ANNUAL REPORT

2024

MEGA

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PART A:
GENERAL INFORMATION

PUBLIC ENTITY'S GENERAL INFORMATION

REGISTERED NAME	: MPUMALANGA ECONOMIC GROWTH AGENCY (MEGA)
REGISTRATION NUMBER	: N/A
PHYSICAL ADDRESS	: 02 EASTERN BOULEVARD RIVERSIDE MBOMBELA MPUMALANGA 1200
POSTAL ADDRESS	: POSTAL ADDRESS : P.O. BOX 952 NELSPRUIT 1200
TELEPHONE NUMBER	: 013 492 5818
FAX NUMBER	: 013 755 6328
WEBSITE ADDRESS	: WWW.MEGA.GOV.ZA
EXTERNAL AUDITORS	: AUDITOR- GENERAL SOUTH AFRICA
BANKERS	: FIRST NATIONAL BANK
COMPANY SECRETARY	: ADV. S.P. MORGAN

LIST OF ABBREVIATIONS / ACRONYMS

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

FOREWORD BY THE CHAIRPERSON

MR. THABO MOTAU
CHAIRPERSON

"The entity continued to improve on matters relating to governance..."

INTRODUCTION

The entity continued to improve on matters relating to governance where effective governance structures and full-term Board and CEO have been put in place.

The implementation and monitoring of a well-defined corporate strategy & execution plan is done through its governance structures which also ensure proper management of the developed Audit Remedial Action Plan. All these have contributed to the entity's improved performance and audit outcome.

The entity is also dealing with capacity challenges through the filling of all critical positions on an incremental basis, i.e. year-on-year, based on availability of budget. The positions for GM: Funding and GM: Properties and Infrastructure were filled in September 2023. The positions for the Chief Financial Officer and for GM: Corporate Services will be filled in the 2024/25 financial year whilst the position for the GM: Trade and Investment Promotion will be filled in the 2025/26 financial year.

MEGA'S STRATEGY AND PERFORMANCE

The performance scorecard of the entity reveals that the overall performance keeps improving year on year as it deals with challenges that were preventing it to achieve operational excellence, namely: poor governance, lack of capacity and effective systems.

FOREWORD BY THE CHAIRPERSON

"The entity disbursed R258 million to 182 youth owned enterprises since 2019."

The entity is aware of the fact that a yard stick to good governance and effective performance is the developmental impact since a good audit outcome or increased organisational performance is meaningless without the intended impact. It is for this reason that MEGA adopted outcomes-based planning methodology as their strategic planning Framework as required by National Treasury (NT) and the Department of Planning, Monitoring and Evaluation (DPME) prescripts based on the latest revised guidelines for Implementation of the framework for Strategic Plans and Annual Performance Plans.

STRATEGIC RELATIONSHIPS

The entity has forged strategic relationships with financial institutions and developmental institutions for partnership on funding activities and on joint development to its property portfolio. The entity through partnership with the Office of the Premier has disbursed R258 million to 182 youth owned enterprises since 2019.

Challenges faced by the Board

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

The year ahead

The focus of the entity for 2024/2025 financial year is to carry out its bold initiatives which are aimed at delivering massive infrastructure projects as it moves towards the journey of self-sustainability.

FOREWORD BY THE CHAIRPERSON

"The Board and management's focus is on ensuring financial sustainability..."

The Board and management's focus is on ensuring financial sustainability through partnership with Strategic Development Partners to revitalise the Property Portfolio and access to finance for on-lending. This will ensure access to funding by SMMEs and also enable the entity to attract more clients to its properties to increase own revenue.

Acknowledgements /Appreciation

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

On behalf of the Board:

Mr. T. Motau
Board Chairperson
Mpumalanga Economic Growth Agency

CHIEF EXUCUTIVE OFFICER'S REVIEW

MR. MI MAHLANU

CEO

"The entity has progressed well in terms of the implementation of its turn-around strategy..."

General financial review of the public entity

In the period under review, the entity has progressed well in terms of the implementation of its turn-around strategy, however, there are still certain issues that management must conclude such as sorting out all legacy issues that were hindering progress and financial sustainability especially the challenges experienced at Ekandustria and Tekwane. Other challenges relate to the human resource issues especially employee culture, increase debt collection efforts and improve the loan book, recapitalization of the institution, revitalisation of industrial parks, integration of internal systems and filling of critical vacant posts.

Capacity constraints and challenges facing the public entity

As mentioned by the Chairperson in his overview, the entity is dealing with capacity challenges through the filling of all critical positions on an incremental basis, i.e. year-on-year, based on availability of budget. To date, three positions at Executive level are filled on a full-term basis whilst the outstanding three positions will be filled during the 2024/25 and 2025/26 financial years, respectively.

Discontinued activities / activities to be discontinued

The are no activities planned for discontinuation during the year under review.

New or proposed activities

There are no new proposed activities except for the continuation of strategic investment projects already being implemented such as the implementation of approved investment development projects (revitalisation and/or construction of investment properties in partnership with Strategic Development Partners (SDPs), disbursement of the Premier's Youth Development Fund (PYDF) to approved youth-owned businesses in partnership with Office of the Premier, establishment of the InvestSA one-stop-shop in partnership with the dtic.

CHIEF EXUCUTIVE OFFICER'S REVIEW

"the entity will continue advocating for recapitalisation from the shareholder as this will contribute towards its self-sustainability..."

Requests for roll over of funds

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

Supply chain management

The entity has identified certain weaknesses within the supply chain unit which it is planning on addressing to eliminate unauthorised, irregular, fruitless and wasteful expenditure. The planned intervention will also ensure that procurement is done on time and with corresponding budget.

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

STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY OF THE ANNUAL REPORT

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

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

The Annual Report is complete, accurate and is free from any omissions.

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

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

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

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

The External Auditors are engaged to express an independent opinion on the Annual Financial Statements.

In our opinion, the Annual Report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the public entity for the financial year ended 31 March 2024.

Yours faithfully

....

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

STRATEGIC OVERVIEW

MISSION

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

VISION

A prosperous Mpumalanga

CORE VALUES

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

1. Upholding the highest levels of integrity.
2. Have courage to shape a better future.
3. Delivering to our stakeholders.
4. Being loyal, honest and accountable.
5. Growing people's entrepreneurial capabilities.
6. Be a responsible global citizen

OBJECTIVES

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

- Provide funding in respect of property development including the granting of housing loans as well as in respect of approved enterprise and agricultural development focusing primarily on previously disadvantaged individuals within the Province;
- Deliver massive infrastructure, focusing on project management, property development and management of immovable property;
- Promote foreign trade and investment so as to ensure enterprise and agricultural development that will significantly contribute to economic growth and development within the Province, with specific emphasis on Black Economic Empowerment;
- Progressively increase own revenue generation and collection; and
- Building a capable, ethical and developmental state.

LEGISLATIVE AND OTHER MANDATES

CONSTITUTIONAL MANDATES

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

LEGISLATIVE MANDATES
MEGA ACT 1 OF 2010: SECTION 3

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

1. To provide funding in respect of property development; approved enterprises; housing loans; and agricultural development; focusing primarily on previously disadvantaged individuals within the Province;
2. To focus on project management and development; and to manage immovable property; and
3. To promote foreign trade and investment so as to ensure enterprise and agricultural development that will significantly contribute to economic growth and development within the province, with specific emphasis on Black Economic Empowerment; and
4. To progressively increase its revenue generation and collection in the pursuit of its objectives.

PUBLIC FINANCE MANAGEMENT ACT NO 1 OF 1999

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

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

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

NATIONAL CREDIT ACT NO 34 OF 2005

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

- Promoting fair and non-discriminatory practices in the granting of loans;
- Promoting black economic empowerment and ownership in its funded SMMEs and Co-operatives by applying fair credit and credit-marketing practices.
- Promoting responsible credit granting by giving loans only to qualifying individuals;
- Providing debt restructuring and debt counselling services for over-indebted clients (a risk highlighted in programme 4 below).
- Establishing policies and standards relating to loans management and housing finance; and
- Promoting a consistent enforcement framework relating to debt management.

