socio-economic development and empowerment in the KwaZulu-Natal Province.

OUR MISSION

- Promote investment in development programmes and projects
- Optimise the property portfolio for tenant retention and attraction, and priority sector development
- Support SMME's and co-operatives to be sustainable participants in the economy
- Serve as the preferred implementing agent for economic and infrastructure development projects in the province
- Facilitate programmes that drive radical economic transformation

OUR VALUES

- Passion
- Integrity
- Future-Focused
- Service
- Respect

COMPANY INFORMATION

Group Company Secretary:
LS Mahamba

Bankers:
ABSA Bank Ltd.

Auditors:
Auditor-General

Corporate Attorneys:
Approved Panel of Attorneys

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ACRONYMS

ADA	Agribusiness Development Agency
AGSA	Auditor-General of South Africa
APP	Annual Performance Plan
ARC	Audit and Risk Committee
B-BBEE	Broad-Based Black Economic Empowerment
BCIC	Board Credit and Investment Committee
BLC	Banking License Committee
CEO	Chief Executive Officer
CIPC	Companies and Intellectual Properties Commission
CPI	Consumer Price Index
CRMP	Compliance Regulatory Management Plan
CSI	Corporate Social Investment
DMRE	Department of Mineral Resources and Energy
DUT	Durban University of Technology
EAP	Employee Assistance Program
EDTEA	Economic Development, Tourism and Environmental Affairs
EMDE	Emerging Market and Developing Economies
EME	Exempted Micro Enterprise
ERM	Enterprise Risk Management
EVP	Employee Value Proposition
EXCO	Executive Committee
FV	Fair Value
GEP	Global Economic Prospects
GDP	Gross Domestic Product
GFCF	Gross Fixed Capital Formation
HR	Human Resources
HRSEC	Human Resource Social and Ethics Committee
ICT	Information Communications Technology
IDFC	Ithala Development Finance Corporation
IFRS	International Financial Reporting Standard
IIRC	International Integrated Reporting Council
KPA	Key Performance Areas
KZN	KwaZulu-Natal
MEC	Member of the Executive Council
MTSF	Medium Term Strategic Framework
NEHAWU	National Education, Health and Allied Workers Union
NGREMCO	Nomination, Governance and Remuneration Committee
NIR	Non-Interest Revenue
OHSE	Occupational Health, Safety and Environment
PFMA	Public Finance Management Act
PSP	Properties Strategic Partnership
PwD	People with Disabilities
QSE	Qualifying Small Enterprise
RAPETT	Rationalisation of Public Entities Task Team
RASET	Radical Agrarian Socio-Economic Transformation
ROI	Return on Investment
SARB	South African Reserve Bank
SCM	Supply Chain Management
SEDA	Small Enterprise Development Agency
SETAs	Sector Education and Training Authorities
SLA	Service Level Agreement
SOC	State Owned Company
SOE	State Owned Enterprise
SMME	Small, Medium and Micro Enterprise
SFC	Syndication Funding Committee
TIKZN	Trade and Investment KwaZulu-Natal
VPN	Virtual Private Network

01

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ABOUT THIS REPORT

The Annual Integrated Report encompasses the Ithala Development Finance Corporation Limited's (IDFC) strategy, material issues and performance for the period **1 April 2021 to 31 March 2022** and our prospects for the future.

IDFC is a state-owned entity and through this report sets out to address our material stakeholders, most notably, our shareholder, regulators, clients, employees and communities, as well as potential investors, with regard to our ongoing viability. In determining the contents of this report, we are bound by the reporting requirements set by the Auditor-General of South Africa (AGSA) to convey our performance against our Annual Performance Plan (see pages 54 to 56).

Materiality is determined by the Board of Directors in line with IDFC's mandate and the information requirements of both its shareholder and regulators, as well as other key stakeholder groups.

We are guided by the International Integrated Reporting Council (IIRC) Integrated Reporting Framework, which was released in December 2013, and the King Code on Corporate Governance for South Africa (2016) (King Code). Further standards applied in defining the contents of this report include the IFRS, the Companies Act, Act No. 71 of 2008 (Companies Act) and the Public Finance Management Act, Act No. 1 of 1999 (PFMA).

FORWARD-LOOKING STATEMENTS

Certain statements in this document are deemed to be forward-looking. These relate to, inter-alia, the plans, objectives, goals, strategies, future operations and performance of IDFC.

Words such as 'anticipates', 'estimates', 'expects', 'projects', 'believes', 'intends', 'plans', 'may', 'will', 'should,' and similar expressions are typically indicative of forward-looking statements. These statements are not a guarantee of IDFC's future operating, financial or other results and involve certain risks, uncertainties and assumptions. Accordingly, actual results and outcomes may differ materially from those expressed or implied by such statements.

IDFC makes no representation or warranty, express or implied, that the operating, financial or other results anticipated by such forward-looking statements will be achieved and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario. IDFC undertakes no obligation to update the historical information or forward-looking statements in this document.

APPROVAL AND ASSURANCE OF OUR REPORT

The Audit and Risk Committee is responsible for reviewing and recommending the Annual Integrated Report and the Annual Financial Statements to the Board of Directors for approval. The Board of Directors has applied its mind to the Integrated Report and believes that it addresses all material issues and fairly presents our performance.

Internal and external audits provide additional assurance on the effectiveness of our risk management of material issues.

STATEMENT OF THE BOARD OF DIRECTORS

The Board of Directors acknowledges its responsibility to ensure the integrity of the Annual Integrated Report and, in the Board's opinion, it addresses all material issues and presents fairly the company's integrated performance.

Chairman

Audit and Risk Committee

WHO WE ARE

The Ithala Development Finance Corporation Limited (IDFC) was established in 1958 as a development finance agency, wholly owned by the province of KwaZulu-Natal, mandated to assist government in promoting economic development and empowerment in the province. In its current form, IDFC functions through the promulgation of the KwaZulu-Natal Ithala Development Finance Corporation Act, 2013 (Act No. 5 of 2013), under the oversight of the Board and reports to the Provincial Department of Economic Development, Tourism and Environmental Affairs (EDTEA). IDFC is listed as a Schedule 3D Provincial Business Enterprise in terms of the Public Finance Management Act (No. 1 of 1999, as amended) (PFMA).

As a development finance institution, IDFC is regarded as one of the key channels through which government funding and other small, medium and micro enterprise (SMME) support interventions reach communities. We are one of the pioneers of SMME development, the first institution to bank unbanked communities, and the first to establish shopping centres in rural areas, stimulating development in the more remote regions of KwaZulu-Natal. We seek to play a role in growing the economy and improving quality of life for all those who live in the province.

We continue drawing on these core competencies to deliver ever more effectively and efficiently on our developmental mandate.

OUR PURPOSE

To achieve the intended impact of sustainable and competitive SMME's and co-operatives contributing meaningfully to radical socio-economic transformation and job creation in the KwaZulu-Natal Province.

OUR VISION

To be the catalyst for growth, socio-economic development and empowerment in the KwaZulu-Natal Province.

OUR MISSION

In achieving its vision, the Ithala Development Finance Corporation defines its mission as:

- Promoting investment in development programmes and projects;
- Optimising the property portfolio for tenant retention and attraction, and priority sector development;
- Supporting SMME's and co-operatives to be sustainable participants in the economy;
- Serving as the preferred implementing agent for economic and infrastructure development projects in the province; and
- Facilitating programmes that drive radical economic transformation.

OUR VALUES

- Our **PASSION** for making a difference is what drives us
- We act with **INTEGRITY**
- We strive to be **FUTURE-FOCUSED**
- We lead through **SERVICE**
- We treat everyone with **RESPECT**

MANDATE OF IDFC

IDFC's mandate is expressed in the KwaZulu-Natal Ithala Development Finance Corporation Act, Act No. 5 of 2013, which is concerned with the pivotal role fulfilled by IDFC in the development landscape of the province. The clauses of the Act outlining the service pillars of IDFC are as follows:

- Mobilise financial resources and provide financial and supportive services to persons domiciled, ordinarily resident, or carrying on business within KwaZulu-Natal;
- Plan, execute, finance and monitor the implementation of development projects and programmes in KwaZulu-Natal;
- Promote, assist and encourage the development of the province's human resources and its social, economic, financial and physical infrastructure;
- Promote, encourage and facilitate private sector investment in the province and the participation of the private sector and community organisations in development projects and programmes, and contribute to economic development generally; and
- Act as Government's agent for performing development-related tasks and responsibilities which the Government considers may be more efficiently or effectively performed by a corporate entity.

HOW WE DELIVER ON OUR MANDATE

- We fund business enterprises, SMMEs and co-operatives;
- We provide entrepreneurial support and skills development;
- We develop and manage commercial and industrial properties;
- We provide savings, loans, insurance, home loans and financial services; and
- We strive to meet development goals, while deriving realisable economic opportunities for SMMEs and co-operatives.

MEC'S FOREWORD

With the realisation that economic growth requires collaboration from the public and private sectors to ensure that local businesses resume operations as effectively as possible, IDFC formed partnerships with numerous stakeholders from the private and public sectors.

Mr Ravi Pillay, MPL
MEC for Economic Development, Tourism and Environmental Affairs KwaZulu-Natal

Over the past several years, South Africa's economy has been battered by crises and conflict. In KwaZulu-Natal, the pandemic hit especially hard. Many businesses could not survive the lockdown, while others shed jobs and faced liquidity problems. The government's Economic Reconstruction and Recovery Plan is a concerted effort to reverse these losses while at the same time supporting a more inclusive recovery and closing the inequality gaps.

In July 2021, our efforts were halted by the civil unrest that engulfed much of our province and areas of Gauteng, causing enormous damage to the economy and infrastructure in KwaZulu-Natal. The violence and looting cost South Africa's economy an estimated R50 billion in output and 150 000 jobs. They were interrupting four straight quarters of economic growth, with GDP contracting by 1,5% in the third quarter of 2021.

As a direct result of the unrest, the Ithala Development Finance Corporation (IDFC) alone reported significant damages to its properties, with losses totaling approximately R370 million. Overall, 320 IDFC tenants were impacted, some of which will only have an opportunity to trade once the restorations are complete. While IDFC is insured for the losses, the impact of the social unrest will continue to exist.

Despite the enormous economic challenges facing our country, IDFC has remained committed to providing the people of KwaZulu-Natal with tailor-made solutions that are replicable, affordable and transformative, thereby developing and empowering the communities that the development institution is mandated to serve.

At the same time, as we encourage economic recovery, we must not shy away from the 'reconstruction' element. As a policy priority, emphasis is placed on creating opportunities for those outside the formal economy. For this reason, IDFC continues to bridge the gap by extending the space and funding needed to innovate and grow businesses while delivering financial services to clients from our townships and rural communities.

In line with KwaZulu-Natal's Government Economic Recovery Strategy, during the 2021/22 financial year, IDFC processed over 551 funding applications from SMMEs and co-operatives, approving 461 applications to a total value of R192.9 million. In total, R114.5 million was distributed, creating 1 210 employment opportunities.

IDFC's massive property portfolio continued to provide tenancy to potential business investors at the Isithebe, Ezakheni and Madadeni Industrial

estates, creating new economic and job prospects for the people of KwaZulu-Natal.

In the year under review, IDFC secured a tenant who will be leasing five factories at the Ezakheni Industrial Estate. They will operate a clothing manufacturing facility that will create approximately 1650 jobs.

I am further encouraged to see the ongoing efforts by IDFC to transform the organisation. This includes work to implement the IDFC 2020-2025 Strategic Plan, which prioritises seeking new opportunities for investment, increased contribution to SMMEs and co-operatives, and access to public sector procurement. These efforts are laying the ground-work for an economic recovery that benefits all South Africans.

During the year under review, IDFC also remained biased towards utilising youth and women enterprises as agents for economic development and job creation.

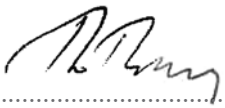
With the realisation that economic growth requires collaboration from the public and private sectors to ensure that local businesses resume operations as effectively as possible, IDFC formed partnerships with numerous stakeholders from the private and public sectors.

They have worked tirelessly on developing and implementing solutions to rebuild the economy. Through partnerships with the Durban University of Technology, IDFC trained 50 clients in business management.

As Government, we continued with the hands-on approach to delivering programmes that will bring sustainable improvement to the people of KwaZulu-Natal. To this effect, IDFC continued to implement projects on behalf of the Department of Economic Development, Tourism and Environmental Affairs, such as Operation Vula Fund, RASET, Bulk Buying and the Shared Detergents Manufacturing project. These initiatives are aimed at transforming the rural and township businesses to play a significant role in the mainstream economy.

As we emerge from the pandemic, strategic investment and small enterprise development will serve as critical levers for economic growth. More than ever, these interventions are needed to set South Africa on a firmer economic path. Strengthening and diversifying our provincial economy, with an eye towards transformation and job creation. This imperative further underscores the critical role of IDFC as a catalyst for economic change.

With that in mind, I would like to thank the Board of Directors for Ithala Development Finance Corporation, the Group Chief Executive and IDFC's dedicated employees for their commitment over the last year. You came together as one to deliver investment, services and support for businesses across the province of KwaZulu-Natal through the pandemic and in the wake of the unrest.



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Mr Ravi Pillay, MPL

MEC: KwaZulu-Natal Department of Economic Development, Tourism and Environmental Affairs

CHAIRMAN'S LETTER TO STAKEHOLDERS

The IDFC continues to build capacity and strengthen its position as the preferred implementing agent for economic and social infrastructure development projects in the province.

Mr Roshan Morar
Chairman of the Board

By any measure, the past year was one of the most difficult in IDFC's history. The economic burdens imposed by COVID-19 were lighter in its second year, but the pandemic has continued to expose and exacerbate the weaknesses of South Africa's economy and it placed continued strain on our clients, causing business disruptions and cash flow problems.

This situation was made worse by the July 2021 civil unrest, with enormous consequences for property owners and businesses. IDFC did not escape the unrest unscathed, as tenants were looted, properties damaged and 11 of our sites were burnt. The closure of economic activity in a multitude of sectors has been most devastating to customers in our portfolios. This impacted our business objectives which are aimed at stimulating economic activity and the empowerment of previously disadvantaged people.

The challenges faced over the past financial year necessitated increased responsibility for the Board of Directors. Our operating environment changed in ways that could not have been predicted, requiring agility and adaptability. This necessitated that the Board and Management reflect on the 2020-2025 strategic outcomes and priorities. Our strategic review process made it clear that a new strategy was not appropriate but rather a re-imbedding and refresh of the strategy we launched in 2020. The strategy has the following six outcomes which continue to direct the efforts of IDFC:

1. Increased investment in development programmes and projects by strategic partners;
2. Property portfolio optimised for tenant retention and attraction, with a focus on priority sectors;
3. Increased contribution of supported SMME's and co-operatives to encourage socio-economic transformation and job creation;
4. Increased access to economic opportunities for KZN residents and enterprises from designated groups;
5. Effective implementation of development programmes and projects in the province; and
6. Sustainable and high-performing organisation.

Achieving the IDFC 2020-2025 Strategic Plan outcomes will require strong coordination, strategic collaboration and partnerships, internally and externally.

As we continue to deliver on our mandate, financial sustainability remains one of the key pillars and strategic priority imperatives in the IDFC's strategic framework. In August 2021, the Board revised its budgeted IDFC profit of R137 million for the

2021/22 financial year to R29 million. Despite the economic challenges and diminishing budget we continued to mobilise loans and execute projects. IDFC never lost focus on our mandate to support small business, while seeking new opportunities for innovation and inclusive economic growth.

IDFC continued to make positive strides in developing and empowering previously disadvantaged individuals, employing tailor-made solutions through our Business Finance and Properties portfolio, and our banking services subsidiary Ithala SOC Limited. The Corporation's financing activity for this financial year reflects lower demand for funding in a period of high uncertainty and challenging operating conditions. In the 2021/22 financial year, IDFC approved 461 applications and successfully disbursed R114,5 million in funding, creating 1 210 much needed jobs in the process.

Our properties portfolio continues to be a key pillar in stimulating job creation in the province, amassing thousands of jobs, particularly in the rural areas of KwaZulu-Natal. Post the July 2021 civil unrest, IDFC was quick to respond and has remained committed to restoring it's damaged properties. While the majority of the minor repair works has been completed, the focus going into 2022/23 will be rebuild the 11 burnt properties and reinstate tenants, which in turn will secure jobs.

The IDFC continues to build capacity and strengthen its position as the preferred implementing agent for economic and social infrastructure development projects in the province. This is in line with the provincial priority to build government's capacity to effectively deliver infrastructure and other projects. The EDTEA has entrusted IDFC as an implementing agent on several projects and we are actively gearing up to fulfil this mandate.

The Board, together with IDFC's management, continues to monitor and manage trends in key financial indicators, including impairments, with necessary proactive actions undertaken. We continue to monitor any material developments affe-cting business performance, providing oversight where necessary through relevant IDFC Board sub-committees.

This report sets out progress in a difficult year, from which the IDFC emerged with greater resilience. As we work to renew our economy and our organisation, we seek new opportunities to catalyse investment, support innovation, and extend our financial services. Efforts that can reorient our economy towards a more equal, inclusive and prosperous outcome.

The Board's term of office ended on 31 May 2021. From this time through to the end of the financial year the Board's term was extended on a month-to-month basis as our Shareholder, the MEC for Economic Development, Tourism and Environmental affairs, finalised regulatory issues to enable new appointments.

I would like to extend my sincere gratitude to members of the Board as they continued to guide IDFC as we moved forward and for their stewardship during this tumultuous year. As well as the IDFC's Group Chief Executive, the entire executive management team and staff, who demonstrated resilience and innovation as they work to deliver our mandate for the people of KZN.

Finally, I share my appreciation for the MEC for Economic Development, Tourism and Environmental Affairs in KwaZulu-Natal, Mr Ravi Pillay, for supporting our efforts to drive an inclusive economic recovery in the province.

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Mr Roshan Morar

Chairman of the Board

SUBSEQUENT EVENT

The board was reconstituted subsequent to the 2021/22 financial year-end. Their term of office commenced on 1 June 2022 with an acknowledgement of the excellent performance achieved by the previous board of directors.

Subsequent to the completion of this report, the previous Chairman of the Board, Mr Roshan Morar, sadly passed away on 9 August 2022. He had served IDFC effectively from 1 June 2017. The results herein presented are the outcome of his unrelenting effort to lead the organisation to a position of optimum developmental effectiveness and financial sustainability.

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Mr Siphesihle Mkhize

Chairman of the Board

FROM THE GROUP CHIEF EXECUTIVE'S DESK

IDFC will incorporate a funding solution to assist rural, informal and township-based businesses, in alignment with our strategy to build rural and township economies.

Ms Pearl Bengu
Group Chief Executive

The IDFC plays a pivotal role in reviving South Africa's economy. Our mandate is to enable KZN businesses and cooperatives, deliver sound advice and financial services, and provide access to quality enterprise infrastructure. Over the past financial year, delivering on this mandate has grown increasingly difficult, but ever the more imperative. Our work was repeatedly challenged by forces outside of IDFC's control.

The COVID-19 pandemic continued to have a negative impact on our business. Many clients, who would otherwise have met their financial obligations, were unable to make payments, while the pipeline of applications and the quality of potential clients were diminished.

The July 2021 civil unrest, which affected businesses and residents throughout the province, also had a significant impact on IDFC's performance for the year. The organisations total property investment portfolio shrank by 1,85%, mainly because of property damage and an increase in the vacancy rate.

As a business, IDFC must actively seek innovations and opportunities to ensure inclusive economic growth. Our lending portfolio needs to balance risk with the imperative of delivering financial solutions to SMMEs and cooperatives while also ensuring the strength and sustainability of our organisation.

In 2021/2022, IDFC's Business Finance Department, which delivers financial services to SMMEs and cooperatives, was also directly impacted by these events. Despite this, IDFC managed to approve 461 funding applications and disbursed funds to 294 businesses. In total, R114,5 million in loans were paid out, representing a 45% increase year-on-year.

IDFC remained steadfast in its commitment to provide transformative funding and ensure inclusive economic growth. Of the businesses that received funding, 97% were black-owned SMMEs; 35% were owned by youth and 23% were owned by women. IDFC is committed to improving this figure through enhanced engagements, collaborations and targeted interventions.

It is this transformation commitment that sets IDFC apart from other financial institutions. IDFC's developmental mandate therefore seeks to support the provincial government vision of an equal society through driving economic development in the province with a strong and deliberate focus on previously disadvantaged individuals, particularly those from rural areas.

As one of the largest property portfolio holders in KwaZulu-Natal, with over 1 million square metres of industrial and commercial space, IDFC is ideally placed to service the various business sectors spread throughout the province. Our focus for the 2022/23 financial year is to work closely with our insurers to rebuild the 11 sites that were severely burnt during the civil unrest; grow the properties portfolio through increased investments; undertake critical repairs and maintenance; and develop and execute a strategy in respect of the derelict buildings.

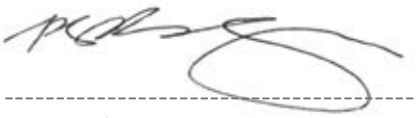
IDFC is mandated to plan, execute, finance and monitor implementation of development projects and programmes in the province of KwaZulu-Natal. During the 2021/22 financial year, IDFC continued to execute catalytic projects on behalf of the Department of Economic Development, Tourism and Environmental Affairs. These included the Operation Vula Co-Operative Grant Funding Programme, Bulking Buying, RASET and establishment and operation of the Cleaning Detergents Shared Production Facility in Kwamashu, a first of its kind initiative in the province. IDFC is also supporting EDTEA with the delivery of the Zimele Traders Fund, establishment of Auto Services and Clothing and Textile hubs, development of a retail centre in Ndumo and the establishment of two more Cleaning Detergents Shared Production Facilities in the Ugu and King Cethwayo District Municipalities. The roll-out of these projects is progressing and will continue in the 2022/23 financial year.

In the 2021/22 financial period our Corporate Social Investment activities focus has been on enterprise development, with an emphasis on women empowerment through the Imbokod'iyazenzela programme. A total of 20 women in business are supported through the 12-month mentorship support programme that commenced in the prior year.

IDFC is committed to ensuring the success of its clients though a robust business support programme. One way of achieving this is by entering into MOUs with strategic stakeholders, such as the Durban University of Technology (DUT). Through this partnership, a group of 50 clients have undergone training in business management skills and will graduate by the end of June 2022.

In alignment with Governments drive to uplift township and rural economies, IDFC has strategised to incorporate a funding solution to assist rural, informal and township-based businesses. IDFC is gearing up to meet the specific needs of businesses in this sector. During the financial year, IDFC introduced the Masakhe Entrepreneurship Programme which is focused on providing much needed business support and funding solutions to entrepreneurs, specifically youth, women lead, and rural and township-based businesses.

In closing, I would like to extend my gratitude to the MEC for Economic Development, Tourism and Environmental Affairs, Mr Ravi Pillay, Board Chairman and members of the Board for their guidance during this past year. I am also encouraged by the work of IDFC's management and employees, as they navigated significant challenges, while continuing to deliver financial and property services to the people of KZN.



Ms Pearl Bengu
Group Chief Executive

GROUP CHIEF FINANCIAL OFFICER'S REPORT

The next financial year will see a greater focus on diversifying and growing the lending book. Furthermore, clients will be provided with pro-active technical, financial management and access to market support post funding where necessary to improve the collection rate of loans advanced.

Ms Babalwa Mapisa
Group Chief Finance Officer

INTRODUCTION

The civil unrest that took place in the Province of KwaZulu-Natal in July 2021 had an adverse impact on IDFC's financial performance. This, together with the prevailing economic climate in the country saw the group realising net profit of R232,8 million for the financial year ending 31 March 2022, the main contributor being an insurance claim that is anticipated to be received in the 2022/23 financial year.

IDFC revised its budgeted profit of R137 million for the 2021/22 financial year to R29 million following the civil unrest. The revision of the budgeted net profit was mainly due to the following:

- Decrease in budgeted rental income because of damages to the IDFC's properties;
- Reduction of anticipated interest income from IDFC clients due to business disruptions;
- Devaluation of properties which were attacked and damaged;
- Projected increase in the provision for bad debts, owing to the unrests anticipated impact on collections, both for properties and business finance; and
- Reduction in the recoveries fees from tenants and due to damaged properties.

2021/22 FINANCIAL PERFORMANCE

The Group's operating income increased by 17% compared to the 2020/21 financial year. This increase in total operating income is mainly driven by the insurance claim of R317m recognised in the income statement and offset by properties' fair value devaluation and increase in provision for bad debts (ECL). The fair value devaluation was R114 million for the group and R112.4 million for the IDFC.

Both the increase in provision for bad debts and the decrease in property values is an indication of the significant impact of the current economic climate on the Group's core operations. Included in the total operating income is grant income of R94 million from EDTEA for SMME support and Ithala SOC's capital injection.

Management capped the increase in total expenditure at 11% for the Group. Management had to tighten spending this year to keep expenditure minimal. This included the freezing of vacant positions and delaying of projects. Based on the above, the group had a positive JAWS ratio of 4% at end of the financial year, however this is expected to improve in 2022/23.

FINANCIAL POSITION

The Group's total assets increased by 2% over the financial year, which is attributed mainly to the increase in trade and other receivables. This is offset by the decrease in fair value of investment property, loans and advances, straight lining of operating lease income and cash and cash equivalents. The Group also managed to decrease its total liabilities by 3%, which is a good indication of its liquidity position. The Group therefore remains solvent and a going concern.

Figure 1: Financial Performance of the Ithala Group Compared to Budget

Total Income	24%	↑
Operational costs	8%	↑
Net Profit*	100%	↑
Cost to income	12%	↓
Capital adequacy ratio	2%	↑

* Net profit includes two exceptional items pertaining to a fair value year-on-year decrease in investment property of R113 million, recognition of grant income of R94 million pertaining to a share capital injection in the wholly owned subsidiary, Ithala SOC Limited and SMME funding and R317m income relating to an insurance claim

The largest subsidiary in the group, Ithala SOC Limited, reported a loss of R52 million. This is a significant decline compared to the loss of R32 million reported in the 2020/2021 financial year. Ithala SOC's exemption notice from the SARB has been extended until 31 December 2023. IDFC will continue providing support, where necessary, to the Bank's application for an extension of the exemption license.

FUTURE OUTLOOK

The South African economy is recovering from the COVID-19 pandemic with projected growth of 2% in 2022 and 1,9% in 2023. The Group notes that recovery will take time as there are many internal and external factors that need to be considered. For the 2022/23 financial year, a net profit of R53 million is budgeted, with an expected increase to R105 million over the MTEF.

The property rebuild programme, with an estimated investment of over R360 million, will be accelerated in the new financial year to restore and improve the value and offering of IDFC's property portfolio.

Furthermore, management is working on increasing revenue streams, facilitated by the introduction of Implementing Agent - Project Implementation as a strategic business within the organisation. Several projects were initiated in the year under review, with IDFC playing an implementing role as per the organisation's mandate. Through the negotiation and implementation of these projects the IDFC seeks to grow the organisation's business and provincial economy. The total value of projects under implementation currently amounts to R272 million.

The next financial year will see a greater focus on diversifying and growing the lending book. Furthermore, clients will be provided with pro-active technical, financial management and access to market support post funding where necessary to improve the collection rate of loans advanced.

IDFC appreciates the continued support of tenants and customers who, during difficult economic times, continued to honour their commitments to the organisation.

Ms Babalwa Mapisa
Group Chief Financial Officer

OUR LEADERSHIP

BOARD OF DIRECTORS

Appointed
01 June 2017

Roshan Morar
Independent Non-Executive Director (Chairman)

B Com, B Com Honours, Chartered Accountant (SA), Certified Fraud Examiner

Area of Expertise
- Financial Management
- Business Advisory
- Audit
- Accounting
- Forensic Services and Investigations
- Taxation

Other Directorships
- Harith General Partners
- Lancaster Group (Pty) Ltd

Appointed
01 June 2017

Siphesihle Mkhize
Independent Non-Executive Director (Deputy Chairman)

B Compt, B Com (Honours) CTA, Auditing Specialised Course (APT), Chartered Accountant (SA), Bachelor of Laws (LLB)

Area of Expertise
- Financial Management
- Audit
- Accounting
- Supply Chain Management
- Strategy Formulation and Management
- Taxation

Other Directorships
- University of Zululand

Appointed
01 June 2017

Sipho C Gina
Independent Non-Executive Director

Social Legal Studies Diploma, Political Economy, Conciliation and Arbitration Certificate, Arbitration Certificate

Area of Expertise
- Human Resources and Labour Specialist
- Social and Ethics Management

Other Directorships
- National Textile Bargaining Council
- Tsogo Sun International – Member of Audit Committee and Chair of Social and Ethics Committee
- Ubuciko Twines and Fabric
- Port Shepstone Quarries (Pty) Ltd
- EduFund
- KZN Economic Council
- Clothing Bargaining Council
- Clothing Bargaining Provident Fund Trustees
- Star Knitting Textile in Mauritius - Non-Executive Director
- Nortex Textile - Non-Executive Director

Appointed
01 June 2017

Precious N Sibiya
Independent Non-Executive Director

Bachelor of Accountancy, Post-Graduate Diploma in Accountancy, Leadership Development Certificate, Chartered Accountant (SA), Advanced Short Course in Business Rescue Practice

Area of Expertise
- Financial Management and Reporting
- Financial Analysis
- Auditing (Internal and External)
- Enterprise-wide Risk Management
- Financial Planning (Budgets and Forecasts)
- Strategy Formulation and Management
- Supply Chain / Procurement Management
- Investment Management
- Project financing
- Business Rescue / Turnaround

Other Directorships
- SAQA
- AWCA Investment Holdings (AIH)
- Reef Tankers (Pty) Ltd
- Zukhanye Consulting (Pty) Ltd
- So2Be Enterprises (Pty) Ltd

Appointed
01 June 2017

Sihle L Ndlovu
Independent Non-Executive Director

MBA, Professional Accountant (SAIPA), Advanced Diploma in Management Accounting (CIMA), National Diploma in Cost Management Accounting (CIMA), Business Management on Developing Countries Certificate, Tax Practitioner (CIMA), Post-Graduate Diploma in Accounting and Finance, Professional Accountant Member with Chartered Institute of Management Accountants (CIMA) UK, Doctoral of Business Administration (PhD) Degree candidate UKZN

Area of Expertise
- Financial Management
- Economic Development
- Credit and Investment Management
- Agriculture
- Planning (Budgets and Forecasts)
- Client Relationship Management
- Performance Management
- Strategy Formulation and Management
- Project Management
- Social and Ethics Management

Other Directorships
- Built Environment Support Group – Chairman
- Inzalo Group of Companies – Chairman
- BFG Retail Ltd – Non-Executive Director – Chairman

OUR LEADERSHIP (continued)

BOARD OF DIRECTORS

Appointed
01 June 2017

Khulekelwe G Mbonambi
Independent Non-Executive Director

B Accounting, B Com Honours (CTA), Certificate in Board Governance, Certificate in Enterprise Risk Management

Area of Expertise
- Financial Reporting
- Financial Management
- Risk Management and Internal Controls
- Supply Chain Management
- Compliance with Laws and Regulations
- Corporate Governance
- Strategy and Performance Management
- South African Tax Legislation

Other Directorships
- Railway Safety Regulator – Member of Audit and Risk Committee
- Water Research Commission – Non-Executive Director and Chairperson of the Audit and Risk Committee
- Rand Water – Non-Executive Director and Deputy Chairperson of the Board
- Department of Agriculture, Land Reform and Rural Development – Member of the Audit and Risk Committee

Appointed
1 November 2018

Pearl Bengu
Executive Director

Masters' in Public Administration, Financial Services Board Compliance Certificate, Advanced Certificate Programme in Management Development for Municipal Finance, Certificate Programme in Management Development for Municipal Finance, B Com, Licentiate Diploma Part 1

Area of Expertise
- Strategic Leadership Management
- Stakeholder Management
- Public Sector Banking
- Business Acquisition

Other Directorships
- Cowslip Investments SOC Ltd

MANAGEMENT TEAM

Pearl Bengu
GROUP CHIEF EXECUTIVE

- Masters' in Public Administration
- Financial Services Board Compliance Certificate
- Advanced Certificate Programme in Management Development for Municipal Finance
- Certificate Programme in Management Development for Municipal Finance
- B Com
- Licentiate Diploma Part 1

Appointed
01 November 2018

Sandile Mnguni
GROUP CHIEF FINANCIAL OFFICER

- MBA
- Chartered Accountant (SA)
- B Com (Honours)

Appointed
18 March 2019
Resigned 31 July 2021

Farhana Abdool Kader
ACTING GROUP CHIEF FINANCIAL OFFICER

- Chartered Accountant (SA)
- B Com (Honours)
- B-Com (Accounting)

Appointed
1 August 2021
to 28 February 2022

OUR LEADERSHIP (continued)

MANAGEMENT TEAM

Babalwa Mapisa
GROUP CHIEF FINANCIAL OFFICER

- B Compt
- B Com Honours
- Chartered Accountant (SA)
- Certified Internal Auditor

Appointed
1 March 2022

Xolani Mkhize
PROPERTIES EXECUTIVE

- Post-Graduate Diploma in Management
- Post-Graduate Diploma in Project Management
- BSc
- Global Executive Development Programme

Appointed
18 March 2019

Khetha Cele
GROUP CHIEF INFORMATION OFFICER

- Diploma in Project Management
- B Com Business Information Systems and Technology
- B Com (Honours) Business Information Systems

Appointed
01 February 2021

Appointed
01 June 2017

Bonginkosi Shangase
BUSINESS FINANCE EXECUTIVE

- MBA (Investments and Portfolio Management)
- Chartered Accountant (SA)
- B Com (Honours)
- B Com (Accounting)
- Diploma in Development of Small Businesses and Industries
- Auditing Specialism Certificate

Appointed
01 July 2020

Dr. Manogran Muthusamy
ACTING GROUP CHIEF RISK OFFICER

- Doctor of Business Leadership
- MBA
- Postgraduate Diploma in Management Studies
- B Com (Financial Management)
- Diploma in Bank Credit Management
- CAIB (SA) - Associate Diploma in Banking

Appointed
01 June 2020

Tozi Mthethwa
GROUP CORPORATE SUPPORT SERVICES EXECUTIVE

- M Soc Sc
- BA Soc Sc (Hons)
- BA Soc Sc

02

SECTION 2

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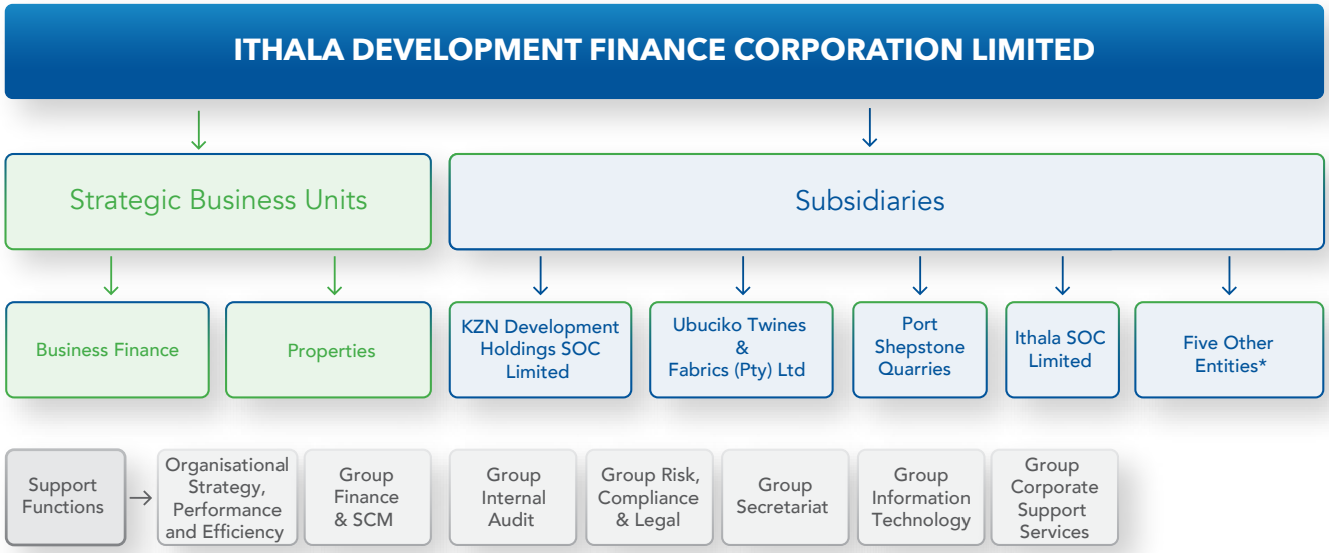
ORGANISATIONAL STRUCTURE

The following diagram illustrates the IDFC organisational structure, including Strategic Business Units and Subsidiaries.

Figure 2: IDFC Organisational Structure



*Cowslip Investment (Pty) Ltd, Sundumbili Plaza Ltd, Nongoma Plaza Ltd, Durban Wharfside Trust and Sibaya Conservation Projects SOC Ltd.

PROPERTIES

Our properties business is responsible for the effective management and development of IDFC's property portfolio, which comprises a range of large industrial, retail, light industrial and SMME properties.

IDFC is one of the largest property portfolio holders in KwaZulu-Natal. Details of the Properties Department's performance and prospects are contained on pages 49 to 51.

BUSINESS FINANCE

IDFC's lending activities are delivered through the Business Finance Department, which offers financial services to SMMEs and co-operatives across KwaZulu-Natal. In so doing, we package a range of products and services designed to stimulate entrepreneurship amongst, especially, historically disadvantaged individuals and communities.

Our lending activities focus on sectors highlighted in the Provincial Spatial Economic Development Strategy, as well as meeting our primary mandate, as expressed in the Ithala Act. Details of our business finance performance and prospects may be found on pages 48 to 49.

SUBSIDIARIES

Ithala SOC Limited

Ithala SOC Limited, formally established in 2001 to enhance our service portfolio by providing effective deposit-taking activities, today provides financial services to the people of KwaZulu-Natal especially in areas where such services were previously insufficient.

We offer customers retail financial services, savings, investment, housing, loan and insurance products. Ithala SOC Limited functions as a multi-channel distribution network, servicing the needs of individuals, groups, businesses, and other public sector entities.

The Ithala SOC Limited Integrated Annual Report provides additional information regarding this wholly owned subsidiary and may be downloaded from the website: www.myithala.co.za.

Ubuciko Twines and Fabrics SOC Limited

Originally located in Mkondeni, Pietermaritzburg, Ubuciko Twines and Fabrics was established in 2006 and is a wholly owned subsidiary of the IDFC. Previously, the company produced polypropylene twine, woven material and polypropylene bags and sacks.

From the 2017/18 financial year, the equipment and the property previously occupied by Ubuciko Twines and Fabrics has been leased to another company. These two rental revenue streams continue to be collected monthly. The majority of the enterprise's operational staff members, originally employed by Ubuciko Twines Fabrics, were absorbed into the business by the new operator.

KwaZulu-Natal Property Development Holdings:

In December 2016, the then MEC for Economic Development, Tourism and Environmental Affairs directed the Chairman of IDFC to wind-up KwaZulu-Natal Property Development Holdings, in line with its legal duty as the shareholder of the entity.

In February 2017, IDFC's Board, by written resolution, gave instruction to the Board of KwaZulu-Natal Property Development Holdings to cease continuation of business by the end of March 2017, except to the extent necessary to wind-up the business.

The shareholder further resolved that KwaZulu-Natal Property Development Holdings be deregistered from the register of the Companies and Intellectual Property Commission (CIPC). The winding up process was in progress as at 31 March 2022.

Port Shepstone Quarries (Pty) Limited

Port Shepstone Quarries (Pty) Ltd (PSQ) is a business operation in quarry mining on a leased farm in Port Shepstone. IDFC initially acquired a 30% shareholding in PSQ when it granted its debt facilities in September 2013. In July 2015 IDFC acquired the remaining 70% shareholding, through a settlement agreement with the majority shareholder following the company's failure to service its debt obligations.

In May 2017, the company was placed under business rescue until the end of January 2018. The company developed and produced a turn-around plan, which explained, in detail, areas upon which it needed to focus and improve into the future.

The quarry operations were temporarily closed. A turnaround strategy supported by an implementation plan was approved by the IDFC Board in 2021. Approval was sought and obtained from the MEC of EDTEA and all relevant officials for the dilution of shareholding in Portshepstone Quarries and acquisition of a third party Investor to revive the operations of Portshepstone Quarries. At the time of preparation and issue of this annual report, the percentage of dilution was unknown. Once this process is complete and a new shareholding structure is in place, the Department of Mineral Resources and Energy will be approached for approval to re-open the operation.

Five Other Entities

IDFC owns five other entities, including Cowslip Investment (Pty) Ltd, Sundumbili Plaza Ltd, Nongoma Plaza Ltd, Durban Wharfside Trust and Sibaya Conservation Project SOC Ltd.

On 9 November 2021, approval was obtained from the MECs of EDTEA, Provincial Treasury and all relevant officials for the dissolution of Sundumbili and Nongoma. Upon dissolution, IDFC will receive the property as a dividend in specie whilst minority shareholders will receive a dividend in cash. The dissolution will have no impact on the financial statements at Group level. The process of dissolving these subsidiaries is yet to be concluded.

Sibaya Conservation Project SOC Ltd carried on the business of letting a lodge, situated in the Chithumuzi area of Manzengwenya Isigodi of Tember Tribal Authority. However the lodge has been vacant since May 2004 and all attempts to find a replacement tenant have been unsuccessful. The company is in the process of liquidation.

ASSOCIATE COMPANY

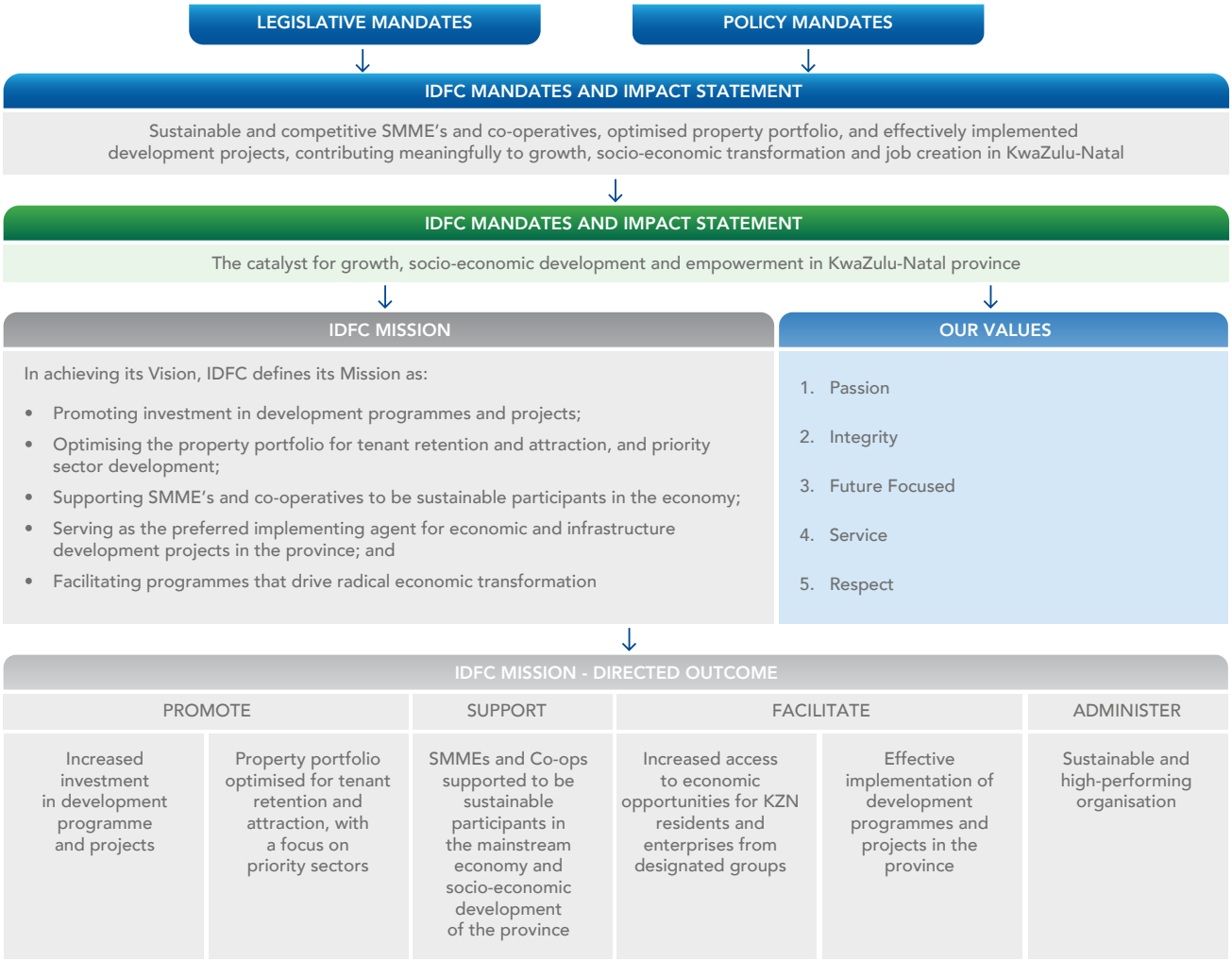
Ntingwe Tea Estate (Pty) Ltd, located in the Nkandla Local Municipality, was established in 1988. IDFC holds a 38% ownership in the estate, while 62% is held by the KwaZulu-Natal Department of Agriculture and Rural Development.

IDFC was responsible for providing management support to the enterprise. However, with effect from 2019/20, the operations were moved to the Agribusiness Development Agency in line with the recommendation of KwaZulu-Natal Rationalisation of Public Entities Task Team (RAPETT) as adopted by the Provincial Executive Council, in principle.

OUR STRATEGY

IDFC develops strategic objectives aligned with the shareholder's expectation and Government's priority areas as per the MTSF (2019-2024). During the 2019/20 financial year IDFC developed and adopted a new five-year strategy covering the period 2020 to 2025. This Strategy is summarised in the diagram below.

Figure 3: IDFC Mandate and Strategic Objectives



Progress towards achieving IDFC's strategic objectives is monitored through the key performance indicators, set out in the IDFC Annual Performance Plan.

OVERVIEW OF EXTERNAL ENVIRONMENT

The IDFC strategy (2020-2025) was reviewed and revised in February 2022 to reflect the ongoing impact of COVID-19 and the July 2021 civil unrest. At that time, the operating environment was characterised by various economic, political and social challenges. These challenges are summarised below.

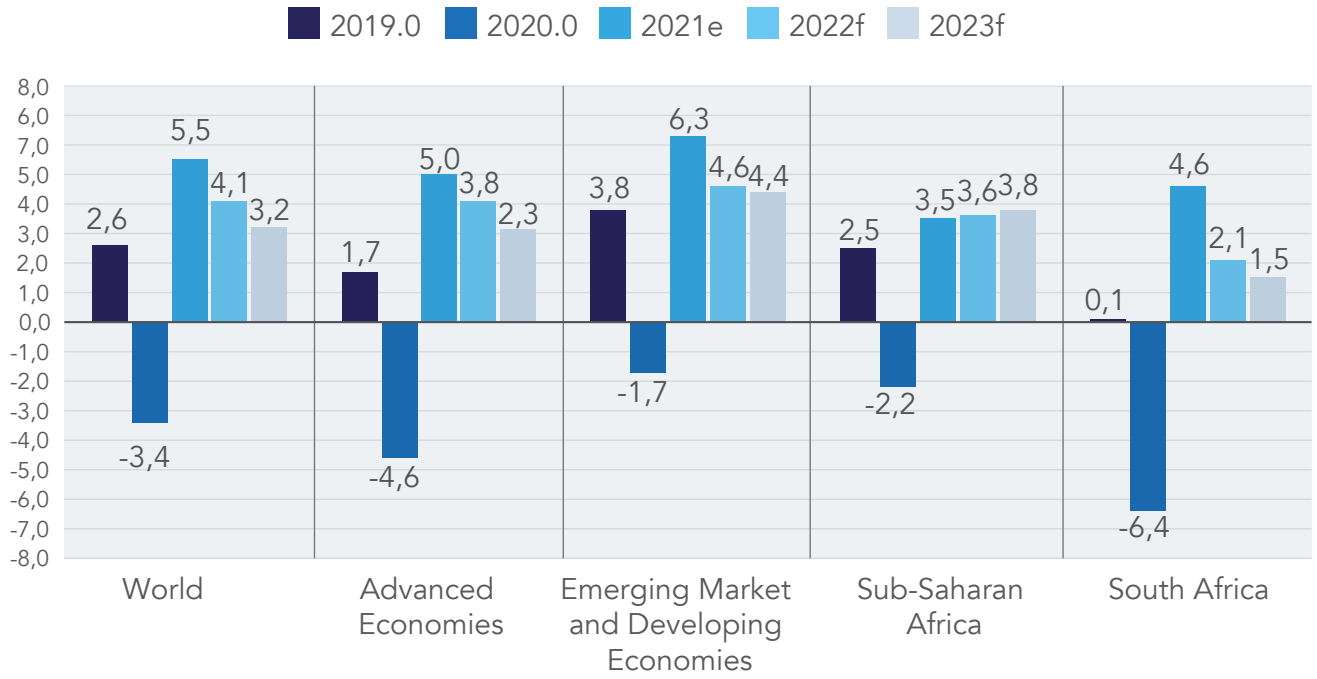
THE GLOBAL ECONOMY

According to the World Bank's Global Economic Prospects (GEP) Report released in January 2022 the global economy is set to expand by 5,5% in 2021, its strongest post-recession pace in 80 years, in part underpinned by steady but highly unequal vaccine access. Growth is concentrated in a few major economies, with most emerging market and developing economies (EMDEs) lagging. While about 90% of advanced economies are expected to regain their pre-pandemic per capita income levels by 2022, only about one-third of EMDEs are projected to do the same. As a result, the per-capita income gap between advanced and developing economies is expected to widen. The global outlook remains subject to significant downside risks, which include the possibility of additional COVID-19 waves and financial stress amid high EMDE debt levels.

Global growth is projected to decelerate from 5.5% in 2021 to 4,1% in 2022, reflecting continued COVID-19 flare-ups, diminished policy support, and lingering supply disruptions. Growth is envisioned to slow further in 2023, to 3.2%, as pent-up demand depletes, and supportive macroeconomic policies continue to be unwound. Notwithstanding these projected recoveries, the pandemic has had a devastating effect on per capita income growth, poverty, and inequality, which will linger for a protracted period.

Below is the World Banks updated global outlook, which accounts for the impact of the COVID-19 Pandemic.

Figure 4: Global GDP and Forecasts



e = estimate; f = forecast

THE IMPACT OF THE WAR IN UKRAINE ON GLOBAL TRADE AND INVESTMENT

The war in Ukraine is an immense human tragedy for the people of Ukraine, with economic implications that are global. According to the World Bank, these encompass disruptions to commodity markets (especially food and energy), logistic networks, supply chains, foreign direct investment, and specific sectors.

Russia's connections to European ports have been cut and commodity exports to other destinations are constrained. For Ukraine, Black Sea ports are blockaded or occupied, leaving the country few routes for commodity exports. This has created supply disruptions, fueling a surge in prices, with negative consequences for global trade and welfare and asymmetric effects on exporting and importing countries.

