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

ANNUAL REPORT
2021/2022

LET'S GROW TOGETHER!

MEGA
MPUMALANGA ECONOMIC GROWTH AGENCY

MEGA OFFICE PARK

TABLE OF CONTENTS

PART A: GENERAL INFORMATION

PART B: PERFORMANCE INFORMATION


PART A

GENERAL INFORMATION

PUBLIC ENTITY'S GENERAL INFORMATION

1

REGISTERED NAME

MPUMALANGA ECONOMIC GROWTH AGENCY (MEGA)

2

REGISTRATION NUMBER (IF APPLICABLE)

NOT APPLICABLE

3

PHYSICAL ADDRESS

ABSA SQUARE BUILDING - NO.20 PAUL KRUGER STREET - NELSPRUIT
MPUMALANGA - 1201

4

POSTAL ADDRESS

P.O. BOX 5838 - NELSPRUIT - 1200

5

TELEPHONE NUMBER

013 752 2440

6

WEBSITE ADDRESS

WWW.MEGA.GOV.ZA

7

EXTERNAL AUDITORS

AUDITOR- GENERAL SOUTH AFRICA

8

BANKERS

FIRST NATIONAL BANK

9

COMPANY SECRETARY

ADV. S.P. MORGAN

2. List Of Abbreviations / Acronyms

LIST OF ABBREVIATIONS

ACRONYMS

AGSA	: AUDITOR-GENERAL OF SOUTH AFRICA
APP	: ANNUAL PERFORMANCE PLAN
ARAP	: AUDIT REMEDIAL ACTION PLAN
BARCC	: BOARD AUDIT, RISK & COMPLIANCE COMMITTEE
CEO	: CHIEF EXECUTIVE OFFICER
CFO	: CHIEF FINANCIAL OFFICER
DEDT	: DEPARTMENT OF ECONOMIC DEVELOPMENT AND TOURISM
EMIA	: EXPORT MARKETING AND INVESTMENT ASSISTANCE ERM : ENTERPRISE-WIDE RISK MANAGEMENT
EXCO	: EXECUTIVE COMMITTEE
FLISP	: FINANCE LINKED INDIVIDUAL SUBSIDY PROGRAMME
HR	: HUMAN RESOURCE
IDC	: INDUSTRIAL DEVELOPMENT CORPORATION
IFRS	: INTERNATIONAL FINANCIAL REPORTING STANDARDS
IPAP	: INDUSTRIAL POLICY ACTION PLAN
IT	: INFORMATION TECHNOLOGY
MDG	: MILLENNIUM DEVELOPMENT GOALS
MEC	: MEMBER OF THE EXECUTIVE COUNCIL
MEGA	: MPUMALANGA ECONOMIC GROWTH AGENCY
MEGDP	: MPUMALANGA ECONOMIC GROWTH AND DEVELOPMENT PATH
MIFPM	: MPUMALANGA INTERNATIONAL FRESH PRODUCE MARKET
MoA	: MEMORANDUM OF AGREEMENT
MTSF	: MEDIUM-TERM STRATEGIC FRAMEWORK
MYDF	: MPUMALANGA YOUTH DEVELOPMENT FUND
NDP	: NATIONAL DEVELOPMENT PLAN
NGP	: NATIONAL GROWTH PLAN
NIPF	: NATIONAL INDUSTRIAL POLICY FRAMEWORK
OD	: ORGANISATIONAL DESIGN
PAJA	: PROMOTION OF ADMINISTRATIVE JUSTICE ACT, 2000
PFMA	: PUBLIC FINANCE MANAGEMENT ACT
PMDS	: PERFORMANCE MANAGEMENT AND DEVELOPMENT SYSTEMS
SCM	: SUPPLY CHAIN MANAGEMENT
SDI	: SPATIAL DEVELOPMENT INITIATIVES
SEDA	: SMALL ENTERPRISE DEVELOPMENT AGENCY
SEZ	: SPECIAL ECONOMIC ZONES
SMME	: SMALL, MEDIUM AND MICRO-SIZED ENTERPRISES
SSAS	: SECTOR SPECIFIC ASSISTANCE SCHEME
the dtic	: THE DEPARTMENT OF TRADE, INDUSTRY AND COMPETITION

MR. T.P. MOTAU: CHAIRPERSON OF THE BOARD

3. Foreword By The Chairperson

TO OUR SHAREHOLDER

BOARD REPORT FOR 2021/22

MEGA IS FORGING STRATEGIC PARTNERSHIPS WITH PRIVATE SECTOR INVESTORS TO MOBILISE FINANCIAL RESOURCES TO FUND THE ACCELERATED DELIVERY OF MASSIVE ECONOMIC INFRASTRUCTURE PROJECTS.

INTRODUCTION

The lessons learned from the impact of the COVID-19 pandemic resulted in businesses relooking at its business models and strategies to ensure resilience and sustainability. For MEGA this became even more necessary considering that it was already struggling with cash flow constraints and reduced revenue generation as most of its clients failed to pay their instalments when they fall due.

MEGA'S STRATEGY AND PERFORMANCE

MEGA's Vision 2026

The entity performed a self-diagnostic on all its operations to determine challenges that prevents it from achieving self-sustainability and operational excellence. This was followed by the development of its turn-around strategy termed "MEGAs Vision 2026" which if successfully implemented will take the entity towards a journey of self-sustainability and operational excellence.

In summary, the strategy entails the capacitation of the entity from a human resource's perspective, crowding in of private investment to implement provincial infrastructure projects, revitalisation of its industrial parks and shopping centres through partnership with strategic development partners and redesigning of its corporate form to allow each or a selection of its core business units to operate independently, embarking on a journey for excellence.

MEGA's Performance

The results of the turn-around strategy are beginning to manifest as the entity was able to achieve the following strategic milestones:

a. The entity recorded an improvement in its performance compared to previous years. In the 2020/21 financial year the entity managed to achieve only 25% of its planned targets. In the 2021/22 the entity achieved 57% of its planned target.

b. For the first time since its establishment in 2010 the entity received an "unqualified" audit opinion from the Auditor General.

c. The entity successfully concluded an MoA with the Office of the Premier for the management of the Mpumalanga Youth Development Fund, a portfolio worth over R300 million. The entity managed to disburse funds valued at over R35m to approved businesses as at 31st March 2022.

d. The merger has been completed and the OD process was finalised with all employees placed into the new structure.

e. A full-term Board and CEO have been appointed and the process to have al positions of executives filled through internal secondments have commenced.

f. The entity appointed a Transactional Advisor to provide guidance on how to proceed and incorporate the envisaged operating company for the MIFPM.

STRATEGIC RELATIONSHIPS

MEGA is forging strategic partnerships with private sector investors to mobilise financial resources to fund the accelerated delivery of massive economic infrastructure projects. For MEGA, this move will also ensure its self-sustainability which was not immediately realised upon its establishment due to various legacy issues that affected its governance and operations.

CHALLENGES FACED BY THE BOARD

MEGA has been struggling since its inception to address issues relating to governance and organisational performance due to frequent changes in Boards and CEOs. This coupled with legacy issues inherited from its predecessors impacted negatively on the entity's self-sustainability and operational excellence.

Most of the challenges outlined above have been adequately addressed, the merger and the OD process have been completed, all employees was placed into the new structure, a full term Board and CEO have been appointed.

THE YEAR AHEAD

The Board will continue with the implementation of its various interventions in its endeavour to position the entity as a capable, credible and resilience institution.

The Board has mandated management to focus on the following strategic issues in the new financial year:

a. Implementation of the MEGA's turn-around strategy and concept document on the unbundling of MEGA;
b. Incorporation of the envisaged operating company for the MIFPM in line with guidance to be obtained from the appointed Transactional Advisors;
c. Embark on a fundraising drive, engaging various institutions to support the funding activities.
d. Commence with the process of commercialising its equity investments and of disposing of all non-strategic assets.

ACKNOWLEDGEMENTS /APPRECIATION

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

On behalf of the Board:

Mr. T.P. Motau
Board Chairperson
Mpumalanga Economic Growth Agency

ACCOUNTIING AUTHORITY

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

NEW MEGA HEAD OFFICE

The new MEGA Head Office has been completed and we anticipate occupation to happen in the beginning of the new financial year.

MR. M.I. MAHLANGU
CHIEF EXECUTIVE OFFICER

4. Chief Executive Officer's Overview

WORD FROM THE EXECUTIVE

FOR THE 2021/22 FINANCIAL YEAR, THE ENTITY ACHIEVED AN UNQUALIFIED AUDIT OPINION WITH MATTERS OF EMPHASIS. THE IMPROVEMENT WILL ASSIST A GREAT DEAL IN BOOSTING INVESTORS' CONFIDENCE AND ENABLE THE ENTITY TO APPROACH THIRD PARTIES FOR FUNDING IN ORDER TO SCALE UP THE BALANCE SHEET FOR EVEN GREATER SCALE OF PROJECTS.

GENERAL FINANCIAL REVIEW

As a business enterprise of Government (PFMA schedule 3D entity), MEGA is required to be financially self-sustainable in order to advance its economic development mandate. However, this model has not been realised due to various legacy issues and this meant that the entity has had to pursue high impact goals without the requisite human and financial resources.

MEGA has in its turn-around strategy termed the "MEGAs Vision 2026" included a financial sustainability model aimed at ensuring self-sustainability. This entails leveraging its current asset base, strategic partnerships, as well as optimising certain processes in order to reduce costs and enhance revenue generation.

MEGA would further need to significantly scale up the balance sheet to have an even greater scale of impact on the Mpumalanga economy's transformation.

CAPACITY CONSTRAINTS AND CHALLENGES FACING THE PUBLIC ENTITY

The entity has faced cashflow challenges as a result of a decrease in revenue collection from its clients. In addition, the entity could not fill most of its vacancies in critical positions on time. However, for the last part of the financial year the entity made significant progress as the full term Board and the CEO were appointed .

DISCONTINUED ACTIVITIES / ACTIVITIES TO BE DISCONTINUED

Property Disposals:

MEGA has compiled a list of properties earmarked for disposal. These properties are currently not generating revenue for the entity and are a drain to the entity's financial and human resources. These properties also have very limited future development potential but may be better utilized for the incubation of various community based business activities and as small neighbourhood commercial outlets by individual budding small and micro-enterprises serving specific localities.

NEW OR PROPOSED ACTIVITIES

Property Re-developments:

MEGA has prioritized the 3 largest industrial parks and 2 shopping centres for revitalization in partnership with Strategic Development Partners. Ekandustria is currently MEGA's largest industrial park by far and thus sits at the top in terms of priority for revitalization.

MEGA is also in discussion with the Gauteng provincial government, the City of Tshwane, and DEDT to form a partnership together with the private sector in the management and revitalization of Ekandustria.

Investment in New Properties:

A major new industrial Park is proposed at the MIFPM precinct. The MIFPM is meant to be a catalyst for the development of the envisaged industrial park on the 259 Hectares of land transferred to MEGA by the provincial government. The MIFPM currently sits on 41 Hectares, i.e. 15.8 %, of the 259 Ha. MEGA intends partnering with the private sector in developing, co-owning and managing the new park. To that end the entity will be requesting suitably qualified developers to submit proposals for the development, funding and management of the Park.

MEGA is also exploring the possibility of acquiring and revitalizing the Limpopo Economic Development Agency (LEDA) owned Mkhuhlu industrial park in partnership with the Bushbuckridge Local Municipality and interested private sector partners. MEGA's engagements with LEDA and the municipality on the Park's redevelopment has been briefly held back by court challenges from certain interest groupings within the Mkhuhlu community who are claiming ownership of industrial park.

REQUESTS FOR ROLL OVER OF FUNDS

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

SUPPLY CHAIN MANAGEMENT

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

AUDIT REPORT MATTERS

Since the disclaimer audit opinion, with 10 audit qualifications, issued by the Auditor-General for the year ended 31 March 2016, MEGA gradually improved its audit opinion to a "qualified" audit opinion with one audit qualification remaining relating to legacy issues.

For the 2021/22 financial year, the entity achieved an "unqualified" audit opinion. This will assist a great deal in boosting investors' confidence and enable the entity to approach third parties for funding in order to scale up the balance sheet for even greater scale of projects.

ACKNOWLEDGEMENT/S OR APPRECIATION

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

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

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

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

STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY OF THE ANNUAL REPORT

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

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

STATEMENT BY THE CEO

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

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

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

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

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

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

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

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

In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the public entity for the financial year ended 31 March 2022.

Yours faithfully

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

STRATEGIC OVERVIEW

VISION

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

MISSION

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

CAPABLE

CREDIBLE

RESILLIENT

CORE VALUES

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

i. **Accountability:** We take our duty to the citizens of Mpumalanga seriously and always place their needs first in all that we do.

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

iii. **Integrity:** We strive to deliver on our commitments.

iv. **Professionalism:** We value quality and consistency in carrying out our duties.

v. **High Performance:** We strive for excellence in performance..

OBJECTIVES

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

i. To provide funding in respect of property development including the granting of housing loans.

ii. To provide funding in respect of approved enterprises and agricultural development focusing primarily on previously disadvantaged individuals within the Province.

iii. To focus on project management, development and management of immovable property.

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

v. The objects of the Agency expressly exclude the objects of the Mpumalanga Tourism and Parks Agency, the Mpumalanga Regional Training Trust and the Mpumalanga Economic Regulator. In achieving its objectives, the Agency shall endeavour to progressively increase its own revenue generation and collection.

LEGISLATIVE & OTHER MANDATES

CONSTITUTIONAL MANDATES

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

LEGISLATIVE MANDATES

MEGA ACT 1 OF 2010: SECTION 3

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

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

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

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

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

PUBLIC FINANCE MANAGEMENT ACT NO 1 OF 1999

MEGA is a public institution listed under PFMA schedule 3D by virtue of being a provincial government business enterprise. PFMA Schedule 3D entities are regulated by Sections 47 and 76(4) of the PFMA.

In terms of the Act, MEGA has a responsibility to adhere to a number of regulations that ensure the achievement of its objectives such as, real financial growth and sustainability, clean and unqualified audits and improved financial management capability maturity. The regulations in the Act include providing for, inter alia:

i. Sound financial management;
ii. The efficient and effective management of all revenue, expenditure, assets and liabilities of the company; and
iii. The provision of responsibilities of persons entrusted with financial management in the organisation.

PUBLIC FINANCE MANAGEMENT ACT NO 1 OF 1999

MEGA is a public institution listed under PFMA schedule 3D by virtue of being a provincial government business enterprise. PFMA Schedule 3D entities are regulated by Sections 47 and 76(4) of the PFMA.

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

i. Promoting fair and non-discriminatory practices in the granting of loans;

ii. Promoting black economic empowerment and ownership in its funded SMMEs and Co-operatives by applying fair credit and credit-marketing practices;

iii. Promoting responsible credit granting by giving loans only to qualifying individuals;

iv. Providing debt restructuring and debt counselling services for over-indebted clients (a risk highlighted in programme 4 below);

v. Establishing policies and standards relating to loans management and housing finance; and

vi. Promoting a consistent enforcement framework relating to debt management.

FINANCIAL INTELLIGENCE CENTRE ACT NO. 38 OF 2001

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

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

LEGISLATIVE & OTHER MANDATES

HOUSING ACT NO. 107 OF 1997

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

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

AGRICULTURE LAWS EXTENSION ACT NO. 87 OF 1996

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

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

OTHER APPLICABLE ACTS

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

i. Basic Conditions of Employment Act, 1997;

ii. Labour Relations Act No. 66 of 1995;

iii. Companies Act of 2008 Act No. 71 of 2008;

iv. Preferential Procurement Policy Framework Act No. 5 of 2000;

v. Employment Equity Act No. 55 of 1998;

vi. Skills Development Act No. 97 of 1998;

vii. Income Tax Act No. 58 of 1962;

viii. Broad-Based Black Economic Empowerment Act No. 53 of 2003;

ix. South African Reserve Bank Act No. 90 of 1989;

x. Co-operative Banks Act No. 40 of 2007;

xi. Customs and Excise Act No. 91 of 1964.

POLICY MANDATES

NATIONAL DEVELOPMENT PLAN

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

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

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

MEDIUM TERM STRATEGIC FRAMEWORK: OUTCOMES DELIVERY AGREEMENT

This Medium Term Strategic Framework (MTSF) is Government's strategic plan for the 2019-2024 electoral term. It reflects the commitments made in the election manifesto of the governing party, including the commitment to implement the NDP. The MTSF sets out the actions Government will take and targets to be achieved. It also provides a framework for the other plans of national, provincial and local government.

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

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

i. Outcome 1: Improved quality of basic education;
ii. Outcome 2: A long and healthy life for all South Africans;
iii. Outcome 3: All people in South Africa are and feel safe;
iv. Outcome 4: Decent employment through inclusive economic growth;
v. Outcome 5: A skilled and capable workforce to support an inclusive growth path;
vi. Outcome 6: An efficient, competitive and responsive economic infrastructure network;
vii. Outcome 7: Vibrant, equitable and sustainable rural communities with food security for all;
viii. Outcome 8: Create sustainable human settlements and improved quality of household life;

MTSF

Outcome Delivery Agreement

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

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

MEGA'S ALIGNMENT TO THE MEDIUM TERM STRATEGIC FRAMEWORK

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

NINE POINT PLAN: GOVERNMENT PRIORITIES

In addition, the entity's activities are linked to the priorities Government has set to achieve.

These priorities, referred to as "Nine Point Plan", entail the following:

i. Revitalisation of agriculture and agro-processing value chain
ii. Advancing beneficiation, adding value to our mineral wealth
iii. More effective Implementation of Industrial Policy Action Plan
iv. Unlocking the potential of SMMEs, Co-ops, township and rural enterprises
v. Resolving the energy challenge
vi. Stabilising the labour market
vii. Scaling-up private sector investment
viii. Growing the Ocean Economy
ix. Cross-cutting reform to boost and diversify the economy through investment in science & technology, water & sanitation, transport infrastructure, broadband connectivity & state owned companies

MEGA'S ALIGNMENT TO THE NINE POINT PLAN

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

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

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

b. MEGA will collaborate with the Department of Human Settlements to access funds from the FLISP (Finance Linked Individual Subsidy) Programme to augment the provision of home loans in the gap market.

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

d. Follow a targeted investment promotion approach where a few high impact strategic projects are presented to a carefully selected group of investors and financiers.

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

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

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

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

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

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

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

LEGISLATIVE & OTHER MANDATES

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

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

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

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

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

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

SPATIAL DEVELOPMENT INITIATIVES (SDIS)

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

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

MPUMALANGA ECONOMIC GROWTH AND DEVELOPMENT PATH (MEGDP)

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

The overarching objectives are:

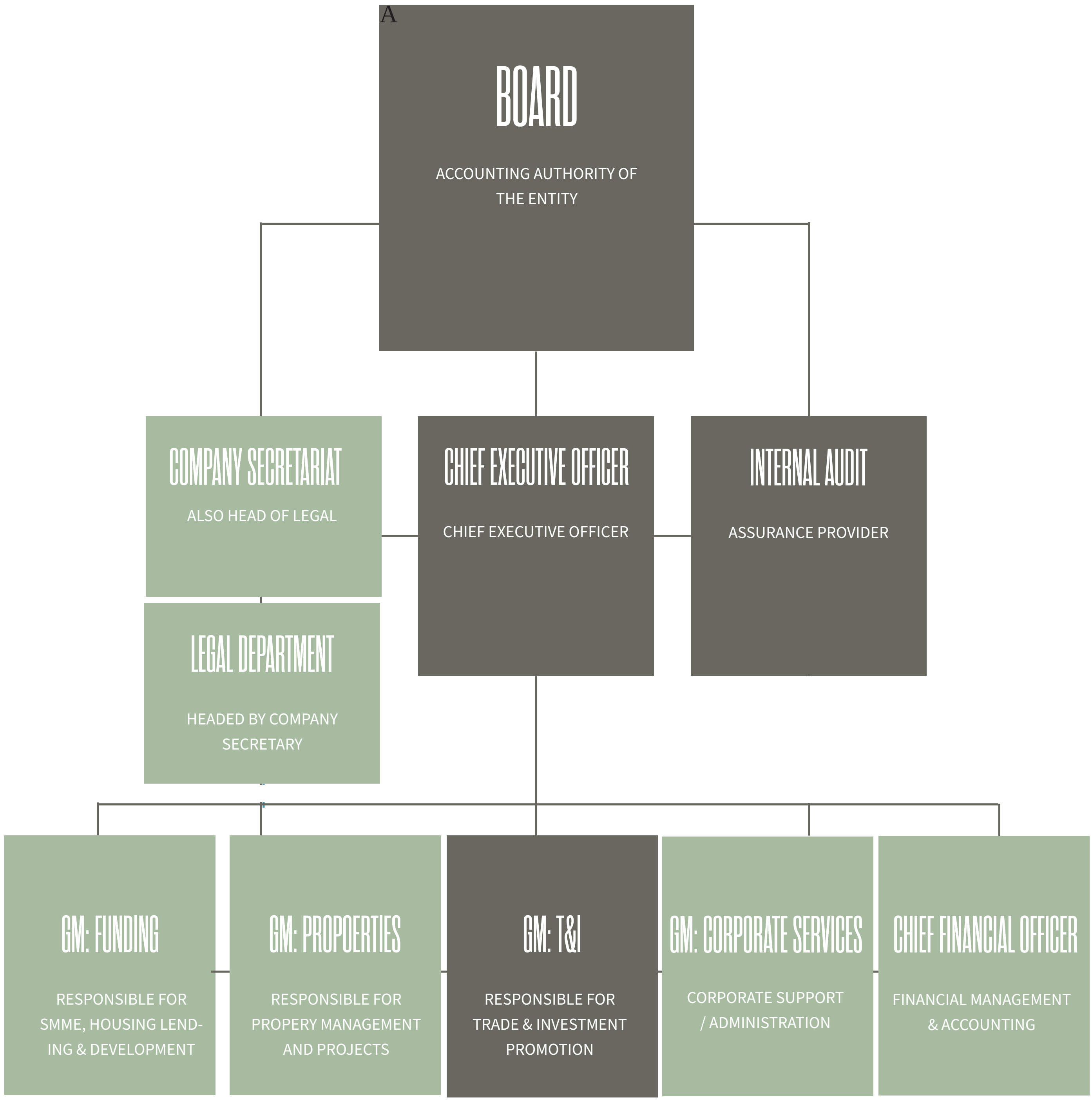
i. Increased employment by developing sectors with sustainable labour absorption potential;

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

iii. Greater equity and a decreased poverty rate (sustainable human development) as more residents will have access to employment and the benefits of economic growth.

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

THE ORGANISATIONAL STRUCTURE



PART B

PERFORMANCE INFORMATION

1. AUDITOR'S REPORT:

PREDETERMINED OBJECTIVES

The AGSA currently performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion.

The audit conclusion on the performance against predetermined objectives is included in the report to management, with material findings being reported under the Predetermined Objectives heading in the Report on other legal and regulatory requirements section of the auditor's report.

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

OVERVIEW OF THE ENTITY'S PERFORMANCE

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

THE COVID-19 IMPACT ON THE ECONOMY[1]

Prior to the COVID-19 outbreak, the economy of South Africa was already underperforming. Negative growth rate for all industries (including agriculture) in 2019, except for finance and community services.

During the second quarter of 2020, the South African economy contracted / declining by 17.4% (seasonally adjusted) and the Mpumalanga economy by 20.7% (seasonally adjusted). With the easing of the lockdown, the national and provincial economies expanded / increased in the second quarter of 2020 by 13.9% and 19.2%, respectively.

The latest data release by Stats SA saw the national economy contracted / declining by 1.5% (quarter-on-quarter) and the Mpumalanga economy by 1.9% in the second quarter of 2021.

Despite the contraction in the third quarter, the GDP of SA was 3.0% higher than the third quarter of 2020 & the GDP of Mpumalanga was 2.5% higher than the third quarter of 2020.

OBSERVATIONS ON THE LATEST 2021 ECONOMIC GROWTH FIGURES

The South African economy recorded a 1.5% (quarter-on-quarter) contraction in the third quarter of 2021 after expanding for 4 consecutive quarters.

The national economy was 3.0% larger in the third quarter of 2021 than a year ago, having rebounded off a depressed base. The economy expanded by 5.8% (year-on-year) during the first 9 months of the year. Overall economic activity only back to 2015 levels.

The largest contributors to the third quarter contraction were trade, manufacturing, and agriculture. There are concerns about second consecutive quarterly contraction in construction and manufacturing.