FINANCIAL INTELLIGENCE CENTRE ACT NO. 38 OF 2001

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

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

HOUSING ACT NO. 107 OF 1997

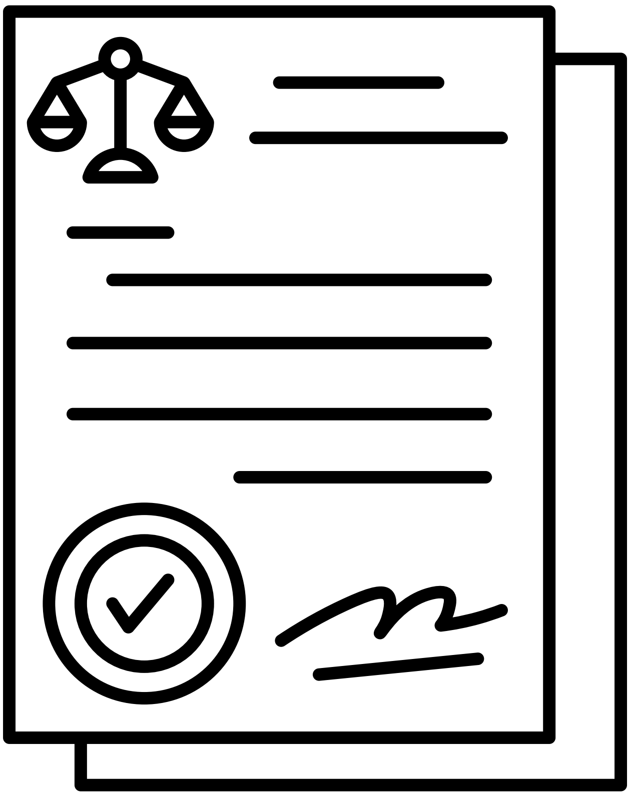
The Housing Act provides for the facilitation of a sustainable housing development process and lays down general principles applicable to housing development. It also defines the functions of national, provincial and local governments in respect of housing and provides for the establishment of a South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

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

AGRICULTURE LAWS EXTENSION ACT NO. 87 OF 1996

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

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



OTHER APPLICABLE ACTS.

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

- Basic Conditions of Employment Act, 1997;
- Labour Relations Act No. 66 of 1995;
- Companies Act of 2008 Act No. 71 of 2008;
- Preferential Procurement Policy Framework Act No. 5 of 2000;
- Employment Equity Act No. 55 of 1998.
- Skills Development Act No. 97 of 1998.
- Income Tax Act No. 58 of 1962;
- Broad-Based Black Economic Empowerment Act No. 53 of 2003.
- South African Reserve Bank Act No. 90 of 1989;
- Co-operative Banks Act No. 40 of 2007;
- Customs and Excise Act No. 91 of 1964.

POLICY MANDATES

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

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

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

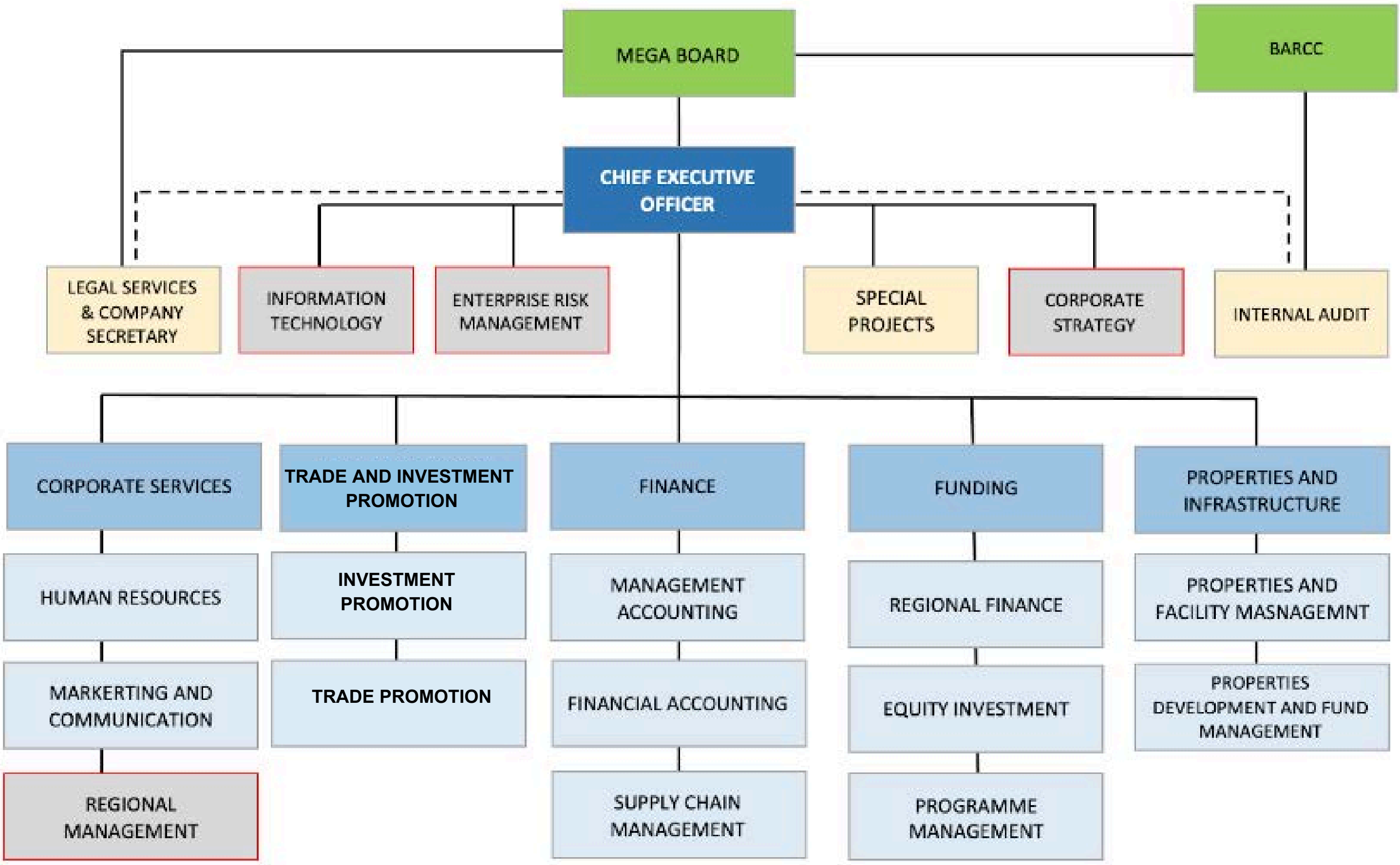
Medium Term Strategic Framework: Outcomes Delivery Agreement.
The Medium-Term Strategic Framework (MTSF) is a high-level strategic document to guide the 5-year implementation and monitoring of the NDP 2030. In line with electoral mandate, the MTSF identifies the Priorities to be undertaken during 2019-2024 to put the country on a positive trajectory towards the achievement of the 2030 vision. It sets targets for implementation of the priorities and interventions for the 5-year period, and states the Outcomes and Indicators to be monitored.

The new MTSF is now defined as the combination of a NDP Five Year Implementation Plan for the Priorities outlined in the Electoral Mandate and an Integrated Monitoring Framework with more focus on a limited set of priorities.

The Seven Priorities derived from the Electoral Mandate are outlined below:

- **Priority 1:** Economic Transformation and Job Creation;
- **Priority 2:** Education, Skills and Health;
- **Priority 3:** Consolidating the Social Wage through Reliable and Quality Basic Services;
- **Priority 4:** Spatial Integration, Human Settlements and Local Government;
- **Priority 5:** Social Cohesion;
- **Priority 6:** A Capable, Ethical and Developmental State; and
- **Priority 7:** A better Africa and World.

