nceda

Nothern Cape Economic Development
Trade and Investment Promotion Agency

# 2021/2022

## NOTHERN CAPE ECONOMIC DEVELOPMENT TRADE AND INVESTMENT PROMOTION AGENCY

## ANNUAL REPORT - FINANCIAL YEAR

# CONTENTS

Nothern Cape Economic Development
Trade and Investment Promotion Agency

# PART A
## GENERAL INFORMATION

# PUBLIC ENTITY'S GENERAL INFORMATION

| | |
|---|---|
| **REGISTERED NAME:** | The Northern Cape Economic Development Trade and Investment Promotion Agency is a scheduled 3C public entity incorporated under the NCEDA Act, Act No 4 of 2008. |
| **PHYSICAL ADDRESS**: | DSC Building, First Floor,<br>69 Memorial Road<br>Kimberley<br>8301 |
| **POSTAL ADDRESS:** | DSC Building, First Floor,<br>69 Memorial Road<br>Kimberley<br>8301 |
| **TELEPHONE NUMBER/S:** | 087 086 0350 |
| **EMAIL ADDRESS:** | info@nceda.co.za |
| **WEBSITE ADDRESS:** | www.nceda.co.za |
| **EXTERNAL AUDITORS:** | Auditor General of South Africa |
| **BANKERS:** | Standard Bank |
| **COMPANY/ BOARD SECRETARY** | None |

economic development & tourism
Department of Economic Development and Tourism
NORTHERN CAPE
REPUBLIC OF SOUTH AFRICA

## LIST OF ABBREVIATIONS/ACRONYMS

| | |
|---|---|
| **AFS** | Annual Financial Statements |
| **APR** | Annual Performance Report |
| **AGSA** | Auditor General of South Africa |
| **MEC** | Member of Executive Council |
| **BBBEE** | Broad Based Black Economic Empowerment |
| **CEO** | Chief Executive Officer |
| **CFO** | Chief Financial Officer |
| **COO** | Chief Operations Officer |
| **PFMA** | Public Finance Management Act |
| **TR** | Treasury Regulations |
| **MTEF** | Medium Term Expenditure Framework |
| **SMME** | Small, Medium and Micro Enterprises |
| **SCM** | Supply Chain Management |
| **UIP** | Upington Industrial Park |
| **NCEDA** | Northern Cape Economic Development, Trade and Investment Promotion Agency |
| **DTIC** | Department of Trade Industry and Competition |
| **DEDaT** | Department of Economic Development and Tourism |

## 3. FORWORD BY THE CHAIRPERSON

NCEDA is the lead institution in the Northern Cape for investment promotion, attraction, facilitation and implementation of macro projects in the Province. The entity has worked tirelessly to attract investors across all sectors. This include the Just Energy transition. During the period of 2021/22 financial year, NCEDA received R74 million in grant funding for operations, capital expenditure and project implementation and secured over R600 billion of investment commitment.

Though the 2021/22 financial year concluded with some challenges due to the ongoing COVID-19 pandemic, the spike in energy prices due to the Russia-Ukraine war which led to the increase in consumer prices, coupled with the increase in interest rates in the South African market which has a negative effect on the spending and borrowing power of fellow South Africans. The rollout of COVID-19 vaccine, however, gave hope that soon things might go back to normal, and this is evident by the recent easing of the Covid regulations/restrictions by the President of the country, Honourable Cyril Ramaphosa.

I have remained as both the Accounting Authority and the Accounting Officer until the Executive Authority appoints the board of directors for the institution. I am proud of the work done by the NCEDA team. This is a small, under resourced team that has managed to execute their duties with diligence, pride, and excellence, whilst upholding our values which are being accountable, responsive, respectful, innovative, having integrity, Ubuntu and having open communication lines. NCEDA achieved its performance targets and obtained an unqualified audit.

NCEDA remains a going concern and is recovering from the financial challenges that were accruing from 2018 to 2020 financial year. The adopted salvage strategy managed to assist NCEDA in ending the year with accruals under R1.8 million. This however does not mean that NCEDA is financed optimally, we are still engaging the province for more funding even considering the budget cuts brought on by the pandemic. The budget increased from R 30.7 million in 2020/21 to R 50 million in 2021/22.

A limited budget and shortage of human capital are major constraints for the entity, however, against all odds, NCEDA has successfully recorded the following highlights:

1. The Northern Cape has launched the Green Hydrogen Strategy which serves as a pathfinder for South Africa towards a just energy transition;
2. The Boegoebaai Port and Green Hydrogen Cluster Project has initiated the pre-feasibility phase and has developed an agile approach to this phase whilst several iterations will be conducted in order to assess the various business cases and techno-economic solutions;

3. Namakwa SEZ received funding from the dtic to advance professional studies critical for SEZ designation;
4. Upington Industrial Park received grant funding which enabled the implementation of phase 1 which is still in progress, with the dtic as the funder and the DBSA as the implementing agents;
5. Kathu Industrial Park: has been identified as a catalytic project by Infrastructure South Africa to unlock the bulk infrastructure to enable industrialisation and inception node of the N14 corridor;
6. Witsand Nature Reserve achieved break even financially for the first time;
7. Successfully implemented the DSBD craft support programme for entrepreneurs in the arts and craft sector through the provision of market access as well as product and enterprise development;
8. Mizedogg Livestock (Pty) Ltd, implementation of Phase 1 of the project encompassed the establishment of a feedlot in Colesberg;
9. Richtersveld Growers (Pty) Ltd is an agricultural project with strategic importance to the Boegoebaai Port and Green Hydrogen Cluster Project which received funding for production processes Assisted several investors to meet desired outcomes through extensive support given;
10. Signed a Heads of Agreement with the Port of Rotterdam and assisted with the signing of a Memorandum of Agreement with Sasol;
11. Strengthened governance and improved compliance;
12. Sasol investment secured.

Regardless of the limitations on the budget and human capital, NCEDA received other mandates from the authorities which were successfully implemented in the 2021/22 financial year, due to good governance and good project management. Such projects include two agricultural projects, Mizedogg Livestock (Pty) Ltd and Richtersveld Growers (Pty) Ltd. A key matter requiring support remain the financial and human capital resourcing of NCEDA to achieve our set mandates.

Since NCEDA embarked on a three-year turnaround strategy from 2020/21 - 2022/23 financial year, the results of the sacrifices and commitment made by the entity in the past two years are evident on the performance, as the entity has managed to achieve an unqualified audit opinion on both Annual Financial Statement and Performance Information in two consecutive years, in 2020/21 and again in the 2021/22 financial year. The goal is to maintain this momentum and achieve a clean audit in the 2022/23 financial year. This can be achieved through strengthening governance and continued implementation of all internal and external policies that have a barring on the performance of the entity.

I would like to thank our MEC for Economic Development and Finance, Mr A. Vosloo for his guidance and leadership, the HOD for DEDaT, Mr T. Mabija for the invaluable support and direction given in delivering the mandate of this entity, the management and staff of NCEDA for their dedication and sacrifices throughout the year under difficult and challenging conditions.

Mr Hendrik Louw
Chairperson (Acting)
NCEDA
Date: 30 August 2022

## 4. CHIEF EXECUTIVE OFFICER'S OVERVIEW

NCEDA is the lead institution in the Northern Cape for investment promotion, attraction, facilitation and implementation of macro projects in the Province. The entity has worked tirelessly to attract investors across all sectors. This include the Just Energy transition. During the period of 2021/22 financial year, NCEDA received R74 million in grant funding for operations, capital expenditure and project implementation and secured over R600 billion of investment commitment.

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Mr Hendrik Louw
Chief Executive Officer (Acting)
NCEDA
Date: : 30 August 2022

# 5. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

To the best of my knowledge and belief, I confirm the following:

All information and amounts disclosed in the annual report is consistent with the annual financial statements audited by the Auditor General. The annual report is complete, accurate and is free from any omissions. The annual report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury.

The Annual Financial Statements have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP) standards applicable to the public entity. The accounting authority is responsible for the preparation of the annual financial statements and for the judgements made in this information.

The accounting authority is responsible for establishing, and implementing a system of internal control 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 entity for the financial year ended 31 March 2022.

Yours faithfully

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**Chief Executive Officer (Acting)**

**Mr Hendrik Louw**

**Date: 30 August 2022**

______________________

**Chairperson of the Board (Acting)**

**Mr Hendrik Louw**

**Date: 30 August 2022**

# 6. STRATEGIC OVERVIEW

NCEDA is a schedule 3 C company incorporated as per the Northern Cape Economic Development, Trade and Investment promotion Agency Act 4 of 2008. NCEDA draws its strategic goals on a five (5) year strategic plan (2020/21- 2024/25). As the investment promotion agency of the Northern Cape Province, NCEDA strives to be the leading catalyst for socio economic development and transformation. NCEDA fulfils this through its vision, mission and a set of values, by providing a competitive investment location, supported by value-added business services, that ultimately enable socio-economic development in the Northern Cape (NC) and South Africa.

### As stipulated in the Act, NCEDA's mandate is to:

- Planning and assistance with business enterprise and rural development;
- The provision of funding in respect of approved enterprise development;
- Project management, development and management of immovable property;
- To attract and facilitate foreign and domestic direct investment into the Northern Cape;
- Growing exports of products and services of the Northern Cape through the development of exporter capacity, demand and market access; and
- Marketing the Northern Cape as a competitive business destination within the national and international markets.

In 2021/22 financial year, NCEDA's strategy was mirrored on trade and investment promotion and securing investments which can lead to economic growth and employment creation; revenue generation through the promotion of tourism through Witsand Nature Reserve and MSICC and SMME assistance such as the Craft Support Programme.

During the year of reporting, the following represented the vision, mission, and values of the entity:

## 6.1. Vision

NCEDA to be the holding entity for growth and development initiatives to advance socio economic development in the Northern Cape

## 6.2. Mission

To contribute toward growth and sustainable development through:

- Promoting and securing investment in the province;
- Project management of enabling infrastructure that will serve as catalyst for investors;
- Taking up of "management equity" in investments that will yield income;
- Ensuring a cost-effective sustainable business enterprise (3D) and
- Ensuring a well governed and credible NCEDA.

### 6.3. Values

- Innovation
- Communication
- Accountability
- Ubuntu and Respect
- Responsiveness
- Integrity

The figure below is the long-term objective of the entity with the revised strategic objectives including vision, mission and values:


Figure 1: NCEDA Strategic Objectives

As per the above figure, NCEDA will continue to strive to strengthen governance, improve financial management, generate revenue and successfully implement high impact projects with a revised mission, vision and values.

## NCEDA
## EXECUTIVE AUTHORITY

**Hon. A Vosloo**
MEC Finance, Economic Development and Tourism

## NCEDA
## ACCOUNTING AUTHORITY

**Mr. Hendrik Louw**
(Acting) Accounting Officer/ Authority

## NCEDA
## EXECUTIVE MANAGEMENT

**Mr. S. Modise** (Acting)
Head of Project Management

**Mrs. T. Mangojane**
Chief Finacial Officer

**Ms. S. Ntame** (Acting)
Chief Operations Officer

**Mr. O. Coetzee**
Head of MSICC

**Mr. J. Martiens**
Head of Witsand Nature Reserve

**Mrs. N. Nyembe** (Acting)
Head of Office of the CEO

**Mr. D. Kruger**
Chief Risk Officer

# 7. LEGISLATIVE AND OTHER MANDATES

Apart from the mandate defined in section 3(1)(a) of the Northern Cape Economic Development, Trade and Investment Promotion Agency, Act No 4 of 2008, NCEDA functions under policy, legislative and functional mandates which also governs its establishment and operations.

Table 1 shows various Acts having a bearing and which the entity functions under.

Acts guiding and affecting NCEDA

| | |
|---|---|
| *Public Finance Management Act, 1 of1999* | *Tourism Act (Act 72 of 1993)* |
| *Treasury Regulations* | *Public Service Act (Act 103 of 1994)* |
| *Standard of Generally Recognized Accounting Authority* | *National Small Enterprise Act (Act 102 of 1996)* |
| *Internal Standard on Auditing* | *State Information Technology Agency Act (Act 88 of 1998)* |
| *Labour Relations Act (Act 66 of 1995)* | *Competition Act (Act 89 of 1998)* |
| *Constitution of South Africa (Act 108OF 1996)* | *National Environmental Management Act (Act 107 of 1998)* |
| *Borrowing Powers of Provincial Government Act (Act 48 of 1996)* | *Construction Industry Development Board* |
| *Basic Conditions of Employment Act(Act 75 of 1997)* | *Public Audit Act (Act 25 of 2004)* |
| *Employment Equity Act (Act 55 of1998)* | *Prevention and combating of Corrupt Activities Act (Act 2012 of 2004)* |
| *Special Economic Zone Act (Act 16 of2014)* | *Foreign Corrupt Practices Act (Act* |
| *Skills Development Act (Act 97 of1998)* | *Intergovernmental Relations Framework Act (Act 13 of 2005)* |
| *Occupational Health and Safety Act(Act 85 of 1993)* | *Preferential Procurement Policy Framework Act (Act 5 of 2000)* |
| *Unemployment Insurance Fund Act(Act 63 of 2011)* | *Northern Cape Tourism Act (Act 5of 1998)* |

NCEDA also functions under the following policy mandates:

## National Development Plan (NDP)

The National Development Plan is a long-term plan for the country as it is a 20-year vision. The plan has a target of increasing employment by 11 million by 2030. This is proposed to be done by:

- Realising an environment for sustainable employment and inclusive economic growth,
- Promoting employment in labour-absorbing industries,
- Raising exports and competitiveness,
- Strengthening government's capacity to give leadership to economic development and
- Mobilising all sectors of society around a national vision.

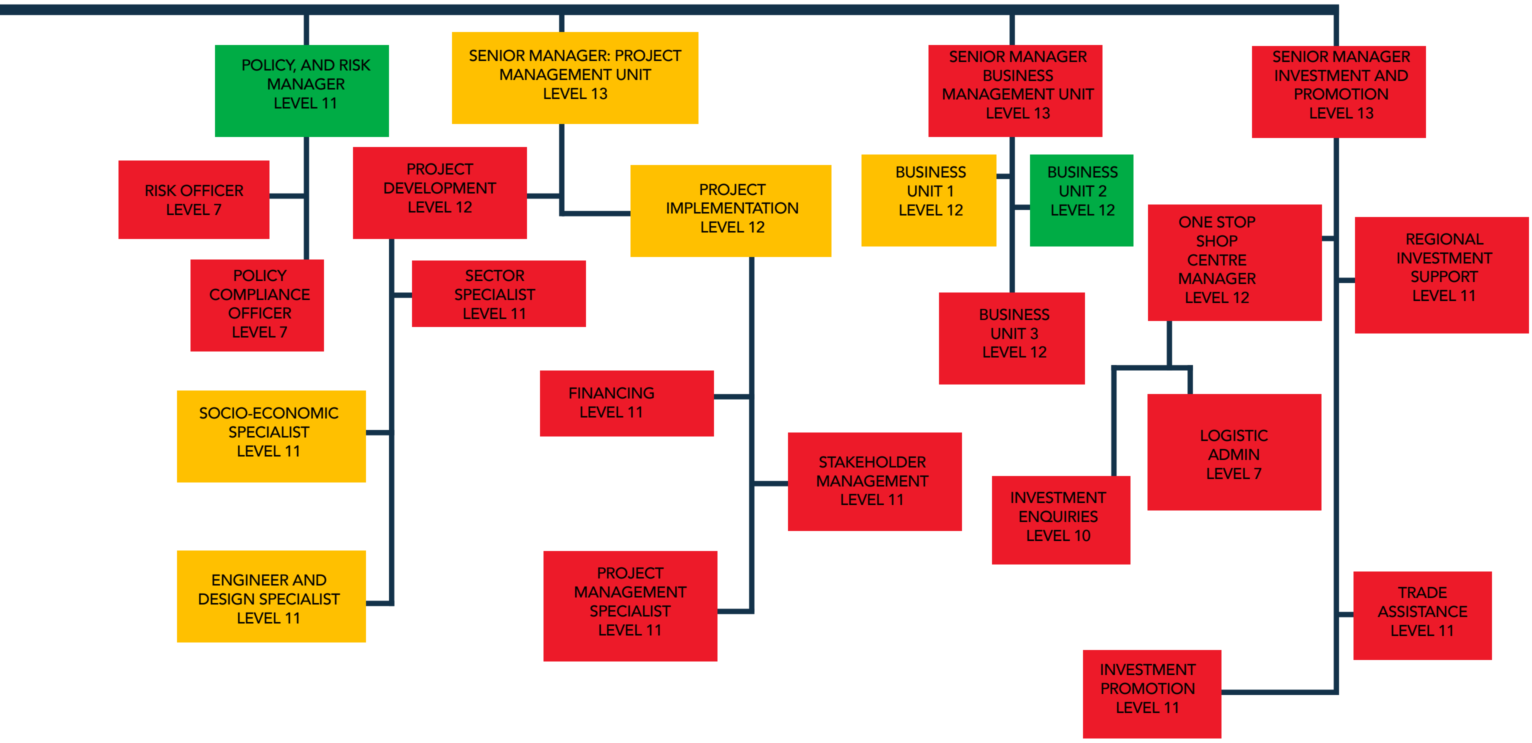
## Medium Term Strategic Framework

Medium Term Strategic Framework (MTSF) sets out government's priority focus areas for next 5 years. The country adopted the National Development Plan (NDP) which is a 20-year development plan, the National Growth Plan (NGP), the Industrial Policy Action Plan (IPAP) and the National Infrastructure Plan (NIP) which are short to medium term plans that are aimed at implementing the NDP.