The country recorded nearly 660 000 job losses in the third quarter of SA i2021 which proves that the labour market is in distress, particularly given the economic contraction of 1.5% in the third quarter.

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

ORGANISATIONAL ENVIRONMENT

Capacity To Deliver On the Mandate

“The merger has been completed and the OD process was finalised with all employees placed into the new structure”.

CAPACITY TO DELIVER ON THE MANDATE

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

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

Key challenges that negatively impact on Self Sustainability are outlined as follows:

a) Upon its establishment, MEGA was under capitalised.

b) The entity inherited legacy assets of poor quality (loan book, property portfolio).

c) Full capacitation of the approved organisational structure still remains an area which needs to be addressed and finalised.

d) The entity continues to pursue high impact goals without the requisite human capital that is fit-for purpose.

e) Loan advancements decreased from R45 million (2016/17) to R3,9 million (2018/19) due to a decrease in the grant allocation.

f) Poor condition of the property portfolio - inadequate maintenance (budget limitations).

g) Significant reduction in operational grant between 2015/16 and 2018/19.

h) The property portfolio is not generating market-related returns due to lack of investment in refurbishment/ maintenance.

i) Inadequate skills and capacity to ensure the collection of rental and municipal services.

j) The loan book has also not performed as well as it should due to the inadequate Loans management system and lack of critical skills.

Despite the challenges outlined above the entity has progressed well in its endeavor to position itself as a capable, credible, resilient institution and has achieved the following milestones:

a) The merger has been completed and the OD process was finalised with all employees placed into the new structure.

b) A full-term Board and CEO have been appointed.

c) The consolidated document on the MEGA’s Repurposing has been developed for approval by relevant governance structures and consist of the following: DEDT’s Framework on the re-engineering of MEGA; MEGA’s turn-around strategy & implementation plan, Concept Document on the unbundling of MEGA.

d) The entity commenced with the implementation of the MYDF as of 2021.

e) The entity appointed a Transactional Advisor to provide guidance on how to proceed and incorporate the envisaged operating company for the MIFPM.

f) The entity embarked on a fundraising drive, engaging various institutions to support the funding activities and discussions are at an advanced stage.

g) Business Plans were finalised for Tekwane Farm, SMMEs and Home Loans to be used to raise funds.

ORGANISATIONAL ENVIRONMENT

(CONTINUED)......

FINANCIAL SUSTAINABILITY

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

As a business enterprise of Government (PFMA schedule 3D entity), MEGA is required to be financially self-sustainable in order to advance its economic development mandate. However, this model has not been realised for the following key reasons:

a) Upon its establishment, MEGA was under capitalised to place it on a trajectory towards self-sustainability;

b) the entity inherited legacy assets of poor quality (loan book, property portfolio);

c) Capacitation of the entity from a human resources perspective has not been finalised. Although the OD process was completed in 2021 and all employees placed into the new structure, some critical positions remain vacant due to lack of funds.

d) Increased conditional grants and progressive significant reduction in operational grants in the last few years.

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

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

a) Continue negotiations with financing institutions aimed at raising capital for on-lending activities.

b) Collaborate with the Department of Human Settlements to access funds from the FLISP (Finance Linked Individual Subsidy) Programme to augment the provision of home loans in the gap market.

c) Facilitate transfer of assets from Limpopo to increase the current asset base while generating revenue.

d) Procure a Strategic Partner to invest in the entire property portfolio.

e) Collaborate with the Department of Human Settlements to access subsidy funding from the CRU (Community Residential Units).

f) Leverage grant funding from the dtic's Black Industrialist Programme to provide opportunities for SMMEs in these sectors: clean technology and energy, Mineral beneficiation, Agro-processing, Clothing, textiles, leather & footwear, Pulp, paper, Industrial infrastructure, and Information communication technologies.

g) Initiate a call for proposals for the redevelopment of Loopspruit winery.

h) Implement a Turnaround Plan for Tekwane Lemon Farm.

i) Establish a dedicated debt collection unit to vigorously pursue arrear accounts.

j) Investigate and facilitate the sale of non-core assets.

k) Revitalization, funding and management of Ekandustria in partnership with the appointed Strategic Development Partner.

l) Accelerate the implementation of 3 development projects already awarded to Strategic Development Partners, namely: Siyabuswa Shopping Complex, Kabokweni Shopping Centre, and 66 Anderson Street.

FINANCIAL SUSTAINABILITY

Continued..

The value of all the initiatives outlined above will be determined once the Strategic Development Partners provided their development proposals and its values. Value of capital raising to be realised from negotiations with financial institutions shall also be determined upon conclusion of funding agreements.

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

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

MEGA'S MANDATE

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

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

b) To focus on project management and development of immovable property;

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

d) In achieving its objectives, MEGA shall endeavour to progressively increase its own revenue generation and collection; and

e) The objectives of MEGA expressly exclude the objectives of the Mpumalanga Tourism and Parks Agency, The Mpumalanga Regional Training Trust and the Mpumalanga Gaming Board.

POLICY MANDATES

The Mpumalanga government considers MEGA as a critical institution in the execution of its economic policy and is eager to see the institution stabilise, grow sustainably and deliver on its mandate. The provincial government, in turn has entrusted MEGA with, amongst others, the following responsibilities related to the execution of the Mpumalanga Economic Growth and Development Path (MEGDP) and Vision 2030:

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

b) The establishment of the Mpumalanga International Fresh Produce Market (MIFPM) as a critical lever to stimulate increased agricultural production to supply domestic and international markets.

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

d) To attract private sector investment and to increase infrastructure investment.

e) Support development of SMMEs and Cooperatives by providing and facilitating access to funding using internal funds and strategic partners.

e) The objectives of MEGA expressly exclude the objectives of the Mpumalanga Tourism and Parks Agency, The Mpumalanga Regional Training Trust and the Mpumalanga Gaming Board.

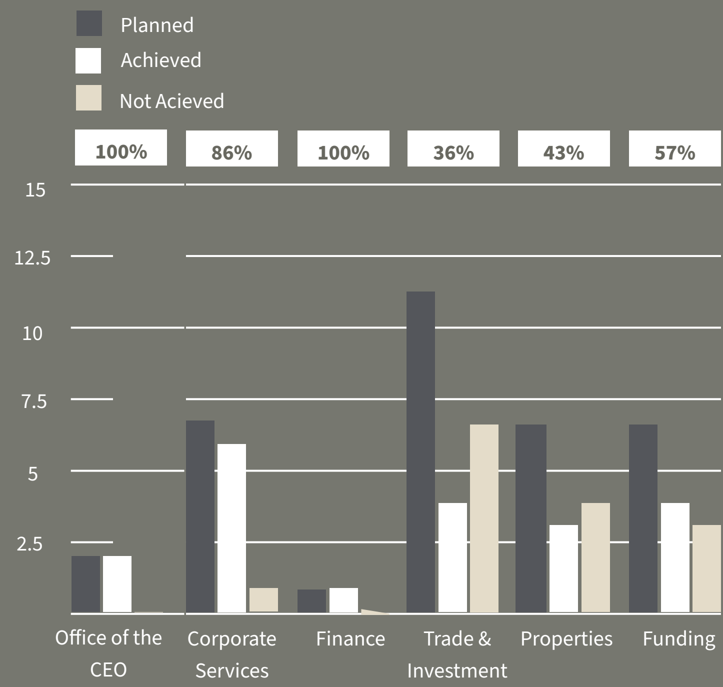
3. ACHIEVEMENT OF INSTITUTIONAL IMPACTS AND OUTCOMES

PERFORMANCE HIGHLIGHTS

MEGA RECORDED AN OVERALL ORGANISATIONAL ACHIEVEMENT OF 57%.

Despite the failure to meet the target of 80% as planned, there has been an improvement in organisational performance when compared to the performance of the previous financial year where the entity achieved only 19% of its planned targets.

FIGURE 2: CONSOLIDATED ANNUAL PERFORMANCE PER PROGRAMME / DIVISION



74%

The entity achieved 74% in Quarter 1.

51%

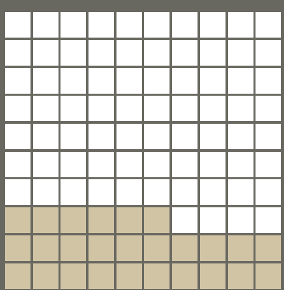
The entity achieved 51% in Quarter 2.

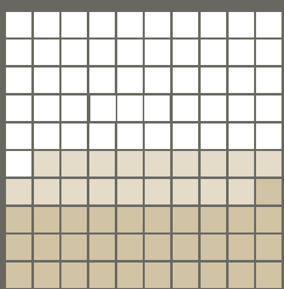
52%

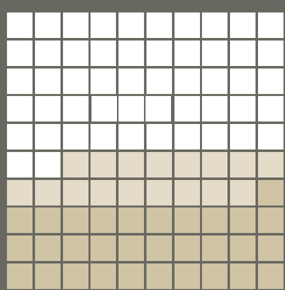
The entity achieved 52% in Quarter 3.

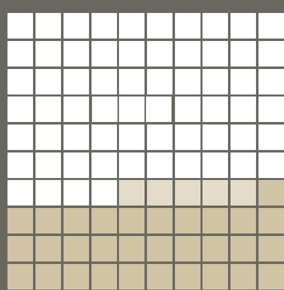
64%

The entity achieved 64% in Quarter 4.



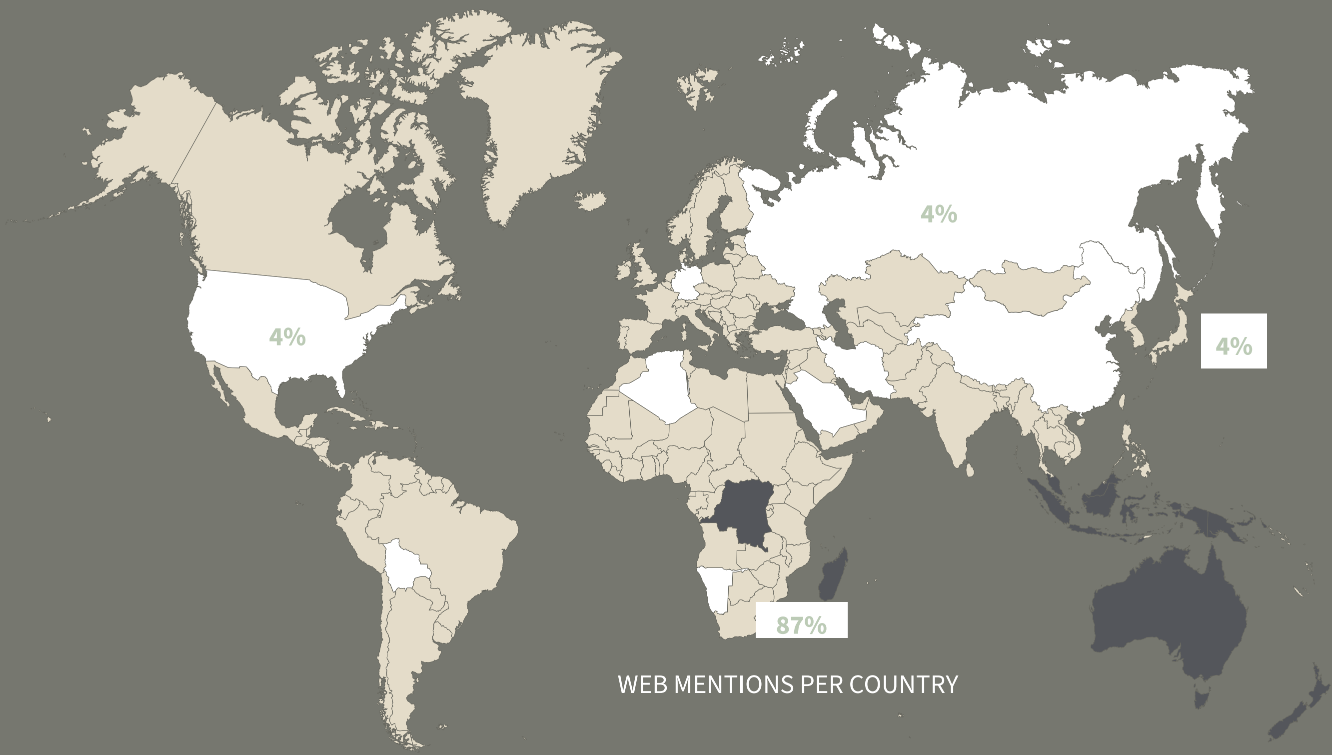






R 41,782,385720

Value funds disbursed to 44 MYDF beneficiaties during first allocation cycle.



WEB MENTIONS PER COUNTRY

187

BUSINESSES

187 SMMES PROVIDED WITH POST INVESTMENT SUPPORT

1. OFFICE OF THE CEO

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

The core purpose of the division is as follows:

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

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

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

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

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

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

HIGHLIGHTS / PROGRESS MADE:

1

MEGA LEGISLATIVE UNIVERSE

100% COMPLIANCE

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

2

INTERNAL AUDIT PLAN

100% IMPLEMENTATION

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

ANNUAL PERFOMANCE

Strategic objectives, planned targets and actual achievements

Outcome	Output	Output Indicator	Audited Actual Performance 2019/2020	Audited Actual Performance 2020/2021	Planned Annual Target 2021/2022	Actual Achievement 2021/2022	Deviation from planned target to Actual	Reasons for deviations
STRATEGIC GOAL 6: ENHANCED ORGANISATIONAL SUSTAINABILITY								
Compliance with all statutory and legislative prescripts	Compilation of MEGA's Legislative Universe	% compliance with the MEGA Legislative Universe	New indicator	100%	100%	100%	0	None
Improvement in the effectiveness of internal control and governance	Approval of Annual Internal Audit Plan by BARCC	Level of imple-mentation of three (3) year Internal Audit Plan	90%	70%	100%	100%	0%	None

STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

None.

REPORTING ON THE INSTITUTIONAL RESPONSE TO THE COVID-19 PANDEMIC

None during the financial year under review.

LINKING PERFORMANCE WITH BUDGET

	2021/2022			2020/2021		
Sub-Programmes	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**
	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)
OFFICE OF THE CEO	25 457	25 922	(465)	27 034	17 084	9 950
TOTAL	**25 457**	**25 922**	**(465)**	**27 034**	**17 084**	**9 950**

2. CORPORATE SERVICES

MR. M.S. MKHABELA
GM: CORPORATE SERVICES

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

i. Promote sound employee relations and labour stability.

ii. Promote and practice effective recruitment and retention practices.

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

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

v. To constantly develop individual employees through training interventions.

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

HIGHLIGHTS / PROGRESS MADE:

1

GRADING POSITIONS

The HR Department managed to finalize the grading of 82,42% of jobs during Q4 which is 75 out of the 91 jobs which were planned for grading. The remaining 16 jobs will be finalized during the 1st quarter of the ensuing financial year

2

PERFORMANCE MANAGEMENT & DEVELOPMENT SYSTEMS (PMDS)

MEGA is currently implementing PMDS at Executive Level, wherein the CEO and all Acting GMs have signed performance agreements. Mid-year performance reviews were conducted in line with the PMDS Policy. We are currently preparing for the cascading of PMDS to the Senior and Middle Management levels. All employees at this level have been retrained and we plan to conclude performance contracting by the 30th of April 2022.

3

ORGANISATIONAL RISK MATURITY LEVEL

19.2% MATURITY LEVEL

Organisational risk maturity level increased substantially as compared to the previous financial year i.e. 19.2% v/s 4.8%. This is attributed to the appointment of the Chief Risk Officer who provided leadership within the Enterprise Risk Unit.

4

REVIEW OF HUMAN RESOURCE (HR) POLICIES AND PROCEDURES

HR Department managed to review Ten (10) out of the twenty-six (26) policies and have been approved by the Board. The remaining sixteen (16) policies will be finalised by the second quarter of the ensuing financial year.

HIGHLIGHTS / PROGRESS MADE: (CONTINUED)

5

RECRUITMENT OF THE CHIEF EXECUTIVE OFFICER (CEO)

The recruitment process for the position of CEO has been finalized and Mr. Isaac Madlozi Mahlangu was appointed as the CEO of MEGA for five (5) years, from 1 February 2022.

6

RECRUITMENT OF AN INDEPENDENT CHAIRPERSON OF THE RISK MANAGEMENT COMMITTEE

The process of appointing an independent Chairperson of the Risk Management Committee has also been finalized. Mr. Hangalakani Harris Nkanyana was appointed for three (3) years with effect from 1 March 2022.

4. INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION

ANNUAL PERFOMANCE

Strategic objectives, planned targets and actual achievements

Outcome	Output	Output Indicator	Audited Actual Performance 2019/2020	Audited Actual Performance 2020/2021	Planned Annual Target 2021/2022	Actual Achievement 2021/2022	Deviation from planned target to Actual	Reasons for deviations
STRATEGIC GOAL 6: ENHANCED ORGANISATIONAL SUSTAINABILITY								
Capacitated organisation	Placement and recruitment processes approved	% of approved positions filled	New indicator	New Indicator	100%	100%	0%	None
Improved organizational culture	Conduct organisational survey	% Achieved on Employee Satisfaction	65%	69%	0%[1]	0%	0%	None
Enhanced all-inclusive and integrated information management system	Implement approved strategy and plan	% Implementation of IT Infrastructure	New Indicator	New Indicator	100%	15%	85%	Non-responsive bids during tender evaluation delayed implementation of IT Infrastructure.
Improved risk maturity level	Implement Risk Maturity Implementation Plan	% Improvement on organisational risk maturity-level	4.8%	20%	25%	25%	0%	None
STRATEGIC GOAL 7: IMPROVED CORPORATE IMAGE OF MEGA								
Increased MEGA Brand and Reputation	Implement Marketing and Communications Strategy	Number of external Newsletters	3	0	4	4	0	None
		Number of internal Newsletter	12	3	12	12	0	None
		Number of Marketing Campaigns conducted	1	0	1	1	0	None
	Organisational survey conducted	MEGA Brand and Reputation	0%	50%	60%	60%	0%	None
	Organisational survey conducted	Rating achieved on customer satisfaction survey	61%	70%	0%	0%[2]	0%	None

2 MTSF Target which is only reported twice in a three-year circle. Target is kept in order to align with the Corporate Plan MTSF targets.

STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

% ACHIEVED ON EMPLOYEES SATISFACTION

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

% IMPLEMENTATION OF IT INFRASTRUCTURE

SCM Unit to finalize the review of the bid specification, cancellation and readvertisement of the tender

REPORTING ON THE INSTITUTIONAL RESPONSE TO THE COVID-19 PANDEMIC

None

LINKING PERFORMANCE WITH BUDGET

	2021/2022			2020/2021		
Sub-Programmes	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**
	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)
CORPORATE SERVICES	24 436	23 910	526	33 195	26 607	6 588
TOTAL	**24 436**	**23 910**	**526**	**33 195**	**26 607**	**6 588**

3. FINANCE

MR. Z.S. MACU
CHIEF FINANCIAL OFFICER

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

IMPROVEMENT IN AUDIT OUTCOME

All the audit findings were resolved before the submission of the 2021/22 Annual Financial Statements.

The entity has seen an improvement in that it went from a "qualified" audit opinion in 2020/21 to an "unqualified" audit opinion in 2021/22.

ANNUAL PERFOMANCE

Strategic objectives, planned targets and actual achievements

Outcome	Output	Output Indicator	Audited Actual Performance 2019/2020	Audited Actual Performance 2020/2021	Planned Annual Target 2021/2022	Actual Achievement 2021/2022	Deviation from planned target to Actual	Reasons for deviations
STRATEGIC GOAL 6: ENHANCED ORGANISATIONAL SUSTAINABILITY								
To enhance governance and operational excellence	Implementation of Audit Remedial Action Plans	Improved audit opinion expressed by Auditor-General	Qualified	Qualified	Unqualified	Unqualified	None	None

STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

None

REPORTING ON THE INSTITUTIONAL RESPONSE TO THE COVID-19 PANDEMIC

None during the financial year under review.

LINKING PERFORMANCE WITH BUDGET

	2021/2022			2020/2021		
Sub-Programmes	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**
	(R'000)	**(R'000)**	**(R'000)**	**(R'000)**	**(R'000)**	**(R'000)**
FINANCE	44 325	44 670	(345)	43 926	33 204	10 722
TOTAL	**44 325**	**44 670**	**(345)**	**43 926**	**33 204**	**10 722**

4. TRADE & INVESTMENT PROMOTION

MR. T.S. NOBELA
GM: TRADE & INVESTMENT

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

i. Trade and Investment Promotion

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

ii. Marketing and Communications

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

HIGHLIGHTS / PROGRESS MADE:

1

The Coronavirus (COVID-19) and associated lockdowns have negatively affected the attainment of the Trade and Investment Promotion Unit's targets for the year. Despite the challenges experienced MEGA participated in several virtual platforms which presented an ideal opportunity to promote the various investment projects and prospects in the province to a global audience. This includes showcasing of investment opportunities in the Nkomazi SEZ, The Mpumalanga International Fresh Produce Market and projects within the Tourism Sector.

CHALLENGES

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

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

ANNUAL PERFOMANCE

Strategic objectives, planned targets and actual achievements

Outcome	Output	Output Indicator	Audited Actual Performance 2019/2020	Audited Actual Performance 2020/2021	Planned Annual Target 2021/2022	Actual Achievement 2021/2022	Deviation from planned target to Actual	Reasons for deviations
STRATEGIC GOAL 3: INCREASED ATTRACTION OF SUITABLE INVESTORS TO THE PROVINCE BASED ON ATTRACTIVE VALUE PROPOSITION & ATTRACTIVE INVESTMENT OPPORTUNITIES								
Increased investment attracted through trade and investment promotion	Facilitation of FDI / LDI Investment projects in Mpumalanga until implementation	Value (R) of FDI / LDI MEGA facilitated projects implemented during the period	New Indicator	R150m	R400m	0	R400m	Unfavourable investment climate due to Covid-19 and related lockdown regulations.
	Facilitation of new FDI / LDI Investment projects for Mpumalanga	Number of new FDI / LDI projects under facilitation for the period	New Indicator	4	8	7	1	No investment leads to pursue due to prevailing lockdown and border closures.
	Undertake Outward Investment Promotion Missions	Number of Outward / inward Investment Recruitment Missions undertaken	New Indicator	4	6	1	5	Movement restrictions due to Covid-19 lockdowns prohibited missions from being undertaken or hosted.
	Render assistance to potential investors in Mpumalanga	Number of potential Investors engaged	New Indicator	9	20	26	-6	Positive deviation
	Host a Mpumalanga Investment Conference 2020	Number of Investment Conference hosted	New Indicator	0	0	0	0	None

4. INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION

ANNUAL PERFOMANCE (Continued)

Strategic objectives, planned targets and actual achievements

Outcome	Output	Output Indicator	Audited Actual Performance 2019/2020	Audited Actual Performance 2020/2021	Planned Annual Target 2021/2022	Actual Achievement 2021/2022	Deviation from planned target to Actual	Reasons for deviations
STRATEGIC GOAL 4: INCREASED ACCESS TO EXPORT TRADE OPPORTUNITIES FOR MPUMALANGA COMPANIES								
Increased access to export trade opportunities for Mpumalanga businesses	Provide Foreign Trade counselling and support to exporters / importers	Mumber of exporters / importers provided with foreign trade counselling and support	New Indicator	100	140	151	-11	Positive deviation
	Undertake local trade exhibitions	Number of foreign / local trade exhibitions undertaken	6	4	9	4	5	Due to COVID-19 very few events have been offered and many events are now held on a virtual platform.
	Promote and facilitate the use of the EMIA / SSAS export incentives	Number of EMIA / SSAS applications facilitated for Mpumalanga companies	New Indicator	2	10	4	6	The dtic have only reopened SSAS applications in April 2022.
STRATEGIC GOAL 6: IENHANCED ORGANISATIONAL SUSTAINABILITY								
Rating achieved on customer satisfaction survey	Adherence to PFMA provisions relating to performance	% Compliance with the Performance Information Management Policy	New indicator	New indicator	100%	100%	0%	None
Improved organisational performance	Increased organisational performance	% Achieved on MEGA organisational performance	25%	19%	80%	57%	23%	The non-achievement of mosttargets by various divisions was due to cashflow and human resource constraints as well as the effects of the COVID-19 restrictions
Assessed operational and developmental impact	Undertake independent and systematic evaluations of the entity's performance against its mandate	Number of independent and systematic evaluations of the entity's performance	1	1	2	2	0	None

STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

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

To take advantage of easing lockdown regulations in some countries.