ORGANIZATIONAL STRUCTURE



PART B

PERFORMANCE INFORMATION

AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

The AGSA performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion.
The audit conclusion on the performance against predetermined objectives is included in the report to management, with material findings being reported under the Predetermined Objectives heading in the Report on other legal and regulatory requirements section of the auditor's report.

Refer to page 95 of the Report of the Auditors Report, published as Part F: Financial Information.

OVERVIEW OF THE ENTITY'S PERFORMANCE

SERVICE DELIVERY ENVIRONMENT

Global Economic Outlook

At the start of the Sixth Administration, many countries had not fully recovered from the Global Financial Crisis (GFC) of 2008-9, but the Covid-19 pandemic struck in late 2019. For example, the World Bank in its 2021 report Building back better from COVID-19 with a special focus on Jobs noted that "(After) a decade of low growth that left the average South African poorer in 2019 than in 2010, the pandemic has made things even worse for workers and their families".
The novel corona virus (officially known as COVID-19) touched most continents, countries, individuals and communities after it began in Wuhan, China, in late 2019. The pandemic and measures to contain its spread severely disrupted economic activity across the world. Constrained by lockdown restrictions on personal mobility and business operations, spending and production levels around the globe plummeted in the first half of 2020.

Many parts of the world are still to recover to pre-pandemic levels of economic activity, but geopolitical tensions and conflicts have now taken centre stage, leading to a poorer global economic performance not seen for many years (as shown in the table below).

Given the fragile economic conditions and multiple downside risk factors, the global economy is projected to slow further in 2023, with forecasted growth of 2.5%, followed by 2.7% in 2024 (South African Reserve Bank).

% CHANGE IN GDP

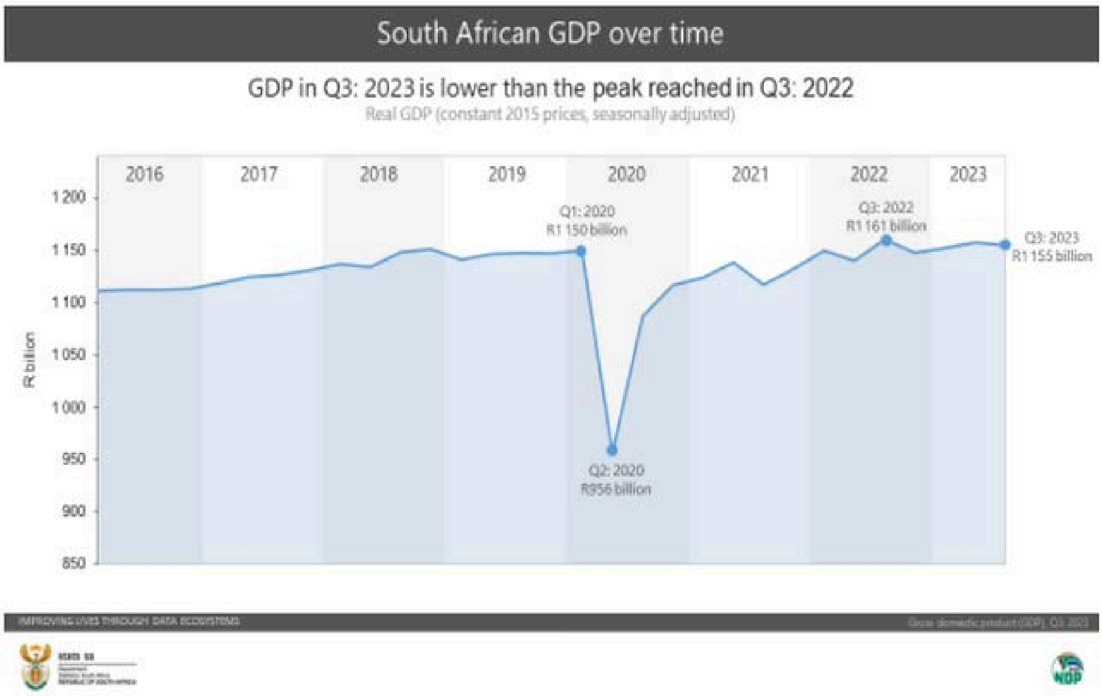
	2019	2020	2021	2022	2023	Average
World	2.8	-3.1	6.1	3.5	3.1	0.7
Sub-Saharan Africa	3.2	-1.6	4.6	4	3.3	1.78
Nigeria	2.2	-1.8	3.6	3.3	2.8	1,02
South Africa	0.2	-6.3	4.9	1.9	0.6	0.2

Source: IMF World Economic Outlook, various years; National Treasury Budget Review 2024

DOMESTIC ECONOMIC OUTLOOK

As a country, South Africa is also affected by the global developments as outlined above. Indeed, the response to the Covid-19 pandemic that resulted in lockdowns and other restrictions saw GDP decline sharply by -6.3% in 2020. This rebounded to 4.9% in 2021 as the pandemic restrictions were lifted. Recent statistics show the economy to have rebounded to its pre-Covid levels although there were concerns about the impact of structural factors, such as logistics and energy supply.

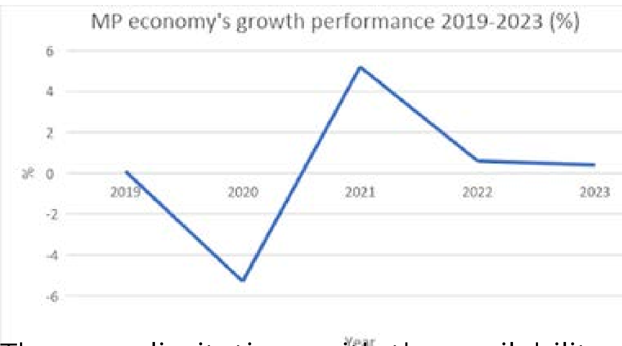
Figure 1: Gross Domestic Product recovers to pre-pandemic levels



Analysts, such as Capital Economics, have noted how South Africa's economy has one of the weakest growth records of any Emerging Market (EM) over the past decade and how its post-pandemic recovery has been particularly disappointing. They aver that "at the heart of the problem are major structural impediments to growth that stretch far beyond the most current pressing issue of the day, load shedding". Fortunately, the government and its social partners have recognized many of these challenges and have unleashed certain interventions such as the "Operation Vulindlela" to address structural reforms; some have argued that if the reforms are sustained and the immediate logistics and electricity problems are systematically tackled, the country's economy can move to a higher growth trajectory.

MPUMALANGA ECONOMIC OUTLOOK

In her recent Provincial Budget Speech, MEC Hlophe confirmed that estimates of the provincial economic performance continue to track that of the national economy over time. This then explains how, from a low of 0.1% in 2019, the regional economy declined due to COVID-19 but has rebounded, though incrementally, as explained earlier.



There are limitations with the availability of timely and rigorous economic statistics at the provincial/regional level during this period but our assessment benefits from statistical releases from Statistics South Africa, that cover the size of the economy, inequality and labour markets.

SIZE OF PROVINCIAL ECONOMY

In late September 2023, Statistics South Africa released statistics that estimate that Mpumalanga (at 8% of national GDP) is the 4th largest regional economy after Gauteng (33.1%), KwaZulu-Natal (15.9%), Western Cape (13.9%).

The same publication showed that the province has as its leading sectors, mining (23%) followed by personal services (16%), Finance (15%), Manufacturing (13%), and Trade (12%)

Disappointingly, the same publication has shown that, in 2022, all provincial economies grew, but the worst performing ones were Mpumalanga and the Northwest, at 0.6%. The fact that most of the mining activities happen in both provinces, this partially explain the reality. In 2022, the province recorded fifth on the rankings of GDP per capita, which is a measure of provincial output against the population (5.1Million people).