## Provincial Growth and Development Strategy (PGDS)

At a provincial level, there are also strategies and policies that have been developed to respond to high levels of unemployment in the province and in a way providing support to the national government strategies and policies. One of these strategies is the Provincial Growth and Development Strategy (PGDS). One of the targets for this strategy is to curb unemployment by creating sustainable employment.

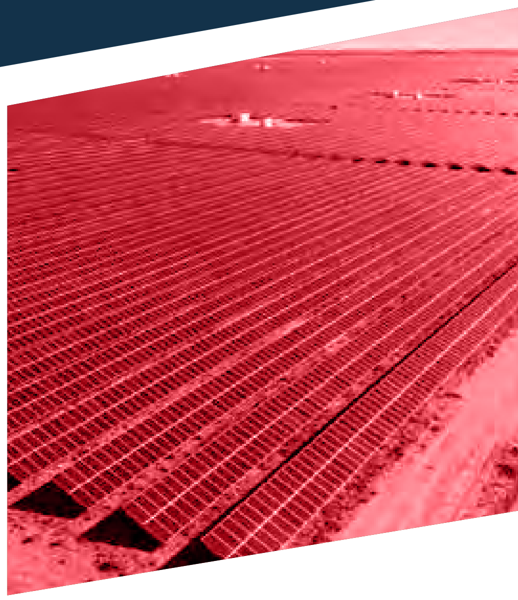
Figure 2: NCEDA Organisational structure for 2021/22


POLICY, AND RISK MANAGER LEVEL 11
SENIOR MANAGER: PROJECT MANAGEMENT UNIT LEVEL 13
SENIOR MANAGER BUSINESS MANAGEMENT UNIT LEVEL 13
SENIOR MANAGER INVESTMENT AND PROMOTION LEVEL 13
RISK OFFICER LEVEL 7
PROJECT DEVELOPMENT LEVEL 12
PROJECT IMPLEMENTATION LEVEL 12
BUSINESS UNIT 1 LEVEL 12
BUSINESS UNIT 2 LEVEL 12
ONE STOP SHOP CENTRE MANAGER LEVEL 12
REGIONAL INVESTMENT SUPPORT LEVEL 11
POLICY COMPLIANCE OFFICER LEVEL 7
SECTOR SPECIALIST LEVEL 11
BUSINESS UNIT 3 LEVEL 12
FINANCING LEVEL 11
SOCIO-ECONOMIC SPECIALIST LEVEL 11
STAKEHOLDER MANAGEMENT LEVEL 11
LOGISTIC ADMIN LEVEL 7
INVESTMENT ENQUIRIES LEVEL 10
ENGINEER AND DESIGN SPECIALIST LEVEL 11
PROJECT MANAGEMENT SPECIALIST LEVEL 11
TRADE ASSISTANCE LEVEL 11
INVESTMENT PROMOTION LEVEL 11


Legend:
Permanent
Contracts
Vacant




**FOR BOOKINGS:**
**060 976 7361**
**bookings@nceda.co.za**

# PART B
## PERFORMANCE INFOMATION

# 9. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

The AGSA/auditor 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.

The Auditor's Report was signed on the 31st of July 2022. Please refer to page 56 of the Report for the Auditors Report, published as Part E: Financial Information.

# 10. OVERVIEW OF PERFORMANCE

## 10.1 Service Delivery / Organisational Environment

For the 2021/22 financial year, the tourism sector business experienced a comeback after the adverse effects of the COVID-19 pandemic, this surge enabled Witsand Nature Reserve to experience a breakeven point, though business tourism had not pickup to pre-pandemic numbers as the MSICC did not witness any growth in revenue generation. Two major challenges that the entity can highlight were limited budget and shortage of human capital which led to the entity to seek more secondments from the mother department to strengthen its operations. Amid those challenges, NCEDA managed to perform very well: the Namakwa SEZ designation application as submitted to the Department of Trade, Industry and Competition (dtic); the approval of the Upington Industrial Park Critical Infrastructure Plan funding of R50 million by the dtic; partnership with the Department of Small Business Development that enabled Arts Sector COVID-19 relief fund for entrepreneurs who were disadvantaged by the pandemic; and formed significant partnerships by signing a Memorandum of Agreement with SASOL and a Heads of Agreement with the Port of Rotterdam for the development of the green hydrogen industry in Boegoebaai, Namakwa District.

## 10.2 Key policy developments and legislative changes

NCEDA is not affected by any policy developments and legislative changes.

## 10.3 Progress towards achievement of institutional Impacts and Outcomes

NCEDA achieved 95% in 2021/22. This was due to strengthened governance and financial management coupled with investment attraction and the successful implementation of projects.

# 11. INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION

Performance is broken down per programme and its associated sub-programmes for 2021/22 financial year.

### PROGRAMME 1: SHARED SERVICES

### Sub- Programme 1: Office of the Chief Executive Officer (CEO)

**Purpose:** Management of the NCEDA administrative programmes and governance.

Table 1: Performance by Office of the CEO 2021/22

| Outcome | Output | Output Indicator | Audited Actual Performance in 2019/20 | Audited Actual Performance in 2020/21 | Planned Targets 2021/22 | Actual Achievement 2021/22 | Deviation from planned target to Actual Achievement for 2021/22 | Reasons for deviations |
|---|---|---|---|---|---|---|---|---|
| A well governed entity of the Department of Economic Development to support investment promotion, project management and have a business management unit that is profitable | Organisational Operational Excellence | Ensure sound planning and strategic management | New target | New target | 2 | 2 | 0 | None |
| | | Ensuring sound policy management | New target | New target | 21 | 24 | +3 | Three (3) new policies |
| | | Ensure Effective Governance | New target | New target | 6 | 6 | 0 | None |

Comments on the achievements:

- Two targets relating to strategic management meant for quarter 3 were achieved;
- Governance, including review of policies was done which include additional policies where necessary;
- All NCEDA policies (24) were reviewed and approved in quarter 4 of 2021/21 as per the target. Three additional policies were developed;
- Quarterly reports, annual report and risk register were developed and submitted on time.

Strategy to overcome areas of under performance

- None.

## Sub- Programme 2: Financial Management (CFO)

**Purpose**: The identification and implementation of interventions to assist the Agency in adapting to the renewed financial standards to achieve a clean audit opinion.

Table 2: Performance by Office of the CFO

| Outcome | Output | Output Indicator | Audited Actual Performance in 2019/20 | Audited Actual Performance in 2020/21 | Planned Targets 2021/22 | Actual Achievement 2021/22 | Deviation from planned target to Actual Achievement for 2021/22 | Reasons for deviations |
|---|---|---|---|---|---|---|---|---|
| Clean audit towards increased investor confidence | Sound Financial Management | Effective, efficient and economical utilisation of resources | New target | New target | 5 | 5 | 0 | None |
| | | Effective supply chain management | New target | New target | 1 | 1 | 0 | None |
| | | Sound financial management | New target | New target | 12 | 12 | 0 | None |
| | | Assets are managed and accounted for | New target | New target | 1 | 1 | 0 | None |

Comments on performance:

- Quarterly NCEDA budget and draft annual financial statements were submitted to DEDaT respectively;
- Procurement plan was developed and submitted to Treasury in the first quarter of 2021/22;

- Cash projections, quarterly bank reconciliations and debtors & creditors age analysis report were also compiled and submitted;
- An updated asset register was also developed and signed off.

**Strategy to overcome areas of underperformance:**

- Strengthen Financial Management and Governance to improve the audit outcome. Financial management systems (SAGE) to improve accuracy of Annual Financial Statements were acquired, which saw annual financial statements being compiled in house instead of outsourcing.

## Sub-Programme 3: Corporate Services (CS)

**Purpose:** Provide efficient, cost effective, transparent and responsive corporate service to the agency including Human Resources Management (HRM), Legal Services Labour Relations, Information Technology, Records Management, Building Maintenance, Security Systems and Marketing and Communication and ensure that principles of good corporate governance are implemented.

Table 3: Performance by Corporate Services

| Outcome | Output | Output Indicator | Audited Actual Performance in 2019/20 | Audited Actual Performance in 2020/21 | Planned Targets 2021/22 | Actual Achievement 2021/22 | Deviation from planned target to Actual Achievement for 2021/21 | Reasons for deviations |
|---|---|---|---|---|---|---|---|---|
| Provide efficient, cost effective, transparent and responsive corporate service to the agency and ensure that principles of good corporate governance are implemented | Effective Corporate Services | Effective human resource management and human resource development, planning and reporting | New target | New target | 4 | 4 | 0 | None |
| | | Ensure legal and labour matters resolved. | New target | New target | 100% | 33% | -67% | Some Legal cases being managed by DEDaT |
| | | Effective and efficient functioning of IT to support NCEDA operations | New target | New target | 4 | 4 | 0 | None |
| | | Effective implementation of marketing and | New target | New target | 1 | 1 | 0 | None |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | communication strategy. | | | | | | |
| | | Effective sound records management. | New target | New target | 1 | 1 | 0 | None |
| | | Effective occupational health and safety in a work place is maintained | New target | New target | 1 | 1 | 0 | None |

**Comments on performance:**

- Employment Equity plan, HR plan, Workskills plan and Performance Management (evaluations) were done accordingly;
- NCEDA had 12 cases, and concluded the year having resolved 4. This is due to the fact that some cases are being managed by DEDaT but NCEDA has appointed Van Der Wall attorneys and Motlhamme attorneys in 2021/22 to try to resolve the cases as quickly as possible;
- NCEDA submits Information Technology (IT) status reports on a quarterly basis;
- Marketing and Communication Strategy together with Records Management Policy were developed and signed off in 2020/21. During 2021/22, NCEDA reported on the implementations of these strategy/policy on a quarterly basis;
- NCEDA adhered to the occupational and health protocols during 2021/22 and on a quarterly bases, submits update report which includes the Covid-19 update.

**Strategy to overcome areas of underperformance:**

- Appointed Van Der Wall attorneys and Motlhlamme to try to resolve cases as quickly as possible;
- IT Terms of Reference (TOR) and service provider delayed;
- Appointed a new IT service provider.

## Sub-Programme 4: Risk Management

**Purpose:** Ensure that the risks, assets, policies, strategic and annual performance plans of the NCEDA are appropriately managed. This gives stakeholder's confidence to deal with or invest in the NCEDA

Table 4: Performance by Risk Management

| Outcome | Output | Output Indicator | Audited Actual Performance in 2018/19 | Audited Actual Performance in 2019/20 | Planned Targets 2020/21 | Actual Achievement 2020/21 | Deviation from planned target to Actual Achievement for 2020/21 | Reasons for deviations |
|---|---|---|---|---|---|---|---|---|
| Ensure risks are appropriately managed | Ensure NCEDA that is zero tolerant on risks | Risk register and mitigation measures / actions are developed | New target | New target | 1 | 1 | 0 | None |

Comments on achievements:

- Risk register was approved in quarter 3 as planned and has been maintained since then. Quarterly Risk Management Committee also takes place, chaired by an external party to NCEDA;
- Assets target will be moved to CFO's Office from this unit in the 2022/23 financial year.

Strategy to overcome areas of under performance

- None, since all targets were achieved on time.

## PROGRAMME 2: INVESTMENT PROMOTION (IP)

**Purpose:** The purpose of the programme is to facilitate foreign and domestic investment.

Table 5: Performance by Investment Promotion

| Outcome | Output | Output Indicator | Audited Actual Performance in 2019/20 | Audited Actual Performance in 2020/21 | Planned Targets 2021/22 | Actual Achievement 2021/22 | Deviation from planned target to Actual Achievement for 2020/21 | Reasons for deviations |
|---|---|---|---|---|---|---|---|---|
| Facilitate foreign and domestic investments. | Domestic and FDI inflows into the Northern Cape | Support investments promotions initiatives. | New target | 4 | 4 | 7 | +3 | Active Participation on IP initiatives |
| | | Support trade promotion initiatives. | New target | 4 | 4 | 5 | +1 | Active Participation on trade initiatives |

Comments on performance:

- NCEDA participated on **Indian Investment Webinar** focusing on the possibilities on a fertiliser factory in South Africa as an initiative to support investment activities;
- NCEDA also participated on the **Brazil Webinar** titled "Investment Promotion Activities in Brazil" where based on the Northern Cape value proposition with opportunities identified;
- NCEDA hosted the **Russian Embassy** where possibilities of wine exports to Russia was an immediate opportunity which promotes trade initiatives;
- NCEDA participated in **the BRICS India 2021 (BRICS Trade Fair 2021)** which was held virtually on August 16 to 18 2021. The conference was attended by delegates around the world which include investors, business people, political authorities etc. NCEDA had its own exhibition stand and received enquiries relating to doing business in the Northern Cape and possible exports by South African companies (specifically the Northern Cape) to supply products to the BRICS countries. This was part of supporting investment initiatives and support trade promotion initiatives. A detailed presentation and marketing material was uploaded on the NCEDA booth (picture of the booth below).
- NCEDA has signed a Memorandum of Agreement (MOA) with Sasol for the development of the Boegoebaai green hydrogen and the derivatives export project which is part of the Strategic Infrastructure Projects (SIPs) supported by the presidency. This is part of investment promotion initiatives by the province.
- NCEDA has signed a Heads of Agreement with the Port of Rotterdam to develop Boegoebaai location as a Special Economic Zone centred around the production of Hydrogen and Power to X fuels and feedstocks from renewables for exports (trade initiative).
- **DUBAI EXPO 2020:** NCEDA participated in the Dubai Expo 2020 via South Africa Pavilion. This initiative was driven by the dtic and NCEDA submitted all the projects to be promoted as part of

its investment initiative. The Inaugural Session of the South Africa Trade and Investment Month at Expo2020 Dubai was officially opened on the 1st of November 2021. The Dubai Initiative also made export promotions of the Northern Cape products and various engagements on the new AfCFTA and what does it means to South African, especially Northern Cape exporters.

- **COP26:** NCEDA with provincial delegates, attended the United Nations Framework Convention on Climate Change (UNFCCC) Conference of Parties (COP26) Glasgow, Scotland. The conference took place in November with 26 nations attending. One of the major highlights was the launch of the Northern Cape Green Hydrogen Strategy with the Honourable Minister Barbara Creecy of the Department of Forestry, Fisheries and Environment (DFFE) representing the National Government and leading the delegation. One of the key aspects was that South Africa was pledging to align with the Paris Agreement and initiate a process that will realise the reduction in the use of fossil fuel.
- **South African Embassy: Washington-** NCEDA hosted the South African Embassy in Washington DC on the theme " Understanding Business Opportunities in South Africa's Province, Northern Cape" where investors from the US were in attendance seeking opportunities to invest in the Northern Cape. The webinar happened on the 2nd of February 20222 as part of investment initiatives being supported by NCEDA.
- **South Africa Investment Conference (SAIC)**: NCEDA participated on the 4th South African Investment Conference which is dully known as the Presidential Investment Conference. NCEDA exhibited the province's value proposition and responded to visits by potential investors on the stand.
- **Exporting to US Webinar-** NCEDA hosted in collaboration with USAID TradeHub a webinar which focused on how Northern Cape businesses can gain entry to by meeting entry requirements to US markets. The webinar took place on the 23rd of February 2022.

### Strategy to overcome areas of under performance

- No underperformance, but maintaining consistency and appoint personnel as the function is being done by the CEO.

## PROGRAMME 3: PROJECT MANAGEMENT UNIT (PMU)

**Purpose**: addressing the market failure of cost of doing business in a rural setting through the provision of an enabling infrastructure and an investor friendly business environment.