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

To take advantage of easing lockdown regulations in some countries.

NUMBER OF OUTWARD / INWARD INVESTMENT RECRUITMENT MISSIONS UNDERTAKEN

To take advantage of easing lockdown regulations in some countries.

NUMBER OF POTENTIAL INVESTORS ENGAGED

To take advantage of easing lockdown regulations in some countries.

NUMBER OF INVESTMENT CONFERENCE HOSTED

An investment conference has been rescheduled to take place in the 2022/23 financial year.

NUMBER OF FOREIGN / LOCAL TRADE EXHIBITIONS UNDERTAKEN

To continue to undertake virtual events until COVID-19 restrictions are lifted.

NUMBER OF EMIA / SSAS APPLICATIONS FACILITATED FOR MPUMALANGA COMPANIES

To promote all new EMIA funded events in 2022/2023

% ACHIEVED ON MEGA ORGANISATIONAL PERFORMANCE

Implementation of the Turn-around Strategy Implementation Plan.

REPORTING ON THE INSTITUTIONAL RESPONSE TO THE COVID-19 PANDEMIC

None during the financial year under review.

LINKING PERFORMANCE WITH BUDGET

	2021/2022			2020/2021		
Sub-Programmes	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**
	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)
TRADE & INVESTMENT	15 853	14 902	951	15 345	7 751	7 594
TOTAL	**15 853**	**14 902**	**951**	**15 345**	**7 751**	**7 594**

5. PROPERTIES & INFRASTRUCTURE

MR. E.J. NYATHIKAZI
GM: PROPERTIES & INFRASTRUCTURE

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

Highlights / Progress Made:

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

Challenges:

a) Approval of the Critical Infrastructure Programme (CIP) funding applications submitted to the dtic are being delayed due circumstances that are outside the Division's control. However, the Division is continuing to interact with the dtic to expedite the process.

b) Securing the funding required to procure the capacity required (in the form of a transaction advisor) to operationalize the MIFPM is proving to be a major challenge.

c) Lack of funds to undertake maintenance and refurbishment of roads, utility infrastructure and buildings is accelerating loss of value of the entire property portfolio, which in turn affects MEGA's ability to attract and retain good tenants.

d) Payment of rentals and services charges due by investors who are leasing MEGA's industrial premises is still below what it should be due to a combination of factors, which include inefficiencies in areas of credit control and property management.

ANNUAL PERFOMANCE

Strategic objectives, planned targets and actual achievements

Outcome	Output	Output Indicator	Audited Actual Performance 2019/2020	Audited Actual Performance 2020/2021	Planned Annual Target 2021/2022	Actual Achievement 2021/2022	Deviation from planned target to Actual	Reasons for deviations
STRATEGIC GOAL 2: IINCREASED ATTRACTION OF SUITABLE INVESTORS TO THE PROVINCE BASED ON AN ATTRACTIVE VALUE PROPOSITION AND ATTRACTIVE INVESTMENT OPPORTUNITIES								
Increased investment attracted into the property portfolio	Secure funds for the revitalisation of industrial parks	Value of revitalization funds approved by government and / or development finance institutions	New Indicator	0	R150m	0	R150m	Delays in finalizing approval of CIP applications at **the dtic** due to COVID-19 and changes in personnel. **The dtic** has explicitly indicated that priority will be given to the Ekandustria application due to the location of the park & the fact that funds have had to be redirected to fight COVID.
	Complete the revitalisation and / or construction of the seven identified development opportunities	Completed milestones towards the revitalisation and / or construction of the seven identified development opportunities	New Indicator	0	SDPs' investment approved	0	SDPs' approval not met	Only one property out of the seven (7) on which development opportunities were identified belongs to MEGA. Additionally, the combination of Covid-19 lockdown plus the recent unrest have had a negative impact on property development in general
Completed and functional Mpumalanga International Fresh Produce Market	Operationalisation of the Mpumalanga International Fresh Produce Market	Completed milestones towards the operationalisation of the Mpumalanga internal fresh produce market	New Indicator	100% completion of Phase	Appointment of the Market Operator	0	Market Operator not appointed	A total of R24 million is required to procure the capacity required to operationalize the MIFPM, which includes assisting MEGA to procure a market operator
Completed and functional Nkomazi Special Economic Zone	Ensure a functional Nkomazi Special Economic Zone	Number of Plans submitted to the dtic in line with regulatory requirements	New Indicator	Establishment of the SEZ Entity [3]	Business Plan and Strategic Plan submitted to the dtic	Business Plan and Strategic Plan submitted to the dtic	0	None

3 Registration of the entity, appointment of the Board and Executives

ANNUAL PERFOMANCE (Continued)

Strategic objectives, planned targets and actual achievements

Outcome	Output	Output Indicator	Audited Actual Performance 2019/2020	Audited Actual Performance 2020/2021	Planned Annual Target 2021/2022	Actual Achievement 2021/2022	Deviation from planned target to Actual	Reasons for deviations
STRATEGIC GOAL 5: PROGRESSIVELY INCREASE OWN REVENUE GENERATION AND COLLECTION TO ACHIEVE FINANCIAL SUSTAINABILITY								
Progressively increase own revenue generation and collection to achieve financial sustainability	Billed revenue from the property portfolio (rental and utilities)	Value of annual rental revenue generated from the property portfolio	New Indicator	R32m	R120m	R97m	R23m	High default rate due to tenants not servicing their rental and municipal accounts
	Increase occupation of the Property Portfolio	% Achieved in occupancy rate of the property portfolio	65%	66%	60%	67%	-7%	Positive deviation
	Increase investment attracted to Property Portfolio	Number of investors attracted to MEGA Properties	New Indicator	New Indicator	40	44	-15	Positive deviation

STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

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

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

COMPLETED MILESTONES TOWARDS THE REVITALISATION AND / OR CONSTRUCTION OF THE SEVEN IDENTIFIED DEVELOP-MENT OPPORTUNITIES

MEGA is considering the option of proceeding to incorporate the envisaged operating company, whilst remaining open to investors such as the IDC and others to come in later once they are certain of their participation positions.

APPOINTMENT OF THE MARKET OPERATOR

Request for funding has been submitted to provincial Treasury.

VALUE OF ANNUAL RENTAL REVENUE GENERATED FROM THE PROPERTY PORTFOLIO

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

REPORTING ON THE INSTITUTIONAL RESPONSE TO THE COVID-19 PANDEMIC

None during the financial year under review.

LINKING PERFORMANCE WITH BUDGET

	2021/2022			2020/2021		
Sub-Programmes	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**
	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)
PROPERTIES & INFRASTRUCTURE	198 870	191 524	7 346	189 265	198 886	(9 621)
TOTAL	**198 870**	**191 524**	**7 346**	**189 265**	**198 886**	**(9 621)**

6. FUNDING

DR. C.M. NKAMBULE
GM: FUNDING

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

SMME Development Finance

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

The programme provides the following support to existing SMME businesses:

A. Financial Support

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

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

DIVISIONAL HIGHLIGHTS: (CONTINUED)

B. Non-financial support

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

i. Training business owners on how to prepare financial statements and maintain good bookkeeping practices;

ii. Conducting business management seminars;

iii. Facilitating market linkages, by assisting small businesses to register with relevant government departments, so that their services can be used;

iv. Helping businesses brand and market their products in readiness for selling on the market;

v. By providing regulatory information, and also linking businesses to the relevant authorities or bodies that can regulate their products or services;

vi. Facilitating the preparation of business plans through the Small Enterprise Development Agency (SEDA) for submission to institutions which provide funds to existing and new enterprises.

Beneficiation

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

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

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

i. Information on improving the packaging of their products and services;

ii. Government Incentives (Grant Funding) for infrastructure and non-financial services.

Agriculture: Emerging Farmer Finance

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

The programme provides the following support to existing businesses:

a. Market linkages for farm produce;

b. Organising for farming inputs to be obtained at reasonable prices;

c. Providing mentorship to ensure business success through exchange programmes with established businesses including those in livestock and crop production;

d. Assisting in financial management and other specialised areas relevant to the business that has been funded;

e. Providing agricultural economics information. MEGA has access to statistics on climatic conditions of the province which it provides to farmers and businesses as a value added service;

f. Pursue profitable business ventures by identifying opportunities in which MEGA can become a strategic partner.

DIVISIONAL HIGHLIGHTS:
(CONTINUED)

Home Loans

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

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

Equity Investments

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

Partially Owned Investments

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

a. Mining - Shares in Afrimat, a JSE Listed company.

b. Agriculture - 26% in Highveld Fruit Packers- Apple processing.

Wholly Owned Investments

Tekwane Citrus Farm

i. The farm produces citrus fruit which is sold to the local and foreign markets. 80% of the fruit is exported to Europe and the Far East.

ii. Tekwane Citrus Farm has not been able to function optimally and thus generate acceptable revenue. The major reasons for lack of profitability of Tekwane Farm include, inter alia: huge overhead costs that drain the operation's profitability as a result of historical decisions relating to the employment of staff; untimely application of fertilizers and pesticides; aging machinery and equipment; and limited capital to fund operations.

iii. The farm has failed to realize profit in this financial year of reporting. This can be attributed to the failure of the marketing agent in channeling the lemon fruit to the most lucrative markets and unnecessary delays in exporting of fruit that coincided with the July 2022 uprising that affected the Durban harbour.

iv. MEGA aims at providing interventions for the commercialisation of Tekwane Citrus Farm.

DIVISIONAL HIGHLIGHTS: (CONTINUED)

CHALLENGES

a) Cashflow constraints and the impact of the national lockdown resulted in non-achievement of some of planned activities for the year.

b) The loan commitment of R8.2 million was not disbursement, due to budget constraints.

Loopspruit Wine Farm

i. Loopspruit Wine Farm is a wine producing business operating, on a 430ha with grapes plantation. The farm had a fairly large infrastructure of buildings, including a well-equipped winery with two wine producing cellars, wine laboratory, restaurant and equipment. The land component consists of some 25ha grape vineyards while the remainder of the land consists of natural veld.

ii. Loopspruit Wine Farm has not been able to realize profits due to lack of financial and human resources, and the location which is a non-wine farm resulting in inconsistent and insufficient yield. The vineyards have been growing old with no planting of new trees due to lack of financial resources. The farm has consistently operated at a loss. In 2020, the farm was gutted by fire and destroyed.

iii. MEGA is currently seeking investors to develop the farm.

iv. MEGA aims at providing interventions for the commercialization of Loopspruit Farm and ensuring its subsequent profitability. Town planning and legal processes have commenced to transfer ownership of the farm from National Government to MEGA.

HIGHLIGHTS / PROGRESS :

a) The R2m annual target for the value of business loans approved was exceeded. Total value of business loans approved to date amounts to R2 906 359.

b) Loans disbursed to businesses increased to R2 621 693 for the year.

c) The value of loans disbursed to housing clients amounts to R 1 287 187.

d) Post investment support was successfully provided to business and home-owners clients throughout the financial year under review.

ANNUAL PERFOMANCE

Strategic objectives, planned targets and actual achievements

Outcome	Output	Output Indicator	Audited Actual Performance 2019/2020	Audited Actual Performance 2020/2021	Planned Annual Target 2021/2022	Actual Achievement 2021/2022	Deviation from planned target to Actual	Reasons for deviations
STRATEGIC GOAL 2: INCREASED IMPLEMENTATION OF SUITABLE HIGH IMPACT INVESTMENTS OPPORTUNITIES IN THE PROVINCE								
Increased access to funding for businesses	Approved business loans	Value of business loans approved	R27.5m	R1.5m	R2m	R2 906 359	-R 906 359	Positive deviation
	Disbursed business loans	Value of business loans disbursed	R16.8m	R6.8m	R10.6m	R 2 621 693	R 7 978 306	The loan commitment of R8.2 million was not disbursed due to budget constraints
Increased access to funding for housing clients	Approved housing loans	Value of housing loans approved	0	0	R1m	R 905 400	R 94 600	Target was exceeded however one loan was rescinded due to changes in the terms and conditions between the buyer and the seller
	Disbursed housing loans	Value of housing loans disbursed	R1.7m	R348k	R2.7m	R 1 287 187	R 1 412 813	The annual target was not achieved due to rescission of some of the prior year loans, and some are still commitments to be disbursed
Improved sustainability of businesses	Post investment monitoring and support provided	Number of businesses provided with post investment support	56	64	150	187	-37	Positive deviation
Improved quality of life through home ownership	Post investment monitoring and support provided	Number of housing clients provided with post investment support	New Indicator	60	420	225	195	The annual target was not achieved due delayed start of the loan book clean-up project, the contract workers only started towards the end of the 3rd quarter
Improved sustainability of equity investments	Perform oversight on equity investments	Number of equity investment monitoring reports	New Indicator	1	4	4	0	None

STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

VALUE OF BUSINESS LOANS DISBURSED

Source funding from other financial institution.

VALUE OF HOUSING LOANS DISBURSED

Disbursement to be done in the new financial year.

NUMBER OF HOUSING CLIENTS PROVIDED WITH POST INVESTMENT SUPPORT

MEGA shall Intensify clients' visits in order to increase the number of housing client provided with post investment support and also conclude the loan book clean-up project in the ensuing financial year.

REPORTING ON THE INSTITUTIONAL RESPONSE TO THE COVID-19 PANDEMIC

None during the financial year under review.

LINKING PERFORMANCE WITH BUDGET

	2021/2022			2020/2021		
Sub-Programmes	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**
	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)
FUNDING	84 861	78 182	6 679	96 701	86 787	9 914
TOTAL	**84 861**	**78 182**	**6 679**	**96 701**	**86 787**	**9 914**

CONDITIONAL GRANT

Only EPWP conditional grant for an amount of R1 300 000 was received in the financial year under review.

DONOR FUNDS

No conditional grants received in the financial year under review.

REVENUE COLLECTION

REVENUE COLLECTION

	2021/2022				2020/2021		
Sources of revenue	**Original Budget**	**Adjusted Budget**	**Actual Amount Invoiced**	**Over/(Under)**	**Budget**	**Actual Amount Invoiced**	**Over/(Under)**
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Municipal Services	85 940	85 940	76 688	(12 252)	67 939	67 585	(354)
Rent	21 348	21 348	23 027	1 679	36 603	36 802	199
Loans	10 290	13 935	15 065	1 090	16 310	15 693	(617)
Other	81 804	78 699	14 366	(64 333)	63 186	75 850	12 664
Total	**199 382**	**199 382**	**129 146**	**(70 236)**	**184 038**	**195 930**	**11 892**

PROGRAMME EXPENDITURE

	2021/2022				2020/2021		
Sources of revenue	**Original Budget**	**Adjusted Budget**	**Actual Amount Invoiced**	**Over/(Under)**	**Budget**	**Actual Amount Invoiced**	**Over/(Under)**
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Office of the CEO	17 651	25 457	25 922	(465)	17 071	16 797	274
Corporate Services	35 371	24 436	23 910	526	24 198	24 406	(208)
Finance	47 558	44 324	46 670	(345)	61 947	51 057	10 890
Trade & Investment	12 706	15 583	14 903	950	14 477	13 775	702
Properties & Infrastructure	190 047	198 870	191 524	7 346	148 283	161 091	(12 808)
Funding	90 713	85 105	77 610	7 495	113 760	111 434	2 326
Total	**394 046**	**394 046**	**378 539**	**15 507**	**379 736**	**378 560**	**1 176**

CAPITAL INVESTMENT, MAINTENANCE AND ASSET MANAGEMENT PLAN

HIGHLIGHTS ON CAPITAL INVESTMENT AND ASSET MANAGEMENT PLAN

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

INFRASTRUCTURE PROJECTS

	2021/2022				2020/2021		
Infrastructure Projects	**Original Budget**	**Adjusted Budget**	**Actual Amount Invoiced**	**Over/(Under)**	**Budget**	**Actual Amount Invoiced**	**Over/(Under)**
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Mpumalanga International Fresh Produce Market	0	0	0	0	271 488	163 554	107 934
Nkomazi Special Economic Zone (SEZ)	20 000	5 880	5 880	0	6 384	1 730	4 654
Total	**20 000**	**5 880**	**5 880**	**0**	**277 872**	**164 554**	**112 588**

THE CURRENT STATE OF THE PUBLIC ENTITY'S CAPITAL ASSETS

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

PROGRAMME EXPENDITURE

	2021/2022				2020/2021		
Sources of revenue	**Original Budget**	**Adjusted Budget**	**Actual Amount Invoiced**	**Over/(Under)**	**Budget**	**Actual Amount Invoiced**	**Over/(Under)**
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Maintenance – vehicles	594	67	52	15	0	0	0
Maintenance – equipment	613	102	79	23	315	21	294
Maintenance – buildings	947	2 483	2 118	365	1 316	943	373
Maintenance – infrastructure	0	0	0	0	0	0	0
Total	**2 154**	**2 652**	**2 249**	**403**	**1 631**	**964**	**667**

PART C

ADV. S.P. MORGAN
COMPANY SECRETARY

CORPORATE GOVERNANCE

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

INTRODUCTION

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

RISK MANAGEMENT

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

MEGA uses a seven-stage process for managing its enterprise risks. The process provides a logical and systematic method of establishing the context, identifying, analysing, integrating, evaluating, treating, monitoring, and communicating risks in a way that allows MEGA to make decisions and respond timely to risks and opportunities as they arise. The risk assessment process enables management to understand the probability of risk and potential impact on the operations of the Agency, while the risk assessment methodology provides management with a portfolio of risks or risk profiles.

The mandate of the Board Audit, Risk & Compliance Committee established in terms of sections 51(1) (a) (ii) and 76(4) (d) of the PFMA and the Treasury Regulations also involves the evaluation of the effectiveness of risk management and monitors progress by management on the mitigation of unacceptable levels of risk. The entity registered slight improvement in risk maturity level which was largely attributed to the inclusion of the risk function on Executive management performance scorecard which resulted in the steady improvements in the culture of risk reporting at executive level. The resuscitation of the Risk Champions and the implementation of a universal risk mitigation plan enabled a holistic view of interventions to treat risks facing the entity.

FRAUD AND CORRUPTION

The Fraud Prevention Plan is in place and is embedded in various processes which incorporate the consideration of preventative, detective and corrective controls in their execution. During the 2020/21 financial year, the ERM Unit undertook a comprehensive and independently conducted organisation-wide fraud risk assessment. The results enabled the business to focus their attention on high fraud risk areas and ensure the deployment of adequate controls to prevent such risks from materialising or mitigate their effect should they materialise.

With the anticipated capacitation of the ERM Unit in the coming financial year, it is envisaged that greater emphasis will be placed on ensuring full implementation and monitoring of the Fraud Prevention Plan in its entirety.

MINIMISING CONFLICT OF INTEREST

In minimising conflict of interest in Supply Chain Management [SCM], all companies that have tendered are screened to ensure that such companies are not controlled, run or owned by MEGA employees, either by association or direct involvement. Declaration of interest forms are circulated to SCM Bid Committee members from specification to adjudication where members are expected to declare if they have any interest with regard to the tender in question, and where interest is declared, the conflicted member is recused from participation.

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

IMPLEMENTATION OF THE FRAUD PREVENTION PLAN

During the 2020/21 financial year, the ERM Unit undertook a comprehensive and independently conducted organisation-wide fraud risk assessment. The results enabled the business to focus their attention on high fraud risk areas and ensure the deployment of adequate controls to prevent such risks from materialising or mitigate their effect should they materialise.

CORPORATE GOVERNANCE (continued)

All reports submitted to the Legislature and other government structures are submitted through the Executive Authority (Shareholder).

CODE OF CONDUCT

The Business Code of Conduct and Ethics (the Code) is enshrined in the Risk Management policies and breach of the code is dealt with through MEGA's disciplinary procedures. The Code is seen as the organisation's moral compass and promotes a culture of honesty, integrity, transparency and ethical business practices. Given its importance in driving a sound ethical culture, the Code is generally included in various fraud and corruption awareness campaigns that are conducted at least twice per annum.

In the coming financial year, there will be greater focus on the promotion of the Code as the moral compass of the organisation and these will include enlisting employees' commitment to abide by the Code.

HEALTH SAFETY AND ENVIRONMENTAL ISSUES

MEGA operates a health and safety management system that is based on best practice and recognises the importance of enabling an efficient organisation by minimising unnecessary losses and liabilities.

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

PORTFOLIO COMMITTEES

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

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

Dates and purpose of the Committee sittings are reflected below:

Date of the Meeting	Subject	Action Plan Undertaken by the Entity
27 May 2021	MEGA's 4th Quarter Report 2020/21	Implemented house resolutions on MEGA's budget for 2019/20 and submitted progress report
18 June 2021	Budget Appropriation Bill, 2021	Consideration of the Budget Appropriation Bill, 2021
24 Aug 2021	MEGA's 1st Quarter Report 2021/22	• Deliberation on the 1st Quarter Report for 2021/22 • Implementation of the House Resolutions emanating from MEGA's 4th Quarter Report for 2020/21
18 Nov 2021	Deliberation of the 2020/21 Annual Reports and 2021/22 Second (2nd) Quarter Report.	• Deliberation of the 2020/21 Annual Report and 2021/22 Second (2nd) Quarter Report. • Implementation of the House Resolutions emanating from MEGA's 1st Quarter Report for 2021/22 and MEGA's 2019/20 Annual Report
18 June 2021	Second Adjustments Appropriation Bill, 2022	Second Adjustments Appropriation Bill, 2022
01 March 2022	MEGA's 3rd Quarter Report 2021/22	Deliberation on the 3rd Quarter Report for 2021/22

SCOPA RESOLUTIONS

The entity appeared before the SCOPA to deliberate on the analysis on its Annual Financial Statements and Oversight Visits. During the sittings the entity further provided progress reports on the implementation of the House Resolutions.

Dates and purpose of the Committee sittings are reflected on the table below:

Resolution No.	Subject	Details	Response by the entity	Resolved (Yes/No)
N/A	Deliberation on the 2019/20 Financial Year Audit Outcome	Deliberation on the 2019/20 Financial Year Audit Outcome	Provided progress report	Yes
N/A	Consideration of the 2020/21 Financial Year Audit	Deliberate on the 2020/21 Financial Year Audit	Provided written response	Yes
N/A	Progress reports on MEGA's Projects	Consideration of the progress reports on MEGA's Projects	Provided written response	Yes

EXECUTIVE AUTHORITY

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

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

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

Details	Submission Date
2022/23 APP and Budget	22 Feb 2022

CORPORATE GOVERNANCE (continued)

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

THE ACCOUNTING AUTHORITY / BOARD

Introduction

MEGA is a schedule 3D entity by virtue of it being the successor in title of the erstwhile MEGA, which was established by the then MEGA Act 4 of 2005.

MEGA is governed by a duly appointed Board of Directors. Schedule 3D entities are regulated by Sections 47 & 76(4) of the PFMA.

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

The Board shall, in respect of the exercise and performance of its powers and functions, be accountable to the Member of the Executive Council. (Section 5 (2) of the MEGA, Act 1 of 2010).

The Accounting Authority / Board

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

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

The Role of the Board

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

a. Retain full and effective control over MEGA, and monitor management's implementation of the strategic plans and financial objectives as defined by the Board;

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

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

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

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

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

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

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

i. Identify and monitor non-financial aspects relevant to the business of MEGA, and ensure that MEGA acts responsibly towards all relevant stakeholders having a legitimate interest in its affairs in order to ensure that MEGA is seen to be a responsible corporate citizen.

Board Charter

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

The Charter accordingly embraces the principles of good governance as set out in the King Code on Good Governance, the Mpumalanga Economic Growth Agency Act, No. 1 of 2010, the Public Finance Management Act, 1999, as amended, as well as the Treasury Regulations ("the PFMA"), the Promotion of Administrative Justice Act, 2000 ("PAJA"), as well as all applicable laws of the Republic of South Africa.

The Charter is reviewed by the Board as and when necessary, to ensure that it remains relevant to the business objectives of MEGA.

Shareholders' Compact

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

DELEGATION

Delegation by the Board

"The Board retains full and effective control over the entity. This responsibility is facilitated by a well-developed governance structure comprising of various Board Committees established in terms of Section 24 of the Act and a comprehensive Delegation of Authority Framework. ".

Delegation of Authority

The Board retains full and effective control over the entity. This responsibility is facilitated by a well-developed governance structure comprising of various Board Committees established in terms of Section 24 of the Act and a comprehensive Delegation of Authority Framework.