LABOUR MARKETS

Mpumalanga was not spared from the jobs blood bath and labour market turmoil brought about by the Covid-19 pandemic and the country's response to it. As the numbers (and graph attached in annexure) show, lockdown and other restrictions meant that the number of unemployed decreased, but the reduced levels of aggregate demand in the economy saw both the "official" and "expanded unemployment rates in the province increase.

However, it is heartening to see that, in Q4 2023, the number of employed (1.25 million) in the province is now above pre-Covid levels (Quarter 1 2020) of 1.245 million). Furthermore, Mpumalanga is one of the few provinces that have experienced net job gains in the past two quarters, with 44 151 jobs in Q3 2023 and 48,000 in Q4 2024.

Nevertheless, the province's unemployment rate was 33.3% in Q1 2020; in Q4 2023, it was 34.9%, and the expanded unemployment rate was also high at 45.8%.

THE FUTURE LOOKS BRIGHT

Despite the difficult economic climate several investments were announced for Mpumalanga over the period 2019-2024, as outlined below:

1. PG Bison will spend R1.98 billion to expand their board manufacturing plant in Piet Retief in Mpumalanga
2. Sasol will invest R5.4 billion towards clean fuels in their Secunda plant.
3. Akani Properties - R1.2 billion for several property developments in the North West, Gauteng and Mpumalanga.
4. Mapochs Resources committed R100 million towards re-establishing a vanadium mine in Mpumalanga.
5. Sail pledged R562 million for the beneficiation of ferrochrome in Mpumalanga.
6. Sonae Arauco pledged R200 million for the expansion of their paper manufacturing line in White River, Mpumalanga

ORGANISATIONAL ENVIRONMENT

The strategic mandate of MEGA, within the provincial economic landscape, is to provide a one-stop development service to business and potential investors, with a core focus on trade and investment promotion, enterprise development, property management, housing finance and agriculture development.

In terms of its founding legislation, The Mpumalanga Economic Growth Agency Act, 2010 (Act No.1 of 2010), the objects of the Agency are to provide funding in respect of property development including the granting of housing loans as well as in respect of approved enterprise and agricultural development focussing primarily on previously disadvantaged individuals within the Province, whilst focusing on project management, development and management of immovable property and to promote foreign trade and investment so as to ensure enterprise and agricultural development that will significantly contribute to economic growth and development within the Province, with specific emphasis on Black Economic Empowerment (section 3(1)).

MEGA has made many important strides and these are often understated or glossed over because of the failure by many to understand the role of development (finance) institutions at the subnational level.

In addition, the history of the institution and evolution over time meant that some would be doubtful of its potential contribution because of poor governance that was associated with entities that were part of the merger to form MEGA in 2010. Apart of the challenges experienced, there are areas of success that the entity achieved as highlighted below:

GOVERNANCE

Governance relates to improved functioning of the organization and compliance with established prescripts on reporting and processes for the execution of the identified tasks.

The period 2019-2024 saw MEGA address instability at the Board and Executive level through appointment of individuals respected in the business community, and by the general public, and who have allowed the organization to function with minimal controversy.

In 2022, MEGA attained its first “unqualified” audit from the Auditor-General, in its history, signifying improved financial management and reporting

The entity has also appointed a full-term Chief Executive Officer (CEO) and filled vacant posts

PREMIER'S YOUTH DEVELOPMENT FUND

An important milestone during this period has also been the successful conclusion of a Memorandum of Agreement with the Office of the Premier for the management of the Mpumalanga Youth Development Fund. This much lauded programme has disbursed R258 million to fund 182 youth owned enterprises since 2019. It is to MEGA's credit that this has been done without even a sniff or whimper of scandal

EKANDUSTRIA AND OTHER INDUSTRIAL PARKS

As of October 2023, Mpumalanga had 18 industrial parks, 3 considered to be large or "industrial" and "15" small. It can be noted as an achievement that Ekandustria, the largest and most strategic of the industrial parks, remains in the hands of Mpumalanga province despite pressure from Gauteng province and the Department of Trade Industry and Competition (the dtic).

MEGA has to be commended for developing plans to secure and maintain its industrial parks as evidenced in its budgetary plans for 2024/25

STRATEGIC PARTNERSHIPS AND SUPPORT TO SMMES AND COOPERATIVES

In the face of reduced fiscal allocations or "grants" from the province, MEGA has continued its drive to forge strategic partnerships with key partners such as financial institutions (e.g., banks), development partners, and provincial and national government departments, and entities.

It is reported that through this drive, MEGA commenced with the redevelopment of its two major shopping centres, namely: Kabokweni and Siyabuswa Shopping Centres.

MEGA has good working relations with national departments and agencies that has allowed it to facilitate both financial and non-financial support for SMMEs and Cooperatives during the past 5 years.

INVESTMENT PROMOTION

The unfavourable economic climate and travel restrictions associated with the response to the Covid pandemic meant that there were severe constraints on this programme despite its elevation by the Premier in her SOPA of 2019. However, once the world moved from lockdown, MEGA has positioned itself as a one-stop shop for potential investors to the province though it is not easy to produce quantitative measures of success.

In 2022, the SA embassy in Washington facilitated a ground-breaking webinar with the United States business communities. MEGA's investment business unit played a key role in this initiative.

SPECIAL PROJECTS: NKOMAZI SEZ AND MPUMALANGA INTERNATIONAL FRESH PRODUCE MARKET (MIFPM)

Mention must be made of the progress made with special projects or tasks that are assigned to MEGA from time to time.

The Nkomazi SEZ entity was registered as a state-owned company in Jan 2021, and a subsidiary of MEGA. MEGA continues to support the entity in different ways.

The Mpumalanga International Fresh Produce market (MIFPM) is a project that MEGA handed to the Department of Public Works Roads and Transport (DPWRT) to finalize with agreement that it will play a key role in its operationalization.

ACHIEVEMENT OF INSTITUTIONAL IMPACTS AND OUTCOMES

Measuring perfomance through programme

MEGA's programme performance involved the consolidation of performance achieved by divisions on an annual basis in line with the approved Corporate Plan (Annual Performance Plan).

The entity's performance improved significantly compared to previous financial years which was at 76%.

For the 2023/24 financial year, MEGA planned 43 annual targets. The annual consolidated target achieved is 89%.

The analysis of the quarterly performance achievement per division as well as the calculations of the annual performance achievement are depicted in figures 2 and 3, respectively:

		QUARTERLY PERFORMANCE ACHIEVEMENTS (%)			
NO.	**PRGRAMMES TARGET INDICATORS**	**QUARTER 1**	**QUARTER 2**	**QUARTER 3**	**QUARTER 4**
1.	OFFICE OF THE CEO	100%	100%	100%	100%
2.	CORPORATE SERVICES	100%	100%	100%	81%
3.	FINANCE	59%	67%	100%	100%
4.	TRADE & INVESTMENT	78%	80%	75%	63%
5.	PROPERTIES & INFRASTRUCTURE	68%	51%	80%	68%
6.	FUNDING	100%	79%	81%	79%
	TOTALS	**84%**	**80%**	**89%**	**82%**