Table 6: Project Management

| Outcome | Output | Output Indicator | Audited Actual Performance in 2019/20 | Audited Actual Performance in 2020/21 | Planned Targets 2021/22 | Actual Achievement 2021/22 | Deviation from planned target to Actual Achievement for 2021/22 | Reasons for deviations |
|---|---|---|---|---|---|---|---|---|
| Creation of industrial clusters in a smartly developed rural setting | Successful project implementation | Number of macro projects supported and managed | New target | New target | 2 | 4 | 2 | Partnership with The Presidency |

Comment on achievement:

- **Upington Industrial Park** critical infrastructure programme (CIP) of R 50 million application submitted and approved;
- Funding for **Namakwa SEZ** of R7 million was received from dtic to advance professional studies critical for SEZ designation;
- **Northern Cape Green Hydrogen Strategy:** The Northern Cape Green Hydrogen Strategy has been developed as a precursor to the National Green Hydrogen Strategy in partnership with The Presidency. The Strategy has been adopted by EXCO and has been presented by Minister Barbara Creecy at the United Nations Climate Change Conference (Cob 26) in November 2021 with the presence of the Northern Cape delegation in Glasgow, Scotland. Land Surety is still to be finalised between the Northern Cape Government and the Richtersveld CPA;
- **Boegoebaai Port**: The Boegoebaai Port & Green Hydrogen Cluster Project has initiated the pre-feasibility phase this quarter and has developed an agile approach to this phase whilst several iterations will be conducted in order to assess the various business cases and techno-economic solutions. The Boegoebaai Green Hydrogen and Green Hydrogen Derivatives Joint Steering Committee is established and the first Joint Steering Committee meeting took place on the 23rd of March 2022 (Annexure: Meeting Agenda).

Strategy to overcome areas of under performance

- None, but work in progress to get the designation application for Namakwa SEZ.
- Urgent need for more project management and specialist staff.

## PROGRAMME 4: BUSINESS MANAGEMENT

**Purpose:** to manage the performance of Mittah Seperepere International Convention Centre (MSICC) and Witsand Nature Reserve.

### Sub-Programme 1: MITTAH SEPEREPERE INTERNATIONAL CONVENTION CENTRE

Table 7: Project Mittah Seperepere International Convention Centre

| Outcome | Output | Output Indicator | Audited Actual Performance in 2019/20 | Audited Actual Performance in 2020/21 | Planned Targets 2021/22 | Actual Achievement 2021/22 | Deviation from planned target to Actual Achievement for 2021/22 | Reasons for deviations |
|---|---|---|---|---|---|---|---|---|
| Achievement of a 50% occupancy figure in order to be self – sustainable | Self-Sustainable conference venue | Revenue generated from Mittah Seperepere activities | New target | New target | R 1.8m | R 1 357 945 | -R442 055 | Covid-19 impact |
| | | Marketing MSICC a world class convention Centre | New target | New target | 4 | 4 | 0 | None |
| | | Well maintained infrastructure for conducive business environment | New target | New target | 1 | 2 | 1 | Additional funding from the department |
| | | Well functioning operating business model. | New target | New target | 1 | 1 | 0 | None |

Comments on performance:

- Revenue not met due to COVID-19; the reason for the variance was that the limitation of a number of people to an event results in less revenue because higher prices are charged for small groups in order to cover fixed costs resulting in fewer people making bookings, as MSICC costs are fixed regardless of how big or small the event is.
- The marketing of the MSICC is reported at the beginning of the marketing campaign on a quarterly basis (Q1- Q4), regardless of other marketing initiatives that take place on a continuous basis. This year the MSICC was marketed as follows:
    - a) In the first quarter, MSICC signed an MOU with the Northern Cape Tourism Authority (NCTA), to assist the centre with marketing initiatives
    - b) NCEDA developed a corporate identity/logo with affordable conference/meeting packages for the local market in the second quarter;
    - c) Development of a quarterly newsletter
    - d) MSICC participated in Meetings Africa Exhibition in the fourth quarter. This happens on an annual basis.

- Maintenance is reported once the project is complete and the Assurance letter completed by the Manager. For this financial year, MSICC spent R3 374 267.26 on maintenance and repairs: installed air conditioners for R 3 030 747.38 and general maintenance amounting to R 343 519.88. This was enabled by the funding received from DEDAT.
- A business model for MSICC was signed in 14 February 2022.

### Strategy to overcome areas of under performance

- Improve all areas once the pandemic is over and source more alternative funding for repairs.

### Sub- Programme 2: Witsand Nature Reserve

Table 8: Witsand

| Outcome | Output | Output Indicator | Audited Actual Performance in 2019/20 | Audited Actual Performance in 2020/21 | Planned Targets 2021/22 | Actual Achievement 2021/22 | Deviation from planned target to Actual Achievement for 2021/22 | Reasons for deviation |
|---|---|---|---|---|---|---|---|---|
| To optimize tourism visitations to generate an income stream. Based on not less than a 35% occupancy and subject to funding provided | Self-Sustainability | Revenue generated from Witsand activities | New Target | New Target | R2m | R 3,142,540.01 | +R 1, 142,540.01 | Easing of restriction, tariff changes |
| | | Promote Witsand as a world class tourism facility | New Target | New Target | 3 | 4 | 1 | Aggressive marketing |
| | | Well maintained infrastructure for conducive business environment | New Target | New Target | 1 | 1 | 0 | None |

**Comments on performance:**

- Witsand has managed to generate over R 3 million in terms of revenue due to easing of Covid-19 restrictions and new tariffs.
- Promotion of Witsand is reported at the beginning of the promotion on a quarterly basis (Q1-Q3), regardless of other promotion initiatives that take place on a continuous basis. For this financial year, Witsand was promoted as follows;
  a) Witsand was featured on SABC 2 Voetspore program in quarter 1. This happens on an annual basis;
  b) Witsand received a grading certificate for chalets in the second quarter as part of marketing the nature reserve as a world class tourism facility. The certificate is renewed on an annual basis and it enables Witsand to be a member in good standing with the Tourism Grading Council of South Africa;

c) Witsand was marketed aggressively on Facebook from the second quarter by the Northern Cape Tourism Authority. The marketing is done on a continuous basis;

d) Witsand has been marketed/promoted on the Birdhide Viewsite by the "friends of Witsand" in October 2021 (quarter 3).

- Maintenance is reported once the project is complete and the Assurance letter is completed by the Manager. For this financial year, R282 610 was spent on repairs and maintenance of buildings (thatched roof).

**Strategy to overcome areas of under performance**

- Because of lockdown, tourists froze people's leisure spent and once the restrictions were eased, they came in numbers.
- Fixing the road to accommodate more clients.

## Reporting on the Institutional Response to the COVID-19 Pandemic

NCEDA had few COVID-19 cases during the 2020/21 FY which all recorded 100% recoveries. The table below shows the budget

<u>Table 9: Progress on Institutional Response to the COVID-19 Pandemic</u>

<table>
<tr><th>Programme</th><th>Intervention</th><th>Province</th><th>No. of beneficiaries</th><th>Total budget allocation</th><th>Budget spent per intervention</th><th>Contribution the output (APP)</th><th>Immediate outcomes</th></tr>
<tr><td rowspan="4">NCEDA</td><td>Building Fumigation</td><td rowspan="4">Northern Cape</td><td rowspan="4">36</td><td>Departmental cost</td><td>N/A</td><td>Health & safety</td><td>Health & safety</td></tr>
<tr><td>Masks and sanitizers</td><td rowspan="3">R5905.00</td><td rowspan="3">R 6000.00</td><td>Health & safety</td><td>Health & safety</td></tr>
<tr><td>Awareness sessions</td><td>Health & safety</td><td>Health & safety</td></tr>
<tr><td>Screening</td><td>Health & safety</td><td>Health & safety</td></tr>
</table>

## Linking performance with budgets

The table below describes how expenditure contributed to the achievements of the outputs during the period under reviews:

Table 10: Linking Performance with Budget

| | 2021/22 | | | 2020/21 | | |
|---|---|---|---|---|---|---|
| Programme | Budget | Actual Expenditure | (Over)/Under Expenditure | Budget | Actual Expenditure | (Over)/Under Expenditure |
| NCEDA | 39 827 942 | (22 702 411) | 17 125 531 | 30,227,722 | (30,227,722) | - |
| SEZ | 12 545 782 | (3 649 982) | 8 895 800 | | | |
| CRAFTS | 3 769 687 | (553 227) | 3 216 460 | 391,510 | (20,187) | 371,323 |
| WITSAND | 3 254 080 | (2 662 931) | 591 148 | 3,000,000 | (2,536,665) | 463,335 |
| MSICC | 8 169 004 | (4 505 356) | 3 663 647 | 1,027,000 | (1,130,315) | -130,315 |
| OSS | 2 550 532 | (8 540) | 2 541 992 | 4,691,858 | (2,141,326) | 2,550,532 |
| UIF | 14 790 059 | (14 140 237) | 649 821 | 9,124,725 | (9,001,598) | 123,127 |
| Covid Relief Fund | 1 622 393 | (1 621 615) | 778 | 2,175,778 | (553,385) | 1,622,393 |
| Total | 86 529 478 | 49 844 299 | 36 685 180 | 50 638 593 | (44 206 845) | 6 431 748 |

## 12. REVENUE COLLECTION

The following table shows revenue collection which can be over/under collection.

Table 11: Revenue Collection

| | 2021/22 | | | 2020/21 | | |
|---|---|---|---|---|---|---|
| Sources of revenue | Estimate | Actual Amount | (Over)/Underollection | Estimate | Actual Amount | (Over)/ Under collection |
| WITSAND | 109 633 | 0 | 109 633 | 42 232 | 0 | 42 232 |
| MSICC | 320 369 | (141 418) | 178 951 | 320 369 | 0 | 320 369 |
| | | | | | | |
| TOTAL | 430 002 | (141 418) | 288 584 | 362 601 | 0 | 362 601 |

The under-collection has been noted and is in the process of being handed over for legal action.


**For bookings: visit Witsand Nature Reserve: www.witsandkalahari.co.za or call 083 234 7573**



# PART C
## GORVERNANCE

## 13. INTRODUCTION

NCEDA as a scheduled 3C entity is subjected to all the governance regulations which the entity needs to fulfil. These range from the company appointing board of directors, auditors and is further subjected to the Standing Committee on Public Accounts (SCOPA) and many other enforcements.

## 14. PORTFOLIO COMMITTEE

NCEDA presented its APP and the budget for 2021/22 to the SCOPA on 02 June 2021.

SCOPA's recommendations included, amongst others, the following:

- DEDaT, and NCEDA should ensure that it employs a measurable monitoring mechanism with specific timelines to adequately track and monitor progress of the implementation of planned mega projects in the Province;
- DEDaT and NCEDA should develop a plan to ensure that manganese and iron ore projects are developed that can enhance economic development and ensure beneficiation in the Province;
- DEDaT and NCEDA must ensure that once the investigations into irregular expenditure have been concluded, the Committee is provided with a report on consequence management that was instituted against transgressing officials.

## 15. EXECUTIVE AUTHORITY

Mr Abraham Vosloo who is the Member of the Executive Council is the executive authority to the agency.

## 16. THE ACCOUNTING AUTHORITY / BOARD

- **The Accounting Authority**

Mr Hendrik Louw is the Accounting Authority of the entity.

- **Board Composition**

Mr Hendrik Louw is the Executive Authority of the entity.

- **Sub-Committee Meeting**

In 2021/22, NCEDA did not have any board sub-committee meetings.

- **Remuneration**

This refers to remuneration of the board members. During the time of reporting, NCEDA did not have the functioning board.

## 17. RISK MANAGEMENT

- Management developed and the Accounting Authority approved a Risk Management Policy and Strategy. The policy and strategy are reviewed annually.
- Management conducted annual risk assessments and determined the effectiveness of its risk management strategy and identified new and emerging risks. A Risk Register for 2021/22 financial year was developed and approved by the risk management committee. There were 16 risks identified that required mitigation by management.
- There is a risk management committee in place that advises management on the overall system of risk management, especially the mitigation of unacceptable level of risk. There were 5 committee meetings held for the year. All 16 risks have been successfully mitigated by management.
- The Shared Service Audit Committee advised management and the Accounting Authority on risk management and independently monitors the effectiveness of the system of risk management. There were 4 committee meetings held for the year.
- Management and the Accounting Authority did see progress in the management of the risks and it transmitted into the improvements in the entity's performance.

## 18. INTERNAL CONTROL UNIT

This function is being done by the Risk Manager where the quality control on compliance is being measured.

## 19. INTERNAL AUDIT AND AUDIT COMMITTEES

### Key activities and objectives of Internal Audit

The Northern Cape Provincial Treasury established the shared Internal Audit function. The function was established in terms of section 51(1)(a)(ii) and section 76(4)(e) of the Public Finance Management Act (PFMA) as a shared service for the Northern Cape Provincial Administration, in terms of paragraph 3.2.3. of the Treasury Regulations. The function fulfils an independent assurance and consulting role. The Internal Audit function was sub-contracted to a service provider, under the guidance of the NCPT Internal Audit function, for the year under review.

The Internal Audit function uses a risk-based audit approach in providing management and the Audit Committee with assurance on the adequacy and effectiveness of governance, risk management, and internal control processes. Internal Audit is guided by the Internal Audit Charter, approved by the Audit Committee, and performs its functions as provided for in the PFMA and the Internal Audit Charter.

The Internal Audit function compiles a rolling three-year strategic risk-based plan and prepares an annual Internal Audit operational plan after taking into consideration the risks faced by the entity, strategic objectives, the entity's mandate, audit issues and inputs by management. The Audit Committee considers and approves the Internal Audit plan for implementation.

The Internal Audit reviews performed for the financial year under review, were all completed in line with the approved annual Internal Audit plan and are detailed in the Audit Committees' annual report.

## Summary of audit work done

The Internal Audit work performed for the financial year under review were all completed in line with the approved annual Internal Audit plan.

The service provider whose contract ended on 30 June 2021 conducted the following audits:

- Annual financial statements review
- COVID-19 compliance review

Another service provider was appointed for a three year-term, starting mid-February 2022. The audits conducted were as follows:

- Pre-determined objectives review
- Follow-up of the implementation of audit findings

Internal Audit findings were communicated timely to management and measures to mitigate the risks were implemented. Significant matters identified during the year were reported to the Audit Committee and included the following:

- A board was not appointed for the year under review, and the acting CEO is acting as the board.
- Instability in the entity's leadership as the Chief Executive Officer post remained vacant.
- Incomplete audit action plan, in that 29 audit findings out of 43 were not included on the AGSA action plan.
- Root causes for audit findings raised by the AGSA were not identified.
- Various errors and difficulties in reviewing the annual financial statements.

## Audit Committee members and attendance

Throughout the year under review, the Audit Committee operated in terms of an approved Audit Committee Charter, which was the committee's approved terms of reference. The Audit Committee comprised of five (5) members, three (3) external members and two (2) internal members, all of whom are not employed by the entity.

The Audit Committee has, as part of its oversight responsibility on a quarterly basis, followed up on audit findings to ensure that issues raised were addressed timely. Further information relating to the Audit Committee, as required by the PFMA and the Treasury Regulations is included in the Audit Committee's report, which is incorporated in the annual report of the entity.

Four meetings were convened during the financial year under review. The table below discloses relevant information on the audit committee members:

**Table 12: Audit Committee Members**

| Name | Qualifications | Internal or external | If internal, position in the department | Date appointed | Date Resigned | No. of Meetings attended |
|---|---|---|---|---|---|---|
| Ms A Mafuleka | - CA (SA)<br>- B Com – Honours | External | n/a | 01 December 2020 | n/a | 04 |
| Ms J Gunther | - Certified Internal Auditor<br>- CRMA<br>- Associate General Accountant<br>- Masters in Cost Accounting<br>- BCompt<br>- Various accounting and auditing certificates | External | n/a | 01 December 2020 | n/a | 04 |
| Mr F Docrat | - Master of Business Administration<br>- Chartered Director (SA)<br>- Certified Information Security Manager<br>- Certified Information Systems Auditor<br>- Certified in the Governance of Enterprise Information Technology<br>- Certified Risk Management Practitioner<br>- Management Advancement Program<br>- Total Quality Management<br>- Computer Operations Proficiency | External | n/a | 01 December 2020 | n/a | 03 |

| | | | | | | |
|---|---|---|---|---|---|---|
| | Examination | | | | | |
| Ms S Vallabh | - Bachelor of Arts<br>- Post Graduate Diploma in Library and Information Science<br>- Certificate Programme in Public Service Management | Internal | Chief Director: Performance, Monitoring and Evaluations (OTP) | 01 December 2020 | n/a | 02 |
| Mr M Mdunge | - BA Degree<br>- Post graduate diploma governance and political transformation<br>- Masters in governance and political transformation | Internal | Director: Frances Baard Head COGHSTA | 01 April 2020 | n/a | 04 |

## Audit Committee Report

We are pleased to present the Audit Committee report of the Northern Cape Economic Development, Trade and Investment Promotion Agency 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 51(1)(a)(ii) of the Public Finance Management Act and Treasury Regulation 3.1.13. The Audit Committee further 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. The current Audit Committee three-year term membership started on 1 December 2020.

During the year under review the Audit Committee consistently engaged with the senior management of the entity Internal Audit and the AGSA, individually and collectively, to address risks and challenges facing the entity.