Russia and Ukraine rank among the top seven global producers and exporters of wheat, corn, barley, sunflower seeds, and sunflower oil. Other sectors critically dependent on inputs from Ukraine include steel (iron ores, ferro silico manganese, and pig iron), heavy manufacturing (flat and rolled steel products), semiconductors (neon gas), cars (ignition cables), and software. It is thus anticipated that, as long as the war continues, access to these products will become more difficult and costly.

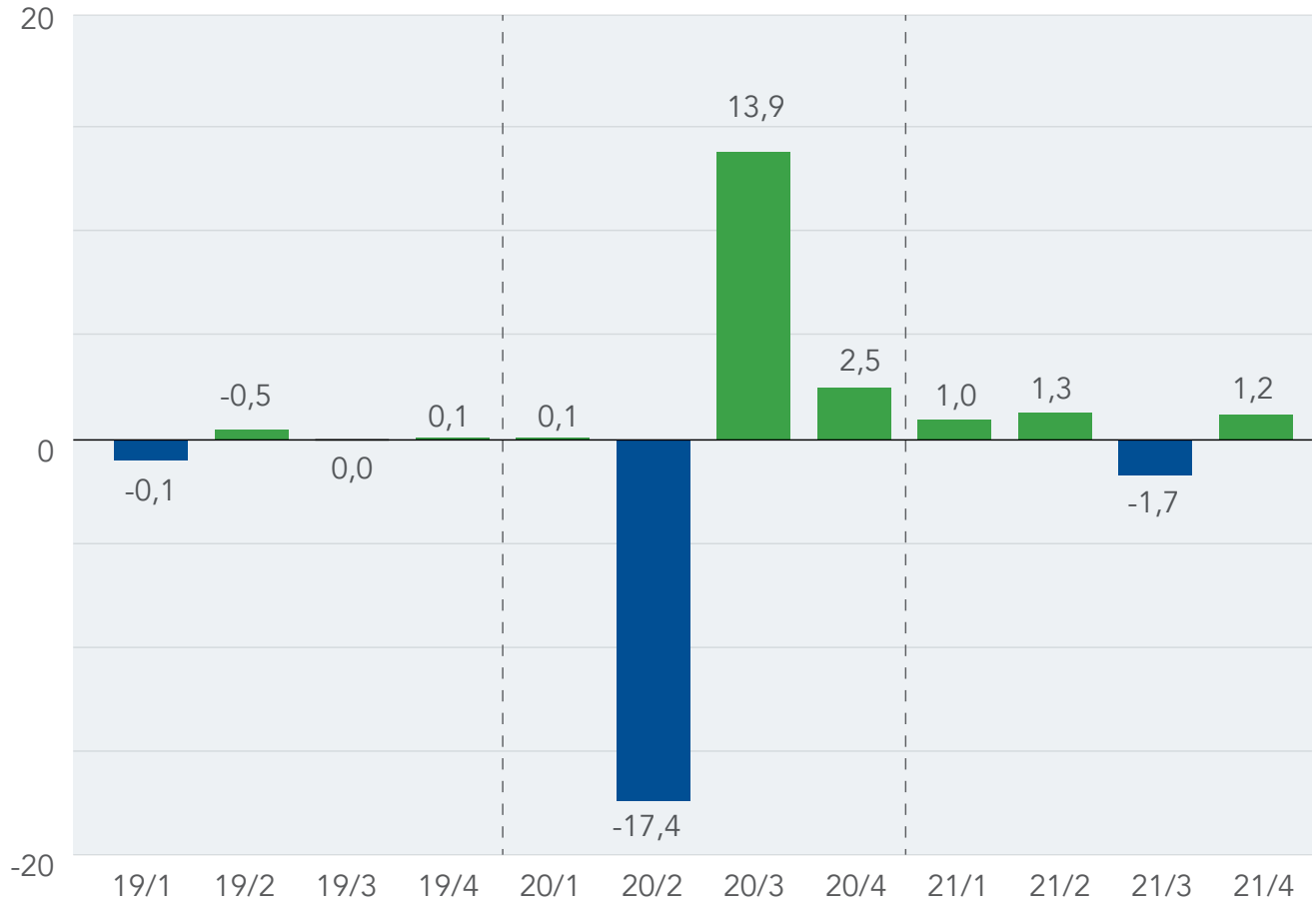
THE SOUTH AFRICAN ECONOMY

South Africa's macro socio-economic environment has been under pressure for some time, characterised by lower than expected growth rates, high structural unemployment, unsustainable poverty levels, and among the highest levels of inequality in the world. South Africa's GDP contracted by 6,4% in 2020, as the pandemic worsened an already weak economy, followed by estimated growth of 4,9% in 2021. According to the World Bank, South Africa's economy will grow by only 2,1% in 2022 and 1.5% in 2023. This remains well short of the trajectory required by the National Development Plan to reduce unemployment to 6%, eradicate poverty, and sharply reduce inequality by 2030.

These forecasts assume less policy uncertainty and a gradual growth dividend from reforms to improve the business environment, reflecting the government's commitment to accelerate public investment projects in cooperation with the private sector, as well as a comprehensive plan to deal with dangerously indebted and currently unsustainable state-owned companies (SOC's), particularly Eskom. The figure below shows the economic recession felt during 2019, the impact of the COVID-19 pandemic from Q2 2020 and the state of recovery thereafter.

Following reasonably solid and better-than-expected GDP growth in the first half of 2021, South Africa's economy was hit by a significant shock during the third quarter. Tighter lockdown restrictions, load shedding, and the July unrest that affected KwaZulu-Natal and Gauteng placed severe pressure on the economy resulting in negative growth of 1,7% for the quarter. This, in turn, eroded some of the output and employment gains made following the outbreak of COVID-19 in early 2020. By the fourth quarter of 2021, real GDP growth had returned to 1,2%, taking the annual growth rate for 2021 to 4,9%.

Figure 5: South Africa's GDP (2019 - 2021)



In assessing the state of the South African economy particular emphasis is placed on Gross Fixed Capital Formation (GFCF), which reflects domestic investment in the economy.

The figure below illustrates South Africa's GFCF growth rates and contributions from 2019 through 2021. According to Stats SA GFCF increased by 1,9% in the fourth quarter of 2021. The main contributors to the increase were investments in machinery and equipment and 'other' assets, while investments in residential, non-residential and construction fell.

Figure 6: South Africa's GFCF Rates and Contributions (2019 - 2021)

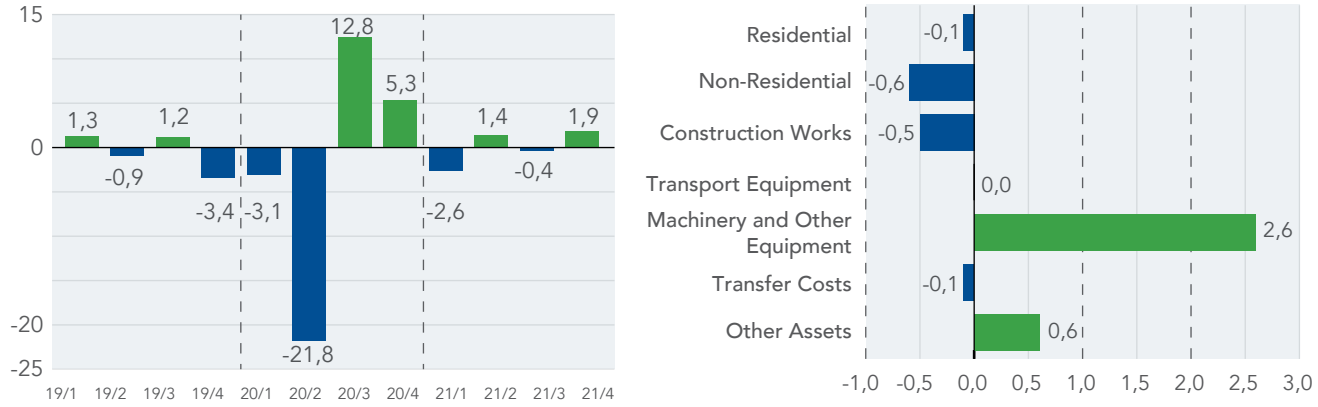
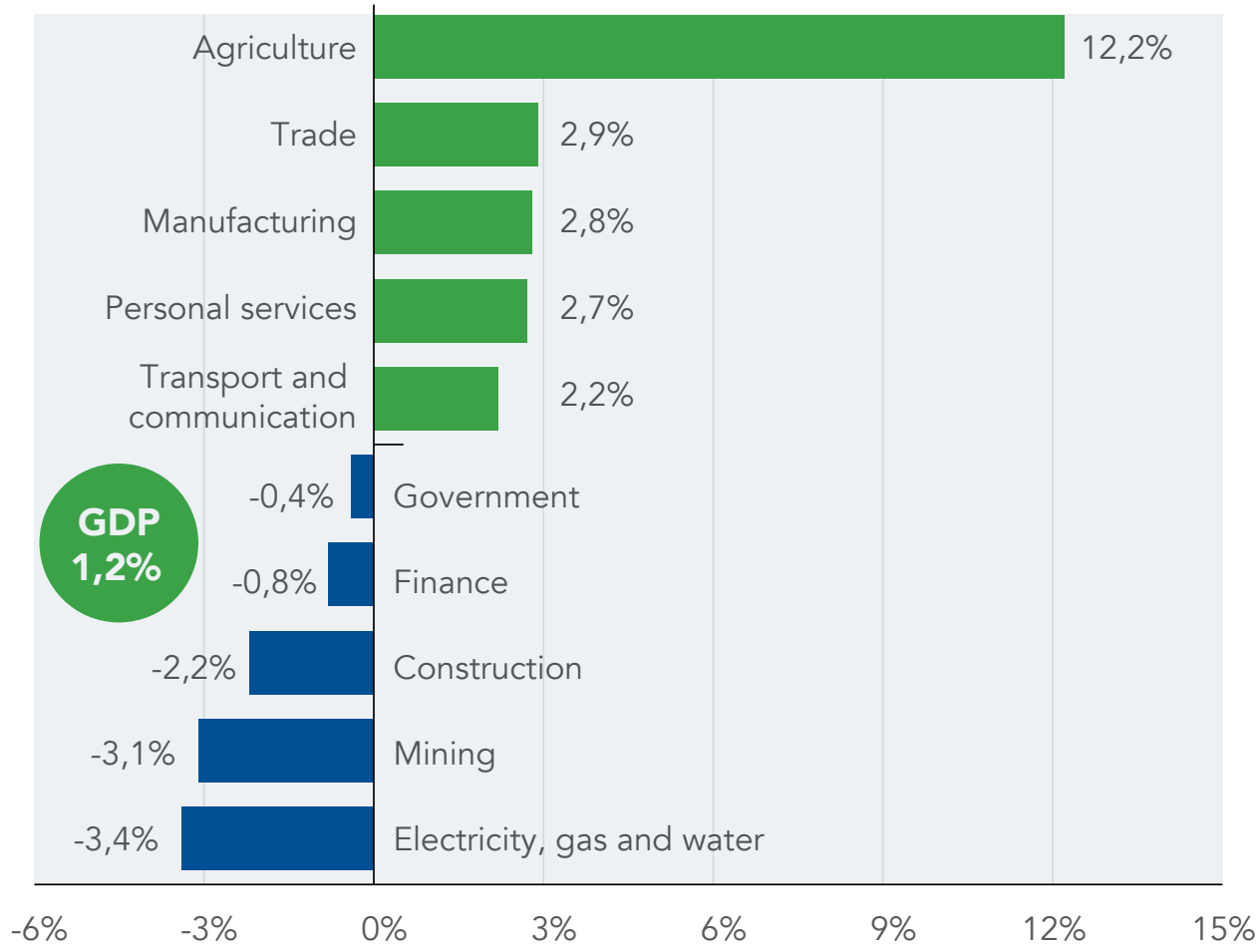


Figure 7 illustrates South Africa's economic growth, by industry, for 2021. Of the five industries that recorded positive growth agriculture was the most robust at 12,2%. This is followed by the trade, accommodation and catering industry at 2,9%, the manufacturing industry at 2,8%, personal services at 2,7% and transport and communications at 2,2%. For each sector, growth is attributed largely to the industry's capacity to rebound, relatively quickly, from the impact of lockdown restrictions. The exception is agriculture, which did not face the same lockdown pressure, but benefited from favourable rainfall and strong commodity prices during both 2020 and 2021.

Conversely, several sectors were unable to rebound as quickly and recorded negative growth for the year. This includes the government and finance sectors, which contracted by 0,4% and 0,8% respectively, owing to lower levels of investment, procurement and economic activity. Industries hit even harder include construction, mining and utilities, which contracted by 2,2%, 3,1% and 3,4%, respectively. These sectors were struggling prior to the pandemic owing to structural and macroeconomic challenges. They are also driven by capital-intensive projects with long-lead times and were thus unable to quickly regain momentum once restrictions were lifted.

Figure 7: South Africa's Economic Growth by Industry (2021)



South Africa's economic challenges have also precipitated changes in the labour market. In the third quarter of 2021, the official unemployment rate increased by 0,4% from 34,9% to 35,3%. This is the highest single quarter increase since the start of the Quarterly Labour Force Survey in 2008. These results are reflective of a struggling economy suffering significant job loss and high levels of economic inactivity, exacerbated by the COVID-19 lockdown restrictions and, more recently, the July 2021 civil unrest. KwaZulu-Natal, which faced the greatest devastation from the civil unrest, also experienced the largest increase in unemployment, which rose by 3,7%.

Macroeconomic factors have also shaped South Africa's economic situation. In response to spiking global inflation, the SARB increased the repo rate by a cumulative 75 basis points over the period under review, to 4.25%. Russia's war in the Ukraine is likely to persist and may have significant further effects on global prices. Further interest hikes are therefore expected in an attempt to keep financial conditions supportive of credit demand as the economy continues to recover.

South Africa's economic and unemployment crises prompted a concerted response by government. On 15 October 2020, President Cyril Ramaphosa presented the South African Economic Reconstruction and Recovery Plan (ERRP), which was partially implemented during the year under review. The Plan's interventions are in pursuit of the National Development Plan goals of reducing unemployment, poverty and inequality. It aims, not only to return the economy to pre-pandemic levels, but to accelerate GDP growth and create new jobs.

IMPLICATIONS OF KEY MACROECONOMIC FACTORS ON IDFC

The macroeconomic climate, discussed above, has direct implications for the successful execution of IDFC's mandate in terms of its core business of properties and business finance.

Implications of the Macro Environment on Business Finance

The economic burdens imposed by COVID-19 were less pronounced in the pandemic's second year. Nevertheless, the pandemic has continued to expose and exacerbate the weaknesses of South Africa's economy. The country was shaken by the violence and disorder in KwaZulu-Natal and parts of Gauteng in July 2021, which impacted 14 of IDFC's Business Finance clients.

In response, the IDFC recognised the need to adjust the approved 2021/22 budget and Annual Performance Plan in order to reduce costs and direct more funds towards the properties capital expenditure budget for the rebuild of the damaged properties. As a result, the Business Finance Unit adjusted its projected capital expenditure from R290 million to R171 million for the 2021/22 financial year. Consequently, the Unit granted far fewer loans when compared to the previous financial year. Furthermore, some Business Finance clients were unable to repay loans due to halted operations and the poor economic climate. This grew the non-performing loan book portfolio from 64.4% as at 1 April 2021 to 70.8% by the end of the financial year.

Historically, the agricultural portfolio is the largest component in the non-performing loan book, comprising 78,4%, and as such its impairments adversely affected the overall portfolio. The following needs to be considered in planning with respect to the agricultural portfolio:

- Look for creative ways to stabilise IDFC's exposure to the agriculture sector, including exploring opportunities in timber, livestock and dairy, where the economic outlook is more favourable. Also, in line with government policy, the IDFC will place greater focus on agro-processing and value-addition, thus stimulating the secondary and tertiary sectors;
- Increase the focus on providing business support to farmers through debt restructuring and consolidation, as opposed to repossessing farms; and
- Engage other stakeholders in the sector, including Trade and Investment KZN (TIKZN), the Agricultural Development Agency (ADA) and the KwaZulu-Natal Department of Rural Development to identify mutually beneficial solutions to the challenges associated with the sector.

Recovering from the lows of the 2020 global recession and creating momentum toward economic recovery remains top of mind for governments and businesses globally. The South African Reserve Bank has increased the repo rate by 75 basis points during the 2021/22 financial year and we anticipate a further degree of repo rate tightening, which will impact the borrowing costs for businesses. Rising interest rates increase the risk of credit losses and impairments as customers experience continued distress.

The IDFC must balance its developmental mandate with the need to recover loans provided, all within a challenging economic environment. This is vital for financial sustainability and to achieve the organisations desired impact. IDFC needs to consider the following in planning:

- Diversify the loan book through a proactive focus on sectors related to the knowledge economy, while remaining selective in operations within the industrial sector, which remains a government priority due to its job creation capability;
- Improve the provision of proactive business support and recovery to clients, to limit and prevent credit impairment; and
- Dilute investments in high-risk sectors and shift towards less risky secondary or tertiary sectors. This needs to include a proactive strategic focus beyond agriculture production towards agro-processing and related value-add sectors.

Implications of the Slowdown in Manufacturing on the Properties Portfolio

South Africa's embattled manufacturing sector showed signs of improvement in the 2021/22 financial year as a result of the easing of COVID-19 lockdown restrictions and opening up of the economy. It is anticipated that this in turn will bring a demand for industrial accommodation.

IDFC has significant exposure to the industrial property sector, with 839 552 square metres in large industrial assets and 142 231 square metres in light industrial space. Property trends and the anticipated ongoing impact of the pandemic indicate that vacancies in large industrial estates will not be filled by traditional manufacturing companies. Global retail and consumption patterns (i.e. growth in e-commerce), and requirements for more efficient and integrated distribution models have created an increased demand for specialised logistics properties. It is estimated that an additional 130 000 square metres of warehousing space will be required to service e-commerce growth in the next 18 months.

IDFC needs to consider the following in planning for the industrial property sector:

- Repurposing industrial properties to meet new and future demands, including revitalising selected industrial parks, establishing digital hubs, catering to e-commerce, and providing for advanced logistics;
- Rezoning of currently least-profitable retail or industrial properties for alternative purposes, such as markets and greenhouse space;
- Transforming selected vacant land into container storage facilities, exploiting the rising demand in this sector;
- Improving security in order to reassure tenants and potential investors;
- Supporting the implementation of master plans developed by government in conjunction with business and labour in strategic manufacturing industries; and
- Supporting key agro-processing value chains, including new market development and the pursuit of import replacement opportunities.

Implications of Performance in the Retail Sector

Retail trade sales increased by 1,3% year-on-year in March 2022. The largest positive contributor to this increase was general dealers, contributing 0,9% of overall growth. This is attributed largely to the easing of lockdown restrictions, which limited retail trade for much of the 2020/21 financial year.

IDFC has significant exposure to the retail sector, with 138 596 square metres in retail space. IDFC will therefore need to consider:

- Creating combined manufacturing and retail space for budding entrepreneurs, particularly in the agro-processing, clothing and footwear industries;
- Transforming retail space into low-cost accommodation for families and students (in strategic locations);
- Utilising vacant land or non-revenue generating properties that serve a community purpose, such as ICT centres and incubation hubs;
- Seeking opportunities to reformat rural malls, creating opportunities for local entrepreneurs, for example providing low-cost retail space for rural owned businesses, or establishing wholesalers to better localise the rural economy; and
- Finding alternative sources of revenue such as paid parking, digital advertising boards, and making productive use of the dead space in retail centres.

The Importance of "Green" Buildings and Industry

As the effects of climate change become more prevalent there is growing demand among industrial, retail and commercial clients for "green" rental space. Furthermore, a study by the SA Green Building Council found that lower energy usage costs translate to better profitability for companies, while green buildings attract higher rentals and have a greater resale value. South Africa's major banks and leading commercial property companies all include green building compliance as a key component of their sustainability reporting.

IDFC, therefore, should continue to respond to this growing market by reviewing its property strategy to ensure a robust response to the issue of green building compliance.

Impact of the July 2021 Civil Unrest on the IDFC

IDFC was severely impacted by the civil unrest that took place in July 2021 with tenants looted, properties damaged and some destroyed. Below is the impact on our property portfolio:

- 46 factories in our large industrial estates, based in Isithebe, Ezakheni and Madadeni were damaged. This includes five factories that were burnt to the ground.
- 2 Light Industrial Parks situated in eThekwini were damaged, one of which was partially burnt.
- 15 shopping centres were damaged to varying degrees. This includes five shopping centres

(Kwamashu, Umlazi W, Nongoma, Eshowe and Sundumbili) that suffered severe fire damage.
- 1 SMME park in Umlazi was damaged.
- A total of 320 tenants were impacted, some of which have returned to trading while others are re-establishing themselves, terminated leases or wait for the properties to be repaired or rebuilt so that they can resume trading.
- The estimated cost of repairing or rebuilding IDFC properties is R370 million and revenue loss is approximately R39 million spread over the 2021/22 and 2022/23 financial years.
- IDFC is insured through SASRIA. IDFC submitted all claims to our insurer.

STRATEGIC OUTCOMES AND TARGETS: 2020-2025

The following table provides IDFC's revised strategic outcomes, outcome indicators and five-year targets.

Table 1: IDFC Strategic Outcomes and Targets (2021 – 2025)

Outcome	Outcome Indicator	Five-Year Target (to March 2025)
Pillar of Mandate **PROMOTE:** Encourage the participation of the private sector and community organisations in development projects and programmes, and in the development of human resources and social, economic, financial and physical infrastructure in the province.		
Outcome 1: **Increased investment in development programmes and projects by strategic partners**	1.1. Cumulative Rand value of investment attracted into provincial development programmes and projects	Business Finance (matched funding): R500 million Properties (partnership investments in properties): R650 million
Outcome 2: **Property portfolio optimised for tenant retention and attraction, with a focus on priority sectors**	2.1. Return on Investment in Property Portfolio	>8,8%
	2.2. Vacancy rate of gross lettable space	<10%
	2.3. Percentage growth in the asset value of properties over the five-year period	25% (5% per annum)
	2.4. The number of new developments and industrial hubs revitalised over the five-year period	Five (5)
	2.5. Cumulative number of jobs created through infrastructure developments and new leases	7 069 jobs from 2020/21 to 2024/25

Outcome	Outcome Indicator	Five-Year Target (to March 2025)
Pillar of Mandate **SUPPORT:** Provide financial and non-financial support and assistance to KwaZulu-Natal residents and enterprises, to enable them to best participate in the mainstream economy and in the socio-economic development of the province.		
Outcome 3: **Increased contribution of supported SMME's and co-operatives to socio-economic transformation and job creation**	3.1. Rand value of loan book	R1 billion
	3.2. Survival rate of SMME's supported (Percentage of SMME's supported that are operational two years after receiving financial support from IDFC + IDFC loan performing)	70%
	3.3. Cumulative number of jobs created by supported enterprises	10 000 jobs from 2020/21 to 2024/25
	3.4. Percentage of non-performing loans	<60%
	3.5. Percentage of loans with first disbursement within 30 days after loan approval	90%
Pillar of Mandate **FACILITATE:** Make it easier to do business and invest, and ensure excellence in the planning, executing, financing and monitoring of the implementation of development projects and programmes in the province.		
Outcome 4: **Increased access to economic opportunities for KZN residents and enterprises from designated groups**	4.1. Rand value of public sector procurement in KwaZulu-Natal accessed by IDFC supported SMME's and co-operatives over the five-year period *(facilitating access to markets and localisation)*	R500 million
	4.2. Percentage of funding allocated to enterprises owned by designated groups: • Black • Women • Youth • PwD's	1. Black, African in particular - 60% 2. Women - 40% 3. Youth - 35% 4. PwD's - 3%
	4.3. Cumulative number of black manufacturing businesses supported to be sustainable participants in historically monopolised sectors	Six (6)
Outcome 5: **Effective implementation of development programmes and projects in the province**	5.1. Percentage of SLA commitments achieved on assigned projects	90%
Pillar of Mandate **ADMINISTER:** Ensure a capable, ethical and sustainable organisation.		
Outcome 6: **Sustainable and high-performing organisation**	6.1. External audit outcome	Achieve an unqualified audit outcome by 2022/23, and maintain thereafter
	6.2. IDFC cost-to-income ratio	Including grant and FV adjustment: 70% Excluding grant: 75%
	6.3. Percentage customer satisfaction rating *(revised methodology)*	>90%
	6.4. Percentage overall organisational performance rating	>90%
	6.5. Return on investment of the Ithala Group	5%

BUSINESS FINANCE STRATEGIES

Business Finance Mission

To provide financial and supportive services to persons and businesses carrying on businesses within KwaZulu-Natal.

Target Market

Primarily previously disadvantaged individuals seeking to establish and/or grow their small and medium-sized business enterprises.

Table 2: IDFC Portfolio Performance (2017/18 – 2021/22)

PORTFOLIO PERFORMANCE: PAST 5 YEARS	2021/22	2020/21	2019/20	2018/19	2017/18
Loan book ('Rm)	689,5	838,2	895,0	888,7	839,9
Non-performing loans ('Rm)	488,3	539,4	414,4	230,5	218,2
Non-performing loans (% - total)	70,8%	64,4%	46,3%	25,9%	24,2%
Non-performing loans per product type:					
Micro finance (%)	32,7%	44,0%	28,2%	22,2%	15,5%
Agri finance (%)	78,5%	72,4%	66,1%	29,5%	5,5%
Franchise finance (%)	45,5%	32,1%	20,6%	17,3%	32,9%
Procurement finance (%)	77,5%	65,4%	53,5%	23,7%	77,8%
Property finance (%)	59,9%	52,8%	30,9%	12,6%	27,5%
Asset finance (%)	68,3%	50,6%	34,5%	33,5%	27,0%
Structured finance (%)	86,8%	88,6%	43,4%	29,0%	34,8%

PROVINCIAL DEVELOPMENT IMPERATIVES RELATED TO SMME AND CO-OPERATIVE FINANCE

The IDFC allocates finance and other support to SMMEs and co-operatives in KwaZulu-Natal, in alignment with the Provincial Growth Development Strategy, which sets out the following imperatives:

- Improve access to finance by KwaZulu-Natal based SMMEs and co-operatives;
- Propel sustainable economic development and job creation;
- Drive and support programmes aimed at reducing poverty and inequality;
- Beneficiation in agriculture and manufacturing;
- Enable the tourism and services sector;
- Institutionalise business support services;
- Rural and township economic development;
- Drive Radical Economic Transformation;
- Improve SMME support interventions;
- Reduce unnecessary red tape;
- Build a culture of service excellence; and
- Drive innovative business solutions.

FOCUS ECONOMIC SECTORS

The IDFC supports economic sectors with the greatest potential to drive economic growth and employment creation in the province. Priority sectors for the 2020/21 financial year are:

- Agriculture and agro-processing
- Manufacturing
- Trade and services
- Commercial property
- Construction
- Logistics
- Mining
- Tourism

KEY CHALLENGES IN BUSINESS FINANCE

Funding

IDFC manages an Enterprise Development Fund on behalf of KwaZulu-Natal's Department of Economic Development, Tourism and Environmental Affairs. The purpose of this Fund is to accelerate development within the province by advancing loans at interest rates below the market. The Development Fund, and consequently the IDFC loan book, have declined in value over the past several years owing to lack of capitalisation and low collection rates. Efforts are underway to mobilise funding through strategic partnerships and borrowings. IDFC has established and conducted initial engagements with identified partners, with the aim of concluding partnerships in the 2022/23 financial year. IDFC is highly dependent on the Fund to advance its on-lending activities and requires re-capitalisation as a matter of urgent priority.

IDFC has prioritised the development of township and rural economies by gearing up to meet the specific needs of businesses in this sector. During the financial year IDFC introduced the Masakhe Entrepreneurship Programme which is focused on providing much needed business support and funding solutions to entrepreneurs, specifically youth, women led, and rural and township-based businesses. Through this programme entrepreneurs will be provided with preferential interest rates, business support services and flexible qualifying criteria to ensure business participation and long-term sustainability.

Profitability

The variables affecting profitability are:

- Low interest rates charged on the Development Fund of between 2% and 7%;
- Reduction in management fees on the Development Fund;
- Payment holidays provided to qualifying clients, which totalled R26 million over the past two financial years;
- IFRS 9 interest income recognition on stage 3 loans; and
- Increased provisions due to the high non-performing loan levels.

A series of portfolio management processes were introduced to manage the profitability risk. These include efforts to increase collections, supported by client visits to review performance and detect early warning signs of possible non-payment.

Lack of Business Support

There is a lack of capacity within IDFC to provide ongoing non-financial business support, which would lead to fewer business failures, optimise levels of SMME success, and translate to the timely repayment of loans disbursed. In the Business Finance value chain, this relates to:

- Pre-investment support (business planning, feasibility studies, etc.); and
- Post-investment support (coaching, mentorship, training, etc.).

During the year under review, partnerships were established with stakeholders to drive the provision of non-financial support. These include a business skills programme with the Durban University of Technology (DUT) and engagements with various SETAs.

Adverse Market Economic Conditions Affecting Small Businesses

Unfavourable trading conditions have a negative bearing on the SMME sector and the likelihood of entrepreneurial success. Access to markets, particularly for businesses operating in historically monopolised sectors and in rural and township areas, remains one of the major challenges facing SMMEs. IDFC has introduced marketing and business development specialists to deliver business support and assist clients with access to market strategies.

Inadequate Secondary Source of Repayments (collateral)

IDFC is specifically oriented to provide loans and other business support to previously disadvantaged South Africans who, largely because of historic inequalities, often have minimal or no collateral to back-up their loan commitments. As a result, there is often no source of recovery available in the event that businesses default on their loans. Business Finance has begun the process of improving security to encourage a thriving entrepreneurial spirit and reduce risk in the lending portfolio.

Human Capital and Information Technology

Clients seek a seamless, end to end journey when interacting with IDFC and prefer being served through channels of their choice. As such, IDFC needs to drive digital adoption and scale up on the introduction of digital tools to promote business continuity and efficiency. During the period under review we reviewed the Business Finance processes in order to improve our service and turnaround times.

FUNDING REQUIREMENTS

Table 3: IDFC Funding Requirements (2022/23 – 2024/25)

Funding Requirements ('R000)	2022/23	2023/24	2024/25
IDFC Fund (internal)	94 000	103 000	113 000
IDFC Fund (sourced externally)	50 000	200 000	250 000
Development Fund	120 000	133 000	146 000
Total	**264 000**	**436 000**	**509 000**

DEVELOPMENTAL RETURNS

Table 4: Forecast Developmental Returns (2022/23 to 2024/25)

Developmental Returns	2022/23	2023/24	2024/25
Collections ('R 000)	157 842	175 997	225 978
Non-Performing Loans (%)	65%	65%	60%
Number of Jobs Facilitated	1 667	2 000	3 000
% of Businesses Pre-Supported that Accessed Funding	80%	85%	90%
% of Businesses Funded that are Performing (two years after first disbursement)	60%	65%	70%
Rand Value of IDFC Supported SMME's and Co-operatives benefiting from Provincial Government Procurement Spend ('R 000)	100 000	120 000	153 000

Table 5: Forecast Advances per Entrepreneur Category (2022/23 – 2024/25)

Advances - Per Entrepreneur Category (%)	2022/23	2023/24	2024/25
Women Owned Businesses Financed	20%	30%	40%
Youth Owned Businesses Financed	35%	35%	35%
PwD Owned Businesses Financed	1%	1%	1%
Other	44%	34%	24%
Total	**100%**	**100%**	**100%**

BUSINESS SUPPORT SERVICES

Business support refers to the provision of non-financial services, which are intended to nurture, grow and sustain small businesses. The historical performance of IDFC-funded SMMEs indicates that significant non-financial support is required to sustain benefits derived from the funding activities carried out by IDFC.

IDFC's business support services will occur during the pre- and post-investment phases of the client relationship, leveraging capacity within the organisation combined with an outsourced support model. This approach provides tailor made support for specific sectors, identified as having both the greatest need and potential. In delivering these services IDFC aims to bolster the activities of the Business Finance Unit, reduce the rate of business failure and non-performing loans, and contribute to SMME development.

At the **pre-investment stage** IDFC aims to:

- Further capacitate the Business Support Division;
- Enable the Business Support Division to deliver effective advisory services;
- Assist clients in accessing grants and incentives;
- Establish a sector specific business support database through SCM; and
- Link clients to small enterprise agencies (e.g. SEDA), and other support agencies capable of delivering business plans, feasibility studies, market research and cash flow projections.

IDFC will also provide **post-investment support** including:

- Access to coaching, training and mentorship (skills development);
- Administrative and compliance support, including assistance with IDFC reporting; and
- Business turn-around solutions, where applicable.

Key Performance Indicators include:

- Increase in number of start-up businesses (pre-funding);
- Increase in success rate of start-up businesses;
- Decrease in business failures;
- Increase in the average life-span of existing businesses; and
- Number of training and mentorship programmes implemented for SMMEs.

PROPERTIES STRATEGY: 2020-2025

Background on the IDFC Properties Business:

Large Industrial Portfolio

The portfolio consists of three Industrial estates, Isithebe, Ezakheni and Madadeni, which were funded by the previous Government through infrastructure grants. Various other incentives were provided to industrialists to establish businesses in the former decentralised areas. All grants and subsidies were phased-out after 1990.

Municipal Services

The large industrial portfolio ('estates'), which constitutes 70% of IDFC's property portfolio, were also given the responsibility of providing municipal services to industrialists, such as electricity, water, sewage, refuse removal and roads. IDFC is responsible for maintaining these services and infrastructure.

Retail Portfolio

The retail portfolio was established to accelerate economic activity in peri-urban and rural towns. Most shopping centres in the portfolio are anchored by national retailers. Rental rates are historically below market pricing norms, as these were deemed to be catalytic projects.

Key Challenges in the IDFC Properties Business

The strategic business unit faces five key challenges, summarised as follows:

- **Condition:** The portfolio is around 45 years old and its condition has deteriorated and requires urgent intervention to restore functionality and compliance.
- **Competition:** The portfolio is facing competition from new developments, resulting in increased vacancies.
- **Profitability:** Operational expenses are increasing at a rate higher than rental escalations.
- **Growth:** The portfolio has not grown during the past 15 years as there were no new developments.
- **Funding:** The portfolio needs urgent funding to recapitalise the assets and address the current condition and growth opportunities.

Decline of the Current Industrial Sector Businesses

The industrial sector is in ongoing decline, due largely to the globalisation of the South African economy and the removal of import restrictions. Furthermore, industrial estates have experienced the shut-down and/or relocation of industrialists due to the phasing-out of incentives and subsidies, as well as the effects of global competition. This has precipitated a migration of skilled labour, away from rural and peri-urban sites towards urban opportunities and overseas job markets. As a result, 70% of IDFC's property portfolio is at risk.

Competitive Forces in the Retail Property Sector

IDFC's retail property portfolio faces competition from private sector-driven developments. Growing demand in peri-urban areas has attracted new players, as evidenced by the entry of private sector developers who establish shopping centres in sites previously dominated by IDFC.

PROPERTIES BUSINESS STRATEGIC OPTIONS

Optimisation of Strategic Partnerships

An opportunity exists for IDFC to pursue strategic partnerships with the private sector and government, and in particular, the Department of Public Works. These partnerships will facilitate a needs analysis on the provision of office space for government departments in the province.

A Properties Strategic Partnerships (PSP) Policy has been approved by the Board and will be implemented over the next five years.

Diversification of the Portfolio

IDFC's properties footprint provides for a gross lettable area of 1,2 million square metres and spans the entire province, from Manguzi in the north to Kokstad in the south and inland to Newcastle. The portfolio is highly concentrated in large industrial properties. The strategy of growing the number of retail and commercial properties is aimed at balancing the portfolio.

Table 6: Portfolio by Property Type

Portfolio	Percentage	Square Metres
Industrial	70%	839 446
Light Industrial	12%	142 231
Retail	12%	141 667
SMME	3%	37 840
Commercial	3%	36 007
	100%	1 197 190

Focus on Rental Vacancy Reductions

IDFC recognises that the financial health of the Property Portfolio depends on the ability to attract and retain tenants and reducing the vacancy rate across all property types. IDFC has embarked on focused marketing initiatives to attract tenants, while at the same time delivering business development strategies to enhance business viability and retention amidst a tough economic climate.

ENTERPRISE RISK MANAGEMENT

ADDRESSING RISK

Defining Risk within the Organisation

IDFC defines risk as any factor that may result in failing to achieve desired business objectives or lead to adverse outcomes. The Enterprise Risk Management System addresses several categories of risk – strategic risk, operational risk and the risk of fraud.

Strategic risk is the current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes. It includes processes and systems, regulatory compliance, legal risk and business continuity. Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events, including issues that impact IDFC's day-to-day operations. Fraud risks entail intentional misconduct, designed to evade detection and provide the perpetrator with unlawful gain. Because it requires the collusion of at least two people, poorly defined job descriptions and approval processes present a risk for fraud.

Principles of Risk Management

Risk management at IDFC is guided by the following principles:

- Protect IDFC's reputation through a sound risk culture;
- Compliance with regulatory requirements and principles;
- A strongly defined risk management structure;
- Communication and coordination between the Executive Committee (EXCO) and Executive Management; and
- Communication and coordination between and the Audit and Risk Committee (ARC) and the Board.

Identifying, Monitoring and Managing Risk

Management is responsible for identifying and assessing risks IDFC may face in the execution of its strategy. These risks include strategic risks, operational risks, and fraud risks in all areas of business. Risks are monitored by the ARC on a quarterly basis through the adoption and implementation of an Enterprise Risk Management (ERM) Framework, enhancing risk management at both a Strategic and Operational Risk levels in the organisation.

The ARC reviews the Enterprise Risk Management framework regularly and oversees the control and enhancement of systems, policies, practices and procedures. The intent is to ensure that all risks, including their key risk indicators, risk appetite, tolerance and avoidance levels, are identified, measured, controlled, monitored and reported. The risk appetite is reviewed on a quarterly basis in line with changing economic conditions. The year under review was particularly challenging as a result of the continued negative effects of the COVID-19 pandemic on IDFC and our Business Finance and Properties clients. In addition to the COVID-19 pandemic, the civil unrest during July 2021 resulted in widespread arson and the looting of businesses and factories across KwaZulu-Natal. Once again, this exacerbated the problem for IDFC and for both our Business Finance and Properties clients, who were severely impacted. As a result, the ARC undertook very close monitoring of strategic risks and the risk appetite in line with the rapidly changing environment.

IDFC undertakes a range of measures to proactively manage risk. Strategic risks are reviewed annually in alignment with the strategic objectives and direction of the organisation, ensuring that key risk indicators, risk appetite, tolerance and avoidance levels are also updated. IDFC has formally appointed risk champions in all its Business Units, which enables the organisation to improve its risk maturity level. IDFC has created a strong culture of risk and ethical practices within the organisation, including the management of ethics and fraud risks, which is spearheaded by the Anti-Fraud and Ethics Committee. The Committee submits quarterly ethics and fraud risk reports to the relevant Board Committees.

Strategic Risk Register (2021/22)

Management is committed to a robust risk management process that ensures IDFC assets are protected and, where necessary, that risk is mitigated through adequate insurance. An IDFC

risk workshop was held in February 2021 whereby the strategic risk register was revised and mapped to IDFC's strategy. In total 17 strategic risks were identified.

Table 7: Strategic Outcomes and Risks

Strategic Outcome	Risk Name	Existing Controls
Outcome 1: Increased investment in development programmes and projects by strategic partners	Funding risk - Properties	• Property strategy developed and approved. • Strategic partnership policy. • Collection procedures. • Monitoring and tracking action plan and reporting. • Monitoring and tracking Annual Performance Plan.
Outcome 1: Increased investment in development programmes and projects by strategic partners	Funding risk - Business Finance	• Post Investment Monitoring monitors the loan portfolio to prevent non-performing loans and assess potential losses. • Approval Structures - Committees are in place for the assessment and approval of client loan facilities. · The lending thresholds have been revised. • Technical Investment Support Unit performs due diligence and financial analysis on new loan applications to mitigate against potentially high default rates in the high-risk market IDFC operates in. • Internal processes have been revised to assess risks on new loan applications. • Revised debtor management processes. • Implementation of lending policies which includes security requirements for loans. • Enterprise Development Fund (EDF) policy has been amended in relation to the 5Cs of the credit lending criteria. • Defined processes for pre- and post-business support functions. • Strengthening of due diligence process. • Internal credit risk committee will be formed to assess risks on new loan applications. • 15% of the loan book will be used to diversify the sectoral lending portfolio. • Classification of clients and implementation of collection plan with regards to the top 10 high value clients. • Effective implementation and prompt interventions through post investment monitoring (PIM). • The acquisitions process to grow the loan book: weekly pipeline meetings and quarterly reporting to EXCO, BCIC and Board.
Outcome 1: Increased investment in development programmes and projects by strategic partners	Business development risk	• Brand awareness initiatives. • Capacitation of the Business Development function which is currently being performed with existing resources. • Quarterly monitoring and reporting of the implementation of plans to HRSEC and the Board. • The business development strategy has been incorporated into the updated marketing and communications strategy, included as part of the marketing monthly plans.
Outcome 2: Property portfolio optimised for tenant retention and attraction	Property portfolio investment risk	• Benchmark reports on rentals per portfolio - Rental valuation exercise to inform rental rates setting. • Management information reports. • Socio-economic profiles - Research conducted to determine the ideal tenant mix and to explore other business opportunities. • Property management policy. • Property strategy implementation. • Customer services strategy implementation. • Properties maintenance plan implementation. • Updated the properties maintenance plan to become more robust: operational expenditure, infrastructure and new developments.

Strategic Outcome	Risk Name	Existing Controls
Outcome 3: Increased contribution of supported SMME's and co-operatives to socio-economic transformation and job creation	SMME sustainability risk	• Skills development workshops organised to provide non-financial support to clients. • Business support function is in place to assist business sustainability and job creation. • EDTEA Steering Committee is in place to ensure alignment with the provincial development plan. • Harnessing alternative funding mechanisms and programme participation through strategic partnerships in the public and private sector. • Ring fencing of funds for SMME's. • Capacitated business support function through staff appointments. • The economic report (which includes GDP, growth, interest rate, impact on Business Finance and Properties) is prepared by Properties and reported to EXCO, BCIC and the Board on a quarterly basis. • Alternative funding mechanisms and programme participation through strategic partnerships in the public and private sector. • EXCO approved business support intervention. • Management Committee (PIM) attends to recoveries, liquidations, and collections regarding amounts owed by the top 10 high value clients that are on Stage 3.
Outcome 4: Increased access to markets and funding for KZN residents and enterprises from designated groups	Markets, localisation, and transformation risk	• SCM preferential procurement process. • B-BBEE Policy. • EDF and IDFC investment policies. • Rollout of the RASET programme. • Implementation of Operation VULA. • Capacitated business support function through staff appointments. • Collaboration with potential markets i.e., district municipalities, departments, Durban Chamber of Commerce, business trade fairs, business associations and DTI's, creating both local and overseas markets (through MOU's). • Manual check of suppliers against the Treasury database to confirm validity against blacklisting.
Outcome 5: Effective implementation of development programmes and projects in the province	Programme delivery risk	• New project programme implemented. • Temporarily capacitated the business support function to ensure for programme delivery. • The economic report (which includes GDP, growth, interest rate, impact on Business Finance and Properties) is prepared by Properties and reported to EXCO, BCIC and the Board on a quarterly basis.
Outcome 6: Sustainable and high-performing organisation	Reputational risk	• Corporate Governance framework. • Pro-active media monitoring. • The monthly marketing and communications activity plan is in place and is reported back quarterly to EXCO, HRSEC and the Board. • Developed a marketing and communications strategy. • Developed an annual marketing plan. • Updated the stakeholder engagement strategy and plan. • Updated the marketing and communications strategy.
Outcome 6: Sustainable and high-performing organisation	Innovation and ICT	• IT strategy drives the Department's budget and Key IT Projects to be delivered. • IT Governance Framework. • Business systems implementation. • Return on Investment (ROI) Framework and tool to monitor the effectiveness of the utilisation of systems. • Training plan in place for IT team to keep abreast with the changes.

Strategic Outcome	Risk Name	Existing Controls
Outcome 6: Sustainable and high-performing organisation	Liquidity risk	• On-going robust credit collections management - Business Finance and Properties collections in line with budget. • Daily cash on hand (cash availability) monitoring by the GCFO. • Monthly cash flow forecasting submitted to EXCO and Board Sub-Committees. • Weekly available funds confirmed with Finance prior to submitting to MCIC. • Monthly income and expenditure monitoring by Group Finance team. • Strict expenditure control. • Budget adjustments to meet the minimum cash reserves. • Benchmarked the cost structure across the organisation.
Outcome 6: Sustainable and high-performing organisation	Compliance risk	• Annual compliance plan, monitoring and quarterly reporting against the compliance plan. • Monitoring of performance using score cards on a quarterly basis. • Legal compliance function identifies upcoming legislation impacting on IDFC. • Compliance log to track non-compliance with key legislation. • Internal audit provides assurance on adequacy and effectiveness of controls. • Internal Audit reviews the effectiveness of the compliance division. • The balanced scorecard of all employees includes compliance with legislation under operational efficiency KPA and adherence thereto. • Training of staff on changes in legislation.
Outcome 6: Sustainable and high-performing organisation	Fraud theft and corruption	• Fraud Hotline to report irregular and fraudulent activities. • Forensic Investigation Unit conducts investigation and reporting of irregular and fraudulent activities. • Employees annual declaration of interest as and when required. • Reporting to ARC on fraudulent and unethical activities. • Ethics Surveys are conducted every three years to assess the employee perception of IDFC's ethical environment. • Continuous monitoring by Management on implementation of controls. • Consequence management policies and procedures in place. • Fraud Risk Register developed and monitored continuously. • Cash Threshold Reporting and suspicious transactions reporting. • Segregation of duties is driven through delegation of authority. • Governance structures in place to ensure oversight and compliance with policies and procedures. • Quarterly awareness/training initiatives on ethics/values and fraud trends. • Anti-fraud and Ethics Committee to enhance the mitigation of fraud and the enhancement of the ethics environment. • Updated the Code of Ethics Policy. • Investigation methodology enhanced to support Management in implementing consequence management.
Outcome 6: Sustainable and high-performing organisation	Human capital risk	• HR Talent Acquisition, Talent Development and Performance Management Policies and Procedures. • Remuneration and Benefits Policy and Procedures developed to offer employees attraction and retention benefits. • EVP Framework developed and implemented to offer employees attraction and retention benefits. • Training and development programs based on gaps identified in the Individual Development Plan (IDP). • Conduct annual remuneration benchmarking exercise. • Implementation of succession plan with key talent identified. • Skills mapping against business needs. • Implement incentive bonus scheme.

Strategic Outcome	Risk Name	Existing Controls
Outcome 6: Sustainable and high-performing organisation.	Return on investment (subsidiaries)	• Regular Joint Board Meetings (Ithala SOC Limited). • Quarterly feedback from the subsidiary Boards to the shareholder. • Shareholder compact. • APP for subsidiaries (Ithala SOC Limited). • IDFC nominates directors to subsidiary boards. • MOA target included as an annexure to the shareholders compact and to track implementation for Ithala SOC Limited. • Annual Performance Plans of the subsidiaries are included in the quarterly reports to the Shareholder. • Defined deliverables in the shareholders compact including quarterly performance monitoring. • Targets have been included as annexure to the shareholders compacts.
Outcome 6: Sustainable and high-performing organisation.	Cyber Security and Data Protection	• IDFC users are connecting via VPN which is a secure environment. • Firewall to prevent intrusions and weekly monitoring of the report. • Antivirus to protect computers against malicious software. • IDFC users use Mimecast (enforced email security controls) to connect to their emails. • Qualys continuously and automatically detects vulnerabilities and critical misconfigurations across the IDFC environment, real-time alerts on zero-day vulnerabilities, compromised assets and network irregularities. • Event Log Analyser collects, analyses, and archives in real-time, event logs from distributed Windows hosts and Syslogs from distributed Unix hosts, or network devices to pick up potential threats and vulnerabilities.
Outcome 5: Effective implementation of development programmes and projects in the province	Market Risk	• Budget adjustments to meet the minimum cash reserves. • Request for assistance from the shareholder. • Budget adjustment process completed.
Outcome 6: Sustainable and high-performing organisation	Staff Wellness	• IDFC has Employee Assistance Programme services which are available to all staff and their families. • Engagement of the EAP is ongoing and broadcast of their services is ongoing for employees in need due to emotional stress.

COMPLIANCE

IDFC operates in a highly regulated environment and we consider all applicable legislative and regulatory requirements when determining our strategic objectives. Regulatory compliance ensures that IDFC meets its legal and regulatory requirements across the industry. Failure of which could lead to potential litigation.

Compliance is also strategically important in protecting our reputation, minimising our operational risk and setting the standard for a strong compliance culture throughout all our business activities. Legal Compliance has forged partnerships with regulatory bodies to strengthen knowledge and working relationships. Regulatory Compliance ensures assurance with legislation and statutory reporting to relevant third-party regulators and paying of annual levies.

IDFC's strategic objectives are defined in the Ithala Act No. 5 of 2013. The IDFC is a public entity in terms of the Public Finance Management Act No. 1 of 1999 and listed under Schedule 3D of the Act. IDFC is defined as an Accountable Institution in terms of Schedule 1 to the Financial Intelligence Centre Act No. 38 of 2001.

IDFC is also a registered credit and authorised financial services provider in terms of the National Credit Act No. 34 of 2005 (NCA) and Financial Advisory and Intermediary Services (FAIS) Act No. 37 of 2005, respectively. IDFC is the holding company of Ithala SOC Limited, a subsidiary that operated under an exemption notice as a deposit-taking institution and is regulated by the provisions of the Banks Act No. 94 of 1990.

Key controls put in place to mitigate the risk of non-compliance include the development of compliance manuals, policies and procedures and Compliance Regulatory Management Plans (CRMPs). During the past financial year IDFC focused on testing the CRMPs, embedding a compliance culture within the organisation.

IDFC has also adopted a compliance risk management framework that is aligned with the Generally Accepted Compliance Practice Framework of the Compliance Institute of South Africa, which supports the active management of compliance risk.

The regulatory compliance universe was developed to integrate compliance legislation affecting all business processes. It addresses all legislation with a potential impact on IDFC, identified in consultation with business units.

Table 8: IDFC Key Legislation

IDFC KEY LEGISLATION	
No.	**Legislation**
1.	Financial Intelligence Centre Act, Act No. 38 of 2001 (FICA)
2.	National Credit Act, Act No. 34 of 2005 (NCA)
3.	Public Finance Management Act, 1999
4.	Preferential Procurement Policy Framework Act, Act No. 5 of 2000
5.	Ithala Development Finance Corporation Act, 2013
6.	Protection of Personal Information Act, 2013 (POPI)
7.	Occupational Health and Safety Act, Act No. 85 of 1993
8.	Labour Relations Amendment Act, Act No. 6 of 2014
9.	Consumer Protection Act, Act No. 68 of 2008
10.	Prevention and Combating of Corrupt Activities Act, Act No. 12 of 2004
11.	Electronic Communications and Transactions Act, 2002
12.	Property Practitioners Act of 2019
13.	Security By Means of Movable Property Act, 1993
14.	Superior Courts Act, 2013
15.	Magistrates Court Act of 1944
16.	Prevention of Illegal Eviction from and Unlawful Occupation of Land Act of 1998
17.	Regulation of Interception of Communications Act 70 of 2002

The Regulatory Compliance Division monitors levels of compliance with the above legislation, identifying, measuring, aggregating and testing CRMP's, monitoring management actions and reporting the level of compliance thereto.