Figure 2: Analysis of the Quarterly Performance per Programme / Division

NO.	PRGRAMMES TARGET INDICATORS	CUMMULATIVE ANNUAL PERFORMANCE			
		PLANNED ANNUAL TARGETS	PLANNED TARGETS TO-DATE	ACHIEVED TARGETS TO-DATE	% ACHIEVED
1.	OFFICE OF THE CEO		100%		
1.	Number of MEGA's Legislative Universe Reports compiled to monitor the entity's compliance with all statutory legislative prescripts	4	2	4	100%
2.	Level of implementation of three (3) year Internal Audit Plan	100%	100%	200%	100%
3.	% Risk Management Plan implementation	100%	0%	1	100%
4.	% achieved on MEGA organisational performance	100%	100%	195%	100%
5.	Number of statutory reports compiled and approved to determine the entity's performance	6	4	6	100%
6.	Number of independent and systematic evaluations of the entity's performance	1	1	1	100%
2.	CORPORATE SERVICES		98%		
1.	% achieved on positions prioritised in a given year	100%	100%	100%	100%
2.	% achieved on the HR Strategy Implementation	100%	100%	88%	88%
3.	% Implementation of IT Infrastructure	100%	100%	100%	100%
4.	Number of external Newsletters published	2	2	4	100%
5.	Number of internal Newsletters published	12	12	12	100%
6.	% achieved on MEGA's Marketing & Communication Strategy	100%	100%	100%	100%
7.	Number of Marketing Campaigns conducted	1	1	44	100%
3.	FINANCE		84%		
1.	% reduction in fruitless and wasteful expenditure	100%	100%	67%	67%
2.	% implementation of procurement plan	100%	100%	159%	100%
4.	TRADE & INVESTMENT		83%		
1.	Value (R) of FDI / LDI investment projects under facilitation	R350 000 000	R350 000 000	R2 000 000 000,00	100%
2.	Number of new FDI / LDI projects under facilitation for the period	3	3	1	33%
3.	Number of Outward / inward Investment Recruitment Missions undertaken	3	3	4	100%
4.	Number of interactions with potential Investors	15	15	52	100%
5.	Number of Trade and investment inward missions/ delegations hosted	2	2	1	50%
6.	Number of exporters / importers/stakeholders provided with foreign trade counselling and support	160	160	261	100%
7.	Number of foreign trade exhibitions and missions undertaken	3	3	2	67%
8.	Number of local trade exhibitions undertaken	2	2	2	100%
9.	Number of EMIA / SSAS applications facilitated for Mpumalanga companies	4	4	3	75%
10.	Number of exporter training and information dissemination workshops	2	2	6	100%

NO.	PRGRAMMES TARGET INDICATORS	CUMMULATIVE ANNUAL PERFORMANCE			
		PLANNED ANNUAL TARGETS	PLANNED TARGETS TO-DATE	ACHIEVED TARGETS TO-DATE	% ACHIEVED
5.	**PROPERTIES & INFRASTRUCTURE**		**66%**		
1.	Number of new development or revitalization projects identified, conceptualized and awarded to strategic development partners (where appropriate) or packaged internally	2	2	1	50%
2.	Milestone/s achieved in redeveloping the Kabokweni Shopping Centre	2	2	1	50%
3.	Milestone/s achieved in redeveloping Siyabuswa Shopping Centre	2	2	0	0%
4.	Milestone/s achieved in implementing the Ekandustria Industrial Park revitalization programme	2	2	1	50%
5.	Milestone/s achieved in implementing the Kabokweni Industrial Park Revitalization programme	2	2	2	100%
6.	Milestone/s achieved in implementing the Siyabuswa Industrial Park revitalization programme	2	2	2	100%
7.	Progress achieved in the implementation of the maintenance plan for the Kwaggafontein and Tweefontein Small Industrial Parks	100%	100%	100%	100%
8.	Value of funds secured for the revitalisation of industrial parks	R50 000 000,00	R50 000 000,00	R150 000 000,00	100%
9.	Value of own revenue generated through property portfolio in order to achieve financial sustainability	R130 000 000	R130 000 000	R130 800 000,00	100%
6.	**FUNDING**		**96%**		
1.	Value of loans approved to SMMEs using MEGA own funds	R2 650 000	R2 650 000	R2 700 000,00	100%
2.	Value of loans disbursed to SMMES using MEGA own funds	R2 650 000	R2 650 000	R2 340 000,00	100%
3.	Value of funds disbursed to SMMEs through partnerships	R80 000 000	R80 000 000	R80 000 000,00	100%
4.	Value of housing loans approved	R5 110 000	R5 110 000	R4 000 000,00	78%
5.	Value of housing loans disbursed	R5 110 000	R5 110 000	R4 500 000,00	88%
6.	Number of business support services provided to SMME and Agricultural loan clients	190	190	211	100%
7.	Number of post investment support services provided to home loan clients	110	110	110	100%
8.	Number of equity investment monitoring reports detailing performance of equity investment portfolio	4	4	4	100%
42	**TOTALS**		**88%**		

KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

There were no policy developments or legislative changes affecting the entity during the financial year under review.

INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION

PROGRAMME 1:
OFFICE OF THE CEO

PROGRAMME DESCRIPTION:

1. The programme provides strategic leadership, ensures good corporate governance and assurance thereby enabling MEGA to deliver on its mandate.
2. The core purpose of the division is as follows:

- Ensure that the organisation complies with all statutory and legislative requirements in the delivery of the organization's mandate.
- Ensure an effective administrative, secretarial and advisory services to the Board such that the Board's activities are carried out in line with the PFMA requirements and the Code of Good Practice.
- Provide strategic direction to ensure the achievement of short, medium and long-term strategic goals of the organisation's Corporate Strategy.
- Provide performance information management services and promote organisational performance through a systematic monitoring and evaluation support functions and systems.
- Provide a systematic management of the organization's knowledge assets for the purpose of creating value and meeting tactical and strategic requirements.
- Assist the entity accomplish its objectives by bringing a disciplined approach to evaluate and improve the effectiveness of risk management, internal controls and governance processes.

HIGHLIGHTS / PROGRESS MADE

1. The division monitored compliance to all laws and regulations applicable to the entity through implementation of the MEGA Legislative Universe.
2. The target set on the implementation of the three (3) year Internal Audit Plan was fully achieved.
3. The target set on the implementation of Risk Management Plan was achieved.
4. The target on MEGA organisational performance was fully achieved.

The target set on statutory reports compilation and approval to determine the entity's performance was fully achieved.

CHALLENGES

None

ANNUAL PERFORMANCE

Strategic objectives, planned targets and actual achievements linking performance with budgets

Outcome	Output	Output Indicator	Audited Actual Performance 2021/2022	Audited Actual Performance 2022/2023	Planned Annual Target 2023/2024	Actual Achievement 2023/2024	Deviation from planned target	Reasons for deviations
STRATEGIC GOAL 5: ENHANCED ORGANISATIONAL SUSTAINABILITY								
Compliance with all statutory and legislative prescripts	Compilation of MEGA's Legislative Universe	Number of MEGA's Legislative Universe Reports compiled to monitor the entity's compliance with all statutory legislative prescripts	100%	100%	4	4	0	None
Improvement in the effectiveness of internal control and governance	Approval of Annual Internal Audit Plan by BARCC	Level of implementation of three (3) year InternalAudit Plan	100%	100%	100%	100%	0%	None
Improved risk maturity level	Approved Risk Management Plan	% achieved on Risk Management Plan implementation	20%	25%	100%	100%	0%	None
Improved organisational performance	Increased organisational performance	% achieved on MEGA organisational performance	50%	70%	100%	100%	0%	None
		Number of statutory reports compiled and approved to determine the entity's performance	6	6	6	6	0	None
Assessed operational and developmental impact	Undertake independent and systematic evaluations of the entity's performance against its mandate	Number of independent and systematic evaluations of the entity's performance	1	1	1	1	0	None

	2023/2024			2022/2023		
Sub- Programme	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)
OFFICE OF THE CEO	38 598	39 594	(996)	25 457	31 847	(1 465)
TOTAL	**38 598**	**39 594**	**(996)**	**30 357**	**31 847**	**(1 465)**

STRATEGY TO OVERCOME AREAS OF UNDERPERFORMANCE

None

PROGRAMME 2: CORPORATE SERVICES

PROGRAMME DESCRIPTION:

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

1. Promote sound employee relations and labour stability.
2. Promote and practice effctive recruitment and retention practices.
3. Encourage a culture of excellence and high work ethic.
4. Promote a safe and healthy working environment for all employees.
5. To constantly develop individual employees through training interventions.
6. Provide an all-inclusive integrated and interoperable business systems and processes that enable the execution of the Corporate Strategy.