## 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 the entity. The following Internal Audit work was completed during the year under review:

- Annual Financial Statements review
- COVID-19 compliance review
- Pre-determined objectives review
- Follow-up of implementation of audit findings

The following were areas of concern:

- The board was not established for the period under review.
- The Chief Executive Officer post remained vacant. The acting Chief Executive Officer was seconded from the Department of Economic Development and Tourism and served as both the Chief Executive Office and Accounting Authority.
- The entity did not have sufficient funds required for implementing of its projects.
- The increasing AGSA audit fees and AGSA not utilising the work of Internal Audit.
- The entity had various legal matters still ongoing, and three (3) cases were referred to the investigating and law enforcement authorities.

In addition, management developed an audit action plan to address the findings raised by both the AGSA and Internal Audit. The Audit Committee monitored the implementation of the audit action plan during the year under review and the implementation of the Audit Committee's recommendations by management still requires improvement.

## Evaluation of annual financial statements and annual performance report

The annual financial statements submitted to the Audit Committee meeting was still a 'work in progress' and the following sections had to be finalised:

- Issues relating to the useful life of the property, plant and equipment
- Correcting the leave balances which affect receivables and provision for leave

The Audit Committee requested that the updated annual financial statements with all respective corrections be submitted on 27 May 2022 and feedback be given to the entity on Monday 30 May 2022. The updated annual financial statements were not submitted to the Audit Committee for recommendation to the AGSA. The entity submitted its unaudited financial statements on 12 June 2022, after the legislated date of 31 May 2022.

The annual performance report was recommended on the basis that the entity submits the portfolio of evidence to Internal Audit prior to submission to AGSA. The entity achieved 95% of their set targets.

### In-Year Management, monitoring and reporting

The entity reported as required by the PFMA to the Provincial Treasury; however, quarter 1 information was submitted late.

### AGSA's Report

We have reviewed the entity's implementation plan for audit issues raised in the previous year and we are satisfied that the matters have been adequately resolved except for the following:

- Twenty-nine (29) issues omitted from the audit action plan.
- Non-identification of root causes for the findings raised.

The Audit Committee concurs and accepts the conclusions of the AGSA 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 AGSA.

### Report to Accounting Authority and Executive Authority

On a quarterly basis the Audit Committee wrote a report to the Accounting Authority and the Executive Authority which highlights the issues that needs attention or improvement within the entity's performance.

---

Ms A Mafuleka CA(SA)
Northern Cape Economic Development, Trade and Investment Promotion Agency
Chairperson of the Audit Committee
Date: 15 August 2022

## 20. COMPLIANCE WITH LAWS AND REGULATIONS

NCEDA strives to comply with all relevant legislation and policies applicable to the entity as a 3C scheduled company. However, during the period of reporting, the Auditor General reported a number of material findings on compliance with specific subject matters in key legislation.

## 21. FRAUD AND CORRUPTION

The policy on fraud and corruption was adopted by the board. The policy is being implemented and monitored.

## 22. MINIMISING CONFLICT OF INTEREST

Employees are prohibited from engaging in any business activities that are actually or adversely or detrimental to the best interest, mission and objectives of NCEDA. The policy on managing conflict of interest was adopted by NCEDA board. The board declares a conflict of interest in every board meeting.

## 23. CODE OF CONDUCT

The code of conduct acts as a guideline to all NCEDA employees as to what is expected of them. Employees signed the code of conduct and human resource unit monitors the implementation of same.

## 24. HEALTH SAFETY AND ENVIRONMENTAL ISSUES

NCEDA adhere to all health and safety protocols in the work place as defined in the ISO standards.

## 25. COMPANY /BOARD SECRETARY

NCEDA did not have dedicated personnel for the company secretary during the year of reporting.

## 26. SOCIAL RESPONSIBILITY

During 2021/22 financial year, NCEDA didn't partake in any CSI programs due to COVID-19.

## 27. AUDIT COMMITTEE REPORT

The Audit Committee Report was signed on the 15 August 2022 for the financial year ended 31 March 2022.

# 28. B-BBEE 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.

Table 13: B-BBEE Compliance Performance Member

| Programme | 2021/22 FY Number of Employees | 2021/22 Approved Posts | 2021/22 Number of employees | 2021/22 Vacancies | % of vacancies |
|---|---|---|---|---|---|
| NCEDA | 36 | 90 | 36 | 54 | 60% |
| Top Management | 1 | 1 | 1 | 0 | 0% |
| Senior Management | 5 | 8 | 7 | 1 | 12.5% |
| Professional qualified | 7 | 27 | 10 | 7 | 25.9% |
| Skilled | 8 | 20 | 3 | 17 | 85% |
| Semi-skilled | 2 | 24 | 3 | 21 | 87.5% |
| Unskilled | 6 | 10 | 10 | 0 | 0% |

NCEDA performed no activities listed under this practice code during the year of reporting.


# PART D
## HUMAN RESOURCE MANAGEMENT

## 29. HUMAN RESOURCE INFORMATION

NCEDA has a dedicated unit to handle all the human resource issues and legal matters.

### Personnel Cost by programme/activity/objective

The table below shows the personnel costs by business unit/programme

**Table14: Personnel costs by programme/activity/objective**

| Programme | Total Expenditure | Personnel Expenditure | Personal Exp. As A % Of Total Expenditure | No of Employees | Average Personnel Cost Per Employee |
|---|---|---|---|---|---|
| NCEDA | 26 036 588.27 | 9 098 929.49 | 34.95 | 20 | 454 946.47 |
| SEZ | 3 659 709.02 | 1 904 499.28 | 52.04 | 3 | 634 833.09 |
| WITSAND | 2 933 042.31 | 1 761 917.37 | 60.07 | 13 | 135 532.11 |
| MSICC | 4 628 511.59 | 916 367.63 | 19.80 | 6 | 152 727.94 |
| DSBD | 1,434 619 | | | | |
| CSP | 1 820 223 | | | | |
| TOTAL | 37 257 851.19 | 13 681 713.77 | | 42.00 | 1 378 039.61 |

**Table15: Personnel Costs by programme (depend on the above table)**

| Level | Personal Expenditure | % Of Personnel Expenditure To Total Personnel Cost | No of Employees | Average Personnel Cost Per Employee |
|---|---|---|---|---|
| Top Management | 60 752.81 | 0% | 1 | 60 752.81 |
| Senior Management | 4 268 607.93 | 32% | 7 | 609 801.13 |
| Professional qualified | 6 456 643,18 | 48% | 10 | 645 664.32 |
| Skilled | 782 490.26 | 6% | 3 | 260 830.09 |
| Semi-skilled | 622 738.23 | 9% | 3 | 207 579.41 |
| Unskilled | 1 146 969.33 | 5% | 17 | 67 468.78 |

**Table16: Vacancies at NCEDA**

| Level | 2020/21 FY Number of Employees | 2021/22 Approved Posts | 2021/22 FY Number of employees | 2021/22 Vacancies | % of vacancies |
|---|---|---|---|---|---|
| NCEDA | 36 | 90 | 36 | 54 | 60% |
| Top Management | 1 | 1 | 1 | 0 | 0% |
| Senior Management | 5 | 8 | 7 | 1 | 12.5% |
| Professional qualified | 7 | 27 | 10 | 7 | 25.9% |
| Skilled | 8 | 20 | 3 | 17 | 85% |
| Semi-skilled | 2 | 24 | 3 | 21 | 87.5% |
| Unskilled | 8 | 10 | 17 | 0 | 0% |

Table17: Employment Changes

| Salary Band | Employment at the beginning of period | Appointments | Terminations | Employment atthe end of the period |
|---|---|---|---|---|
| Top Management | 1 | 0 | 0 | 1 |
| Senior Management | 7 | 0 | 3 | 4 |
| Professional qualified | 10 | 0 | 0 | 10 |
| Skilled | 3 | 0 | 1 | 2 |
| Semi-skilled | 3 | 0 | 0 | 3 |
| Unskilled | 9 | 8 | 5 | 12 |
| Total | 33 | 8 | 9 | 32 |

Table18: Reasons for leaving

| Reason | Number | % of total no. of staff leaving |
|---|---|---|
| Death | 0 | 0% |
| Resignation | 6 | 67% |
| Dismissal | 0 | 0% |
| Retirement | 0 | 0% |
| Ill Health | 0 | 0% |
| Expiry of contract | 3 | 33% |
| Other | 0 | 0% |

Table19: Labour Relations

| Nature of disciplinary action | Number |
|---|---|
| Disciplinary action has been taken (precautionary suspension) on one official | One |

## Equity Target and Employment Equity Status

Table 20: Equity Targets and Employment Equity Status (Male)

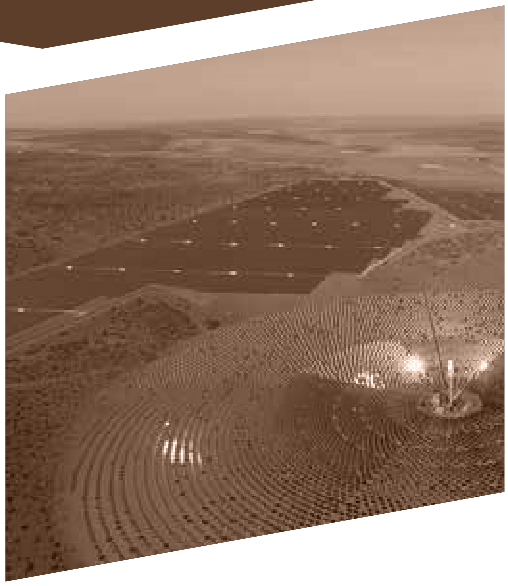
| Levels | Male | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | African | | Coloured | | Indian | | White | |
| | Current | Target | Current | Target | Current | Target | Current | Target |
| Top Management | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 |
| Senior Management | 3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Professional qualified | 3 | 0 | 1 | 0 | 0 | 0 | 1 | 0 |
| Skilled | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Semi-skilled | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Unskilled | 4 | 0 | 5 | 0 | 0 | 0 | 0 | 0 |

Table 21: Equity Targets and Employment Equity Status (Female)

| Levels | Female | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | African | | Coloured | | Indian | | White | |
| | Current | Target | Current | Target | Current | Target | Current | Target |
| Top Management | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Senior Management | 5 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Professional qualified | 5 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Skilled | 3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Semi-skilled | 0 | 0 | 2 | 0 | 0 | 0 | 0 | 0 |
| Unskilled | 2 | 0 | 3 | 0 | 0 | 0 | 0 | 0 |

Table 22: Equity Targets and Employment Equity Status (Disability)

| Levels | Disabled Staff | | | |
|---|---|---|---|---|
| | Male | | Female | |
| | Current | Target | Current | Target |
| Top Management | 0 | 0 | 0 | 0 |
| Senior Management | 0 | 0 | 0 | 0 |
| Professional qualified | 0 | 0 | 0 | 0 |
| Skilled | 0 | 0 | 0 | 0 |
| Semi-skilled | 0 | 0 | 0 | 0 |
| Unskilled | 0 | 0 | 0 | 0 |
| Total | 0 | 0 | 0 | 0 |


# PART D
## FINANCIAL INFORMATION

# 30. REPORT OF THE EXTERNAL AUDITOR

Report of the auditor-general to the Northern Cape Provincial Legislature on the Northern Cape Economic Development Trade and Investment Promotion Agency

Report on the audit of the financial statements

### Opinion

1. I have audited the financial statements of the Northern Cape Economic Development Trade and Investment Promotion Agency set out on page 62 to 118, which comprise the statement of financial position as at 31 March 2022, the statement of financial performance, statement of changes in net assets, and cash flow statement for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Northern Cape Economic Development Trade and Investment Promotion Agency as at 31 March 2022, and its financial performance and cash flows for the year then ended in accordance with the Standards of GRAP and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

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.

### Restatement of corresponding figures

7. As disclosed in note 33 to the financial statements, the corresponding figures for 31 March 2021 were restated as a result of errors in the financial statements of the public entity at, and for the year ended, 31 March 2022.

### Underspending of conditional grants

8. As disclosed in note 13 to the financial statements, the entity materially underspent on conditional grants by R8 384 407 for the year ended, 31 March 2022.

### Responsibilities of the accounting authority for the financial statements

9. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (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.

10. 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's or to cease operations, or has no realistic alternative but to do so.

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

11. 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.

12. 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

13. 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 programme presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

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

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

| Programmes | Pages in the annual performance report |
|---|---|
| Programme 4– Business Management | 34– 36 |

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

17. I did not identify material findings on the usefulness and reliability of the reported performance information for the following programme:

- Programme 4: Business Management

### Other matters

18. I draw attention to the matters below.

### Achievement of planned targets

19. Refer to the annual performance report on pages 21 to 29 for information on the achievement of planned targets for the year and management's explanations provided for the under/over achievement of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraph(s) 20 in this report.

### Adjustment of material misstatements

20. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of Programme 4: Business Management. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

### *Report on the audit of compliance with legislation*

### Introduction and scope

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

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

### Annual financial statements, performance reports and annual reports

23. Financial statements were not submitted for auditing within the prescribed period after the end of financial year, as required by section 55(1)(c)(i) of the PFMA.

24. The financial statements submitted for auditing were not fully prepared in accordance with the prescribed financial reporting framework, as required by section 55(1) (a) and (b) of the PFMA. Material

misstatements of non-current assets / revenue / expenditure / disclosure items identified by the auditors in the submitted financial statements were corrected, resulting in the financial statements receiving an unqualified audit opinion.

### Expenditure management

**25.** Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R195 027,02, as disclosed in note 38 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the fruitless and wasteful expenditure disclosed in the financial statements was caused by a payment resulting from of a court order indicating that the public entity should pay the attorney fees and disbursements of the plaintiff.

### Revenue management

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

### Consequence management

**27.** I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular and fruitless and wasteful expenditure as required by section 51(1)(e)(iii) of the PFMA. This was due to proper and complete records that were not maintained as evidence to support the investigations into irregular expenditure.

### *Other information*

**28.** 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 programme presented in the annual performance report that have been specifically reported in this auditor's report.

**29.** 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.

**30.** 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 programme presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

### *Internal control deficiencies*

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

33. Accounting authority did not in all instances effectively exercise its oversight responsibility regarding financial and compliance and related internal controls.

34. Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.

35. Management did not prepare regular, accurate and complete financial reports that are supported and evidenced by reliable information.

36. Management did not review and monitor compliance with applicable laws and regulations.

Auditor General

Kimberley

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 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 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 Northern Cape Economic Development Trade and Investment Promotion 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

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

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

Northern Cape Economic Development, Trade and Investment Promotion Agency
Annual Financial Statements
for the year ended 31 March 2022
Office of the Auditor General South Africa
Registered Auditors
These annual financial statements have been prepared in compliance with the applicable requirements of the Public Finance Management Act, Act 1 of 1999.
Published 31 May 2022

## General Information

| | |
|---|---|
| **Country of incorporation and domicile** | South Africa |
| **Nature of business and principal activities** | Public entity established in terms of Northern Cape EconomicDevelopment, Trade and investment Promotion Agency Act, Act 4 of 2008. The entity is a non - profit entity and is focused on servicedelivery in the Northern Cape Province. The entity is listed in thePFMA as a Schedule 3C - Public Entity. |
| **Registered office** | 69 Memorial Road<br>Eskom Building<br>Monument Heights<br>Kimberley<br>8301 |
| **Auditors** | Office of the Auditor General South Africa<br>Registered Auditors |
| **Chief Executive Officer** | H Louw |
| **Chief Financial Officer** | T Mangojane |
| **Level of assurance** | These annual financial statements have been compiled in compliance with the applicable requirements of the Public Finance Management Act: Act 1 of 1999. |
| **Published** | 31 May 2022 |
| **Legislation** | Northern Cape Economic Development, Trade and Investment Promotion Agency Act, Act 4 of 2008.<br>Public Finance Management Act No. 1 of 1999<br>Basic Conditions of Employment Act, No. 75 of 1997<br>Skills Development Levies Act, No. 9 of 1999<br>Employment Equity Act, No. 30 of 1999<br>Income Tax Act, No. 58 of 1962 |
| **Executive authority** | MEC of the Northern Cape Department of Economic Development and Tourism |

# Northern Cape Economic Development, Trade and Investment Promotion Agency

Annual Financial Statements for the year ended 31 March 2022

## Index

The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:



**Abbreviations used:**

| | |
|---|---|
| COID | Compensation for Occupational Injuries and Diseases |
| MEC | Member of Executive Officer |
| GRAP | Generally Recognised Accounting Practice |
| PFMA | Public Finance Management Act |
| NCEDA | Northern Cape Economic Development, Trade and Investment Promotion Agency |
| SEZ | Special Economic Zone |
| MSICC | Mittah Seperepere International Convention Centre |
| DTIC | Department of Trade, Industry and Competition |
| IDC | Industrial Development Corporation |
| AGSA | Auditor General of South Africa |
| UNIDO | United Nations Industrial Development Organisation |
| DEDAT | Northern Cape Department of Economic Development and Tourism |
| CSP Crafts | Customised Sector Plan - Crafts |
| DSBD | Department of Small Business Development |
| DOL | Department of Labour |

## Accounting Authority's Responsibilities and Approval

The accounting authority are required by the Public Finance Management Act (Act 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 the responsibility of the members 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. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting authority 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 members to meet these responsibilities, the accounting authority sets standards for internal control aimed at reducing the risk of error or deficit 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 accounting authority is 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 deficit.