The Delegation of Authority Framework assists in the control of the decision-making processes and does not dilute the duties and responsibilities of Board Members.

Board Induction and Orientation

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

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

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

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

Board Evaluation and Performance

The Board is evaluated collectively and individually through a set of corporate governance questionnaires annexed to the Board Charter.

The assessments in the main, serve as tools for improving governance practice thereby assisting the Board to better understand their own roles and responsibilities and how they can more effectively fulfil their fiduciary duties and obligations.

The Board evaluation also serves as a formal method to facilitate Board development and foster communications among Directors and between the Board and Management and increase accountability within the organization. However, it should be noted that Board evaluation could not be done in the year under review (2021/22) due to the absence of a full-term Board and the constant change of Interim Boards.

Composition of the Board

Members of the Board are appointed in terms of the MEGA Act by the Member of the Executive Council (MEC) responsible for the Department of Finance, Economic Development and Tourism (FDEDT) in consultation with the Executive Council of the Mpumalanga Province for a period not exceeding four (4) years.

Members are eligible for re-appointment as members of the Board for a 2nd term at the expiry of their terms of office which is determined by the Member of the Executive Council from time to time.

The composition of the Board in terms of the Act, prescribes a minimum number of nine (9) and a maximum number of eleven (11) Board Members, all of whom shall be non-executive members and the Chief Executive Officer, as an ex officio Member.

During the period under review, an Interim Board was appointed for a period of six (6) months effective from 12 April to 31 August 2021.

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

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

INTERIM BOARD

During the period 12 April to 31 August 2021, the Interim Board comprised of the following Members:

Name	Date appointed	Date resigned	Qualifications	No. of Meetings attended
Mr. Mkhwanazi DS **Chairperson**	12 April 2021	31 August 2021	• Degree in Public Management; National Diploma in Public Management • National Certificate in Public Management • Certificate in Economics & Public Finance	6/6
Ms Mkhumane N **Deputy Chairperson**	12 April 2021	31 August 2021	• Bachelor of Commerce Degree; UNISWA 1997 Major: Finance and Management Accounting • Chartered Institute of Management Accountants (Diploma in Law and Taxation) IEIC, 2000 • Executive Management Development Programme; Wits Business School, 2003 • Project Management Appraisal; Queens University Canada, 2004 • Certificate in Board Leadership; GIBS Business School, 2009 & 2012 • O level: Saint Michaels Girls School, 1992 (passed in Merit category with distinction)	6/6
Mr. Mbungela BV **Board Member**	12 April 2021	31 August 2021	• BPROC (University of Limpopo). • Admitted Attorney of the High Court of South Africa).	6/6
Ms Sithole S **Board Member**	12 April 2021	31 August 2021	• Junior Primary Teachers Diploma (Transvaal College of Education) • Certificate in Technology Education • Bachelor of Arts (University of South Africa) • LLB (University of South Africa) • Certificate in Financial and Accounting Principles for Public Entities (University of South Africa) • Certificate in Project Management (Regenesys) • Professional Certificate in Public Management (WITS)	6/6
Mr Shongwe S **Board Member**	12 April 2021	31 August 2021	• Introduction to Micro Computers for Windows (Damelin Business School) • Executive Management Programme NQF Level 8 (Turfloop Graduate School of Leadership)	5/6
Ms. Mkhwanazi MA **Board Member**	12 April 2021	31 August 2021	• Executive Leadership Municipal Development Programme (University of Pretoria) • Computer Literacy Certificate (Pretoria Technikon)	6/6
Ms. Oyiya N **Board Member**	12 April 2021	31 August 2021	• Bachelor in Business Administration (Honours) Public Sector Management (Southern Business School). • Bachelor of Business Administration (BBA) Public Sector Management (Southern Business School). • Diploma: Public Sector Management (Southern Business School). • Bit Committees- PFMA (National School of Governance). • Certificate: Outcome Based Monitoring & Evaluation Implementation (University of Pretoria). • Certificate: Programme in Principles of Business Management (WITS). • Certificate: Programme in Principles of Business and Management (Wits). • Fundamentals of Microsoft Office (Damelin Business School).	6/6
Mr. Shongwe ZT **Board Member**	12 April 2021	31 August 2021	• B. Com (University of Zululand) • Property Development and Investment (University of Cape Town)	6/6
Mr. Masilela ZM **Board Member**	12 April 2021	31 August 2021	• National Diploma (Tshwane University of Technology • B-Tech in Public Administration (Tshwane University of Technology) • Development & Management of Local Government (Wits Business School) • Municipal Finance & Supply Chain Management part 1- NQF Level 6	6/6
Mr. Mahlangu JL **Board Member**	12 April 2021	31 August 2021	• Diploma in Governance and Public Leadership (Graduate School of Governance-WITS) • Certificate in Governance and Public Leadership (Graduate School of Public and Development Management- WITS) • Certificate (Graduate School of Leadership (University of South Africa) • Management Development Programme (Graduate School of Management-University of Pretoria) • Marketing Management (Graduate School of Management- University of Pretoria)	6/6

FULL-TERM BOARD

During the period 01 September 2021 to 31 March 2022, the full-term Board comprised of the following Members

Name	Date appointed	Date resigned	Qualifications	No. of Meetings attended
Mr. Motau TP **Chairperson**	01 September 2021	N/A	• Bachelor of Arts (University of Johannesburg) • Bachelor of Arts Honours- Public Management & Governance (University of Johannesburg	5/5
Ms Pule DD **Deputy Chairperson**	01 September 2021	N/A	• Bachelor of Arts (University of South Africa) • Secondary Teachers Diploma (Elijah Mango College) • Public Relations Certificate (PRISA) • Media Liaison Certificate (PRISA)	5/5
Ms. Mothoa MM **Board Member**	01 September 2021	N/A	• University Diploma in Education (UDE) • Higher Diploma in Education (HED) • Advanced Certificate in Education • BED (HONS)- Management	4/5
Mr. Pule CJ **Board Member**	01 September 2021	N/A	• BSc-Actuarial & Financial Mathematics (University of Pretoria)	5/5
Mr. Mahlangu JL **Board Member**	01 September 2021	N/A	• Diploma in Governance and Public Leadership (Graduate School of Governance-WITS) • Certificate in Governance and Public Leadership (Graduate School of Public and Development Management- WITS) • Certificate (Graduate School of Leadership (University of South Africa) • Management Development Programme (Graduate School of Management-University of Pretoria) • Marketing Management (Graduate School of Management- University of Pretoria)	5/5
Ms. Lebambo N **Board Member**	01 September 2021	N/A	• Financial Journalism-NQF Level 7 (Rhode University) • Online & social media-NQF Level 5 (Media24, FP&Mseta & AIP) • Media & Journalism (Jeppe College of Commerce & Computer Studies)	5/5
Mr. Maimela D **Board Member**	01 September 2021	N/A	• Master's in politics- Cum Laude (University of Johannesburg) • BA Hons-International Relations (University of Pretoria) • B. PoLSci- Political Sciences (University of Pretoria) • United States Studies (Universities of Pretoria & Indiana) • Research Proposal Writing Skills (Wits University) • Seminar on Economic & Social Development (Academy for International Business Officials (AIBO) Beijing, China	5/5
Ms Mkhumane N **Board Member**	01 September 2021	N/A	• Bachelor of Commerce Degree; UNISWA 1997 Major: Finance and Management Accounting • Chartered Institute of Management Accountants (Diploma in Law and Taxation) IEIC, 2000 • Executive Management Development Programme; Wits Business School, 2003 • Project Management Appraisal; Queens University Canada, 2004 • Certificate in Board Leadership; GIBS Business School, 2009 & 2012 • O level: Saint Michaels Girls School, 1992 (passed in Merit category with distinction)	5/5
Ms. Radebe M **Board Member**	01 September 2021	N/A	• Honours Degree in Public Administration (University of South Africa) • Bachelor of Arts in Human & Social Studies (University of South Africa) • Diploma in Management (Southern Business School)	4/5
Mr. Masilela MSK **Board Member**	01 September 2021	N/A	• National Diploma (Tshwane University of Technology • B-Tech in Public Administration (Tshwane University of Technology) • Development & Management of Local Government (Wits Business School) • Municipal Finance & Supply Chain Management part 1- NQF Level 6	5/5

CORPORATE GOVERNANCE (continued)

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

AREA OF EXPERTISE AS PER THE MPUMALANGA ECONOMIC GROWTH AGENCY ACT NO.1 OF 2010

Board Committees

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

The Board during its term of office, constituted various Committees in order to assist the Board in discharging its responsibilities. This assistance is rendered in a form of recommendations and reports submitted to Board meetings ensuring transparency and full disclosure of Committee activities. All Committee Members are Non-Executive Directors and the Board during the period under review, consisted of four [4] Committees namely:

a. Human Resources & Remuneration Committee (HR)
b. Finance & Investment Committee (FINCOM)
c. Loans Committee
d. Board Audit, Risk & Compliance Committee (BARCC)

Human Resources & Remuneration Committee

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

The objectives of the Committee are to:

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

Social Responsibilities (Regulation 43 of the Companies Act)

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

i. Monitoring the Agency's activities, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice, with regard to matters relating to:

a. Social and economic development including the Agency's standing in terms of the goals and purposes of-
   (aa) the 10 principles set out in the United Global Compact Principles ("the UGCP");
   (bb) the OECD recommendations regarding corruption;
   (cc) the Employment Equity Act; and
   (dd) the Broad-Based Black Economic Empowerment Act;
b. Good corporate citizenship including the Agency's standing in terms of the goals and purposes of-
   (aa) promotion of equality, prevention of unfair discrimination, and reduction of corruption;
   (bb) contribution to development of the communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed; and
   (cc) record of sponsorship, donations and charitable giving.
c. Environment, Health and Safety including the impact of the Agency's activities and of its products or services.
d. Consumer Relationships including the Agency's advertising, public relations and compliance with consumer protection laws;
e. Stakeholder relations including community development, stakeholder engagements, Management of Brand and Reputational Risks.
f. Labour and employment including-
   (aa) the Agency's standing in terms of the International Labour Organization Protocol on decent work and working conditions; and
   (bb) the Agency's employment relationships, and its contribution towards the educational development of its employees;
g. Drawing matters within its mandate to the attention of the Board as occasion requires

Finance and Investment Committee

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

a. The objectives of the Committee are inter alia to:
   aa. Provide inputs on the Strategic Plan of the organization for approval by the Board.
   bb. Review the accuracy of the draft budget as submitted by management, and ensure that the budget is aligned to the approved Strategic Plan.
   cc. Review the financial quarterly performance reports as submitted by management and recommend same for Board approval.
   dd. Ensure that MEGA has and maintains sound financial policies.
   ee. Ensure proper control over MEGA's investment projects.

SECTION 6(d)

The members shall be:-

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

Loans Committee

The Loans Committee is comprised of five [5] Non-Executive Directors.

The objectives of the Committee are inter alia to:

a. Consider loan applications for Business Development, Agriculture and Housing between the values of R5m – R10m in terms of the Delegations of Authority Framework approved by the Board.

b. Recommend all loans above R10m to the Board for approval.

c. Recommend the design, selection, implementation, oversight and performance of any rating systems employed by the Agency.

d. Recommend any debt write-offs to the Board, Audit Risk & Compliance Committee in line with MEGA's policies.

e. Recommend debt restructuring to the Board with regards to clients affected by economic/ climate conditions and any other conditions that may warrant Board's intervention.

f. Recommend to the Board, any new lending product area, market or lending jurisdiction.

g. Annually review the loan policies and procedures and present them to the Board for approval.

h. Regularly analyse the loan portfolio and monitor lending areas for alignment to the Agency's risk appetite.

i. Update the Board with regards to the market credit risks and any other matters connected therewith.

Board Committees during the period 12 April to 31 August 2022

Committee	No. of Meetings	No. of Members	Names of Members
HUMAN RESOURCES	2/2	5	• Mr. JL Mahlangu (Chairperson) • Mr. S Shongwe • Ms. MA Mkhwanazi • Ms. S Sithole • Mr. MSK Masilela
BARCC	4/4	5	• Mr. ZT Shongwe (Chairperson) • Ms. N Oyiya • Mr. JL Mahlangu • Ms. S Sithole • Mr. BV Mbungela
FILCOM	2/2	5	• Ms. N Mkhumane (Chairperson) • Mr. BV Mbungela • Ms. N Oyiya • Mr. MSK Masilela • Mr. S Shongwe

Board Committees during the period 01 September 2021 to 31 March 2022

Committee	No. of Meetings	No. of Members	Names of Members
LOANS	2/2	4	• Ms. DD Pule (Chairperson) • Mr. MSK Masilela • Ms. M Radebe • Ms. MM Mothoa
HUMAN RESOURCES	3/3	5	• Mr. D Maimela (Chairperson) • Mr. MSK Masilela • Mr. CJ Pule • Ms. M Radebe • Ms. MM Mothoa
BARCC	5/5	4	• Ms. N Mkhumane (Chairperson • Mr. J Mahlangu • Mr. CJ Pule • Ms. N Lebambo
FINCOM	2/2	5	• Mr. JL Mahlangu (Chairperson) • Mr. D Maimela • Ms. N Mkhumane • Ms. DD Pule • Ms. N Lebambo

** The Loans Committee was merged with the Finance and Investment Committee (FINCOM) to form the Finance, Loans and Investment Committee (FILCOM) during the Board of 12 April to 31 August 2022 due to overlap of functions within the two Committees. The FILCOM was later demerged back to Loans and FINCOM, respectively, from September 2021.*

Remuneration of Board Members

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

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

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

INTERNAL AUDIT UNIT

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

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

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

c. Policies and procedures: each division ensures that all policies applicable and necessary for its functioning are developed and reviewed. Monitoring of compliance with policies and relevant prescripts are performed by the Legal Unit.

INTERNAL AUDIT AND AUDIT COMMITTEES

Key activities and objectives

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

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

The purpose of the MEGA's Internal Audit Function is to provide independent, objective assurance and consulting services designed to add value and improve the MEGA's operations. The mission of Internal Audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight.

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

Internal Audit did review all major areas through an in-depth follow up audit conducted in 2021/22 of all reported areas from both the AGSA Management Report and the various Internal Audit reports concluded in 2021/22. This allowed appropriate coverage of key areas within MEGA.

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

a) Compliance Audit;
b) IA considerations in the entity's response to COVID;
c) Irregular expenditure review;
d) Annual Financial Statements;
e) Funding/Equity Investments;
f) Performance Information Q1, Q2 & Q3;
g) IT Application controls, business continuity and Cyber security;
h) Supply Chain Management;
i) Revenue collection, Expenditure and Budget Management;
j) Risk Management, PoPIA readiness and Governance.

b. **Key activities and objectives of the Board Audit, Risk and Compliance Committee:** The BARCC must function in accordance with Treasury Regulations 27.1.

Its role and responsibilities, amongst others, are to review the following:

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

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

The BARCC must –

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

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

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

Board Audit, Risk & Compliance Committee [BARCC]

The Board Audit, Risk & Compliance Committee has been established in terms of sections 51(1) (a) (ii) and 76(4) (d) of the PFMA and the Treasury Regulations to monitor the scope and effectiveness of the internal and external audit functions.

The Committee is comprised of a minimum of three [3] Non- Executive Directors in line with the prescripts of the MEGA Act of 2010 and is chaired by an independent Non-Executive Director.

DELEGATION

Delegation by the Board

"The Board retains full and effective control over the entity. This responsibility is facilitated by a well-developed governance structure comprising of various Board Committees established in terms of Section 24 of the Act and a comprehensive Delegation of Authority Framework. ".

During the period 12 April to 31 August 2021, Board Audit, Risk & Compliance Committee Members comprised of the following Members:

Name	Qualifications	External or Internal?	If internal, position in the public entity	Date Appointed	Date Resigned	No. of Meetings attended
Mr. Shongwe ZT **Chairperson**	• B. Com (University of Zululand) • Property Development and Investment (University of Cape Town)	External	N/A	12 April 2021	31 August 2021	4/4
Mr. Mahlangu JL **Member**	• Diploma in Governance and Public Leadership (Graduate School of Governance-WITS) • Certificate in Governance and Public Leadership (Graduate School of Public and Development Management- WITS) • Certificate (Graduate School of Leadership (University of South Africa) • Management Development Programme (Graduate School of Management- University of Pretoria) • Marketing Management (Graduate School of Management- University of Pretoria)	External	N/A	12 April 2021	31 August 2021	4/4
Ms. Sithole S **Member**	• Junior Primary Teachers Diploma (Transvaal College of Education) • Certificate in Technology Education • Bachelor of Arts (University of South Africa) • LLB (University of South Africa) • Certificate in Financial and Accounting Principles for Public Entities (University of South Africa) • Certificate in Project Management (Regenesys) • Professional Certificate in Public Management (WITS)	External	N/A	12 April 2021	31 August 2021	4/4
Ms. Oyiya N **Member**	• Bachelor in Business Administration (Honours) Public Sector Management (Southern Business School) • Bachelor of Business Administration (BBA) Public Sector Management (Southern Business School) • Diploma: Public Sector Management (Southern Business School) • Bit Committees- PFMA (National School of Governance) • Certificate: Outcome Based Monitoring & Evaluation Implementation (University of Pretoria) • Certificate: Programme in Principles of Business Management (WITS) • Certificate: Programme in Principles of Business and Management (Wits) • Fundamentals of Microsoft Office (Damelin Business School)	External	N/A	12 April 2021	31 August 2021	4/4
Mr. Mbungela BV **Member**	• BPROC (University of Limpopo) • Admitted Attorney of the High Court of South Africa)	External	N/A	12 April 2021	31 August 2021	4/4

CORPORATE GOVERNANCE (continued)

During the period 01 September 2021 to 31 August 2022, the Board Audit, Risk & Compliance Committee Members comprised of the following Members:

Name	Qualifications	External or Internal?	If internal, position in the public entity	Date Appointed	Date Resigned	No. of Meetings attended
Ms. Mkhumane N **Chairperson**	• Bachelor of Commerce Degree; UNISWA 1997 Major: Finance and Management Accounting • Chartered Institute of Management Accountants (Diploma in Law and Taxation) IEIC, 2000 • Executive Management Development Programme; Wits Business School, 2003 • Project Management Appraisal; Queens University Canada, 2004 • Certificate in Board Leadership; GIBS Business School, 2009 & 2012 • O level: Saint Michaels Girls School, 1992 (passed in Merit category with distinction)	External	N/A	01 September 2021	Current	5/5
Mr. Mahlangu JL **Member**	• Diploma in Governance and Public Leadership (Graduate School of Governance-WITS) • Certificate in Governance and Public Leadership (Graduate School of Public and Development Management- WITS) • Certificate (Graduate School of Leadership (University of South Africa) • Management Development Programme (Graduate School of Management-University of Pretoria) • Marketing Management (Graduate School of Management- University of Pretoria)	External	N/A	01 September 2021	Current	5/5
Mr. Pule CJ **Member**	• BSc-Actuarial & Financial Mathematics (University of Pretoria)	External	N/A	01 September 2021	Current	5/5
Ms. Lebambo N **Member**	• Financial Journalism-NQF Level 7 (Rhode University). • Online & social media-NQF Level 5 (Media24, FP&Mseta & AIP) • Media & Journalism (Jeppe College of Commerce & Computer Studies.	External	N/A	01 September 2021	Current	5/5

BARCC

Responsibilities

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

COMPLIANCE WITH LAWS AND REGULATIONS

As a Provincial Government Business Enterprise, MEGA is subject to numerous laws, rules and regulations. The entity must at all times, comply with all applicable legislative prescripts as well as internal policies that are approved by the Accounting Authority.

The PFMA and the MEGA Act are the basis on which MEGA must start with compliance, followed by all other legislation that regulate MEGA’s operations in relation to the different business units.

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

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

COMPANY SECRETARY

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

SOCIAL RESPONSIBILITY

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

CORPORATE GOVERNANCE (continued)

AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2022.

Audit Committee Responsibility

The Audit Committee reports that it has complied with its responsibilities arising from Section 77 of the Public Finance Management Act and Treasury Regulation 3.1.13. The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein, except that we have not reviewed changes in accounting policies and practices.

The Effectiveness of Internal Control

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

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

(a) Compliance Audit;
(b) Considerations in the entity's response to COVID;
(c) Irregular expenditure review;
(d) Annual Financial Statements;
(e) Funding/Equity Investments;
(f) Performance Information Q1, Q2,Q4 and Q3;
(g) IT Application controls, business continuity and Cyber security;
(h) Supply Chain Management;
(i) Revenue collection, Expenditure and Budget Management;
(j) Risk Management, PoPIA readiness and Governance.

We are satisfied that the internal control systems in operation at MEGA pertaining to financial management were satisfactory, with need for some improvements.

However, we are not satisfied with the internal controls deficiencies at the following operational areas:

(a) Property and Infrastructure Development Management;
(b) Funding;
(c) Supply chain management. It must be noted that controls within SCM have been enhanced. However, the capacity constraints experienced with in the Office of the CFO and the entity as a whole, does impact compliance from time to time.

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

In-Year Management and Monthly / Quarterly Report

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

Evaluation of Financial Statements

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

Auditor's Report

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

The Audit Committee concurs and accepts the conclusions of the Auditor General during the 2021/2022 financial year audit on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the auditor.

Ms. N. Mkhumane
BARCC Chairperson
Mpumalanga Economic Growth Agency

BARCC

Responsibilities

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

BBBEE COMPLIANCE PERFORMANCE INFORMATION

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

Has the Department / Public Entity applied any relevant Code of Good Practice (B-BBEE Certificate Levels 1 – 8) with regards to the following:

Criteria	Response Yes / No	Discussion (include a discussion on your response and indicate what measures have been taken to comply)
Determining qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law?	N/A	N/A
Developing and implementing a preferential procurement policy?	N/A	N/A
Determining qualification criteria for the sale of state-owned enterprises?	N/A	N/A
Developing criteria for entering into partnerships with the private sector?	N/A	N/A
Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad Based Black Economic Empowerment?	N/A	N/A

PART D

HUMAN RESOURCES

CORPORATE SERVICES

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

INTRODUCTION

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

It seeks to:

a. Promote sound employee relations and labour stability.

b. Promote and practice effective recruitment and retention practices.

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

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

e. Constantly develop individual employees through training interventions.

f. Create a risk-intelligent organization.

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

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

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

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

Highlights / progress made

Re-grading of Positions

Pursuant to the finalization of the OD process in the previous financial year, wherein all employees were placed on the approved organogram, MEGA embarked on a job re-grading process to ensure alignment of job profiles with the strategic objectives of the entity. The process is at an advance stage and will be finalized in the 1st quarter of the ensuing financial year.

Review of Human Resources (HR) Policies

The review of HR Policies has been finalised. Ten (10) revised policies have been approved by the Board of Directors. The revised policies are as follows:

a. Recruitment and Selection Policy
b. Induction Policy
c. Management of Probation Policy
d. Remuneration Policy
e. Cell phone Allowance Policy
f. Acting Allowance Policy
g. Secondment Policy
h. Terminations Policy
i. Grievance Policy
j. Disciplinary Code and Procedure

Recruitment of the Chief Executive Officer

The position of the CEO became vacant due to the expiry of the Employment Contract of the former CEO in 31st December 2019. The recruitment process of the position of the CEO was finalized during the period under-review.

Human Resource Development

The division continued to develop employees in various fields in line with the Workplace Skills Plan. Below herewith find the table that depicts the studies approved. The following training interventions were facilitated:

Training	Division/Unit
POPI Act and	Funding Finance Corporate Services
Performance Management and Development System	All Acting General Manager Managers
Project Management	SEZ
Building Relations in the Workplace	Management Organised Labour
Credit Collection policy	Credit collection unit
Advance Plumbing	Infrastructure and Properties Management
Commercial Contract Law	Company Secretariat and Legal Services

Reporting on the Institutional Response to the COVID-19 Pandemic

MEGA continued to monitor the spread of Covid -19 and compliance to the National Disaster Regulations, though information sharing, regular communication, placement signage, screening of employees and visitors who enter the premises of the entity and procurement of the necessary PPE required to ensure safety of its employees.