HIGHLIGHTS / PROGRESS MADE:

Implementation of Human Resources Policies

The Board took a resolution to review the Performance Management and Development Policy in particular, the section which deals with performance incentives. The Policy has since been reviewed by management and engagement with Organized labour is still in progress.

Implementation of Performance

Performance Management Development System (PMDS) mid-year Performance Reviews for the 2023/2024 financial year were conducted with all Executive Managers and final reviews will be concluded by the 30th of April 2024. The signing of Performance Agreements for employees below the Executive level was not finalized due to delays in consulting with organized labour.

Establishment of Labour Management Forum (LMF)

The Terms of Reference of the LMF were adopted by the forum. The standardization of the employment contract has been finalized and is ready for implementation in the 2024/25 financial year.

Employment Equity and Skills Development

The Employment Equity Plan and Workplace Skills Plan are being implemented and they are monitored by the skills development and employment equity. Furthermore, the professional relationship with FASSET has been intensified to enhance accredited and pivotal training. All administrative processes to ensure compliance with FASSET reporting requirements have been finalized and MEGA will commence with payment of the Skills Levy to claim for all accredited training facilitated.

Employee Wellness

MEGA has formed a partnership with Virgin Active to promote Health and Wellness in the workplace. Employees of MEGA will be granted discounts on membership fees throughout South Africa and Virgin Active will also participate in Health and wellness interventions facilitated by MEGA at no cost.

HIGHLIGHTS / PROGRESS MADE:

National Skills Fund (NSF) Artisan Apprenticeship Programs

MEGA continues to monitor the implementation of the three (3) artisan programs with its training partners. The training of artisans is progressing fairly well and the recruitment of learners in different fields was also concluded. The theoretical part of the training has been finalized and learners are currently doing their practical work with host employers under the supervision of the service provider (FOREK Institute).

CHALLENGES:

None.

ANNUAL PERFORMANCE

Strategic objectives, planned targets and actual achievements

Outcome	Output	Output Indicator	Audited Actual Performance 2021/2022	Audited Actual Performance 2022/2023	Planned Annual Target 2023/2024	Actual Achievement 2023/2024	Deviation from planned target	Reasons for deviations
STRATEGIC GOAL 5: ENHANCED ORGANISATIONAL SUSTAINABILITY								
Capacitated organisation	Placement and recruitment processes approved by the Board	Number of external Newsletters	New Indicator	100%	100%	100%	0	None
Improved organizational performance	Implement the HR Strategy	Number of internal Newsletter	New Indicator	100%	100%	88%	-12	Delays in the engagements with organized labour of the cascading of PMDS to the lower level
Enhanced all-Inclusive and integrated information	Implement an ICT Infrastructure	% achieved on MEGA's Marketing & Communication Strategy	0%	50%	100%	100%	0%	None
STRATEGIC GOAL 6: IMPROVED CORPORATE IMAGE OF MEGA								
IncreasedMEGA Brandand Reputation	Implement Marketing and Communications Strategy	Number of external newsletters published	3	4	2	4	+2	More external newsletters published due to others initiated by external newspapers
		Number of internal newsletters published	12	12	12	12	0	None
		% achieved on MEGA'sMarketing & CommunicationStrategy	NewIndicator	50%	100%	100%	0%	None
		Number of MarketingCampaigns conducted	1	1	1	44	+43	The overachievement is attributed to external invitations where MEGA was required to participate

STRATEGY TO OVERCOME AREAS OF UNDERPERFORMANCE

Implement the HR Strategy

A plan has been developed to ensure the rolling out of PMDS to the entire organization.

Number of External Newsletters Published

No strategy required since it's a positive deviation.

Number of Marketing Campaigns conducted

No strategy required since it's a positive deviation.

ANNUAL PERFORMANCE

Strategic objectives, planned targets and actual achievements

	2023/2024			2022/2023		
Sub Programme	Budget (R'000)	Actual Expenditure (R'000)	(Over)/Under Expenditure (R'000)	Budget (R'000)	Actual Expenditure (R'000)	(Over)/Under Expenditure (R'000)
CORPORATE SERVICES	40 325	33 998	6 987	38 938	31 154	7 784
TOTAL	**40 325**	**33 998**	**6 327**	**38 938**	**31 154**	**7 784**

PROGRAMME 3:
FINANCE

PROGRAMME DESCRIPTION:

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

HIGHLIGHTS / PROGRESS MADE

The entity managed to reduce the Fruitless and Wasteful Expenditure (FWE) by 28% when compared to the figure disclosed in the AFS of the previous financial year. Procurement Plan for 2023/24 financial year was fully implemented.

KEY CHALLENGES:

None.

ANNUAL PERFORMANCE

STRATEGIC OBJECTIVES, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS

Outcome	Output	Output Indicator	Audited Actual Performance 2021/2022	Audited Actual Performance 2022/2023	Planned Annual Target 2023/2024	Actual Achievement 2023/2024	Deviation from planned target	Reasons for deviations
STRATEGIC GOAL 5: ENHANCED ORGANISATIONAL SUSTAINABILITY								
To enhance governance and operational excellence	Implementation of Audit Remedial Action Plans	% reduction in fruitless and wasteful expenditure	New Indicator	30%	100%	47%	-53%	None
		% implementation of procurement plan	New Indicator	100%	100%	100%	0%	None

LINKING PERFORMANCE WITH BUDGETS

	2023/2024				2022/2023		
Sub-Programme	Budget		Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	(R'000)		(R'000)	(R'000)	(R'000)	(R'000)	(R'000)
FINANCE	55 257		50 640	4 617	53 594	43 958	9 636
TOTAL	**55 257**		**50 640**	**4 617**	**53 594**	**43 958**	**9 636**

STRATEGY TO OVERCOME AREAS OF UNDERPERFORMANCE

None

PROGRAMME 4:
TRADE AND INVESTMENT PROMOTION

PROGRAMME DESCRIPTION:

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

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

HIGHLIGHTS / PROGRESS MADE:

MEGA facilitated the participation of a local alcoholic beverage producer – The Gin Company from White River, in a Foreign Trade Mission organized by the Small Enterprise Development Agency (SEDA) to the Island State Mauritius which took place from the 25 – 27 March 2024. The event was undertaken under the She-Trade Initiative which is exclusive to woman owned and operated businesses in the in the South African Manufacturing, ICT, Agriculture and Agro-Processing sectors. Twenty-nine female-owned South African small enterprises across various sectors participated in the Mission hosted by Mauritian Economic Development Board – MEGA's counterpart agency in Mauritius. Registration of Mpumalanga Women Owned Companies to buy from Women initiative (UN Women – Buy from Women). Mpumalanga women owned companies encouraged to participate in this initiative.

The division participated in the SADC Industrialization Forum (SIF) organized by the SADC Secretariat and the Chamber of Commerce and Industry Angola from the 26th – 27th February 2024 in Sandton under the theme "Investing in People and Unlocking the Potentials in Southern Africa". SIF served as a platform to create opportunities for direct B2B networking resulting in concrete deals as well as constructive discussion between policy makers and the private sector. Facilitating investment and trade and allowing the regions private sector to execute deals and create employment opportunities and drive for sustainable and inclusive regional economic development with a specific focus on Angola.

Potential local investors were engaged in the sectors of agro-processing, manufacturing, Property Investment and development (smart city) development and agri-land solutions, with Memorandums of Understanding to be signed for project investment facilitation.

KEY CHALLENGES:

Some of the planned targets were not met due to cost curtailment measures implemented by the National Treasury.