The accounting authority has reviewed the entity's cash flow forecast for the year to 31 March 2023 and, in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The entity is wholly dependent on the entity for continued funding of operations. The annual financial statements are prepared on the basis that the entity is a going concern and that the entity has neither the intention nor the need to liquidate or curtail materially the scale of the entity.

Although the accounting authority are primarily responsible for the financial affairs of the entity, they are supported by the entity's external auditors.

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

The annual financial statements set out from page 4, which have been prepared on the going concern basis, were approved by the accounting authority on 31 May 2022 and were signed on its behalf by:

**H Louw**
**Accounting Authority**

# Accounting Authority's Report

The accounting authority submit their report for the year ended 31 March 2022.

### 1. Review of activities

**Main business and operations**

The entity is a public entity established in terms of Northern Cape Economic Development, Trade and Investment Promotion Agency Act, Act 4 of 2008. The entity is a non - profit entity and is focused on service delivery in the Northern Cape Province. the entity is listed in the PFMA as a schedule 3C - Public Entity.

The operating results and state of affairs of the entity are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net surplus of the entity was R 24 994 024 (2021: surplus R 10 400 395).

### 2. Going concern

We draw attention to the fact that at 31 March 2022, the entity had an accumulate a net surplus of R 33 219 494 and that the entity's total assets exceed its liabilities by R 33 219 494.

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 ability of the entity to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting authority continue to procure funding for the ongoing operations for the entity to meet its mandate. The entity receives funding from the Northern Cape Department of Economic Development and Tourism and there is no indication that the department are going to withdraw funding from the entity.
The entity has the support o of the department and oversight bodies in order to ensure that the entity remains sustain and to enhance the financial position of the entity, through monitoring of project plans and budgets.

### 3. Subsequent events

The members are not aware of any matter or circumstance arising since the end of the financial year.

### 4. Members' interest in contracts

None of the executives involved in the entity had an interest in any of the contractual agreements.

### 5. Accounting Authority

The entity did not have a board constituted for the financial year under review, although the accounting officer has been appointed with accounting authority powers, in terms of chapter 6, part 2 of the PFMA s.2(b).

### 6. Executive authority

The entity's executive authority is MEC of the Northern Cape Department of Economic Development and Tourism.

### 7. Auditors

Office of the Auditor General South Africa will continue in office for the next financial period.

## Statement of Financial Position as at 31 March 2022

| Figures in Rand | Note(s) | 2022 | 2021 Restated* |
|---|---|---|---|
| **Assets** | | | |
| Current Assets | | | |
| Inventories | 8 | 10 581 | 8 983 |
| Receivables from exchange transactions | 9 | 103 059 | 526 174 |
| Cash and cash equivalents | 11 | 37 270 904 | 12 684 847 |
| | | **37 384 544** | **13 220 004** |
| Non-Current Assets | | | |
| Property, plant and equipment | 3 | 8 781 599 | 6 921 302 |
| Intangible assets | 4 | 930 983 | 199 493 |
| Receivables from exchange transactions | 9 | 383 939 | 383 939 |
| | | **10 096 521** | **7 504 734** |
| **Total Assets** | | **47 481 065** | **20 724 738** |
| **Liabilities** | | | |
| Current Liabilities | | | |
| Finance lease obligation | 12 | 233 776 | 106 087 |
| Payables from exchange transactions | 6 | 4 442 982 | 6 343 414 |
| Transfers payable (non-exchange) | 7 | - | 1 434 619 |
| Unspent conditional grants and receipts | 13 | 8 384 407 | 3 078 693 |
| Bank overdraft | 11 | 1 969 | - |
| | | **13 063 134** | **10 962 813** |
| Non-Current Liabilities | | | |
| Finance lease obligation | 12 | 55 949 | 65 024 |
| Operating lease liability | 5 | 1 142 488 | 720 075 |
| | | **1 198 437** | **785 099** |
| **Total Liabilities** | | **14 261 571** | **11 747 912** |
| **Net Assets** | | **33 219 494** | **8 976 826** |
| Accumulated surplus | | 33 219 494 | 8 976 826 |
| **Total Net Assets** | | **33 219 494** | **8 976 826** |

## Statement of Financial Performance

| Figures in Rand | Note(s) | 2022 | 2021 Restated* |
|---|---|---|---|
| **Revenue** | | | |
| **Revenue from exchange transactions** | | | |
| Sale of goods | | 224 155 | 71 230 |
| Rendering of services | 15 | 4 339 862 | 1 704 257 |
| Interest received | | 366 996 | 49 407 |
| Administration and management fees received | | - | 565 275 |
| Other income | 16 | 182 869 | 28 235 |
| **Total revenue from exchange transactions** | | **5 113 882** | **2 418 404** |
| **Revenue from non-exchange transactions** | | | |
| **Transfer revenue** | | | |
| Government grants & subsidies | 19 | 68 689 631 | 43 565 833 |
| Services received in kind | | 3 858 187 | 2 116 111 |
| **Total revenue from non-exchange transactions** | | **72 547 818** | **45 681 944** |
| **Total revenue** | 14 | **77 661 700** | **48 100 348** |
| **Expenditure** | | | |
| Employee related costs | 20 | (16 791 058) | (16 377 666) |
| Consulting and professional fees | 21 | (12 264 566) | (4 607 273) |
| Depreciation and amortisation | 22 | (1 415 765) | (1 363 186) |
| Impairments | | (60 188) | - |
| Finance costs | 23 | (103 034) | (23 255) |
| Lease rentals on operating lease | 17 | (2 204 595) | (2 266 297) |
| Bad debts written off | | (31 475) | - |
| Cost of sale / inventory | | (118 413) | (112 874) |
| Transfer payments- Projects | 25 | (10 500 000) | (2 175 000) |
| General Expenses | 26 | (8 507 479) | (10 692 606) |
| Repairs and maintenance | | (671 103) | (81 796) |
| **Total expenditure** | | **(52 667 676)** | **(37 699 953)** |
| **Surplus for the year** | | **24 994 024** | **10 400 395** |

## Statement of Changes in Net Assets

| Figures in Rand | Accumulated surplus / deficit | Total net assets |
|---|---|---|
| Opening balance as previously reported | (1 411 579) | (1 411 579) |
| Adjustments | | |
| Prior year adjustments 33 | (12 132) | (12 132) |
| **Balance at 01 April 2020 as restated*** | **(1 423 711)** | **(1 423 711)** |
| Changes in net assets | | |
| Surplus for the year - as previously stated | 9 865 529 | 9 865 529 |
| Prior year adjustment (Note 33) | 534 866 | 534 866 |
| Surplus for the year - restated | 10 400 395 | 10 400 395 |
| **Restated* Balance at 01 April 2021** | **8 976 826** | **8 976 826** |
| Changes in net assets | | |
| Surplus for the year | 24 994 024 | 24 994 024 |
| Adjustments relating to restatements (Note 33) | (751 356) | (751 356) |
| Total changes | 24 242 668 | 24 242 668 |
| **Balance at 31 March 2022** | **33 219 494** | **33 219 494** |

Note(s)

# Cash Flow Statement

| Figures in Rand | Note(s) | 2022 | 2021 Restated* |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Receipts** | | | |
| Grants and subsidies | | 73 227 995 | 41 528 225 |
| Sale of goods and services | | 5 124 108 | 2 473 073 |
| Interest received | | 366 996 | 49 407 |
| Other cash item | | - | 565 275 |
| | | 78 719 099 | 44 615 980 |
| **Payments** | | | |
| Employee costs | | (13 322 075) | (14 089 464) |
| Suppliers | | (36 805 483) | (16 026 931) |
| Finance costs | | (696) | (452) |
| | | (50 128 254) | (30 116 847) |
| **Net cash flows from operating activities** | 27 | **28 590 845** | **14 499 133** |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 3 | (2 740 839) | (3 723 114) |
| Purchase of other intangible assets | 4 | (980 997) | (119 544) |
| **Net cash flows from investing activities** | | **(3 721 836)** | **(3 842 658)** |
| **Cash flows from financing activities** | | | |
| Finance lease payments | | (250 678) | (154 700) |
| Other cash item | | (34 243) | - |
| **Net cash flows from financing activities** | | **(284 921)** | **(154 700)** |
| **Net increase/(decrease) in cash and cash equivalents** | | **24 586 057** | **10 501 775** |
| Cash and cash equivalents at the beginning of the year | | 12 684 847 | 2 183 072 |
| **Cash and cash equivalents at the end of the year** | 11 | **37 270 904** | **12 684 847** |

# Accounting Policies

| Figures in Rand | Note(s) | 2022 | 2021 |
|---|---|---|---|

### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

### 1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the entity.

### 1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

### 1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity 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.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

# Accounting Policies

### 1.3 Property, plant and equipment (continued)

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above 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.

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

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

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

| Item | Depreciation method | Average useful life |
|---|---|---|
| Buildings | Straight-line | 50 years |
| Furniture and fixtures | Straight-line | 6 years |
| Motor vehicles | Straight-line | 5-6 years |
| Office equipment | Straight-line | 6 years |
| IT equipment | Straight-line | 5 years |
| Leasehold equipment | Straight-line | 2-5 years |
| Rental Improvements | Straight-line | 10 years |

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

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

The depreciation method used reflects the pattern in which the asset’s future economic benefits or service potential are expected to be consumed by the entity. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The entity assesses at each reporting date whether there is any indication that the entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

The entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 3 ).

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 3 ).

### 1.4 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

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

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

| Item | Depreciation method | Average useful life |
|---|---|---|
| Computer software, other | Straight-line | 3 years |

# Accounting Policies

### 1.5 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

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.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

# Accounting Policies

### 1.5 Financial instruments (continued)

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.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterpart has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

## Accounting Policies

### 1.5 Financial instruments (continued)

**Classification**

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

| Class | Category |
|---|---|
| Cash and cash equivalents | Financial asset measured at amortised cost |
| Receivables, exchange transactions | Financial asset measured at amortised cost |
| Receivable, non-exchange | Financial asset measured at amortised cost |

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

| Class | Category |
|---|---|
| Trade and other payables,exchange | Financial liability measured at amortised cost |
| Finance lease obligations | Financial liability measured at amortised cost |

**Initial recognition**

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

**Initial measurement of financial assets and financial liabilities**

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or

- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

**Subsequent measurement of financial assets and financial liabilities**

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.

- Financial instruments at amortised cost.

- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

## Accounting Policies

### 1.5 Financial instruments (continued)

**Fair value measurement considerations**

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

**Reclassification**

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or

- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

**Gains and losses**

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

**Impairment and uncollectibility of financial assets**

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

## Accounting Policies

### 1.5 Financial instruments (continued)

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

**Derecognition**

**Financial assets**

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

### 1.5 Financial instruments (continued)

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

**Financial liabilities**

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

**Presentation**

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

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

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

## Accounting Policies

### 1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

**Finance leases - lessee**

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

**Operating leases - lessor**

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

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

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

**Operating leases - lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

### 1.7 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the entity incurs to acquire the asset on the reporting date.

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.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

### 1.7 Inventories (continued)

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost 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 or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### 1.8 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Cash and cash equivalents comprise bank balances, cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less which are available on demand.

Some equity investments are included in cash equivalents when they are, in substance, cash equivalents.

Bank overdrafts which are repayable on demand forms an integral part of the entity's cash management activities, and as such are included as a component of cash and cash equivalents.

### 1.9 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

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

Useful life is either:

- the period of time over which an asset is expected to be used by the entity; or
- the number of production or similar units expected to be obtained from the asset by the entity.

Criteria developed by the entity to distinguish cash-generating assets from non-cash-generating assets are as follows:

# Accounting Policies

### 1.9 Impairment of cash-generating assets (continued)

**Identification**

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The entity assesses at each reporting date whether there is any indication that a cash-generating 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 a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

**Value in use**

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the entity applies the appropriate discount rate to those future cash flows.

### 1.10 Share capital / contributed capital

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

### 1.11 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

## Accounting Policies

### 1.11 Employee benefits (continued)

**Short-term employee benefits**

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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 entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

### 1.12 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 or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

# Accounting Policies

### 1.12 Provisions and contingencies (continued)

Provisions are not recognised for future operating surplus (deficit).

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of an activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - 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.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the entity

No obligation arises as a consequence of the sale or transfer of an operation until the entity is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 31.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The entity recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the entity for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the entity considers that an outflow of economic resources is probable, an entity recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

# Accounting Policies

### 1.13 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancelable or only cancelable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

### 1.14 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight-line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by assurance of work performed.

# Accounting Policies

### 1.14 Revenue from exchange transactions (continued)

**Interest, royalties and dividends**

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- The amount of the revenue can be measured reliably.

Interest is recognised(in surplus or deficit)  using the effective interest rate method for financial instruments,.

### 1.15 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the entity can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

**Recognition**

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

### 1.15 Revenue from non-exchange transactions (continued)

**Measurement**

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

**Transfers**

Apart from Services in kind, which are not recognised, the entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

**Debt forgiveness and assumption of liabilities**

The entity recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

**Services in-kind**

Except for financial guarantee contracts, the entity recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the entity's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the entity disclose the nature and type of services in-kind received during the reporting period.

### 1.16 Cost of sales

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 surplus (deficit) 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 on a systematic and rational basis; and
- such other costs as are specifically chargeable to the customer under the terms of the contract.

# Accounting Policies

### 1.17 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

### 1.18 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

### 1.19 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.Additional text

### 1.20 Irregular expenditure

Irregular expenditure as defined in section 1 of PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -
(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.
National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):
Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.
Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.
Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

### 1.21 Segment information

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

### 1.21 Segment information (continued)

**Measurement**

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

If management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's financial statements.

### 1.22 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the entity.

The entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the entity is exempt from the disclosures in accordance with the above, the entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

### 1.23 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

## Accounting Policies

### 1.23 Events after reporting date (continued)

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

### 1.24 Approved GRAP standard that are not yet effective

The following GRAP standards and interpretations have been issued but are not yet effective and have not been early adopted by the entity:

GRAP 25 Employee Benefits

GRAP 104Financial Instrruments

These standards will only be effective when a date is announced by the Accounting Standard Board.

## Notes to the Annual Financial Statements

| Figures in Rand | 2022 | 2021 |
|---|---|---|

### 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 except for the adoption of the following new or revised standards. Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impractical to determine the period-specific effects of the cumulative effect of the change in policy. In such cases the entity shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practical.

- Changes is accounting estimates are applied prospectively in accordance with GRAP 3 requirements.
  Corrections of errors is applied retrospectively in period in which the error has occurred in accordance with GRAP 3 requirements,except to the extent that it is impractical to determine the period-specific effects or the cumulative effect of the error. In such cases the entity shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to the notes to the annual financial statements for details of corrections of errors recorded during the period under review.

## Notes to the Annual Financial Statements

Figures in Rand

### 3. Property, plant and equipment

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Buildings | 3 191 364 | (203 371) | 2 987 993 | 996 594 | (6 061) | 990 533 |
| Furniture and fixtures | 3 351 332 | (1 825 259) | 1 526 073 | 3 266 461 | (1 558 075) | 1 708 386 |
| Motor vehicles | 622 507 | (574 440) | 48 067 | 622 507 | (561 200) | 61 307 |
| Office equipment | 3 348 898 | (1 365 275) | 1 983 623 | 3 078 449 | (1 037 233) | 2 041 216 |
| IT equipment | 1 425 361 | (723 419) | 701 942 | 1 168 663 | (605 394) | 563 269 |
| Rental improvement | 1 543 813 | (321 839) | 1 221 974 | 1 496 914 | (194 219) | 1 302 695 |
| Other equipment | 2 515 423 | (2 203 496) | 311 927 | 2 361 317 | (2 107 421) | 253 896 |
| **Total** | **15 998 698** | **(7 217 099)** | **8 781 599** | **12 990 905** | **(6 069 603)** | **6 921 302** |

**Reconciliation of property, plant and equipment - 2022**

| | Opening balance | Additions | Depreciation | Total |
|---|---|---|---|---|
| Buildings | 990 533 | 2 194 769 | (172 888) | 3 012 414 |
| Furniture and fixtures | 1 708 386 | 84 871 | (267 184) | 1 526 073 |
| Motor vehicles | 61 307 | - | (13 240) | 48 067 |
| Office equipment | 2 041 382 | 270 449 | (328 208) | 1 983 623 |
| IT equipment | 563 269 | 256 698 | (118 025) | 701 942 |
| Rental improvements | 1 302 695 | 46 900 | (152 042) | 1 197 553 |
| Other equipment | 253 896 | 154 106 | (96 075) | 311 927 |
| | **6 921 468** | **3 007 793** | **(1 147 662)** | **8 781 599** |

## Notes to the Annual Financial Statements

Figures in Rand

### 3. Property, plant and equipment (continued)

**Reconciliation of property, plant and equipment - 2021**

| | Opening balance | Additions | Depreciation | Total |
|---|---|---|---|---|
| Buildings | - | 996 594 | (6 061) | 990 533 |
| Furniture and fixtures | 460 319 | 1 637 208 | (389 141) | 1 708 386 |
| Motor vehicles | 81 754 | - | (20 447) | 61 307 |
| Office equipment | 2 383 562 | 167 127 | (509 307) | 2 041 382 |
| IT equipment | 209 277 | 466 841 | (112 849) | 563 269 |
| Rental improvements | 931 026 | 512 052 | (140 383) | 1 302 695 |
| Other equipment | 351 335 | - | (97 439) | 253 896 |
| | **4 417 273** | **3 779 822** | **(1 275 627)** | **6 921 468** |

**Pledged as security**

No assets were pledged as security.

| | | |
|---|---|---|
| Buildings - Bungalows Witsand Nature Reserve & MSICC (Airconditioner) | 2 194 769 | 996 594 |

**Assets subject to finance lease (Net carrying amount)**

| | | |
|---|---|---|
| Leased Assets | 397 256 | 192 091 |

**Expenditure incurred to repair and maintain property, plant and equipment**

**Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance**

| | | |
|---|---|---|
| General expenses | 671 103 | 81 796 |

A register containing the information required by the Public Finance Management Act is available for inspection at the registered office of the entity.