HUMAN RESOURCES (continued)

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

R 126,490,923.90 TOTAL PERSONNEL COST

HUMAN RESOURCE OVERSIGHT STATISTICS

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

Personnel Cost by programme/ activity/ objective

Personnel Cost by Programme	Expenditure for the entity	No. of employees paid between April 2021 to 31 Mar 22	Personnel exp. as a % of total exp. (R'000)	Average personnel cost per employee (R'000)
CEO'S office	R9 709 824,58	8	8	R1 213 728,07
Finance	R17 894 932,48	19	14	R941 838,55
Corporate Services	R20 279 568,48	20	16	R1 013 978,42
Trade and Investment	R9 852 143,56	8	8	R1 231 517,95
Funding	R37 062 736,75	49	29	R756 382,38
Properties & Infrastructure	R22 038 402,51	41	17	R537 522,01
SUB TOTAL	**R116 837 608,36**	**145**	**92**	**R805 776,60**
Interns and fixed contractors	R2 320 843,59	19	2	R122 149,66
Pay-out on terminations	R3 517 664,26	15	3	R234 510,95
SUB TOTAL	**R5 838 507,85**	**34**	**5**	**R171 720,81**
EPWP	R1 241 675,45	28	1	R44 345,55
Loopspruit	R282 128,80	5	0	R56 425,76
Board	R2 291 003,44	19	2	R120 579,13
SUB TOTAL	**R3 814 807,69**	**52**	**3**	**R73 361,68**
GRAND TOTAL	**R126 490 923,90**	**231**	**100**	**R 547 579,75**

R 450,903.77

Average personnel cost per employee

Personnel cost by salary band

Level	Personnel Expenditure (R'000)	% of personnel exp. to total personnel cost (R'000)	No. of employees	Average personnel cost per employee (R'000)
Top Management	R1 457 789,66	1	1	R1 457 789,66
Senior Management	R28 952 686,11	23	15	R1 930 179,07
Professional Qualified	R23 780 613,80	19	20	R1 189 030,69
Skilled	R47 884 745,44	38	57	R840 083,25
Semi-skilled	R3 423 616,14	3	9	R380 401,79
Unskilled	R11 338 157,21	9	43	R263 678,07
SUB TOTAL	**R116 837 608,36**	**93**	**145**	**R 1 256 318,36**
Interns and Fixed Term	R2 320 843,59	2	19	R122 149,66
Pay-out on terminations	R3 517 664,26	3	15	R1 172 554,75
EPWP	R1 241 675,45	1	28	R1 241 675,45
Loopspruit	R282 128,80	0	5	R282 128,80
Board	R2 291 003,44	2	19	R1 145 501,72
GRAND TOTAL	**R126 490 923,90**	**101**	**231**	**R1 252 385,38**

Performance Rewards

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

Training Costs

Level	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as a % of Personnel Cost.	No. of employees training per programme	Average training cost per employee
CEO's office	R9 709 824,58	R25 887,96	0,27	9	R2 876,44
Finance	R17 894 932,48	R32 639,49	0,18	17	R1 919,97
Corporate Services	R20 279 568,48	R32 533,40	0,16	13	R2 502,57
Funding	R37 062 736,75	R36 984,07	0,10	32	R1 155,75
Property Management and Infrastructure	R22 038 402,51	R44 187,52	0,20	10	R4 418,75
Trade and Investment	R9 852 143,56	R47 139,43	0,48	6	R7 856,57
SEZ		R43 696,55		4	R10 924,14
TOTAL	**R116 837 608,36**	**R263 068.42**	**1**	**91**	**R31 654,19**

HUMAN RESOURCES (continued)

Employment and vacancies

Programme/activity/ objective	2020/2021 Approved Posts	2020/2021 No. of Employees	2020/2021 No. of Unplaced Employees	2021/2022 No. of employees	2021/2022 Vacancies	% of vacancies
CEO'S office	15	0	8	7	3	
Finance	36	9	19	17	7	
Corporate Services	38	24	20	18	7	
Properties & Infrastructure	67	55	49	18	7	
Funding	73	14	41	32	12	
Trade and Investment	30	47	8	22	8	
GRAND TOTAL	**259**	**149**	**145**	**114**	**42**	

Employment changes

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

Salary Band	Employment at beginning of period	Appointments and placements	Terminations Placed employees	Employment at end of the period
Top Management	0	1	0	1
Senior Management	9	6	0	15
Professional qualified	24	0	4	20
Skilled	55	2	0	57
Semi-skilled	14	0	5	9
Unskilled	47	0	4	43
TOTAL	**149**	**9**		**145**

9%
NO. OF STAFF LEAVING

Reasons for staff leaving

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

LABOUR RELATIONS: MISCONDUCT AND DISCIPLINARY ACTION

During the period under review, there were no misconduct and Disciplinary actions against employees.
The following are Labour litigations against MEGA:

Occupational Level	No. of Employees	Description	Status
Top Management	3	Unfair labour practice due to none payment of 13th cheque and performance bonus	The matter is at Labour Court
		payment of 13th cheque and performance bonus	The matter was settled out of CCMA
Professional	3	Unfair labour Practice	The matter was settled out of CCMA
Professional	3	Unfair labour Practice	The matter was settled out of CCMA

HUMAN RESOURCES (continued)

Equity Target and Employment Equity Status

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

LEVELS	FEMALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	2	0	0	0	0		1
Senior Management	4	2	1	1	0			1
Professional Qualified	5	5	1	0	0	1	1	1
Skilled	26	0	2	0	1	0	2	1
Semi-Skilled	6	0	0	0	0	0	0	0
Unskilled	30		0	0	0	0	0	0
TOTAL	**71**		**4**		**1**		**3**	

Temporary Employees

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

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

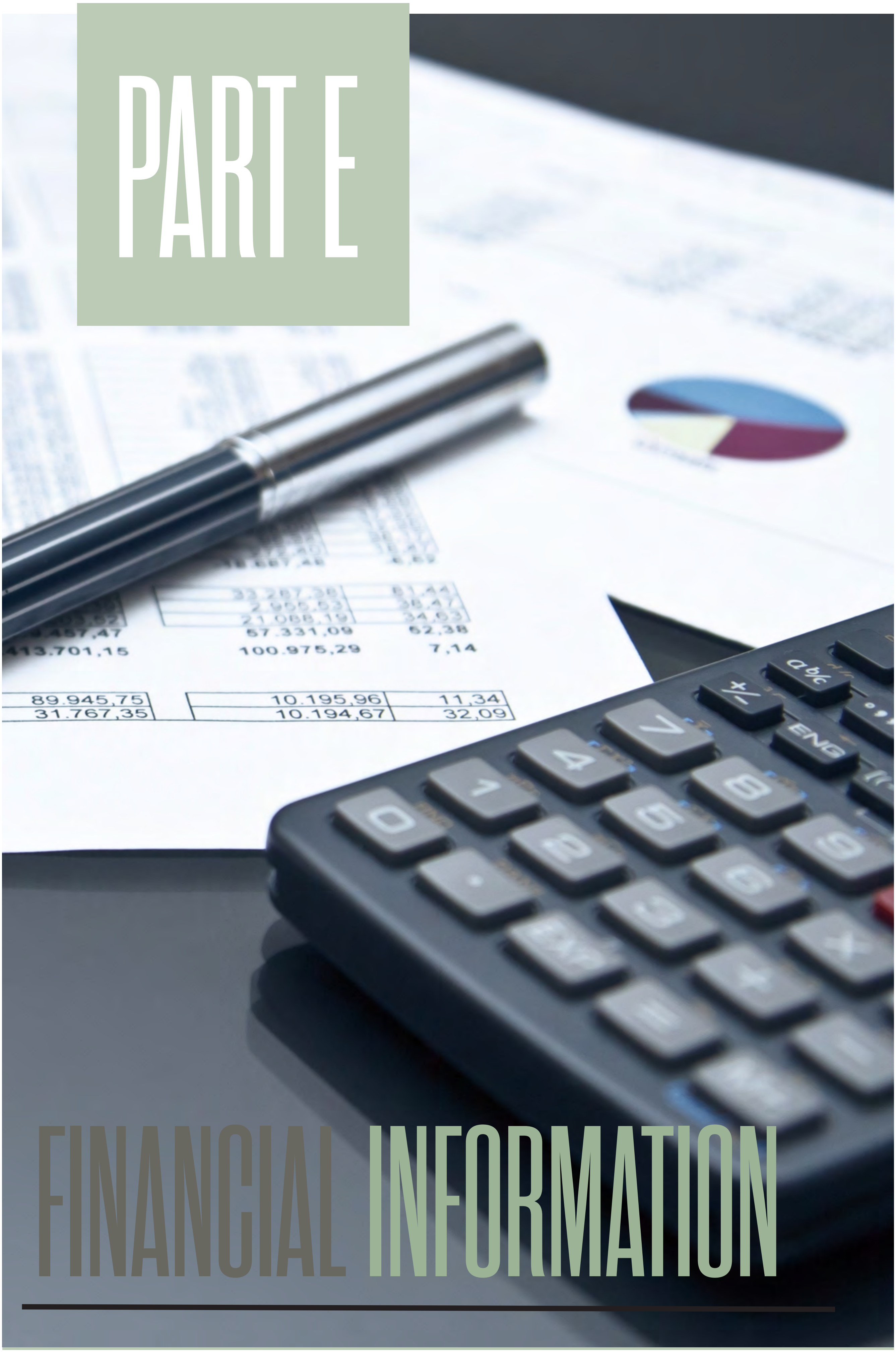
01
Employee with Disability

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

HEALTH SAFETY AND ENVIRONMENTAL ISSUES

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

PART E



FINANCIAL INFORMATION

1 REPORT OF THE EXTERNAL AUDITOR

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

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Mpumalanga Economic Growth Agency set out on pages 94 to 175 which comprise the statement of financial position as at 31 March 2022, the statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Mpumalanga Economic Growth Agency as at 31 March 2022, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

Basis for opinion

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

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

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

Emphasis of matters

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

Material impairments

7. As disclosed in note 9 to the financial statements, the public entity incurred material impairments of R139 518 800 as a result of the provision for impairment of other financial assets.

8. As disclosed in note 10 to the financial statements, the public entity incurred material impairments of R370 048 246 as a result of the provision for impairment of trade and other receivables.

Restatement of corresponding figures

9. As disclosed in note 32 to the financial statements, the corresponding figures for 31 March 2021 were restated as a result of an error in the financial statements of the public entity, at and for the year ended, 31 March 2022.

Subsequent events

10. I draw attention to note 35 in the financial statements, which deals with subsequent events and specifically the possible effects of a lease agreement that the public entity has entered into for an initial period of 10 years. Management has also described how it plans to deal with these events and circumstances. My opinion is not modified in respect of this matter.

Responsibilities of the accounting authority for the financial statements

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

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

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

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

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

Report on the audit of the annual performance report

Introduction and scope

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

16. My procedures address the usefulness and reliability of the reported performance information, which must be based on the public 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 public 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.

17. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the public entity's annual performance report for the year ended 31 March 2022:

Programme	Pages in the annual performance report
Programme 6 – funding	52 - 57

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

19. I did not identify any material findings on the usefulness and reliability of the reported performance information for this programme.

Other matters

20. I draw attention to the matters below.

Achievement of planned targets

21. Refer to the annual performance report on pages 28 to 57 for information on the achievement .of planned targets for the year and management's explanations provided for the under/over achievement of targets.

Adjustment of material misstatements

22. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of programme 6 – funding. As management subsequently corrected the misstatements, I did not raise material findings on the usefulness and reliability of the reported performance information.

Report on the audit of compliance with legislation

Introduction and scope

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

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

Annual financial statements, performance and annual report

25. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records, as required by section 55(1)(a) and (b) of the PFMA.

26. Material misstatements of non-current assets, current assets, liabilities and disclosure items identified by the auditors in the submitted financial statements were corrected and the supporting records were provided subsequently, resulting in the financial statements receiving an unqualified opinion.

Expenditure management

27. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R25 354 821, as disclosed in note 37 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA.

28. Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R454 636, as disclosed in note 36 to the annual financial statements, as required by

section 51(1)(b)(ii) of the PFMA. The majority of the fruitless and wasteful expenditure was caused by interest charges on overdue accounts.

Revenue management

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

Other information

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

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

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

33. If, based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact. I have nothing to report in this regard.

Internal control deficiencies

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

35. Oversight responsibility was not fully exercised over financial and performance reporting, including compliance with laws and regulations.

36. Management did not implement a record management policy and the related procedures to ensure that documentation in support of financial and performance reporting is properly maintained and controlled and easily retrievable.

37. There was insufficient monitoring and review of compliance with laws and regulations.

38. The permanent board was appointed after the financial year commenced, and thus its impact was only felt from the second quarter going forward. Therefore we still noted some instability for the period under review.

Material irregularities

39. In accordance with the PAA and the Material Irregularity Regulations, I have a responsibility to report on material irregularities identified during the audit.

Material irregularities identified during the audit

40. The material irregularities identified are as follows:

Effective and appropriate steps not taken to collect all revenue due to the public entity

41. The public entity did not take effective and appropriate steps to collect all revenue due, as required by section 51(1)(b)(i) of the PFMA. The public entity failed to implement key aspects of the debt management policy to ensure that all revenue that is due to it is collected. Consequently, the debtors of the public entity were impaired significantly. The non-compliance is likely to result in a material financial loss if the debt management policy is not implemented effectively.

42. The accounting authority was notified of this material irregularity on 9 December 2021 and was invited to make a written submission on the actions taken and actions that will be taken to address the matter. I considered the submissions of the accounting authority and the supporting documents. The accounting authority capacitated the credit control unit by appointing legal interns to assist with debt collection, as well as appointing a panel of legal practitioners and an external debt collector. The accounting authority has further strengthened the internal controls on defaulting debtors.

43. The material irregularity is therefore resolved.

Material irregularities in progress

44. I identified a material irregularity during the audit and notified the accounting authority, as required by material irregularity regulation 3(2). By the date of this auditor's report, I had not yet completed the process of evaluating the response from the accounting authority. This material irregularity will be included in the next year's auditor's report.

Other reports

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

46. One forensic investigation was ongoing at the time of the audit, relating to fraud allegations in the public entity's Funding and Properties divisions. This investigation, being conducted by the public entity's internal audit unit, had not been concluded at the date of this audit report.

Auditor - General

Auditor-General

Mbombela

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

Financial statements

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

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

Communication with those charged with governance

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

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

ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2022

GENERL INFORMATION

Country of incorporation and domicile:

South Africa

Nature of business and principal activities:

An official development finance institution and the trade and investment promotion arm of the Provincial Government of Mpumalanga, dedicated to positioning the province as an investment destination of choice and a regional trade hub.

Directors:

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

Registered office:

20 Paul Kruger Street, P.O.Box 5838, Absa Square, 1200.

Business address:

20 Paul Kruger Street, Absa Square, Nelspruit, 1200.

Postal address:

P.O.Box 5838, Nelspruit, 1200.

Bankers:

Absa Bank Limited; Standard Bank Limited; First National Bank.

Auditors:

Auditor-General of South Africa

Company secretary:

Advocate SP Morgan

INDEX

Directors' Responsibilities and Approval

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

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

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

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

The directors have reviewed the entity's cash flow forecast for the year to 31 March 2022 and, in light of this review and the current financial position, they are satisfied that the entity has or had access to adequate resources to continue in operational existence for the foreseeable future.

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

The financial statements set out on pages 97 to 175, which have been prepared on the going concern basis, were approved by the board on 31 May 2022 and were signed by:

Mr T Motau
Chairperson

Directors' Report

The directors have pleasure in submitting their report on the annual financial statements of Mpumalanga Economic Growth Agency (MEGA) for the year ended 31 March 2022.

1. Nature of business

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

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

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

2. Review of financial results and activities

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

The entity recorded a net loss for the year ended 31 March 2022 of R (82 722 637). This represented a decrease from the net loss after tax of the prior year of R(100 978 594).

Revenue decreased from R184 580 593 in the prior year to R170 108 048 for the year ended 31 March 2022.

Directors' Report

3. Directorate

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

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

During the period 12 April to 31 August 2021, the interim Board comprised of the following members:

Directors		Designation	Nationality	Appointed
Mr DS Mkhwanazi (Chairperson)	Independent	Non-executive	South African	12 April 2021
Ms NH Mkhumane	Independent	Non-executive	South African	12 April 2021
Mr BV Mbungela	Independent	Non-executive	South African	12 April 2021
Ms SFT Sithole	Independent	Non-executive	South African	12 April 2021
Mr S Shongwe	Independent	Non-executive	South African	12 April 2021
Ms AD Mkhwanazi	Independent	Non-executive	South African	12 April 2021
Ms NZ Oyiya	Independent	Non-executive	South African	12 April 2021
Mr ZT Shongwe	Independent	Non-executive	South African	12 April 2021
Mr Z Masilela	Independent	Non-Executive	South African	12 April 2021
Mr JL Mahlangu	Independent	Non-Executive	South African	12 April 2021

4. Directors' interests in contracts

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

5. Events after the reporting period

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

6. Going concern

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

7. Auditors

Auditor-General of South Africa continued in office as auditors for the entity for 2022 in accordance with section 55 of MEGA Act and the PFMA Act.

8. Company secretary

The Company Secretary is Advocate SP Morgan.

Statement of Financial Position as at 31 March 2022

	Note(s)	2022 R	2021 Restated * R	2020 Restated * R
Assets				
Non-Current Assets				
Property, plant and equipment	3	385 560 776	428 618 106	430 677 763
Investment property	4	462 360 001	454 100 001	478 870 001
Biological assets	5	-	15 185 161	30 918 806
Intangible assets	6	8 442 029	8 477 109	8 655 556
Investments in associates	7	8 257 020	8 156 219	3 099 862
Other financial assets	9	24 112 373	35 028 225	49 806 477
Investments at fair value	11	14 921 652	1 594 023	1 609 673
		903 653 851	**951 158 844**	**1 003 638 138**
Current Assets				
Inventories	8	47 110 593	45 968 457	46 410 668
Other financial assets	9	14 559 492	10 124 052	11 816 768
Trade and other receivables	10	40 786 662	45 821 116	53 411 056
Cash and cash equivalents		58 333 256	30 036 261	34 909 780
		160 790 003	**131 949 886**	**146 548 272**
Total Assets		**1 064 443 854**	**1 083 108 730**	**1 150 186 410**
Equity and Liabilities				
Equity				
Reserves		104 625 018	134 864 180	128 694 891
Retained income		628 126 366	707 467 773	805 346 149
		732 751 384	**842 331 953**	**934 041 040**
Liabilities				
Non-Current Liabilities				
Other financial liabilities	13	4 816 364	4 816 364	4 816 364
Provisions	15	1 612 203	1 562 129	1 546 845
		6 428 567	**6 378 493**	**6 363 209**
Current Liabilities				
Trade and other payables	16	255 659 198	191 506 880	173 375 035
Other financial liabilities	13	15 088 799	15 088 799	15 088 887
Unspent Conditional Grants	17	44 976 979	16 969 200	12 237 854
Provisions	15	9 538 927	10 833 405	9 080 385
		325 263 903	**234 398 284**	**209 782 161**
Total Liabilities		**331 692 470**	**240 776 777**	**216 145 370**
Total Equity and Liabilities		**1 064 443 854**	**1 083 108 730**	**1 150 186 410**

* See Note 2 & 32

Statement of Profit or Loss and Other Comprehensive Income

	Note(s)	2022 R	2021 Restated * R
Revenue	19	170 108 048	184 580 593
Cost of sales	20	(137 765 590)	(146 033 753)
Gross profit		**32 342 458**	**38 546 840**
Other operating income	21	200 647 652	170 992 891
Other operating gains (losses)	22	18 662 356	(9 929 958)
Other operating expenses		(333 793 454)	(303 970 094)
Operating loss	23	**(82 140 988)**	**(104 360 321)**
Investment income	25	1 022 380	1 176 849
Finance costs	26	(1 704 830)	(637 721)
Income from equity accounted investments		100 801	2 842 599
Loss for the year		**(82 722 637)**	**(100 978 594)**
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
(Losses) gains on property revaluation		(27 182 792)	9 269 506
Other comprehensive income for the year net of taxation		**(27 182 792)**	**9 269 506**
Total comprehensive loss for the year		**(109 905 429)**	**(91 709 088)**

* See Note 2 & 32

Mpumalanga Economic Growth Agency (MEGA)

Annual Financial Statements for the year ended 31 March 2022

Statement of Changes in Equity

	Revaluation reserve R	Retained income R	Total equity R
Opening balance as previously reported	128 820 361	806 915 851	935 736 212
Adjustments			
Prior year adjustments	(125 470)	(1 569 702)	(1 695 172)
Restated* Balance at 01 April 2020 as restated	**128 694 891**	**805 346 149**	**934 041 040**
Loss for the year	-	(100 978 594)	(100 978 594)
Other comprehensive income	9 269 507	-	9 269 507
Total comprehensive Loss for the year	**9 269 507**	**(100 978 594)**	**(91 709 087)**
Transfer between reserves	(3 100 218)	3 100 218	-
Total contributions by and distributions to owners of company recognised directly in equity	**(3 100 218)**	**3 100 218**	**-**
Opening balance as previously reported	134 464 840	711 921 364	846 386 204
Adjustments			
Prior period errors	399 340	(4 453 592)	(4 054 252)
Balance at 01 April 2021 as restated	**134 864 180**	**707 467 772**	**842 331 952**
Loss for the year	-	(82 722 637)	(82 722 637)
Other comprehensive income	(26 857 931)	-	(26 857 931)
Total comprehensive Loss for the year	**(26 857 931)**	**(82 722 637)**	**(109 580 568)**
Transfer between reserves	(3 381 231)	3 381 231	-
Total contributions by and distributions to owners of company recognised directly in equity	**(3 381 231)**	**3 381 231**	**-**
Balance at 31 March 2022	**104 625 018**	**628 126 366**	**732 751 384**

Note(s)

The accounting policies on pages 10 to 30 and the notes on pages 31 to 80 form an integral part of the annual financial statements.

* See Note 2 & 32

Statement of Cash Flows

	Note(s)	2022 R	2021 Restated * R
Cash flows from operating activities			
Cash receipts from customers		403 797 933	378 144 770
Cash paid to suppliers and employees		(394 755 791)	(425 178 644)
Cash generated from/(used in) operations	27	9 042 142	(47 033 874)
Interest income		963 480	1 176 681
Finance costs		(1 704 830)	(637 721)
Net cash from operating activities		**8 300 792**	**(46 494 914)**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(1 712 546)	(3 554 702)
Purchase of other intangible assets	6	(15 724)	-
Sale of investments at fair value		-	(2 213 757)
Receipts from loans receivable at amortised cost		6 480 412	16 470 968
Sale of biological assets	5	15 185 161	30 918 806
Dividends received		58 900	168
Net cash from investing activities		**19 996 203**	**41 621 483**
Cash flows from financing activities			
Repayment of borrowings		-	(88)
Net cash from financing activities		**-**	**(88)**
Total cash movement for the year		**28 296 995**	**(4 873 519)**
Cash at the beginning of the year		30 036 261	34 909 780
Total cash at end of the year		**58 333 256**	**30 036 261**

* See Note 2 & 32

Accounting Policies

Corporate information

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

1. Significant accounting policies

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

1.1 Basis of preparation

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

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

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

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

1.2 Significant judgements and sources of estimation uncertainty

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

Critical judgements in applying accounting policies

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

Lease classification

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

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

Water rights

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

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

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

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

Key sources of estimation uncertainty

Trade receivables and loans and receivables

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

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

Inventory

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

Fair value estimation

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

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

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

Impairment testing

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

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

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

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

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Provisions

Provisions are inherently based on assumptions and estimates using the best information available. Additional disclosure of these estimates of provisions are included in note 15.

MEGA has recognised a provision for decommissioning obligations associated with its landfill site at Ekandustria. In determining the provision amount, assumptions and estimates are made in relation to discount rates, the expected cost to rehabilitate the environment and the expected timing of those costs as detailed in note 15.

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

Investment properties and biological assets are recorded at fair value, with changes in fair value being recognised in the statement of profit or loss. In addition, land and buildings and bulk infrastructure are measured at revalued amounts with changes in fair vlaue being recognised in other comprehensive income and accumulated in the revaluation reserve. The entity engaged an independent valuation specialist to assess fair value of bulk infrastructure assets as well as land and buildings as at 31 March 2022. Land and buildings are revalued with sufficient regularity to ensure that the carrying value does not differ significantly from fair value.

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

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

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

Useful lives of intangible assets

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

1.3 Biological assets

An entity shall recognise a biological asset or agricultural produce when, and only when:
- the entity controls the asset as a result of past events;
- it is probable that future economic benefits associated with the asset will flow to the entity; and
- the fair value or cost of the asset can be measured reliably.