The Legal Compliance Division endeavours to implement efficient business processes capable of further improving operations within IDFC.

The intent is to ensure regulatory compliance through the capacitation of this function as a centre of excellence in regulatory research, thereby effectively addressing evolving regulatory requirements and business needs.

IDFC's Board actively promotes a stakeholder-inclusive approach regarding the governance of the organisation.

STAKEHOLDER CONTEXT

In determining our strategy to deliver against our developmental mandate, we remain ever mindful of the diverse needs of our stakeholder groups. These groups have either a direct or indirect economic and social interest in IDFC's business activities as they are in a position to affect or be affected by our decisions, actions, objectives and policies.

Table 9 provides a list of stakeholder groups, preferred engagement methods and expectations, as well as IDFC's response to these expectations.

Table 9: Stakeholder Groups and Expectations

Stakeholders Material Issues	Engagement Method	Stakeholders Expectations	IDFC's Response
Provincial Government	• Quarterly performance reports • Quarterly meetings • Annual general meeting • Meeting with Legislature/ Portfolio Committee	• Financial sustainability and viability • Alignment with Government's economic development agenda • Efficient and effective utilisation of allocated funds	• We signed our Shareholder's Compact with the Department of Economic Development, Tourism and Environmental Affairs • Our Annual Performance Plan (APP) is aligned to the Provincial Growth and Development Plan • Quarterly performance reports against the APP are compiled and submitted to the department • Quarterly engagements are held with the department to discuss performance and the achievement of targets
Clients	• Business Finance clients pre-funding interaction • Post-funding interaction • We visit and interact with our properties clients and tenants on an ongoing basis	• Accessible and affordable financial services • Non-financial support services • Well maintained commercial and industrial properties • Affordable rentals • Business premises in prime developments	• Pricing for Government Grant funding is less than prime • Post-funding non-financial support is provided through the post-investment monitoring units of Business Finance • Increased allocation for capital and maintenance expenditure • We offer competitive and, in most cases, highly favourable rentals • Industrial and commercial premises are located in growth nodes
Regulators	• Regulatory reporting	• Responsible lending • Fair treatment of clients • Safekeeping of client records • Good corporate governance	• Submission of all regulatory reports in a timely manner • A fully capacitated compliance unit established
Employees	• Quarterly briefings by the Group Chief Executive • Online internal magazine business broadcasts	• Job security • Fair rewards and recognition • Personal growth and development • Healthy working environment	• Stabilising the finances of the organisation to ensure sustainability • Advancing skills development through study loans and other forms of training support • Advancing talent management initiatives
Service Providers	• Ongoing	• Fair and transparent process of selecting service providers • Pay for services rendered in a timely manner • More opportunities for smaller enterprise	• Approved supply chain policies and procedures in line with Government policy • Specific focus on engaging B-BBEE compliant service providers

SHAREHOLDER/STAKEHOLDER EXPECTATIONS

The shareholder and broader development finance sector have developed a renewed set of expectations for IDFC, expressed in a variety of forums. These expectations are summarised as follows:

- Bolster capacity to execute on commitments, improve governance and advance engagement with community sectors;
- Deliver visible transformational shifts, in line with its mandate, create jobs, capacitate SMMEs and co-operatives and sustain inputs;
- Facilitate economic participation, ownership, access to resources and opportunities for women, youth and persons with disabilities;
- Participate actively in government initiatives aimed at improving inclusive and radical economic transformation, such as the Black Industrialist Programme, Operation Vula and RASET;
- Participate in spin-off catalytic initiatives that advance economic activities in rural and township environments;
- Demonstrate IDFC's unique relevance, relative to other players involved in development finance; and
- Execute business support with SMMEs and co-operatives at both pre- and post-investment stages.

HOW WE CREATE VALUE

IDFC creates value by focusing on activities which optimise developmental outcomes across all supported sectors.

Our value proposition vests in the achievement and sustainability of opportunities which would otherwise be unavailable without our intervention. We fully subscribe to the principles of the International Integrated Reporting Council (IIRC), which seeks to enhance accountability for and stewardship of the broad base of capital, being financial, manufactured, intellectual, human, social, relationship and natural. The IIRC also promotes an understanding of organisational value creation through the active consideration of the relationships between its various operating and functional units and the capitals it uses or affects.

BUSINESS ACTIVITY

IDFC's core business activities are summarised as follows:

- Deliver financial and other support services to SMMEs and co-operatives operating within KwaZulu-Natal;
- Develop and manage large industrial, light industrial, retail and SMME properties;
- Invest in developing and retaining our people in order to execute our strategy and ensure delivery to our customers and clients;
- Invest in our operations, inclusive of information technology systems and infrastructure, in order to improve efficiency and deliver appropriate products and services to our customers and clients;
- Serve as an implementing agent for economic and infrastructure development projects in the province;
- Offer bursaries and internships to top-performing students in KwaZulu-Natal; and
- Provide both public sector banking and corporate and investment banking services to SMMEs and co-operatives, through our subsidiary, Ithala SOC Ltd.

OUR IMPACT

IDFC is mandated to assist government in promoting economic development and empowerment across KwaZulu-Natal. We focus on understanding the needs of the public sector environment, creating innovative and relevant solutions to key development challenges. Our activities result in a broad economic impact by stimulating the private sector, facilitating access to financial services, and supporting the allocation of capital for economic development.

IDFC encourages socio-economic development in formerly disenfranchised markets throughout the province by creating jobs, providing business and income opportunities, and improving living standards. During the past eight years we have facilitated the creation of 22 830 employment opportunities, generated by way of our lending activities, and have advanced loans valued in excess of R1 billion.

BUSINESS FINANCE

The Business Finance Department at IDFC delivers financial services to SMMEs and co-operatives across the province. During the 2021/22 financial year, the Department processed over 551 applications, of which 461 were approved to the value of R192,9 million. IDFC managed to distribute funds to 294 approved enterprises in the amount of R114,5 million.

IDFC actively contributed to the organisation's development mandate by directing 97% of funding to Black-owned SMME's, against a target of 85%. Furthermore, of the 294 businesses who received funding, 48 are owned by women and 161 are owned by youth. Businesses funded by IDFC created 1 210 employment opportunities, against a target of 1 200, despite operating in a negative growth environment for much of the financial year.

The department improved operational efficiency, to ensure excellence in the delivery of the Business Finance mandate. The Department drastically improved the average turnaround time for loan approval to 8 days, against a target of 28 days (where all documentation was in order); and improved the turnaround time for disbursement of the first loan drawdown to 14 days, against a target of 50 days.

The Business Finance Department is strategically focused on improving the sustainability of funded

enterprise. During the financial year, 94% of enterprises were still performing two years after receiving their loan against a target of 45%. Through the delivery of pre-support to loan applicants, 90% of those that received support obtained funding against a target of 75%.

IDFC is committed to ensuring the success of its clients. One way of achieving this is by entering into MOUs with strategic stakeholders, such as the Durban University of Technology (DUT) and Trade and Investment KZN (TIKZN) to drive business support and acquisition partnerships. With DUT, a group of 50 clients have undergone training in business management skills. These clients will graduate by the end of June 2022, while TIKZN has offered funding to a distressed client who was affected by the lockdown, enabling them to successfully reopen their business.

IDFC also engages in activities designed to support inclusive economic growth more broadly, including a procurement strategy that prioritises local SMMEs and co-operatives. In the 2021/22 financial year IDFC awarded procurement funding to the value of R94 million to such enterprises, against a target of R75 million.

To create awareness about IDFC's service offerings, the organisation hosted a series of webinars, radio talk programmes and other online campaigns, educating the market about key aspects of IDFC's SMME lending products and why these products are best suited to our local clients. The campaign highlighted IDFC's low interest rates, which are driven by our development mandate, commitment to the success of funded enterprises, and investment in the greater socio-impact impact of funded initiatives.

With the easing of COVID-19 lock down levels, IDFC was able to supplement the online aware campaigns with the road shows which included hosting of Masakhe Business Clinics at a District Level. The purpose of the clinics was to engage SMMEs and Cooperatives on interventions they require, provide one-on-one consultation with potential clients and disseminate information on financial and non-financial services available to support business growth.

PROPERTIES

IDFC's Properties Department assumes responsibility for the management of the organisation's large and diverse property portfolio, which currently comprises 1,2 million square meters of gross lettable area located in, primarily, urban and peri-urban areas across KwaZulu-Natal.

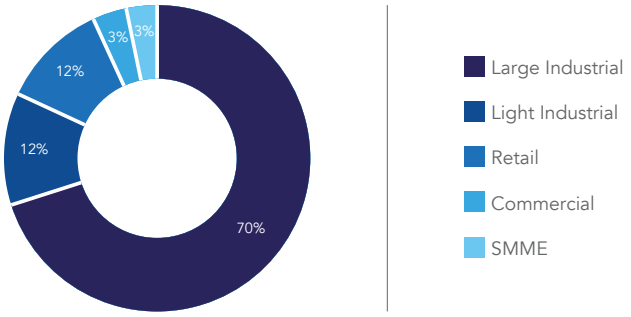
The Properties Department comprises the following four main divisions:

1. **Property Management** - Responsible for leasing, ensuring optimal tenant mix and managing tenants.
2. **Asset Management -** Responsible for long-term, strategic and financial planning to optimise property asset values, realise returns and growth objectives.
3. **Property Development and Project Management -** Responsible for managing construction and refurbishment projects.
4. **Technical Operations -** Comprises two sub-divisions:
   - **Facilities Management:** Responsible for both the planned and reactive maintenance of properties.
   - **Engineering Services:** Responsible for the management of infrastructure and municipal services, such as electricity, water, sewage and solid waste disposal provided to tenants.

Portfolio Overview

The property portfolio serves as a catalyst for economic development in the province. The portfolio comprises mainly large industrial properties (70%), followed by light industrial (12%), retail (12%), commercial (3%) and SMME properties (3%). This distribution within the property portfolio is illustrated in Figure 8.

Figure 8: Property Portfolio by Sector



The large industrial portfolio consists of the three industrial estates, namely Isithebe, Ezakheni and Madadeni, which collectively accommodate 178 large manufacturing and other enterprises. These businesses provide employment to approximately 20 000 people from communities surrounding the estates.

The light industrial portfolio comprises nine industrial parks and five stand-alone factories, providing accommodation for 161 businesses. Two of these light industrial parks are co-owned with Growth Point Properties.

The retail portfolio comprises 21 shopping centres, which are currently home to 487 tenants. The retail portfolio caters for both small businesses and national tenants, with shops ranging in size from four-square metres up to 5 158 square metres.

The commercial portfolio consists of 13 properties, inclusive of six office blocks and seven other commercial buildings. Two office blocks are occupied by IDFC, whilst the remainder are let as part of the leasing portfolio, accommodating 35 tenants. Ithala Trade Centre, located in Durban's Point Waterfront Precinct, is the flagship property in this portfolio and serves as IDFC's head office.

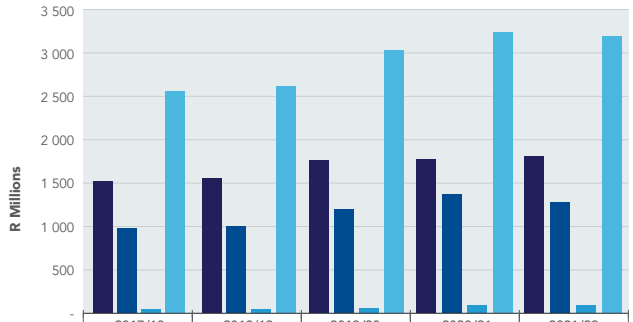
The SMME portfolio consists of 43 small properties, let as small industrial factories, handicraft centres and motor parks, accommodating 245 tenants.

In terms of vacant land, IDFC currently holds 167 fully serviced sites located within the industrial estates, 19 commercial sites and 235 residential sites. A total of 120 of IDFC's vacant sites are illegally occupied.

Investment Overview

Figure 9 illustrates the value of IDFC's property portfolio over the last five years. The total portfolio investment regressed by 1,85% during the financial year under review, mainly due to the impact of the civil unrest which resulted in severe damage to certain properties and an increase in the vacancy rate. The industrial and SMME portfolios grew by 2,1% and 1,1% percent respectively, while the retail portfolio dropped by 7,14% percent.

Figure 9: Value of Investment Property



	2017/18	2018/19	2019/20	2020/21	2021/22
Industrial	1 526	1 560	1 766	1 778	1 815
Retail	982	1 005	1 197	1 369	1 271
SMME	51	53	66	91	92
Total	2 559	2 618	3 029	3 238	3 178

CAPEX Programme

IDFC continued with a refurbishment programme during the year under review, focusing on the physical condition, functionality and compliance requirements of the properties. Over the past six years IDFC has undertaken a major refurbishment of retail and industrial properties to the value of R405 million, with a further R56 million to be expended during the 2022/23 financial year.

Current capex projects in progress include remodelling of the Tugela Ferry Shopping Centre, comprising the construction of a taxi rank and traders market as well as re-roofing, refurbishment and sprinkler installations at factories in the industrial estates. The re-roofing projects experienced setbacks due to the shortage of steel supplies as a result of the COVID-19 lockdowns.

IDFC's property portfolio is relatively old and requires ongoing maintenance and repairs. During the financial year, IDFC conducted an assessment of all properties and has developed a maintenance plan to address identified issues. IDFC will continue to assess the state of our properties on a regular basis.

The 2021/22 budget and Annual Performance Plans were adjusted to take into account the impact of the civil unrest and to reprioritise funds toward properties Capital Expenditure for the repair and rebuilding of buildings damaged during the civil unrest. As at 31 March 2022, all of the minor repair work was completed by IDFC which ensured that most tenants could resume trading. Our insurer is in the process of finalising the claim for the 11 burnt sites, which will enable the rebuild program to commence.

Investment Opportunities

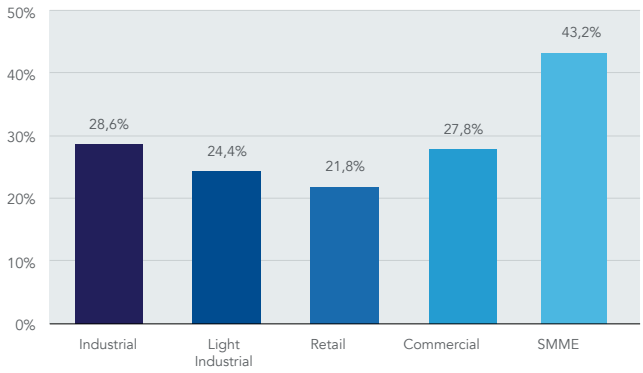
Several investment opportunities identified during the review period are being pursued:

1. Four high-yielding retail properties have been identified for major remodelling, at an estimated cost of R2 billion. It is anticipated that these projects will be funded through a combination of own funds, commercial borrowing and contributions from strategic partners.
2. Two new retail property developments are being planned at Mondlo and Ulundi, as part of IDFC's growth strategy. The Mondlo project is in the central hub and is being touted as a catalytic project, given that no such facilities currently exist in the area. The Ulundi development is aimed at providing a modern and up-market-styled shopping mall, catering for the middle to upper LSM (Living Standards Measure) groups living in Ulundi.

Vacancy Levels

The 2021/22 financial year saw the portfolio's vacancy rate increase from 23,5% to 27,8% overall. Vacancy is most pronounced in the SMME portfolio, at 43,2%. Tenants are not renewing leases as expected and it is difficult to attract new tenants owing to tough economic conditions and the closure of many businesses due to the impact of COVID-19 and the civil unrest. IDFC is offering minimum rental and escalation rates in a bid to secure tenants.

Figure 10: Vacancies per Sector



Prospects for 2022/23

The Properties Department is targeting the following objectives for the 2022/23 financial year:

- Grow property revenue by 7,7%;
- Maintain operational expenditure at current levels;
- Reduce property vacancy levels to 23%; and
- Improve the value of the investment portfolio.

IMPLEMENTING AGENT

The IDFC continues to build capacity and strengthen its position as the preferred implementing agent for economic and social infrastructure development projects in the province. This is in line with the provincial priority to build government's capacity to effectively deliver infrastructure and other projects.

During the year IDFC managed several social and infrastructure projects on behalf of the KZN Department of Economic Development, Tourism and Environmental Affairs, including:

- Industrial Hubs – Clothing and textiles;
- Ndumo Retail Development;
- Proposed refurbishment of the Thokazi Royal Lodge;
- Bulk buying;
- Radical Agrarian Socio-Economic Transformation (RASET);
- KwaMashu Cleaning Detergents Shared Production Facility;
- Establishment of Cleaning Detergents Shared Production Facility in Ugu and King Cetchwayo Districts;
- KwaZulu-Natal Corporative Grant Funding;
- Zimele Traders Fund: Spaza and Township Revitalisation; and
- Government garages/ auto service hubs.

IDFC has entered into agreements with the Kwazulu-Natal Department of Human Settlements in respect of the Department's VDA, Storm Disaster and Military Veterans Housing projects. IDFC's role was to make disbursements from the fund on receipt of duly approved payment instruction for the Department.

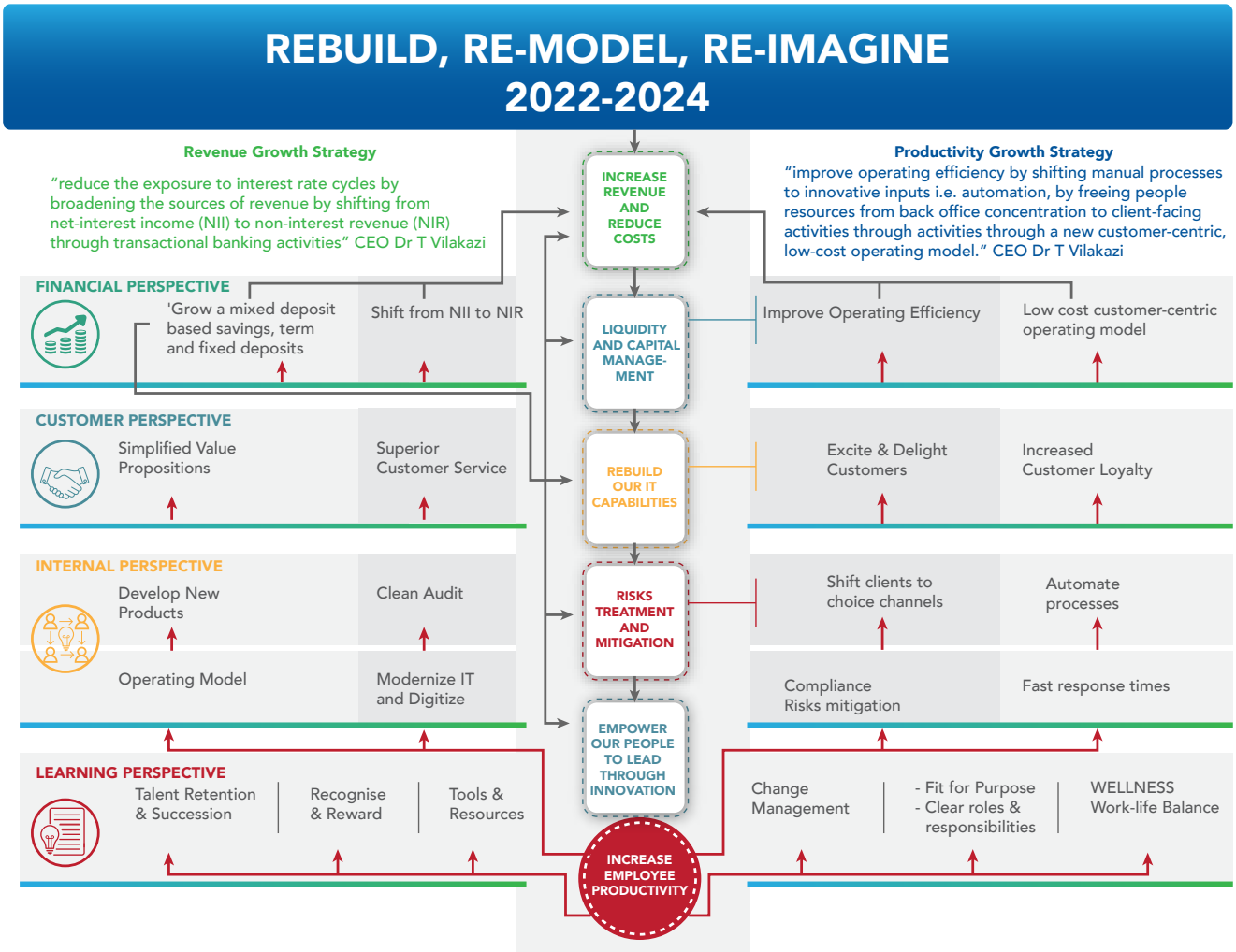
ITHALA SOC LIMITED

The impact of the macroenvironment on the Ithala SOC Ltd customer base has had a negative effect on the Company's net interest income and the customer deposit book growth. This, in turn, has had a huge impact on overall financial performance and the major contributors to the reported losses. Over and above the COVID-19 pandemic, Ithala SOC Ltd suffered further losses as result of the civil unrest.

Financial results indicate that Ithala SOC Ltd posted a loss of R52,0 million for the 2021/22 financial year. Included in the net loss are losses of R9,4 million due to the July 2021 civil unrest and R1,8 million as a result of COVID-19. The SASRIA claims of R13,7 million were expected to be received in the 2021/22 financial year to reduce the unrest losses, however, only R1,8 million was received.

A strategic tilt has been applied to the corporate strategy with a Rebuild-Remodel-Reimagine focus that will be applied from 2022 to 2025, thereby growing revenue and accelerating operating efficiency improvements. The strategy provides an operating performance turnaround to achieve profitability and the re-capitalisation required for successful implementation thereof. The plan outlines an operating model, IT and infrastructure investment, capital funding requirements, and the reduction of external consultant and outsourcing dependencies.

Figure 11: The Rebuild, Re-Model and Re-Imagine Roadmap



Despite the turbulent environment exacerbated by the July 2021 civil unrest, Ithala SOC Ltd continues to meet and exceed regulatory requirements set by the South African Reserve Bank (SARB) on Capital Adequacy ratio, Liquidity and Leverage ratios, a positive JAWS ratio, and impaired and advances ratio as set out in the Exemption Notice by SARB. Ithala SOC Ltd continues to place a great emphasis on continuously strengthening its corporate governance structures and combined assurance functions, enhancing the quality and skill base of its Executive Leadership Team and meeting the minimum regulatory requirement set by the SARB.

A major focus in the short to medium term (2022/23 financial year) will be growing non-interest revenue over the next three years by growing fees from transactional banking. The growth comprises an increase in active debit cards, increase in transaction volumes, and implementation of uniform pricing.

A strategic tilt has been applied to the corporate strategy with a Rebuild-Remodel-Reimagine focus that will be applied from 2022 to 2025, thereby growing revenue and accelerating operating efficiency improvements.

The 2021/22 IDFC Annual Performance Plan (APP) identified the output indicators and targets the institution aimed to achieve during the financial year. These are summarised in Table 10, accompanied by comments from Management.

Table 10: The IDFC APP - Outputs and Indicators

Output Indicators	2021/22 Annual Targets	Annual Actual Output	Management Comments
Outcome 2 Property portfolio optimised for tenant retention and attraction			
Rand value of capital expenditure on property developments, expansions and remodelling	R140 million	R67,5 million	Capex budget was revised and R94 million was set aside for emergency repairs and rebuild post the July 2021 civil unrest. The rebuild is in progress.
Number of jobs created through the Capital Development Programme	560	270	
Number of new leases concluded with tenants	140	159	Target achieved.
Repairs and maintenance percentage over the asset base	4,50%	3,23%	Capex budget was revised and R94 million was set aside for emergency repairs and rebuild post the July 2021 civil unrest. The rebuild is in progress.
Return on investment in property portfolio	3,98%	9,54%	Target achieved.
Outcome 3 Increased contribution of supported SMME's and co-operatives to socio-economic transformation and job creation			
Average turnaround time for approval of loans from date of valid application (once all documentation is in order)	Within 28 working days	8 working days	Target achieved.
Percentage of the total loan book disbursed per annum	7%	17%	Target achieved.
Average turnaround time for disbursement of first drawdown of approved loans	Average 50 working days from approval date	14 working days	Target achieved.
Average percentage of stage 3 loans per annum	<=70%	71%	Shrinkage of the loan book has led to an increase in the non-performing loans percentage. The actual rand value of Stage 3 loans has decreased year on year.
Percentage of businesses pre-supported that accessed funding	75%	90%	Target achieved.
Percentage of businesses funded that are performing two years after first disbursement	45%	94%	Target achieved.
Number of jobs created through SMME's and co-operatives that received funding from IDFC	1 200	1 210	Target achieved.

Output Indicators	2021/22 Annual Targets	Annual Actual Output	Management Comments
Outcome 4 Increased access to economic opportunities for KZN residents and enterprises from designated groups			
Percentage of preferential procurement spend on enterprises that are: Black-owned	Black- 60%	91%	Target achieved.
Percentage of preferential procurement spend on enterprises that are: Women-owned	Women - 25%	34%	Target achieved.
Percentage of preferential procurement spend on enterprises that are: Youth-owned	Youth - 10%	14%	Target achieved.
Preferential procurement spend on enterprises that are: People with Disabilities (PwDs)-owned	Develop Database of suppliers that are PwD owned	Database compiled	Target achieved.
Percentage of funding allocated to designated groups per annum: Black, African in particular	Black, African in particular: 85%	97%	Target achieved.
Percentage of funding allocated to designated groups per annum: Women	Women: 20%	23,4%	Target achieved.
Percentage of funding allocated to designated groups per annum: Youth	Youth: 35%	35%	Target achieved.
Rand value of IDFC supported SMME's and co-operatives benefiting from Provincial Government procurement spend	R75 million	R94 million	Target achieved.
Number of SMME's and co-operatives supported to supply the KZN government with prioritised commodities	1	26	Target achieved.
Outcome 5 Effective implementation of development programmes and projects in the province			
Percentage of projects assigned to the IDFC that have achieved at least 80% of SLA milestones (deliverables)	>=80% achievement of agreed project milestones	88%	Target achieved.
Average percentage achievement of agreed infrastructure development project milestones	>=70% achievement of agreed project milestones	92%	Target achieved.
Outcome 6 Sustainable and high-performing organisation			
External audit outcome on previous year financial statements	Unqualified, with no material findings	Unqualified, with no material findings	Target achieved.
Number of material findings on the external audit of performance objectives	Zero material findings	Zero material findings	Target achieved.

Output Indicators	2021/22 Annual Targets	Annual Actual Output	Management Comments
Number of material findings on the external audit of non-compliance with legislation	Not more than one material finding	One material non-compliance finding regarding preparation of the AFS	Target achieved.
Gross collections (cumulative)	R930,5 million	R1,12 billion	Target achieved.
Net profit (cumulative)	R29,75 million	R217.8 million	Target achieved.
Cost-to-income ratio	Including grants and FV adjustment: 84,3% Excluding grants: 97,61%	Including grants and FV adjustment: 69,3% Excluding grants: 76,7%	Target achieved.
Number of days cash on hand	>20 days cash on hand	51 days cash on hand	Target achieved.
Turnaround time for resolving customer complaints	Customer complaints to be acknowledged within 24 hours and resolved within six weeks	14,7 weeks	Historical complaints were resolved and not closed on the system on time. This has affected the overall turnaround time.
Percentage utilisation of all ICT systems	80%	88%	Target achieved.
Percentage employee satisfaction rating	10% improvement in baseline	Survey not conducted	The survey was planned to be conducted by 31 March 2022, however, procurement had to be suspended due to an advisory note that was issued by National Treasury to suspend all procurement above R30 000.

SUBSIDIARY PERFORMANCE

The following table presents the performance information for IDFC wholly owned subsidiaries that are operational. The performance of Ithala SOC Limited is described in their Integrated Annual Report which can be downloaded from the website: www.myithala.co.za.

Table 11: Performance of IDFC Subsidiaries

Key Performance Indicators	2021/22 Annual Target	Annual Actual Output	Management Comment
UBUCIKO TWINES & FABRIC SOC LTD			
To collect all rentals from the lessee	R1,053M	R0,965M	The January 2022 invoice was collected after year end in April 2022.
NONGOMA PLAZA LIMITED			
Gross collections	R13,9 million	R17,4 million	Target achieved.
Net profit	R5,9 million	R10,3 million	Target achieved.
SUNDUMBILI PLAZA LIMITED			
Gross collections	R7,9 million	R19,9 million	Target achieved.
Net profit	(R1,4 million)	R38,1 million	Target achieved.
DURBAN WHARFSIDE TRUST			
Gross collections	R10 million	R6,1 million	Target not achieved. Tenants consist mainly of restaurants which were significantly impacted by the COVID-19 lockdown. Businesses are starting to recover and collection of rentals is expected to improve in the 2022/23 financial year.
Net profit	R3,9 million	R5,5 million	Target achieved.

HUMAN CAPITAL

IDFC's Human Capital function aims to be a key resource in driving the strategic imperatives of the organisation, by way of providing professional human resource management services.

IDFC sets out to provide a human capital base that is capable, motivated and challenged or stimulated enough to ensure that IDFC drives economic development and empowerment. At the same time, the human capital function must also promote the financial sustainability of the organisation and ensure that it continues to remain relevant as a development finance institution.

The Human Capital Strategy must also support the business's human capital initiatives. Ensuring that IDFC is properly staffed with resources that possess the requisite skills and competencies to deliver on the organisation's mandate, despite challenges posed by the COVID-19 pandemic. This is achieved by:

- Inculcating a high-performance orientated organisational culture;
- Supporting business units to achieve their business objectives;
- Implementing human resources processes aimed at transformational activity and service delivery;
- Implementing an effective talent management process; and
- Implementing the Integrated Employee Value Proposition as a retention mechanism.

Staff Profile

Table 12 depicts the IDFC's employee profile as at 31 March 2022.

IDFC employed a total of 298 permanent employees at the end of the financial year, seven fewer than were employed at the end of the previous year, despite appointments in several key positions. This is attributed in part to a moratorium on hiring put in place during the early stages of the COVID-19 lockdown.

During the reporting period, IDFC employed only one disabled person. To remedy this, the IDFC has developed an Employment Equity Plan, which is effective from 1 October 2019 to 30 September 2022. The Plan seeks to address issues of equity in the workplace, including the recruitment of people with disabilities and the equitable representation of women in the management echelons.

Table 12: Staff Profile as at 31 March 2022

OCCUPATIONAL LEVELS	African		Indian		Coloured		White		Foreign Nationals		Total	Disability
	F	M	F	M	F	M	F	M	F	M		
Top Management/Executives	3	3									**6**	
Senior Management	3	2	2	1							**8**	
Professionally Qualified & Mid-Management	18	28	6	6	1	1	1	3	1		**65**	
Skilled Technical / Junior Management / Supervisors	77	46	6	2	3	2	3		1		**140**	1
Semi-Skilled & Discretionary Decision-Making	12	37									**49**	
Unskilled & Defined Decision-Making	5	25									**30**	
Total Permanent	**118**	**141**	**14**	**9**	**4**	**3**	**4**	**3**	**2**		**298**	**1**
Fixed Term Contracts	4	13						1			**18**	
Graduate Trainees	7	4									**11**	
Non-Permanent	**11**	**17**						**1**			**29**	
Grand Total	**129**	**158**	**14**	**9**	**4**	**3**	**4**	**4**	**2**		**327**	**1**

Figure 12 illustrates the gender and racial representation of IDFC staff as at 31 March 2022. As reflected below, 47,7% of IDFC staff are female and 51,3% are male, with an increase in the female compliment of 1,1% compared to previous reporting period. Further effort is required to retain and recruit female employees to achieve the 50,5% target for female representation as per the IDFC 2019-2022 Employment Equity Plan.

Figure 12: Gender and Racial Representation as at 31 March 2022

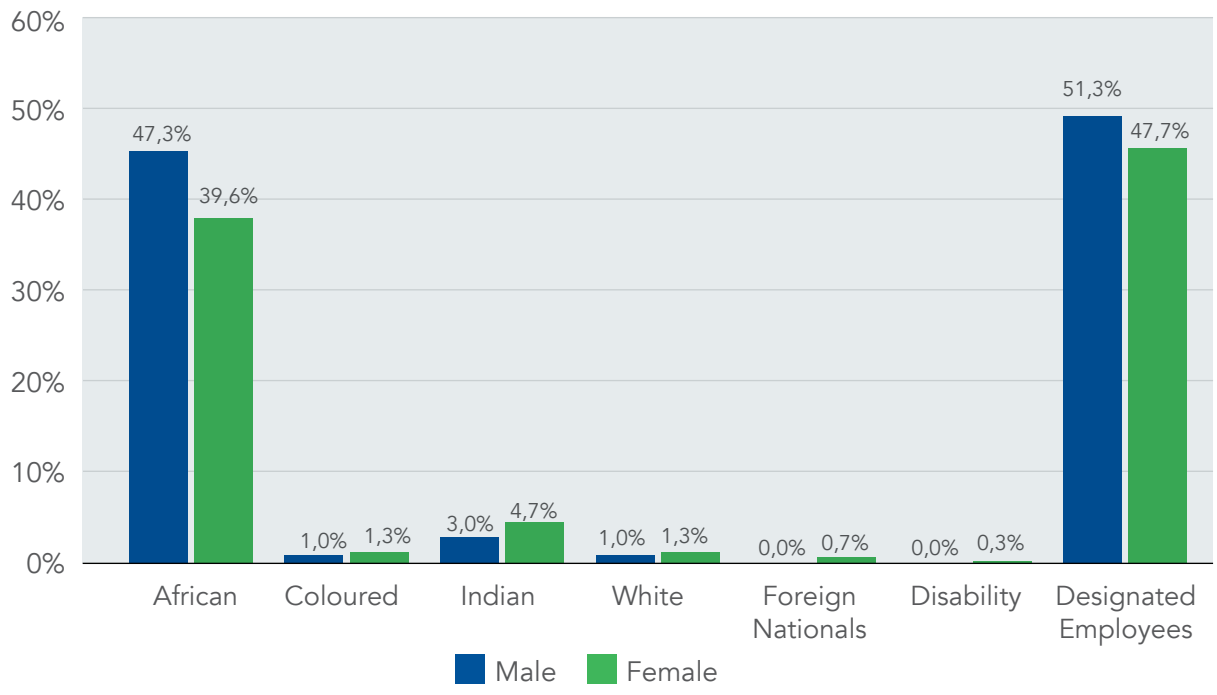


Figure 13 reflects the age bell curve of IDFC employees. This represents a healthy profile for long-term institutional knowledge, as only 16% of employees are due to retire over the next decade, and the majority are between the ages of 36 and 55 (71%).

Figure 13: Employee Age Profile as at 31 March 2022

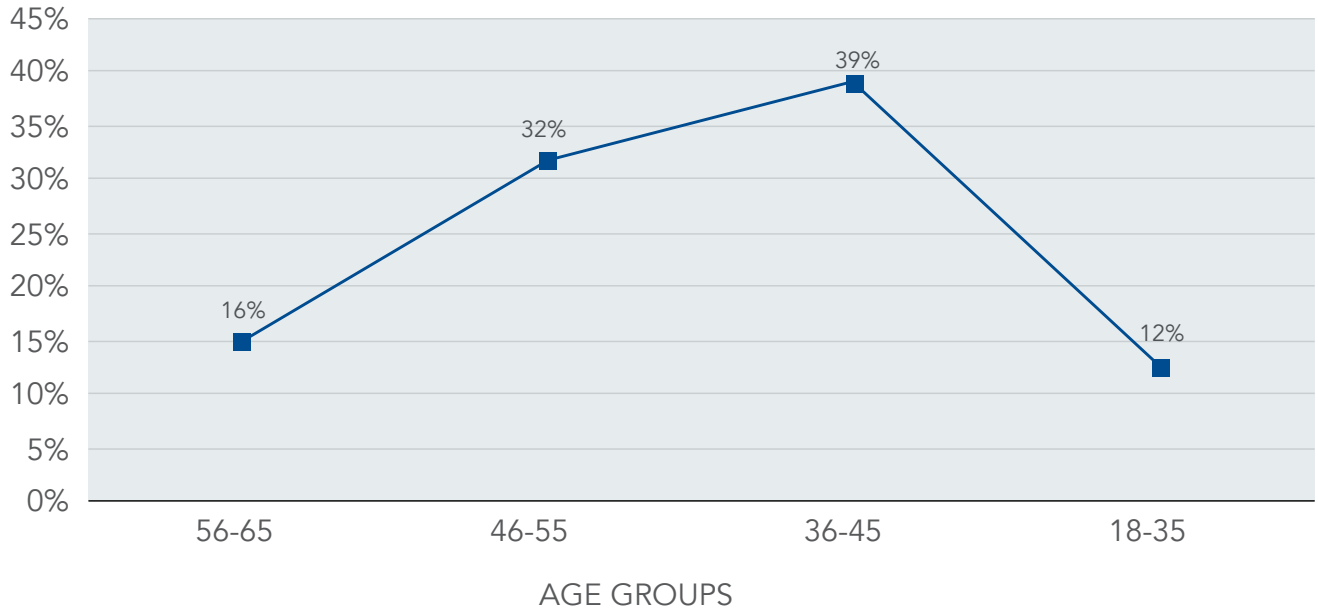
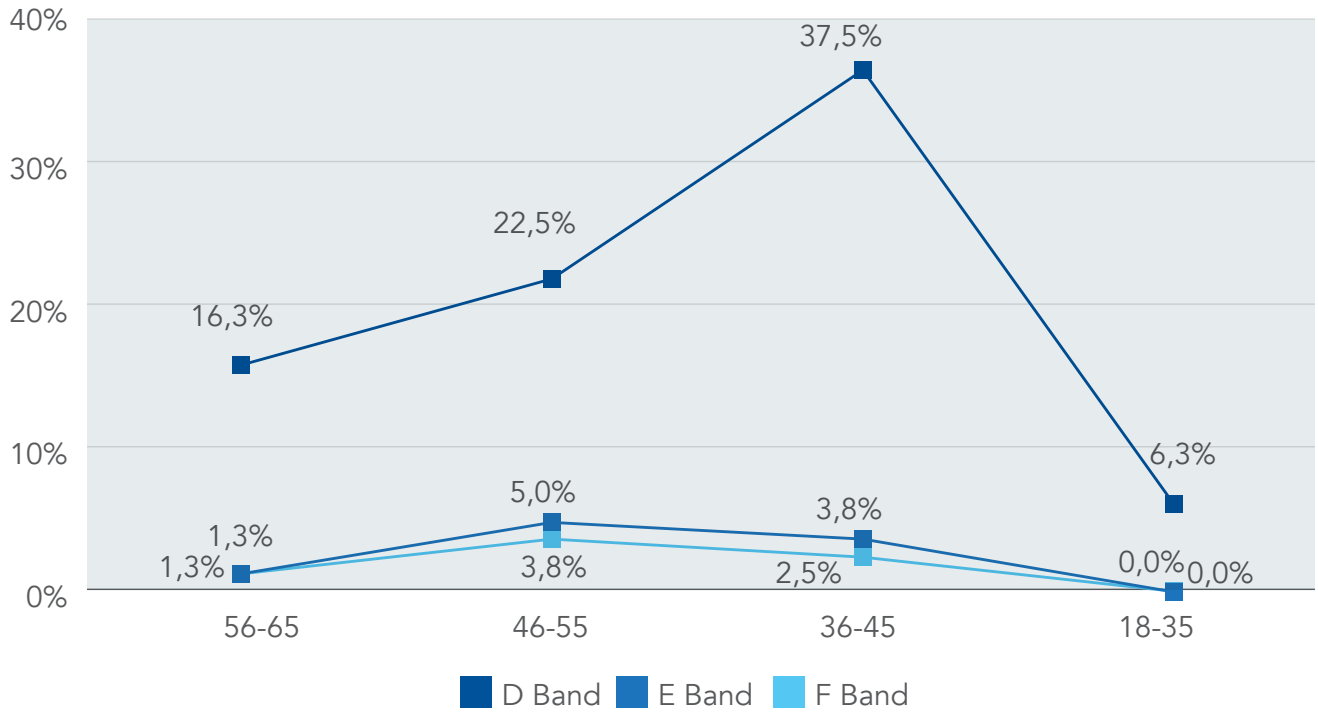


Figure 14 depicts the managerial analysis, with F Band representing the most senior employees in the organisation. IDFC needs to attract more qualifying youth (35 years and below) into the E and F band levels, as there are no employees at this age group in these grades.

Figure 14: Employees at Managerial Levels as at 31 March 2022



Average staff turnover for the year was at 2,3%, which is far below a benchmark of 10%. This is a strong improvement with turnover decreasing by 4,1% compared to the previous year, due primarily to an increase in appointments which offset the exits. In the main there were 18 exits (8 of which were voluntarily) against 11 appointments. Exits from the organisation are broken down as follows:

- 8 resignations;
- 5 deceased employees;
- 2 disability incapacity; and
- 2 retirements.

TRAINING AND DEVELOPMENT

The IDFC continued to implement Training and Development Programmes to assist youth in gaining experience and employment skills to address the provinces high unemployment rate. During the financial year, IDFC had 33 interns under the Internship Development Programme.

With effect from May 2021, IDFC is granted accreditation by the South African Institute of Chartered Accountants (SAICA) to train aspiring Chartered Accountants. Preparation for commencing SAICA accountant training was completed and three trainees will commence the three year training programme in the new financial year.

Despite the COVID-19 restrictions, IDFC continued to view Human Capital Development as an important aspect of investment for the growth of the organisation. During the 2021/22 financial year IDFC developed and submitted its statutory Workplace Skills Plan and spent a total of R166 448 on virtual training for 554 beneficiaries. Due to cost containment measures, most training was conducted internally by IDFC and included ethics training, code of conduct and compliance related training.

TALENT MANAGEMENT AND SUCCESSION PLANNING

To build capacity from within the organisation, IDFC began implementing its Succession Management Policy in the year under review. This ensures that IDFC aligns skills readiness with identified critical and scarce skills to support the achievement of IDFC's strategic intent. This will create a talent pipeline of people with the potential to develop the relevant skills-set which will negate business interruption and promote career progression for the short, medium, and long term. To date, 24 positions were identified as scarce and critical for IDFC's operational environment.

EFFECTIVE AND EFFICIENT EMPLOYEE RELATIONS

IDFC's Human Resources Strategy seeks to retain and attract valuable talent, while positioning the organisation as an employer of choice in KwaZulu-Natal. Our approach also includes maintaining good employee relations, recognising that we need to respect and promote employees' rights to fair and equitable employment practices.

The entity continues to maintain a Recognition Agreement with its Union, NEHAWU. In the year under review, 71,1% of IDFC's workforce, who are within the bargaining unit of the A to C salary bands, are members of NEHAWU. IDFC has strong employer-employee relations, with management and labour meeting regularly to discuss issues of mutual interest and concern, including three meetings during the 2021/22 reporting period. The collective bargaining process on salary negotiations for the year under review was smooth and employees received their cost of living increase effective from 1 April 2021. The organisation is pleased to report that it did not experience any industrial action during the 2021/22 financial year.

There were 13 dispute cases managed by IDFC, with seven disputes at the CCMA and six at the Labour Court, in the year under review. These disputes are either declared by employees or are the result of IDFC reviewing labour decisions.

RECOGNITION OF EXCELLENCE

IDFC continues to cultivate a high-performance culture and acknowledges excellence through various recognition and reward programmes, designed to make employees feel valued and appreciated. IDFC has implemented an automated recognition and reward platform to make this possible. This programme plays a crucial role in improving morale and keeping our employees engaged.

EMPLOYEE WELLNESS

IDFC is committed to ensuring the wellbeing of our employees. As the country eased COVID-19 restrictions the Employee Wellness Unit, in conjunction with Occupational Health and Safety Unit, continued with various preventative measures and close monitoring to ensure the health and safety of employees and to minimise infections.

IDFC continues to support our employees though chronic management programmes administered by our medical aid schemes. The Employee Assistance Programme is available to employees and their families, providing support and in times of stress. The Programme takes a holistic approach, including initiatives to address financial wellbeing. Several sessions were conducted during the year under review, including men's and women's seminars on financial wellbeing and will and estate planning.

CHANGE MANAGEMENT

IDFC employs a structured change management strategy for the delivery and facilitation of change within the organisation. This strategy enables us to assess the organisations change maturity, to understand whether our people are effectively looked after, and to ensure the involvement and ownership of employees during times of change.

In the prior year, IDFC approved the revised organisational structure to best support the strategic intent of the organisation, which warranted that a process of change management be implemented. To ensure a consultative and transparent implementation of the revised structure the IDFC Board approved a Workforce Transition Framework and Plan, which all employees were consulted on. IDFC embarked on a process to validate, evaluate and grade all positions, with 151 positions completed during the year under review. This process will continue in the next financial year.

The organisation also recognises that employee satisfaction is critical to implementing change. During the year under review, 203 employees participated in the Employee Climate Survey. The outcome of the survey enabled IDFC to develop an appropriate action plan to improve the overall levels of employee engagement. The action plan is being implemented.

SOCIO-ECONOMIC TRANSFORMATION

IDFC believes in and contributes towards the national socio-economic transformation agenda, placing special emphasis on Broad-Based Black Economic Empowerment (B-BBEE) and related community-based initiatives.

As a Public Entity, IDFC is subject to the Public Finance Management Act (PFMA) and B-BBEE principles.

Central to our mission is the requirement to incorporate previously disadvantaged and marginalised black people into the mainstream economy. In giving effect to this need we set out to conduct business activities which are designed to contribute appreciably to B-BBEE, inclusive of corporate social investment, poverty alleviation, bursary schemes, sponsorships, skills development, employment equity, the application of preferential procurement ideals, female and youth empowerment workshops and the approval of loans to Black-owned co-operatives and SMME business enterprises.

We adhere to the PFMA, which promotes the objective of good financial management to maximise service delivery through the effective and efficient use of limited resources. In terms of the PFMA, and in line with Section 217 of the Constitution, an appropriate procurement and provisioning system must be maintained, which aims to be fair, equitable, transparent, competitive and cost-effective.

IDFC is a Level 8 B-BBEE contributor and is classified as a value-adding supplier, a benefit that accrues to those who utilise IDFC as a supplier. Our procurement spend in the 2021/22 financial year amounted to R229,1 million compared to R140,5 million during the prior year. In addition, our weighted procurement spend from B-BBEE suppliers totalled R301,5 million, compared to R180,6 million the previous year.

The above excludes spend of R421,1 million paid to other government institutions such as Eskom, municipalities, government departments, SOEs, universities, colleges, professional bodies, and the Auditor-General of South Africa.

During the 2021/22 financial year, IDFC preferential procurement spend amounted to 34% from women-owned businesses was 34% and 14% from youth owned businesses, against a target of 25% and 10% respectively.

To align IDFC with the Provincial Government's mandate to catalyse radical economic transformation IDFC continued to enforce fundamental change through the robust implementation of preferential procurement in favour of African Exempted Micro-Enterprise (EMEs) and Qualifying Small Enterprises (QSEs), together with businesses owned by women, youth and people with disabilities.

CORPORATE SOCIAL INVESTMENT ACTIVITIES

IDFC's Corporate Social Investment (CSI) programmes resonate with our organisation's brand message 'Enabling Dreams', and creating hope, access and opportunity for the people of KwaZulu-Natal.

Our flagship CSI programmes are focused on:
- Skills Development;
- Job Creation and Entrepreneurship; and
- Financial Wellness.

In the 2021/22 financial period our Corporate Social Investment activities focus has been on enterprise development, with an emphasis on women empowerment through the Imbokod'iyazenzela (Women in SMMEs programme).

A total of 20 women in business participated in a 12 month mentorship support programme that provided solutions specifically designed to meet the individual needs of their businesses. In collaboration with the EDTEA Women Empowerment Unit, the mentorship programme was rolled-out with an investment of R800 000.

The programme theme is aligned to the following key priority areas:
- Rural Development
- Township Revival
- Youth and Women Empowerment

This mentorship programme was designed to resolve some of the issues faced by women in business which prevent them from being able to access finance. The curriculum included:
- Business plans and cash flow management;
- Tax compliance;
- Marketing and sales;
- Intellectual property commission; and
- Opportunities to access markets to grow their businesses.

In an effort to bridge the gap, IDFC identified the need for working tools that will enable business women to pivot their businesses through the relevant digital platforms. All 20 women who participated in the 12-month mentorship programme were provided with laptops, data modems and monthly data.

With economic gaps worsened by the pandemic, SMMEs continue to forge creative pathways to income generation. Approaches include pivoting to new business models, developing cost-effective methods to sustain businesses, and utilising e-commerce to bring services and products to market.

IDFC CSI engaged with stakeholders in online educational seminars aimed at supporting economic recovery post COVID-19, with a focus on SMME and co-operative development under the following topics:
- Access to IDFC Business Solutions; and
- Navigating Uncharted Territory.

INFORMATION AND COMMUNICATION TECHNOLOGY

Information and Communication Technology (ICT) plays a critical role in enabling IDFC's business units to meet their respective mandates by delivering effective business solutions and services by way of people, process and technology.

The role played by our ICT Department includes the provision of ICT governance, the automation of business processes, and the delivery of robust ICT infrastructure, IT strategic planning and architecture, information security and IT risk management, application design, development and implementation, application support and maintenance, and data and information management.

The 2021/22 financial year was a particularly challenging one for our organisation. Nevertheless, the ICT Department achieved several successes that enable the organisation to be more resilient and responsive as an entity.

During the 2021/22 financial year IDFC revised the ICT Strategy to focus on three pillars core to our success:

- Stabilising Operations;
- Focusing on Delivery; and
- Building Capacity and Skills.

In doing so, the ICT Department achieved the following:

- Stabilising Operations
  - Full recovery from a cyber breach
  - Successful replication and backup of our production environment
  - Wide Area Network monitoring and alerts implemented
  - Successful upgrading of all server operating systems to mitigate risks and ease maintenance
- Focusing on Delivery
  - Website redesign
  - Business intelligence system upgrade (Qlik Sense upgrade)
  - Migration to Exchange Online and Office 365 for completion of work from anywhere capability
  - Securing IDFC via multi-factor authentication implementation
- Building Capacity and Skills
  - Initiated recruitment process to fill some of the key vacancies in the department

The ICT Department maintained a strong focus on team culture, building collaboration and improving our capabilities. The Department continued to respond during the COVID-19 lockdown periods and made tools available that enable users to effectively work remotely.

The ICT Department maintained exceptional service throughout the 2021/22 financial year. The average availability of IDFC's ICT infrastructure averaged 97%. This meant that operations facilitated by information technology remained reliable and available, which was critical for the organisation.

The ICT Department also maintained commendable user satisfaction throughout the year. An average Customer Satisfaction Index of 99% percent was achieved during the reporting period, based on the number of satisfaction ratings provided by users after calls were serviced by the ICT support team. This rating supports the progress made in improving operations, delivery and skills.

The utilisation of ICT systems averaged 88% for the year under review indicating the importance and dependency of IDFC on ICT applications.

HEALTH, SAFETY AND ENVIRONMENT

Health, safety and the environment are areas of great concern to IDFC and, consequently, are accorded the priority status they deserve. It is for this reason that continuous awareness is promoted across the organisation.

Our Health, Safety and Environment Strategy centres around a combination of risk management, policy setting, employee awareness and a culture which seeks to promote the desired health, safety and environment behaviours, the implementation of management systems, and the promotion of staff health and well-being, along with compliance.