## Notes to the Annual Financial Statements

Figures in Rand

### 4. Intangible assets

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value |
| Computer software | 1 474 970 | (543 987) | 930 983 | 493 972 | (294 479) | 199 493 |

**Reconciliation of intangible assets - 2022**

| | Opening balance | Additions | Amortisation | Total |
|---|---|---|---|---|
| Computer software | 199 493 | 980 997 | (249 508) | 930 982 |

**Reconciliation of intangible assets - 2021**

| | Opening balance | Additions | Amortisation | Total |
|---|---|---|---|---|
| Computer software | 161 447 | 119 544 | (81 498) | 199 493 |

**Pledged as security**

There were no intangible assets pledged as security.

# Notes to the Annual Financial Statements

| Figures in Rand | 2022 | 2021 |
|---|---|---|

## 5. Operating lease asset (liability)

| | | |
|---|---|---|
| Non-current liabilities | (1 142 488) | (720 075) |

| | | |
|---|---|---|
| The operating lease expenses for the year amounts to | 2 204 595 | 2 266 297 |
| Within one year | 1 898 024 | 1 782 182 |
| In the second to fifth year inclusive | 8 908 642 | 8 364 922 |
| After five years | 7 054 000 | 9 495 744 |

The operating lease has a term of 9 years 7 months, with an escalation of 6,5% year on year.

## 6. Payables from exchange transactions

| | | |
|---|---|---|
| Trade payables | 3 263 627 | 4 875 650 |
| Employee benefits - leave accrual | 537 521 | 845 539 |
| Employee benefits - bonus accrual | 106 171 | 148 468 |
| Receivables with credit balance - deposits received in advance | 482 661 | 468 366 |
| Other Creditors | 53 002 | 5 391 |
| | **4 442 982** | **6 343 414** |

The ageing of trade and other payables are as follows:

| | | |
|---|---|---|
| Current | 1 919 483 | 1 643 899 |
| 30 days | 4 135 | 237 754 |
| 60 days | 1 350 | 136 275 |
| 90 days | 75 401 | 45 609 |
| 120+ days | 1 263 259 | 2 812 113 |
| | **3 263 627** | **4 875 650** |

## 7. Payables from non-exchange

| | | |
|---|---|---|
| Transfers payable | - | 1 434 619 |

## 8. Inventories

| | | |
|---|---|---|
| Merchandise | 10 581 | 8 983 |

## 9. Receivables from exchange transactions

| | | |
|---|---|---|
| Trade debtors | 92 904 | 362 751 |
| Deposits | 383 939 | 383 939 |
| Staff leave balances - receivable | 105 526 | 154 255 |
| Receivables, UIF stipends | - | 44 900 |
| Staff advances and other loans | 87 150 | 87 150 |
| Other debtors - exchange | 26 714 | 26 165 |
| Impairment of receivable balances | (209 235) | (149 047) |
| | **486 998** | **910 113** |

| | | |
|---|---|---|
| Non-current assets | 383 939 | 383 939 |
| Current assets | 103 059 | 526 174 |
| | **486 998** | **910 113** |

# Notes to the Annual Financial Statements

| Figures in Rand | 2022 | 2021 |
|---|---|---|

## 9. Receivables from exchange transactions (continued)

**Trade and other receivables past due but not impaired**

Trade and other receivables which are more than 3 months past due are not considered to be impaired. At 31 March 2022, R 486 998 (2021: R 910 113) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

| | | |
|---|---|---|
| 3 months past due | 486 998 | 910 113 |

**Trade debtors impaired**

As of 31 March 2022, trade and other receivables of R 209 235 (2021: R 149 047) were impaired and provided for.

The amount of the impairment was R 209 235 as of 31 March 2022 (2021: R 149 047).

The ageing of these receivables are as follows:

| | | |
|---|---|---|
| Over 6 months | 209 235 | 149 047 |

The ageing of the receivables are as follows:

| | | |
|---|---|---|
| 120+ days | 486 998 | 910 113 |

## 10. Receivables from non-exchange transactions

| | | |
|---|---|---|
| Receivables non-exchange - Stipends | - | 44 900 |

## 11. Cash and cash equivalents

Cash and cash equivalents consist of:

| | | |
|---|---|---|
| Bank balances | 29 889 916 | 12 343 229 |
| Short-term deposits | 7 380 341 | 341 018 |
| Other cash and cash equivalents | (847) | 600 |
| Bank overdraft | (475) | - |
| | **37 268 935** | **12 684 847** |

| | | |
|---|---|---|
| Current assets | 37 270 904 | 12 684 847 |
| Current liabilities | (1 969) | - |
| | **37 268 935** | **12 684 847** |

# Notes to the Annual Financial Statements

| Figures in Rand | 2022 | 2021 |
|---|---|---|

## 12. Finance lease obligation

| | | |
|---|---|---|
| **Minimum lease payments due** | | |
| - within one year | 246 712 | 119 319 |
| - in second to fifth year inclusive | 200 745 | 67 502 |
| | 447 457 | 186 821 |
| less: future finance charges | (165 592) | (15 710) |
| **Present value of minimum lease payments** | **281 865** | **171 111** |
| | | |
| **Present value of minimum lease payments due** | | |
| - within one year | 233 776 | 106 087 |
| - in second to fifth year inclusive | 55 949 | 65 024 |
| | **289 725** | **171 111** |
| | | |
| Non-current liabilities | 55 949 | 65 024 |
| Current liabilities | 233 776 | 106 087 |
| | **289 725** | **171 111** |

It is entity policy to lease certain [property]motor vehicles and equipment under finance leases.

The average lease term was 3 - 5 years and the average effective borrowing rate was 7% (2021: 7%).

The entity's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note .

**Defaults and breaches**

There have been no defaults and breaches on finance leases.

## 13. Unspent conditional grants and receipts

**Unspent conditional grants and receipts comprises of:**

| | | |
|---|---|---|
| **Unspent conditional grants and receipts** | | |
| Industrial Development Corporation | 371 323 | 371 323 |
| National Lotteries | 24 833 | 24 833 |
| Unido Regional Office | 8 100 | 8 100 |
| Department Trade and Industry | 5 882 282 | 2 550 532 |
| Department of Labour | 649 822 | 123 127 |
| Department of Small Business Development | 1 448 047 | 778 |
| | **8 384 407** | **3 078 693** |

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the entity has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note  for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

## Notes to the Annual Financial Statements

| Figures in Rand | 2022 | 2021 |
|---|---|---|

### 14. Revenue

| | | |
|---|---|---|
| Sale of goods | 224 155 | 71 230 |
| Rendering of services | 4 339 862 | 1 704 257 |
| Interest received | 366 996 | 49 407 |
| Administration and management fees received | - | 565 275 |
| Other income | 182 869 | 28 235 |
| Government grants & subsidies | 68 689 631 | 43 565 833 |
| Services in kind received | 3 858 187 | 2 116 111 |
| | **77 661 700** | **48 100 348** |

**The amount included in revenue arising from exchanges of goods or services are as follows:**

| | | |
|---|---|---|
| Sale of goods | 224 155 | 71 230 |
| Rendering of services | 4 339 862 | 1 704 257 |
| Interest received | 366 996 | 49 407 |
| Administration and management fees received | - | 565 275 |
| Other income | 182 869 | 28 235 |
| | **5 113 882** | **2 418 404** |

**The amount included in revenue arising from non-exchange transactions is as follows:**

| | | |
|---|---|---|
| **Taxation revenue** | | |
| **Transfer revenue** | | |
| Government grants & subsidies | 68 689 631 | 43 565 833 |
| Services in kind - received | 3 858 187 | 2 116 111 |
| | **72 547 818** | **45 681 944** |

### 15. Rendering of services

| | | |
|---|---|---|
| Witsand | 3 027 065 | 1 595 274 |
| MSICC | 1 312 797 | 208 448 |
| | **4 339 862** | **1 803 722** |

### 16. Other Income

| | | |
|---|---|---|
| Insurance claim paid | 11 574 | 846 |
| Recoveries | 171 255 | - |
| Unknown deposits - Witsand | - | 27 389 |
| Booking overpayment | 40 | - |
| | **182 869** | **28 235** |

Recoveries relates to amounts recovered from a client that used the centre while it was run by another company. The company was declared insolvent and no amounts could be claimed from them, however, after the liquidation, a client paid for services rendered during that time into NCEDA bank account and it was classified as other income.

### 17. Lease rentals on operating lease

| | | |
|---|---|---|
| **Premises** | | |
| Contractual amounts | 2 204 595 | 2 266 297 |

# Notes to the Annual Financial Statements

| Figures in Rand | 2022 | 2021 |
|---|---|---|
| **18. Other revenue** | | |
| Administration and management fees received - third party | - | 565 275 |
| Other income | 182 869 | 28 235 |
| | **182 869** | **593 510** |

# Notes to the Annual Financial Statements

| Figures in Rand | 2022 | 2021 |
|---|---|---|

## 19. Government grants & subsidies

**Operating grants**

| | | |
|---|---|---|
| Government grant (operating) - Department Economic Development | 46 754 576 | 29 227 722 |
| Government grant (operating) - Industrial Development Corporation | - | 20 187 |
| Government grant (operating) - Department Trade and Industry | 3 668 249 | 2 141 326 |
| Government grant (operating) - Department of Small Business Development | 1 723 845 | 2 175 000 |
| Government grant (operating) - Department of Labour | 13 214 537 | 9 001 598 |
| | **65 361 207** | **42 565 833** |

**Capital grants**

| | | |
|---|---|---|
| Government grant (capital) - Department Economic Development | 3 328 424 | 1 000 000 |
| | **68 689 631** | **43 565 833** |

**Conditional and Unconditional**

Included in above are the following grants and subsidies received:

| | | |
|---|---|---|
| Conditional grants received | 21 935 055 | 14 338 111 |
| Unconditional grants received | 46 754 576 | 29 227 722 |
| | **68 689 631** | **43 565 833** |

**Grant - Industrial Development Corporation**

| | | |
|---|---|---|
| Balance unspent at beginning of year | 371 323 | 391 510 |
| Conditions met - transferred to revenue | - | (20 187) |
| | **371 323** | **371 323** |

Conditions still to be met - remain liabilities (see note 13).

This is a conditional grant received from the Industrial Development Corporation, to fund the operating activities of the project, CSP Crafters..

**Grant - National Lotteries**

| | | |
|---|---|---|
| Balance unspent at beginning of year | 24 833 | 24 833 |

Conditions still to be met - remain liabilities (see note 13).

The entity has received funding from the National Lottery Board to rejuvenate the Wildebeest Rock Art Centre. The conditions were met..

**Grant - UNIDO Regional Office**

| | | |
|---|---|---|
| Balance unspent at beginning of year | 8 100 | 8 100 |

Conditions still to be met - remain liabilities (see note 13).

The entity had received funding from UNIDO for a benchmarking project, the project conditions were met.

**Grant - Department of Trade and Industry**

| | | |
|---|---|---|
| Balance unspent at beginning of year | 2 550 532 | 4 691 858 |
| Current-year receipts | 7 000 000 | - |
| SEZ Conditions met - transferred to revenue | (3 659 702) | - |
| OSS Conditions met - transferred to revenue | (8 548) | (2 141 326) |

# Notes to the Annual Financial Statements

| Figures in Rand | 2022 | 2021 |
|---|---|---|
| **19. Government grants & subsidies (continued)** | | |
| | **5 882 282** | **2 550 532** |

Conditions still to be met - remain liabilities (see note 13).

This grant has been received to meet the obligations in terms of operating activities of the One Stop Shop Invest SA partnership as well as the operating activities of the Special Economic Zone..

# Notes to the Annual Financial Statements

| Figures in Rand | 2022 | 2021 |
|---|---|---|

## 19. Government grants & subsidies (continued)

**Grant - Department of Labour**

| | | |
|---|---|---|
| Balance unspent at beginning of year | 123 127 | - |
| Current-year receipts | 13 899 582 | 13 890 000 |
| Conditions met - transferred to revenue | (13 214 537) | (9 001 598) |
| Conditions met - stipends | (158 350) | (4 765 275) |
| | **649 822** | **123 127** |

Conditions still to be met - remain liabilities (see note 13).

The entity received funding from the Department of Labor for the Labour Activation Program. The funding was used to reskill 70% of unemployed people who were employed in the past and empower them with new skills that can make them economically active again..

**Department of Small Business Development**

| | | |
|---|---|---|
| Balance unspent at beginning of year | 778 | - |
| Current-year receipts | 3 171 114 | 2 475 778 |
| Conditions met - transferred to revenue | (1 723 846) | (2 175 000) |
| Conditions met - Project management costs | - | (300 000) |
| | **1 448 046** | **778** |

Conditions still to be met - remain liabilities (see note 13).

The entity received funding for the assistance of struggling artists in the Province, the funds were to help artists not working due covid, the funds were disbursed as requested by Department of Small Business Development. The entity received additional funds for the Crafts CSP programme..

**Grant (capital) - Northern Cape Department of Economic Development**

| | | |
|---|---|---|
| Current-year receipts | 3 328 424 | 1 000 000 |
| Conditions met - transferred to revenue | (3 328 424) | (1 000 000) |
| | **-** | **-** |

Conditions still to be met - remain liabilities (see note 13).

The entity received funds for the building of Bungalows at WITSAND, the bungalows were built at are in use, the revenue is recognised accordingly. Further funds were received for the replacement of the infrastructure related aircon at Mittah Seperepere International Conference Centre.

# Notes to the Annual Financial Statements

| Figures in Rand | 2022 | 2021 |
|---|---|---|

### 20. Employee related costs

| | | |
|---|---|---|
| Basic | 6 931 636 | 6 458 095 |
| Bonus | 114 686 | 245 510 |
| Medical aid - entity contributions | 36 504 | 68 524 |
| UIF | 38 171 | 39 130 |
| Compensation commissioner | 42 800 | - |
| SDL | - | 969 |
| General salaries & wages: PAYE | 1 550 531 | 1 532 676 |
| Leave / bonus accrual charge | (135 016) | 77 079 |
| Pension contributions - entity contributions | 492 912 | 846 415 |
| Acting allowances | 525 757 | 110 298 |
| Housing benefits and allowances | 64 800 | - |
| Other allowances | - | 131 |
| Leave encashment | - | 27 228 |
| General salaries & wages: Other | 109 778 | - |
| | **9 772 559** | **9 406 055** |

Included in the Basic salary is R1 645 872 (R864 762,93 in 2021) for seconded staff, whose annual salary is paid by DEDaT. NCEDA recognises that benefit as service in kind.

**Remuneration of Chief Executive Officer (H Louw)**

| | | |
|---|---|---|
| Annual Remuneration | 1 208 961 | 1 098 190 |
| Acting Allowance | 51 033 | 60 087 |
| Contributions to UIF, Medical and Pension Funds | 9 836 | 519 |
| | **1 269 830** | **1 158 796** |

The acting CEO of the entity has been seconded by the Department of Economic Development and Tourism. The annual remuneration of the acting CEO is paid by the DEDaT and the benefit to the entity is recognised as services in kind.