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

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

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

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

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

Accounting Policies

1.4 Investment property

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

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

Fair value

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

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

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

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

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

1.5 Property, plant and equipment

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

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

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

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

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

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

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

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

Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.6 Intangible assets

Intangible assets are initially recognised at cost.

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

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

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

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

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

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

Item	**Useful life**
Water rights	indefinite
Computer software	3 years

1.7 Investments in associates

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

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

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

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

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

Accounting Policies

1.8 Financial instruments

Recognition and initial measurement

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

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

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

Classification and subsequent measurement

Financial assets

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

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

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL
- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and ;
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:
- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and ;
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

Financial assets – Business model assessment:

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

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

Accounting Policies

1.8 Financial instruments (continued)

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

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest:

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

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

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

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

Financial assets – Subsequent measurement and gains and losses:

Financial assets at FVTPL

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

Financial assets at amortised cost

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

Debt investments at FVOCI

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

Equity investments at FVOCI

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

Financial assets

The entity classifies financial assets into the following categories:

- Financial assets at fair value through profit or loss - designated
- Held-to-maturity investments
- Loans and receivables

Accounting Policies

1.8 Financial instruments (continued)

- Available-for-sale financial assets

Financial assets at FVTPL

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

Held-to-maturity financial assets

Measured at amortised cost using the effective interest method.

Loans and receivables

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

Available-for-sale financial assets

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

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

Financial liabilities are classified as measured at amortised cost or FVTPL.

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

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

Accounting Policies

1.8 Financial instruments (continued)

Derecognition

Financial assets

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

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

Financial liabilities

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

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

Offsetting

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

Impairment

Non-derivative financial assets

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

The entity recognises loss allowances for ECLs on:

- Financial assets measured at amortised cost;
- Debt investments measured at FVOCI; and
- Contract assets

The entity measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECL's

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

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

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

The entity considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the entity in full or
- the financial asset is more than 90 days past due.

Accounting Policies

1.8 Financial instruments (continued)

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

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

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

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

Measurement of ECLs

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

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

Credit-impaired financial assets

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

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

Presentation of allowance for ECL in the statement of financial position

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

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

Write-off

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

Cash and cash equivalents

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

1.9 Fair value measurement

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

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

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

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

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

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

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

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

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

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

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

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

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

1.10 Leases

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

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

Accounting Policies

1.10 Leases (continued)

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

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

Entity as lessee

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the entity is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the entity recognises the lease payments as an operating expense (note 23) on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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

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

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

Right-of-use assets

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

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

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

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

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

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

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

Accounting Policies

1.10 Leases (continued)

Company as lessor

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

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

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

1.11 Inventories

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

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

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

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

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

1.12 Impairment of assets

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

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

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

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

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

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

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

Accounting Policies

1.12 Impairment of assets (continued)

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

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

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

1.13 Share capital and equity

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

1.14 Employee benefits

Short-term employee benefits

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

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

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

Accounting Policies

1.14 Employee benefits (continued)

Defined contribution plans

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

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

Termination benefits

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

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

Long-term service employee benefits

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

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

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

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

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

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

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

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

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

1.15 Provisions and contingencies

Provisions are recognised when:

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

Accounting Policies

1.15 Provisions and contingencies (continued)

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

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

Provisions are not recognised for future operating losses.

Restructuring provisions

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

Contingencies

Contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 29.

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

Decommissioning liability

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

Leave provision

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

Accounting Policies

1.16 Government grants

Government grants are recognised when there is reasonable assurance that:
- the entity will comply with the conditions attaching to them; and
- the grants will be received.

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

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

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

1.17 Revenue from contracts with customers

The company recognises revenue from the following major sources:
- Sales of goods - wholesale
- Income from municipal services rendered
- Rental income
- Interest income (Trading)

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

Sale of goods - wholesale

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

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

Income from municipal services rendered

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

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

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

Rental income

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

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

Accounting Policies

Revenue from contracts with customers (continued)

Interest income (Trading)

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

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

1.18 Other operating income

Government grants

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

Dividends

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

1.19 Cost of sales

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

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

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

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

1.20 Deviations

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

Accounting Policies

1.21 Translation of foreign currencies

Foreign currency transactions

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

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

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

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

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

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

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

1.22 Commitments

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

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

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

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

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

1.23 Income Tax and Value Added Tax

Income Tax

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

Accounting Policies

1.23 Income Tax and Value Added Tax (continued)

Value Added Tax

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

1.24 Related party disclosure

A related party is a person or entity that is related to MEGA. A person or an entity is related to MEGA if that person or entity:

- is a member of the key management personnel of MEGA;
- has control or significant influence over MEGA;
- is an associate; or
- is a Department within the national Sphere of Government because they operate together to achieve a common objective determined by Cabinet and Provincial Legislature.

Related party transactions are transfers of resources, services or obligations between MEGA and a related party irrespective of whether the transaction took place on arm's length basis or not.

1.25 Irregular expenditure

Irregular expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the total value of the irregularity unless it is impracticable to determine, in which case reasons therefore are provided in the note. Irregular expenditure is removed from the note when it is either condoned by the relevant authority or transferred to receivables for recovery. Irregular expenditure receivables are measured at the amount that is expected to be recoverable and are de-recognised when settled or subsequently written-off as irrecoverable.

1.26 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the total value of the fruitless and wasteful expenditure incurred. Fruitless and wasteful expenditure receivables are measured at the amount that is expected to be recoverable and are derecognised when settled or subsequently written off as irrecoverable.

1.27 Unauthorised expenditure

Unauthorised expenditure is recognised in the statement of financial position until such time as the expenditure is either:

- approved by Parliament or the Provincial Legislature with funding and the related funds are received; or
- approved by Parliament or the Provincial Legislature without funding and is written off against the appropriation in the statement of financial performance; or
- transferred to receivables for recovery.

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

Notes to the Annual Financial Statements

	2022	2021 Restated*	2020 Restated *
	R	R	R

2. Changes in accounting policy

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

* See Note 2 & 32

Notes to the Annual Financial Statements

Figures in Rand	2022	2021	2020

3. Property, plant and equipment

	2022			2021			2020		
	Cost or revaluation	**Accumulated depreciation**	**Carrying value**	**Cost or revaluation**	**Accumulated depreciation**	**Carrying value**	**Cost or revaluation**	**Accumulated depreciation**	**Carrying value**
Land	44 614 137	-	44 614 137	44 123 537	-	44 123 537	44 123 537	-	44 123 537
Buildings	59 274 257	-	59 274 257	53 161 003	(2 693 195)	50 467 808	53 161 003	(1 346 598)	51 814 405
Plant and machinery	15 260 414	(6 600 746)	8 659 668	14 914 310	(5 304 657)	9 609 653	14 352 193	(4 693 732)	9 658 461
Motor vehicles	3 062 760	(1 386 111)	1 676 649	3 062 760	(1 229 586)	1 833 174	1 658 526	(1 240 060)	418 466
Office equipment	3 738 147	(2 549 862)	1 188 285	3 737 198	(2 354 716)	1 382 482	3 941 937	(2 521 260)	1 420 677
IT Equipment	7 520 839	(5 562 541)	1 958 298	6 216 226	(4 860 795)	1 355 431	5 680 472	(4 198 440)	1 482 032
Bearer plants	17 056 573	(6 589 822)	10 466 751	17 056 573	(5 766 095)	11 290 478	17 690 173	(5 575 968)	12 114 205
Bulk infrastructure	257 760 302	(37 571)	257 722 731	308 584 612	(29 069)	308 555 543	309 666 547	(20 567)	309 645 980
Total	**408 287 429**	**(22 726 653)**	**385 560 776**	**450 856 219**	**(22 238 113)**	**428 618 106**	**450 274 388**	**(19 596 625)**	**430 677 763**

* See Note 2 & 32

	2022	2021 Restated *	2020 Restated *
	R	R	R

3. Property, plant and equipment (continued)

* See Note 2 & 32

Notes to the Annual Financial Statements

Figures in Rand	2022	2021	2020

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers	Revaluations	Depreciation	Total
Land	44 123 537	-	-	(900 000)	1 390 600	-	44 614 137
Buildings	50 467 807	-	-	(1 400 000)	11 540 937	(1 334 487)	59 274 257
Plant and machinery	9 609 653	346 104	-	-	-	(1 296 089)	8 659 668
Motor vehicles	1 833 174	-	-	-	-	(156 525)	1 676 649
Office equipment	1 382 482	950	-	-	-	(195 147)	1 188 285
IT equipment	1 355 431	1 365 492	(39 791)	-	-	(722 834)	1 958 298
Bearer plants	11 290 478	-	-	-	-	(823 727)	10 466 751
Bulk infrastructure	308 555 543	-	(585 480)	-	(39 789 467)	(10 457 865)	257 722 731
	428 618 105	**1 712 546**	**(625 271)**	**(2 300 000)**	**(26 857 930)**	**(14 986 674)**	**385 560 776**

* See Note 2 & 32

Notes to the Annual Financial Statements

Figures in Rand	2022	2021	2020

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Revaluations	Depreciation	Total
Land	44 123 537	-	-	-	-	44 123 537
Buildings	51 814 404	-	-	-	(1 346 597)	50 467 807
Plant and machinery	9 658 461	1 223 835	(96 142)	-	(1 176 501)	9 609 653
Motor vehicles	418 466	1 460 900	(14 166)	-	(32 026)	1 833 174
Office equipment	1 420 677	199 205	(45 342)	-	(192 058)	1 382 482
IT equipment	1 482 032	537 752	(100)	-	(664 253)	1 355 431
Bearer plants	12 114 205	-	-	-	(823 727)	11 290 478
Bulk infrastructure	309 645 950	133 010	(173 717)	9 269 506	(10 319 237)	308 555 512
	430 677 732	**3 554 702**	**(329 467)**	**9 269 506**	**(14 554 399)**	**428 618 074**

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Transfers	Revaluations	Revaluations through profit and loss	Depreciation	Total
Land	44 716 997	-	-	(369 264)	(34 067)	(190 129)	-	44 123 537
Buildings	57 443 232	-	-	(2 400 736)	-	(1 856 005)	(1 372 087)	51 814 404
Plant and machinery	10 778 474	43 539	(140)	-	-	-	(1 163 412)	9 658 461
Motor vehicles	442 246	-	-	-	-	-	(23 780)	418 466
Office equipment	1 503 991	80 869	(1 842)	-	-	-	(162 341)	1 420 677
IT equipment	2 082 579	70 000	(12 760)	-	-	-	(657 787)	1 482 032
Bearer plants	12 937 930	-	-	-	-	-	(823 725)	12 114 205
Bulk infrastructure	305 197 154	10 209 528	(641 687)	-	4 446 284	-	(9 565 329)	309 645 950
	435 102 603	**10 403 936**	**(656 429)**	**(2 770 000)**	**4 412 217**	**(2 046 134)**	**(13 768 461)**	**430 677 732**

* See Note 2 & 32

	2022	2021 Restated *	2020 Restated *
	R	R	R

3. Property, plant and equipment (continued)

Property, plant and equipment encumbered as security

None of the property, plant and equipment is encumbered as security for borrowings.

Other information

If buildings and bulk infrastructure were measured using the cost model, the carrying amount would be as follows:

		2021	2020
Buildings			
Cost		44 709 766	44 709 766
Accumulated depreciation and impairment		(6 803 441)	(5 909 846)
		37 906 325	**38 799 920**

Bulk infrastructure			
Cost		272 897 460	273 625 031
Accumulated depreciation and impairment		(58 015 217)	(50 632 055)
		214 882 243	**222 992 976**

Details of bearer plants

The vineyards of 21.1 hectares at Loopspruit Estate is situated on the banks of the Loopspruit river, 30km north of Bronkhorstspruit.

The lemon orchard of 118.5 hectares is at Tekwane Estate in the Mbombela District.

Revaluations

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

Fair value is determined using a market comparable method. Valuations performed by the valuer are based on active market prices, significantly adjusted for any difference in the nature, location or condition of the specific property. The date of the most recent revaluation for bulk infrastructure and land & buildings was 31 March 2022.

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

Level 3	**2022**	**2021**	**2020**
Land	45 164 157	44 123 537	44 123 537
Buildings	60 687 265	50 467 808	51 814 405
Bulk infrastructure	257 722 700	308 422 502	309 645 950
	363 574 122	**403 013 847**	**405 583 892**

There are 2 commercial properties with a fair value of R4 039 800 (2021: R4 053 775) which are controlled by MEGA but not registered in the entity's name, and concequently not recognised as property, plant and equipment by MEGA.

* See Note 2 & 32

Notes to the Annual Financial Statements

Figures in Rand	2022	2021	2020

4. Investment property

	2022			2021			2020		
	Cost / Valuation	**Accumulated depreciation**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation**	**Carrying value**
Investment property	462 360 001	-	462 360 001	454 100 001	-	454 100 001	478 870 001	-	478 870 001

Reconciliation of investment property - 2022

	Opening balance	**Transfer from PPE**	**Fair value adjustments**	**Total**
Investment property	454 100 001	2 300 000	5 960 000	462 360 001

Reconciliation of investment property - 2021

	Opening balance	**Disposals**	**Fair value adjustments**	**Total**
Investment property	478 870 001	(10 250 000)	(14 520 000)	454 100 001

Reconciliation of investment property - 2020

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

* See Note 2 & 32

	2022	2021 Restated *	2020 Restated *
	R	R	R

4. Investment property (continued)

Other disclosures

MEGA is currently administering 17 buildings valued at R10 920 000 (2021: R11 120 000) on land belonging to tribal authorities which are not currently included as investment properties. These properties will be recognised when MEGA's rights and obligations have been confirmed by the Department of Co-operative Governance and Traditional Affairs.

In addition to the aforesaid there are 25 residential properties with a fair value of R17 090 000 (2021: R16 730 000) and 9 commercial properties with a fair value of R8 550 000 (2021: R8 650 000) which are neither controlled by MEGA nor registered in the entity's name and are consequently not recognised as investment property by MEGA. These properties would only be recognised once MEGA has rental agreements in place and there is evidence of maintenance being assumed by MEGA, then only will these properties indicate substantive rights by MEGA.

There are 25 residential properties with a fair value of R12 860 000 (2021: R12 340 000) which are still registered in the entity's name but are not controlled by MEGA and no rental income was received on these properties.

Details of valuation

The entity's investment property consists of commercial, industrial, farming and residential properties and vacant land. Management determined that the investment properties consist of five classes of assets commercial, industrial, farming and residential properties and vacant land based on the nature, characteristics and risks of each property . Fair value is determined using a combination of rental capitalisation method and comparable sales method. The most recent valuation was performed at 31 March 2022 by i@consulting.

Fair value hierarchy of assets at fair amounts are as follows:

- Level 1 represents those assets which are measured using unadjusted quoted prices in an active market
- Level 2 applies inputs which are based on observable market data
- Level 3 applies inputs which are based on significant unobservable inputs

Level 3	**2022**	**2021**	**2020**
Commercial	52 640 000	50 740 000	51 590 000
Farms	17 300 000	17 460 000	26 670 000
Industrial	303 850 000	298 480 000	308 110 000
Land	82 940 000	82 010 000	78 690 000
Residential	5 630 000	5 410 000	13 810 000
	462 360 000	**454 100 000**	**478 870 000**

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

Significant unobservable data Category	**Rate per square meter**
Commercial properties	R13 - R34.46
Industrial properties	R9.64 - R45
Vacant land	R20 - R125
Farms	R1 - R28
Residential properties	R71.75 - R450

* See Note 2 & 32

Notes to the Annual Financial Statements

Figures in Rand	2022	2021	2020

5. Biological assets

	2022			2021			2020		
	Cost / Valuation	**Accumulated depreciation**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation**	**Carrying value**
Produce - Lemons	-	-	-	15 185 161	-	15 185 161	30 918 806	-	30 918 806

* See Note 2 & 32

5. Biological assets (continued)

Reconciliation of biological assets

	Produce - Lemons	Total
At 01 April 2019	12 530 068	12 530 068
Decreases due to harvest, death or sales	(16 067 317)	(16 067 317)
Gains or losses arising from changes in fair value less estimated point of sale cost	34 456 055	34 456 055
At 31 March 2020	**30 918 806**	**30 918 806**
At 01 April 2020	30 918 806	30 918 806
Decreases due to harvest, death or sales	(30 918 806)	(30 918 806)
Gains or losses arising from changes in fair value less estimated point of sale cost	15 185 161	15 185 161
At 31 March 2021	**15 185 161**	**15 185 161**
At 01 April 2021	15 185 161	15 185 161
Decreases due to harvest, death or sales	(15 185 161)	(15 185 161)
At 31 March 2022	**-**	**-**

* See Note 2 & 32

Notes to the Annual Financial Statements

	2022	2021 Restated *	2020 Restated *
	R	R	R

5. Biological assets (continued)

Nature of the entities biological assets

Tekwane estate is engaged in the production of lemons for supply to export markets. At 31 March 2022 the farm had 118.15ha of mature lemon trees in full production. No new trees have been planted/replaced in the current financial year. The harvest season for lemons is between April and August. During the year the entity sold 1846.82 tons lemons for export (2021:6667.8 tons) and 1354.33 tons lemons for juicing (2021: 1969.23 tons).

Valuation process of measuring biological assets at fair value

The fair value of growing lemons produce is determined by forecasted harvest information that was obtained from LONA. LONA was appointed to manage the Tekwane estate on behalf of MEGA as they have the expertise in the citrus industry. This include information regarding estimated harvest quantities and estimated market prices. The Funding department within MEGA reviews this information annually and Finance use these forecasted harvest information as inputs in calculating the estimated fair value of biological assets at year end. The material increase in the fair value of the biological assets can be attributed to the improvement in the quality of the lemons available for export. The key assumptions about unobservableinputs and their relationship to fair value is indicated below.

Valuation inputs and relationships to fair value

Significant unobservable data

Export market
The forecasted harvest has been estimated at 123 121 cartons (2021: 200 000 cartons). The estimated average fair value of R107.50 per carton (2021: R112.75 per carton).

Juicing for the local market
The forecasted harvest has been estimated at 1354.33 tons (2021: 1969.23 tons). The estimated average fair value at R600 per ton (2021: R650 per ton).

Relationship of unobservable inputs to fair value

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

Fair value hierarchy

The fair value hierarchy of assets at fair value are as follows:
- Level 1: represents those assets which are measured using unadjusted quoted prices in an active market
- Level 2: applies inputs which are based on observable market data
- Level 3: applies inputs which are based on significant unobservable inputs

Level 3	**2022**	**2021**
Produce - Lemons	-	15 185 161

The main level 3 inputs used by the entity, are derived and evaluated as follows:
- The quantities are determined based on the age of the orchard, climate-induced variations such as severe weather events, plant losses and new areas coming into production.
- The lemon export prices and lemon juice prices are determined by the quality (graded per class) of the lemon produce and the estimated market price is denominated in US Dollar and translated to SA Rand.

The movements in the fair value of assets within level 3 of the hierarchy, being the lemon produce before harvesting, can be seen from the reconciliation.

The gains recognised in relation to the lemon produce are as follows:

	2022	**2021**
Total gains for the period recognised in profit or loss under Other operating gains (losses) also refer to note 23.	-	15 185 161

* See Note 2 & 32

Notes to the Annual Financial Statements

	2022	2021 Restated *	2020 Restated *
	R	R	R

5. Biological assets (continued)

Lemon produce are harvested annually and sold during the year before the end of the reporting period. Therefore there are no changes in unrealised gains or losses for the period to be recognised in profit or loss attributable to lemon produce held at the end of the reporting period.

Net biological assets

	2022	2021	2020
Non-current assets	-	15 185 161	30 918 806

* See Note 2 & 32

Notes to the Annual Financial Statements

Figures in Rand	2022	2021	2020

6. Intangible assets

	2022			2021			2020		
	Cost / Valuation	**Accumulated amortisation**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation**	**Carrying value**
Water rights	8 430 011	-	8 430 011	8 430 011	-	8 430 011	8 430 011	-	8 430 011
Computer software	1 737 652	(1 725 634)	12 018	1 721 928	(1 674 830)	47 098	1 721 928	(1 496 383)	225 545
Total	**10 167 663**	**(1 725 634)**	**8 442 029**	**10 151 939**	**(1 674 830)**	**8 477 109**	**10 151 939**	**(1 496 383)**	**8 655 556**

Reconciliation of intangible assets - 2022

	Opening balance	**Additions**	**Amortisation**	**Total**
Water rights	8 430 011	-	-	8 430 011
Computer software	47 098	15 724	(50 804)	12 018
	8 477 109	**15 724**	**(50 804)**	**8 442 029**

Reconciliation of intangible assets - 2021

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

* See Note 2 & 32

6. Intangible assets (continued)

Reconciliation of intangible assets - 2020

	Opening balance	**Amortisation**	**Total**
Water rights	8 430 011	-	8 430 011
Computer software	405 381	(179 836)	225 545
	8 835 392	**(179 836)**	**8 655 556**

Pledged as security

No intangible assets are pledged as security.

Other information

Water rights impairment

The water rights have not been impaired as no indicators of impairment were identified.

	2022	2021 Restated *	2020 Restated *
	R	R	R

7. Investments in associates

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

Name of company	Carrying amount 2022	Carrying amount 2021	Carrying amount 2020
KaNgwane Anthracite (Pty) Ltd	492 628	492 628	492 628
Hi-Veld Fruit Packers (Pty) Ltd	8 257 020	8 126 203	2 917 582
Nkomati Anthracite (Pty) Ltd	-	-	93 180
Dalamba Victorious Trading Enterprise and Projects (Pty) Ltd	-	-	-
Fuma Investments (Pty) Ltd	-	30 016	-
S'Buthe Mntimandze (Pty) Ltd	-	-	182 280
	8 749 648	8 648 847	3 685 670
Impairment of investments in associates	(492 628)	(492 628)	(585 808)
	8 257 020	8 156 219	3 099 862

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

Material associates

The following associates are material to the company:

	Country of incorporation	Method	% Ownership interest		
			2022	2021	2020
Hi-Veld Fruit Packers (Pty) Ltd	Ermelo/RSA	Equity	26 %	26 %	26 %
KaNgwane Anthracite (Pty) Ltd	Johannesburg/RSA	Equity	40 %	40 %	40 %
Nkomati Anthracite (Pty) Ltd	Nkomati/RSA	Equity	- %	- %	40 %
Dalamba Victorious Trading Enterprise and Projects (Pty) Ltd	Kinross/RSA	Equity	25 %	25 %	25 %
Fuma Investments (Pty) Ltd	Bushbuckridge/RSA	Equity	25 %	25 %	25 %
S'Buthe Mntimandze (Pty) Ltd	Hectorspruit/RSA	Equity	- %	- %	25 %

Associates with different reporting dates

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

The end of reporting year of KaNgwane Anthracite (Pty) Ltd and Nkomati Anthracite (Pty) Ltd is 30 June.

The end of reporting year of Hi-Veld Fruit Packers (Pty) Ltd is 31 October.

The end of reporting year of Dalamba Victorius Trading Enterprise and Projects (Pty) Ltd and Fuma Investments (Pty) Ltd is 28 February

The end of reporting year of S'Buthe Mntimandze (Pty) Ltd is 31 August.