ANNUAL PERFORMANCE

STRATEGIC OBJECTIVES, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS

Outcome	Output	Output Indicator	Audited Actual Performance 2021/2022	Audited Actual Performance 2022/2023	Planned Annual Target 2023/2024	Actual Achievement 2023/2024	Deviation from planned target	Reasons for deviations
STRATEGIC GOAL 3: INCREASED ATTRACTION OF SUITABLE INVESTORS TO THE PROVINCE BASED ON ATTRACTIVE VALUE PROPOSITION & ATTRACTIVE INVESTMENT OPPORTUNITIES								
Increased investment attracted through trade and investment promotion	Facilitation of FDI / LDI Investment projects in Mpumalanga until implementation	Value (R) of FDI / LDI MEGA facilitated projects implemented during the period	R150m	R500m	R350m	R2b	+R1.65b	The value of the potential project under facilitation was much higher than planned
	Facilitation of new FDI / LDI Investment projects for Mpumalanga	Number of new FDI / LDI projects under facilitation for the period	1	4	3	1	-2	Target affected by the negative investment climate
	Undertake Outward Investment Promotion Missions	Number of Outward / inward Investment Recruitment Missions undertaken	0	2	3	4	+1	Two additional inward missions were undertaken on invitation by T&I's partners
	Render assistance to potential investors in Mpumalanga	Number of interactions with potential Investors	9	10	15	52	+37	MEGA received additional referrals for investment facilitation from its partners
	Trade and investment inward missions/ delegations	Number of Trade and investment inward missions/ delegations hosted	New Indicator	New Indicator	2	1	-1	Inward mission could not be undertaken due to cashflow constraints

Outcome	Output	Output Indicator	Audited Actual Performance 2021/2022	Audited Actual Performance 2022/2023	Planned Annual Target 2023/2024	Actual Achievement 2023/2024	Deviation from planned target	Reasons for deviations
STRATEGIC GOAL 4: INCREASED ACCESS TO EXPORT TRADE OPPORTUNITIES FOR MPUMALANGA COMPANIES								
Increased access to export trade opportunities for Mpumalanga businesses	Provide Foreign Trade counselling and support	Number of exporters / importers/stakeholders provided with foreign trade counselling and support	50	140	160	261	+101	The division experienced an increasing number of potential exporters getting ready to export their products
	Undertake foreign trade exhibitions and missions	Number of foreign trade exhibitions and missions undertaken	2	4	3	2	-1	Activities were curtailed due to cost containment measures, especially foreign travel
	Number of localtrade exhibitions	Number of localtrade exhibitions undertaken	New Indicator	New Indicator	2	2	0	None
	Promote andfacilitate the use of the EMIA / SSAS	Number of EMIA / SSAS applications facilitated for Mpumalanga companies	2	5	4	3	-1	Fewer requests received in the current financial year
	Exporter training and information dissemination workshops	Number of exporter training and information dissemination workshops	New Indicator	New Indicator	2	6	+4	Workshops that were initially put on hold, were resuscitated with the help of DEDT and the dtic.

LINKING PERFORMANCE WITH BUDGETS

	2023/2024			2022/2023		
Sub Programme	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**
	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)
TRADE & INVESTMENT	10 949	8 561	2 388	15 869	14 343	1 526
TOTAL	**10 949**	**8 561**	**2 388**	**15 869**	**14 343**	**1 526**

STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

Value (R) of FDI / LDI MEGA facilitated projects implemented during the period
No strategy required since it's a positive deviation.

Value (R) of FDI / LDI MEGA facilitated projects implemented during the period
The entity is facilitating the establishment of the One stop Shop in the Province to boost investment facilitation.

Number of Outward / inward Investment Recruitment Missions undertaken
No strategy required since it's a positive deviation.

Number of interactions with potential Investors
No strategy required since it's a positive deviation.

Number of Trade and investment inward missions/ delegations hosted
More missions to be hosted in the next financial year.

Number of exporters / importers/stakeholders provided with foreign trade counselling and support
No strategy required since it's a positive deviation.

Number of foreign trade exhibitions and missions undertaken
To ensure adequate budget in the next financial year.

Number of local trade exhibitions undertaken
No strategy required since it's a positive deviation.

Number of EMIA / SSAS applications facilitated for Mpumalanga companies
To make follow ups with exporters to facilitate EMIA / SSAS applications.

Number of exporter training and information dissemination workshops
No strategy required since it's a positive deviation.

PROGRAMME 5:
PROPERTIES AND INFRASTRUCTURE

PROGRAMME DESCRIPTION

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

HIGHLIGHTS / PROGRESS MADE

1. Revenue collection target was fully achieved since collection for the year amounted to R 131 million against the target of R 130 million planned.
2. The entity concluded on the appointment of the facilities management company, conclusion of the service level agreement as well as reaching agreement on the structure that will drive the revitalization programme at Ekandustria. The entity is currently finalizing the nomination of an employee that will represent MEGA's interests in the envisaged special purpose vehicle (SPV).
3. Kabokweni and Siyabuswa industrial parks' master plans or long-term land-use and development plans, and their associated business plans were also concluded.
4. The renovation projects for the Kwaggafontein and Tweefontein Small Industrial Parks also reached their practical completion.

KEY CHALLENGES

1. Funders approached for the funding of the Ekandustria revitalization project indicated that they will only consider (funding) the project once it has passed the pre-feasibility stage. This meant that either MEGA or the SDP or both needed to raise all the funds required to complete the prefeasibility stage. Neither partner had the R5.2 million required for the pre-feasibility studies.
2. The Siyabuswa shopping centre redevelopment project could not be presented to the funder's investment committee because of failure to secure an anchor tenant.
3. Although the annual target of R130 million for the financial year has been achieved, the non-payment of rentals is still high at more than 44% of all billings. More work is required to improve the quality of tenants being signed up and subsequent (rental) collection.

ANNUAL PERFORMANCE

STRATEGIC OBJECTIVES, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS

Outcome	Output	Output Indicator	Audited Actual Performance 2021/2022	Audited Actual Performance 2022/2023	Planned Annual Target 2023/2024	Actual Achievement 2023/2024	Deviation from planned target	Reasons for deviations
STRATEGIC GOAL 2: INCREASED ATTRACTION OF SUITABLE INVESTORS TO THE PROVINCE BASED ON AN ATTRACTIVE VALUE PROPOSITION AND ATTRACTIVE INVESTMENT OPPORTUNITIES								
Increased investment attracted into the property portfolio	Increase investment attracted to Property Portfolio	Number of new development or revitalization projects identified, conceptualized and awarded to strategic development partners (where appropriate) or packaged internally	0	0	2	1	-1	The appointment of a strategic development partner for the redevelopment of Mpuluzi Shopping Complex was not done due to non-responsiveness of bids received from the panel
		Progress achieved in redeveloping the Kabokweni Shopping Centre	New Indicator	New Indicator	2	1	-1	Building plans approval process was delayed by need for rezoning and parking requirement relaxation. This is expected to delay construction commencement by between 3 and 6 months
		Progress achieved in redeveloping Siyabuswa Shopping Centre	New Indicator	New Indicator	2	0	-2	Difficulty in securing anchor tenant for the shopping center
		Milestone/s achieved in implementing the Ekandustria Industrial Park revitalization programme	New Indicator	New Indicator	2	1	-1	Overachievement due to the appointment of the facilities management company, conclusion of the service level agreement as well as reaching agreement on the structure that will drive the revitalization programme
		Milestone/s achieved in implementing the Kabokweni Industrial Park Revitalization programme	New Indicator	New Indicator	2	2	0	Building plans approval process commenced over and above the development master plan and business plan targets set
		Milestone/s achieved in implementing the Siyabuswa Industrial Park revitalization programme	New Indicator	New Indicator	2	2	0	None
		Progress achieved in the implementation of the maintenance plan for the Kwaggafontein and Tweefontein Small Industrial Parks	New Indicator	New Indicator	100%	100%	0	None
	Secure funds for the revitalisation of industrial	Value of funds secured for the revitalisation of industrial parks	0	R50m	R50m	R150m	+R100m	Value of investment disclosed by an investor was more than the target value
Progressively increase own revenue generation and collection to achieve financial sustainability	Revenue collected from the property portfolio (rental and municipal)	Value of annual rental revenue generated from the property portfolio	R45m	R120m	R130m	R130,8m	+R800k	Effective debt collection strategies implementent

LINKING PERFORMANCE WITH BUDGETS

	2023/2024			2022/2023		
Sub- Programme	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**
	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)
PROPERTIES AND INFRASTRUCTURE	199 505	202 415	(2 910)	191 162	212 951	(21 788)
TOTAL	**199 505**	**202 415**	**(2 910)**	**191 162**	**212 951**	**(21 788)**

STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

Progress achieved in redeveloping the Kabokweni Shopping Centre
The bid for the appointment of a strategic development partner for the redevelopment of Mpuluzi Shopping Complex will be readvertised in the open market.