**Remuneration of Chief Finance Officer (T Mangojane)**

| | | |
|---|---|---|
| Annual Remuneration | 954 453 | 975 993 |
| Performance Bonuses | 81 333 | 81 333 |
| Contributions to UIF, Medical and Pension Funds | 31 320 | 31 064 |
| | **1 067 106** | **1 088 390** |

**Remuneration of Chief Executive Officer (T Dikeni)**

| | | |
|---|---|---|
| Annual Remuneration | - | 111 799 |
| Car Allowance | - | 15 000 |
| Contributions to UIF, Medical and Pension Funds | - | 8 465 |
| Leave encashment | - | 106 209 |
| | **-** | **241 473** |

The CEO resigned in April 2021 Additional text

**Executive Human Resources (T Luse)**

| | | |
|---|---|---|
| Annual Remuneration | 836 453 | 856 203 |
| Car Allowance | 120 000 | 120 000 |
| Performance Bonuses | 81 333 | 81 333 |
| Contributions to UIF, Medical and Pension Funds | 27 720 | 27 464 |
| | **1 065 506** | **1 085 000** |

**Project Executive Officer (M Ramorena) - Special Economic Zone**

# Notes to the Annual Financial Statements

| Figures in Rand | 2022 | 2021 |
|---|---|---|

**20. Employee related costs (continued)**

| | | |
|---|---|---|
| Annual Remuneration | 380 240 | 1 251 183 |
| Contributions to UIF, Medical and Pension Funds | 446 | 1 785 |
| | **380 686** | **1 252 968** |

## Notes to the Annual Financial Statements

| Figures in Rand | 2022 | 2021 |
|---|---|---|

### 20. Employee related costs (continued)

**Executive Manager (J Martiens) - Witsand Nature Reserve**

| | | |
|---|---|---|
| Annual Remuneration | 746 455 | 738 213 |
| Contributions to UIF, Medical and Pension Funds | 24 093 | 8 065 |
| | **770 548** | **746 278** |

**Executive Manager (O Coetzee) - MSICC**

| | | |
|---|---|---|
| Annual Remuneration | 484 330 | 461 744 |
| Contributions to UIF, Medical and Pension Funds | 2 040 | 1 785 |
| | **486 370** | **463 529** |

**Project Executive Officer (SM Modise) - Special Economic Zone**

| | | |
|---|---|---|
| Annual Remuneration | 964 464 | - |
| Acting Allowance | 48 545 | - |
| Contributions to UIF, Medical and Pension Funds | 501 | - |
| | **1 013 510** | **-** |

The Project Executive is seconded to NCEDA from the Department of Economic Development and Tourism. The annual remuneration is paid by DEDaT, the benefit derived from that is recognised as service in kind.

**Organisational Risk Manager (DF Kruger) - NCEDA**

| | | |
|---|---|---|
| Annual Remuneration | 854 984 | 826 011 |
| Contributions to UIF, Medical and Pension Funds | 109 959 | 109 166 |
| | **964 943** | **935 177** |

### 21. Consulting and professional fees

| | | |
|---|---|---|
| Consulting fees, general | 12 014 180 | 4 406 003 |
| Consulting fees, legal | 250 386 | 201 270 |
| | **12 264 566** | **4 607 273** |

### 22. Depreciation and amortisation

| | | |
|---|---|---|
| Property, plant and equipment | 1 147 662 | 1 281 688 |
| Intangible assets | 268 103 | 81 498 |
| | **1 415 765** | **1 363 186** |

### 23. Finance costs

| | | |
|---|---|---|
| Finance leases | 102 338 | 22 803 |
| Bank | 525 | 288 |
| Interest charges - service providers | 171 | 164 |
| | **103 034** | **23 255** |

## Notes to the Annual Financial Statements

| Figures in Rand | 2022 | 2021 |
|---|---|---|

### 24. Auditors' remuneration

| | | |
|---|---|---|
| External audit | 1 714 453 | 1 056 074 |
| Internal audit | 38 890 | 153 158 |
| | **1 753 343** | **1 209 232** |

### 25. Transfer payments - Projects

| | | |
|---|---|---|
| Covid relief project | - | 2 175 000 |
| Feedlot project | 7 000 000 | - |
| Food security project | 3 500 000 | - |
| | **10 500 000** | **2 175 000** |

### 26. General expenses

| | | |
|---|---|---|
| Accounting fees | 118 090 | 55 050 |
| Advertising | 22 720 | 53 862 |
| Auditors remuneration | 1 753 343 | 1 209 232 |
| Bank charges | 51 677 | 54 186 |
| Cleaning | 193 201 | 84 672 |
| Computer expenses | 135 555 | 249 026 |
| Consumables | 28 593 | 22 186 |
| MSICC Decor expenses | 303 200 | - |
| Discount allowed | 3 059 | - |
| Catering and events | 566 898 | 35 981 |
| Relocation cost | - | 57 810 |
| Insurance | 180 692 | 191 857 |
| Sundry expense | 36 840 | 10 522 |
| Motor vehicle expenses | 70 475 | 41 923 |
| Postage and courier | 2 623 | 1 374 |
| Printing and stationery | 169 519 | 136 169 |
| Security | 18 363 | 1 605 |
| Staff welfare | 1 372 | 3 764 |
| Subscriptions and membership fees | 109 276 | 3 877 |
| Telephone and fax | 369 530 | 591 459 |
| Training and development | 1 368 769 | 6 910 583 |
| Travel - local | 540 061 | 100 579 |
| Travel - overseas | 1 999 | - |
| Electricity and water | 235 262 | 168 507 |
| Laundry expenses | 142 391 | 59 627 |
| Venue hire and other rentals | 35 000 | - |
| Other expense - minor assets | 171 191 | - |
| *Business development and support | 1 544 423 | - |
| Application and registration fees | - | 588 915 |
| Other rental charges | 333 357 | 59 840 |
| | **8 507 479** | **10 692 606** |

*** Business Development and Support :**

Consists of expenditure for a projects that NCEDA got funding to implement as follows:

| Title | Source of Funding | Amount Spent | Reason |
|---|---|---|---|
| 1. CSP | DSBD | R 1 544 423 | Market access for crafters (SARCDA exhibition) |

## Notes to the Annual Financial Statements

| Figures in Rand | 2022 | 2021 |
|---|---|---|

### 27. Cash generated from operations

| | 2022 | 2021 |
|---|---|---|
| Surplus | 24 994 024 | 10 501 131 |
| **Adjustments for:** | | |
| Depreciation and amortisation | 1 415 765 | 1 262 450 |
| Finance costs - Finance leases | 102 338 | 22 803 |
| Impairment deficit | 60 188 | - |
| Bad debts written off | 31 475 | - |
| Movements in operating lease assets and accruals | 422 413 | 531 184 |
| Other non-cash items: Services in kind received | (3 858 187) | (2 116 111) |
| Other non-cash items: Services in kind - internal audit | 3 858 187 | 2 116 111 |
| **Changes in working capital:** | | |
| Inventories | (1 598) | 6 023 |
| Receivables from exchange transactions | 362 927 | 475 435 |
| Payables from exchange transactions | (1 900 432) | 3 737 715 |
| Transfers payable (non-exchange) | (1 434 619) | - |
| Unspent conditional grants and receipts | 4 538 364 | (2 037 608) |
| | **28 590 845** | **14 499 133** |

### 28. Operating surplus

Operating surplus for the year is stated after accounting for the following:

| | 2022 | 2021 |
|---|---|---|
| **Operating lease charges** | | |
| Premises | | |
| • Contractual amounts | 2 204 595 | 2 266 297 |
| | | |
| Impairment on trade and other receivables | 60 188 | - |
| Amortisation on intangible assets | 268 103 | 81 498 |
| Depreciation on property, plant and equipment | 1 147 662 | 1 281 689 |
| Employee costs | 16 791 058 | 16 377 666 |

### 29. Financial instruments disclosure

**Categories of financial instruments**

**2022**

**Financial assets**

| | At amortised cost | Total |
|---|---|---|
| Trade and other receivables from exchange transactions | 294 322 | 294 322 |
| Cash and cash equivalents | 37 270 904 | 37 270 904 |
| | **37 565 226** | **37 565 226** |

**Financial liabilities**

| | At amortised cost | Total |
|---|---|---|
| Trade and other payables from exchange transactions | (3 263 627) | (3 263 627) |
| Finance lease obligation | (289 725) | (289 725) |
| Bank overdraft | (1 969) | (1 969) |
| | **(3 555 321)** | **(3 555 321)** |

**2021**

# Notes to the Annual Financial Statements

| Figures in Rand | 2022 | 2021 |
|---|---|---|

### 29. Financial instruments disclosure (continued)

**Financial assets**

| | At amortised cost | Total |
|---|---|---|
| Trade and other receivables from exchange transactions | 910 113 | 910 113 |
| Cash and cash equivalents | 12 684 847 | 12 684 847 |
| | **13 594 960** | **13 594 960** |

**Financial liabilities**

| | At amortised cost | Total |
|---|---|---|
| Trade and other payables from exchange transactions | (4 875 640) | (4 875 640) |
| Finance lease obligation | (171 111) | (171 111) |
| | **(5 046 751)** | **(5 046 751)** |

### 30. Commitments

**Authorised capital expenditure**

| | 2022 | 2021 |
|---|---|---|
| **Already contracted for but not provided for** | | |
| • Property, plant and equipment | 1 318 299 | - |
| **Total capital commitments** | | |
| Already contracted for but not provided for | 1 318 299 | - |

**Total commitments**

| | 2022 | 2021 |
|---|---|---|
| **Total commitments** | | |
| Authorised capital expenditure | 1 318 299 | - |

This committed expenditure relates to property and will be financed by available bank facilities, accumulated surpluses, existing cash resources, funds internally generated and government funding.

### 31. Contingencies

A settlement agreement has been issued to the entity in terms of damages to lease equipment amounting to R165 000. The entity currently disputed the proposed settlement amount and to date there has been no agreement reached on the settlement.

A complaint has been registered by a candidate that was interviewed for the company secretary post. The post was never filled but the candidate has disputed the non-appointment by claiming he should have been appointed. The possible contingent liability amounts to R1 053 033.

# Notes to the Annual Financial Statements

| Figures in Rand | 2022 | 2021 |
|---|---|---|

## 32. Related parties

**Relationships**

| | |
|---|---|
| Accounting Authority/Board Members | H Louw (Acting Accounting Authority and Accounting Officer) |
| Controlling Department | MEC of the Northern Cape Department of Economic Development and Tourism |
| Entities under common control | Northern Cape Tourism Authority<br>Northern Cape Liquor Board<br>Northern Cape Gambling Board |
| Funders with significant influence | Department of Small Business Development<br>Department of Trade, Industry and Competition.<br>Industrial Development Corporation<br>Department of Labour |
| Departments under common control | Northern Cape Provincial Treasury |
| Members of key management | H Louw (aCEO)<br>T Mangojane (CFO)<br>MG Ramorena (Project executive) resigned<br>SM Modise (Project executive)<br>TL Luse (HR Manager)<br>O Coetzee (MSICC Manager)<br>J Martiens (WITSAND Manager)<br>DF Kruger (Risk Manager) |

Refer to note 20, for remuneration of key management personnel.

**Related party balances**
]

| **Unspent conditional grants and receipts regarding related parties** | | |
|---|---|---|
| Department of Trade, Industry and Competition | (5 882 282) | (2 550 532) |
| Industrial Development Corporation | (371 323) | (371 323) |
| Department of Small Business Development | (1 425 612) | (778) |
| Department of Labour | (649 821) | (123 127) |
| National Lotteries Board | (24 833) | (24 833) |
| UNIDO | (8 100) | (8 100) |

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the entity has directly benefited. Unfulfilled conditions and other contingencies attached to government assistance that has been recognised.

| **Leave and bonus receivables (payables) regarding related parties** | | |
|---|---|---|
| DF Kruger | 36 342 | 15 821 |
| TL Luse | (5 062) | 36 357 |
| T Mangojane | (121 238) | (199 947) |
| J Martiens | (111 538) | (133 543) |
| MG Ramorena | - | (133 694) |
| OF Coetzee | 17 651 | (58 947) |

| **Receivable / (payables) balances regarding related parties** | | |
|---|---|---|
| Northern Cape Tourism Authority | - | 31 475 |

**Related party transactions**

| **Grants paid to or (received) from related parties** | | |
|---|---|---|
| Department of Economic Development and Tourism | (50 083 000) | (30 227 722) |
| Department of Trade, Industry and Competition | (7 000 000) | - |
| Department of Labour | (13 899 582) | (13 890 000) |
| Department of Small Business Development | (3 171 114) | (2 175 778) |

**Subsistance payments paid to related parties**

## Notes to the Annual Financial Statements

| Figures in Rand | 2022 | 2021 |
|---|---|---|
| **32. Related parties (continued)** | | |
| DF Kruger | 1 370 | 1 080 |
| O Coetzee | 8 989 | 6 771 |
| H Louw | 131 234 | 15 190 |
| SM Modise | 25 735 | - |
| **Sales / Services rendered to related parties** | | |
| Department of Economic Development and Tourism | 8 000 | - |
| Northern Cape Tourism Authority | (50 000) | - |
| **Project management / administration fees received from related parties** | | |
| Department of Labour | - | (265 275) |
| Department of Small Business Development | - | (300 000) |
| **Services received in-kind (from) related parties** | | |
| Department of Economic Development and Tourism | (3 819 297) | (1 962 953) |
| Treasury Department | (38 889) | (153 158) |

### 33. Prior-year adjustments

1. Property, plant and equipment and intangible assets were depreciated at the useful lives from the date of purchase. The useful lives and residual values were not assessed at each reporting date as required by GRAP 17 (Property, plant and equipment) and consequently GRAP 31 (Intangible Assets). As such some of the assets were fully depreciated based on the useful lives instead of the economic lives. This created an prior period error in that the depreciation charges for the previous financial years were incorrect. The entity re-assessed all the assets that were fully depreciated but still in use as at 31 March 2022 and retrospectively adjusted the depreciation and amortisation from the year before the asset was fully depreciated/amortised. The depreciation/amortisation and carrying amounts of these assets were adjusted accordingly from the respective financial periods
In addition to the foregoing, the carrying amount of the assets were misstated due to the following (a) the cost of some of the were either duplicated or misstated. This has since been corrected; (b) there were some assets that were fully depreciated/amortised by 31 March 2021 due to various reasons. However, the assets were erroneously shown in the fixed asset register with a carrying amount greater than zero. This has since been corrected as well, and (c) there were differences noted between the amounts disclosed in the previous annual financial statements (AFS) and the relevant fixed asset registers. These differences relates to cost, additions, depreciation/amortisation and accumulated depreciation/amortisation. The comparative AFS have been adjusted to correct the differences so that the fixed asset register agrees to the AFS.
2. Invoices amounting to R1 434 619 were not accrued in the prior year. As such conditions met and revenue recognised for the DSBD (CSP) grant were misstated.
The correction of the error(s) results in adjustments as follows:

**Statement of financial position**

**2021**

| | Note | As previously reported | Correction of error | Restated |
|---|---|---|---|---|
| 1(a). Property, plant and equipment - Cost | | 13 686 137 | (695 232) | 12 990 905 |
| 1(b) Property,plant and equipment : Accumulated depreciation | | (7 091 848) | 1 022 411 | (6 069 437) |
| 1(a) Intangible: Cost | | 475 377 | 18 595 | 493 972 |
| 1(b) Intangible:Accumulated depreciation | | (284 752) | (9 728) | (294 480) |
| 2. Unspent grants | | (4 700 000) | 1 621 307 | (3 078 693) |
| 2. Transfer payable | | - | (1 434 619) | (1 434 619) |
| Accumulated Surplus | | 1 411 579 | 12 132 | 1 423 711 |
| | | **3 496 493** | **534 866** | **4 031 359** |

**Statement of financial performance**

**33. Prior-year adjustments (continued)**

**2021**

| | Note | As previously reported | Correction of error | Restated |
|---|---|---|---|---|
| 1. PPE Depreciation | | 1 636 244 | (360 616) | 1 275 628 |
| 1(b) Intangible: Amortisation | | 74 646 | 6 852 | 81 498 |
| 2. Government grants and subsidies | | (41 944 218) | (1 621 615) | (43 565 833) |
| 3. Transfer payments - projects | | - | 2 175 000 | 2 175 000 |
| General expenditure | | 11 432 987 | (740 381) | 10 692 606 |
| **Surplus for the year** | | **(28 800 341)** | **(540 760)** | **(29 341 101)** |

The following correction of error adjustments were made on the related parties note:

(1) Unspent conditional grants : DSBD grants was understated due to revenue that was not recognised in the 2021 financial year and the unspent conditional grants of National Lottery Board and UNIDO were erroneously omitted.

(2) Grants received were reclassified to reflect the grant received from funders not just the revenue recognised.