IDFC seeks compliance with legal requirements pertaining to the protection of health, safety and the environment. This is done through:

- Identifying, controlling, eliminating or reducing both health and safety risks and significant environmental impacts;
- Prevention of pollution and accidents, or ill-health, while delivering continuous improvement;
- Training and informing all members of staff, to ensure they are equipped with adequate knowledge regarding health, safety and environment activities, and to inculcate across the organisation a positive health, safety and environment culture; and
- Making appropriate resources available, thus ensuring effective compliance with our Health, Safety and Environment policies and procedures.

On a periodic basis, we assess our levels of compliance, inclusive of assurance processes. Such checks are undertaken to provide assurance to the relevant authorities that our operations and business units do, in fact, comply with policies and all legislative requirements. In this regard, we have made good progress towards the development and implementation of improvement plans.

HEALTH

IDFC remains wholly committed to ensuring the health of members of staff, which represent our most important resource. This is achieved through the implementation of continuous medical surveillance and other monitoring programmes. This is executed through a combined effort between the Occupational Health and Safety Business Unit and the Wellness Business Unit.

In response to the unprecedented COVID-19 pandemic, IDFC put several measures in place to contain the spread of the virus. These include employee rotation, working from home, sanitising the building, limiting the floor capacity usage to 50% and daily screening of employees and guests. During the year under review 19 staff members tested positive for COVID-19. These staff members have since recovered.

SAFETY

Occupational Health, Safety and Environment (OHSE) training, awareness campaigns, inspections and audits are regularly undertaken as a means of maintaining the health and safety of our staff in the workplace. OHSE Committee meetings are held on a quarterly basis, as per the minimum requirement contained in the Occupational Health and Safety Act. One reportable safety incident took place during the 2021/22 financial year at Isithebe Industrial Estate and was reported in line with the regulatory requirements.

ENVIRONMENT

IDFC recognises and understands the importance of the environment and that non-compliance impacts both the environment and sustainability of the organisation. We strive to ensure that the environment is not adversely affected by our business activities, so as to create a sustainable and profitable business, together with the provision of professional and reliable services to our tenants.

There were no reportable environmental incidents during the 2021/22 financial year. IDFC has, however, received compliance notices regarding the Isithebe Industrial Estate Closed Waste Landfill Site and Waste Transfer Station. We continue to work with the relevant authorities towards ensuring a compliant and harm-free environment.

GOVERNANCE

INTRODUCTION

IDFC's Board of Directors subscribes to the highest standards of corporate governance and expects the implementation of such standards across the organisation's business operations.

The Board is ultimately accountable for putting corporate governance structures and policies in place to ensure that all internal stakeholders take responsibility for ethical behaviour and adhere to the IDFC Code of Conduct. The Board values long-term and ethical client relationships and has well-established governance processes to safeguard the balance between achieving business growth and meeting the reasonable expectations of stakeholders. The Board has expressed a position of zero tolerance to any form of fraud, theft or corruption.

The Group Chief Executive is the only member of the management team who is an ex-officio member of the Board. Therefore, the balance between non-executive and executive directors is not at the level recommended by the King Report. This is mitigated by the appointment of executives as members of certain Board Committees.

The Board of Directors believes that in all material aspects relevant to its business, IDFC complied with the recommendations contained in the King IV Report during the year under review.

BOARD COMPOSITION

The Board is appointed by the responsible Member of the Executive Council of the Province of KwaZulu-Natal. In terms of Section 6 (1)(a) of the Ithala Act, the Board must comprise at least seven, but no more than 13 members. The term of office of the Board ended on 31 May 2021. From 1 June 2021 the Board's term was extended on a month-to-month basis whilst the shareholder, who is responsible for the appointment of the Board, was finalising regulatory issues relevant thereto.

BOARD EFFECTIVENESS

A skills gap analysis is undertaken annually against the minimum skills as stipulated in the Ithala Act, as well as those skills the Board considers essential for the achievement of the strategic goals of IDFC.

The results of the skills gap analysis indicated that the Board needs to bolster its Information Technology and Legal skills. The required skills were communicated to the shareholder to inform the process of making Board appointments. Given that its term was coming to an end on 31 May 2021, the Board resolved not to invoke Section 16 (a) of Ithala Act, which allows that a person considered able to assist the Board regarding any of its functions can be co-opted for such purpose.

The Board Performance Evaluation Framework requires that the Board evaluation take place annually as follows:
Year 1: The evaluation of the Board as a collective (Implemented in 2019/ 2020);
Year 2: The Evaluation of Board Committees (Implemented in 2020/2021); and
Year 3: An Independent Evaluation of the Board and its Committees.

Given that the Board term of office was on a month-to-month basis during the year under review, the independent board evaluation was not undertaken as this would have required a supply chain management process which could result in wasteful expenditure if the board term was not renewed.

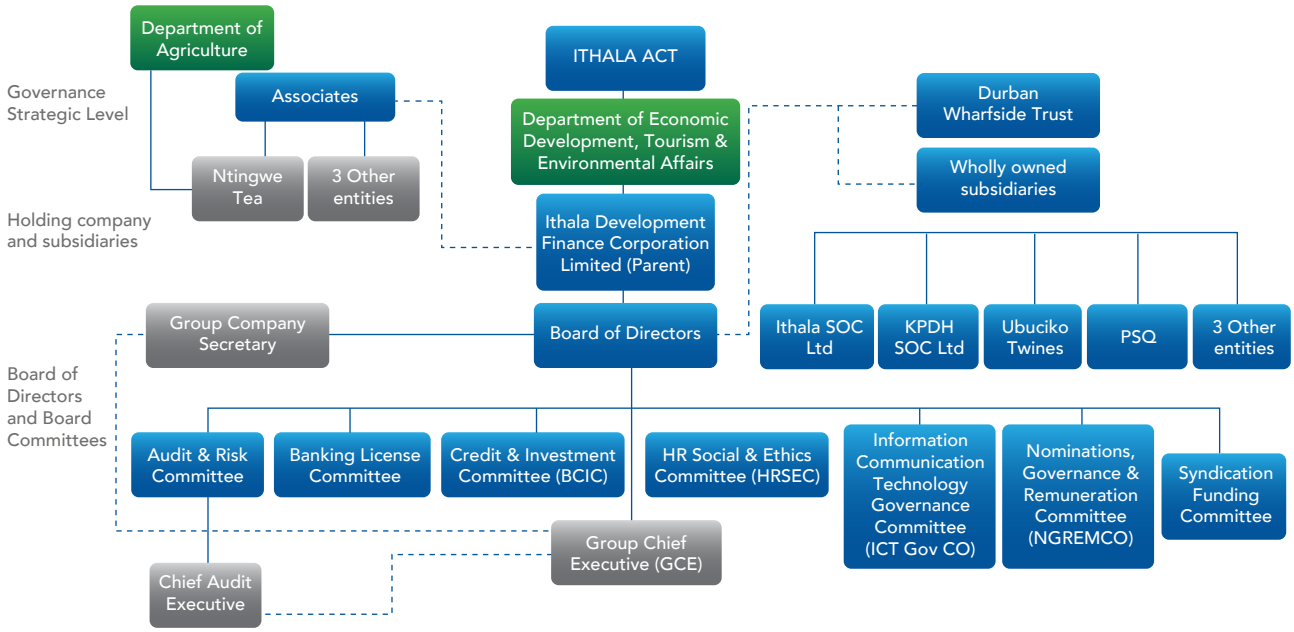
Due to the financial constraints associated with the COVID-19 pandemic the Board undertook limited training.

During the year under review the Board continued to monitor the risks that emerged with the advent of COVID-19. The Board was also tasked with the strategy to maintain the sustainability of the organisation after the July 2021 civil unrest.

GOVERNANCE STRUCTURE

The IDFC has established a group corporate governance structure in keeping with the requirements of the Ithala Act (Figure 15).

Figure 15: IDFC Group Corporate Governance Structure



Board Committees were established in terms of Section 15(1) of the Ithala Act to assist the Board to discharge its responsibility of reviewing operational performance and monitoring risk management. Allocation of members to the Committee is based on skills and every effort is made to distribute Committee membership evenly among all non-executive directors. The Board approved the terms of reference and delegated powers of authority for the Committees.

Each Board Committee has a work plan which serves as a mechanism to ensure that meetings are structured in such a manner that they address the King Report on Corporate Governance recommendations, Public Finance Management Act (PFMA) and Companies Act requirements. The Board Committee Chairpersons make reports on the activities of their respective Committees to the Board at every meeting, highlighting emergent risks and recommending strategies as they deem appropriate, to enable the Board to monitor, among others, key risk areas that are relevant to the organisation. The Board Committees have the right to obtain independent outside professional advice to assist with the execution of their duties, at company's cost, subject to a Board approved process.

Tables 13 and 14 provide the Board and Committee membership registrar for the 2021/22 financial year and the attendance list for Committee meetings during this same period.

Table 13: Board and Committee Membership (2021/22)

Name	Board of Directors	Audit and Risk Committee (ARC)	Board Credit & Investment Committee (BCIC)	Banking Licence Committee (BLC)	Information Technology and Communications Governance Committee (ITCGC)	Human Resources, Social & Ethics (HRSEC)	Nomination, Governance & Remuneration (NGREMCO)	Syndication Funding Committee (SFC)
Mr R Morar (Chairman)	✓			✓			✓	✓
Mr S Mkhize (Deputy Chairman)	✓	✓	✓	✓			✓	✓
Mr C Gina	✓		✓		✓	✓		
Ms K Mbonambi	✓	✓			✓	✓	✓	
Mr S Ndlovu	✓	✓	✓			✓	✓	✓
Ms PN Sibiya	✓	✓	✓	✓	✓		✓	✓
Ms P Bengu (GCE)	✓	✓	✓	✓	✓	✓	✓	✓
Mr S Mnguni (GCFO) (Resigned 31 July 2021)			✓					

Table 14: Board and Committees' Meeting Attendance (2021/22)

Director		Board of Directors		Audit and Risk Committee (ARC)		Board Credit and Investment Committee (BCIC)		Banking Licence Committee (BLC)		Information, Technology & Communications Governance Committee (ITCGC)		Human Resources, Social and Ethics Committee (HRSEC)		Nominations & Governance Committee (NGREMCO)		Syndication Funding Committee (SFC)	
Name	Date of App	Scheduled Meetings	Attended Meetings	Scheduled Meetings	Attended Meetings	Scheduled Meetings	Attended Meetings	Scheduled Meetings	Attended Meetings	Scheduled Meetings	Attended Meetings	Scheduled Meetings	Attended Meetings	Scheduled Meetings	Attended Meetings	Scheduled Meetings	Attended Meetings
Mr R Morar (Chairman)	01/06/17	19	19	n/a	n/a	n/a	n/a	5	5	n/a	n/a	n/a	n/a	5	5	4	4
Mr S Mkhize (Deputy Chairman)	01/06/17	19	19	11	11	9	9	5	5	n/a	n/a	n/a	n/a	5	4	4	4
Mr C Gina	01/06/17	19	19	n/a	n/a	9	9	n/a	n/a	5	5	4	4	n/a	n/a	n/a	n/a
Ms K Mbonambi	01/06/17	19	18	11	7	n/a	n/a	n/a	n/a	5	5	4	4	5	4	n/a	n/a
Mr S Ndlovu	01/06/17	19	19	11	11	9	9	n/a	n/a	n/a	n/a	4	4	5	5	4	4
Ms PN Sibiya	01/06/17	19	17	11	11	9	9	5	5	5	5	n/a	n/a	5	4	4	4
Ms PS Bengu (GCE)	01/11/18	19	18	11	9	9	9	5	4	5	5	4	4	5	4	4	4

Date of App = Date of appointment
n/a = Director is not a member of the Committee or Board

AUDIT AND RISK COMMITTEE

The primary purpose of the Audit and Risk Committee is to ensure the integrity of financial statements and to oversee the effectiveness of the internal financial controls and the external and internal audit functions.

The Audit and Risk Committee also reviews significant risks and related mitigations and reports back to the Board after each meeting. Annual risk workshops are held and identified strategic risks are documented in a risk register and assessed based on likelihood of occurrence and potential impact on IDFC (risk exposure). IDFC continuously seeks to improve and enhance its risk management processes, whilst simultaneously maintaining a practical and business-minded approach.

The internal audit function implemented a risk-based internal audit plan, founded primarily on the risk registers compiled by the Group Risk Department, revised IDFC strategy and other key emerging risks. Assurance on risk is managed through the combined assurance process wherein all levels of assurance plays a crucial role and is reported to the committee. In addition to the internal audit plan the function has a dedicated team dealing with forensic investigation matters. The Committee continued monitoring fraud and corruption trends within the organisation and ensured implementation of consequence management.

The Audit and Risk Committee also focuses on occupational health, safety and environmental risk. Efficient health and safety at the workplace not only ensures that employees are productive, but can also assist in reducing both human and business costs and unnecessary lawsuits. This continued to be closely monitored as a result of COVID-19 exposures.

The organisation has a regulatory universe applicable to its operations and constantly monitors compliance with applicable laws and regulations, with annual review and quarterly reports submitted to the Audit and Risk Committee indicating the compliance status.

During the year under review the Audit and Risk Committee focused on the group's financial performance and performance against the Annual Performance Plan, as agreed upon with the Department of Economic Affairs, Tourism and Environmental Affairs, and the Provincial Treasury in March 2021.

The areas of attention paid by the Audit and Risk Committee include:

- The internal and external audit findings, to which management continuously attends. The resolution of the audit findings is monitored and reported to the Committee by Internal Audit and the Group Chief Financial Officer also monitors the external audit findings;
- Review the adequacy of skills and expertise for Audit, Finance and Risk function teams;
- Non-adherence to the supply chain management processes in 2019/2020 and prior financial years resulted in instances of irregular and/or fruitless and wasteful expenditure. The condonation of the irregular expenditure and recovery of any losses continued to be a key focus of the Committee. The Committee has taken a position that there must be consequence management for all those responsible for irregular and fruitless and wasteful expenditure;
- Development and approval of a strategic risk register highlighting the key risks facing the organisation and monitoring adherence to a set risk appetite and tolerance levels; and
- The recovery plan developed and implemented by management in response to the impact of COVID-19 on the loan book and businesses.

During the 2021/22 reporting period, the Audit and Risk Committee reviewed and recommended, amongst others, the following to the Board for approval:

- Committee's Terms of Reference;
- Corporate Business Plan and Annual Performance Plan for 2022/23;
- Budget for 2022/23;
- Strategic Risk Register for 2022/23;
- Integrated Annual Report 2020/21;
- Risk Appetite and Tolerance Level Work Paper for 2022/23;
- Audit Strategy and Engagement Letter for the 2020/21 audit;
- Revised Supply Chain Management Policy;
- Risk Management and Compliance Programme (RMCP);
  Compliance Risk Management Framework (CRMP); and
- Investigation Policy.

BANKING LICENCE COMMITTEE

The Banking Licence Committee maintained its focus on the regularisation of Ithala SOC Limited's banking activities, with special emphasis on the shareholding structure for the proposed bank and the capital requirements for a fully-fledged bank.

The Committee considered the bank structure in preparation for the application for a banking licence for Ithala SOC Limited, which is under consideration by the Executive Authority at the recommendation of the combined Boards of IDFC and Ithala SOC Limited.

The Committee continued to explore digitisation of the banking system as Ithala SOC Limited gears towards modern-day banking.

CREDIT AND INVESTMENT COMMITTEE

The Credit and Investment Committee continued its focus on the performance of the loan book and, particularly, high-value matters which have a material impact on the level of non-performing loans which were exacerbated by the COVID-19 pandemic. Given the deterioration in the performance of the loan book, due to, among others, the state of the South African economy, the committee focused on close monitoring of the non-performing loans and the implementation of the plan to turn around these loans.

The Committee continued to monitor the progress of the turn-around plan for Port Shepstone Quarries (Pty) Ltd (PSQ). The committee undertook to source a way forward on the future of Ubuciko Twines and Fabric SOC Ltd.

During this reporting period the Committee reviewed and recommended to the IDFC Board the following:

- The implementation of the Clothing and Textiles SEZ in Ezakheni; and
- Committee's Terms of Reference.

In addition, during the year under review, the Committee was delegated to approve business finance loans of R10 million and above.

HUMAN RESOURCES, SOCIAL AND ETHICS COMMITTEE

The Board revised the Microstructure for the organisation in November 2021, which was necessitated by changes to the business. The Committee tracked progress with regards to filling of critical vacancies and the implementation of the Transition Framework which defines the process for completing the transition from the current structure to the fully functioning "to-be" IDFC structure.

On a quarterly basis the Committee tracked the progress made towards the implementation of the Employee Wellness Strategy, approved by the Board in February 2019 and noted that employee participation was constantly growing.

The approved Employee Wellness Strategy aimed to achieve the following goals and objectives:

- Reduce health care costs;
- Reduce high rate of absenteeism;
- Increase employee productivity and performance; and
- Improve employee morale, engagement and retention.

The COVID-19 pandemic necessitated that IDFC increases its internal communication activities to ensure that staff stay abreast of measures put in place to ensure their safety during the pandemic. These efforts have yielded minimum COVID-19 infections in the organisation.

To ensure that IDFC employees conduct themselves in an acceptable manner the Board, on the recommendation of the Committee, approved the Disciplinary Code and Procedures and the Business Code of Conduct and Ethics.

In addition to human resources related matters, the Committee tracked the progress of all marketing initiatives conducted by IDFC. During the 2021/22 financial year the Committee approved the Marketing and Communications Strategy, which identified key deliverables to support the business.

ITC GOVERNANCE COMMITTEE

In line with the King Codes guidelines, the Board takes responsibility for Information Technology (IT) governance and has delegated the oversight role of IT risk and governance to the ITC Governance Committee by way of:

- Delegated powers of authority, as set out in the approved Terms of Reference of the ITC Governance Committee, whose terms specifically include responsibilities for IT, communication and IT governance;
- Ensuring that the Group Chief Executive appointed a suitably-qualified and experienced Group Chief Information Officer, responsible for IT management; and
- Ensuring that IT governance is integrated into the Ithala group's operations and governance practices and frameworks, which are reviewed as part of the annual internal audit plan.

The ITC Governance Committee reports to the Board on a quarterly basis regarding its oversight responsibilities, inclusive of IT governance. In terms of IT governance, key deliberations of the Committee focused on the Information Technology Strategy, Disaster Recovery Planning and testing, as well as business continuity.

NOMINATIONS, GOVERNANCE AND REMUNERATION COMMITTEE

The Committee utilised a skills matrix to review the range and relevance of the Directors' skills and interests in terms of the business of the organisation. The intent was to determine whether the current skills mix enables to the Board to bring independent judgement to Board deliberations and decision-making.

The Board believes that establishing and implementing good governance practices is one of the most useful activities to create a higher-functioning Board, whilst building the correct foundation for achieving IDFC's Vision and Mission. The Board has mandated the Nominations, Governance and Remuneration Committee with responsibility for ensuring that the organisation follows good governance practices.

Regarding remuneration practices, IDFC offers its employees a performance-based remuneration package, a system which drives a culture of high performance and accountability within the organisation.

SYNDICATION FUNDING COMMITTEE

The Board constituted the Syndication Funding Committee in June 2020 in response to the need for IDFC to raise funds for major projects that would have meaningful development impact in KwaZulu-Natal. The role of the committee is to assist in exploring possible collaboration between entities within the Province to undertake syndicated funding as a means of facilitating development activity.

Whereas there are regulatory limitations on fund raising for public entities, the Board is of the view that if done collectively, inroads could be made in this area.

GROUP EXECUTIVE COMMITTEE

The Group Executive Committee is appointed under the leadership of the Group Chief Executive to provide day-to-day leadership for the activities of IDFC.

The committee is responsible for developing and delivering against IDFC's corporate and business plans. The Committee is the highest management operational committee and functions to assist the Group Chief Executive in carrying out her executive duties, as delegated by the Board.

The Committee comprises the Group Chief Executive, as Chairperson, the entire executive team and the Group Company Secretary.

The Chief Audit Executive and the Programme Manager: Group Chief Executive's Office are standing invitees to meetings of the Group Executive Committee.

Committee members are prescribed officers, as defined in the Companies Act, and are obliged to act in terms of the roles and responsibilities, as required of a prescribed officer. The Committee holds sufficient scheduled meetings to effectively discharge its duties, as set out in its Terms of Reference, with a minimum of one meeting per month.

03

ANNUAL FINANCIAL STATEMENTS

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Ithala Development Finance Corporation
Financial statements
for the year ended 31 March 2022

REPORT OF THE AUDIT AND RISK COMMITTEE

The Report of the Audit and Risk Committee of the Board in terms of regulation 27.1.10(B) and (c) of the Treasury regulations [in terms of sections 51(1)(a)(ii) and 76(4)(d) of the Public Finance Management Act of 1999 as amended] and the requirements of the King IV Code of Governance.

BACKGROUND

The Board's Audit and Risk Committee, in addition to having specific statutory responsibilities in terms of the Companies Act, assists the Board in fulfilling its oversight responsibilities regarding the evaluation of the adequacy and effectiveness of accounting policies, internal controls, risk management and financial reporting processes of the Corporation and Group.

In addition, the Audit and Risk Committee assesses the effectiveness of the internal auditors and the independence and effectiveness of the external auditors.

TERMS OF REFERENCE

The Audit and Risk Committee has adopted formal Terms of Reference that have been approved by the Board and has executed its duties during the past financial year in accordance with such Terms of Reference.

COMPOSITION

The Audit and Risk Committee comprises four Independent Non-Executive Directors and as at 31 March 2022 the Audit and Risk Committee comprised:

- Ms PN Sibiya, (Chairperson), Chartered Accountant (SA);
- Ms K Mbonambi, B. Com Honours;
- Mr S Mkhize, Chartered Accountant (SA);
- Mr S Ndlovu, MBA; and
- Ms Y Ngwane (Co-opted member from 01/04/2020 to 31/05/2021), Bachelor of Laws (LLB)

For detailed qualifications of the afore-mentioned Audit and Risk Committee members, please refer to pages 16 to 18 of the Integrated Annual Report.

The Group Chief Executive, the Group Chief Financial Officer, Group Chief Risk Officer, Group Chief Audit Executive, other executives and representatives from external audit attend committee meetings by invitation only.

The internal and external auditors have unrestricted access to the Audit and Risk Committee.

MEETINGS

The Audit and Risk Committee held ten meetings during the period under review.

Table 15: Audit and Risk Committee Meeting Attendance (2021/22)

	09/04/21	13/05/21	28/05/21	17/06/21	13/08/21	19/08/21	08/11/21	17/02/22	18/02/22	31/03/22
Ms PN Sibiya	√	√	√	√	√	√	√	√	√	√
Mr S Ndlovu	√	√	√	√	√	√	√	√	√	√
Mr S Mkhize	√	√	√	√	√	√	√	√	√	√
Ms K Mbonambi	√	√	√	A	√	√	√	A	A	A
Ms Y Ngwane*	√	√	√	N/A	N/A	N/A	N/A	N/A	N/A	N/A

*Co-opted from 01/04/2020 to 31/05/2021
√ = Present A = Apology
N/A = Not a member from 01/06/2021

STATUTORY DUTIES

In the execution of its statutory duties during the 2021/22 financial year, the Audit and Risk Committee:

- Understood that the appointment of the Auditor-General of South Africa (AGSA), as an auditor, complies with the relevant provisions of the Companies Act and Public Finance Management Act;
- Determined the fees to be paid to the AGSA, as disclosed in Note 36 of the Annual Financial Statements;
- Determined the terms of engagement of the AGSA;
- Reviewed the annual report and annual financial statements for the 2020/21 financial year;
- Oversaw the implementation of an effective policy and plan for risk management;
- Considered the internal and external audit process and the accounting principles and policies;
- Strengthened the independence of the internal and external audit functions to ensure their effectiveness;
- Ensured compliance and adherence to applicable legal, regulatory and accounting requirements; and
- Contributed to a climate of discipline and control to mitigate against fraud.

INTERNAL CONTROLS

The Audit and Risk Committee has:

- Reviewed the effectiveness of IDFC's system of internal controls, including receiving assurance from management, internal audit and external audit;
- Reviewed significant issues raised by the internal and external audit processes;
- Reviewed policies and procedures for preventing and detecting fraud; and
- Reviewed significant cases of misconduct, or fraud, or any other unethical activity by employees of IDFC.

Based on the processes and assurances obtained, we believe that significant internal controls are generally adequate.

The implementation of existing controls requires executive intervention and focused efforts for improvement in order to ensure that IDFC achieves its set of objectives.

REGULATORY COMPLIANCE

The Audit and Risk Committee reviewed the effectiveness of the system for monitoring compliance with laws and regulations and is satisfied with the expertise and adequacy of resources within the compliance function.

Based on the processes and assurances obtained, the Committee believes that IDFC generally complies with regulatory requirements.

EXTERNAL AUDIT

The Audit and Risk Committee has reviewed the external audit scope to ensure that critical areas of the business are being addressed, and reviewed the external auditor's report, including issues arising out of the report.

Based on processes followed and assurances received, nothing has come to the Committee's attention with regard to the external auditor's independence. Details of the external auditor's fees are set out in Note 36 of the Annual Financial Statements.

INTERNAL AUDIT

The Audit and Risk Committee believes that the Group Chief Audit Executive possesses the appropriate expertise and experience to meet her responsibilities in this position. The Audit and Risk Committee has:

- Reviewed and approved the internal audit charter;
- Evaluated the independence, effectiveness and performance of the internal audit function and compliance with its mandate;
- Satisfied itself that the internal audit function has the necessary resources, budget and standing authority within the Corporation to enable it to discharge its functions;
- Reviewed internal audit reports, including the response of management to issues raised therein;
- Approved the three-year rolling internal audit plan; and
- Encouraged co-operation between external and internal audit.

Based on processes followed and assurances received, nothing has come to our attention regarding the internal auditor's independence and objectivity.

REPORT OF THE AUDIT AND RISK COMMITTEE

FINANCE FUNCTION

The Audit and Risk Committee

- Believes that the Group Chief Financial Officer, Ms Babalwa Mapisa, possesses the appropriate expertise and experience to meet his responsibilities in this position;
- Is satisfied with the expertise and adequacy of resources within the finance function; and
- Is satisfied with the quality of the quarterly management reporting to both the Board and the Shareholder, the Department of Economic Development, Tourism and Environmental Affairs.

Based on the processes and assurances obtained, the Committee believes that the accounting practices are generally adequate.

In the current year, there were no new instances of irregular expenditure identified.

RISK AND MANAGEMENT FUNCTION

The Audit and Risk Committee believes that the Group Chief Risk Officer possesses the appropriate expertise and experience to meet her responsibilities in this position.

The Committee participated in the identification of the strategic risks and considered the strategic risk register, risk appetite and tolerance levels for the year and risk management plan for 2021/22. The Audit and Risk Committee considered the risk assessment assurance report which indicates that the organisational risk management is generally adequate and implemented in most processes.

Based on the processes and assurances obtained, we believe that risk management practices are generally adequate.

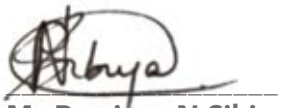
COMBINED ASSURANCE MODEL

In compliance with King IV on Corporate Governance, the Audit and Risk Committee continues to monitor a combined assurance model to provide a co-ordinated approach to all assurance activities and address significant risks facing the company.

Reporting on combined assurance principles continued during the financial year under review, providing the Audit and Risk Committee an overall assurance on the adequacy and effectiveness of controls on strategic risks for the organisation. Amongst others, combined assurance provides assurance to the Audit and Risk Committee that significant risks, including strategic risks and controls to mitigate the risks are assessed by different assurance providers. In line with King IV, assurance providers reviewed organisational external reports to provide assurance on the accuracy, validity and completeness of the reports.

With combined assurance, the Audit and Risk Committee can fulfil its oversight function much more effectively and efficiently.

This Integrated Annual Report was recommended by the Audit and Risk Committee to the Board for approval.



Ms Precious N Sibiya
Chairperson: Audit and Risk Committee

STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

The financial statements have been prepared in accordance with International Finance Reporting Standards.

In preparing the annual financial statements, the following have been adhered to:

- The KwaZulu-Natal Ithala Development Finance Corporation Act, Act No. 5 of 2013;
- The Public Finance Management Act (PFMA), Act No. 1 of 1999; and
- The International Finance Reporting Standards (IFRS).

The Directors are responsible for establishing and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the annual financial statements.

Nothing has come to the attention of the Directors from management or the internal and external auditors to indicate any breakdown in the functions of these controls during the year under review, which resulted in any material loss to the Corporation and Group.

All employees are required to maintain the highest ethical standards in ensuring that the Corporation and the Group's business practices are concluded in a manner which, in all reasonable circumstances, is above reproach.

IDFC and Group Annual Financial Statements have been prepared on the going concern basis. This basis of accounting has been adopted by the Board after having made enquiries of management and given due consideration to information presented to the Board. Accordingly, the Directors have no reason to believe that IDFC and Group will not continue as a going concern in the year ahead.

The Auditor-General was appointed, as independent auditor, in terms of the Public Audit Act, Act No. 25 of 2004, and the Public Finance Management Act, Act No. 1 of 1999, and has audited the Corporation Annual Financial Statements and the Group Annual Financial Statements.

Their report is presented on pages 80 to 84.

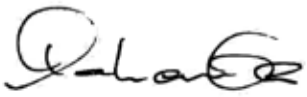
The Annual Financial Statements which appear on pages 87 to 212 were approved by the Board of Directors on 29 August 2022 and are signed on its behalf by:

Mr S Mkhize
Chairman

Ms Pearl Bengu
Group Chief Executive

GROUP COMPANY SECRETARY'S CERTIFICATION

The Group Company Secretary certifies that Ithala Development Finance Corporation Limited has lodged with the appropriate regulatory authority all returns, as are required, in terms of the KwaZulu-Natal Ithala Development Finance Corporation Act, Act No. 5 of 2013. All such returns are correct and up-to-date



Ms LS Mahamba
Group Company Secretary

Report of the auditor-general to the KwaZulu-Natal Provincial Legislature on Ithala Development Finance Corporation and its subsidiaries

Report on the audit of the consolidated and separate financial statements

Opinion

1. I have audited the consolidated and separate financial statements of the Ithala Development Finance Corporation (the entity) and its subsidiaries (the group) set out on pages 87 to 212, which comprise the consolidated and separate statement of financial position as at 31 March 2022, the consolidated and separate statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows 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 consolidated and separate financial position of the group as at 31 March 2022, and the group's financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

Basis of Opinion

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

4. I am independent of the group 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 matter

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

Impairment losses

7. As disclosed in note 2 to the consolidated and separate financial statements, the group reported material impairments amounting to R392,54 million (2021: R401,68 million) on loans and advances as a result of loans becoming non-performing.

8. As disclosed in note 15 to the consolidated and separate financial statements, the group reported material impairments amounting to R237,01 million (2021: R180,07 million) on trade and other receivables as a result of trade and other receivables becoming non-performing.

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 IFRS and the requirements of the PFMA, 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 group'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 group or to cease operations, or has no realistic alternative but to do so.

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

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 audit of the annual performance report

Introduction and scope

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

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

15. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for *strategic goal 2: Property portfolio optimised for tenant retention and attraction* presented on pages 54 to 56 in the entity's annual performance report for the year ended 31 March 2022.

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

17. I did not raise any material findings on the usefulness and reliability of the reported performance information for the selected strategic goal.

Other matters

18. I draw attention to the matters below.

Achievement of planned targets

19. The annual performance report sets out information on the achievement of planned targets for the year.

Adjustment of material misstatements

20. I identified material misstatements in the annual performance report submitted for auditing. The material misstatement was on the reported performance information of strategic *goal 2: Property portfolio optimised for tenant retention and attraction*. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

Report on the audit of compliance with legislation

Introduction and scope

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

22. The material finding on compliance with specific matters in key legislation is as follows:

Annual financial statements

23. The annual financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by section 55(1)(b) of the PFMA. Material misstatements of trade and other receivables, investment property, investments in subsidiaries, other income and disclosure notes identified by the auditors in the submitted financial statements were corrected, resulting in the financial statements receiving an unqualified audit opinion.

Other information

24. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the consolidated and separate financial statements, the auditor's report and the selected strategic goal presented in the annual performance report that has been specifically reported in this auditor's report.

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

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

27. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, 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

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

29. Management did not perform adequate reviews of the financial statements to ensure timely and accurate implementation of the overall processes to comply with the applicable reporting framework.

Other reports

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

31. The group's internal audit and risk assurance services conducted 20 investigations covering the period 2020 to 2022. The investigations related to allegations of irregularities arising from supply chain management deviations, loans and advances and human resource processes. Fourteen investigations were completed and the recommendations are currently being implemented by management. Six investigations are still in progress at the date of this report.

Auditor-General

Pietermaritzburg
31 July 2022

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the consolidated and separate financial statements and the procedures performed on reported performance information for selected strategic goal and on the entity's compliance with respect to the selected subject matters.

Financial statements

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

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

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

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

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2022

The Directors have pleasure in presenting this report as part of the Annual Financial Statements (AFS) of Ithala Development Finance Corporation Limited (The Corporation) and the consolidated financial statements of the Corporation and its subsidiaries (referred to as The Group) for the financial year ended 31 March 2022.

A. Legal Form and Domicile

The Corporation is a provincial development finance institution, wholly owned by the KwaZulu-Natal Government Department of Economic Development, Tourism and Environmental Affairs (EDTEA) and operating in terms of the Ithala Development Finance Corporation Act No.5 of 2013.

The Corporation operates within the legal framework of the Public Finance Management Act, No.1 of 1999 (PFMA); as a listed public entity under Schedule 3: Part D.

The Corporation is domiciled in South Africa. The address of its registered office and principal place of business is number 29 Canal Quay Road, Point Waterfront, Durban 4001.

B. Nature of Operations

Ithala Development Finance Corporation manages fully integrated business activities that provide a range of financial and property services throughout KwaZulu-Natal.

The Corporation makes equity investments in various subsidiaries and associated companies located in the KwaZulu-Natal province in keeping with its legislated development mandate. These are outlined in Notes 8, 13 and 28 of the AFS.

C. Financial Results

The results of the Corporation and the Group for the year ended 31 March 2022 are disclosed in the annual financial statements set out on pages 87 to 212.

For more details on the financial results of the Subsidiaries and Associated Companies refer to the separate annual financial statements of these companies and see Note 8, 13 and 28 of the Group Financial Statements for summary financial information between the Corporation and these companies.

D. Policy Directives

No policy directives were received from the MEC: Economic Development, Tourism and Environmental Affairs during the financial year ended 31 March 2022.

E. Events Subsequent to the Date of Statement of Financial Position

In the month of April 2022, KZN suffered extreme floods which caused significant damage to infrastructure throughout the province. The Group's properties and branches / ATMs were also affected by the floods. From the information gathered as at the time of submitting these annual financial statements, the damages were mainly due to water ingress and were therefore not material.

Approval was sought and obtained from the MEC of EDTEA and all relevant officials for the dilution of shareholding in Port Shepstone Quarries and acquisition of a third party Investor to revive the operations of Port Shepstone Quarries. At the time of preparation and issue of these financial statements, the percentage of dilution was unknown.

F. Fair value of investments

The fair value of investment property as disclosed in Note 3 is R3,16 billion at year end (2021: R3,2 billion). The other fair valued investments are investments held with SA Real Estate Corporation valued at R9,4 million (2021: R7,2 million) and investment in Cell Captives, valued at R51,9 million (2021: R45,9 million). Please refer to notes 11 and 12 for further details on these investments.

G. Ordinary Share Capital

The Share Capital of the Corporation has remained unchanged during the financial year under review. The authorised and issued share capital of the company is R1 billion (2021: R1 billion).

H. Dividends

No dividends were declared or payable to the shareholder (EDTEA) as retained income attributable to the ordinary shareholder is reinvested in projects that promote economic development.

I. Interests in Contracts

There were no contracts entered into in which Directors and Officers of the Corporation had an interest. Refer to note 28 for details on related party transactions.

J. Sources of Funding

The Corporation did not raise any new long-term borrowings during the year under review (2021: R nil).

Refer to note 19 for details on existing Borrowings.

During the year under review, the Corporation received government grants of R94,7 million (2021: R151,7 million) from EDTEA for various projects. Refer to note 22 and 24 for details of grants and funds held on behalf of other entities.

K. Going Concern Basis of Accounting

- Corporation

  The Corporation's business activities, together with the factors likely to affect its future development, performance, and position as at 31 March 2022, have been assessed by the Directors. The financial position of the Corporation, its cash flows, liquidity position and borrowing facilities are described in the relevant sections of the financial statements. In addition, note 29 to the financial statements includes the company's policies, processes for managing its capital, details of its financial instruments and its exposures to credit and liquidity risk.

  As highlighted in notes 14 and 29 to the financial statements, the Corporation meets its day to day working capital requirements from its own cash resources and has open unutilised lines of credit of R100 million from major financial banking institutions.

  The Group posted a profit of R232,8 million for the year ended 31 March 2022 (2021: R161,5 million) as disclosed in the annual financial statements. The Group is solvent and liquid - refer to the Chief Financial Officer's report on pages 14 to 15 for details.

  The directors have a reasonable expectation that the Corporation and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the annual financial statements have been prepared on a going concern basis.

- Subsidiaries

  The going concern ability of the Corporation's subsidiary companies has been assessed by the Directors at year end. The following subsidiaries' Annual Financial Statements were prepared on a liquidation basis:
  - Ubuciko Fabrics and Twines (Pty)Ltd;
  - Port Shepstone Quarries (Pty) Ltd;
  - Sundumbili Plaza Limited;
  - Nongoma Plaza Limited;
  - Durban Wharf Side Trust;
  - Sibaya Conservation Projects (Pty) Ltd; and
  - KwaZulu-Natal Property Development Holding SOC Limited.

  The above subsidiaries are under voluntary liquidation and its annual financial statements have been prepared on the liquidation basis. Refer to the subsidiary's individual Annual Financial Statements for details on the reporting basis adopted.

- Banking License exemption of Ithala SOC Limited

  The Minister of Finance extended the banking licence exemption Ithala SOC Limited to the end of December 2023 subject to the entity fulfilling certain conditions. Management is relatively confident, that these conditions will be met.

L. Board of Directors

Information pertaining to Board Members and Committees is covered from page 16 to 18 of the annual report.

Please refer to note 43 for details on any changes in the Board of Directors.

M. Company Secretariat

The Group Company Secretary is Ms. LS Mahamba, B Comm, Post-Graduate Diploma in Business Management, whose address is the Corporation's registered office (see section A above).

N. Information disclosed in terms of Section 55(2)(b) of the PFMA

- Particulars of irregular expenditure and fruitless and wasteful expenditure incurred are disclosed in Notes 39 and 40 of the AFS.

- In the ordinary course of business and in accordance with prevailing business rules, the Group wrote-off bad loans of R32,2 million (2021: R9,8 million), comprising a capital portion of R20,7 million (2021: R7 million), interest of R10,9 million of (2021: R nil) and non-realisable revenue (NRR) of nil (2021: R2,4m).

Despite the write-off of these bad debts, the company continues to pursue these defaulters and no effort is spared in trying to recover monies owed to the Group. During the year under review a total of R8 million (2021: R2,3 million) was recovered from bad debts previously written off.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2022

		Group		Company	
		2022	2021	2022	2021
	Note(s)	R '000	R '000	R '000	R '000
ASSETS					
NON-CURRENT ASSETS					
Loans and advances	2	2 119 168	2 139 332	206 548	344 655
Investment property	3	3 164 371	3 198 870	2 836 869	2 873 459
Property, plant and equipment	4	263 858	284 672	237 729	256 643
Intangible assets*	5	10 541	11 621	7 242	7 842
Right-of-use assets*	6	41 794	21 833	5 194	4 600
Straight-lining of operating lease income	7	16 194	28 636	16 732	27 730
Investments in subsidiaries	8	-	-	519 264	495 726
Prepayment-land	9	8 166	8 166	8 166	8 166
Investment in shares	11	9 378	7 174	9 378	7 174
Investment in cell captives	12	51 884	45 910	51 884	45 910
Investments in associates	13	823	31	823	31
		5 686 177	**5 746 245**	**3 899 829**	**4 071 936**
CURRENT ASSETS					
Loans and advances	2	206 708	240 671	61 952	74 561
Straight-lining of operating leases income	7	2 643	4 546	1 428	3 651
Cash and cash equivalents	14	1 398 519	1 527 861	705 962	635 118
Statutory liquid asset	14	272 401	244 990	-	-
Right-of-use asset*	6	15 042	11 112	-	-
Trade and other receivables	15	425 628	109 867	415 651	150 652
Finance lease receivables	10	173	1 137	-	-
Inventories	16	6 049	7 245	4 550	4 511
		2 327 163	2 147 429	1 189 543	868 493
Non-current assets held for sale	17	11 633	8 935	11 098	8 365
Total Assets		**8 024 973**	**7 902 609**	**5 100 470**	**4 948 794**
EQUITY AND LIABILITIES					
EQUITY					
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT					
Share capital	18	1 008 582	1 008 582	1 008 582	1 008 582
Actuarial reserve		19 441	19 071	9 963	7 876
Retained income		3 623 404	3 390 541	3 397 904	3 226 799
Non-controlling interest	18	(448)	(426)	-	-
		4 650 979	**4 417 768**	**4 416 449**	**4 243 257**

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2022 (Continued)

		Group		Company	
	Note(s)	2022 R '000	2021 R '000	2022 R '000	2021 R '000
LIABILITIES					
NON-CURRENT LIABILITIES					
Borrowings	19	23 185	29 765	21 131	27 709
Deposits due to customers*	20	35 142	31 750	-	-
Retirement benefit obligation	21	104 382	98 772	63 985	63 074
Long service obligations	21	20 339	20 576	17 117	17 243
Government grants*	22	15 333	27 417	15 333	18 113
Deferred tax liability	33	44 743	45 496	-	-
Provisions	23	17 756	13 643	14 703	10 771
Lease Liabilities*	32	33 078	23 173	12 716	12 194
		293 958	**290 592**	**144 985**	**149 104**
CURRENT LIABILITIES					
Borrowings	19	6 966	7 814	6 966	7 814
Retirement benefit obligation	21	7 379	6 872	5 348	5 193
Deposits due to customers*	20	2 360 691	2 479 602	-	-
Long service obligations	21	4 649	3 072	3 716	1 308
Government grants*	22	44 371	60 360	35 067	60 360
Provisions	23	11 504	12 011	5 803	5 632
Trade and other payables	24	598 451	593 730	481 764	475 860
Lease Liabilities*	32	46 025	31 148	372	266
		3 080 036	**3 194 249**	**539 036**	**556 433**
Total Liabilities		**3 373 994**	**3 484 841**	**684 021**	**705 537**
Total Equity and Liabilities		**8 024 973**	**7 902 609**	**5 100 470**	**4 948 794**

* Refer to Note 47 for details of reclassifications.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2022

		Group		Company	
		2022	2021	2022	2021
	Note(s)	R '000	R '000	R '000	R '000
Interest income calculated using the effective interest rate	36	257 317	253 176	55 700	51 504
Other interest income	36	109	201	-	-
Total interest income	36	**257 426**	**253 377**	**55 700**	**51 504**
Interest expense calculated using the effective interest rate	37	(56 946)	(67 791)	(1 863)	(2 271)
Other interest expense	37	(18 352)	(18 979)	(11 027)	(10 929)
Total interest expense	37	**(75 298)**	**(86 770)**	**(12 890)**	**(13 200)**
Net interest income before credit impairment charges		**182 128**	**166 607**	**42 810**	**38 304**
		29 292	80 586	22 710	98 167
Net losses on derecognition of loans and advances	2	(32 007)	(9 814)	(27 795)	-
Expected credit loss-loans and advances	2	3 935	4 275	6 728	30 034
Expected credit loss-trade and other receivables	15	57 364	86 125	43 777	68 133
Net interest income after credit impairment charges		**152 836**	**86 021**	**20 100**	**(59 863)**
Other operating income	34	1 336 561	1 189 901	1 063 773	961 357
Operating income		**1 489 397**	**1 275 922**	**1 083 873**	**901 494**
Operating expenditure					
Other operating expenses	35	(1 187 833)	(1 054 508)	(811 766)	(695 831)
Impairment of non-current assets held for sale	17	(523)	225	(937)	-
Depreciation and amortisation	4&5&6	(37 453)	(47 944)	(16 728)	(18 055)
Impairment of investments in subsidiaries	8	-	-	(70 956)	(33 382)
Impairment of investment in deposits with banks	14	4 464	10 256	-	-
ECL on operating lease receivables	7	(12 836)	(14 692)	(12 381)	(13 904)
Profit before taxation		**255 216**	**169 259**	**171 105**	**140 322**
Taxation	38	(22 375)	(7 798)	-	-
Profit for the year		**232 841**	**161 461**	**171 105**	**140 322**
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Actuarial gains / (losses)	21	370	(6 055)	2 087	(4 789)
Actuarial gains / (losses)		**370**	**(6 055)**	**2 087**	**(4 789)**
Total comprehensive income for the year		**233 211**	**155 406**	**173 192**	**135 533**
Profit before actuarial gains / (losses) attributable to:					
Owners of the parent		232 863	161 840	171 105	140 322
Non-controlling interest		(22)	(379)	-	-
		232 841	**161 461**	**171 105**	**140 322**
Total comprehensive income / (loss) attributable to:					
Owners of the parent		233 233	155 785	173 192	135 533
Non-controlling interest		(22)	(379)	-	-
		233 211	**155 406**	**173 192**	**135 533**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2022

	Share Capital	Other Comprehensive Income	Retained Income	Total Attributable to Equity Holders of the Group / Company	Non-Controlling Interest	Total Equity
	R '000	R '000	R '000	R '000	R '000	R '000
Group						
Balance at 01 April 2020	**1 008 582**	**25 126**	**3 234 756**	**4 268 464**	**(47)**	**4 268 417**
Prior period error	-	-	(6 055)	(6 055)	-	(6 055)
Profit for the year	-	-	161 840	161 840	(379)	161 461
Other comprehensive income	-	(6 055)	-	(6 055)	-	(6 055)
Total comprehensive income for the year	**-**	**(6 055)**	**155 785**	**149 730**	**(379)**	**149 351**
Balance at 01 April 2021	**1 008 582**	**19 071**	**3 390 541**	**4 418 194**	**(426)**	**4 417 768**
Profit for the year	-	-	232 863	232 863	(22)	232 841
Other comprehensive income	-	370	-	370	-	370
Total comprehensive income for the year	**-**	**370**	**232 863**	**233 233**	**(22)**	**233 211**
Balance at 31 March 2022	**1 008 582**	**19 441**	**3 623 404**	**4 651 427**	**(448)**	**4 650 979**
Note(s)	18					
Company						
Balance at 01 April 2020	**1 008 582**	**12 665**	**3 086 477**	**4 107 724**	**-**	**4 107 724**
Profit for the year	-	-	140 322	140 322	-	140 322
Other comprehensive income	-	(4 789)	-	(4 789)	-	(4 789)
Total comprehensive income for the year	**-**	**(4 789)**	**140 322**	**135 533**	**-**	**135 533**
Balance at 01 April 2021	**1 008 582**	**7 876**	**3 226 799**	**4 243 257**	**-**	**4 243 257**
Profit for the year	-	-	171 105	171 105	-	171 105
Other comprehensive income	-	2 087	-	2 087	-	2 087
Total comprehensive income for the year	**-**	**2 087**	**171 105**	**173 192**	**-**	**173 192**
Balance at 31 March 2022	**1 008 582**	**9 963**	**3 397 904**	**4 416 449**	**-**	**4 416 449**
Note(s)	18					

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2022

		Group		Company	
		2022	2021 Restated	2022	2021 Restated
	Note(s)	R '000	R '000	R '000	R '000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash generated from operations	25	420 058	104 993	363 673	98 425
(Increase) / Decrease in working capital	25	(510 446)	40 462	(309 731)	(16 450)
Dividends received from investment in shares		843	-	843	-
Interest paid	25	(7 898)	(7 153)	(3 029)	(3 493)
Tax paid	26	(5 615)	(9 606)	-	-
Net cash (utilised in) / generated from operating activities		**(103 058)**	**128 696**	**51 756**	**78 482**
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment to promote economic development in KwaZulu-Natal:					
Loans and advances					
- granted		(551 804)	(535 838)	(115 527)	(81 396)
- repaid		561 038	444 829	214 896	149 087
Additions to property, plant and equipment		(11 745)	(7 968)	(4 397)	(2 251)
Proceeds from sale of property, plant and equipment		815	179	111	179
Purchase of investment property	3	(72 365)	(10 763)	(67 474)	(9 583)
Purchase of intangible assets	5	(1 024)	(894)	(920)	7
Proceeds on disposal of non-current assets held for sale		-	2 120	-	11
Payments relating to liquid assets		(27 411)	(61 425)	-	-
(Increase) in subsidiaries, associated companies and joint ventures		-	-	(94 494)	(62 583)
Net cash utilised by investing activities		**(102 496)**	**(169 760)**	**(67 805)**	**(6 529)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of borrowings	19	(7 428)	(4 558)	(7 426)	(4 793)
Principle payment on lease liabilities	32	(10 728)	(13 142)	(49)	(923)
Government grant received*	22	94 368	57 416	94 368	60 000
Net cash generated by financing activities		**76 212**	**39 716**	**86 893**	**54 284**
Net (decrease) / increase in cash and cash equivalents		**(129 342)**	**(1 348)**	**70 844**	**126 237**
Cash at the beginning of the year		1 527 861	1 529 209	635 118	508 881
Cash and cash equivalents at end of year	14	**1 398 519**	**1 527 861**	**705 962**	**635 118**

Included in the Group cash flow above is interest received of R257 million (2021: R253 million) and interest paid of R78 million (2021: R87 million).

*Government grants received relates to the net movement on grants that were provided by the shareholder for financing purposes.

Refer to Note 47 for details of the reclassification of prior year disclosures.

ACCOUNTING POLICIES

Corporate information

Ithala Development Finance Corporation is a Company incorporated and domiciled in the Republic of South Africa. The address of its registered offices and principal place of business is 29 Canal Quay Road, Point Waterfront, Durban. The Group is a public entity that provides property, banking and other financial services. The consolidated financial statements of Ithala Development Finance Corporation (IDFC) for the year ended 31 March 2022 comprise of IDFC and its subsidiaries, together referred to as the Group and individually, referred to as the Company. The words "Group" and "Ithala" are used interchangeably throughout the Annual Financial Statements. For the holding Company, the words ''IDFC'' and ''Company'' are used interchangeably.

The subsidiaries comprise of the following entities:

- Ithala SOC Limited (referred to as SOC)
- Nongoma Plaza (Pty) Ltd (referred to as Nongoma)
- Sundumbili Plaza (Pty) Ltd (referred to as Sundumbili)
- Durban Wharfside Trust (referred to as Wharfside)
- Ubuciko Fabrics and Twines (Pty) Ltd (referred to as Ubuciko)
- Portshepstone Quarries (Pty) Ltd (referred to as PSQ)
- Sibaya Conservation Project (Pty) Ltd (referred to as Sibaya)
- KwaZulu-Natal Property Development Holdings (SOC) Ltd (referred to as KPDH)

The consolidated and separate financial statements for the year ended 31 March 2022 were authorised for issue in accordance with a resolution of the directors on Monday, 29 August 2022.

1. SIGNIFICANT ACCOUNTING POLICIES

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

Except as described otherwise, the accounting policies have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by the Group entities.