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

* See Note 2 & 32

Notes to the Annual Financial Statements

	2022	2021 Restated *	2020 Restated *
	R	R	R

7. Investments in associates (continued)

Restrictions relating to associates

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

Unrecognised share of losses of associates

KaNgwane Antracite (Pty) Ltd	1 452 067	1 452 067	1 540 575
Nkomati Antracite (Pty) Ltd	-	-	173 517 176
S'Buthe Mntimandze (Pty) Ltd	-	94 518	-
Dalamba Victorious Trading Enterprise and Projects (Pty) Ltd	1 061 083	868 387	351 300
Fuma Investments (Pty) Ltd	186 211	-	375 235
	2 699 361	**2 414 972**	**175 784 286**

Nature of relationship with the associates

Associate	Nature of relationship
KaNgwane Anthracite (Pty) Ltd	KaNgwane Anthracite (Pty) Ltd was acquired in 2011 . MEGA has a 40% shareholding in KaNgwane Anthracite (Pty) Ltd, mainly for income generation and to stimulate economic growth in the surrounding communities in Nkomazi. However, the investment is under care and maintenance.
Nkomati Anthracite (Pty) Ltd	Nkomati Anthracite (Pty) Ltd was historically acquired in 1980. MEGA held a 40% interest in Nkomati Anthracite Mine. The interest was acquired to generate income and to stimulate economic growth in the surrounding areas of Nkomazi. The mine was placed under Business Rescue on the 13th October 2020 by one of its suppliers, Afrimat. The business rescue plan which made provision for the expungement of the 40% shares held by MEGA was approved by creditors on the 30th November 2020. Afrimat paid R0.40 for the 40% shares which were held by MEGA. The investment in associate was derecognised in 2020/21 due to the lack of prospects of any future economic benefits flowing to MEGA from Nkomati Anthracite.
Hi-veld Fruit Packers (Pty) Ltd	MEGA has a 26% shareholding in Highveld fruit packers, acquired in 2006. MEGA provided finance for the expansion and restructuring of Highveld fruit packers to allow for its continued positive economic impact in the surrounding communities of Ermelo.
Dalamba Victorious Trading Enterprise and Projects (Pty) Ltd	A loan of R6 390 000 was issued in 2017 to Dalamba Victorious Trading Enterprise and Projects (Pty) Ltd for the construction of a shopping mall (creation of economic hubs) in Kinross. The loan was in the form of preference shares redeemable over a period of 12 years. 639 preference shares were issued by Dalamba (Pty) Ltd to MEGA. In addition, MEGA subscribed to 335 Ordinary shares resulting in the 25.1% shareholding, to allow MEGA to influence the direction of the company.
Fuma Investments (Pty) Ltd	A loan of R9 210 702 was issued to Fuma Investments (Pty) Ltd for the construction of a shopping mall (creating economic hubs) in Bushbuck Ridge. The loan was in the form of preference shares redeemable over a period of 12 years. 921 preference shares were issued by Fuma (Pty) Ltd to MEGA. In addition, subscribed to 251 Ordinary shares, resulting in the 25.1% shareholding, to allow MEGA to influence the direction of the company.

* See Note 2 & 32

Notes to the Annual Financial Statements

	2022	2021 Restated *	2020 Restated *
	R	R	R

7. Investments in associates (continued)

S'Buthe Mntimandze (Pty) Ltd	A loan of R3 718 540 was issued to Shopmore Enterprises (S'buthe Mntimadze (Pty) Ltd for construction and development of a shopping center (Creation of economic hubs) in Nkomazi. The loan was in the form of preference shares redeemable over 5 years. 163 preference shares were issued by S'Buthe Mntimandze (Pty) Ltd MEGA. In addition, MEGA subscribed to 251 Ordinary shares, resulting in the 25.1% shareholding, to allow MEGA to influence the direction of the company. As at year-end the loan approval has been rescinded due to the fact that the business could not meet conditions precedent for the equity funding which would have enabled MEGA to have shares in the business, hence equity funding could not be disbursed, therefore the investment in associate was derecognised.

8. Inventories

	2022	2021	2020
Work in progress	45 278 751	45 169 751	45 101 751
Consumables	1 831 842	725 850	1 282 893
Lemon produce	-	72 856	26 024
	47 110 593	**45 968 457**	**46 410 668**

The valuators i@consulting assisted MEGA with assessing the net realisable value of WIP housing inventory as at 31 March 2020, 31 March 2021 and 31 March 2022 respectively.

The amount of write-down of inventories recognised as an expense for 2022 is R0 (2021: R0)

Inventory pledged as security

None of the inventory is pledged as security.

* See Note 2 & 32

Notes to the Annual Financial Statements

	2022 R	2021 Restated * R	2020 Restated * R

9. Other financial assets

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

	2022	2021	2020
Housing loans Housing loans are generally repayable over 20 years at 10% interest per annum, which is fixed over the term of the loan.	23 894 599	24 291 458	28 332 568
Agricultural loans The loans are for the financing of livestock and crops, with repayment terms varying from 3 months to 8 years. Interest is charged at variable percentages per annum.	1 168 216	2 704 846	3 834 328
Small, medium and micro enterprises (SMME) loans The loans entail business capital funding and bridging finance over a maximum of 5 years. Interest rates are charged at the prevailing variable lending rates.	13 116 462	17 663 385	28 990 268
Equity loans The loan consist of capital funding with participation in redeemable preference shares over a maximum period of 5 years.	-	-	(26 507)
Govan Mbeki Housing Company loan The loan is repayable in monthly instalments after the full amount has been distributed. Interest will accrue from this date at at fixed rate of 12%.	-	-	-
KaNgwane Anthracite intercompany loan The loan is unsecured, interest free and repayable on demand. The loan have been subordinated until such time as KaNgwane Anthracite's asset exceed the liabilities which will provide sufficient funds to pay both existing and future debts as they become due.	492 588	492 588	492 588
	38 671 865	**45 152 277**	**61 623 245**

Split between non-current and current portions

	2022	2021	2020
Non-current assets	24 112 373	35 028 225	49 806 477
Current assets	14 559 492	10 124 052	11 816 768
	38 671 865	**45 152 277**	**61 623 245**

Loans pledged as security

Other financial assets are not pledged as security.

Credit quality of other financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

* See Note 2 & 32

	2022	2021 Restated *	2020 Restated *
	R	R	R

9. Other financial assets (continued)

Fair value information

Fair values of other financial assets at amortised cost

Housing loans	23 894 599	24 660 688
Agricultural loans	1 168 217	2 704 846
Small, medium and micro enterprises (SMME) loans	13 116 462	17 663 385
KaNgwane Anthracite intercompany loan	492 588	492 588

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

Detail of other financial assets at amortised cost

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

MEGA measures the expected credit loss as the difference between the asset's gross carrying amount and the present value of estimated future cashflows discounted at the financial asset's effective interest rate. Any adjustment is recognised in profit or loss as an impairment gain or loss.

Housing loans		
Current	26 722 010	11 937 984
Non-current	22 833 618	43 606 926
	49 555 628	55 544 909
Less: Loss allowance on other financial assets at amortised cost	(25 661 029)	(30 884 222)
	23 894 599	24 660 688

Loss allowance on other financial assets at amortised cost		
Current	(19 155 486)	(7 530 083)
Non-current	(6 505 543)	(23 354 139)
	(25 662 029)	**(30 884 222)**

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

Housing loans are generally repayable over 20 years at 10% interest per annum, which is fixed over the term of the loan.

MEGA measure the expected credit loss as the difference between the asset's gross carying amount and the present value of estimated future cashflows discounted at the financial assets's effective interest rate. Any adjustment is recognised in profit or loss as an impairment gain or loss.

Fair values of other financial assets at amortised cost		
Housing loans	23 894 599	24 660 688

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

* See Note 2 & 32

Notes to the Annual Financial Statements

	2022 R	2021 Restated * R	2020 Restated * R

9. Other financial assets (continued)

Small, medium and micro enterprises (SMME) loans			
Current		75 690 105	49 101 889
Non-current		19 715 164	43 031 654
		95 405 269	92 133 543
Less: Loss allowance on other financial assets at amortised cost		(82 288 807)	(74 470 158)
		13 116 462	17 663 385
Loss allowance on other financial assets at amortised cost		-	-
Current		(70 149 976)	(45 215 947)
Non-current		(12 138 831)	(29 254 211)
		(82 288 807)	**(74 470 158)**

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

The loans entail business capital funding and bridging finance over a maximum of 5 years. Interest rates are charged at the prevailing variable lending rates.

MEGA measure the expected credit loss as the difference between the asset's gross carying amount and the present value of estimated future cashflows discounted at the financial assets's effective interest rate. Any adjustment is recognised in profit or loss as an impairment gain or loss.

Fair values of other financial assets at amortised cost			
SMME loans		13 116 462	17 663 385

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

Agricultural loans			
Current		31 584 680	17 550 145
Non-current		1 151 500	15 771 578
		32 736 179	33 321 723
Less: Loss allowance on other financial assets at amortised cost		(31 567 964)	(30 616 877)
		1 168 216	2 704 846
Loss allowance on other financial assets at amortised cost		-	-
Current		(30 624 429)	(16 212 514)
Non-current		(943 535)	(14 404 363)
		(31 567 964)	**(30 616 877)**

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

The loans are for the financing of livestock and crops, with repayment terms varying from 3 months to 8 years. Interest is charged at variable percentages per annum.

MEGA measure the expected credit loss as the difference between the asset's gross carying amount and the present value of estimated future cashflows discounted at the financial assets's effective interest rate. Any adjustment is recognised in profit or loss as an impairment gain or loss.

* See Note 2 & 32

Notes to the Annual Financial Statements

	2022 R	2021 Restated * R	2020 Restated * R

9. Other financial assets (continued)

	2022	2021	2020
Fair values of other financial assets at amortised cost			
Agricultural loans		1 168 216	2 704 846

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

	2022	2021	2020
Equity loans			
Current		-	9 836 138
Non-current		-	-
		-	9 836 138
Less: Loss allowance on other financial assets at amortised cost		-	(9 836 138)
		-	-
Loss allowance on other financial assets at amortised cost		-	-
Current		-	(9 836 138)
Non-current		-	-
		-	**(9 836 138)**

The loans consist of capital funding with participation in redeemable preference shares over a maximum period of 5 years.

Reconciliation of provision for impairment of loans and receivables

The loss allowance for other financial assets at amortised cost as at 31 March 2021 reconciles to the opening loss allowance on 1 April 2021 and to the closing loss allowance as at 31 March 2022 as follows:

Housing loans	
Opening loss allowance as at 1 April 2020 Calculated under IFRS9	27 355 577
Increase/(Decrease) in loss allowance recognised in profit or loss during the year	3 528 645
Closing loss allowance as at 31 March 2021	30 884 222
Increase/(Decrease) in loss allowance recognised in profit or loss during the year	-
Opening loss allowance as at 1 April 2021 - Calculated under IFRS9	30 884 222
Increase/(Decrease) in loss allowance recognised in profit or loss during the year	(5 223 192)
Closing loss allowance as at 31 March 2022	**25 661 029**

* See Note 2 & 32

Notes to the Annual Financial Statements

	2022 R	2021 Restated * R	2020 Restated * R
9. Other financial assets (continued)			
Small, medium and micro enterprises (SMME) loans			
Opening loss allowance as at 1 April 2020 Calculated under IFRS9			53 759 722
Increase/(Decrease) in loss allowance recognised in profit or loss during the year			20 710 436
Closing loss allowance as at 31 March 2021			74 470 158
Increase/(Decrease) in loss allowance recognised in profit or loss during the year			-
Opening loss allowance as at 1 April 2021 - Calculated under IFRS9			74 470 158
Increase/(Decrease) in loss allowance recognised in profit or loss during the year			7 818 649
Closing loss allowance as at 31 March 2022			**82 288 807**
Agricultural loans			
Opening loss allowance as at 1 April 2020 Calculated under IFRS9			29 507 795
Increase/(Decrease) in loss allowance recognised in profit or loss during the year			1 109 082
Closing loss allowance as at 31 March 2021			30 616 877
Increase (decrease) in loss allowance recognised in profit or loss during the year			-
Opening loss allowance as at 1 April 2021 - Calculated under IFRS9			30 616 877
Increase/(Decrease) in loss allowance recognised in profit or loss during the year			951 087
Closing loss allowance as at 31 March 2022			**31 567 964**
Equity loans			
Opening loss allowance as at 1 April 2020 Calculated under IFRS9			9 711 395
Increase (decrease) in loss allowance recognised in profit or loss during the year			124 743
Closing loss allowance as at 31 March 2021			9 836 138
Increase (decrease) in loss allowance recognised in profit or loss during the year			-
Opening loss allowance as at 1 April 2021 - Calculated under IFRS9			9 836 138
Increase/(Decrease) in loss allowance recognised in profit or loss during the year			(9 836 138)
Closing loss allowance as at 31 March 2022			**-**

10. Trade and other receivables

	2022 R	2021 Restated * R	2020 Restated * R
Financial instruments:			
Trade receivables	402 907 060	344 186 713	307 887 507
Loss allowance	(370 048 246)	(305 825 204)	(271 456 811)
Trade receivables at amortised cost	32 858 814	38 361 509	36 430 696
Operating lease straight-lining asset	1 869 133	1 581 255	1 707 475
Department of Arts and Culture	42 191	42 191	42 191
Other receivables	1 185 495	1 049 780	1 338 493
Non-financial instruments:			
VAT	4 518 882	2 584 317	10 849 401
Prepayments	312 147	2 202 064	3 042 800
Total trade and other receivables	**40 786 662**	**45 821 116**	**53 411 056**

* See Note 2 & 32

10. Trade and other receivables (continued)

Trade and other receivables pledged as security

Trade and other receivables are not pledged as security.

Exposure to credit risk

Trade receivables inherently expose the company to credit risk, being the risk that the company will incur financial loss if customers fail to make payments as they fall due.

In order to mitigate the risk of financial loss from defaults, the company only deals with reputable customers with consistent payment histories. Sufficient collateral or guarantees are also obtained when appropriate. Each customer is analysed individually for creditworthiness before terms and conditions are offered. Statistical credit scoring models are used to analyse customers. These models make use of information submitted by the customers as well as external bureau data (where available). Customer credit limits are in place and are reviewed and approved by credit management committees. The exposure to credit risk and the creditworthiness of customers, is continuously monitored.

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

A loss allowance is recognised for all trade receivables, in accordance with IFRS 9 Financial Instruments, and is monitored at the end of each reporting period. In addition to the loss allowance, trade receivables are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation. Trade receivables which have been written off are not subject to enforcement activities.

The company measures the loss allowance for trade receivables by applying the simplified approach which is prescribed by IFRS 9. In accordance with this approach, the loss allowance on trade receivables is determined as the lifetime expected credit losses on trade receivables. These lifetime expected credit losses are estimated using a provision matrix, which is presented below. The provision matrix has been developed by making use of past default experience of debtors but also incorporates forward looking information and general economic conditions of the industry as at the reporting date.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

Notes to the Annual Financial Statements

	2022 R	2021 Restated * R	2020 Restated * R

10. Trade and other receivables (continued)

The company historical credit loss experience does not show significantly different loss patterns for different customer segments. The provision for credit losses is therefore based on past due status without disaggregating into further risk profiles.

The loss allowance provision is determined as follows:

	2022	2022	2021	2021
Expected credit loss rate:	**Estimated gross carrying amount at default**	**Loss allowance (Lifetime expected credit loss)**	**Estimated gross carrying amount at default**	**Loss allowance (Lifetime expected credit loss)**
Current (0-30days)	6 214 301	1 232 291	12 362 242	1 959 915
31 - 60 days	17 249 389	5 669 573	14 840 067	4 266 649
61 - 90 days	1 301 742	1 379 057	2 143 104	970 744
91 - 120 days	5 100 477	1 396 593	1 478 767	1 064 567
121 - 150 days	9 380 558	3 137 517	(11 181 127)	2 572 286
151 - 180 days	6 072 551	2 806 784	7 079 749	2 780 017
Older than 180 days	354 425 832	354 426 432	313 299 747	292 211 026
Total	**399 744 850**	**370 048 247**	**340 022 549**	**305 825 204**

Reconciliation of loss allowances

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

Opening balance in accordance with IFRS 9	**(370 048 246)**	**(305 825 204)**	**(271 456 811)**
Increase in loss allowance recognised in profit or loss during the year	(64 223 042)	(34 368 393)	(56 980 797)

Fair value of trade and other receivables

Due to the short-term nature of the current receivables, their carrying amounts are assumed to be the same as their fair value.

* See Note 2 & 32

Notes to the Annual Financial Statements

	2022 R	2021 Restated * R	2020 Restated * R

11. Investments at fair value

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

	2022 R	2021 Restated * R	2020 Restated * R
At fair value through profit or loss			
Listed shares Afrimat Limited shares @R67.9/share, number of shares 196 429 (2021: R0.00)	13 337 529	-	-
Unlisted shares AGRI Limited shares @R7.06/share (2021:R7.06), KWV Holdings Limited shares @R12.50/share (2021: R12.50), Stellenbosch Vineyards Group Limited shares @R5/share (2021: R5), Onderberg Verwerkingskooperasie Beperk 43 700shares @R0.25/share (2021: R0.25, number of shares 83 300) and Capespan Group Limited shares @R6.18/share (2021: R6.18).	1 584 123	1 594 023	1 609 673
	14 921 652	**1 594 023**	**1 609 673**

Fair value information

Financial assets at fair value through profit and loss are recognised at fair value, which is therefore equal to their carrying amounts.
The following classes of investments at fair value through profit or loss are measured to fair value using the quoted market prices:
- Class 1 - Listed shares
- Class 2 - Unlisted shares

Fair value hierarchy of financial assets at fair value through profit or loss - designated

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements.

Level 1 represents those assets which are measured using unadjusted quoted prices for identical assets.

Level 2 applies inputs other than quoted prices that are observable for the assets either directly (as prices) or indirectly (derived from prices).

Level 3 applies inputs which are not based on observable market data.

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

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

* See Note 2 & 32

Notes to the Annual Financial Statements

	2022	2021 Restated *	2020 Restated *
	R	R	R

12. Financial assets by category

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

2022

	At amortised cost	Fair value through profit or loss - designated	Total
Other financial assets	38 596 107	14 921 652	53 517 759
Trade and other receivables	40 139 435	-	40 139 435
Cash and cash equivalents	58 333 256	-	58 333 256
	137 068 798	**14 921 652**	**151 990 450**

2021

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

2020

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

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

* See Note 2 & 32

Notes to the Annual Financial Statements

	2022 R	2021 Restated * R	2020 Restated * R

13. Other financial liabilities

Held at amortised cost			
Secured			
Micro Agricultural Financial Institutions of South Africa (MAFISA) MAFISA reappointed MEGA as one of its implementing agents and consequently this amount must be reinvested in an interest bearing account with no immediate repayment due to MAFISA	15 088 799	15 088 799	15 088 887
Thaba Chweu Municipality The loan is unsecured, interest free and repayable as and when the stands in Sabie, extension 10 are sold.	4 816 364	4 816 364	4 816 364
Unsecured			
	19 905 163	**19 905 163**	**19 905 251**

Split between non-current and current portions

Non-current liabilities	4 816 364	4 816 364	4 816 364
Current liabilities	15 088 799	15 088 799	15 088 887
	19 905 163	**19 905 163**	**19 905 251**

For the majority of the borrowings, the fair values are not materially different to their carrying amounts, since the interest payable on these borrowings is either close to current market rates or the borrowings are of a short term nature.

14. Employee benefits

It is the policy of the entity to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The entity is under no obligation to cover any unfunded benefits.

The total group contribution to such schemes		9 907 454	9 805 746

* See Note 2 & 32

Notes to the Annual Financial Statements

	2022	2021 Restated *	2020 Restated *
	R	R	R

15. Provisions

Reconciliation of provisions - 2022

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

Reconciliation of provisions - 2021

	Opening balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	942 845	-	-	-	37 714	980 559
Provision for litigation	-	1 085 095	-	-	-	1 085 095
Leave provision	9 080 385	2 006 720	(1 338 795)	-	-	9 748 310
Long service award	604 000	34 000	(72 430)	(35 000)	51 000	581 570
	10 627 230	**3 125 815**	**(1 411 225)**	**(35 000)**	**88 714**	**12 395 534**

Reconciliation of provisions - 2020

	Opening balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	906 582	-	-	-	36 263	942 845
Legal proceedings	2 627 227	-	(2 627 227)	-	-	-
Leave provision	10 227 912	7 229 418	(8 376 945)	-	-	9 080 385
Long service award	630 510	34 000	(130 640)	19 130	51 000	604 000
	14 392 231	**7 263 418**	**(11 134 812)**	**19 130**	**87 263**	**10 627 230**

	2022	2021	2020
Non-current liabilities	1 612 203	1 562 129	1 546 845
Current liabilities	9 538 927	10 833 405	9 080 385
	11 151 130	**12 395 534**	**10 627 230**

Environmental rehabilitation

The provision is made for the estimated cost of rehabilitating the landfill site. The provision has been estimated using the valuation report of the provision for the final closure and rehabilitation costs of the Ekandustria landfill site. The valuation was prepared by Environmental and Sustainability Solutions CC, a specialist in environmental accounting, that was appointed by MEGA, for 31 March 2019.

A discounted rate of 4% (2021: 4%) has been applied to discount the current prices.

* See Note 2 & 32

Notes to the Annual Financial Statements

	2022	2021 Restated *	2020 Restated *
	R	R	R

15. Provisions (continued)

Leave provision

The provision is measured at the expected cost to settle the obligation using the accrued leave days at reporting date multiplied by the rate per day.

The rate per day is calculated as follows:
- Permanent and temporary staff - gross remuneration per month divided by 21.75 days
- Seasonal / contract staff - minimum wage as determined by the Department of Labour

Annual leave days entitlement is calculated as follows:
- Permanent staff: 2.0833 days for every 25 days worked
- Temporary staff: 1.75 days for every 21 days worked
- Seasonal staff: 1 day for every 17 days worked

Long service awards

The entity has an obligation to provide long service awards benefits to all its permanent employees. An employee is eligible for a long service award for the first five years of continuous service, and every five years continuous service subsequent to that. The actuarial valuation of the present value of the obligation at 31 March 2021 was carried out by PricewaterhouseCoopers Assurance Services (Proprietary) Limited.

Assumptions used on last valuation on 31 March 2019:

	2022	2021	2020
Discount rates used	8,20%	8,20%	8,20%
Expected retirement age	63 years	63 years	63 years
Benefit awards inflation	4,40%	4,40%	4,40%

16. Trade and other payables

	2022	2021	2020
Financial instruments:			
Trade payables	180 593 473	124 152 166	129 904 215
Other payables	30 010 141	34 780 061	11 421 640
UIF Programme	2 918 930	5 107 322	15 757 144
Accrued expense	12 587 742	18 284 510	12 767 532
Deposits received	4 807 896	3 920 886	3 524 504
LONA Payable	24 741 016	5 261 935	-
	255 659 198	**191 506 880**	**173 375 035**

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

* See Note 2 & 32

Notes to the Annual Financial Statements

	2022 R	2021 Restated * R	2020 Restated * R
17. Unspent Conditional Grants			
Office of the Premier (Mpumalanga Youth Development Fund) The Youth Development Fund is a strategic intent and commitment of the Mpumalanga Provincial Government as an intervention measure to mitigate youth unemployment and economic participation of youth (18 - 35 years).	40 740 531	-	-
Department of Public Works (Expanded Public Works Program) Funds were received from the Department of Public Works to create work opportunities in the infrastructure, non-state, environmental and culture and social sectors.	310 370	552 448	204 006
Industrial Development Corporation Funds were received from the IDC for the purpose of upgrading the factory sites located at the Kabokweni industrial area.	871 805	871 805	871 805
Department of Arts and Culture (Bushbuckridge craft project) Funds were received from the Department of Arts and Culture to support crafters in the Bushbuckridge area and to address developmental needs of crafters in the Ga-Mathibela community.	720 000	720 000	720 000
Department of Arts and Culture (Promoting sports and culture project) Funds were received from the Department of Arts and Culture to support socio-economic development by establishing sport and culture as an economic investment and to promote existing cultural facilities for communities.	2 304 273	2 304 273	2 304 273
Department of Sports & Culture Funds were received from the Department of Sports and Culture to foresee the implementation of refurbishment projects in Johannes Stegman Theatre, Mbombela Civic Theatre and Emalahleni Theatre.	-	7 290 657	7 290 657
Department of Economic Development and Tourism Funds were received from the Department of Economic Development and Tourism in relation to the Nkomazi Special Economic Zone	-	2 934 239	847 114
COVID relief funding	30 000	2 295 778	-
	44 976 979	**16 969 200**	**12 237 855**

* See Note 2 & 32

	2022	2021 Restated *	2020 Restated *
	R	R	R

18. Financial liabilities by category

2021

	Financial liabilities at amortised cost	Total
Other financial liabilities	19 905 163	19 905 163
Trade and other payables	250 167 208	250 167 208
Unspent conditional grants	46 370 621	46 370 621
	316 442 992	**316 442 992**

2021

	Financial liabilities at amortised cost	Total
Other financial liabilities	19 905 163	19 905 163
Trade and other payables	191 506 879	191 506 879
Unspent conditional grants	16 969 200	16 969 200
	228 381 242	**228 381 242**

2020

	Financial liabilities at amortised cost	Total
Other financial liabilities	19 905 251	19 905 251
Trade and other payables	173 375 034	173 375 034
Unspent conditional grants	12 237 854	12 237 854
	205 518 139	**205 518 139**

19. Revenue

Revenue from contracts with customers		
Municipal services	71 056 763	69 030 466
Interest income (Trading)	44 212 180	41 034 290
Sale of lemons - export	14 843 382	34 265 591
Sale of lemons - local	372 654	51 810
Rental income - properties	39 623 069	40 108 436
Rental income - equipment	-	90 000
	170 108 048	**184 580 593**

20. Cost of sales

Sale of goods	28 895 328	41 510 745
Rendering of services	108 817 877	103 644 840
Inventories lost or written off	52 385	878 168

* See Note 2 & 32

Notes to the Annual Financial Statements

21. Other operating income

	2022 R	2021 Restated * R
Administration and management fees received	56 741	33 389
Fees earned	2	-
Commissions received	1 393 642	6 205 622
Bad debts recovered	3 400	101 764
Reversal of impairment	109 000	68 000
Government grants	199 084 867	164 584 116
	200 647 652	**170 992 891**

Government grants of R199 084 867 (2021: R164 584 116) are included in other operating income. There are no unfulfilled conditions or other contingencies attaching to these grants. MEGA did not benefit directly from any other forms of government assistance.