(3). Service in kind benefit for internal audit shared services from Provincial Treasury was erroneously omitted in the 2021 financial statements.

| **Related parties (note 32)** | **2021 Restated** | **2021 as previously reported** | **Correction of error** |
|---|---|---|---|
| **(1.) Unspent conditional grants and receipts regarding related parties** | | | |
| Department of Small Business Development | (778) | (1 622 393) | (1 621 615) |
| National Lotteries Board | (24 833) | - | (24 833) |
| UNIDO | (8 100) | - | (8 100) |
| **(2). Grants paid to or (received) from related parties.** | | | |
| Department of Trade, Industry and Competition. | - | (2 141 326) | (2 141 326) |
| Department of Labour. | (13 890 000) | (9 001 598) | (4 888 402) |
| Department of Small Business Development | (2 175 778) | (558 385) | (1 617 393) |
| Industrial Development Corporation. | - | (20 187) | (20 187) |
| **(3). Services received in-kind (from) related parties** | | | |
| Treasury | (153 158) | - | (153 158) |
| | **(16 252 647)** | **(13 343 889)** | **(10 475 014)** |

**34. Risk management**

**Financial risk management**

The entity's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the entity's financial performance. The entity Risk management is carried out by a central treasury department (entity treasury) under policies approved by the accounting authority. Entity treasury identifies, evaluates and hedges financial risks in close co-operation with the entity's operating units. The accounting authority provide written principles for overall risk management, as well as written policies covering all exposure areas.

**Liquidity risk**

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

| Figures in Rand | 2022 | 2021 |
|---|---|---|

### 34. Risk management (continued)

**Credit risk**

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled using major credit cards.

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

| Financial instrument | 2022 | 2021 |
|---|---|---|
| Cash and cash equivalents | 37 270 904 | 12 684 847 |
| Trade and other receivables - exchange | 294 322 | 910 113 |

**Market risk**

**Interest rate risk**

**Cash flow interest rate risk**

| Financial instrument | Due in less than a year | Due in one to two years | Due in two to three years | Due in three to four years | Due after five years |
|---|---|---|---|---|---|
| Trade and other receivables - exchange | 294 322 | - | - | - | - |
| Cash in current banking institutions | 37 270 904 | - | - | - | - |
| Trade and other payables - exchange | (3 263 627) | - | - | - | - |
| Overdraft | (1 969) | - | - | - | - |
| Finance lease obligation | (233 776) | (55 949) | - | - | - |

**Price risk**

The entity is not exposed to commodity price risk as it does not hold any investments related to securities or other relevant commodities.

### 35. Going concern

We draw attention to the fact that at 31 March 2022, the entity had an accumulated surplus (deficit) of R 33 219 494 and that the entity's total assets exceed its liabilities by R 33 219 494.

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 ability of the entity to continue as a going concern is dependent on a number of factors. The most significant of these is that the members continue to receive funding for the ongoing operations of the entity and that the executive authority keeps on funding the ongoing operations of the entity.

### 36. Events after the reporting date

The entity has no events to report, that would have a major impact on the financial statements or require a disclosure and/or adjustment of the financial statements.

# Notes to the Annual Financial Statements

| Figures in Rand | 2022 | 2021 |
|---|---|---|

### 37. Fruitless and wasteful expenditure

| | | |
|---|---|---|
| Opening balance as previously reported | 840 523 | 636 089 |
| Add: Fruitless and wasteful expenditure identified - current | 195 198 | 204 434 |
| **Closing balance** | **1 035 721** | **840 523** |

Fruitless and wasteful expenditure is presented inclusive of VAT

In the current year,fruitless and wasteful expenditure consists of late payment charges, related to the provident fund at Liberty. The interest charges were R171. Legal fees paid as part of a case lost by NCEDA R195 027.

### 38. Irregular expenditure

| | | |
|---|---|---|
| Opening balance as previously reported | 28 024 109 | 27 909 944 |
| **Opening balance as restated** | **28 024 109** | **27 909 944** |
| Add: Irregular Expenditure - current | 6 000 | 114 165 |
| **Closing balance** | **28 030 109** | **28 024 109** |

Irregular expenditure is presented inclusive of VAT

**Incidents/cases identified/reported in the current year include those listed below:**

| | **Disciplinary steps taken/criminal proceedings** | |
|---|---|---|
| Three written quotations not invited | Identified during audit, will be investigated in 2022/23 | - |

**Cases under assessment (not included in irregular expenditure)**

The Erioloba service provider was appointed by the Municipality as the legislated body to appoint for the SDF study on behalf of NCEDA. The process of appointment is being assessed, the contract amount of R344 483.

**Disciplinary steps taken/criminal proceedings**

For the term 2010 to 2019 a full investigation was concluded and of these three cases was submitted to the SIU for investigation. On one of the matters a senior staff member of NCEDA was suspended and his hearing will be held at the end of June 2022. Further enquiries are underway which can possible lead to remedial action and beyond that, will submission to Treasury for condonement be prepared. In the 2020/21 financial year, the irregular report was concluded and is currently under review to establish if there was loss and if remedial action will be required. Post this process will it be submitted to the Treasury department for condonement.

### 39. In-kind donations and assistance

The Northern Cape Department of Treasury provides internal audit services to the entity on an annual basis, free of charge. The benefit received by the entity amounts to R38 889 (2020/21 R153 158).

The Northern Cape Department of Economic Development and Tourism, pays salaries for seconded staff to the entity, the benefit of the seconded staff is received by the entity free of charge amounts to R3 819 297.

### 40. Segment information

**General information**

# Notes to the Annual Financial Statements

| Figures in Rand | 2022 | 2021 |
|---|---|---|

**40. Segment information (continued)**

**Identification of segments**

The entity is organised and reports to management on the basis of three major functional areas: primary, secondary and tertiary educational services. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Segment NCEDA (based in Kimberley), consists out of the Office of the CEO, Office of the CFO, Corporate Services and Risk Management. The segment receives funding from the parent department in order to administrate the various other segments within the entity.

Segment Special Economic Zone (SEZ) (operating from Kimberley), This segment aims to promote economic growth and job creation, by setting up enabling environments for developing targeted industrial activities and attracting both domestic and foreign direct investment in manufacturing and tradable services. The SEZ segment has been introduced by the Department of Trade and Industry to contribute to the acceleration of "high impact" industrialization of South Africa and to address the challenges such as unemployment, poverty, special inequality and underdevelopment.

Segment Witsand, is part of the business management function of the entity. The Witsand Nature Reserve is situated in the Southern Kalahari district and is a tourism destination and established to conserve the unique white dune system surrounded by the red dunes of the Kalahari. The segment generates service revenue from accommodation and other tourist related activities.

Segment Customised Sector Plan (CSP ) and Covid relief fund, these Kimberley based segments supports the local crafts sector within the province in order to create employment and to attract investment to the province, there was also funding availed to assist artists/crafters that were negatively impacted by the Covid-19 pandemic. The segment is funded by the department of small business development and ad - hoc sales revenue is generated from crafts marketing initiatives.

Segment Mittah Seperepere International Convention Centre (MSICC) based in Kimberley, this segment is part of the business management function of the entity. The convention centre has world class facilities and provide a sort after platform for various events. The centre generates own income from events.

Segment One Stop Shop (OSS) in Kimberley, this segment provides for a facility for existing and potential investors. The facility aims to assist with VISA applications, investment related questions and assistance. The segment does not generate revenue and its activities are funded from the NCEDA segment.

Segment UIF implemented from Kimberley, marks the partnership between NCEDA and the Department of Labour (Labour Activation Programme) where a number of learners were identified to be taught a new skill that will enable them to become economically active.

## Notes to the Annual Financial Statements

Figures in Rand

**40. Segment information (continued)**

**Segment surplus or deficit, assets and liabilities**

**2022**

| | NCEDA | SEZ | WITSAND | CSP | MSICC | OSS | UIF | Covid Relief Fund | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | | | |
| Revenue from non-exchange transactions | 40 230 851 | 10 241 621 | 2 400 000 | 3 523 614 | 3 928 424 | 8 540 | 13 214 537 | (999 769) | 72 547 818 |
| Revenue from exchange transactions | 11 574 | - | 3 259 073 | - | 1 476 240 | - | - | - | 4 746 887 |
| Interest revenue | 366 995 | - | - | - | - | - | - | - | 366 995 |
| **Total segment revenue** | **40 609 420** | **10 241 621** | **5 659 073** | **3 523 614** | **5 404 664** | **8 540** | **13 214 537** | **(999 769)** | **77 661 700** |
| **Entity's revenue** | | | | | | | | | **77 661 700** |
| **Expenditure** | | | | | | | | | |
| Employee related cost | 10 268 782 | 3 992 175 | 1 766 959 | 34 365 | 728 778 | - | - | - | 16 791 059 |
| Consulting and professional fees | 259 203 | 1 058 128 | - | - | 123 000 | - | 10 824 235 | - | 12 264 566 |
| General expenditure | 3 304 994 | 321 099 | 672 493 | 1 859 015 | 1 023 013 | 3 214 | 1 323 495 | 156 | 8 507 479 |
| Cost of sales / Inventory | - | - | 118 413 | - | - | - | - | - | 118 413 |
| Impairment | - | - | - | - | 60 188 | - | - | - | 60 188 |
| Transfer payments - projects | 10 500 000 | - | - | - | - | - | - | - | 10 500 000 |
| Depreciation & amortisation | 505 910 | 51 193 | 230 029 | - | 280 215 | 348 416 | - | - | 1 415 763 |
| Finance costs | 92 280 | 40 | 10 500 | 3 | 3 | 176 | 32 | - | 103 034 |
| Lease rentals, operating | 2 204 595 | - | - | - | - | - | - | - | 2 204 595 |
| Repairs & maintenance | 6 671 | - | 362 216 | - | 302 217 | - | - | - | 671 104 |
| Bad debts written off | - | - | - | - | 31 475 | - | - | - | 31 475 |
| **Total segment expenditure** | **27 142 435** | **5 422 635** | **3 160 610** | **1 893 383** | **2 548 889** | **351 806** | **12 147 762** | **156** | **52 667 676** |
| **Total segmental surplus/(deficit)** | | | | | | | | | **24 994 024** |

## Notes to the Annual Financial Statements

Figures in Rand

**40. Segment information (continued)**

| | NCEDA | SEZ | WITSAND | CSP | MSICC | OSS | UIF | Covid Relief Fund | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | |
| Property, plant and equipment | 2 072 113 | 148 757 | 974 740 | - | 199 016 | 2 455 480 | - | - | 5 850 106 |
| Property,plant and equipment - Additions | 485 283 | - | 277 345 | - | 2 245 165 | - | - | - | 3 007 793 |
| Receivables, non - exchange | 383 939 | - | - | - | - | - | - | - | 383 939 |
| Receivables, exchange | 59 826 | - | 62 960 | - | (20 728) | 500 | 500 | - | 103 058 |
| Inventory | - | - | 10 581 | - | - | - | - | - | 10 581 |
| Intangible Assets | 346 529 | - | - | - | 568 263 | 16 191 | - | - | 930 983 |
| Cash and cash equivalents | 15 811 939 | 6 085 210 | 4 314 650 | - | 5 132 567 | 2 858 929 | 649 822 | 2 417 787 | 37 270 904 |
| **Total segment assets** | **19 159 629** | **6 233 967** | **5 640 276** | **-** | **8 124 283** | **5 331 100** | **650 322** | **2 417 787** | **47 557 364** |
| **Total assets as per Statement of financial Position** | | | | | | | | | **47 557 364** |
| **Liabilities** | | | | | | | | | |
| Finance lease obligation | (261 751) | (27 975) | - | - | - | - | - | - | (289 726) |
| Operating lease liability | (1 142 488) | - | - | - | - | - | - | - | (1 142 488) |
| Unspent grants and receipts | (32 933) | (3 340 298) | - | (371 323) | - | (2 541 984) | (649 822) | (1 448 047) | (8 384 407) |
| Payables | (1 663 859) | (1 846 958) | (75 590) | - | (856 075) | (500) | - | - | (4 442 982) |
| Accumulated Surplus | (16 058 598) | (1 018 737) | (5 562 720) | 371 323 | (7 268 208) | (2 788 615) | (500) | (969 740) | (33 295 795) |
| **Total segment liabilities** | **(19 159 629)** | **(6 233 968)** | **(5 638 310)** | **-** | **(8 124 283)** | **(5 331 099)** | **(650 322)** | **(2 417 787)** | **(47 555 398)** |
| **Total liabilities as per Statement of financial Position** | | | | | | | | | **(47 555 398)** |

**2021**

| | NCEDA | SEZ | WITSAND | CSP | MSICC | OSS | UIF | Covid Relief Fund | Total |
|---|---|---|---|---|---|---|---|---|---|

## Notes to the Annual Financial Statements

Figures in Rand

### 40. Segment information (continued)

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | | | |
| Revenue from non-exchange transactions | 19 724 384 | 3 364 763 | 2 500 000 | 20 187 | 3 754 722 | 5 141 326 | 9 001 598 | 2 175 000 | 45 681 980 |
| Revenue from exchange transactions | 565 275 | - | 1 595 274 | - | 208 448 | - | - | - | 2 368 997 |
| Interest revenue | 39 482 | 28 | 379 | 141 | 1 041 | 8 335 | 1 | - | 49 407 |
| **Total segment revenue** | **20 329 141** | **3 364 791** | **4 095 653** | **20 328** | **3 964 211** | **5 149 661** | **9 001 599** | **2 175 000** | **48 100 384** |
| **Entity's revenue** | | | | | | | | | **48 100 384** |
| **Expenditure** | | | | | | | | | |
| Employee related cost | 10 150 553 | 3 807 686 | 1 750 238 | 27 170 | 620 676 | - | - | 21 345 | 16 377 668 |
| Consulting and professional fees | 201 270 | 2 006 532 | - | - | 7 650 | - | 2 391 821 | - | 4 607 273 |
| Depreciation and amortisation | 237 266 | 120 107 | 228 788 | - | 390 896 | 386 129 | - | - | 1 363 186 |
| Finance cost | 2 508 | 19 509 | 1 155 | - | 84 | - | - | - | 23 256 |
| Lease rentals, operating | 2 204 594 | 61 703 | - | - | - | - | - | - | 2 266 297 |
| Repairs and maintenance | 1 009 | 199 | 68 827 | - | 11 761 | - | - | - | 81 796 |
| Cost of sale / inventory | - | - | 112 874 | - | - | - | - | - | 112 874 |
| General Expense | 2 640 071 | 664 422 | 374 783 | 665 | 99 248 | 2 975 | 6 910 442 | - | 10 692 606 |
| Transfer payments - projects | - | - | - | - | - | - | - | 2 175 000 | 2 175 000 |
| **Total segment expenditure** | **15 437 271** | **6 680 158** | **2 536 665** | **27 835** | **1 130 315** | **389 104** | **9 302 263** | **2 196 345** | **37 699 956** |
| **Total segmental surplus/(deficit)** | | | | | | | | | **10 400 428** |
| **Assets** | | | | | | | | | |
| Inventory | - | - | 8 983 | - | - | - | - | - | 8 983 |
| Receivables - exchange | 526 174 | - | - | - | - | - | - | - | 526 174 |
| Receivables, non-exchange | 383 939 | - | - | - | - | - | - | - | 383 939 |
| Cash and cash equivalents | 844 709 | 1 574 206 | 854 680 | - | 4 239 227 | 2 868 585 | 890 477 | 1 412 962 | 12 684 846 |
| Property plant and equipment | 103 608 | 208 147 | 151 422 | - | 88 946 | 2 597 291 | - | - | 3 149 414 |
| Property, plant and equipment -Additions | 516 748 | - | 996 594 | - | - | 2 258 547 | - | - | 3 771 889 |
| Intangible assets | 122 788 | 9 701 | 1 007 | - | - | 65 997 | - | - | 199 493 |
| **Total segment assets** | **2 497 966** | **1 792 054** | **2 012 686** | **-** | **4 328 173** | **7 790 420** | **890 477** | **1 412 962** | **20 724 738** |
| **Total assets as per Statement of financial Position** | | | | | | | | | **20 724 738** |

## Notes to the Annual Financial Statements

Figures in Rand

| | NCEDA | SEZ | WITSAND | CSP | MSICC | OSS | UIF | Covid Relief Fund | Total |
|---|---|---|---|---|---|---|---|---|---|
| **40. Segment information (continued)** | | | | | | | | | |
| **Liabilities** | | | | | | | | | |
| Finance lease obligation | (116 087) | (55 024) | - | - | - | - | - | - | (171 111) |
| Operating lease liability | (720 075) | - | - | - | - | - | - | - | (720 075) |
| Unspent grants and receipts | (32 933) | - | - | (371 323) | - | (2 550 532) | (123 127) | (778) | (3 078 693) |
| Payables, exchange | (1 307 320) | (2 767 121) | (345 211) | (876 544) | (971 987) | (75 232) | - | - | (6 343 415) |
| Transfer payables (non-exchange) | - | - | - | - | - | - | - | (1 434 619) | (1 434 619) |
| Accumulated surplus | (321 552) | 1 030 092 | (1 667 475) | 1 247 867 | (3 356 186) | (5 164 656) | (767 350) | 22 435 | (8 976 825) |
| **Total segment liabilities** | **(2 497 967)** | **(1 792 053)** | **(2 012 686)** | **-** | **(4 328 173)** | **(7 790 420)** | **(890 477)** | **(1 412 962)** | **(20 724 738)** |
| **Total liabilities as per Statement of financial Position** | | | | | | | | | **(20 724 738)** |

**41.**

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