1.1 BASIS OF PREPARATION

Basis of measurement

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) on a going concern basis utilising the historical cost concept except for the following:

- Post-retirement medical and defined benefit obligations are measured at actuarial values;
- Listed Equity investments are measured at fair value;
- Investment properties are measured at fair value;
- Non-current assets held for sale are measured at the lower of fair value less costs to sell and carrying value; and
- Cell captives are measured at fair value through profit and loss.

The consolidated financial statements are presented in South African Rands, which is the Group's functional currency. All financial information presented has been rounded to the nearest thousand, unless otherwise stated.

1.2 USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of asset, liabilities, income and expenses. These also concern the future and will thus affect the reported amounts of assets and liabilities within the next financial year. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, and future periods affected by the revisions.

Critical accounting estimates and assumptions

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year relate to the following:

Going concern

Management has assessed the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, management has taken into account the impact of COVID-19 on its assessment of going concern and is satisfied that although the pandemic has impacted on financial performance the Group will still continue for the foreseeable future. Management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Following Ithala SOC Ltd's application for an extension to its current Exemption Notice (Notice 654 of 2019), the PA issued (in January 2022) Ithala SOC Ltd with a transitional 6-month Exemption Notice, effective from 1 January 2022 to 30 June 2022. Whilst this transitional Exemption Notice sets out financial and prudential performance standards for Ithala SOC Ltd, it is envisaged that Ithala SOC Ltd, its shareholders and key stakeholders will craft a recovery plan that will lead to the issuance of a new exemption notice, effective from 1 July 2022. Ithala SOC Ltd continues to work with the PA and is confident that the banking license will be extended beyond 30 June 2022.

On a monthly basis, Ithala SOC Ltd is obliged to hold an average amount of statutory investments that shall not be less than 7,5% of its liabilities to the public. Ithala SOC Ltd holds a buffer of 20% above this value to ensure the minimum balances required are not breached in any instance. These funds are not available for use in operational activities.

Measurement of the expected credit loss allowance

The measurements of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in the risk management note, which also sets out key sensitivities of the ECL to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Measurement of leased asset and leased liability - IFRS 16

Refer to 1.11 below for details on the measurement of the right-of-use asset and lease liability.

Extension and termination options

Some property leases contain extension options exercisable by the Group before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. Factors such as the importance of the underlying assets to our operations, undertaking of significant leasehold improvements and our past practice were taken into account to determine reasonable certainty. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

Discount rate

The lease liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate. The Group determines its incremental borrowing rate by applying it's judgements and determining a suitable and observable risk-free rate that are denominated in the same currency of the lease. A credit spread is then added to the observable risk-free rate to reflect the lessee's creditworthiness.

ACCOUNTING POLICIES

Measurement of post-retirement obligations and long service awards

The cost of the defined benefit and defined contribution pension plans are determined using actuarial valuations. The actuarial valuations involve assumptions on discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Refer to the post-retirement obligations note for the assumptions used.

Fair value measurements

Fair values for investments, properties and properties in possession are determined by independent valuators. The valuations are performed using various methods including:

- The comparable sales method which entails comparing the subject property's value forming attributes with those of comparable properties that have recently exchanged hands in similar transactions. The process uses one of several techniques to adjust the prices of the comparable transactions according to the presence, absence or similarity degree of characteristics influencing value.
- The capitalisation method which takes into account net rental income which is then capitalised using an appropriate capitalisation rate. The capitalisation rate is used to indicate the rate of return that is expected to be generated on the investment property. Refer to the note for fair value information for assumptions used.

Asset lives and residual values

Property, plant and equipment as well as intangible assets are depreciated or amortised over their estimated useful lives taking into account residual values, where appropriate. The remaining useful lives of assets and residual values are assessed annually.

Prepayment-land

Assets such as property, plant and equipment are only capitalised when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. Where payments have been made for assets and transfer has not occurred at year end, such payments are accounted for as prepayment assets.

Income tax and deferred tax

The Minister of Finance announced the change in the corporate tax rate from 28% to 27% in the budget speech on 23 February 2022. The budget speech refers to the effective date of the rate change as for years of assessment ending on or after 31 March 2023.

In terms of paragraph 6 of FRP 1, changes in tax rates should be regarded as substantively enacted from the time that they are announced in terms of the Minister of Finance's Budget Statement. This criterion has been met. Furthermore, to be regarded as substantively enacted, the principle in paragraph 6 of FRP 1 is that there should be the required degree of certainty that the announced changes would be promulgated in a substantially unchanged manner. Any uncertainty that existed from the previous budget speech announcement related to the reduction in the corporate tax rate and other changes to tax laws was clarified during the 2022 budget speech announcement which is now expected to be promulgated in an unchanged manner. Hence, the change in the tax rate is considered to have been substantively enacted during the current reporting period.

IAS 12, para 46 states that current tax liabilities (assets) for the current and prior period shall be measured at the amounts expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted, or substantively enacted, by the end of the reporting period.

Paragraph 9 of FRP1 states that the changes in tax rates and tax laws should be applied to the period to which they relate. Hence, for a change in tax rates announced during the current reporting period applicable to the following year, current tax in the balance sheet would be based on the previous tax rate, whereas the deferred tax balance in the balance sheet would be based on the new tax rate.

As such, the Group has measured their current taxation at 28% and deferred taxation at 27%.

Investments in associates

Although the group holds less than 20% of the equity shares of Mabibi Development Company (Pty) Ltd and it has less than 20% of the voting power at shareholder meetings, the group exercises significant influence by virtue of its contractual right to appoint two directors.

The recommendation from the KZN Rationalisation of Public Entities exercise that was received by Ithala in June 2017 was for the shares held by Ithala and DARD in Ntingwe Tea (Pty) Ltd to be transferred to the Agribusiness Development Agency (ADA). Plans are currently in progress to transfer Ntingwe to ADA. However, the administration function was transferred to ADA during the financial year.

We have determined that the Group continues to have significant influence in the associate despite the transfer of the administration function and is hence treated as an associate.

Loans and advances

Refer to Note 29 Risk management, for disclosure of the inputs, assumptions and changes in the models and assumptions used to calculate the expected credit losses in the current financial year.

SIGNIFICANT ACCOUNTING POLICIES

Except as described otherwise, the accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by Group entities.

1) BASIS OF CONSOLIDATION

The consolidated financial statements include assets, liabilities, and results of operations of the company, its subsidiaries, associates and joint ventures. The financial statements of the subsidiaries, associates and joint ventures are prepared for the same reporting year as the company, using consistent accounting policies.

(a) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and can affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by the Group. All inter-group transactions, balances, income and expenses are eliminated in full on consolidation. Goodwill arising from the excess of the purchase consideration paid over the fair value of the net identifiable assets on acquisition is not amortised and is tested for impairment annually. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interest consists of the amount of those interests at the date of original business combination and the non-controlling interest's share of changes in equity since the date of the business combination. Losses applicable to the non-controlling interest, in excess of the non-controlling interest in the subsidiary's equity, are allocated against the interests of the Group except to the extent that the non-controlling interest has a binding obligation and the financial ability to cover such losses.

Investments in subsidiaries comprises of the initial investment and any subsequent loans made to the subsidiaries and are recognised at cost in the holding accounts. The investments are reviewed annually and written down for impairment where considered necessary.

(b) Cell captives

The cell captives do not meet the criteria to be classified as a separate entity. As a result, the Group has not consolidated the cell captives and has accounted for its interest as investments at fair value through profit or loss in terms of IFRS 9 Financial Instruments. Information about the Group's cell captive activities is set out in the Cell Captives Note.

(c) Associates and joint arrangements

Associates are those entities in which the Group has significant influence, but not control over financial and operating policies of an entity, generally comprising a shareholding of at least 20% of the voting rights. Where the Group holds less than 20% of an entity's issued share capital and is able to exert significant influence and it can be clearly demonstrated that significant influence exists, the Group classifies such entities as associates. Associates are accounted for using the equity method. The consolidated financial statements include the Group's share of the income and

ACCOUNTING POLICIES

expenses of equity accounted investments, after adjustments to align the accounting policies with those of the Group where applicable, from the date that significant influence commences until significant influence ceases.

Under IFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Joint ventures are accounted for in the same manner as Associates using the Equity method after initially being recognised at cost.

1.3 INVESTMENT PROPERTY

Investment property is initially recognised at cost, including transaction costs, and subsequently measured at fair value.

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from it.

Gains and losses arising from retirement or disposal of investment property are recognised in profit or loss in the period of the retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up will be recognised in profit or loss when the compensation becomes receivable.

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.

Property interests are accounted for as investment property when the property is subleased.

Measurement of property interest

On initial recognition of the property interest it is measured at the lower of the fair value of the property interest and the present value of the minimum lease payments. The lease is treated as a finance lease, hence a lease liability will be accounted for on initial recognition for the property interest at an amount equivalent to the property interest cost determined above. Subsequent to initial measurement, the property interest is measured as part of investment property measured at fair value.

1.4 PROPERTY, PLANT AND EQUIPMENT

Recognition and measurement

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 and work in progress are 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 measurement

Property, plant and equipment is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses.

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 the straight-line method. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Where buildings are erected on leasehold land or land held under a permission to occupy certificate with a finite life, the buildings are depreciated over the duration of the lease or permission to occupy certificate. 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 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 component 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.

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

Item	Depreciation method	Average useful life
Land, infrastructure and buildings	Straight line	50 years
Leasehold improvements	Straight line	1-10 years
Plant and equipment	Straight line	5-25 years
Motor vehicles	Straight line	4 years

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.

1.5 LANDFILL RESTORATION AND DISMANTLING COST

The Holding company holds landfill sites close to the industrial estates that it uses to dispose of garbage. The Holding company has an obligation to restore the landfill sites in terms of the Group's policy as well as the applicable legislation requirements. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of land includes the initial estimate of the costs of restoring the site on which the waste is being dumped.

The changes in the liability are added to, or deducted from, the cost of the land in the current period limited to the carrying amount of the land if there are changes to the future estimate of the liability. Where a decrease in the liability exceeds the carrying amount of the land, the excess is recognised immediately in profit or loss. If the adjustment results in an addition to the cost of land, the entity considers whether this is an indication that the new carrying amount of the land may not be fully recoverable and is therefore tested for impairment by estimating its recoverable amount. Any impairment loss is recognised in profit or loss.

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 comprise separately identifiable intangible items arising from business combinations, computer software, goodwill and other intangible assets. Intangible assets are recognised at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition.

Intangible assets with a definite useful life are amortised using the straight-line method over their useful economic life, generally not exceeding 20 years. At each date of the consolidated statement of financial position, intangible assets are reviewed for indications of impairment or changes in estimated future economic benefits. If such indications exist, the intangible assets are analysed to assess whether their carrying amount is fully recoverable. An impairment loss is recognised if the carrying amount exceeds the recoverable amount.

The Group's significant intangible assets consist of computer software. Acquired computer software and licences are capitalised as assets on the basis of

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the costs incurred to acquire and bring the specific software into use. Capitalised computer software is amortised over 2 years and carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight–line method to write-down the cost of intangible assets to their residual values over their estimated useful lives from the date they are available for use.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted, if appropriate.

Costs associated with maintaining computer software programmes are recognised as an expense, as and when incurred.

Direct software development costs that enhance the benefits of computer software programmes and are clearly associated with an identifiable and unique software system, which will be controlled by the Group and has a probable benefit exceeding one year, are recognised as intangible assets. These costs are initially capitalised as work-in-progress up to the date of completion of projects after which the asset is transferred to computer software and accounted for as per the computer software and licences policy. Management reviews the carrying value of capitalised work-in-progress on an annual basis, irrespective of whether there is an indication of impairment.

Retirement and disposals

An intangible asset shall be derecognised on disposal, or when no future economic benefits are expected from its use or disposal.

The gain or loss arising from derecognition of an intangible asset shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset. It shall be recognised in profit or loss when the asset is derecognised. Gains shall not be reclassified as revenue.

1.7 IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND INTANGIBLE ASSETS

The carrying amounts of the Group's property, plant and equipment, right-of use assets and intangible assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its Cash Generating Unit (CGU) exceeds its estimated recoverable amount. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

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

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

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated on a pro-rata basis to reduce the carrying amounts of the assets in the CGU (group of CGUs).

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

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

A reversal of an impairment loss of assets carried at cost or cost less accumulated depreciation or amortisation is recognised immediately in profit or loss.

1.8 FINANCIAL INSTRUMENTS

a) Initial recognition and measurement

Financial instruments are recognised when the group becomes a party to the contractual provisions of the financial instrument. All financial instruments are measured initially at fair value plus directly attributable transaction costs and fees, except for those financial instruments that are subsequently measured at fair value through profit or loss where such transaction costs and fees are immediately recognised in profit or loss. Financial instruments are recognised / (derecognised) on the date the group commits to purchase / (sell) the instruments (trade date accounting).

b) Financial assets classification and subsequent measurement

The Group classifies its financial assets into the following measurement categories based on the Group's assessment of the business model:

Amortised Cost, which consists of the following classes:

- Cash and cash equivalents;
- Loans and advances to customers;
- Loans to subsidiaries, joint ventures and associates;
- Deposits due to customers;
- Trade and other receivables; and
- Statutory liquid assets.

Fair value through profit or loss (FVTPL), which consists of the below items:

- Investment in cell captives; and
- Investment in SA Corp Real Estate.

Business model

The business model reflects how the group manages the assets in order to generate cash flows. That is whether the group's objective is solely to collect the contractual cash flow from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these are applicable (e.g. financial assets are held for trading purposes), the financial assets are classified as part of "other" business and measured at FVTPL. Factors considered by the group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Where the business model is to hold assets to collect contractual cash flows, the group assesses whether the financial assets' cash flows represent solely payments of principal and interest (the "SPPI test"). In making this assessment, the group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration of time value of money, credit risk, other basic lending risks and a profit margin consistent with a basic lending arrangement. Based on these factors, the group classifies its debt into the amortised cost category.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Equity instruments (**)

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets e.g. basic ordinary shares.

The Group subsequently measures all equity investments at fair value through profit or loss. Dividends, which are a return on such investments, continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

c) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represented solely payments of principal and interest ('SPPI') and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured in terms of the Group's expected credit loss policy. A gain or loss from a financial asset that is subsequently measured at amortised cost is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income in profit or loss using the effective interest rate method.

d) Effective interest rate method

The effective interest rate is the rate that discounts estimated future cash receipts or payments over the expected life of the financial instrument or

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a shorter period, where appropriate, to the net carrying amount of the financial instrument. The effective interest rate method considers all contractual terms of the financial instrument and includes any fees or incremental costs which are directly attributable to the instrument and is an integral part of the effective interest rate, but not future credit losses.

In calculating interest income on stage 1 and stage 2 financial assets, the effective interest rate is applied to the gross carrying amount of the asset. However, for stage 3 financial assets that have become credit impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the net carrying amount of the financial asset. If the financial asset is no longer credit impaired, then the calculation of interest income reverts to the gross basis.

The carrying amount of the financial instrument is adjusted if the group revises its estimate of receipts or payments. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

For purchased or originated credit-impaired financial assets, the group applies the credit adjusted effective interest rate to the amortised cost of the financial asset from initial recognition.

In applying the effective interest method, the group identifies fees that are an integral part of the effective interest rate of loans granted. Fees that are an integral part of the effective interest rate of a financial instrument are treated as an adjustment to the effective interest rate. These include origination fees received by the group relating to the creation or acquisition of loans such as compensation for activities such as evaluating the borrower's financial condition, evaluating and recording guarantees, collateral and other security arrangements, negotiating the terms of the instrument, preparing and processing documents and closing the transaction.

e) Impairment of financial assets

The group assesses on a forward-looking basis the expected credit losses ("ECL") associated with financial assets carried at amortised cost and FVOCI (**) and with the exposures arising from loan commitments and financial guarantee contracts. The group recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

An unbiased and probability weighted amount that is determined by evaluating range of possible outcomes;

- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The group recognises a loss allowance at an amount equal to the lifetime ECL, except for financial assets on which credit risk has not increased significantly since their initial recognition. The loss allowance on financial assets on which credit risk has not increased significantly since their initial recognition are at an amount equal to the 12-month ECL.

The loss allowance on trade receivables are always measured at an amount equal to the lifetime ECL. (**)

f) Significant increase in credit risk

The group assesses at each reporting date, whether the credit risk of a financial instrument has increased significantly since initial recognition. This is based on the comparison of the risk of default occurring on the financial instrument as at each reporting date to initial recognition over the expected life of the financial instrument. It considers available reasonable and supportable forward-looking information.

A backstop is applied and the financial instrument is considered to have experienced a significant increase in credit risk if the borrower is more than 30 days due on its contractual payments.

g) Impairment of financial assets: Definition of default

The group defines a default consistent to the internal risk internal credit risk management purposes for the relevant financial instruments and considers qualitative factors when appropriate.

The group's criteria in the determination of impairment of a financial asset or group of assets include observable data that comes to

the attention of the holder of the asset about the following loss events:

- Significant financial difficulty of the customer or borrower;
- A breach of contract, such as default or delinquency in interest or principal payments;
- It becomes probable that the lender is over indebted; and
- Observable data indicates that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets that may have arisen from global economic conditions that correlate with defaults on the assets because of adverse changes in the financial services sector, which has impacted on borrowers.

A backstop is applied and the financial instrument is considered to be in default if the borrower is more than 90 day due on its contractual payments.

h) Financial assets subject to renegotiated terms

The group sometimes renegotiates or otherwise modifies the contractual cash flow of loans to customers. When this happens, the group assesses whether the new terms are substantially different to the original term.

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position. These loans are not considered to be past due. These loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

Restructuring activities include extended payment arrangements, and deferral of payments, amongst others.

Following restructuring, a previously overdue advance is managed together with other similar accounts once the customer demonstrates the ability to make contractual payments for a specific period. Restructuring policies and procedures are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue.

If the terms are substantially different, the group derecognises the original asset and recognises a "new" asset at fair value and recalculates a new effective interest rate for the financial asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the group also assesses whether the new financial asset recognised is deemed to be credit impaired at initial recognition, especially in where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

i) Write off of financial assets

The group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the group's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

j) Loan commitments

Loan commitments are firm commitments to provide credit under pre-specified terms and conditions. The initial fair value is amortised over the life of the loan commitment.

When loan commitments are below market value, they are subsequently measured at the lower of the following:

(a) The amount of the loss allowance; and
(b) The amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

The difference between the carrying amount of a financial liability and the consideration paid, including any non-cash transferred or liabilities assumed, shall be recognised in profit or loss.

k) Derecognition of financial assets

On derecognition of a financial asset, the difference between the carrying amount of the asset (measured at the date of derecognition) and

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any consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

l) Financial liabilities

Financial liabilities are initially measured at fair value including transaction costs and subsequently classified and measured at amortised cost.

The group's financial liabilities at amortised costs included customer deposits, trade and other payables and loan accounts with Nedbank and Khula Enterprise Finance Ltd.

Derecognition of financial liabilities

Financial liabilities are derecognised when the financial liabilities' obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.

m) Offsetting

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

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

1.9 GOVERNMENT GRANTS AND IMPLEMENTING AGENT PROJECTS

Government grants are recognised when there is reasonable assurance that the Group has complied with the conditions attached to the grant and that the grant has been received.

Government grants whose primary condition is that the Group should purchase, construct or acquire non-current assets are deducted in arriving at the carrying amount of the assets. The grants are recognised as income over the periods necessary to match the grant with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred with no future related cost are recognised in profit or loss in the period in which they are received. Government grants received for specific loans and advances programmes are recognised as income when all the conditions of the grant have been fulfilled and there is reasonable assurance that the grant will be received.

During its course of business, IDFC may enter into binding arrangements where it undertakes transactions with third parties ''on behalf of, and for the benefit of, other entities". The entity on whose behalf the activities are being undertaken and who ultimately benefits (or bears losses), is the principal in the arrangement. IDFC accounts for these in the balance sheet as projects and does not recognise any transactions in the income statement relating to the projects.

1.10 TAXATION

Current tax assets and liabilities

Ithala Development Finance Corporation is exempt from normal tax in terms of Section 10(1) (cA) (i) of the Income Tax Act. Consequently, all wholly owned subsidiaries of the Corporation are exempt from normal tax in terms of Section 10(1) (cA)(ii) of the Income Tax Act. Subsidiaries that are wholly owned are not subject to normal taxation except for Sundumbili, Nongoma, Wharfside and Sibaya.

Tax expense for subsidiaries that are not wholly owned comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. During the reporting period, the Minister of Finance announced the reduction in the corporate income tax rate from 28% to 27% for years of assessment ending or after 31 March 2023. Changes in tax rates are applied to the period to which they relate, hence the current tax balance is based on the existing tax rate of 28% and deferred tax as noted below, is reflected at the rate which would apply to future periods. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax assets and liabilities

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets

and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. During the reporting period, the Minister of Finance announced the reduction in the corporate income tax rate from 28% to 27% for years of assessment ending or after 31 March 2023. The effect of the substantively enacted rate change has been disclosed in note 8 and note 39.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

1.11 RIGHT OF USE ASSETS AND LEASE LIABILITIES

Operating leases - lessor

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

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

Income for leases is disclosed under revenue in profit or loss.

RIGHT OF USE ASSETS

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assess whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

The Group recognises a right-of-use asset and a lease liability at the initial application date at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application. The right-of-use asset is initially measured at cost, which comprises:

(a) the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date
(b) plus any initial direct costs incurred by the lessee
(c) and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right- of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of- use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of -use asset is assessed for impairment, where there is an indicator of impairment, and if the asset if found to be impaired, the carrying value of the right of use asset is reduced by impairment losses, and adjusted for certain remeasurements of the lease liability.

Termination / Cancellation of lease

In the event of cancellation / termination of the lease by either party (lessee or lessor), the right of use asset is derecognised and any difference is recognised in profit or loss on derecognition.

The right-of-use asset is derecognised to reflect the partial or full termination of the lease. The Group, as lessee, recognises in profit or loss any

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gain or loss relating to the partial or full termination of the lease. The lease liability is derecognised accordingly.

LEASE LIABILITIES

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

(a) fixed payments (including substance fixed payments), less any lease incentives receivable;
(b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
(c) amounts expected to be payable by the lessee under residual value guarantees;
(d) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
(e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Lease liability shall be subsequently measured by:
(a) increasing the carrying amount to reflect interest on the lease liability;
(b) reducing the carrying amount to reflect the lease payments made; and
(c) remeasuring the carrying amount to reflect any reassessment or lease modifications.

Lease modifications and rental concessions

The Group assessed whether any rental concessions received were as a direct consequence of the COVID-19 pandemic constituted lease modifications. In assessing whether concessions received are lease modifications, the below factors would need to be considered:

- whether or not the concessions resulted in a change to the scope of the lease i.e. if there had been changes in the right of use conveyed to the Group as lessee
- whether or not there has been a change in the consideration for the lease, considering the overall effect of any change in the lease payments
- whether or not the practical expedient as per IFRS 16 could be applied i.e. if the concessions did not extend beyond June 2022, it would not need to be accounted for as a lease modification, provided that the concession did not result in a change either to the scope or consideration for the lease.

The Group received a reduction in lease payments and going forward, the yearly escalation rates will be applied on the reduced lease payments. As this has resulted in a change to the consideration for the lease, it has been accounted for as a lease modification. Refer to the right of use and finance lease liability notes, where the impact of the modification on the right of use asset and lease liability has been quantified. However, these reductions in payments were not as a result of the COVID-19 pandemic. Lease payments were renegotiated with the landlords as the subsidiary company had ceased operations.

Finance leases - lessor

The Group recognises finance lease receivables in the statement of financial position.

Finance income is recognised based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the finance lease.

1.12 INVENTORIES

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventories comprises of all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories is assigned using the weighted average cost formula.

1.13 EMPLOYEE BENEFITS

a) Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as wages and salaries, annual leave, sick leave, bonuses, contributions to retirement funds, car allowance, housing subsidy, cell phone allowance and medical aid), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement.

The expected cost of 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.

b) Defined contribution plans

When an employee has rendered service to the group during a period, the group recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability, after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the end of the reporting period, an entity shall recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to a reduction in future payments or a cash refund.
- as an expense.

c) Post-retirement medical aid benefit

The Group provides post-retirement medical aid benefits to substantially all employees who commenced employment prior to 1 August 2000. The scheme is unfunded.

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 the post-retirement medical aid fund.

Current service costs, past service costs, any gain or loss on settlement and interest on the defined benefit liability are recognised immediately in profit or loss 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.

For the post-retirement medical aid benefits, actuarial gains and losses are recognised in the year in which they arise, in other comprehensive income. The interest expense is determined on the defined benefit liability by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period taking into consideration any changes that were made due to contributions and benefit payments made. Interest expense is recognised in profit or loss.

d) Pension and provident fund

The group previously had a defined benefit provident fund and a defined benefit pension fund which was funded. The defined benefit plans were closed off and employees were transferred to the Old Mutual defined contribution plans. However, the defined benefit plans still have pensioners who have not yet been transferred to Old Mutual as the Group is still waiting for the trustees and FSB to give the go ahead to transfer the pensioners. Plan assets pertaining to the pensioners are therefore still currently held as at year end.

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 as the valuations are normally performed just before year end.

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 the liability that is outstanding as at year end for the pensioners as well as the plan assets.

When the projected unit credit method calculation results in a potential asset being recognised the net defined benefit asset shall be measured at the fair value of the plan assets less the present value of the defined benefit obligation limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. As at year end the potential asset has not been recognised as the plan assets have not been allocated to the Group by the FSB as yet for use in the reduction of future contributions or as a refund.

For the pension and provident fund benefits, actuarial gains and losses are recognised in the year in which they arise, in other comprehensive income. The net interest expense is determined on the net defined benefit liability by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period taking into consideration any changes that were made due to contributions and benefit payments made. Net interest expense is recognised in profit or loss.

e) Long service award

For the long service award, the Group pays out the employee a certain percentage of the total cost to

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Group or a fixed amount. The payment is made based on the number of years the employee has rendered service to the group, which should be a minimum of 5 years. The payment of the award is the cost of providing the benefits which is determined using the projected unit credit method. Actuarial valuations are conducted on an annual basis by independent actuaries separately for the long service award.

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 as the valuations are normally performed just before year end.

Current service costs, past service costs, any gain or loss on settlement and interest on the defined benefit liability are recognised immediately in profit or loss 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.

For the long service award actuarial gains and losses are recognised in the year in which they arise in profit or loss. The interest expense is determined on the defined benefit liability by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period taking into consideration any changes that were made due to contributions and benefit payments made. Interest expense is recognised in profit or loss.

f) Termination benefits

If the termination benefits include post-employment benefits, these shall be accounted for as detailed above under post-employment benefits, otherwise termination benefits payable within 12 months after the end of the reporting period they are measured in accordance with the requirements of short-term benefits. If termination benefits are payable beyond 12 months after the end of the reporting period they are measured in accordance with the requirements of other long term benefits. The group is demonstrably committed to curtailment or settlement.

1.14 NON-CURRENT ASSETS HELD FOR SALE

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

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

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

An impairment loss for any initial or subsequent write-down of the asset (or disposal group) to fair value less cost to sell shall be recognised in profit or loss. A gain shall be recognised resulting from the subsequent increase in fair value less cost to sell of an asset, not in excess of the cumulative impairment loss that has been recognised.

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

Non-current assets held for sale consists of immovable property, mainly comprising private residential dwellings, which have been repossessed by the Group and are being held as collateral for underlying lending arrangements that subsequent to origination, have defaulted.

These properties include properties registered and available for sale and properties sold for which transfer to a purchaser is in progress.

1.15 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 shares are recognised at par value and classified as 'share capital' in equity. Any amounts received from the issue of shares in excess of par value is classified as 'share premium' in equity. Dividends are recognised as a liability in the Company in which they are declared.

1.16 PROVISIONS AND CONTINGENCIES

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive

obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation.

The provision is measured as the best estimate of the expenditure expected to be required to settle the obligation at the end of the reporting period.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Gains from the expected disposal of assets shall not be taken into account in measuring a provision.

Provisions are not recognised for future operating losses.

Contingent liabilities, which include certain guarantees other than financial guarantees, are possible obligations that arise from past events whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events, not wholly within the Group's control. Contingent liabilities are not recognised in the financial statements but are disclosed in the notes to the financial statements unless they are remote.

Contingent assets are possible assets whose existence will be confirmed by the occurrence or non-occurrence of uncertain future events that are not wholly within the control of the entity. Contingent assets are not recognised, but they are disclosed when it is more likely than not, that an inflow of economic benefits will occur. However, when the inflow of economic benefits is virtually certain, as asset is recognised in the statement of financial position because that asset is no longer considered to be contingent.

1.17 REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue is recognised in accordance with IFRS 15, Revenue from contracts with customers, when the performance obligation with the customer has been satisfied by transferring the goods or services to the customer as promised in the contract.

Revenue is measured based on the consideration specified in the contracts with customers, net of VAT and excludes amounts collected on behalf of third parties.

The Group's revenues are earned mainly from the following services and goods as disclosed in the other operating income note:

Rental received

Rental income from investment property is recognised in profit/loss on a straight-line basis over the lease term in accordance with the leases standard. Lease incentives granted are recognised as part of the total rental income over the lease term.

Sale of electricity, water, refuse and sewage

Sale of goods is recognised when control over the goods is transferred to the customer and the collectability is probable. Revenue from the sale of electricity, water, refuse and sewage are recognised when consumed by the customer, to the extent that is probable that the consideration due to the Group, in exchange for the sale of utilities will be received. The transaction price will be based on the stand-alone selling prices and usage of the utilities by the tenant. When assessing the probability of the consideration being received from the entity, the payment history on the tenants' accounts are analysed as well as the status of their account for example, if the account is in dispute, under legal proceedings, tenant is insolvent, or has absconded etc.

Fees earned

Fee income includes services fees, binder fees and investment fees and is recognised as the related services are performed.

Services recovered

Recoveries include items such as rates, refuse removal, cleaning and security. Recoveries do not represent revenue from a contract with a customer as defined by IFRS 15. The monies received are a re -imbursement by clients to the Group for payments made to the municipality on their behalf. The payments made on behalf of the clients and the recovery should net off. Any remaining portion is recognised as an expense in the statement of profit or loss and other comprehensive income.

Commission

Commission earned from contracts with customers is recognised when the performance obligation (banking and delivery agency services) has been satisfied by transferring control of the services to the customer. The amount of the consideration that is expected to be transferred in exchange for the services is the transaction price per the contract.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

	Group		Company	
	2022 R '000	2021 R '000	2022 R '000	2021 R '000

2. LOANS AND ADVANCES

Sectoral analysis

Housing and commercial property	1 595 724	1 635 736	-	-
Micro finance - secured	539 832	405 835	-	-
Micro finance - unsecured	11 967	18 950	11 615	18 414
Agri finance	266 490	305 152	266 490	305 152
Franchise finance	55 623	57 214	55 623	57 214
Procurement finance	52 072	56 700	52 072	56 700
Commercial property finance	114 474	124 860	114 474	124 860
Asset finance	126 392	145 983	126 392	145 983
Structured finance	63 745	130 696	63 745	130 696
Gross carrying amount	**2 826 319**	**2 881 126**	**690 411**	**839 019**
Interest recognised on net basis	(66 570)	(53 128)	(66 570)	(53 128)
Credit impairment for loans and advances	(431 768)	(446 357)	(353 236)	(365 037)
Expected credit loss (Loan commitments)	(2 095)	(1 638)	(2 095)	(1 638)
Less: Credit impairment balance	**(433 863)**	**(447 995)**	**(355 331)**	**(366 675)**
Net loans and advances including current portion	**2 325 886**	**2 380 003**	**268 510**	**419 216**
Less: Current Portion included under current assets	(206 708)	(240 671)	(61 952)	(74 561)
Net loans and advances	**2 119 178**	**2 139 332**	**206 558**	**344 655**
Non- performing loans	658 215	714 516	490 174	539 453
Impaired portion of the non-performing loan	(392 544)	(401 681)	(347 070)	(354 049)
Unimpaired portion of non- performing loans	**265 671**	**312 835**	**143 104**	**185 404**

Included in loans and advances above are day one losses of R16,3 million (2021: R38,2 million).

*The day 1 loss arises as a result of loans from the Enterprise Development Fund issued at below market rates. The agreement between the shareholder and IDFC is that these loans will be advanced at interest rates between 2% - 7%.

Day one losses*				
Opening balance	38 234	58 932	38 234	58 932
Day one loss recognised	261	(6 194)	261	(6 194)
Amortised	(22 158)	(14 504)	(22 158)	(14 504)
Closing balance	**16 337**	**38 234**	**16 337**	**38 234**
Maturity analysis				
Maturing:				
Up to 1 month	396 269	422 258	323 800	313 957
From 1 month to 6 months	122 597	133 935	51 470	65 784
From 6 months to 1 year	119 611	130 828	39 919	59 850
From 1 year to 5 years	738 509	760 867	158 346	247 074
After 5 years	1 449 333	1 433 238	116 876	152 354
	2 826 319	**2 881 126**	**690 411**	**839 019**

The maturity analysis is based on the remaining period to contractual maturity date as determined at the end of the year.

	Group		Company	
	2022 R '000	2021 R '000	2022 R '000	2021 R '000
2. LOANS AND ADVANCES (continued)				
Expected credit loss for loans and advances				
Balance at beginning of the year	(448 811)	(444 536)	(366 675)	(336 633)
Charge to income statement				
Bad debt write off*	32 007	9 814	27 795	-
Expected credit loss adjustment	(2 944)	-	-	-
Expected credit loss**	(13 658)	(14 089)	(16 451)	(30 042)
ECL on loan commitments	(457)	-	(457)	-
Balance at end of the year	(433 863)	(448 811)	(355 788)	(366 675)

*Bad debt written off represent losses made on the derecognition of loans and advances measured at amortised costs.

**The difference of R9.7 million between the R16.5 million disclosed in the reconciliation above and the R6,7 million disclosed on the statement of profit and loss and other comprehensive income is the ECL reversal on deferred interest.

Comprising:				
Impairment for performing loans Stage 1 and 2	(39 224)	(45 492)	(6 167)	(10 988)
Impairment for non-performing loans Stage 3	(392 544)	(401 681)	(347 070)	(354 049)
Expected credit loss (Loan commitments)	(2 095)	(1 638)	(2 095)	(1 638)
Impairment for loans and advances	(433 863)	(448 811)	(355 332)	(366 675)

The information disclosed below relating to the impairment losses has been prepared in terms of IFRS 7 using the expected credit loss model in terms of IFRS 9.

Expected credit loss allowance

The loss allowance recognised in the period is impacted by a variety of factors, as described below:
- Transfers between Stage 1 and Stages 2 or 3 (refer to note 29 for description of the different stages) due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent 'step up" (or "step down") between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions. Refer to note 30 for changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

Movement in gross carrying amount and expected credit loss allowance

Elevated defaults were experienced due to the impacts of COVID-19. Combining the latest curing rules with default rates having peaked in Q2 of 2021, a higher non-performing loans (NPL) ratio can be observed year-on-year for Company. The NPL ratio has increased from 64% to 71% from the prior year end. Additionally, the ageing NPL population and a more prudent assumption of the average time to collateral recovery has resulted in higher stage 3 coverage ratios. Therefore, despite balances and impairments decreasing in absolute terms over the financial year, coverage ratios have increased due to the greater concentration of the portfolio in NPL and the higher coverage applied to these stage 3 exposures.

At Group level, balances and impairments decreased in absolute terms over the financial year and we experienced a slight decrease in the NPL ratio from 25% in the prior financial year to 23% in the current financial year.

In terms of forward-looking information, macroeconomic indicators such as GDP which were stressed during the COVID-19 period have rebounded to near pre-2020 levels in real terms. However, additional risks are posed by inflation and interest rate risk, which were not stressed to the same extent or driving defaults over the COVID-19 period. Hence, the macroeconomic model has been adjusted to reflect these risks by incorporating CPI and real credit extensions to firms and has thus built additional conservatism into the impairments. The absolute impact of this adjustment is relatively small due to the impairments being concentrated in stage 3.

Payment holidays

The COVID-19 pandemic as well as the civil unrest which took place in KwaZulu-Natal in July 2021, had a significant impact on the macroeconomic environment and the ability of borrowers to meet their obligations. The Prudential Authority (PA) supported COVID-19 related relief initiatives, such as payment holidays offered by financial institutions to support the local economy. Consequently, the Prudential Authority issued D3/2020 published 06 April 2020, to enable financial institutions to continue to extend credit to the real economy during the period of financial stress, without the need for inappropriate higher capital requirements. The intention of PA is to reinstate the requirements of D7/2015 in full after the impact of COVID-19 has subsided.

Payment holidays were granted to clients by the Group in the form of suspended loan instalments to the value of R1 million (2021: R25 million). As the suspended loan instalments did not result in an overall change to the total loan amounts repaid, i.e. there was only a change to the timing of the payments, the payment holiday was not factored into account in the ECL calculation.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

2. LOANS AND ADVANCES (continued)

Loss Allowance: 2022	Housing and commercial	Micro finance secured	Micro finance unsecured	TOTAL SOC LIMITED	Micro Finance	Agri Finance	Franchise Finance	Procurement Finance	Commercial Finance	Assets Finance	Structured Finance	TOTAL CORP	TOTAL
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
	ITHALA SOC LIMITED				CORPORATION								
Opening balance													
Stage 1	2 680	988	-	3 668	110	793	1 221	850	147	1 871	1 068	6 060	9 728
Stage 2	22 749	7 025	138	29 912	109	1 299	-	353	2 369	798	-	4 928	34 840
Stage 3	40 207	7 124	301	47 632	7 298	128 233	16 165	30 473	36 661	62 842	72 377	354 049	401 681
Opening balance 1 April 2021	65 636	15 137	439	81 212	7 517	130 325	17 386	31 676	39 177	65 511	73 445	365 037	446 249
Recalibration of model	(11 458)	89	-	(11 369)	-	-	-	-	-	-	-	-	(11 369)
Recalibrated opening balance	54 178	15 226	439	69 843	7 517	130 325	17 386	31 676	39 177	65 511	73 445	365 037	434 880
Financial assets derecognised during the period	(4 068)	(779)	(152)	(4 999)	(279)	(3 407)	(7)	(1 329)	(138)	(793)	(28 245)	(34 198)	(39 197)
Stage 1 net transfers	602	383	-	985	25	(194)	145	55	31	(366)	2 420	2 116	3 101
Stage 2 net transfers	(3 260)	208	-	(3 052)	(88)	(1 298)	(249)	(323)	(431)	(651)	(2 687)	(5 727)	(8 779)
Stage 3 net transfers	4 639	780	-	5 419	393	3 140	-	818	58	7 373	(7 852)	3 930	9 349
New financial asset originated or purchased	2 604	4 916	-	7 520	572	236	-	2 988	-	373	-	4 169	11 689
Changes in PDs/ LGDs/EADs	6 550	(2 955)	30	3 625	(4 572)	(4 332)	6 497	1 275	6 404	3 346	7 085	15 703	19 328
Changes to model assumptions and methodologies	(1 981)	(1 372)	-	(3 353)	180	(2 960)	835	1 271	(2 927)	1 749	5 321	3 469	116
Macro-economic forecasts	1 313	1 231	-	2 544	(64)	(18)	(264)	(517)	(14)	(246)	(140)	(1 263)	1 281
Total net P&L charge during the period	**6 399**	**2 412**	**(122)**	**8 689**	**(3 833)**	**(8 833)**	**6 957**	**4 238**	**2 983**	**10 785**	**(24 098)**	**(11 801)**	**(3 112)**

2. LOANS AND ADVANCES (continued)

Loss Allowance: 2022	Housing and commercial	Micro finance secured	Micro finance unsecured	TOTAL SOC LIMITED	Micro Finance	Agri Finance	Franchise Finance	Procurement Finance	Commercial Finance	Assets Finance	Structured Finance	TOTAL CORP	TOTAL
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
	ITHALA SOC LIMITED				CORPORATION								
Other movements with no P&L impact Transfers:	**60 577**	**17 638**	**317**	**78 532**	**3 684**	**121 492**	**24 343**	**35 914**	**42 160**	**76 296**	**49 347**	**353 236**	**431 768**
Stages closing balances													
Stage 1	2 351	2 143	-	4 494	37	79	727	74	192	774	931	2 814	7 308
Stage 2	19 587	8 831	146	28 564	141	237	1 267	1 288	-	418	-	3 351	31 915
Stage 3	38 639	6 664	171	45 474	3 506	121 176	22 349	34 552	41 968	75 104	48 416	347 071	392 545
	60 577	**17 638**	**317**	**78 532**	**3 684**	**121 492**	**24 343**	**35 914**	**42 160**	**76 296**	**49 347**	**353 236**	**431 768**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

2. LOANS AND ADVANCES (continued)

Gross Carrying Amount: 2022	Housing and Commercial	Micro Finance Secured	Micro Finance Unsecured	TOTAL SOC LIMITED	Micro Finance	Agri Finance	Franchise Finance	Procurement Finance	Commercial Finance	Assets Finance	Structured Finance	TOTAL CORP	TOTAL
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Opening balance	ITHALA SOC LIMITED				CORPORATION								
Stage 1	1 030 997	317 981	-	1 348 978	6 102	76 063	38 827	16 562	30 061	63 706	14 950	246 271	1 595 249
Stage 2	449 469	68 368	227	518 064	4 322	8 607	-	3 082	28 889	8 395	-	53 295	571 359
Stage 3	155 268	19 486	309	175 063	7 990	220 482	18 387	37 056	65 910	73 882	115 746	539 453	714 516
Opening balance 01 April 2021	**1 635 734**	**405 835**	**536**	**2 042 105**	**18 414**	**305 152**	**57 214**	**56 700**	**124 860**	**145 983**	**130 696**	**839 019**	**2 881 124**
Stage 1 net transfers	(44 524)	(5 562)	-	(50 086)	(923)	(26 438)	(13 705)	350	24 909	(11 137)	35 768	8 824	(41 262)
Stage 2 net transfers	39 834	891	-	40 725	421	8 492	13 705	(1 324)	(25 814)	184	-	(4 336)	36 389
Stage 3 net transfers	4 690	4 671	-	9 361	502	17 945	-	974	905	10 954	(35 768)	(4 488)	4 873
Financial assets derecognised during the period other than write offs	(85 672)	(37 093)	(165)	(122 930)	(7 471)	(12 974)	(248)	(15 798)	(3 555)	(1 906)	(4 538)	(46 490)	(169 420)
Financial asset originated or purchased	130 606	201 730	-	332 336	7 092	1 529	1	11 950	2 806	10 491	-	33 870	366 206
Interest accruals and payments received	(84 944)	(30 640)	(20)	(115 604)	(6 420)	(27 216)	(1 345)	(780)	(9 636)	(28 176)	(62 414)	(135 987)	(251 591)
Stages closing balance	**1 595 724**	**539 832**	**351**	**2 135 907**	**11 615**	**266 490**	**55 622**	**52 072**	**114 475**	**126 393**	**63 744**	**690 412**	**2 826 319**
Stage 1	975 219	424 802	-	1 400 021	2 341	37 724	19 807	2 018	41 607	33 619	8 409	145 525	1 545 546
Stage 2	473 362	94 308	175	567 845	5 516	18 082	10 514	9 842	4 325	6 435	-	54 714	622 559
Stage 3	147 143	20 722	176	168 041	3 758	210 684	25 302	40 212	68 543	86 339	55 335	490 173	658 214
	1 595 724	**539 832**	**351**	**2 135 907**	**11 615**	**266 490**	**55 623**	**52 072**	**114 475**	**126 393**	**63 744**	**690 412**	**2 826 319**

Loss Allowance: 2021	Housing and Commercial	Micro Secured Finance	Micro Finance Unsecured	SOC LIMITED TOTAL	Micro Finance	Agri Finance	Franchise Finance	Procurement Finance	Commercial Finance	Assets Finance	Structured Finance	TOTAL CORP	TOTAL
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
	ITHALA SOC LIMITED				CORPORATION								
Opening balance													
Stage 1	14 586	1 572	2	16 160	55	2 554	558	27	248	4 315	1 620	9 377	25 537
Stage 2	41 182	9 616	248	51 046	1 084	6 580	6 453	4 989	4 824	12 302	12 842	49 074	100 120
Stage 3	35 812	2 573	2 312	40 697	5 173	110 290	12 232	23 510	22 138	50 618	52 471	276 432	317 129
Opening balance 1 April 2020	91 580	13 761	2 562	107 903	6 312	119 424	19 243	28 526	27 210	67 235	66 933	334 883	442 786
Recalibration of model	(18 570)	(4 354)	(54)	(22 978)	-	-	-	-	-	-	-	-	(22 978)
Recalibrated opening balance	73 010	9 407	2 508	84 925	6 312	119 424	19 243	28 526	27 210	67 235	66 933	334 883	419 808
Excluding manual overrides as at 31 March 2020	879	(1 501)	-	(622)	-	-	-	-	-	-	-	-	(622)
Financial assets derecognised during the period	(1 024)	(281)	(22)	(1 327)	(584)	(1 213)	(69)	(2 646)	(51)	(65)	-	(4 628)	(5 955)
Stage 1 net transfers	1 783	(501)	-	1 282	273	3 743	5 648	1 216	507	10 598	3 342	25 327	26 609
Stage 2 net transfers	(7 479)	(553)	(34)	(8 066)	(722)	(5 517)	(6 394)	(2 396)	(3 531)	(10 950)	(12 842)	(42 352)	(50 418)
Stage 3 net transfers	8 689	4 304	85	13 078	449	1 774	746	1 180	3 024	352	9 506	17 031	30 109
New financial asset originated or purchased	4 015	6 535	-	10 550	602	310	-	951	1	1 088	-	2 952	13 502
Changes in PDs/ LGDs/EADs	(3 124)	3 535	(2 028)	(1 617)	1 150	8 996	(1 224)	4 829	10 666	1 414	6 186	32 017	30 400
Changes to model assumptions and methodologies	(2 993)	(3 250)	(50)	(6 293)	-	-	-	-	-	-	-	-	(6 293)
Macro-economic forecasts	(8 120)	(2 558)	(20)	(10 698)	37	2 808	(564)	16	1 351	(4 161)	320	(193)	(10 891)
Total net P&L charge during the period	**(7 374)**	**5 730**	**(2 069)**	**(3 713)**	**1 205**	**10 901**	**(1 857)**	**3 150**	**11 967**	**(1 724)**	**6 512**	**30 154**	**26 441**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Loss Allowance: 2021	Housing and Commercial	Micro Secured Finance	Micro Finance Unsecured	SOC LIMITED TOTAL	Micro Finance	Agri Finance	Franchise Finance	Procurement Finance	Commercial Finance	Assets Finance	Structured Finance	TOTAL CORP	TOTAL
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Other movements with no P&L impact Transfers:	**65 636**	**15 137**	**439**	**81 212**	**7 517**	**130 325**	**17 386**	**31 676**	**39 177**	**65 511**	**73 445**	**365 037**	**446 249**
Stages closing balance													
Stage 1	**2 680**	**988**	**-**	**3 668**	**110**	**793**	**1 221**	**850**	**147**	**1 871**	**1 068**	**6 060**	**9 728**
Stage 2	22 749	7 025	138	29 912	109	1 299	-	353	2 369	798	-	4 928	34 840
Stage 3	40 207	7 124	301	47 632	7 298	128 233	16 165	30 473	36 661	62 842	72 377	354 049	401 681
	65 636	**15 137**	**439**	**81 212**	**7 517**	**130 325**	**17 386**	**31 676**	**39 177**	**65 511**	**73 445**	**365 037**	**446 249**

2. LOANS AND ADVANCES (continued)

Gross Carrying Amount: 2021	Housing and Commercial	Micro Finance Secured	Micro Finance Unsecured	TOTAL SOC LIMITED	Micro Finance	Agri Finance	Franchise Finance	Procurement Finance	Commercial Finance	Assets Finance	Structured Finance	TOTAL CORP	TOTAL
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
	ITHALA SOC LIMITED				CORPORATION								
Opening balance													
Stage 1	963 866	239 217	25 1	203 108	895	68 932	5 857	2 996	56 097	40 405	30 176	205 358	1 408 466
Stage 2	467 896	86 731	350	554 977	14 163	37 340	45 469	22 235	44 213	58 181	46 226	267 827	822 804
Stage 3	125 451	5 668	2 371	133 490	5 902	207 327	13 322	29 509	44 928	62 266	58 546	421 800	555 290
Opening balance 01 April 2020	**1 557 213**	**331 616**	**2 746**	**1 891 575**	**20 960**	**313 599**	**64 648**	**54 740**	**145 238**	**160 852**	**134 948**	**894 985**	**2 786 560**
Stage 1 net transfers	(4 158)	26 291	-	22 133	2 306	27 385	38 941	2 890	(13 000)	39 013	(7 575)	89 960	112 093
Stage 2 net transfers	(32 705)	(42 667)	(91)	(75 463)	(4 357)	(27 104)	(44 226)	(8 762)	(11 837)	(48 330)	(46 226)	(190 842)	(266 305)
Stage 3 net transfers	36 863	16 375	91	53 329	2 051	(281)	5 285	5 871	24 837	9 317	53 801	100 881	154 210
Financial assets derecognised during the period other than write offs	(48 511)	(39 234)	(69)	(87 814)	(10 487)	(10 156)	(1 464)	(16 146)	(3 299)	(791)	-	(42 343)	(130 157)
Financial asset originated or purchased	227 270	143 936	-	371 206	9 238	5 141	-	17 170	687	11 568	-	43 804	415 010
Change in interest accrual	(100 238)	(30 482)	(2 141)	(132 861)	(1 297)	(3 432)	(5 970)	937	(17 766)	(25 646)	(4 252)	(57 426)	(190 287)
Stages closing balance	**1 635 734**	**405 835**	**536**	**2 042 105**	**18 414**	**305 152**	**57 214**	**56 700**	**124 860**	**145 983**	**130 696**	**839 019**	**2 881 124**
Stage 1	1 030 997	317 981	-	1 348 978	6 102	76 063	38 827	16 562	30 061	63 706	14 950	246 271	1 595 249
Stage 2	449 469	68 368	227	518 064	4 322	8 607	-	3 082	28 889	8 395	-	53 295	571 359
Stage 3	155 268	19 486	309	175 063	7 990	220 482	18 387	37 056	65 910	73 882	115 746	539 453	714 516
	1 635 734	**405 835**	**536**	**2 042 105**	**18 414**	**305 152**	**57 214**	**56 700**	**124 860**	**145 983**	**130 696**	**839 019**	**2 881 124**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

2. LOANS AND ADVANCES (continued)

Modifications of loans and advances measured at amortised cost that did not result in derecognition:

	2022				2021			
	Stage 1 & 2		Stage 3		Stage 1 & 2		Stage 3	
	Gross amortised cost before the modification	Net modification gain or loss	Gross amortised cost before the modification	Net modification gain or loss	Gross amortised cost before the modification	Net modification gain or loss	Gross amortised cost before the modification	Net modification gain or loss
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Group								
Housing and commercial property*	11 311	-	2 233	-	7 412	-	5 064	-
Micro finance**	2 773	-	2 149	-	4 066	-	2 985	-
Micro finance - unsecured***	22	-	-	-	798	-	-	-
Procurement finance****	-	-	-	-	450	-	-	-
Commercial Property	-	-	-	-	-	-	4 781	-
Asset finance	-	-	-	-	-	-	353	-
Franchise finance	-	-	2 284	-	-	-	-	-
Structured finance	4 975	-	-	-	-	-	-	-
Total	**19 081**	**-**	**6 666**	**-**	**12 726**	**-**	**13 183**	**-**
Company								
Micro finance - unsecured***	22	-	-	-	798	-	-	-
Procurement finance****	-	-	-	-	450	-	-	-
Commercial property	-	-	-	-	-	-	4 781	-
Asset finance	-	-	-	-	-	-	353	-
Franchise finance	-	-	2 284	-	-	-	-	-
Structured finance*****	4 975	-	-	-	-	-	-	-
Total	**4 997**	**-**	**2 284**	**-**	**1 248**	**-**	**5 134**	**-**

The nature of the modification that did not result in derecognition was the extension of the loan terms by 5 months. As the extension was not considered to be significant, it would not warrant a change from being measured at lifetime expected credit losses to 12 month expected credit losses.