* See Note 2 & 32

Notes to the Annual Financial Statements

		2022	2021 Restated *
		R	R

22. Other operating gains (losses)

Gains (losses) on disposals, scrappings and settlements			
Investment property	4	-	(10 250 000)
Property, plant and equipment	3	(625 273)	(329 469)
		(625 273)	**(10 579 469)**
Fair value gains (losses)			
Biological assets	5	-	15 185 161
Investment property	4	5 960 000	(14 520 000)
Financial assets designated as at fair value through profit or loss		13 327 629	(15 650)
		19 287 629	**649 511**
Total other operating gains (losses)		**18 662 356**	**(9 929 958)**

23. Operating profit (loss)

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

Auditor's remuneration		
Audit fees	10 186 076	6 370 844
Remuneration, other than to employees		
Consulting, legal and other professional services	23 512 250	9 973 140
Leases		
Equipment	246 426	262 304
Premises	6 326 477	8 163 874
Depreciation and amortisation		
Depreciation of property, plant and equipment	14 986 674	14 554 399
Amortisation of intangible assets	50 804	178 447
Total depreciation and amortisation	**15 037 478**	**14 732 846**

24. Employee costs

Employee costs		
Basic	105 649 015	116 473 367
Bonus	7 312 563	-
Workmens' compensation contributions	62 797	61 857
Leave pay provision charge	121 934	2 114 838
Directors' fees	2 194 161	1 521 275
Acting allowances and other short term costs	10 989 952	3 396 043
Long-term benefits - incentive scheme	37 772	(1 000)
	126 368 194	**123 566 380**

* See Note 2 & 32

Notes to the Annual Financial Statements

	2022 R	2021 Restated * R

25. Investment income

Dividend income		
Equity instruments at fair value through profit or loss:		
Unlisted investments - Local	58 900	168
Interest income		
Investments in financial assets:		
Loans receivable at amortised cost	963 480	1 176 681
Total investment income	**1 022 380**	**1 176 849**

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

26. Finance costs

Non-current borrowings	1 622 608	549 007
Unwinding of discount on provisions and other liabilities	39 222	37 714
Unwinding of discount on long-term employee benefit obligation	43 000	51 000
Total finance costs	**1 704 830**	**637 721**

27. Cash generated from/(used in) operations

Loss before taxation	(82 722 637)	(100 978 594)
Adjustments for:		
Depreciation and amortisation	15 037 478	14 732 846
Losses on disposals, scrappings and settlements of assets and liabilities	625 273	10 579 467
Income from equity accounted investments	(100 801)	(2 842 599)
Dividends received (trading)	(58 900)	(168)
Interest income	(963 480)	(1 176 681)
Finance costs	1 704 830	637 721
Fair value gains	(19 287 629)	(649 511)
Movements in provisions	(1 244 404)	1 768 304
Changes in working capital:		
Inventories	(1 142 136)	442 211
Trade and other receivables	5 034 451	7 589 940
Trade and other payables	64 152 318	18 131 844
Unspent Conditional Grants	28 007 779	4 731 346
	9 042 142	**(47 033 874)**

* See Note 2 & 32

Notes to the Annual Financial Statements

	2022 R	2021 Restated * R

28. Commitments and lease arrangements

Authorised capital expenditure

Already contracted for but not provided for		
• Commitments incurred as implementing agent	-	1 126 282
• Loans approved but not yet paid	8 976 009	10 357 344
• Supplier commitments	1 149 854	1 892 300
• Govan Mbeki Housing Company	8 337 736	8 337 736

Operating leases – as lessor (expense)

Minimum lease payments due - contractual undiscounted cash flows		
- within one year	5 485 400	5 042 375
- in second to fifth year inclusive	42 054 403	361 740
	47 539 803	**5 404 115**

The entity leases buildings for its office space. The leases of office space typically run for a period of one to three years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

The entity also leases IT equipment and machinery with contract terms of one to three years.

These leases are short-term and/or leases of low-value items. The entity has elected not to recognise right-of-use assets and lease liabilities for these leases.

Operating leases - as lessor (income)		
- Within year 1	20 332 497	19 148 695
- Within year 2	16 673 078	17 917 274
- Within year 3	11 376 088	14 068 083
- Within year 4	8 652 364	8 600 594
- Within year 5	5 622 315	5 670 613
- remaining later than five years	-	2 761 112
	62 656 342	**68 166 371**

Certain of the company's property is held to generate rental income. Lease agreements vary from month-to-month, indefinite to 20 years. There are no contingent rents receivable.

Notes to the Annual Financial Statements

	2022	2021 Restated *
	R	R

29. Contingencies

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

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

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

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

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

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

Applicant subsequently referred a dispute for unfair dismissal and unfair labour practice to the CCMA and an arbitration award was rendered on 16 August 2021, in terms of which MEGA was ordered to pay the Applicant R1 930 217.16 compensation in respect of unfair dismissal. MEGA subsequently referred the matter to the Labour Court for review and we await the date of set down for the matter to be heard.

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

On or about 29 March 2022, I @ Consulting (Pty) Ltd instituted action proceedings against MEGA for breach of contract for the provision of technical and advisory support to the Project Management Unit of the Nkomazi Economic Zones (SEZ) following its appointment through a competitive bidding process on 16 November 2020.

Notes to the Annual Financial Statements

	2022	2021 Restated *
	R	R

29. Contingencies (continued)

Contingent assets

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

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

Notes to the Annual Financial Statements

	2022 R	2021 Restated * R

30. Related parties

Relationships

Associates	Refer to note 7
Close family member of key management (Key management being MEGA officials part of Executive Management)	Mr ZL Dlabazama
Government departments	Department of Agriculture, Land Reform and Rural Development
(All government institutions are subject to the same accounting authority in terms of the sphere of government and are also under the same executive leadership and are therefore related parties to MEGA)	Department of Economic Development and Tourism
	Department of Arts and Culture
	Department of Human Settlements
	Department of Public Works
	Department of Trade and Industry
	Department of Education
	Department of Health
	Office of the Premier

Related party balances

	2022	2021
Loan accounts - Owing (to) by related parties		
Department of Agriculture, Forestry and Fisheries	(15 088 887)	(15 088 887)
Mr ZL Dlabazama	2 071 938	2 071 938
Dalamba Victorius Trading Enterprise and Projects (Pty) Ltd	9 594 153	8 858 873
Fuma Investments (Pty) Ltd	7 839 310	8 300 390
S'Buthe Mntimandze (Pty) Ltd	2 934 463	2 701 624
Mr GJ Dladla	-	1 275 079
Amounts included in Trade receivable (Trade Payable) regarding related parties		
Department of Arts and Culture (Promoting Sports and Culture)	(3 054 273)	(12 610 708)
Office of the Premier (MYDF)	(40 740 530)	-
Department of Public Works (EPWP)	(310 370)	(552 448)
Department of Public Works	(841 137)	(841 137)
Kangwane Anthracite (Pty) Ltd	492 558	492 588
Department of Economic Development and Tourism	(24 088 397)	(24 088 397)
Department of Economic Development and Tourism	8 490 500	8 350 985
Department of Trade and Industry	-	(2 934 239)
Department of Human Settlement	891 584	-
Department of Human Settlement	5 528 326	5 528 326
Amounts owed by client departments for Government Nutrition Programme		
Department of Education	802 107	802 107
Department of Health	169 673	169 673

Related party transactions

	2022	2021
Loans repaid		
Mr GJ Dladla	-	226 320
Fuma Investments (Pty) Ltd	1 150 000	1 030 535
Grants received from		
Department of Economic Development and Tourism - Operational Grant	216 020 000	185 462 727
Department of Economic Development and Tourism - EPWP	1 300 000	1 200 000
Office of the Premier - MYDF	81 952 518	-
Department of Sports and Culture	-	2 475 778
Department of Economic Development and Tourism - SEZ	2 805 787	10 000 036
Department of Economic Development and Tourism - MIFPM	-	136 400 000

Notes to the Annual Financial Statements

	2022 R	2021 Restated * R
30. Related parties (continued)		
Shareholders contribution made		
Hi-veld Fruit Packers (Pty) Ltd	-	(2 213 757)
Management fees (paid to) received from related parties		
Office of the Premier - MYDF	1 393 642	-

	2022 R	2021 Restated * R

31. Board members and key management emoluments

Board members

2022

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

2021

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

Notes to the Annual Financial Statements

	2022	2021 Restated *
	R	R

31. Board members and key management emoluments (continued)

Key management

2022

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

2021

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

	2022 R	2021 Restated * R

32. Prior period restatements

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

Statement of financial position

Trade and other receivables	
Balance previously reported	46 508 992
Correction of Rental debtors	(1 665 705)
Correction of Municipal debtors	825 953
Movement of VAT due to taxable corrections	171 560
Correction of other receivables - assurance written off incorrectly accounted for	(19 684)
	45 821 116

Trade and other payables	
Balance previously reported	191 449 474
Accounting for expenditure/invoices received after year-end	57 406
	191 506 880

Other financial assets	
Balance previously reported	50 432 641
Seperate classification of unlisted shares as Investments at fair value	(1 594 023)
Home loans - in duplum and interest adjustments	(3 575 062)
Agricultural loans - in duplum and interest adjustments	(114 745)
SMME loans - interest adjustments	3 466
	45 152 277

Property Plant and equipment	
Balance previously reported	428 979 881
Derecognising bulk Infrustructure components at Depreciated Replacement Cost Value	(36 205)
Recognising omitted bulk infrastructure components at Depreciated Replacement Cost Value	495 339
Derecognision of ommitted office building NKOMA001T23	(820 909)
	428 618 106

Investment property	
Balance previously reported	452 960 001
Recording of investment property where MEGA applied the principles of substance over form	1 140 000
	454 100 001

Retained income	
Balance previously reported 1 April 2020	711 921 364
Bulk infrastructure revaluation adjustments	(61 115)
Investment property fair value adjustments	1 140 000
Water rates and subscription fees not previously recorded	(57 405)
Rental straight-lining adjustment	(53 982)
Interest, assurance and other loan adjustments	(1 700 482)
Correction of over invoicing on municipal debtors	871 601
Correction of over invoicing on rental debtors	(1 485 811)
Leave provision restatements	(2 406 397)
Derecognision of ommitted office building recognised NKOMA001T23	(700 000)
	707 467 773

Revaluation reserve

Notes to the Annual Financial Statements

	2022 R	2021 Restated * R
32. Prior period restatements (continued)		
Balance previously reported		134 464 840
Revaluation adjustments on bulk infrastructure		778 463
Bulk infrastructure reverse transfer from revaluation reserve to retained earnings (difference in depreciation between fair value and cost model)		(258 214)
Reversal of revaluation of ommitted office building recognised NKOMA001T23		(132 000)
Reversal of transfer from Revaluation Reserve to Retained earnings on the ommitted office building		11 091
		134 864 180
Other disclosure - Fruitless and wasteful expenditure		
Balance previously reported		211 977
Expenditure identified by Auditor General in 2020/21 relating to the MIFPM		3 711 187
		3 923 164
Provisions		
Balance previously reported		11 994 680
Increase in the leave pay provision		400 854
		12 395 534
Statement of Profit and Loss and other Comprehensive Income		
Revenue		
Total as previously reported		185 205 344
Interest adjustment on loans, rental and municipal debtors		(990 948)
Municipal debtor correction against municipal revenue		1 333 727
Rental debtor adjustments against rental income		(967 530)
		184 580 593
Other operating gains (losses)		
Total as previously reported		(10 896 240)
Change to gains (losses) on disposals, scrappings and settlements - PPE		(173 718)
Change to the fair value adjustment for Investment Property		1 140 000
		(9 929 958)
Other operating expenses		
Total as previously recorded		300 683 214
Correction of depreciation		38 176
Accounting of bad debts		384 049
Accounting of subscription and license fees		9 473
Accounting of water tax		47 932
Leave pay provision - expense		2 807 250
		303 970 094
(Losses) gains on property revaluation		
Total as previously reported		8 683 236
Movement in property revaluation		586 270
		9 269 506

Notes to the Annual Financial Statements

	2022	2021 Restated *
	R	R

33. Financial instruments and risk management

Categories of financial instruments

Capital risk management

The capital structure of the organisation consists of debt which includes the borrowings, cash and cash equivalents, unspent government grants and equity as disclosed in the statement of financial position.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Consistent with others in the industry, the entity monitors capital on the basis of the gearing ratio. The entity monitors capital using a debt to equity ratio, which is net debt divided by total capital plus net debt. The entity’s policy is to keep the debt to equity ratio below 1:2. The entity includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and cash equivalents. Total equity is represented in the statement of financial position.

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

The debt equity ratio of the entity at 31 March 2022 and 31 March 2021 respectively was as follows:

Borrowings	13	19 905 163	19 905 163	19 905 251
Trade and other payables	16	255 659 198	191 506 880	173 375 035
Total borrowings		**275 564 361**	**211 412 043**	**193 280 286**
Cash and cash equivalents		(58 333 256)	(30 036 261)	(34 909 780)
Net borrowings		**217 231 105**	**181 375 782**	**158 370 506**
Equity		732 751 381	842 331 950	934 041 035
Gearing ratio		30 %	21 %	17 %

Notes to the Annual Financial Statements

	2022	2021 Restated *
	R	R

33. Financial instruments and risk management (continued)

Financial risk management

Overview

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

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

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

Credit risk

Credit risk is the risk of financial loss to the entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The entity is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institution and other financial instruments.

Credit risk consists mainly of cash deposits, cash equivalents, loans and receivables and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Customer credit risk is managed by the risk control unit subject to the entity's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Individual risk limits are set based oninternal or external ratings in accordance with limits set by the Board. Outstanding customer receivables are regularly monitored.

The requirement for an impairment is analysed at each reporting date on an individual basis. The calculation is based on actual incurred historical data. The entity does not hold collateral as security. The entity evaluates the concentration of risk with respect to trade receivables as high due to the volatility of the current market conditions.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

33. Financial instruments and risk management (continued)

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

		2022			2021			2020		
		Gross carrying amount	**Credit loss allowance**	**Amortised cost / fair value**	**Gross carrying amount**	**Credit loss allowance**	**Amortised cost / fair value**	**Gross carrying amount**	**Credit loss allowance**	**Amortised cost / fair value**
Other financial assets	9	189 851 928	(151 180 063)	38 671 865	202 621 935	(157 469 658)	45 152 277	193 619 998	(131 996 753)	61 623 245
Trade and other receivables	10	410 834 908	(370 048 246)	40 786 662	351 646 320	(305 825 204)	45 821 116	324 867 867	(271 456 811)	53 411 056
Cash and cash equivalents		58 333 256	-	58 333 256	30 036 261	-	30 036 261	34 909 780	-	34 909 780
		659 020 092	**(521 228 309)**	**137 791 783**	**584 304 516**	**(463 294 862)**	**121 009 654**	**553 397 645**	**(403 453 564)**	**149 944 081**

Notes to the Annual Financial Statements

	2022	2021 Restated *
	R	R

33. Financial instruments and risk management (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash deposits and the availability of fundingthrough an adequate amount of committed credit facilities to meet obligations when due and to close out market positions.

At the end of the reporting period the entity held deposits of R58 329 791 (2021: R30 035 807) that are expected to readily generate cash inflows for managing liquidity risk. Due to the dynamic nature of the underlying entity, the finance committee maintains flexibility in funding by managing availability under committed credit lines.

The entity's objective is to maintain a balance between continuity of funding and flexibility through the use of loans and borrowings. Based on the carrying value of borrowings reflected in the financial statement, 97% of the entity’s debt will mature in less than one year at 31 March 2022 (2021: 97%). The entity assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available.

The table below analyses the company’s financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

2022

Non-current liabilities		
Borrowings	13	4 816 364
Current liabilities		
Trade and other payables		255 659 198
Borrowings	13	15 088 799
		(275 564 361)

2021

Non-current liabilities		
Borrowings	13	4 816 364
Current liabilities		
Trade and other payables	16	191 506 880
Borrowings	13	15 088 799
		(211 412 043)

2020

Non-current liabilities		
Borrowings	13	4 816 364

Notes to the Annual Financial Statements

	2022 R	2021 Restated * R

33. Financial instruments and risk management (continued)

Current liabilities		
Trade and other payables	16	173 375 035
Borrowings	13	15 088 887
		(193 280 286)

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The entity’s exposure to the risk of changes in foreign exchange rates relates primarily to lemon export sales of R14 843 382. The lemons are sold to the Middle East through an export sales agent. The export sales agent sells the lemons in US dollars. The entity receives the rand equivalent less the agent fees.

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

Interest rate risk

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

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

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

Price risk

Commodity price risk

The company's operating activities involve leasing of residential and industrial properties, housing, agricultural and SMME financing and sale of lemons and wines. The nature of the products are such that they are not significantly affected by volatility as they are not volatile in nature.

Equity price risk

The entity’s unlisted shares are susceptible to market-price risk arising from uncertainties about future values of the investment. The organisation manages the equity price risk by limiting such investment to shares necessary to carry out its agricultural activities.

At the reporting date, the exposure to unlisted shares at fair value was only limited to R45 025 (2021: R54 925) therefore any significant change in the price will have an insignificant impact on MEGA.

The remainder of the balance amounting to R1 539 098 (2021: R1 539 098) is not exposed to market-price risk as the shares relating to Afgri Limited and Capespan Group Limited will be bought back at a fixed price.

	2022	2021 Restated *
	R	R

34. Going concern

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

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

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

35. Events after the reporting period

MEGA new office building

MEGA entered into a lease agreement and a facilities management (FM) agreement with Crowie Development Proprietary Limited for the newly built office park in Mbombela. The commencement date is the 1st (first) day of the month immediately following the Practical Completion Date, which will be 01 July 2022. The initial period is for 10 (ten) years with a monthly rental (inclusive of parking) of R874 040 which will escalate annually at 8% (eight percent). The monthly charge for facilities management services is R193 760, and will also escalate at 8% per annum.

36. Fruitless and wasteful expenditure

	2022	2021
Opening balance	3 923 164	314 653
Written off during the year	-	(321 279)
Current year expenditure incurred	454 636	3 929 790
	4 377 800	**3 923 164**

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

b. On 25 November 2020, MEGA Board granted approval to write - off R321 279 fruitless and wasteful expenditure.

c. Furthermore, Fruitless and wasteful expenditure of *R4 007 629,85 was also written – off by Board on 26 April 2022. The value of the fruitless and wasteful expenditure written-off included the R3 711 187 identified by Auditor General relating to the Mpumalanga International Fresh Produce Market.*

d. The reasons for the fruitless and wasteful expenditure write - off was that:

- It was not recoverable.
- The root cause was cashflow constrains.
- There was no official responsible in law for the occurrence of the fruitless and wasteful expenditure.

* See Note 2 & 32

Notes to the Annual Financial Statements

	2022 R	2021 Restated * R

37. Irregular expenditure

Opening balance	600 951 355	587 489 360
Current year expenditure incurred	25 354 821	47 602 223
Irregular Expenditure Condoned by Provincial Treasury	-	(34 140 228)
	626 306 176	**600 951 355**

Detail of current year expenditure incurred		
Prior period contraventions in awarding tenders carried forward to the current period	25 354 821	47 602 223

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

An investigation relating to the Irregular Expenditure identified was commissioned by MEGA. Investigation relating to the Government Nutrition programme was completed on 22 October 2021 and approved by the Board on 28 October 2021.

Application for condonement was submitted to Provincial Treasury on 24 November 2021 and MEGA is still awaiting outcome.

The terms of reference for the investigation stated about were as follows:

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

38. Deviations from Supply Chain Management Regulations

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

Media coverage	154 430	117 606
Single sourcing of quotations due to emergencies	43 285	175 696
Sole supplier	2 334 153	1 125 355
	2 531 868	**1 418 657**

* See Note 2 & 32

Detailed Statement of Profit or Loss

	Note(s)	2022 R	2021 Restated * R
Revenue			
Municipal services		71 056 763	69 030 466
Interest income (Trading)		44 212 180	41 034 290
Rental income		39 623 069	40 108 436
Sale of lemons - export		14 843 382	34 265 591
Sale of lemons - local		372 654	51 810
Rental income - Equipment		-	90 000
	19	**170 108 048**	**184 580 593**
Cost of sales			
Opening stock		(725 850)	(1 282 893)
Purchases		(109 976 254)	(103 965 965)
Closing stock		1 831 842	725 850
Cost of sales for agricultural activities		(28 895 328)	(41 510 745)
	20	**(137 765 590)**	**(146 033 753)**
Gross profit		**32 342 458**	**38 546 840**
Other operating income			
Administration and management fees received		56 741	33 389
Management fees received		1 393 642	6 205 622
Fees earned		2	-
Reversal of impairment		109 000	68 000
Government grants		199 084 867	164 584 116
Recoveries		3 400	101 764
	21	**200 647 652**	**170 992 891**
Other operating gains (losses)			
Losses on disposal of assets or settlement of liabilities		(625 273)	(10 579 469)
Fair value gains		19 287 629	649 511
	22	**18 662 356**	**(9 929 958)**
Expenses (Refer to page 82)		**(333 793 454)**	**(303 970 094)**
Operating/ (loss) profit	23	**(82 140 988)**	**(104 360 321)**
Investment income	25	1 022 380	1 176 849
Finance costs	26	(1 704 830)	(637 721)
Income from equity accounted investments		100 801	2 842 599
Loss for the year		**(82 722 637)**	**(100 978 594)**

* See Note 2 & 32

The supplementary information presented does not form part of the annual financial statements and is unaudited

Detailed Statement of Profit or Loss

	Note(s)	2022 R	2021 Restated * R
Other operating expenses			
Advertising		(256 708)	(514 618)
Amortisation		(50 804)	(178 447)
Auditor's remuneration	23	(10 186 076)	(6 370 844)
Bad debts		(75 253 322)	(60 138 521)
Bank charges		(111 302)	(150 361)
Cleaning		(320 338)	(255 247)
Computer expenses		(2 028 042)	(1 504 200)
Consulting and professional fees		(16 831 788)	(5 725 526)
Legal fees		(6 680 462)	(4 247 614)
Depreciation		(14 986 674)	(14 554 399)
Employee costs		(126 368 194)	(123 566 380)
Entertainment		(420 486)	(196 114)
Grant expenditure		(7 205 482)	(12 049 387)
Management fee		(531 000)	-
COVID 19 expenditure _ PPE		(109 785)	(538 274)
Employee Assistance Programs		-	(53 854)
Shareholder contribution		(626 445)	-
Other farming expenses		(264 035)	(21 692)
Insurance		(7 762 906)	(7 405 515)
Leases of low value assets		(6 326 477)	(8 163 874)
Short-term leases		(246 426)	(262 304)
Levies		(222 891)	(218 228)
Motor vehicle expenses		(26 442)	(26 511)
Municipal expenses		(17 135 535)	(17 930 419)
Other expenses		(2 962 804)	(2 798 003)
Postage		(30 975)	(19 596)
Printing and stationery		(253 522)	(140 142)
Protective clothing		(165 097)	(72 668)
Repairs and maintenance		(1 674 876)	(4 618 678)
Security		(26 012 016)	(25 909 989)
Staff welfare		-	(62 809)
Subscriptions		(950 556)	(828 736)
Telephone and fax		(2 278 693)	(2 192 741)
Training		(694 792)	(584 758)
Transport and freight		(3 924 275)	(2 368 320)
Travel - local		(894 228)	(301 325)
		(333 793 454)	**(303 970 094)**

* See Note 2 & 32

The supplementary information presented does not form part of the annual financial statements and is unaudited

ISBN: 978-0-621-50617-4
PR: PR260/2022