Stage 1 and 2 modifications as noted in the table above, is split as detailed below:

GROUP

***Housing and commercial property**

2022: R11 311 000 - Stage 2 only
2021: R7 412 000 - Stage 2 only

****Micro finance**

2022: R2 773 000 - Stage 2 only
2021: R4 066 000 - Stage 2 only

COMPANY

*****Micro-finance - unsecured**

2022: R22 000 - Stage 2 only
2021: Split between stage 1 (R352 000) and stage 2 (R446 000)

******Procurement finance**

2022: Nil
2021: R450 000 - Stage 1 only

*******Structured finance**

2022: R4 975 000 - Stage 2 only
2021: Nil

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

2. LOANS AND ADVANCES (continued)

The tables below reflect the credit quality and maximum exposure to credit risk based on Empirical scores, 12 month PD range and year-end stage classification. The amounts presented are gross of allowance for ECL. Details of the credit scoring methodology and impairment assessment and measurement approach are explained in Note 29.

Figures in Rand thousand

Mortgage and Housing Loans - Ithala SOC Limited - 31 March 2022	Stage 1	Stage 2	Stage 3	Total
12 Month PD Range				
Performing				
0,00%-0,50%	77	1	-	78
0,51%-11,70%	974 611	400 816	-	1 375 427
11,71%-29,50%	-	42 575	-	42 575
29,51%-100%	532	29 971	-	30 503
Non-performing	-	-	-	-
100%	-	-	147 141	147 141
Gross Carrying Amount	**975 220**	**473 363**	**147 141**	**1 595 724**

Mortgage and Housing Loans - Ithala SOC Limited - 31 March 2021	Stage 1	Stage 2	Stage 3	Total
12 Month PD Range				
Performing				
0,00%-0,50%	485 010	16 703	-	501 713
0,51%-11,70%	545 987	382 927	-	928 914
11,71%-29,50%	-	26 358	-	26 358
29,51%-100%	-	23 482	33 026	56 508
Non-performing				
100%	-	-	122 243	122 243
Gross Carrying Amount	**1 030 997**	**449 470**	**155 269**	**1 635 736**

Micro finance secured - Ithala SOC Limited - 31 March 2022	Stage 1	Stage 2	Stage 3	Total
12 Month PD Range				
Performing				
0,00%-0,50%	20 074	6	-	20 080
0,51%-11,70%	404 726	67 523	-	472 249
11,71%-29,50%	-	9 737	-	9 737
29,51%-100%	-	17 042	-	17 042
Non-performing				
100%	-	-	20 724	20 724
Gross Carrying Amount	**424 800**	**94 308**	**20 724**	**539 832**

Micro finance secured - Ithala SOC Limited - 31 March 2021	Stage 1	Stage 2	Stage 3	Total
12 Month PD Range				
Performing				
0,00%-0,50%	22 580	-	-	22 580
0,51%-11,70%	295 399	44 660	-	340 059
11,71%-29,50%	-	5 022	-	5 022
29,51%-100%	-	18 686	5 058	23 744
Non-performing				
100%	-	-	14 429	14 429
Gross Carrying Amount	**317 979**	**68 368**	**19 487**	**405 834**

Figures in Rand thousand

Micro finance unsecured - Company - 31 March 2022	Stage 1	Stage 2	Stage 3	Total
12 Month PD Range				
Performing				
0,00%-0,50%	260	185	-	445
0,51%-11,70%	2 081	5 316	-	7 397
11,71%-29,50%	-	1	-	1
29,51%-100%	-	14	-	14
Non-performing	-	-	-	-
100%	-	-	3 758	3 758
Gross Carrying Amount	**2 341**	**5 516**	**3 758**	**11 615**

Micro finance unsecured - Company - 31 March 2021	Stage 1	Stage 2	Stage 3	Total
12 Month PD Range				
Performing	6 102	4 176	-	10 278
0,51%-11,70%	-	22	-	22
11,71%-29,50%	-	123	-	123
29,51%-100%	-	-	-	-
Non-performing				
100%	-	-	7 990	7 990
Gross Carrying Amount	**6 102**	**4 321**	**7 990**	**18 413**

Micro finance unsecured - Ithala SOC Limited - 31 March 2022	Stage 1	Stage 2	Stage 3	Total
12 Month PD Range				
Performing				
11,71%-29,50%	-	87	-	87
29,51%-100%	-	89	-	89
Non-performing	-	-	-	-
100%	-	-	176	176
Gross Carrying Amount	**-**	**176**	**176**	**352**

Micro finance unsecured - Ithala SOC Limited - 31 March 2021	Stage 1	Stage 2	Stage 3	Total
12 Month PD Range				
Performing				
11,71%-29,50%	-	-	-	
Non-performing	-	228	-	228
100%	-	-	309	309
Gross Carrying Amount	**-**	**228**	**309**	**537**

Agri Finance - Company - 31 March 2022	Stage 1	Stage 2	Stage 3	Total
12 Month PD Range				
Performing				
0,51%-11,70%	31 876	-	-	31 876
11,71%-29,50%	5 848	1 391	-	7 239
29,51%-100%	-	16 691	-	16 691
Non-performing	-	-	210 684	210 684
	37 724	**18 082**	**210 684**	**266 490**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

2. LOANS AND ADVANCES (continued)

Agri Finance - Company - 31 March 2021	Stage 1	Stage 2	Stage 3	Total
12 Month PD Range				
Performing				
0,51%-11,70%	445	-	-	445
11,71%-29,50%	75 618	-	-	75 618
29,51%-100%	-	8 607	-	8 607
Non-performing				
100%	-	-	220 482	220 482
	76 063	**8 607**	**220 482**	**305 152**

Franchise Finance - Company - 31 March 2022	Stage 1	Stage 2	Stage 3	Total
12 Month PD Range				
Performing				
0,51%-11,70%	19 807	7 663	-	27 470
29,51%-100%	-	2 851	-	2 851
Non-performing				
100%	-	-	25 302	25 302
	19 807	**10 514**	**25 302**	**55 623**

Franchise Finance - Company - 31 March 2021	Stage 1	Stage 2	Stage 3	Total
12 Month PD Range				
Performing				
0,51%-11,70%	38 827	-	-	38 827
Non-performing				
100%	-	-	18 387	18 387
	38 827	**-**	**18 387**	**57 214**

Procurement Finance - Company - 31 March 2022	Stage 1	Stage 2	Stage 3	Total
12 Month PD Range				
Performing				
0,51%-11,70%	691	7 026	-	7 717
11,71%-29,50%	1 326	820	-	2 146
29,51%-100%	-	1 995	-	1 995
Non-performing				
100%	-	-	40 214	40 214
	2 017	**9 841**	**40 214**	**52 072**

Procurement Finance - Company - 31 March 2021	Stage 1	Stage 2	Stage 3	Total
12 Month PD Range				
Performing				
0,51%-11,70%	9 359	1 865	-	11 224
11,71%-29,50%	7 203	633	-	7 836
29,51%-100%	-	584	-	584
Non-performing				
100%	-	-	37 056	37 056
	16 562	**3 082**	**37 056**	**56 700**

2. LOANS AND ADVANCES (continued)

Commercial Property Finance - Company - 31 March 2022	Stage 1	Stage 2	Stage 3	Total
12 Month PD Range				
Performing				
0,51%-11,70%	41 607	1 553	-	43 160
11,71%-29,50%	-	2 772	-	2 772
Non-performing				
100%	-	-	68 542	68 542
	41 607	**4 325**	**68 542**	**114 474**

Commercial Property Finance - Company - 31 March 2021	Stage 1	Stage 2	Stage 3	Total
12 Month PD Range				
Performing				
0,00%-0,50%	663	-	-	663
0,51%-11,70%	29 398	-	-	29 398
11,71%-29,50%	-	28 889	-	28 889
Non-performing				
100%	-	-	65 910	65 910
	30 061	**28 889**	**65 910**	**124 860**

Asset Finance - Company - 31 March 2022	Stage 1	Stage 2	Stage 3	Total
12 Month PD Range				
Performing				
0,51%-11,70%	31 931	3 135	-	35 066
11,71%-29,50%	1 688	-	-	1 688
29,51%-100%	-	3 300	-	3 300
Non-performing	-	-	-	-
100%	-	-	86 338	86 338
	33 619	**6 435**	**86 338**	**126 392**

Asset Finance - Company - 31 March 2021	Stage 1	Stage 2	Stage 3	Total
12 Month PD Range				
Performing				
0,51%-11,70%	50 617	-	-	50 617
11,71%-29,50%	13 090	8 395	-	21 485
Non-performing				
100%	-	-	73 882	73 882
	63 707	**8 395**	**73 882**	**145 984**

Structured Finance - Company - 31 March 2022	Stage 1	Stage 2	Stage 3	Total
12 Month PD Range				
Performing				
11,71%-29,50%	8 409	-	-	8 409
Non-performing				
100%	-	-	55 336	55 336
	8 409	**-**	**55 336**	**63 745**

Structured Finance - Company - 31 March 2021	Stage 1	Stage 2	Stage 3	Total
12 Month PD Range				
Performing				
0,51%-11,70%	442	-	-	442
11,71%-29,50%	14 508	-	-	14 508
Non-performing				
100%	-	-	115 746	115 746
	14 950	**-**	**115 746**	**130 696**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

3. INVESTMENT PROPERTY

Reconciliation of investment property - Group - 2022

	Opening balance	Additions	Transfers**	Fair value adjustments	Total
Investment property	3 198 870	72 365	6 721	(113 585)	3 164 371

Reconciliation of investment property - Group - 2021

	Opening balance restated	Additions	Transfers to property, plant and equipment	Fair value adjustments	Total
Investment property	3 013 524	10 763	(5 963)	180 546	3 198 870

Reconciliation of investment property - Company - 2022

	Opening balance	Additions	Transfers**	Fair value adjustments	Total
Investment property	2 873 459	67 474	8 359	(112 423)	2 836 869

Reconciliation of investment property - Company - 2021

	Opening balance restated	Additions	Transfers to property, plant and equipment	Fair value adjustments	Total
Investment property	2 709 996	9 583	(5 963)	159 843	2 873 459

The valuation of the investment property has been performed by independent qualified valuers, registered with The South African Council for The Properties Valuers Profession (SACPVP). Refer to note 29 for fair value disclosures.

**The current year transfers relate to transfers between the different categories of assets i.e. Investment property, property plant and equipment and intangible assets. Included in the total transfers is an amount of R6.7 million relating to the correction of a misclassification between property, plant and equipment and investment property.

Details of property

Amounts recognised in profit and loss for the year

	Group		Company	
	2022 R '000	2021 R '000	2022 R '000	2021 R '000
Rental income from investment property	330 529	349 194	302 403	326 680
Direct operating expenses from rental generating property	412 276	381 000	372 656	352 189
Direct operating expenses from non-rental generating property	1 563	8 304	1 563	8 304
	744 368	**738 498**	**676 622**	**687 173**

4. PROPERTY, PLANT AND EQUIPMENT

	2022			2021		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Group						
Land, infrastructure and buildings	297 934	(92 020)	205 914	296 723	(80 124)	216 599
Leasehold improvements	59 839	(55 188)	4 651	63 069	(58 555)	4 514
Plant and equipment	240 571	(189 283)	51 288	254 945	(192 426)	62 519
Motor vehicles	13 612	(11 607)	2 005	12 123	(11 083)	1 040
Total	**611 956**	**(348 098)**	**263 858**	**626 860**	**(342 188)**	**284 672**
Company						
Land, infrastructure and buildings	297 826	(91 954)	205 872	296 615	(80 167)	216 448
Leasehold improvements	12 665	(12 665)	-	12 665	(12 665)	-
Plant and equipment	94 408	(64 455)	29 953	105 607	(66 289)	39 318
Motor vehicles	13 299	(11 395)	1 904	11 810	(10 933)	877
Total	**418 198**	**(180 469)**	**237 729**	**426 697**	**(170 054)**	**256 643**

Reconciliation of property, plant and equipment - Group - 2022

	Opening balance	Additions	Disposals	Transfers**	Depreciation	Total
Land, infrastructure and buildings	216 599	1 412	(12)	(6 851)	(5 234)	205 914
Leasehold improvements	4 514	1 573	(215)	-	(1 221)	4 651
Plant and equipment	62 519	7 263	(2 660)	(930)	(14 904)	51 288
Motor vehicles	1 040	1 497	-	-	(532)	2 005
	284 672	**11 745**	**(2 887)**	**(7 781)**	**(21 891)**	**263 858**

Reconciliation of property, plant and equipment - Group - 2021

	Opening balance	Additions	Disposals	Transfers	Adjustments*	Depreciation	Total
Land, infrastructure and buildings	216 724	49	-	4 816	229	(5 219)	216 599
Leasehold improvements	5 650	-	-	-	-	(1 136)	4 514
Plant and equipment	74 204	7 968	(509)	(132)	(3 568)	(15 444)	62 519
Motor vehicles	1 736	-	-	-	-	(696)	1 040
	298 314	**8 017**	**(509)**	**4 684**	**(3 339)**	**(22 495)**	**284 672**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

4. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of property, plant and equipment - Company - 2022

	Opening balance	Additions	Disposals	Transfers**	Depreciation	Total
Land, infrastructure and buildings	216 448	1 521	(12)	(6 851)	(5 234)	205 872
Plant and equipment	39 318	1 379	(809)	(930)	(9 005)	29 953
Motor vehicles	877	1 497		-	(470)	1 904
	256 643	**4 397**	**(821)**	**(7 781)**	**(14 709)**	**237 729**

Reconciliation of property, plant and equipment - Company - 2021

	Opening balance	Additions	Disposals	Transfers	Adjustments*	Depreciation	Total
Land, infrastructure and buildings	216 572	49	-	4 817	229	(5 219)	216 448
Plant and equipment	48 956	2 549	(347)	(132)	(2 373)	(9 335)	39 318
Motor vehicles	1 506	-	-	-	-	(629)	877
	267 034	**2 598**	**(347)**	**4 685**	**(2 144)**	**(15 183)**	**256 643**

Comparative Adjustments*

The following adjustments were made in the 2021 financial year and has been disclosed for comparative purposes only:

The R229k adjustment in 2021 on buildings relates to a misclassification identified by auditors in the prior year.

The R3,6 million adjustment in 2021 on plant and equipment is made up of the following:

- The R2,4 million relates to a credit note received in the current year from an asset that was recorded as WIP in the prior year, due to contractual disagreements.
- The R1,1 million relates to a service warranty written off and IBM items which were initially capitalised but were subsequently expensed as they were not capital in nature.

	Group		Company	
	2022 R '000	2021 R '000	2022 R '000	2021 R '000
Net carrying amounts of leased assets				
Leasehold improvements	4 651	4 514	-	-
Other information				
Cost of property, plant and equipment with nil book values	24 723	31 307	24 723	31 307

Property, plant and equipment with nil book values represents property, plant and equipment that are still in use and have a nil book value and to assets with a cost of R2 000 and below that have been fully depreciated in line with the Group's policy. These assets do not have significant useful lives remaining thus reassessment of useful lives and adjustments to carrying amounts would be immaterial.

The reassessment of useful life is performed at each balance sheet date except for assets with costs that is below R2 000.

**The current year transfers relate to transfers between the different categories of assets i.e. Investment property, property plant and equipment and intangible assets. Included in the total transfers is an amount of R7.1 million relating to the correction of a misclassification between property, plant and equipment, investment property and intangible assets.

5. INTANGIBLE ASSETS

	2022			2021		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Group						
Licenses	3 747	(3 326)	421	3 747	(3 192)	555
Computer software	54 631	(47 296)	7 335	53 714	(45 380)	8 334
Goodwill	324	-	324	320	-	320
Other intangible assets*	12 661	(10 200)	2 461	12 556	(10 144)	2 412
Total	**71 363**	**(60 822)**	**10 541**	**70 337**	**(58 716)**	**11 621**
Company						
Licenses	3 747	(3 326)	421	3 747	(3 192)	555
Computer software	37 081	(30 663)	6 418	36 164	(29 332)	6 832
Goodwill	324	-	324	320	-	320
Other intangible assets*	1 600	(1 521)	79	1 600	(1 465)	135
Total	**42 752**	**(35 510)**	**7 242**	**41 831**	**(33 989)**	**7 842**

Reconciliation of intangible assets - Group - 2022

	Opening balance	Additions	Transfers**	Amortisation	Total
Licenses	555	-	-	(134)	421
Computer software	8 334	920	413	(2 332)	7 335
Goodwill	320	4	-	-	324
Other intangible assets	2 412	104	-	(55)	2 461
	11 621	**1 028**	**413**	**(2 521)**	**10 541**

Reconciliation of intangible assets - Group - 2021

	Opening balance	Additions	Disposals	Additions through business combinations	Transfers	Amortisation	Impairment loss	Total
Licenses	7	-	(7)	-	670	(115)	-	555
Computer software	9 878	-	-	-	1 201	(2 745)	-	8 334
Goodwill	317	-	-	3	-	-	-	320
Other intangible assets	12 331	1 283	(383)	-	(2 086)	(54)	(8 679)	2 412
	22 533	**1 283**	**(390)**	**3**	**(215)**	**(2 914)**	**(8 679)**	**11 621**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

5. INTANGIBLE ASSETS (continued)

Reconciliation of intangible assets - Company - 2022

	Opening balance	Additions	Transfers**	Amortisation	Total
Licenses	555	-	-	(134)	421
Computer software	6 832	920	413	(1 747)	6 418
Goodwill	320	4	-	-	324
Other intangible assets	135	-	-	(56)	79
	7 842	**924**	**413**	**(1 937)**	**7 242**

Reconciliation of intangible assets - Company - 2021

	Opening balance	Disposals	Additions through business combinations	Transfers	Amortisation	Total
Licenses	7	(7)	-	670	(116)	554
Computer software	8 203	-	-	549	(1 920)	6 832
Goodwill	317	-	3	-	-	320
Other intangible assets	1 623	-	-	(1 433)	(54)	136
	10 150	**(7)**	**3**	**(214)**	**(2 090)**	**7 842**

	Group		Company	
	2022 R '000	2021 R '000	2022 R '000	2021 R '000
Other information				
Cost of intangible assets with NIL book value	20 341	20 341	20 341	20 341

Intangible assets with nil book values represents assets that are still in use and have a nil book value and assets with a cost of R2 000 and below that have been fully depreciated in line with the Group's policy. These assets do not have significant useful lives remaining thus reassessment of useful lives and adjustments to carrying amounts would be immaterial.

	Group		Company	
	2022	2021	2022	2021
	R '000	R '000	R '000	R '000

5. INTANGIBLE ASSETS (continued)

The remaining useful lives for intangible assets of the group as at 31 March 2022

Software	1 - 6 Years	1- 6 Years	1 - 6 Years	1 - 4 Years
Licences and warranties	1 - 4 Years	1- 4 Years	1 - 4 Years	1 - 6 Years

**The current year transfer relates to the correction of a misclassification between intangible assets and property, plant and equipment.

*The Group's other intangible assets comprises the banking and insurance system and the electricity connection rights.

An amount of R32,4 million was recognised as an intangible asset impairment provision during the 2011 year. This impaired asset relates to the banking system project (Temenos MCB) which was scheduled to be commissioned in June 2010. Refer to Note 39 Irregular Expenditure.

The impairment of R8,7 million in the prior year relates to a system that is no longer being used by an entity due to limitations identified on the system. The impairment was based on value in use. As no cash flows are expected in future, the recoverable amount was determined to be nil. This impaired asset relates to development costs incurred on the first phase of a banking system project initiated in 2014 to allow the migration of products from the legacy banking system to a platform provided by an external service provider. This project was subsequently placed on hold. The development costs which were expected to be interfaced with the new enterprise platform have been impaired until the project reaches the integration stage.

In 2018 the Company initiated a new banking system project for implementation of an integrated enterprise-wide core banking platform with a digital customer centric paradigm expected to modernise the Company's technology as well as close various risk and compliance exceptions. Work-in-progress incurred to the value of R26 million is funded by a R40 million grant received from the KZN government for the purpose of funding the project. System development has been halted and an investigation is in progress to determine the recoverability of the costs incurred. In the 2020 financial year end the server that housed the core banking application was damaged and there is uncertainty on the recoverability of this work-in-progress application. Engagement with the service provider is underway to try and restore the application.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

	Group		Company	
	2022 R '000	2021 R '000	2022 R '000	2021 R '000

6. RIGHT OF USE OF ASSETS

Net carrying amounts of right-of-use assets				
Land, buildings and equipment - Non current asset	37 258	17 297	658	64
Land and buildings - Current asset*	15 042	11 112	-	-
Investment property	4 536	4 536	4 536	4 536
Total-Right of use Asset	**56 836**	**32 945**	**5 194**	**4 600**
Reconciliation of Right-of-use assets - Land, buildings and equipment				
Opening Balance	28 409	34 331	64	837
Additions	32 322	-	677	-
Amortisation	(11 619)	(6 505)	(83)	(773)
Modifications	3 188	763	-	-
Disposals	-	(180)	-	-
	52 300	**28 409**	**658**	**64**

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 and loss as well as depreciation which has been capitalised to the cost of other assets.

Land and buildings	9 664	6 505	83	773
Equipment	1 955	-	-	-
	11 619	**6 505**	**83**	**773**

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

Group

The right of use asset relates to land where Portshepstone Quarries carries its mining activities. The lease is for 30 years, it commenced on 1 August 2013 with an expiry date of 1 July 2043. The remaining lease period is 22 years as at 31 March 2022. The escalation rate of rental is 7% on 1 August of each year. The lease has no renewal option nor does land transfer to the lessee at the end of the lease period. Due to COVID-19, the rental payments were re- negotiated from 1 July 2020 to 31 August 2021, from R98 000 to R80 000 per month (excluding VAT), resulting in the liability and asset being re-measured. The relief period ended and the lease payments reverted to R98 000 per month (excluding VAT). This resulted in the financial asset and liability being re-measured.

*Included in the Land and Buildings-Current Asset in the table above, is the right-of-use asset for Portshepstone Quarries Pty Ltd. The total of the right-of-use asset has been classified as current, as the subsidiary has ceased operations and the Board of the subsidiary took a decision to prepare the financial statements under the liquidation basis.

6. RIGHT OF USE OF ASSETS (continued)

Lease Contract	No. of leases	Fixed Payments (%)	Variable Payments	Discount rate (%)
Property leases with fixed payments	2	100	-	8,00 – 10,45

Ithala SOC lease portfolio primarily consist of property which included branch and ATM space. The leases typically run for a period of 3 years, with an option to renew the lease after that date. Lease payments are renegotiated every five years to reflect market rentals. The branch and ATM space leases were entered into many years ago.

Company

Leases with fixed payments

The Company has leases for land either directly with the owners of the land or permission to occupy. IDFC has erected buildings and leases those buildings to various tenants in exchange for monthly rental payments. The rental escalation rates for the permission to occupy vary and some do escalate, however the majority does not. All PTO's have a 50-year lease period with varying remaining lease periods, as their commencement dated varied, however the range of remaining period is between 8 years to 37 years. These leases have no renewal options nor do they allow the transfer of land to IDFC. The Prasa lease escalates at higher of 12% on 1 September of each year or turnover rental taking into consideration the market conditions. Historically, the rental has escalated based on turnover rental and economic conditions, hence this lease is considered to have variable lease payments linked to future payments. The lease term is 50 years, and the remaining lease period is 25 years. The lease has no renewal options nor does it allow the transfer of land to IDFC.

There is also a lease for staff parking which commenced on 1 May 2018, the lease period is 3 years, and the lease does not contain the option to renew nor does it transfer ownership at the end of the lease period. This lease ended on 30 April 2021. These leases have no covenants.

Leases with variable and fixed payments

The Company has leases for land either directly with the owners of the land or permission to occupy. IDF has erected a factory building and leases it to various tenants in exchange for monthly rental payments. IDFC entered into a lease that has a variable payment portion based on turnover. The lease escalates at a higher of 12% on 1 September of each year, or turnover rental taking into consideration the market conditions. Historically, the rental has escalated based on turnover rental and economic conditions, hence this lease is considered to have variable lease payments linked to the turnover of the building. The lease commenced in 1997 and is expected to terminate in 2047. The lease term is for 50 years and the remaining lease period as at 31 March 2022 is 25 years. The lease has no renewal options nor does it allow the transfer of land to the Company. The variable lease payments are not part of the lease liability and were not included on the initial recognition of the lease liability and the right-of-use of asset. To date, variable lease payments of R2 062 026 have been paid to the lessor as the turnover rental. The lease has no covenants.

Other disclosures

Short-term leases and leases of low-value assets

The Group has applied the recognition exemption in IFRS 16 to short-term leases and low value assets. The Group recognised the lease payments of R5,7million (2021: R 2,7 million) associated with these leases as an expense on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

6. RIGHT OF USE OF ASSETS (continued)

Extension options

Some property leases contain extension options exercisable by the Group before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

Discount rates used

The discount rates used are based on the borrowing rates that IDFC would have been charged had funds been borrowed to purchase the right to use the underlying assets. This is based on historical information. It should be noted that the rates vary, as the leases were concluded in different periods, hence averages are being disclosed below.

The assets relating to these leases falling within the scope of IAS40 and IAS16, all IAS40 and IAS 16 disclosure requirements have been adhered to.

	No. of leases	Fixed payments (%)	Variable Payments	Discount rate (%)
Lease information				
Property leases with fixed payments	17	100	-	4.95 - 11.70
Property leases with variable payments	1	83	17	19.50
	18	**183**	**17**	**-**

	Group		Company	
	2022 R '000	2021 R '000	2022 R '000	2021 R '000

7. ECL ON OPERATING LEASE RECEIVABLES

Non-current assets	16 194	28 636	16 732	27 730
Current assets	2 643	4 546	1 428	3 651
	18 837	**33 182**	**18 160**	**31 381**
Opening balance	33 182	55 082	31 381	52 325
Straight line accrual during the year	(1 509)	(7 208)	(840)	(7 040)
Expected credit loss charged to income statement	(12 836)	(14 692)	(12 381)	(13 904)
Closing balance	18 837	33 182	18 160	31 381
Current portion of long-term debtor	(2 643)	(4 546)	(1 428)	(3 651)
Non-current portion of long-term debtor	**16 194**	**28 636**	**16 732**	**27 730**

Minimum future rental receivable under non-cancellable operating leases are as follows:

Next 12 months	2 643	4 546	1 428	3 651
From 2 to 5 years	25 322	26 589	24 373	24 619
Later than 5 years	22 716	21 055	22 684	21 055
	50 681	52 190	48 485	49 325
Expected credit loss - closing balance	(31 844)	(19 008)	(30 325)	(17 944)
	18 837	**33 182**	**18 160**	**31 381**
Analysis of provisions				
Balance at the beginning of the year	19 008	4 316	17 944	4 040
Charge/(reversal) to statement of profit or loss and other comprehensive income	12 836	14 692	12 381	13 904
Balance at end of the year	**31 844**	**19 008**	**30 325**	**17 944**

Operating leases relate to investment property owned by the group with lease terms of between 3 to 10 years at an average escalation rate of 7%. Some operating lease contracts contain an option to renew for a further 3 to 10 years at market related rates. The lessees do not have an option to purchase the property at the expiry of the lease period.

*Refer to note 15 for the inputs and assumptions used in determining the expected credit loss on trade and other receivables.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

	Group		Company	
	2022	2021	2022	2021
	R '000	R '000	R '000	R '000

8. SUBSIDIARIES

Cowslip Investments (Pty) Ltd				
Shares at cost	-	-	3	3
Share premium	-	-	2 778 928	2 778 928
Grant applied	-	-	(2 778 931)	(2 778 931)
	-	-	-	-
Other subsidiaries				
Shares at cost *	-	-	723 632	658 509
Less impairment of investments recognised in profit or loss**	-	-	(353 027)	(301 054)
	-	-	**370 605**	**357 455**
Net loans				
Loans to subsidiaries***	-	-	304 896	275 525
Less impairment of loans recognised in profit or loss****	-	-	(156 237)	(137 254)
	-	-	**148 659**	**138 271**
Total investment in subsidiaries	-	-	**519 264**	**495 726**

*Increase in shares at cost relate to the capital injection of R65 million (2021: R59 million) for the purchase of shares at Ithala SOC Limited. This movement has been accounted for under investing activities under Statement of Cash Flows.

Investments in subsidiaries include loans to subsidiaries extended on acquisition when IDFC bought shares from minorities and intercompany transactions that haven't been paid as at year end. All subsidiaries are wholly owned by Ithala Development Finance Corporation. IDFC has impaired the loans to subsidiaries by R140 million (2021: R137 million) and these are eliminated at group level.

** The impairment charge relate to the impairment of investment held in Ithala SOC Limited recognised at the reporting date.

***The loans comprise the following:

- PSQ R53 million (2021: R50 million)****
- Ubuciko R83 million (2021: R82 million)****
- Nongoma R61 million (2021: R59 million)****
- Wharfside R62 million (2021: R54 million)****
- Sundumbili R24 million (2021: R23 million)****
- Sibaya R4 million (2021: R4 million)
- Ithala SOC Limited R18 million (2021: R2 million)

****The impairment charge relate to impairment of loans issued to subsidiaries where the recoverability of these loans is not probable.
The new impairments raised relates to loans advanced to PSQ where the recoverability of these loans is not probable as the entity has ceased operations as well as the impairment raised on the Nongoma loan of R15.8 million.

	Group		Company	
	2022	2021	2022	2021
	R '000	R '000	R '000	R '000

8. SUBSIDIARIES (continued)

Dissolution of Nongoma and Sundumbili and dilution of shareholding in Portshepstone Quarries

On 9 November 2021, approval was obtained from the MECs of EDTEA, Provincial Treasury and all relevant officials for the dissolution of Sundumbili and Nongoma. Upon dissolution, IDFC will receive the property as a dividend in specie whilst minority shareholders will receive a dividend in cash. The dissolution will have no impact on the financial statements at Group level. The process of dissolving these subsidiaries is yet to be concluded.

Approval was sought and obtained from the MEC of EDTEA and all relevant officials for the dilution of shareholding in Portshepstone Quarries and acquisition of a third party Investor to revive the operations of Portshepstone Quarries. At the time of preparation and issue of these financial statements, the percentage of dilution was unknown.

All subsidiaries are wholly owned by Ithala Development Finance Corporation.

9. PREPAYMENT-LAND

Prepayment-land	8 166	8 166	8 166	8 166

The prepayment relates to the purchase of land from Ethekwini Municipality that has not yet been finalised. It is expected that the acquisition process will be finalised once all requirements are satisfied.

Payment has been made for the land upon which the Kwa-Mashu Shopping Centre has been built. The shopping centre was constructed after obtaining "Permission- to-occupy" from the Ethekwini Municipality. However, the transfer of the land is yet to be finalised. As IAS 40.16 recognition criteria refers to "owned' investment property, management has in its judgement determined that the land has not yet met the ownership criterion for recognition and the payment is therefore treated as a prepayment.

10. FINANCE LEASE RECEIVABLES

Gross investments in lease receivable	175	1 228	-	-
Unearned finance income	(2)	(91)	-	-
Present value of minimum lease payments				
Receivable	173	1 137	-	-
Current portion of Minimum Lease Payments	(173)	(1 137)	-	-
Receivable				
Long term portion of minimum lease payments	**-**	**-**	**-**	**-**
Receivable				

The group has a 5-year finance lease agreement for its equipment with Megabags (Pty) Ltd. Ownership shall pass to the lessee at the end of the lease period.

Minimum lease payments receivable under the finance lease receivable are as follows:

Next 12 months	173	1137	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

	Group		Company	
	2022 R '000	2021 R '000	2022 R '000	2021 R '000

11. INVESTMENT IN SHARES

Mandatory at fair value through profit or loss				
Investment in SA Corp Real Estate	9 378	7 174	9 378	7 174
	9 378	**7 174**	**9 378**	**7 174**
Reconciliation of Investment in SA Corp Real Estate				
Balance at the beginning of the year	7 174	4 222	7 174	4 222
Fair value gain recognised in profit and loss	2 204	2 952	2 204	2 952
	9 378	**7 174**	**9 378**	**7 174**

Fair value information

Refer to note 30 fair value information for details of valuation policies and processes.

12. INVESTMENT IN CELL CAPTIVES

Balance at beginning of the year	45 910	41 122	45 910	41 122
Movements:				
Fair value gain recognised in profit and loss	5 974	4 788	5 974	4 788
Balance at end of the year				
	51 884	**45 910**	**51 884**	**45 910**

Ithala has an investment in two cell captives that allow the group use of insurance licenses namely the short-term insurance and the long-term Insurance. The cell captives are with Guardrisk and Mutual and Federal, who are both registered insurers. The Group owns 100% of the cells. The Group has agreements with the insures which outline the responsibilities. The insures are responsible for financial management and they provide monthly information to IDFC on the performance of the cells. The fair value of the Cell captive is equivalent to its net asset value.

The cells are both financially sound as at 31 March 2022.

	Group		Company	
	2022 R '000	2021 R '000	2022 R '000	2021 R '000

13. ASSOCIATED COMPANIES

Unlisted Investments				
Shares at cost	2	2	2	2
Less: provisions	(2)	(2)	(2)	(2)
Group carrying value	-	-	-	-
Net loans				
Loans to associates	56 225	56 048	56 225	56 048
Less: provisions	(55 402)	(56 017)	(55 402)	(56 017)
	823	**31**	**823**	**31**
Total interest in associated companies	**823**	**31**	**823**	**31**

The impairment charge relates to impairment of loans and investments issued to associates where the recovery of these loans is not probable.

Investments in associates and joint ventures are equity accounted for. Summary of significant financial information can be found below.

Significant financial information of associated companies				
Total assets				
Total non-current assets	6 609	7 751	6 609	7 751
Total current assets	2 157	2 151	2 157	2 151
	8 766	**9 902**	**8 766**	**9 902**
Total liabilities				
Total non-current liabilities	180 600	172 588	180 600	172 588
Total current liabilities	14 814	15 868	14 814	15 868
	195 414	**188 456**	**195 414**	**188 456**
	(186 648)	**(178 554)**	**(186 648)**	**(178 554)**
Net liabilities				
Group's share of net liabilities of associates	(67 829)	(64 912)	(67 829)	(64 912)
Total revenue	2 368	1 663	2 368	1 663
Total losses	(9 945)	(8 407)	(9 945)	(8 407)
Unrecognised share of losses:				
- Current period	(2 881)	(2 177)	(2 881)	(2 177)
- Cumulative	(67 831)	(62 735)	(67 831)	(62 735)

No associates are considered to be individually material and therefore the financial information has been presented on an aggregate basis.

The Group has a joint arrangement with ZAN Family Trust in Ulundi Shopping Centre where operating and financial decisions are made by mutual consent. As the shopping centre is yet to be built and to commence trading, there are no equity accounted profits or losses accounted for to date. The loan to Ulundi Shopping Centre is as reported in the related parties note. As Ulundi Shopping Centre is an immaterial joint arrangement, the financial information of the entity has not been disclosed.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

	Group		Company	
	2022 R '000	2021 R '000	2022 R '000	2021 R '000

14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:				
Coin and bank notes	62 873	79 185	16	28
Bank balances	706 384	635 630	705 946	635 090
Investment and balance with banks*	629 262	813 046	-	-
	1 398 519	**1 527 861**	**705 962**	**635 118**

Included in cash is an amount of R13,8 million (2021: R19,8 million) relating to cash in transit at year-end to be delivered by security company to branches. Cash also included an amount of R293 million (2021: R173 million) relating to ring-fenced collections derived from advances made from the EDTEA Fund.

The Group invests surplus funds with financial institutions that are rated in accordance with Fitch ratings ranging from AA- to AAA+ excluding those with Ithala SOC Limited which is not independently rated but has been approved as an authorised intermediary by the group. Due to investments being held in institutions that are highly rated, these instruments are neither past due nor impaired. The carrying amount of the cash and cash equivalents approximates its fair value.

*Included in Investments and balances with banks above, are Ithala SOC Limited's investments and deposits with banks of R194 million (2021: R292 million), analysed as per below. Included in the analysis below, is the credit risk exposure of investments based on the internal credit risk rating grades and year -end stage classification. The gross carrying amount also represents the Company's maximum exposure to credit risk on these investments.

	Ithala SOC Limited 2022 R '000	Ithala SOC Limited 2021 R '000
Fixed term funds	165 213	257 716
Balances in State Owned Institutions	42 995	53 246
	208 208	310 962
Impairment of investments	(14 017)	(18 595)
Balance at the end of the year	**194 191**	**292 367**

	Ithala SOC Limited 2022 R '000	Ithala SOC Limited 2021 R '000
Credit impairments for investments and deposits		
Balance at the beginning of the year	18 595	28 931
Impairments (reversed) / raised***	(4 578)	(10 336)
Balance at the end of the year	**14 017**	**18 595**

14. CASH AND CASH EQUIVALENTS (continued)

Investments - 2022	Stage 1: 12 month ECL	Stage 2: Lifetime ECL	Stage 3: Lifetime ECL	Total
	R'000	R'000	R'000	
Standard grade	165 213	-	-	165 213
Low grade	-	42 995	-	42 995
Gross carrying amount	165 213	42 995	-	208 208
Loss Allowance	(264)	(13 753)	-	(14 017)
Carrying amount	**164 949**	**29 242**	**-**	**194 191**

Investments - 2021	Stage 1: 12 month ECL	Stage 2: Lifetime ECL	Stage 3: Lifetime ECL	Total
	R'000	R'000	R'000	
Standard Grade	257 716	-	-	257 716
Low Grade	-	53 246	-	53 246
Gross carrying amount	257 716	53 246	-	310 962
Loss allowance	(550)	(18 045)	-	(18 595)
Carrying amount	**257 166**	**35 201**	**-**	**292 367**

	Group		Company	
	2022	2021	2022	2021
	R '000	R '000	R '000	R '000
Statutory liquid assets				
Treasury bill**	272 401	244 990	-	-
Undrawn facilities available are as follows:				
ABSA Bank				
Overdraft facility	43 100	60 349	43 100	60 349
Financial guarantees	50 900	39 651	50 900	39 651
Letter of credit****	6 000	-	6 000	-
	100 000	**100 000**	**100 000**	**100 000**

**** Currently, the letter of credit (LC) facility is unutilised. The limit has been put in place to issue any future LCs.

The Group invests in statutory investments to ensure that the minimum reserve requirements are met. These funds are not available for use in operational activities. Amounts held as at 31 March 2022 exceed the minimum reserve requirements by R4 million (2021: R 40,1 million), and are invested in terms of the Group's capital management policy.

**The balance on treasury bills is stated after taking into account impairment of R195 000 (2021: R80 000). The impairment is quantitatively immaterial.

***The impairment reversal relates to the investment in Land Bank. Ithala SOC Ltd raised ECL on the investment when Land Bank was experiencing liquidity constraints and defaulted on interest and capital obligations. Since then, Land Bank has honoured all interest payments, including arrear interest due. In addition, Land Bank has also settled capital balances of R10,3 million (2021: R7,2 million) during the financial year.

***The difference of R114 000 (2021: R80 000), between the impairment reversals of R4,5 million (2021: R10,3 million) above and the figures as disclosed on statement of profit or loss and other comprehensive income relates to the impairment on treasury bills.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

	Group		Company	
	2022 R '000	2021 R '000	2022 R '000	2021 R '000

15. TRADE AND OTHER RECEIVABLES

Financial instruments:				
Trade receivables	273 822	216 848	228 325	187 932
Other receivables*	388 807	73 093	388 518	120 135
Gross trade and other receivables	662 629	289 941	616 843	308 067
Credit Impairment:				
Trade receivables	(214 236)	(157 309)	(178 427)	(134 650)
Other receivables**	(22 765)	(22 765)	(22 765)	(22 765)
Total trade and other receivables	**425 628**	**109 867**	**415 651**	**150 652**

*Other receivables consists primarily of insurance payouts to be received of R317.0 million for the Group and R254.0 million for the Company (2021: Nil for both Group and Company), in respect of the properties which were damaged during the civil unrest which broke out in KZN during the month of July 2021, rental deposits received from tenants and retention which have been re-invested of R72.1 million for the Group (2021: R68.1 million) and R69.3 million for the Company (2021: R65.3 million), SARS current tax payable of R15.1 million for the Group (2021: receivable of R2.4 million) and RNil for the Company and other sundry debtors.

**Included in the ECL for other receivables is an advance to Ntingwe which been fully impaired. ECL for the remainder of the other receivables is immaterial.

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.

A loss allowance is recognised for all trade receivables, in accordance with IFRS 9 Financial Instruments, and is monitored at the end of each reporting period. In addition to the loss allowance, trade receivables are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation. Trade receivables which have been written off are not subject to enforcement activities.

The Group measures the loss allowance for trade receivables by applying the simplified approach which is prescribed by IFRS 9. In accordance with this approach, the loss allowance on trade receivables is determined as the lifetime expected credit losses on trade receivables These lifetime expected credit losses are estimated using a provision matrix, which is presented below. The provision matrix has been developed by making use of past default experience of debtors but also incorporates forward looking information and general economic conditions of the industry as at the reporting date.

The assessment of the ECL rates is being performed by portfolio, being small, medium enterprise, retail, light and large industrial estates and subsidiaries individually, as reflected in the below provision matrix. The assessment is carried out in April as the information is considered forward looking. The ECL rates obtained from the April analysis is then applied to the March ageing. The assessment looks at the performance for the past 12 months, or payments of each debtor and the results are then averaged for the past three years as COVID-19 has been prevalent from April 2020, 2021 and 2022.

15. TRADE AND OTHER RECEIVABLES (continued)

The Group's loss allowance (ECL) as a percentage of the gross carrying amount, increased by 6% from 73% in the 2020/2021 financial year, to 79% in the 2021/2022 financial year. This is mainly due to the tough economic conditions arising from the COVID-19 pandemic and subsequent lockdowns that continue to be a challenge worldwide. Further to this, South Africa's economy, especially the KwaZulu-Natal area, was negatively impacted by the civil unrest that took place in July 2021, resulting in damage to properties and some tenants not being able to trade, therefore not meeting their lease obligations.

2022	0-30 days	31-60 days	61-90 days	91-120 days	121-150 days	>151 days
Large and Light Industrial	69	90	94	98	100	100
Small Medium Enterprise	100	100	100	100	100	100
Retail	45	72	85	90	100	100
Sundumbili Plaza	76	91	100	100	100	100
Nongoma Plaza	47	69	74	76	80	80
The Durban Wharfside Trust	84	87	100	100	100	100

2021	0-30 days	31-60 days	61-90 days	91-120 days	121-150 days	>151 days
Large and Light Industrial	68	85	90	97	100	100
Small Medium Enterprise	100	100	100	100	100	100
Retail	47	58	78	85	100	100
Sundumbili Plaza	64	86	100	100	100	100
Nongoma Plaza	44	57	62	63	70	70
The Durban Wharfside Trust	76	80	82	84	91	91

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The carrying value of trade and other receivables approximates the fair value.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

15. TRADE AND OTHER RECEIVABLES (continued)

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	2022 Estimated gross carrying amount at default	2022 Loss allowance (Lifetime expected credit loss)	2021 Estimated gross carrying amount at default	2021 Loss allowance (Lifetime expected credit loss)
Expected credit loss rate:				
Less than 30 days past due	55 257	32 027	56 099	23 819
31- 60 days past due	25 963	21 436	23 613	16 463
61- 90 days past due	15 149	13 481	18 561	15 649
91- 120 days past due	12 089	10 996	11 639	9 870
More than 120 days past due	165 364	150 748	106 936	104 544
Deposits	-	(14 452)	-	(13 036)
Total	**273 822**	**214 236**	**216 848**	**157 309**

Company	2022 Estimated gross carrying amount at default	2022 Loss allowance (Lifetime expected credit loss)	2021 Estimated gross carrying amount at default	2021 Loss allowance (Lifetime expected credit loss)
Expected credit loss rate:				
Less than 30 days past due	50 453	28 628	51 277	21 367
31 - 60 days past due	22 195	18 532	21 291	14 787
61 - 90 days past due	12 319	11 017	16 263	13 782
91 - 120 days past due	9 962	9 131	9 458	8 021
More than 120 days past due	133 396	124 842	89 643	88 828
Deposits	-	(13 723)	-	(12 135)
Total	**228 325**	**178 427**	**187 932**	**134 650**

Reconciliation of loss allowances

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

	Group		Company	
	2022 R '000	2021 R '000	2022 R '000	2021 R '000
Opening balance	**(180 074)**	**(94 460)**	**(157 415)**	**(86 402)**
Loss allowance recognised during the year	(56 927)	(83 722)	(43 777)	(68 133)
Movement in loss allowance for other receivables relating to prior year	-	(1 892)	-	(2 880)
Closing balance	(237 001)	(180 074)	(201 192)	(157 415)

	Group		Company	
	2022 R '000	2021 R '000	2022 R '000	2021 R '000

16. INVENTORIES

Land	1 498	3 230	1 498	3 230
Consumables	4 551	4 015	3 052	1 281
	6 049	**7 245**	**4 550**	**4 511**

Land included in inventories relates to residential sites that were held for development and selling. These do not meet the criteria for investment property and property, plant and equipment.

17. NON-CURRENT ASSETS HELD FOR SALE

Balance at beginning of the year	10 725	4 849	8 825	840
Acquisitions	3 671	7 996	3 670	7 996
Disposals	(449)	(2 120)	-	(11)
Other movements	(485)	-	-	-
Carrying amount before impairment	13 462	10 725	12 495	8 825
Accumulated impairment loss	(1 829)	(1 790)	(1 397)	(460)
Net carrying amount	**11 633**	**8 935**	**11 098**	**8 365**
Accumulated impairment loss				
Balance at beginning of the year	1 790	2 015	460	460
Charge / (Reversal of) impairment to income statement	523	(225)	937	-
Other movements	(484)	-	-	-
Balance of accumulated impairment loss at end of the year	**1 829**	**1 790**	**1 397**	**460**

Non-current assets held for sale relate to immovable properties that have been repossessed by the Group. The intention of management is to sell these assets within the next 12 months. However, due to market conditions it is not always possible to sell properties.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

	Group		Company	
	2022 R '000	2021 R '000	2022 R '000	2021 R '000
18. SHARE CAPITAL				
Authorised				
1 008 582 361 ordinary shares of R1 each	1 008 582	1 008 582	1 008 582	1 008 582
Issued				
Ordinary	1 008 582	1 008 582	1 008 582	1 008 582

Non-controlling interests arises as a result of minority shares in Sundumbili Plaza and Nongoma Plaza.

Balance at the beginning of the year	(426)	(47)	-	-
Movement in non-controlling interests	(22)	(379)	-	-
Closing balance as at 31 March 2022	**(448)**	**(426)**	**-**	**-**

	Group		Company	
	2022	2021	2022	2021
	R '000	R '000	R '000	R '000

19. BORROWINGS

At amortised cost

Total borrowings	30 151	37 579	28 097	35 523
Portion repayable within 12 months	(6 966)	(7 814)	(6 966)	(7 814)
Long term portion	**23 185**	**29 765**	**21 131**	**27 709**

	Instalment	Date of final repayment	Interest rate	Group 2022	Group 2021	Company 2022	Company 2021
	R '000		%	R '000	R '000	R '000	R '000
Nedbank							
Repayable in monthly instalments	597	2026	7.00	25 174	30 524	25 174	30 524
SEFA							
No fixed terms of repayment	131	2025	3.20	2 923	4 999	2 923	4 999
Loans from minority shareholders							
Repayable in quarterly instalments, or as cash is available to make repayment	-		-	2 054	2 056	-	-
Total borrowings				**30 151**	**37 579**	**28 097**	**35 523**

The interest rate applicable on the borrowings is variable.

The movement in borrowings is reflected in the below table:

Opening balance	37 579	44 431	35 523	42 587
Repayments- cash flow movement	(5 543)	(4 558)	(5 565)	(4 793)
Interest	(1 885)	(2 294)	(1 861)	(2 271)
Closing balance	**30 151**	**37 579**	**28 097**	**35 523**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

	Group		Company	
	2022 R '000	2021 R '000	2022 R '000	2021 R '000

19. BORROWINGS (continued)

Held at amortised cost				
Nedbank	25 174	30 524	25 174	30 524
The loan is secured and repayment is by way of equal monthly instalments of part capital and interest over the loan term. These repayments will change with the variation in the variable rate.				
Khula Enterprise Finance Ltd/Sefa	2 923	4 999	2 923	4 999
There are no fixed terms of repayment and the interest rate is variable.				
Loan from minority shareholders	2 054	2 056	-	-
The loan is repayable on a quarterly basis or as cash is available. The interest is variable and the loan is repayable upon dissolution of the subsidiary, Nongoma.				
	30 151	**37 579**	**28 097**	**35 523**

	Group		Company	
	2022 R '000	2021 R '000	2022 R '000	2021 R '000

20. DEPOSITS DUE TO CUSTOMERS

Call deposit accounts	82 240	65 245	-	-
Savings accounts	1 059 426	1 133 784	-	-
Term deposits	1 254 167	1 312 323	-	-
	2 395 833	**2 511 352**	**-**	**-**
Maturity analysis repayable*:				
On demand	1 145 588	1 201 947	-	-
Up to 1 month	120 669	160 046	-	-
From 1 month to 6 months	717 970	796 570	-	-
From 6 months to 1 year	376 464	321 039	-	-
From 1 year to 5 years	35 142	31 750	-	-
	2 395 833	**2 511 352**	**-**	**-**
Savings accounts are further analysed as follows:				
Pass Book**	730 583	783 753	-	-
Trust accounts	54 999	54 776	-	-
Debit Card	257 609	270 745	-	-
Corporate	16 235	24 510	-	-
Total Savings	**1 059 426**	**1 133 784**	**-**	**-**
Term deposits are further analysed as follows:				
Retail accounts	877 990	879 208	-	-
Corporate accounts	376 177	433 115	-	-
Total Term deposits	**1 254 167**	**1 312 323**	**-**	**-**
Non-current liabilities	35 142	31 750	-	-
Current Liabilities	2 360 691	2 479 602	-	-
	2 395 833	**2 511 352**	**-**	**-**

*The maturity analysis reflected above is the discounted maturity, as the balance reported as at 31 March 2022 is the balance due to the client (no future interest is included in this value).

Savings accounts, as disclosed in the table above, have no fixed terms and are available to customers on demand.

Term deposits are available to customers upon maturity.

**A Pass Book is a paper book used to record bank transactions on a depositor's account and is an alternative means of banking for customers who do not prefer electronic banking.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

	Group		Company	
	2022	2021	2022	2021
	R '000	R '000	R '000	R '000

21. RETIREMENT BENEFITS

Post-retirement medical obligations (Closed Fund)

The Group provides post-retirement medical benefits to substantially all employees who commenced employment prior to 1 August 2000. An actuarial valuation of post-retirement medical obligations at 31 March 2022 quantified the present value of unfunded obligations at R111,8 million (2021: R105,6 million) for Group and R69,3 million (2021: R68,3 million) for Corporation. These actuarial valuations are conducted annually, at balance sheet date. The principal actuarial assumptions used included a discount rate of 11,29% (2021: 11,90%), and a health care cost inflation rate of 8,20% (2021: 9,00%). The valuations are performed by independent, qualified experts.

Movement in the defined benefit obligation, is as follows:				
Balance at beginning of the year	105 644	94 260	68 267	61 097
Current service costs	1 158	11 754	502	336
Interest costs	12 571	895	8 124	7 563
Net actuarial (gain) / loss recognised during the year	(370)	6 055	(2 087)	4 789
Benefit payment	(7 242)	(7 320)	(5 473)	(5 518)
Balance at end of the year	**111 761**	**105 644**	**69 333**	**68 267**
Amounts recognised in the balance sheet are as follows:				
Present value of unfunded obligations	111 761	105 644	69 333	68 267
Liability- Long-term portion	104 382	98 772	63 985	63 074
Liability- Short-term portion	7 379	6 872	5 348	5 193
Liability at end of year	**111 761**	**105 644**	**69 333**	**68 267**
Post-retirement medical benefits				
Actuarial (gain) / loss				
The actuarial gains arose as a result of the following:				
Change in Real Discount Rate	(230)	9 603	(113)	5 546
(Lower) / higher than expected Rand/Cap subsidy	(5 475)	(1 119)	(4 722)	(740)
Unexpected changes in membership/changes in health care cost inflation	5 543	(2 743)	2 933	242
(Lower) / higher than expected healthcare cost inflation including changes in members' benefit options	(29)	314	(6)	(259)
Lower than expected salaries	(179)	-	(179)	-
Total	**(370)**	**6 055**	**(2 087)**	**4 789**

21. RETIREMENT BENEFITS (continued)

Group

Actuarial assumptions used and sensitivity analysis
Sensitivity Analysis - unfunded accrued liability

	Assumptions	Change	2022 R '000	2021 R '000
Present value of obligation			111 761	105 742
Health care cost inflation	8,20%	+1%	124 013	105 742
		-1%	101 339	105 499
Discount rate	11,10%	+1%	101 659	96 010
		-1%	124 561	117 122
Average expected retirement age	60 years	+1 year	108 765	102 784
		-1 year	114 021	108 549

Company

Actuarial assumptions used and sensitivity analysis
Sensitivity Analysis - unfunded accrued liability

	Assumptions	Change	2022 R '000	2021 R '000
Present value of obligation			69 333	68 266
Health care cost inflation	8,20%	+1%	75 960	68 340
		-1%	63 601	68 158
Discount rate	11,10%	+1%	63 764	62 703
		-1%	75 849	74 709
Average expected retirement age	60 years	+1 year	67 946	66 972
		-1 year	70 847	69 566

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

	Group		Company	
	2022	2021	2022	2021
	R '000	R '000	R '000	R '000

21. RETIREMENT BENEFITS (continued)

We have assessed the impact of CPI increasing/decreasing by 3% and the results are as follows:

An increase of 3% will result in an increase of the liability to R155 882 (2021: R105 882) for Group, and R92 727 (2021: R68 448) for Company.
A decrease of 3% will result in a decrease of the liability to R84 701 (2021: R101 326) for Group, and R54 242 (2021: R66 189) for Company.

Amounts recognised in the income statements are as follows:

Current service cost recognised in profit / loss	1 159	896	502	335
Interest cost recognised in profit / loss	12 571	11 753	8 124	7 564
Net actuarial (gain) / loss for the year recognised in other comprehensive income	(370)	6 055	(2 087)	4 788
	13 360	**18 704**	**6 539**	**12 687**

Pension and Provident Fund Schemes

The Group provides retirement benefits substantially to all employees by contributing to pension and provident funds. Membership of either pension or provident fund is compulsory for all Corporation and Ithala SOC Limited permanent employees.

The defined benefit pension fund and the defined benefit provident fund are governed by the Pension Funds Act of 1956, with retirement benefits being determined with reference to both pensionable remuneration and years of service. Both funds are closed to new members.

The defined contribution pension fund and defined contribution provident fund are governed by the Pension Funds Act of 1956, and are open to new members and members who have elected to transfer from the defined benefit funds.

Actuarial valuations of the defined benefit pension and provident funds were conducted as at the end of each of the three preceding financial years and the actuary found the funds to be in a sound financial position. An actuarial review conducted as at 31 March 2022 showed that in respect of the Defined Benefit Pension Fund and the Defined Benefit Provident Fund, the present value of the obligation was adequately covered by the fair value of the scheme assets.

The most recent actuarial valuation of plan assets and present value of defined benefits obligations were carried out for the current and prior annual financial years by independent, qualified experts. The present value of the defined benefits obligations and the related current service cost were measured using the Projected Unit Credit Method.

Defined benefit pension fund

It was resolved during the 2012 financial year to close the defined benefit pension fund. All active members of the fund have been transferred to a defined contribution fund of the Company as at 31 December 2011. The trustees have agreed to utilise the surplus in the pension fund to fund the employer contributions towards the Old Mutual Superfund. The Company has utilised the contribution holiday as at 31 March 2022.

	Group		Company	
	2022 R '000	2021 R '000	2022 R '000	2021 R '000

21. RETIREMENT BENEFITS (continued)

The movement in the defined benefit obligation over the year is as follows:				
Balance at beginning of the year	-	554	-	249
Interest cost	-	26	-	12
Actuarial loss	-	3 789	-	1 705
Benefits paid	-	(4 369)	-	(1 966)
Balance	**-**	**-**	**-**	**-**
The movement in the fair value of plan assets over the year, is as follows:				
Balance at beginning of the year	-	4 309	-	1 939
Expected return on asset	-	435	-	196
Actuarial loss	-	(375)	-	(169)
Benefits paid	-	(4 369)	-	(1 966)
Balance at end of the year	**-**	**-**	**-**	**-**
Actuarial (loss)/gain				
The actuarial loss arose as a result of the following:				
Other	-	(194)	-	(87)
Defined benefit provident fund				
Fair value of plan assets	(10 524)	(9 313)	(6 118)	(5 407)
Surplus	(10 524)	(9 313)	(6 118)	(5 407)
Amount allocated to employer surplus account	10 524	9 313	6 118	5 407
Asset not recognised due to asset ceiling	**-**	**-**	**-**	**-**
The movement in the fair value of plan assets over the year, is as follows:				
Balance at beginning of the year	9 313	8 748	5 407	5 078
Interest income	841	778	494	452
Actuarial gain / (loss)	370	(213)	217	(123)
Balance at end of the year	**10 524**	**9 313**	**6 118**	**5 407**
Actuarial (loss)/gain				
The actuarial gain / (loss) arose as a result of the following:				
Actuarial gain arising from investment returns being higher than expected	370	-	217	-
Actuarial gain / (loss) arising from changes in demographic assumptions	-	(213)	-	(123)

The Group expects to make no contribution to the Old Mutual Superfund Defined Benefit Provident fund during the next financial year due to a surplus of R10.5 million in the provident fund (Company: R6.1 million) (2021: Group R9.3 million, Company: R5.4 million).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

	Group		Company	
	2022 R '000	2021 R '000	2022 R '000	2021 R '000

21. RETIREMENT BENEFITS (continued)

Long service obligation

The Group provides long service awards to permanent employees in the form of cash from five years of continuous service and every five years thereafter. An actuarial valuation of the provision for long service awards is conducted annually. The principal actuarial assumptions used included a discount rate of 9,30% (2021: 9,10%) and an average salary inflation of 5,80% (2021: 6,10%).

The most recent actuarial valuation of the long service awards was carried out for the current financial year by Alexander Forbes, fellow of the Institute of Actuaries of South Africa. The present value of the liability was measured using the Projected Unit Credit Method.

Balance at beginning of the year	23 648	26 844	18 551	13 930
Expensed during the year	4 509	5 835	3 656	3 076
Contributions paid	(3 201)	(1 609)	(1 360)	(777)
Unrecognised actuarial loss / (gain)	32	(7 422)	(14)	2 322
Balance at end of the year	**24 988**	**23 648**	**20 833**	**18 551**
Amounts recognised in the balance sheet are as follows:				
Present value of unfunded obligations	24 988	23 648	20 833	18 551
Short-term portion	4 649	3 072	3 716	1 308
Long-term portion	20 339	20 576	17 117	17 243
Liability at end of year	**24 988**	**23 648**	**20 833**	**18 551**
Amounts recognised in the Statement of profit or loss and other comprehensive income are as follows:				
Current service cost recognised in profit / loss	2 507	2 947	2 034	1 544
Interest cost recognised in profit / loss	2 000	2 888	1 620	1 531
Net actuarial loss / (gain) for the year recognised in profit / loss	32	(7 422)	(14)	2 322
	4 539	**(1 587)**	**3 640**	**5 397**
Membership statistics:				
In-service members	672	672	297	301

		Group		Company	
		2022	2021	2022	2021
	Change	R '000	R '000	R '000	R '000

21. RETIREMENT BENEFITS (continued)

Sensitivity analysis – unfunded accrued liability					
Assumptions					
Central assumptions:		24 986	23 713	20 832	17 647
CPI Inflation	+1%	26 411	24 851	22 256	18 777
	-1%	23 693	22 670	19 538	16 606
Average retirement age	-2 years	21 613	21 034	17 654	15 388
	+2 years	28 133	26 677	23 842	20 118
Discount rate	+1%	23 654	22 385	19 660	16 571
	-1%	26 473	25 207	22 143	18 847
Actuarial (gain) / loss					
The actuarial (gains) / losses arose as a result of the following:					
Change in benefit arrangement		-	(9 306)	-	904
Change in real discount rate		653	3 434	686	1 800
Lower than expected salary inflation		(632)	(1 747)	(631)	(568)
Unexpected change in membership		(676)	197	(688)	186
Change in expected retirement age		687	-	619	-
		32	**(7 422)**	**(14)**	**2 322**

We have assessed the impact of CPI increasing/decreasing by 3% and the results are as follows:

- An increase of 3% will result in an increase of the liability to R29 715 (2021: R20 172) for Group, and R25 560 (2021: R15 543) for Company.
- A decrease of 3% will result in a decrease of the liability to R21 493 (2021: R28 475) for Group, and R17 285 (2021: R22 777) for Company.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

	Group		Company	
	2022 R '000	2021 R '000	2022 R '000	2021 R '000

22. GOVERNMENT GRANTS

Government grants - deferred income				
BEE Risk Fund*	6 599	6 599	6 599	6 599
Share participation**	7 097	7 097	7 097	7 097
DTI Grant	928	928	928	928
Banking system***	9 304	9 304	-	-
SMME COVID-19- 2020/2021****	31 203	60 000	31 203	60 000
SMME Support Grant	500	-	500	-
Maritime Transport and Manufactured*****	3 365	3 365	3 365	3 365
Other	584	-	584	-
COVID-19 Relief Fund	-	360	-	360
	59 580	**87 653**	**50 276**	**78 349**
Government grants - Other				
EDTEA Equity Fund	124	124	124	124
Total government grants	**59 704**	**87 777**	**50 400**	**78 473**
Non-current liabilities	15 333	27 417	15 333	18 113
Current liabilities	44 371	60 360	35 067	60 360
	59 704	**87 777**	**50 400**	**78 473**

IDFC receives grants for the purposes of lending to individuals or companies, support BEE projects as well for construction projects. Grant deferred income relates to the government grants that have not been used for lending to individuals or companies or supporting BEE projects for identified construction projects. The grant deferred income is recognised as revenue when the grant conditions are met. Details of the significant grants received are as per below:

***BEE Risk Fund**

This fund was for a specific list of clients that were identified as high risk with a possibility of not meeting their loan repayment commitments. As at the end of the reporting period, the conditions of the application of this grant were not met. This has been classified as a non-current liability as the funds are not expected to be applied within the next 12 months.

****Share Participation**

This fund is intended to be utilised for equity deals with respect to Business Finance loans. IDFC has not exercised any step-in rights, therefore the grant was not applied. IDFC has not exercised any step-in rights, therefore the grant was not applied. The grant has been classified as a non-current liability as the funds are not expected to be applied within the next 12 months.

22. GOVERNMENT GRANTS (continued)

*****Banking System**

This grant was received by Ithala SOC for the purposes of assisting in the development of the new banking system. As the banking system has not been fully developed as at year end, only a portion of the grant has been utilised. These funds have been classified as a current liability as the funds are expected to be utilised within the next 12 months.

******SMME COVID-19 - 2020/2021**

These funds were made available to assist clients and tenants affected by COVID-19. These funds have been classified as current liability as they are expected to be applied within the next 12 months.

*******Maritime Transport and Manufactured**

These funds are for the assessment study and establishment of a facility for the boat building park project. Once the administration issues are finalised and have a project agreement, these funds will be reclassified to other project funds. These funds were made available to assist clients and tenants affected by COVID-19. These funds have been classified as current liability as they are expected to be applied within the next 12 months.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

22. GOVERNMENT GRANTS (continued)

The movement in the grants has been accounted for as part of financing activities under Statement of Cash Flows.

Grant Reconciliation - 2022

	Opening Balance	Grant Received	Grant Applied	Reclassified to Other Payables	Grant Returned to EDTEA	Closing Balance
	R '000	R '000	R '000	R '000	R '000	R '000
BEE Risk Fund	6 599	-	-	-	-	6 599
Share participation	7 097	-	-	-	-	7 097
DTI Grant	928	-	-	-	-	928
Banking System	9 304	-	-	-	-	9 304
SMME COVID-19 support- 2020/2021	60 000	-	(28 798)	-	-	31 202
Ithala SOC Capital Injection	-	65 123	(65 123)	-	-	-
SMME EDF Support Grant-2021/2022	-	28 509	(28 509)	-	-	-
Maritime Transport and Manufactured	3 364	-	-	-	-	3 364
COVID-19 Relief Fund	360	-	(360)	-	-	-
Other	-	1 085	-	-	-	1 085
Subtotal	87 652	94 717	(122 790)	-	-	59 579
EDTEA Equity Fund	124	-	-	-	-	124
	87 776	**94 717**	**(122 790)**	**-**	**-**	**59 703**

Grant Reconciliation - 2021

	Opening Balance	Grant Received	Grant Applied	Reclassified to Other Payables	Grant Returned to EDTEA	Closing Balance
	R '000	R '000	R '000	R '000	R '000	R '000
BEE Risk Fund	6 599	-	-	-	-	6 599
Share participation	7 097	-	-	-	-	7 097
Imbokodo Iyazenzela	-	800	(492)	(308)	-	-
DTI Grant	928	-	-	-	-	928
Hubs	11 885	10 000	(1 538)	(20 347)	-	-
Thokazi Royal Lodge	4 825	5 000	-	(9 825)	-	-
Ithala SOC Limited	9 304	59 000	(59 000)	-	-	9 304
SMME COVID-19 support	-	60 000	-	-	-	60 000
Zimele 20/21	-	16 928	-	(16 928)	-	-
Maritime Transport and Manufactured	3 364	-	-	-	-	3 364
Shared Infrastructure SMME and Co-ops Incubation	15 923	-	-	(15 923)	-	-
COVID-19 Relief Fund	360	-	-	-	-	360
Subtotal	60 285	151 728	(61 030)	(63 331)	-	87 652
EDTEA Equity Fund	111	-	-	-	-	124
	60 396	**151 728**	**(61 030)**	**(63 331)**	**-**	**87 776**

23. PROVISIONS

Reconciliation of provisions - Group - 2022

	Opening balance	Additions	Utilised during the year	Change in discount factor	Total
	R '000	R '000	R '000	R '000	R '000
Environmental rehabilitation	13 644	-	-	4 112	17 756
Provision for audit fees	11 573	11 066	(11 573)	-	11 066
Other provisions	438	-	-	-	438
	25 655	**11 066**	**(11 573)**	**4 112**	**29 260**

Reconciliation of provisions - Group - 2021

	Opening balance	Additions	Utilised during the year	Prior year adjustment	Total
	R '000	R '000	R '000	R '000	R '000
Environmental rehabilitation	12 388	60	-	1 196	13 644
Provision for audit fees	15 018	11 573	(15 018)	-	11 573
Other provisions	438	-	-	-	438
	27 844	**11 633**	**(15 018)**	**1 196**	**25 655**

Reconciliation of provisions - Company - 2022

	Opening balance	Additions	Utilised during the year	Change in discount factor	Total
	R '000	R '000	R '000	R '000	R '000
Environmental rehabilitation	10 771	-	-	3 932	14 703
Provision for audit fees	5 194	5 365	(5 194)	-	5 365
Other provisions	438	-	-	-	438
	16 403	**5 365**	**(5 194)**	**3 932**	**20 506**

Reconciliation of provisions - Company - 2021

	Opening balance	Additions	Utilised during the year	Total
	R '000	R '000	R '000	R '000
Environmental rehabilitation	10 712	59	-	10 771
Provision for audit fees	7 067	5 194	(7 067)	5 194
Other provisions	438	-	-	438
	18 217	**5 253**	**(7 067)**	**16 403**
Non-current liabilities	17 756	13 643	14 703	10 771
Current liabilities	11 504	12 010	5 803	5 632
	29 260	**25 653**	**20 506**	**16 403**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

23. PROVISIONS (continued)

Provision for landfill site

The Landfill Rehabilitation Provision is created for rehabilitation of the current operational sites at future estimated time of closure. The value of the provision is based on the expected future cost to rehabilitate the various sites discounted back to the balance sheet date at the cost of capital.

The entity has an obligation to rehabilitate these Landfill sites. The cost of such property includes the initial estimate of the costs of rehabilitating the land and restoring the site on which it is located. The entity estimates the useful lives and makes assumptions as to the useful lives of these assets, which influence the provision for future costs.

An independent assessment conducted by qualified evaluator resulted in the change in estimate of the provision as the dumping space that was utilised is significantly lower than anticipated. The landfill site has been closed. The entity has changed the basis of estimating the landfill rehabilitation provision from future expected costs to actual usage. This change has resulted in a decrease in the provision for rehabilitation and this has been accounted for prospectively.

Provision for rehabilitation

A provision for the rehabilitation costs arising from the mining activities has been recognised. The provision will only be settled when the mining operations cease.

The entity has an obligation to rehabilitate these mining sites. The cost of such property includes the initial estimate of the costs of rehabilitating the land and restoring the site on which the mining is occurring, the obligation for which the entity incurs as a consequence of having mined during a particular period.

Provision for audit fees

The provision is for statutory audit fees and is in line with the audit strategy document. Audit fees are invoiced on a monthly basis between April and September. There are no expected reimbursements.

Other provisions

The other provisions relate to legal claims against Ithala. The claims relate to non-installation of a security door as well as painting claim laid by the body corporate. The provision is for a short term, hence there was no discounting.

	Group		Company	
	2022 R '000	2021 R '000	2022 R '000	2021 R '000

24. TRADE AND OTHER PAYABLES

Financial instruments:				
Trade payables	18 293	12 197	7 608	8 669
Sundry creditors*	423 275	423 335	386 222	382 740
Non-financial instruments:				
Accrued leave pay	26 502	32 467	18 249	17 482
Accrued bonus	3 956	3 765	1 908	1 787
Accruals	102 447	91 349	69 323	61 129
South African Revenue Services	23 978	30 257	(1 546)	4 053
	598 451	**593 370**	**481 764**	**475 860**

*Included in the sundry creditors are funds held by the Group on behalf of other government entities and for EDTEA projects where the entity plays an agency role, as well as rental deposits received from tenants and retention which have been re-invested, as detailed in Note 15.

The carrying amount of trade and other payables approximates fair value.

Balances held by the Group on Behalf of Other Entities for Various Projects				
Human Settlements Project	104 551	103 071	104 551	103 071
Vulindlela Development Agency Project	5 237	5 104	5 237	5 104
Bulk Buying	27 684	27 978	27 684	27 978
RASET Project	10 579	32 797	10 579	32 797
Operation Vula	8 350	15 633	8 350	15 633
Storm Disaster	3 929	7 885	3 929	7 885
Shared Infrastructure SMME and Co-operatives Incubation	37 516	9 867	37 516	9 867
Zimele Traders Fund	16 928	16 928	16 928	16 928
Thokazi Royal Lodge	9 825	9 825	9 825	9 825
Imbokodo Iyazenzela	177	308	177	308
Industrial Hubs	23 181	20 347	23 181	20 347
Ntingwe Tea (Pty) Ltd	23 993	23 993	23 993	23 993
	271 950	**273 736**	**271 950**	**273 736**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

	Group		Company	
	2022 R '000	2021 R '000	2022 R '000	2021 R '000

25. CASH GENERATED FROM OPERATING ACTIVITIES

Net income before taxation	255 216	169 259	171 105	140 322
Adjustment for non-cash items:				
Expected credit loss - loans and advances	14 115	14 089	16 908	30 034
Expected credit loss - trade and other receivables	57 364	86 125	43 777	68 135
Impairment of non-current assets held for sale	523	(225)	937	-
Depreciation and amortisation	37 453	47 944	16 728	18 055
Movement in straight-lining of operating lease income	14 345	21 900	13 221	20 944
Movement in NCI	22	379	-	-
Fair value movements in:				
- Investment Property	113 585	(180 570)	112 423	(159 843)
- Investments in cell captives	(5 974)	(4 788)	(5 974)	(4 788)
- Investment in shares	(2 204)	(2 952)	(2 204)	(2 952)
Loss / (Profit) on disposal of assets	149	(1 731)	703	(437)
Government grants applied	(93 932)	(59 000)	(93 932)	(59 000)
Impairment of deposits with banks	(4 464)	(10 256)	-	-
Impairment of deposits with banks	4 464	10 256	-	-
Impairment of investment in subsidiaries	-	-	70 956	33 382
Movement in retirement benefit obligation	13 729	12 649	8 626	7 899
Long service obligations	4 541	(1 587)	3 643	5 398
Movement in provisions:				
- Provision for rehabilitation	4 112	60	3 933	60
- Movement in other provisions	(507)	(3 308)	171	(1 873)
Interest from borrowings and lease liability	7 898	7 153	3 029	3 493
Dividends accrued	(377)	(404)	(377)	(404)
Net cash generated from operating activities	420 058	104 993	363 673	98 425
Changes in working capital:				
Increase in trade and other payables	3 682	70 556	5 917	63 191
Increase in trade and other receivables	(389 362)	(93 884)	(308 776)	(74 208)
Decrease / (Increase) in inventories	1 196	(758)	(39)	862
Employee Benefits	(10 443)	(8 929)	(6 833)	(6 295)
Deposits (paid to) / received from customers	(115 519)	73 477	-	-
	(510 446)	**40 462**	**(309 731)**	**(16 450)**

	Group		Company	
	2022 R '000	2021 R '000	2022 R '000	2021 R '000

26. TAX PAID

Balance at beginning of the year	2 182	(2 128)	-	-
Current tax for the year recognised in profit or loss	(22 902)	(5 296)	-	-
Balance at end of the year	15 105	(2 182)	-	-
	(5 615)	**(9 606)**	**-**	**-**

27. COMMITMENTS

Capital commitment				
Authorised and contracted	111 782	129 576	55 568	74 040

28. RELATED PARTIES

Ithala Development Finance Corporation Limited (The Corporation) is a 100% held subsidiary of the KwaZulu-Natal Provincial Government, reporting to the Department of Economic Development, Tourism and Environmental Affairs. The Corporation and its subsidiaries, in the ordinary course of business enter into various transactions with related parties.

Relationships

Holding company	KZN Department of Economic Development, Tourism and Environmental Affairs
Subsidiaries	Ithala SOC Limited (100% owned) Nongoma Plaza (Pty) Ltd (100% owned) Sundumbili Plaza (Pty) Ltd (100% owned) Durban Wharfside Trust (100% owned) Ubuciko Fabrics and Twines (Pty) Ltd (100% owned) Portsheptone Quarries (Pty) Ltd (100% owned) Sibaya Conservation Project (Pty) Ltd (95% owned) KwaZulu-Natal Property Development Holdings (SOC) Ltd
Associates	Rocktail Bay Dev Co. (Pty) Ltd Mabibi Development Company (Pty) Ltd Banzi Plan Development Company (Pty) Ltd Ntingwe Tea Farming (Pty) Ltd
Joint venture	Ulundi Shopping Centre
Other	KZN Department of Economic Development, Tourism and Environmental Affairs
Members of key management	PS Bengu B Mapisa M Muthusamy (Acting) B Shangase XE Mkhize TN Mthethwa K Cele

Compensation paid to key management is disclosed under note 43.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

	Group		Company	
	2022 R '000	2021 R '000	2022 R '000	2021 R '000

28. RELATED PARTIES (continued)

Related party balances and transactions with subsidiaries

Loans owing by subsidiaries to IDFC*				
Ithala SOC Limited	-	-	17 899	2 901
Nongoma Plaza	-	-	61 232	59 374
Sundumbili Plaza	-	-	24 460	22 600
Durban Wharfside Trust	-	-	62 404	54 283
Sibaya Conservation	-	-	4 183	4 183
Port Shepstone Quarries	-	-	53 035	50 011
Ubuciko Twines and Fabrics	-	-	82 525	82 158
	-	**-**	**305 738**	**275 510**
Transactions with subsidiaries and IDFC				
Ithala SOC				
Interest paid on customer deposits and retention accounts	-	-	397	2 004
Shared services	-	-	6 763	6 780
Rental income	-	-	4 727	5 133
Recovery of operating expenses	-	-	403	431
WAN Costs	-	-	-	8 227
Funds transferred to SOC	-	-	65 123	59 000
Deposits due to properties tenants	-	-	51 629	50 421
Outstanding balance on savings and fixed deposits	-	-	17 652	14 836
	-	**-**	**146 694**	**146 832**
Nongoma Plaza				
Management fees earned	-	-	612	642
Interest income from loans	-	-	1 990	2 206
Insurance	-	-	295	302
Other	-	-	2	(6)
Sundumbili Plaza				
Sale of refuse	-	-	294	550
Management fees earned	-	-	601	904
Interest income from loans	-	-	1 558	1 671
Insurance			347	364
Other	-	-	2	(14)
Durban Wharfside Trust				
Distribution received	-	-	9 300	4 305
Management fees earned	-	-	229	204
Insurance	-	-	207	186
			15 437	**11 314**

	Group		Company	
	2022 R '000	2021 R '000	2022 R '000	2021 R '000

28. RELATED PARTIES (continued)

Related party balances and transactions with associates				
Loans owing by associates to IDFC				
Rocktail Bay Dev Co. (Pty) Ltd	569	569	569	569
Mabibi Development Company (Pty) Ltd	1 611	1 499	1 611	1 499
Banzi Plan Development Company (Pty) Ltd	6 931	6 931	6 931	6 931
Ntingwe Tea Farming (Pty) Ltd	-	65 694	-	65 694
	9 111	**74 693**	**9 111**	**74 693**
Loan owing by joint venture to IDFC				
Ulundi Shopping Centre	4 152	3 897	4 152	3 897
Balances held on behalf of associates				
Ntingwe Tea Farming (Pty) Ltd	23 993	23 993	23 993	23 993
Transactions with associates and IDFC				
Rocktail By Dev Co. (Pty) Ltd				
Management fee income and other income	-	9	-	9
Mabibi Development Company (Pty) Ltd				
Management fee income and other income	112	117	112	117
Transactions with joint venture and IDFC				
Ulundi Shopping Centre				
Interest income	255	250	255	250

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

	Group		Company	
	2022 R '000	2021 R '000	2022 R '000	2021 R '000

28. RELATED PARTIES (continued)

Related party balances and transactions with other related parties				
Balances between Corporation and other KZN Government entities and EDTEA				
Department of Human Settlements	104 551	103 071	104 551	103 071
Vulindlela Development Agency	5 237	5 104	5 237	5 104
Bulk Buying Project	27 684	27 978	27 684	27 978
RASET Project	10 579	32 797	10 579	32 797
Operation Vula	8 350	15 633	8 350	15 633
Industrial Hubs	23 181	20 347	23 181	20 347
Thokazi Royal Lodge	9 825	9 825	9 825	9 825
Imbokodo Iyazenzela	177	308	177	308
Shared Infrastructure SMME and Co-operatives	37 516	9 867	37 516	9 867
Maritime Transport and Manufactured	3 364	3 364	3 364	3 364
SMME Support	500	-	500	-
Other	584	-	584	-
	231 548	**228 294**	**231 548**	**228 294**
Transactions between Corporation and other EDTEA subsidiaries				
Rental income	4 460	4 192	4 460	4 192
Parking	775	616	679	616
Recovery of operating expenses	679	502	1 522	502
	5 914	**5 310**	**5 914**	**5 310**
The following funds were received from EDTEA				
Ithala SOC Capital injection	65 123	59 000	65 123	59 000
Imbokodo Iyazenzela	-	800	-	800
Zimele 20/21	-	16 928	-	16 928
Thokazi Royal Lodge	-	5 000	-	5 000
Industrial Economic Hubs	5 000	10 000	5 000	10 000
SMME Covid 19 - 2020/2021	-	60 000	-	60 000
RASET Project	-	9 500	-	9 500
SMME EDF Support Grant - 2021/2022	28 509	-	28 509	-
Shared Infrastructure SMME and Co-operatives	39 000	-	39 000	-
	137 632	**161 228**	**137 632**	**161 228**
Transactions between Ithala SOC and other IDFC subsidiaries				
Rental			**-**	**-**
Nongoma Plaza Limited	470	471	-	-
Sundumbili Plaza Limited	342	370	-	-
Rental Deposits Held by Ithala SOC Limited				
Nongoma Plaza Limited	638	619	-	-
Sundumbili Plaza Limited	1 420	1 484	-	-
Wharfside Trust	754	704	-	-
	3 624	3 648	-	-

	Group		Company	
	2022 R '000	2021 R '000	2022 R '000	2021 R '000

28. RELATED PARTIES (continued)

Directors' emoluments for other subsidiaries				
ZB Zwane	103	89	-	-
CS Gina	358	384	-	-
Transactions between Ithala SOC Limited and entities owned by EDTEA				
Deposits due to customers held by Ithala SOC Limited for KZN Growth Fund	83 846	85 412	-	-
Interest expense on KZN Growth Fund Deposits	5 079	5 104	-	-
Loans to members of Provincial Legislature and EDTEA				
Loans Granted	71 738	29 132	71 738	29 132
Outstanding balance	41 462	10 186	41 462	10 186
Arrears	1 869	459	1 869	459
Specific impairment charge	4 751	341	4 751	341
Security amount	26 907	28 838	26 907	28 838
Interest received	-	993	-	993
Loans granted to key management personnel - Corporation				
Loans granted	4 000	5 386	4 000	5 386
Outstanding balance	5 747	3 405	5 747	3 405
Arrears	5 711	1 835	5 711	1 835
Security	4 000	4 000	4 000	4 000
Specific impairment charge	2 223	2 976	2 223	2 976
Interest received	1 672	198	1 672	198
Loans to key management personnel - Ithala SOC				
Outstanding balance	8 665	4 306	8 665	4 306
Security amount	10 253	5 261	10 253	5 261
Interest received	299	244	299	244
Loans granted by Ithala SOC to executive management of the Company				
Outstanding balance	2 287	-	-	-
Security amount	4 930	-	-	-
Interest received	136	-	-	-
Transactions between fellow IDFC Subsidiaries				
Nongoma and Sundumbili	190	-	-	-

*Refer to Note 9 for impairments raised as at 31 March 2022 on these loans and the movement in the impairments from the prior year.

Various employees of the Holding Company serve as directors in various subsidiaries, associates and joint venture companies at no additional employee benefits to those companies or the holding company.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

28. RELATED PARTIES (continued)

Below is a list of Companies and affected employees.

Directors associations 2022 and 2021

Subsidiaries , Associates, and Joint ventures	Ms P Bengu	Mr S Mnguni*	Ms Farhana Abdool-Kader	Mr M Muthusamy	Mr B Shangase	Mr Theuns Badenhorst*	Mr SD Khwela	Mrs R Sompersadh	Mr T Moumakwa	Mr M Malishe
Ithala SOC Limited		x								
Nongoma Plaza Limited			x			x	x			
Sundumbili Plaza Limited			x			x	x			
The Durban Wharfside			x			x				
Sibaya Conservation Projects Pty Ltd			x			x				
Rocktail Bay Dev Co Pty Ltd			x			x	x			
Banzi Pan Development Company Pty Ltd			x							
Mabibi Development Company Pty Ltd			x							
Ubuciko Twines &Fabrics Pty Ltd		x		x						
Portshepstone Quarries Pty Ltd (PSQ)				x	x					
Ntingwe Tea Pty Ltd					x				x	
KwaZulu-Natal Property Development					x			x		x
Holding (KPDH)										
Ulundi Shopping Centre			x							
Cowslip Pty Ltd	x									

*Mr S Mnguni resigned in July 2021 as the Group Chief Financial Officer and new members were appointed as board members in the entities listed above. Mr T Badenhorst resigned as a Director on 31 July 2021.

29. FINANCIAL RISK MANAGEMENT

Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for the year and benefits for other stakeholders and to maintain an optimal capital structure to optimise the cost of capital. The capital structure of the group consists of borrowings, deposits due to customers and equity as disclosed in the statement of financial position. There are no externally imposed capital requirements. There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Credit risk management

Credit risk is the risk of suffering financial loss, should any customers or market counterparties fail to fulfil their contractual obligations to the group. Credit risk arises mainly from commercial and consumer loans and advances. Credit risk is a significant risk resulting in management carefully managing its exposure. Credit risk management and control are centralised within a credit risk management team, which reports to the Chief Executive Officer.

Whilst the Board retains overall responsibility for risk management, policies and frameworks are developed by management on an Enterprise -Wide basis striving to identify all relevant risks, to measure and understand such risks and to manage and monitor them in order to minimise and control the impact of adverse occurrences. The Board of Ithala has delegated the responsibility for risk management to Board Sub Committees, namely the Audit and Risk, IT Governance and the Human Resources, Social and Ethics Committees, while the Board of Ithala SOC Limited has delegated the responsibility to the IT Governance and Risk and Capital Management Committee. Each committee has specific terms of reference and delegated powers of authority that are reviewed annually by the Board.

Management is accountable to the Board for designing, implementing and monitoring the process of risk management and integrating it into daily operations.

The year has exposure to the following risks from financial instruments, namely, credit risk, liquidity risk, market risks and operational risks.

Credit risk

Credit risk is the risk of potential loss from the failure of customers, clients or counter parties to fulfil obligations to the group. In order to minimise the potential for loss, the group has adopted a credit risk management philosophy, which is based on the principle of assessing the serviceability of individual loans granted and the recoverability of such loans through cash flows and the underlying security. Loans advanced are secured by tangible assets and other forms of security.

The Board of Directors has delegated responsibility for the oversight of credit risk to the Credit and Investment Committee. A separate Management Credit and Investment Committee is responsible for management of the company's Credit Risk.

Ithala's credit approval is graduated, where increasing magnitudes of credit transactions require higher levels of authorisation. Each credit application is evaluated on its own merits depending on the value and type of transaction under consideration, maybe considered progressively by Delegated Line function, Management Credit Committee and the Board Credit and Investment Committee. The transaction- based approach is in keeping with Ithala's risk management strategy throughout the company while ensuring compliance with credit policies set by the Board.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

29. FINANCIAL RISK MANAGEMENT (continued)

Problem exposures, when they arise, are initially dealt with by Line Management unless further degeneration occurs whereupon they are attended to by the company's Business Support, Legal and collections staff who then administer the recovery process. Exposures are considered to be non-performing when amounts due are unpaid for more than three months or a counter-party is under judicial management or declared insolvent and management believes that further recoveries are no longer probable.

Credit risk measurement

Loans and advances to customers (including loan commitments and guarantees)

The estimation of credit exposure for risk management purposes is complex and required of models, as the exposures varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as the likelihood of defaults occurring, of the associated loss ratios and of the default correlations between counterparties. The company measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). This is similar to the approach used for the purposes of measuring Expected Credit Loss (ECL) under IFRS 9. Refer to the notes below.

Credit risk grading

The company uses internal credit risk gradings that reflect its assessment of the probability of default of individual counterparties. the company uses internal rating models tailored to the various categories of counterparty. Borrower and loan specific information collected at the time of application (such as disposable income, and level of collateral for retail exposures) is fed into the ratings model.

Expected credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'stage 1' and has its credit risk continuously monitored by the company.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'stage 2' but is not yet deemed to be credit impaired. Please refer to the next note for a description of how the company determines when a significant increase in credit risk has occurred.
- If the financial instrument is credit-impaired, the financial instrument in then moved to 'stage 3'. Please refer to next note for a description of how the company defines credit-impaired and default.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that results from default events possible within the next 12 months after the reporting date. Instruments in Stage 2 and 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer to the next note for a description of inputs, assumptions and estimation techniques used in the measuring the ECL.
- It is expected that an exposure would experience a significant increase in credit risk prior to the existence of objective evidence of impairment or the occurrence of default. Therefore, the company incorporates both forward-looking as well as historical information in determining whether such deterioration has occurred.

29. FINANCIAL RISK MANAGEMENT (continued)

The following diagram summarises the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):

Stage 1	Stage 2	Stage 3
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12-month expected credit loss	Lifetime expected credit loss	Lifetime expected credit losses
7 245	31 878	392 545

The key judgements and assumptions adopted by the group in addressing the requirements of the standard are discussed below:

Significant increase in credit risk (SICR)

The group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following criteria have been met:

Qualitative criteria:

If the borrower meets one or more of the following criteria:

- In short-term forbearance
- Direct debit cancellation
- Extension to the terms granted

The assessment of SICR incorporates forward-looking information and is performed on a bi-annual basis at a portfolio level for all financial instruments held by the company. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the independent Credit Risk team.

Backstop

A backstop is applied and the financial instruments considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.

The company has not used the low credit risk exemption for any financial instruments in the year ended 31 March 2022.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

29. FINANCIAL RISK MANAGEMENT (continued)

The following table shows the impact on the 31 March 2022 ECL allowance of changing the PD thresholds for SICR. Increases in ECL (positive amounts) represent higher impairment allowances that would be recognised:

Ithala SOC Limited

Lifetime PD band at initial recognition	Actual threshold applied	Change in threshold	Lower threshold	Higher threshold
Housing loans 31 March 2022				
<=545	<=545		17 329	17 329
545-570	545-570		6 304	6 304
570-605	570-605		17 519	17 519
605-625	605-625		6 849	6 849
625-650	625-650		6 020	6 020
650-675	650-675		3 070	3 070
675-999	675-999		3 377	3 377
31 March 2021				
<=545	<=545		6 288	6 288
545-570	565-570		8 872	8 872
570-605	570-605		22 430	22 430
605-625	605-625	(70)	13 814	13 743
625-650	625-650	(47)	7 217	7 224
650-675	650-675	(74)	4 971	4 897
675-999	675-999	(9)	2 119	2 182
Micro finance unsecured loans 31 March 2022				
<=550	<=550		149	149
550-590	550-590		-	-
590-625	590-625		19	19
625-999	625-999		149	149
31 March 2021				
<=550	<=550		93	93
550-590	550-590		193	193
590-625	590-625		64	64
625-999	625-999		89	89
Micro finance secured loans 31 March 2022				
<=600	<=600	46	11 426	11 472
600-699	600-699	60	6 210	6 270
31 March 2021				
<=600	<=600	(7)	7 983	7 976
600-699	600-699	(470)	7 631	7 161

29. FINANCIAL RISK MANAGEMENT (continued)

Company

2022

Product Type	Arrears Status	12 - Months PD	Absolute Increase	Relative Increase
Agri- Finance	Performing	18,3%		
	Partial Arrears	63,1%	44,8%	245,3%
Asset Finance	Performing	13,8%		
	Partial Arrears	58,0%	44,2%	319,4%
Commercial Property	Performing	11,0%		
	Partial Arrears	65,0%	54,0%	492,2%
Franchise Finance	Performing	6,1%		
	Partial Arrears	35,4%	29,3%	484,6%
MIcro Finance	Performing	6,3%		
	Partial Arrears	28,8%	22,5%	358,9%
Procurement Finance	Performing	31,8%		
	Partial Arrears	59,6%	27,8%	87,3%
Structured Finance	Performing	15,8%		
	Partial Arrears	58,5%	42,7%	270,0%

2021

Product Type	Arrears Status	12 - Months PD	Absolute Increase	Relative Increase
Agri- Finance	Performing	18.3%		
	Partial Arrears	64.7%	46.4%	252.80%
Asset Finance	Performing	13.4%		
	Partial Arrears	58.10%	44.7%	334.60%
Commercial Property	Performing	10.8%		
	Partial Arrears	67%	56.20%	519.70%
Franchise Finance	Performing	6.2%		
	Partial Arrears	35.2%	29%	468.40%
MIcro Finance	Performing	5.9%		
	Partial Arrears	29.9%	24%	409.10%
Procurement Finance	Performing	33.6%		
	Partial Arrears	59.8%	26.2%	78.1%
Structured Finance	Performing	12.3%		
	Partial Arrears	43.8%	31.5%	25%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

29. FINANCIAL RISK MANAGEMENT (continued)

Definition of default and credit-impaired assets

In addition to criteria defined for the transition from Stage 1 into Stage 2, criteria have been defined to be used in transferring accounts into Stage 3 i.e. in the event of default resulting in the commencement of legal collections and rundown proceedings.

Days past due

The IFRS 9 standard incorporates a further rebuttable assumption requiring that delinquency beyond 90 days result in transition of the exposure into Stage 3. This assumption has not been rebutted in the model, and all such exposures are automatically transferred into Stage 3 in the staging module of the model.

Status codes and write-off amounts

Further to the use of the 90 days past due assumption defined in the IFRS 9 standard, the client provided status codes to indicate distressed accounts to be moved to Stage 3.

Transition due to manual override

Further to the use of the 90 days past due assumption defined in the IFRS 9 standard, the model incorporates the use of manual overrides in order to allow management to transfer exposures to Stage 3 of the impairment model. This can be done on the basis of an individual assessment that indicates a change from management as an active client to a legal collections and rundown process.

The company defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- The borrower is deceased
- The borrower is insolvent
- The borrower is in breach of financial covenant(s)
- An active market for that financial asset has disappeared because of financial difficulties
- Concessions have been made by the lender relating to the borrower's financial difficulty
- It is becoming probable that the borrower will enter bankruptcy
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses

The criteria above have been applied to all financial instruments held by the company and are consistent with the definition of default used for internal credit risk management processes. The default definition has been applied consistently to model the probability of default (PD), Exposure at default (EAD) and Loss given default (LGD) throughout the company's expected loss calculation.

A back stop is applied and the financial instruments considered to have met the definition of default if the borrower is more than 90 days past due on its contractual payments.

Measuring ECL — Explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit- impaired. Expected Credit Losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

29. FINANCIAL RISK MANAGEMENT (continued)

The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.

EAD is based on the amounts the company expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the company includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

Loss Given Default (LGD) represents the company's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a profile from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis. The 12-month and Lifetime EADs are determined based on the expected payment profile, which varies by product type.

- For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12-month lifetime basis. This will also be adjusted for any expected overpayments made by a borrower. Early repayment/refinance assumptions are also incorporated into the calculation.
- For revolving products, the exposure at default is predicted by taking current drawn balance and adding a 'credit conversion factor' which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilisation band, based on analysis of the Corporation's recent default data. The 12-month and Lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type.
- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.

Forward-Looking economic information is also included in determining the 12-month and Lifetime PD, EAD and LGD. These assumptions vary by product type. Refer to note below for an explanation of forward-looking information and its conclusion in ECL calculations.

The assumptions underlying the ECL calculation such as how the maturity profile of the PDs and how collateral values change etc. are monitored and reviewed on a bi-annual basis.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

29. FINANCIAL RISK MANAGEMENT (continued)

Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward -looking information. The company has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgment has also been applied in this process. Forecasts of these economic variables are sourced from various trusted economic sources such as Statistics South Africa and the Reserve Bank on a bi-annual basis and provide the best estimate view of the economy over the next five years. After five years, to project the economic variables out for the full remaining lifetime of each instrument, a mean reversion approach has been used, which means that economic variables tend to either a long run average rate (e.g. for unemployment) or a long run average growth rate (e.g. GDP) over a period of two to five years. The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

Changes in the model and assumptions used to calculate ECL for the current year

The model has been recalibrated for the financial year-end to include data up to January 2022. Model parameters and PD segments were recalculated to incorporate this information which resulted in shifts in the parameters.

Additional model and assumption changes are listed below:

- The time to collateral recovery assumption applied within the LGD model was adjusted to 21 months based on historical sales information.
- A new SICR rule was included in the staging model which transfers exposures to stage 2 based on credit score deterioration compared to origination. A through-the cycle threshold of a 15 point drop triggers SICR. The threshold varies based upon prevailing forward looking information, i.e. during a downturn a deterioration of fewer than 15 points is required for SICR to trigger.
- A new macroeconomic model was introduced which uses GDP, CPI and real credit extension to firms as predictors for transforming through-the-cycle PDs to point-in-time PDs.

29. FINANCIAL RISK MANAGEMENT (continued)

The most significant period -end assumptions used for the ECL estimate as at 31 March 2022 are set out below. The scenario 'Base', 'Optimistic' and 'Downturn' were used for all portfolios.

Company

		2022	2023	2024	2025
Gross Domestic Product (GDP) (Rbn)	Base	4 554	4 654	4 721	4 815
	Optimistic	4 587	4 723	4 824	4 955
	Downturn	4 457	4 571	4 564	4 620
Real Credit Extension to Firms (%)	Base	0,30 %	0,01 %	1,93 %	2,46 %
	Optimistic	0,74 %	0,77 %	3,15 %	3,78 %
	Downturn	(1,28)%	(0,90)%	0,26 %	0,75 %
Consumer Price Index	Base	125	130	135	141
	Optimistic	124	129	134	140
	Downturn	125	131	137	143
Ithala SOC Ltd					
Household income to disposal income	Base		66	66	68
	Optimistic		63	62	64
	Downturn		63	62	61
Unemployment (%)	Base		35,30 %	36,50 %	36,50 %
	Optimistic		30,30 %	30,40 %	30,10 %
	Downturn		37,80 %	39,60 %	41,40 %
Gross Domestic Product (GDP) (Rbn)	Base		4 692	4 793	4 884
	Optimistic		5 052	5 203	5 371
	Downturn		4 218	4 232	4 301
Consumer Price Index (CPI)	Base		135	141	147
	Optimistic		133	138	144
	Downturn		139	147	155
Repo rate	Base		5,00 %	5,50 %	5,75 %
	Optimistic		6,00 %	6,00 %	6,00 %
	Downturn		7,75 %	8,25 %	8,50 %

The weightings assigned to each economic scenario at 31 March 2022 were as follows:

	Base	Optimistic	Downturn
All portfolios (Company)	50 %	22 %	29 %
All portfolios (Ithala SOC Ltd)	77 %	6 %	17 %

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness on an annual basis or whenever necessary.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

29. FINANCIAL RISK MANAGEMENT (continued)

Scenario sensitivity

The most significant assumptions affecting the ECL allowance are as follows:

- Domestic GDP
- Prime rate; or CPI

Set out below are the changes to the ECL as at 31 March 2022 that would result from reasonably possible changes in these parameters from the actual assumptions used in the Corporation's economic variable assumptions (for example, the impact on ECL of increasing the estimated Domestic GDP in each of the Base, Optimistic, Downturn scenarios).

Ithala SOC Limited

	Unemployment Rate	Household Debt to Nett Disposable Income	Gross Domestic Product (GDP)	Consumer Price Index	REPO
	R '000	R '000	R '000	R '000	R '000
2022					
[-0,50%]	78 532	78 533	78 529	78 536	78 508
No change	78 532	78 532	78 532	78 532	78 532
[+0,50%]	78 535	78 533	78 534	78 537	78 532

	Unemployment	Household Debt to nett Disposable Income	GDP
	R '000	R '000	R '000
2021			
[-0,50%]	81 311	81 319	81 317
No change	81 320	81 320	81 320
[-,50%]	81 329	81 321	81 322

Company

	GDP	Real Credit Extension to Firms	CPI
	R '000	R '000	R '000
2022			
[-1%]	353 165	355 761	344 230
No change	135 138	353 138	353 138
[+1%]	353 111	350 516	359 921

	Real Credit Extension to Firms	Unemployment rate
	R '000	R '000
2021		
[-1%]	371 039	372 684
No change	369 405	369 405
[+1%]	367 771	367 771

29. FINANCIAL RISK MANAGEMENT (continued)

Grouping of instruments for losses measured on a collective basis

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

In performing this grouping, there must be sufficient information for the company to be statistically credible.

Where sufficient information is not available internally, the company has considered benchmarking internal/ external supplementary data to use for modelling purposes. The characteristics and any supplementary data used to determine groupings are outlined below:

- Credit rating band
- Product type
- Month of book
- Arrears status

The appropriateness of groupings is monitored and reviews on a periodic basis by the Credit Risk team.

Maximum exposure to credit - Financial instruments subject to impairment.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

29. FINANCIAL RISK MANAGEMENT (continued)

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of loans and advances below also represents the Group's maximum exposure to credit risk on these financial assets.

Housing and commercial property - Ithala SOC Limited

	2022				2021			
	Stage 1 12-month ECL R '000	Stage 2 Lifetime ECL R '000	Stage 3 Lifetime ECL R '000	Total R '000	Stage 1 12-month ECL R '000	Stage 2 Lifetime ECL R '000	Stage 3 Lifetime ECL R '000	Total R '000
Current	975 220	400 805	15 413	1 391 438	1 030 997	399 623	23 681	1 454 301
30 days	-	48 061	4 326	52 387	-	33 096	7 532	40 628
60 days	-	24 497	7 333	31 830	-	16 750	14 525	31 275
90 days and above	-	-	120 072	120 072	-	-	109 532	109 532
	975 220	473 363	147 144	1 595 727	1 030 997	449 469	155 270	1 635 736
Loss allowance	(2 351)	(19 587)	(38 423)	(60 361)	(2 681)	(22 747)	(40 316)	(65 744)
Carrying amount	**972 869**	**453 776**	**108 721**	**1 535 366**	**1 028 316**	**426 722**	**114 954**	**1 569 992**

Micro finance - secured - Ithala SOC Limited

	2022				2021			
	Stage 1 12-month ECL R '000	Stage 2 Lifetime ECL R '000	Stage 3 Lifetime ECL R '000	Total R '000	Stage 1 12-month ECL R '000	Stage 2 Lifetime ECL R '000	Stage 3 Lifetime ECL R '000	Total R '000
Current	421 010	61 571	5 106	487 687	317 606	37 413	2 908	357 927
30 days	3 791	18 228	771	22 790	373	15 979	783	17 135
60 days	-	14 508	3 369	17 877	-	14 977	2 270	17 247
90 days and above	-	-	11 475	11 475	-	-	13 526	13 526
	424 801	94 307	20 721	539 829	317 979	68 369	19 487	405 835
Loss allowance	(2 143)	(8 831)	(6 664)	(17 638)	(987)	(7 025)	(7 124)	(15 136)
Carrying amount	**422 658**	**85 476**	**14 057**	**522 191**	**316 992**	**61 344**	**12 363**	**390 699**

Micro finance - unsecured loans - Ithala SOC Ltd

	2022				2021			
	Stage 1 12-month ECL R '000	Stage 2 Lifetime ECL R '000	Stage 3 Lifetime ECL R '000	Total R '000	Stage 1 12-month ECL R '000	Stage 2 Lifetime ECL R '000	Stage 3 Lifetime ECL R '000	Total R '000
Current	-	87	65	152	-	228	60	288
60 days	-	89	-	89	178	-	-	178
90 days and above	-	-	111	111	-	-	249	249
	-	176	176	352	178	228	309	715
Loss allowance	-	(145)	(172)	(317)	-	(139)	(301)	(440)
Carrying amount	-	31	4	35	178	89	8	275

Micro finance - unsecured loans - Company

	2022				2021			
	Stage 1 12-month ECL R '000	Stage 2 Lifetime ECL R '000	Stage 3 Lifetime ECL R '000	Total R '000	Stage 1 12-month ECL R '000	Stage 2 Lifetime ECL R '000	Stage 3 Lifetime ECL R '000	Total R '000
Current	2 341	5 501	60	7 902	6 102	4 176	-	10 278
30 days	-	1	-	1	-	128	-	128
60 days	-	14	-	14	-	17	-	17
90 days and above	-	-	3 698	3 698	-	-	7 990	7 990
	2 341	5 516	3 758	11 615	6 102	4 321	7 990	18 413
Loss allowance	(37)	(141)	(3 506)	(3 684)	(111)	(109)	(7 297)	(7 517)
Carrying amount	2 304	5 375	252	7 931	5 991	4 212	693	10 896

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

29. FINANCIAL RISK MANAGEMENT (continued)

Agri Finance - Company

	2022				2021			
	Stage 1 12-month ECL R '000	Stage 2 Lifetime ECL R '000	Stage 3 Lifetime ECL R '000	Total R '000	Stage 1 12-month ECL R '000	Stage 2 Lifetime ECL R '000	Stage 3 Lifetime ECL R '000	Total R '000
Current	37 724	1 391	5 000	44 115	76 063	-	117	76 180
30 days	-	-	-	-	-	6 487	968	7 455
60 days	-	16 691	4 084	20 775	-	2 119	2 353	4 472
90 days and above	-	-	201 600	201 600	-	-	217 044	217 044
	37 724	18 082	210 684	266 490	76 063	8 606	220 482	305 151
Loss allowance	(79)	(237)	(121 176)	(121 492)	(793)	(1 299)	(128 233)	(130 325)
Carrying amount	**37 645**	**17 845**	**89 508**	**144 998**	**75 270**	**7 307**	**92 249**	**174 826**

Franchise Finance - Company

	2022				2021			
	Stage 1 12-month ECL R '000	Stage 2 Lifetime ECL R '000	Stage 3 Lifetime ECL R '000	Total R '000	Stage 1 12-month ECL R '000	Stage 2 Lifetime ECL R '000	Stage 3 Lifetime ECL R '000	Total R '000
Current	19 807	7 663	440	27 910	38 827	-	38	38 865
30 days	-	2 851	-	2 851	-	-	-	-
60 days	-	-	1 924	1 924	-	-	-	-
90 days and above	-	-	22 938	22 938	-	-	18 348	18 348
	19 807	10 514	25 302	55 623	38 827	-	18 386	57 213
Loss allowance	(727)	(1 268)	(22 349)	(24 344)	(1 221)	-	(16 165)	(17 386)
Carrying amount	**19 080**	**9 246**	**2 953**	**31 279**	**37 606**	**-**	**2 221**	**39 827**

Procurement finance - Company

	2022				2021			
	Stage 1 12-month ECL R '000	Stage 2 Lifetime ECL R '000	Stage 3 Lifetime ECL R '000	Total R '000	Stage 1 12-month ECL R '000	Stage 2 Lifetime ECL R '000	Stage 3 Lifetime ECL R '000	Total R '000
Current	2 018	7 443	38	9 499	16 562	2 498	-	19 060
30 days	-	1 995	-	1 995	-	396	-	396
60 days	-	403	307	710	-	189	-	189
90 days and above	-	-	39 867	39 867	-	-	37 056	37 056
	2 018	9 841	40 212	52 071	16 562	3 083	37 056	56 701
Loss allowance	(74)	(1 288)	(34 552)	(35 914)	(850)	(353)	(30 473)	(31 676)
Carrying amount	**1 944**	**8 553**	**5 660**	**16 157**	**15 712**	**2 730**	**6 583**	**25 025**

Commercial property finance - Company

	2022				2021			
	Stage 1 12-month ECL R '000	Stage 2 Lifetime ECL R '000	Stage 3 Lifetime ECL R '000	Total R '000	Stage 1 12-month ECL R '000	Stage 2 Lifetime ECL R '000	Stage 3 Lifetime ECL R '000	Total R '000
Current	41 606	4 325	34	45 965	24 450	-	-	24 450
30 days	-	-	-	-	5 611	25 596	-	31 207
60 days	-	-	-	-	-	3 293	-	3 293
90 days and above	-	-	68 509	68 509	-	-	65 910	65 910
	41 606	4 325	68 543	114 474	30 061	28 889	65 910	124 860
Loss allowance	(192)	-	(41 968)	(42 160)	(147)	(2 369)	(36 661)	(39 177)
Carrying amount	**41 414**	**4 325**	**26 575**	**72 314**	**29 914**	**26 520**	**29 249**	**85 683**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

29. FINANCIAL RISK MANAGEMENT (continued)

Asset finance - Company

	2022				2021			
	Stage 1 12-month ECL R '000	Stage 2 Lifetime ECL R '000	Stage 3 Lifetime ECL R '000	Total R '000	Stage 1 12-month ECL R '000	Stage 2 Lifetime ECL R '000	Stage 3 Lifetime ECL R '000	Total R '000
Current	33 619	3 135	87	36 841	63 706	8 395	2 935	75 036
30 days	-	3 300	-	3 300	-	-	269	269
60 days	-	-	-	-	-	-	-	-
90 days and above	-	-	86 251	86 251	-	-	70 678	70 678
	33 619	6 435	86 338	126 392	63 706	8 395	73 882	145 983
Loss allowance	(774)	(418)	(75 104)	(76 296)	(1 871)	(798)	(62 841)	(65 510)
Carrying amount	32 845	6 017	11 234	50 096	61 835	7 597	11 041	80 473

Structured finance - Company

	2022				2021			
	Stage 1 12-month ECL R '000	Stage 2 Lifetime ECL R '000	Stage 3 Lifetime ECL R '000	Total R '000	Stage 1 12-month ECL R '000	Stage 2 Lifetime ECL R '000	Stage 3 Lifetime ECL R '000	Total R '000
Current	8 409	-	9 104	17 513	14 950	-	-	14 950
30 days	-	-	-	-	-	-	-	-
60 days	-	-	-	-	-	-	9 988	9 988
90 days and above	-	-	46 232	46 232	-	-	105 758	105 758
	8 409	-	55 336	63 745	14 950	-	115 746	130 696
Loss allowance	(931)	-	(48 416)	(49 347)	(1 071)	-	(72 615)	(73 686)
Carrying amount	7 478	-	6 920	14 398	13 879	-	43 131	57 010

29. FINANCIAL RISK MANAGEMENT (continued)

Maximum exposure to credit risk - loans and advances

The Group's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Corporation since the prior period.

The Group closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Corporation will take possession of collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

The Group's collateral held against the loans amount to R4bn (2021: R3,8bn), made up of mortgage bonds linked to properties valued at year end, cash, credit agreements, notarial bonds, pledged investments, pension and provident fund assets, cession of income, term deposits and moveable assets, suretyships and where appropriate, key policies.

	2022				2021			
	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held
	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Loans and advances								
Housing and commercial property	1 576 199	(57 062)	1 519 137	2 831 104	1 611 594	(61 697)	1 549 897	2 707 321
Micro finance - secured	539 829	(17 638)	522 191	817 210	405 835	(15 137)	390 698	670 235
Micro finance - unsecured	18 414	(7 516)	10 898	66	18 414	(7 516)	10 898	66
Agri finance	266 490	(121 492)	144 998	205 750	305 152	(130 325)	174 827	217 609
Franchise finance	55 623	(24 343)	31 280	19 357	57 214	(17 386)	39 828	19 398
Procurement finance	52 072	(35 915)	16 157	6 283	56 700	(31 676)	25 024	6 161
Commercial property finance	114 474	(42 160)	72 314	101 382	124 860	(39 176)	85 684	106 732
Asset finance	126 392	(76 295)	50 097	56 150	145 983	(65 510)	80 473	68 289
Structured finance	63 745	(49 347)	14 398	3 264	130 696	(73 439)	57 257	38 500
Total credit-impaired advances	**2 813 238**	**(431 768)**	**2 381 470**	**4 040 566**	**2 856 448**	**(441 862)**	**2 414 586**	**3 834 311**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

29. FINANCIAL RISK MANAGEMENT (continued)

Below is the credit impaired (Stage 3) loans and advances with their collateral

	2022				2021			
	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held
	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Credit impaired loans and advances								
Housing and commercial property	147 145	(38 639)	108 506	250 745	155 269	(40 316)	114 953	267 707
Micro finance - secured	20 721	(6 664)	14 057	28 061	19 487	(7 124)	12 363	30 378
Micro finance - unsecured	3 934	(3 678)	256	19	8 299	(7 598)	701	33
Agri-finance	210 685	(121 176)	89 509	112 293	220 482	(128 233)	92 249	100 842
Franchise finance	25 302	(22 349)	2 953	1 519	18 387	(16 165)	2 222	1 476
Procurement finance	40 213	(34 552)	5 661	4 847	37 056	(30 473)	6 583	4 570
Commercial property finance	68 543	(41 968)	26 575	28 028	65 910	(36 661)	29 249	27 616
Asset finance	86 338	(75 104)	11 234	16 590	73 882	(62 841)	11 041	25 788
Structured finance	55 336	(48 416)	6 920	2 166	115 746	(72 376)	43 370	37 402
Total credit-impaired loans and advances	**658 217**	**(392 546)**	**265 671**	**444 268**	**714 518**	**(401 787)**	**312 731**	**495 812**

Write-off policy

An entity shall directly reduce the gross carrying amount of a financial asset when the entity has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event. The group writes-off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation (i) ceasing enforcement activity and (ii) where the group's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full. The group may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the year ended 31 March 2022 for Group was R 32.2 million (2021: R9.8 million) and Company was R 27.8 million (R2021: Nil).

29. FINANCIAL RISK MANAGEMENT (continued)

The tables below reflect accounts by product wherein no expected credit loss was raised / recognised due to the value of collateral being more than the loan balance.

Group 2022	Loan Balances (R'000)	Security Held (R'000)
Cash Loans	11 020	48 249
Pension Backed Loans	85 832	183 919
Mortgage	263 570	1 049 576
Vehicle Finance	1 341	8 052
Taxi Finance	87	2 269
Agri Finance	63 453	118 023
Asset Finance	5 813	10 309
Com / Prop Finance	18 843	49 084
Franchise Finance	8 371	15 711
Procurement Finance	123	748
Structured Finance	1 004	1 239
	459 457	**1 487 179**

Group 2021	Loan Balances (R'000)	Security Held (R'000)
Cash Loans	11 026	50 353
Pension Backed Loans	80 939	179 026
Mortgage	199 779	854 642
Vehicle Finance	902	5 878
Taxi Finance	1 138	2 537
Agri Finance	25 705	65 302
Franchise finance	6 621	10 500
Procurement finance	290	748
Com / Prop Finance	16 413	43 440
Asset Finance	742	8 783
Structured finance	119	141
	343 674	**1 221 350**

Company 2022	Loan Balances (R'000)	Security Held (R'000)
Agri Finance	63 453	118 023
Asset Finance	5 813	10 309
Com/Prop Finance	18 843	49 084
Franchise Finance	8 371	15 711
Procurement Finance	123	748
Structured Finance	1 004	1 239
	97 607	**195 114**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

29. FINANCIAL RISK MANAGEMENT (continued)

Company 2021	Loan Balances (R'000)	Security Held (R'000)
Agri Finance	25 705	65 302
Franchise Finance	6 621	10 500
Procurement Finance	290	748
Com/Prop Finance	16 413	43 440
Asset Finance	742	8 783
Structured Finance	119	141
	49 890	**128 914**

Modification of financial assets

If the contractual cash flows on a financial asset have been renegotiated or modified and the financial asset was not derecognised, an entity shall assess whether there has been a significant increase in credit risk of the financial instrument by comparing:

- The risk of a default occurring at the reporting date (based on the modified contractual terms); and
- The risk of a default occurring at initial recognition (based on the original, unmodified contractual terms).

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset in accordance with this standard, an entity shall recalculate the gross carrying amount of the financial asset and shall recognise a modification gain or loss in profit or loss. The gross carrying amount of the financial asset shall be recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate, or when applicable, the revised effective interest rate. Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

Loans and advances renegotiated

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position, where the group has made concessions by agreeing to terms and conditions that are more favourable for the borrower than the group has provided initially.

	Group		Company	
	2022	2021	2022	2021
	R '000	R '000	R '000	R '000

29. FINANCIAL RISK MANAGEMENT (continued)

Rescheduled / renegotiated loans include extended payment arrangements, modification and deferral of payments:

Continuing to be impaired after rescheduling:				
Franchise Finance	-	-	2 363	-
Asset Finance	-	269	-	269
Housing Loans	2 233	5 189	-	-
Micro Finance - secured	2 149	2 985	-	-
Non–impaired after rescheduling – would otherwise have been impaired:				
Asset Finance	-	-	4 465	-
Commercial Property	-	4 573	-	4 573
Housing Loans	11 311	7 412	-	-
Micro Finance	2 773	4 066	-	-
Non–impaired after rescheduling – would otherwise not have been impaired:				
Micro Finance	-	654	-	654
	18 466	**25 148**	**6 828**	**5 496**

Liquidity risk

Liquidity risk is the risk that the group will be unable to service payment obligations timeously or fund asset growth.

The Board of Directors sets the strategy for managing liquidity risk and delegates the responsibility for the oversight of the implementation thereof to the Audit and Risk Committee. The Treasury divisions of the group are responsible for the management of liquidity risk. Liquidity risk is monitored on a projected cash flow basis, incorporating ongoing review and assessment of assumptions applied and strategies in place to ensure that commitments are timeously funded.

The risk of a default occurring at the reporting date (based on the modified contractual terms); and

- The continuous monitoring of actual and projected net cash flows;
- The maintenance of a liquidity "buffer" to fund unforeseen cash flows;
- Daily management of liquidity to support operations and fund asset growth;
- Periodic assessment of sources of funding to fund liquidity shortfalls; and
- Advising management on trends emerging from variance analysis to reassess where necessary business plans and assumptions.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

29. FINANCIAL RISK MANAGEMENT (continued) Group

The details of the group's expected contractual maturity for its financial liabilities has been drawn up based on the summary of the undiscounted contractual maturities of financial assets and liabilities including interest that would be payable. A summary of the group liquidity profile and the contractual maturity is reflected in the table below:

Group
2022

	One year	From Two to Five years	After 5 years
Financial liabilities			
Borrowings	8 593	23 330	-
Deposits due to customers	2 360 691	35 142	-
Trade and other payables	441 568	-	-
Lease liabilities	24 289	36 760	73 984
	2 835 141	**95 232**	**73 984**

2021

	One year	From Two to Five years	After 5 years
Financial liabilities			
Bank overdraft	-	-	-
Borrowings	9 611	30 922	-
Deposits due to customers	2 479 602	31 750	-
Trade and other payables	435 532	-	-
Lease liabilities	20 275	29 519	72 078
	2 945 020	**92 191**	**72 078**

29. FINANCIAL RISK MANAGEMENT (continued)

Company
2022

	One year	From Two to Five years	After 5 years
Financial liabilities			
Borrowings	8 593	23 330	-
Trade and other payables	393 830	-	-
Lease liabilities	1 590	5 505	25 939
	404 013	**28 835**	**25 939**

2021

	One year	From Two to Five years	After 5 years
Financial liabilities			
Borrowings	9 611	30 922	-
Trade and other payables	391 409	-	-
Lease liabilities	1 664	5 505	27 603
	402 684	**36 427**	**27 603**

The Group has sufficient financial resources to meet all payments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due. At the end of the reporting period, the Group held deposits at call of R479 million (2021: R900 million) that are expected to readily generate cash inflows for managing liquidity risk. Due to the dynamic nature of the underlying businesses, group treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The Group's liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

Financing arrangements

The Group had access to an undrawn credit facility of R100 million at the end of the reporting period.

Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices and foreign exchange risks will affect the Group's income or the value of it's holdings of financial instruments.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

29. FINANCIAL RISK MANAGEMENT (continued)

Management has developed an enterprise risk management framework, which is used to manage the Group's exposure to interest rate and equity price risk. Management reports to the Board on a quarterly basis on its efforts to mitigate the exposure of the Group. The objectives are defined as per below.

Interest rate risk

Interest rate risk refers to the potential adverse impact on earnings as a result of changes in interest rates. Yields on assets and liabilities are monitored monthly. In addition, interest rate shock analysis is performed to assess the sensitivity on net interest due to unanticipated movement in interest rates.

Interest rate forecasts are reviewed monthly taking into account market and economic data available. Pricing of assets are informed by the trends emerging from the review of interest rates and maturity profiles of assets and liabilities.

Interest rate sensitivity

The sensitivity analysis has been determined based on the exposure to interest rates for both derivatives and IFRS 7.34(a) non-derivative instruments at balance sheet date. The analysis is prepared assuming the amount of liability and assets outstanding at the balance sheet date was outstanding for the whole year. A 2% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonable and possible change in interest rates. If interest rates had been 2% lower/higher and all other variables were held constant, the Group's Profit for the year ended 31 March 2022 would increase by R15,4 million (2021: R16,6 million) or decrease by R15,4 million (2021: R16,6 million). This is mainly attributable to the group's exposure to interest on its variable financial instruments.

Interest rate forecasts are reviewed monthly taking into account market and economic data available. Pricing of assets are informed by the trends emerging from the review of interest rates and maturity profiles of assets and liabilities.

Equity price risk

The Group is exposed to equity risk arising from investments in marketable equity securities at fair value through profit and loss.

These investments are held for strategic rather than trading purposes and the Group does not actively trade these investments.

Equity price sensitivity

The sensitivity is based on the exposure to equity price risk at the reporting date. The investments are fair valued annually at the close of business on 31 March 2022. The Group applies a critical judgment of 5% on the valuation of these investments. If the valuation of the investment at year end had been 5% higher or lower while other variables were held constant, the fair value of investment and fair value gains would have increased or decreased by R3 million (2021: R2,7 million).

Foreign exchange risks

The Group has no exposure to transactions or balances traded or denominated in foreign currencies.

29. FINANCIAL RISK MANAGEMENT (continued)

Operational risk

Operational risk arises from human or system error within daily product and service delivery. It transcends to all divisions and products. This risk includes the potential that inadequate technology and information systems, operational problems, insufficient human resources, breaches of integrity or non-compliance with regulations and laws will result in direct or indirect losses. The primary responsibility for managing operational risk forms part of the day-to-day responsibilities of management and employees at all levels. Business line management is ultimately responsible for owning and managing risks resulting from their activities. The lending Unit has, as part of preventive controls, Operational Policies and Procedures with clear segregation of functions and duties and clear and independent reporting structures. Furthermore, Group Internal Audit and Compliance function act as secondary–level control through systematic and independent continuous review of the operations and controls within the Lending Unit. Results of Internal Audit and Compliance Review Reports are discussed with Business Unit Heads, Executive Committee and submitted to the Audit Committee and the Enterprise Risk Committee.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

30. FAIR VALUE INFORMATION (continued)

Assets measured at fair value
Group

	2022				2021			
	Level 1 R '000	Level 2 R '000	Level 3 R '000	Total R '000	Level 1 R '000	Level 2 R '000	Level 3 R '000	Total R '000
Assets								
Measured on a recurring basis 1								
Investment property	-	-	3 186 991	3 186 991	-	-	3 238 609	3 238 609
Investment in Cell Captives*	-	51 884	-	51 884	-	45 910	-	45 910
Investment in SA Corp Real Estate	9 378	-	-	9 378	7 174	-	-	7 174
Total	**9 378**	**51 884**	**3 186 991**	**3 248 253**	**7 174**	**45 910**	**3 238 609**	**3 291 693**

	2022				2021			
	Level 1 R '000	Level 2 R '000	Level 3 R '000	Total R '000	Level 1 R '000	Level 2 R '000	Level 3 R '000	Total R '000
Liabilities								
Borrowings **	-	30 151	-	30 151	-	37 579	-	37 579

(1) Recurring fair value measurements of assets are those assets that IFRS require or permit to be carried at fair value in the statement of financial position at the end of each reporting period.

* For further details, refer to note 12.

**The amortised cost of borrowings is equivalent to the fair value. For further details, refer to note 19.

30. FAIR VALUE INFORMATION (continued)

Company

	2022				2021			
	Level 1 R '000	Level 2 R '000	Level 3 R '000	Total R '000	Level 1 R '000	Level 2 R '000	Level 3 R '000	Total R '000
Assets								
Measured on a recurring basis 1								
Investment property	-	-	2 859 421	2 859 421	-	-	2 910 312	2 910 312
Investment in Cell Captives*	-	51 884	-	51 884	-	45 910	-	45 910
Investment in SA Corp Real Estate	9 378	-	-	9 378	7 174	-	-	7 174
Total	**9 378**	**51 884**	**2 859 421**	**2 920 683**	**7 174**	**45 910**	**2 910 312**	**2 963 396**

	2022				2021			
	Level 1 R '000	Level 2 R '000	Level 3 R '000	Total R '000	Level 1 R '000	Level 2 R '000	Level 3 R '000	Total R '000
Liabilities								
Borrowings **	-	28 097	-	28 097	-	35 523	-	35 523

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

30. FAIR VALUE INFORMATION (continued)

Level 3 financial assets

Reconciliation of level 3 assets

Investment property
2022

The following table provides a reconciliation of the opening to closing balance for all assets that are measured at fair value and incorporates inputs that are not based on observable market data (level 3).

	Group	Corporation
	2022	2022
	Investment property	Investment property
	R '000	R '000
Balance at 01 April 2021	3 238 585	2 910 312
Total losses included in profit/loss	(113 585)	(112 423)
Issuances and purchases	76 336	74 753
Straight line rental	(14 345)	(13 221)
Balance at 31 March 2022	**3 186 991**	**2 859 421**

Unrealised gains/(losses) for the period included in profit or loss for level 3 assets held at the end of the reporting period.

	Group	Corporation
	2022	2022
	Investment property	Investment property
	R '000	R '000
Other losses	(113 585)	(112 423)

30. FAIR VALUE INFORMATION (continued)

2021

The following table provides a reconciliation of the opening to closing balance for all assets that are measured at fair value and incorporate inputs that are not based on observable market data (level 3).

	Group	Corporation
	2021	2021
	Investment property	Investment property
	R '000	R '000
Balance at 01 April 2020	3 073 977	2 767 692
Total gains included in profit/loss	180 546	159 843
Issuances and purchases	5 942	4 494
Straight line rental	(21 880)	(21 717)
Balance at 31 March 2021	**3 238 585**	**2 910 312**

Unrealised gains/(losses) for the period included in profit or loss for level 3 assets held at the end of the reporting period.

	Group	Corporation
	2021	2021
	Investment property	Investment property
	R '000	R '000
Other income	180 546	159 843
Total	**180 546**	**159 843**

Sensitivity and interrelationships of inputs

The behaviour of the unobservable parameters used to fair value level 3 assets and liabilities is not necessarily independent, and may often hold a relationship with other observable and unobservable market parameters. Where material and possible, such relationships are captured in the valuation by way of correlation factors, though these factors are, themselves, frequently unobservable. In such instances, the range of possible and reasonable fair value estimates is taken into account when determining appropriate model adjustments.

The table that follows indicates the sensitivity of valuation techniques and main assumptions used in the determination of the fair value of the level 3 assets and liabilities measured and disclosed at fair value. The table further indicates the effect that a significant change in one or more of the inputs to a reasonably possible alternative assumption would have on profit or loss at the reporting date (where the change in the unobservable input would change the fair value of the asset or liability significantly). The changes in the inputs that have been used in the analysis have been determined taking into account several considerations such as the nature of the asset or liability and the market within which the asset or liability is transacted. Stress tests have been conducted by only flexing/stressing a major significant unobservable input of risk factor (i.e. assumes that all risks are mutually exclusive).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

30. FAIR VALUE INFORMATION (continued)

Valuation techniques and inputs for level two and level three assets

Group

	Fair value	Valuation technique	Unobservable input	Range (weighted average)
	R '000			%
Investment property	3 186 991	Income capitalisation	Rental escalation	8%
			Expenditure rate	8%
			Capitalisation rate	13,00%
			Vacancy rate	5,00%

Sensitivity and interrelationships of inputs

	Fair value	Change in significant unobservable input from (1%) to 1%				
			Effect on profit or loss			
		Cap rate	Favourable		(Unfavourable)	
		%	%	R '000	%	R '000
Investment property	3 186 991	13,00%	12,00%	266 243	14,00%	(228 208)

Company

	Fair value	Valuation technique	Unobservable input	Range (weighted average)
	R '000			%
Investment property	2 859 421	Income capitalisation	Rental escalation	8%
			Expenditure rate	8%
			Capitalisation rate	13,00%
			Vacancy rate	5,00%

Sensitivity and interrelationships of inputs

	Fair value	Change in significant unobservable input from (1%) to 1%				
			Effect on profit or loss			
		Cap rate	Favourable		(Unfavourable)	
		%	%	R '000	%	R '000
Investment property	2 859 421	13,00%	12,00%	238 365	14,00%	(204 313)

Fair Value of Financial Instruments

	Group		Corporation	
	2022		2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	R '000		R '000	
Financial assets				
Loans and advances	2 826 319	2 308 593	690 411	252 162

30. FAIR VALUE INFORMATION (continued)

	2022			2021		
	Level 2 R '000	Level 3 R '000	Total R '000	Level 2 R '000	Level 3 R '000	Total R '000
Company						
Loans and advances						
Fair value	-	252 162	252 162	-	380 989	380 989
Group						
Loans and advances						
Fair value	-	2 308 593	2 308 593	-	2 341 776	2 341 776

IDFC manages an enterprise development fund on behalf of KwaZulu-Natal Department of Economic Development, Tourism and Environmental Affairs governed through a funding agreement. The purpose of this fund is to advance development within the Province with loans advanced at specified interest rates range that are below the market. The fair value of these loans was determined using a fair value matrix. The matrix calculates the fair value of the loan using the loan term to determine the applicable government bond rate plus a risk premium.

Description	Fair value	Valuation technique	Unobservable input	Risk Premium	Range (weighted average)
	R '000			%	%
2022					
Loans and advances	252 162	Discounting of future cash flows	Risk based rate and prime rate	0,0%-4,5%	7% to 11,25%
2021					
Loans and advances	380 989	Discounting of future cash flows	Risk based rate and prime rate	1,0%-7,0%	7% to 13,75%

Unrealised gains/(losses) for the period included in profit or loss for level 3 assets held at the end of the reporting period

There is no impact on the profit or loss at the end of the reporting period

Ithala SOC loans and advances carrying amount approximates fair value.

Level 2 financial assets

The fair value of the investment in cell captives is determined based on the net asset value at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

31. NEW STANDARDS AND INTERPRETATIONS

31.1 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 2022 or later periods:

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

If a parent loses control of a subsidiary which does not contain a business, as a result of a transaction with an associate or joint venture, then the gain or loss on the loss of control is recognised in the parents' profit or loss only to the extent of the unrelated investors' interest in the associate or joint venture. The remaining gain or loss is eliminated against the carrying amount of the investment in the associate or joint venture. The same treatment is followed for the measurement to fair value of any remaining investment which is itself an associate or joint venture. If the remaining investment is accounted for in terms of IFRS 9, then the measurement to fair value of that interest is recognised in full in the parents' profit or loss.

The effective date of the amendment is to be determined by the IASB.

It is unlikely that the amendment will have a material impact on the Group's financial statements.

IFRS 17 Insurance Contracts
The IFRS establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts issued.

IFRS 17 creates one accounting model for all insurance contracts in all jurisdictions that apply IFRS.
- IFRS 17 requires an entity to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and take into account any uncertainty relating to insurance contracts.
- The financial statements of an entity will reflect the time value of money in estimated payments required to settle incurred claims.
- Insurance contracts are required to be measured based only on the obligations created by the contracts.
- An entity will be required only to recognise profits as an insurance service is delivered, rather than on receipt of premiums.
- This standard replaces IFRS 4 - Insurance Contracts.

The effective date of the standard is for years beginning on or after 01 January 2023.

The group expects to adopt the standard for the first time in the 2024 financial statements and the impact is still being assessed by management.

The standard is applicable in 2023 and its impact will be taken into account at group level.

Amendment to IFRS 17: Initial Application of IFRS 17 and IFRS 9 - Comparative information

The amendment is a transition option relating to comparative information about financial assets presented on initial application of IFRS 17. The amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and therefore improve the usefulness of comparative information for users of financial statements.

IFRS 17 incorporating the amendment is effective from annual reporting periods beginning on or after 1 January 2023. The impact is still being assessed by management.

Effective date of IFRS 17 and the IFRS 9 temporary exemption

The amendments defer the effective date of IFRS 17 by two years from annual reporting periods beginning on or after 2021 to annual reporting periods beginning on or after 2023. The amendments also extend the temporary exemption (included in IFRS 4) from IFRS 9 by two years so that an entity applying the exemption would be required to apply IFRS 9 for annual reporting periods beginning on or after 1 January 2023. The impact is still being assessed by management.

Amendments to IAS 16: Property, plant and equipment - Proceeds before intended use
The amendments prohibit deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items and the operating cost of producing those items, in profit or loss.

The effective date of the standard is for annual periods beginning on or after 1 January 2022.

The impact on IDFC financial statements is not likely to be material.

Amendment to IAS 1: Classification of liabilities as current or non-current
The amendments aim to help companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within 1 year) or non -current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.

The effective date of the standard is for annual periods beginning on or after 1 January 2023. The impact is still being assessed by management.

Amendment to IAS 8: Definition of accounting estimates
The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates, by replacing the definition of a change in accounting estimate with a new definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. The requirements for recognising the effect of a change in accounting estimate prospectively remains unchanged.

The effective date of the standard is for annual periods beginning on or after 1 January 2023. The impact is still being assessed by management.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

31. NEW STANDARDS AND INTERPRETATIONS (continued)

Amendment to IAS 37: Onerous Contracts - Costs of fulfilling a contract
The amendments specify which costs should be included in an entity's assessment of whether a contract will be loss-making. The impact is still being assessed by management.

Improvements to IFRS 9: Financial Instruments - Fees in the "10 percent test" for de-recognition of financial liabilities
The amendment clarifies which fees an entity includes when it applies the "10 percent" test in assessing whether to derecognise a financial liability.

The effective date of the standard is for annual periods beginning on or after 1 January 2022. The impact is still being assessed by management.

Amendments to IFRS 3: Reference to the Conceptual Framework
The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential "day 2" gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately.

The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The effective date of the standard is for annual periods beginning on or after 1 January 2022. The impact is still being assessed by management.

Amendments to IAS 12: Deferred tax relating to assets and liabilities from a single transaction

The amendments introduce an exception to the initial recognition exemption under IAS 12. Applying this exception, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. The amendments also apply to taxable and deductible temporary differences associated with right-of-use assets and lease liabilities, and decommissioning obligations and corresponding amounts recognised as assets at the beginning of the earliest comparative period presented.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. The impact is still being assessed by management.

	Group		Company	
	2022 R '000	2021 R '000	2022 R '000	2021 R '000

32. LEASE LIABILITIES

Non-current liabilities	33 078	42 917	12 716	12 194
Current liabilities*	46 025	11 404	372	266
	79 103	**54 321**	**13 088**	**12 460**

*Included in the current liabilities above, is the lease liability for Portshepstone Quarries Pty Ltd. The total of the lease liability has been classified as current, as the subsidiary has ceased operations and the Board of the subsidiary took a decision to prepare the financial statements under the liquidation basis.

**The lease payments reflected in the table below represents the gross payments, including interest. The lease payments on the cash flow reflects the payment of the capital portion only.

Balance as at the beginning of the period	54 321	58 521	12 460	13 383
Additions	32 322	8 178	677	-
Interest Expense	6 013	4 859	1 168	1 222
Lease payments**	(16 741)	(18 000)	(1 217)	(2 145)
Modifications	3 188	763	-	-
	79 103	**54 321**	**13 088**	**12 460**
Maturity Analysis - Undiscounted amounts				
With 1 year	24 289	20 275	1 590	1 415
Two to five years	36 760	29 519	5 505	6 367
After 5 years	73 983	72 079	25 939	26 013
Interest	(55 929)	(67 552)	(19 946)	(21 335)
	79 103	**54 321**	**13 088**	**12 460**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

	Group		Company	
	2022 R '000	2021 R '000	2022 R '000	2021 R '000

33. DEFERRED TAX LIABILITY

Deferred tax liability				
Deferred tax liability	(44 743)	(45 496)	-	-
Reconciliation of deferred tax liability				
At beginning of year	(45 496)	(36 874)	-	-
Deferred tax adjustments due to prior period errors	-	(6 120)	-	-
Expected credit losses	4 209	2 711	-	-
Straight line rental debtors	353	134	-	-
Fair value adjustment	(3 474)	(5 931)	-	-
Income received in advance	(519)	562	-	-
Provision for audit fees and other	184	22	-	-
	(44 743)	**(45 496)**	**-**	**-**

34. OTHER OPERATING INCOME

Other operating income is stated after crediting the following significant items:

Sundry income*	379 514	1 731	314 918	437
Dividends received	684	404	684	404
Grant applied	93 992	59 000	93 992	59 000
Rental received	336 068	364 359	302 403	326 680
Sale of electricity, water, refuse and sewage	324 211	278 513	324 211	278 513
Fees earned, commission and service recovered	245 934	236 820	65 543	70 298
Fair value adjustment on Investment Property	(113 585)	180 546	(112 423)	159 843
Fair value adjustment on investments (Cell Captive and shares) at fair value through profit/ loss	8 178	7 740	8 178	7 740

*Sundry income comprises actual insurance payouts received of R61.7million for Group and R59.9 million for Company (2021: Nil for both Group and Company), a receivable raised of R317 million in respect of insurance payouts to be received for the Group and R254 million to be received for the Company (2021: Nil for both Group and Company) and other income of R0.8 million for Group (2021: R1.7 million) and R1.0 million for the Company (2021: R0.4 million).

	Group		Company	
	2022 R '000	2021 R '000	2022 R '000	2021 R '000

35. OPERATING EXPENDITURE

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

Auditor's remuneration - external				
Audit fees	11 647	11 403	5 440	5 617
Other significant expenses				
Employee costs*	409 535	383 335	233 179	220 407
Purchases of electricity, water and sewage	253 197	222 615	253 152	222 615
Consulting and professional fees	19 272	25 695	11 181	7 305
Assessment rates & municipal charges	150 683	138 783	150 683	138 781

* Refer to Note 21 for details of the income statement movements in respect of retirement benefits and long service obligations.

36. INTEREST INCOME

Interest income				
Interest generated from an effective interest rate:				
Investments in financial assets:				
Balances with banks and short-term funds	59 812	68 524	19 496	15 764
Advances	197 505	184 652	36 204	35 740
Other interest income:				
Finance leases	88	201	-	-
SARS interest from tax overprovision	21	-	-	-
Total interest income	**257 426**	**253 377**	**55 700**	**51 504**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

	Group		Company	
	2022 R '000	2021 R '000	2022 R '000	2021 R '000

37. INTEREST EXPENDITURE

Interest expense calculated using the effective interest rate				
Borrowings	1 885	2 294	1 861	2 271
Interest on savings and deposit accounts	55 059	65 497	-	-
Bank overdraft	2	-	2	-
Other interest expense				
Lease liabilities	6 013	4 860	1 168	1 219
Non- trading interest*	12 339	14 119	9 859	9 710
Total interest expenditure	**75 298**	**86 770**	**12 890**	**13 200**

*Non-trading interest consists primarily of interest costs on the long service and post-retirement benefits obligations.

38. TAXATION

Major components of the tax expense				
Current				
Current tax	23 861	5 296	-	-
Prior year overprovision	(732)	-	-	-
	23 129	5 296	-	-
Deferred				
Movement in temporary differences	364	2 502	-	-
Change in tax rate	(1 118)	-	-	
	(754)	**2 502**	**-**	**-**
	22 375	**7 798**	**-**	**-**

	Group		Company	
	2022 R '000	2021 R '000	2022 R '000	2021 R '000

38. TAXATION (continued)

Reconciliation of the tax expense				
Reconciliation between accounting profit and tax expense.				
Accounting profit	255 216	169 259	-	-
Tax at the applicable tax rate of 28% or 45% (2021: 28% or 45%)*	22 303	10 586	-	-
Prior year overprovision	(186)	(405)	-	-
Other permanent difference	-	(45)	-	-
Exempt income	(541)	(1 372)	-	-
Base cost movement	(39)	(130)	-	-
Change in tax rate	(1 118)	-	-	-
Effect of blended tax rate**	4 171	-	-	-
Current tax attributable to sole beneficiary	(2 215)	(836)	-	-
	22 375	**7 798**	**-**	**-**

*The tax rate of 28% is applicable to the Property subsidiaries (which are companies) and the 45% tax rate is applicable to Durban Wharfside Trust (which is a trust).

**The effect of the blended rate arises as a result of the deferred tax being measured at the substantively enacted tax rate of 27% and current tax being measured at 28%.

39. IRREGULAR EXPENDITURE

Opening balance	102 881	82 007	36 155	36 155
Less: Prior period error*	(9 284)	-	-	-
Irregular expenditure - current year	18 497	20 862	-	-
Irregular expenditure - prior year amounts identified in the current year	36 068	12	1 094	-
Less amount condoned	(279)	-	(279)	-
Total-Irregular Expenditure	**147 883**	**102 881**	**36 970**	**36 155**
Analysis of expenditure awaiting condonation per age classification				
Current year	18 497	20 874	-	-
Prior years	129 386	82 007	36 970	36 155
	147 883	**102 881**	**36 970**	**36 155**

*In the prior year, the Group reported R9,3 million as irregular expenditure, however after further investigation it was found that this expenditure is in fact not irregular and is being removed from the irregular expenditure listing.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

39. IRREGULAR EXPENDITURE (continued)

An amount of R148 million (2021: R102 million) relates to irregular expenditure being investigated. The condonation process of irregular expenditure identified above is currently in progress and investigations are being conducted in line with the irregular expenditure framework.

Alleged Irregular Expenditure Under Assessment

No alleged irregular expenditure was identified in the current year (2021: R35,0 million, which related to the 2018/2019 financial year).

The above expenditure of R35,0 million relates to systems development and hardware costs paid to Tech Mahindra. This irregular expenditure arose following external investigation into the awarding of the contract from a supply chain management forensic perspective relative to possible non-compliance around supply chain management and information technology due diligence. In the current year, this expenditure has been recorded as actual irregular expenditure. Refer to Note 5.

	Ithala SOC Limited 2022	Ithala SOC Limited 2021
Opening balance		
Add: Amounts arising in current year		
Add: Prior year amounts identified in current year	-	34 974
	-	**34 974**

	Group		Company	
	2022 R '000	2021 R '000	2022 R '000	2021 R '000

40. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless expenditure	3 288	3 288	688	688

ITHALA SOC LIMITED

A R2 million sign-on bonus was paid in respect of an executive appointment made in 2017 in recompense for the forfeiture of benefits on resignation from his previous employer to join Ithala SOC. Through an investigation, it has been determined that the executive did not resign but retired from his previous employer, suggesting that the benefits were not forfeited which, in turn, render the payment of the R2 million sign- on bonus fruitless and wasteful expenditure. The Board has resolved to recover the money. Ithala SOC Ltd paid a recruitment fee for the placement of the Executive, therefore the recruitment fees of R0,6 million paid on the sign on bonus is regarded as fruitless and wasteful expenditure.

41. MATERIAL LOSSES

The Group suffered a loss of R32,2 million due to bad debts written off (2021: R9,8 million).

The Group suffered a loss of R3,5 million (2021: R3,6 million) as a result of branch robbery. No insurance proceeds (2021: R1,4 million) were received.

There was no staff and other fraud losses incurred in the current year (2021: R0,2 million).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

	Group		Company	
	2022 R '000	2021 R '000	2022 R '000	2021 R '000

42. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Group is currently opposing certain claims that have been instituted against its' by various parties. At year end, the outcome of the following legal disputes is considered uncertain.

Corporation				
- Claim by an employee for alleged malicious damage suffered as a result of the disciplinary hearing	400	400	400	400
- Claim by a supplier for electrical installation	579	579	579	579
- The claim is for unpaid invoices for work done at Ezakheni	313	313	313	313
- Claim arising from alleged damages suffered by the client resulting from fire damage after Ithala performed a fire break procedure at Ezakheni Estate (Southey Holdings (R6,5 million and ISO Moulders R5,3 million)	11 754	5 304	11 754	5 304
- Claim by tenant for damages due to electricity disruption	-	502	-	502
- Claim for damage resulting from the rain after an Ithala contractor attended to roof repairs	1 809	-	1 809	-
- Claim for damages caused by an alleged breach of a management agreement	1 002	1 002	1 002	1 002
- Claim by ex-employee for legal fees	784	784	784	784
- The Liquidators of Easy Does It (in liquidation)*	42 525	-	42 525	-
Ithala SOC Limited				
- Claim for damages allegedly resulting from incorrect investment advise	-	325	-	-
- Claim against the company for monies attached from its bank account for funds fraudulently obtained	-	900	-	-
- South African Insurance Association	3 000	3 000	-	-
- Claim for alleged unfair retrenchment	2 000	-	-	-
- Claim against invoices not paid: Tech Mahindra**	21 276	21 276	-	-
	85 442	34 385	59 166	8 884

*The Liquidators allege in their action that the sale of the property by Easy Does It be set aside as it was of no value. Further, the liquidators seek orders against the creditors that were paid from the proceeds of the sale to repay the money received with interest and further forfeit claims against the insolvent estate of Easy Does It.

**In the 2020 financial year, Tech Mahindra submitted invoices for R2,7 million in respect of License Fees and R18,6 million in respect of system implementation. These invoices have not been settled as there is a dispute regarding the work completed. Following the inclusive findings of a review initiated by the Prudential Authority, the Company is in the process of obtaining independent legal counsel as well as conducting an investigation into the application development and result thereof.

42. CONTINGENT LIABILITIES AND CONTINGENT ASSETS (continued)

Contingent assets

Civil unrest broke out in KZN during the month of July 2021, resulting in extensive damage to the Group's properties and branch infrastructure, whereby buildings and infrastructure were vandalized and some buildings were set alight.

The Groups' properties and branch infrastructure are covered by SASRIA, which is a state-owned insurer that provides special risk cover to individuals, businesses and government entities that own assets in South Africa. This is a unique cover against risks such as civil commotion, public disorder, strikes, riots and terrorism.

Claims amounting to R13.7 million in respect of Ithala SOC Limited were submitted to SASRIA, of which R1.8 million was received during the financial year. In summary, the following properties of Ithala SOC Limited were affected by the unrest:

- 16 Branches damaged / vandalised, of which 4 were torched
- 22 Auto teller machines

An amount of R11.9 million is still awaiting finalisation by SASRIA. The amount is expected to be finalised and funds paid to Ithala SOC Limited in the new financial year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

43. DIRECTORS' EMOLUMENTS

Executive

2022

	Salary benefits	Risk and retirement benefits	Vehicle benefits	Other benefits*	Annual short-term incentives	Termination benefits	Total
CORPORATION							
PS Bengu - Chief Executive Officer	2 428	569	-	-	-	-	2 997
SB Mnguni (resigned July 2021)	712	120	50	263	-	-	1 145
F Abdool Kader (acting, Term ended March 2022)	-	-	-	225	-	-	225
B Mapisa (appointed March 2022)	155	12	-	-	-	-	167
M Muthusamy (Acting)	-	-	-	367	-	-	367
B Shangase	1 599	215	-	-	-	-	1 814
XE Mkhize	1 621	381	-	-	-	-	2 002
TN Mthethwa	1 837	237	-	-	380	-	2 454
K Cele	1 786	233	-	-	-	-	2 019
ITHALA SOC LIMITED							
S Gwala - Head: HR	1 623	139	-	-	-	-	1 762
S Xolo - Marketing and Communication	1 340	110	-	-	-	-	1 450
T Luthuli - Company Secretary (resigned 30 April 2021)	124	11	-	-	-	278	413
S Moodley - Head Retail and Business Banking	1 542	141	-	-	-	-	1 683
T Vilakazi	2 588	349	-	-	-	-	2 937
B Van der Lingen - Chief Risk Officer (appointed 15 November 2021)	422	34	-	-	-	-	456
C Gumede - Chief Risk Officer	128	11	-	-	-	49	188

43. DIRECTORS' EMOLUMENTS (continued)

	Salary benefits	Risk and retirement benefits	Vehicle benefits	Other benefits*	Annual short-term incentives	Termination benefits	Total
A Pather - Head Insurance	1 380	124	-	-	-	-	1 504
L Barnard - Head IT	550	50	-	-	-	56	656
S Nsele - Chief Audit Executive	1 382	121	-	-	-	-	1 503
K Nkambule - Compliance Officer	1 423	129	-	-	-	-	1 552
X Khumalo - Head Credit	1 607	143	-	-	-	-	1 750
N Masuku - Company Secretary (appointed 15 November 2021)	351	28	-	-	-	-	379
S Phakathi - Chief Information Officer (appointed 06 January 2022)	413	40	-	-	-	-	453
S Dlamini - Executive Assistant (appointed 01 July 2021)	672	60	-	-	-	-	732
M Gafoor - Acting Chief Financial Officer (appointed 01 September 2021)	669	57	-	-	-	-	726
N Dlamini - Acting Company Secretary (appointed 01 May 2021, resigned 15 November 2021)	380	29	-	-	-	-	409
N Shewdin - Acting Chief Risk Officer (appointed 01 May 2021, resigned 15 November 2021)	580	45	-	-	-	-	625
	27 312	**3 388**	**50**	**855**	**380**	**383**	**32 368**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

43. DIRECTORS' EMOLUMENTS (continued)

2021

	Salary benefits	Risk and retirement benefits	Vehicle benefits	Other benefits*	Annual short-term incentives	Termination benefits	Total
CORPORATION							
PS Bengu - Chief Executive Officer	2 363	536	-	-	-	-	2 899
M Muthusamy (acting)	-	-	-	355	-	-	355
B Shangase	1 614	202	-	-	252	-	2 068
XE Mkhize	1 652	355	-	-	-	-	2 007
SB Mnguni	2 025	482	150	-	-	-	2 657
NB Mseleku (acting)	-	-	-	117	-	-	117
TN Mthethwa	1 372	185	-	-	-	-	1 557
K Cele	273	36	-	-	-	-	309
ITHALA SOC LIMITED							
S Gwala- Head - HR	1 622	135	-	-	-	-	1 757
S Xolo - Marketing and Sales Manager	1 235	99	-	-	-	-	1 334
T Luthuli- Company Secretary	1 588	130	-	-	-	-	1 718
S Moodley - Head Retail and Business Banking	1 648	137	-	-	-	-	1 785
N Naidoo - Acting Head Credit (April 2020 to November 2020)	798	55	-	-	-	-	853
T Vilakazi - (appointed 01 September 2020)	1 443	197	-	-	-	-	1 640
N Harryparshad - Acting Head IT (resigned 28 October 2020)	748	-	-	-	-	16	764
C Gumede - Chief Risk Officer (appointed 1 April 2019)	1 619	131	-	-	-	-	1 750
A Pather - Head insurance (appointed 1 August 2019)	1 432	118	-	-	-	-	1 550
L Marthinus Head IT (appointed 01 March 2021)	137	13	-	-	-	-	150
S Nsele - Chief Audit Executive (appointed 01 September 2020)	750	67	-	-	-	-	817
G Nkambule - Compliance Officer (appointed 01 August 2020)	904	83	-	-	-	-	987
X Khumalo - Head of Credit (appointed 16 November 2020)	609	48	-	-	-	-	657
	23 832	**3 009**	**150**	**472**	**252**	**16**	**27 731**

43. DIRECTORS' EMOLUMENTS (continued)

Non-executive
2022

	Directors' fees	Total
CORPORATION		
R Morar- Chairperson	1 059	1 059
S Mkhize	1 057	1 057
PN Sibiya	840	840
C Gina	604	604
S Ndlovu	721	721
K Mbonambi	558	558
Y Ngwane	41	41
ITHALA SOC LIMITED		
N Simelane	589	589
M Pupuma	765	765
S Shabalala	382	382
G Sibiya	775	775
Inkosi SN Mkhize	875	875
	8 266	8 266

2021

	Directors' fees	Total
CORPORATION		
R Morar- Chairperson	1 263	1 263
S Mkhize	1 025	1 025
Inkosi S Mkhize (resigned June 2020)	41	41
PN Sibiya	793	793
C Gina	535	535
S Ndlovu	744	744
K Mbonambi	620	620
Y Ngwane (appointed April 2020)	122	122
ITHALA SOC LIMITED		
N Simelane (appointed 01 January 2021)	103	103
SC Ngidi (resigned 20 April 2020)	117	117
M Pupuma (appointed 01 August 2020)	461	461
S Shabalala (appointed 01 January 2021)	150	150
G Sibiya	811	811
Inkosi SN Mkhize	1 033	1 033
Z Khanyile (resigned 31 October 2020)	134	134
	7 952	**7 952**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

	Group		Company	
	2022 R '000	2021 R '000	2022 R '000	2021 R '000

44. CHANGE IN ESTIMATE

Property, plant and equipment

Property, plant and equipment are depreciated over its estimated useful lives taking into account residual values, where appropriate. The remaining useful lives of assets were reassessed during the current year. The effect of the change in estimate during the current year is as follows:

The future impact of the change in estimate will result in depreciation of R1,6 million (2021: R3,3 million) for Group and R1,7 million (2021: R1 million) for Company, being recognised over the remaining useful life of the asset.

Decrease in depreciation	(1 606)	(3 318)	(1 026)	(1 735)
Increase in net book value	1 606	3 318	1 026	1 735
	-	-	-	-

45. EVENTS AFTER THE REPORTING PERIOD

The following events occurred after the reporting period:

- In the month of April 2022, KZN suffered extreme floods which caused significant damage to infrastructure throughout the province. The Group's properties were also affected by the floods. From the information gathered as at the time of submitting these annual financial statements, the damages were mainly due to water ingress and were therefore not material.

- Approval was sought and obtained from the MEC of EDTEA and all relevant officials for the dilution of shareholding in Portshepstone Quarries and acquisition of a third party Investor to revive the operations of Portshepstone Quarries. At the time of preparation and issue of these financial statements, the percentage of dilution was unknown

46. LOAN COMMITMENTS

As at 31 March 2022, the Group had loan commitments amounting to R43 million (2021: R75 million).

Loan commitment	43 349	75 031	30 849	47 031

47. RESTATEMENT OF PRIOR YEAR DISCLOSURES

Balance Sheet
Goodwill has been included under intangible assets.

Right-of-use assets have been split between current and non-current assets. Refer to Note 6 for further details.

The total lease liability for Portshepstone Quarries has been classified to current. Refer to Note 32 for further details.

Government grants have been split between current and non-current liabilities. Refer to Note 22 for further details.

Deposits due to customers have been split between current and non-current liabilities.

Statement of Cash Flows
In order to provide more useful information to users and enable them to better understand the nature of the Group's operating, investing and financing activities, in accordance with IAS 7, certain line items in the statement of cash flows have been restated.

Ithala is an Authorised Financial Services and Credit Provider

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