Milestone/s achieved in redeveloping Siyabuswa Shopping Centre
MEGA is discussing with a couple of potential investors about securing approval for establishing of a 1300 square meter Spar/USAVE store in the center.

Milestone/s achieved in implementing the Ekandustria Industrial Park revitalization programme
No strategy required since it's a positive deviation.

Milestone/s achieved in implementing the Kabokweni Industrial Park Revitalization programme
No strategy required since it's a positive deviation.

Value of funds secured for the revitalisation of industrial parks
No strategy required since it's a positive deviation.

Value of annual rental revenue generated from the property portfolio
No strategy required since it's a positive deviation.

PROGRAMME 6:
FUNDING

SUB PROGRAMME: FUNDING

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

SMME DEVELOPMENT FINANCE

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

Financial support

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

1. Bridging finance for construction projects;
2. Acquisition of plant and equipment;
3. Financing tenders;
4. Acquiring equity; and
5. Financing working capital.

Non-financial support

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

1. Training business owners on how to prepare financial statements and maintain good bookkeeping practices;
2. Conducting business management seminars;
3. Facilitating market linkages, by assisting small businesses to register with relevant government departments, so that their services can be used;
4. Helping businesses brand/ market their products in readiness for selling on the market;
5. By providing regulatory information, and also linking businesses to the relevant authorities or bodies that can regulate their products or services;
6. Facilitating the preparation of business plans through SEDA for submission to institutions which provide funds to existing and new enterprises.

Beneficiation

- The programme aims to achieve beneficiation objectives by setting up incubators where potential entrepreneurs will be trained before they set up their own businesses. Specific industries have been targeted.
- The initiative is aimed at reducing the number of businesses that fail at the initial stage while strengthening existing businesses. Initially incubators will be setup in the wood processing and steel manufacturing industries.
- Beneficiation programmes involve supporting SMME's and Co-ops across all sectors by providing:

1. Information on improving the packaging of their products and services;
2. Government Incentives (Grant Funding) for infrastructure and non-financial services.

AGRICULTURE: EMERGING FARMER FINANCE

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

The programme provides the following support to existing businesses:

Market linkages for farm produce;

Organising for farming inputs to be obtained at reasonable prices;

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

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

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

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

HOME LOANS

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

1. Building loan;
2. Purchase of a vacant stand;
3. House improvement loan;
4. Purchase of an existing house;
5. Loan size: up to R1.5m.

Loopspruit Wine Farm

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

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

MEGA is currently seeking investors for the commercialization of Loopspruit Farm and ensuring its subsequent profitability.

Highlights / Progress:

The target for the value of loans approved to SMMEs using MEGA's own funds was achieved. The total value of business loans approved was R2.7m. Similarly, post-investment support services were successfully provided to business and home-owners clients as such both quarterly and annual targets were met.

The Division was assigned the responsibility of managing the disbursement; and provision of post-investment support to the approved beneficiaries of the Premier Youth Development Fund (PYDF). Through the PYDF, it is envisaged that the participation of young people in the provincial mainstream economy will be increased and the government's objective of broadening economic empowerment among historically disadvantaged individuals will be advanced.

PYDF grant funding amounting to R49.9m was disbursed to approved youth enterprises, and this increased the annual output to R82.4m, thus both quarterly and annual targets were met.

EQUITY INVESTMENTS

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

Partially Owned Investments

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

Mining - shareholding in a mining company.

Agriculture – shareholding in a fruit packer company.

WHOLLY OWNED INVESTMENTS

Tekwane Citrus Farm

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

Tekwane Citrus Farm has not been able to function optimally and thus generate acceptable revenue.

The major reasons for lack of profitability of Tekwane Farm include, inter alia: huge overhead costs that drain the operation's profitability as a result of historical decisions relating to the employment of staff; incorrect application of fertilizers and other necessary agricultural products for farming; aging mechanical equipment; and limited capital to fund operations.

The farm has managed to realise profit in this financial year of reporting. This comes as a result of the deployment of resources through the service provider appointed to manage the farm production and market the fruit. This increased the yield and allowed for early harvesting and entry into the market at higher prices.

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

Key Challenges

1. Performance outputs on value of housing of loans approved and disbursed were not achieved. The budgeted funds were not fully committed due to insufficient applications received from qualifying individuals. The reduction in number of qualifying applicants is likely attributable to the high cost of living which has reduced the disposable income of potential clients.
2. Planned output for the value of loans disbursed to SMMES using MEGA's own funds was impacted by the rescinded loan approvals.
3. Poor performance of wholly owned equity investment, namely, Tekwane and Loopspruit farms. Turnaround strategy is to forge strategic partnerships with the private sector generate revenue and ensure market related value of assets.

FUNDING

Strategic objectives, planned targets and actual achievements

OUTCOME	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL PERFORMANCE 2021/2022	AUDITED ACTUAL PERFORMANCE 2022/2023	PLANNED ANNUAL TARGET 2023/2024	ACTUAL ACHIEVEMENT 2023/2024	DEVIATION FROM PLANNED TARGET	REASONS FOR DEVIATIONS
STRATEGIC GOAL 1: INCREASED PARTICIPATION IN THE ECONOMY BY ENTREPRENEURS AND COMPANIES WITHIN THE DESIGNATED GROUPS								
Increased access to funding for businesses	Approved business loans	Value of loans approved to SMMEs using MEGA own funds	R2m	R2m	R2.65m	R2.7m	+R50k	Overachievement due to approval of urgent bridging finance loan
	Disbursed business loans	Value of loans disbursed to SMMEs using MEGA own funds	R8m	R1m	R2.65m	R2.34m	-R310k	Disbursement performance was impacted by none approval of SMMEs loans in certain quarters and rescission of approved loans
		Value of funds disbursed to SMMEs through partnerships	R50m	R60m	R80m	R79.9m	-R100k	Overachievement due to PYDF disbursement on grant approved in the previous financial year
Increased access to funding for housing clients	Approved housing loans	Value of home loans approved	R1.5m	R3m	R5.11m	R4m	-R1.11m	Underachievement due to fewer applications received from qualifying individuals
	Disbursed housing loans	Value of home loans disbursed	R2m	R3m	R5.11m	R4.5m	-R511k	Some loans not yet disbursed as bond registration processes not yet finalized
Improved sustainability of businesses	Post investment monitoring and support provided	Number of business support services provided to SMME and Agricultural loan clients	120	150	190	211	+21	Higher than targeted performance was influenced by more loans approved due to the new relationship established with SAPPI Ngodwana, for bridging loans
Improved quality of life through home ownership	Post investment monitoring and support provided	Number of post investment support services provided to home loan clients	100	200	110	110	0	None
Improved sustainability of equity investments	Perform oversight on equity investments	Number of equity investment monitoring reports	New Indicator	4	4	4	0	None

Linking performance with budgets

	2023/2024			2022/2023		
Sub- Programme	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)
FUNDING	57 645	55 556	2 089	72 115	59 459	12 656
TOTAL	**57 645**	**55 556**	**2 089**	**72 115**	**59 459**	**12 656**

Strategy to overcome areas of under performance

Value of loans approved to SMMEs using MEGA own funds

No strategy required since it's a positive deviation.

Value of loans disbursed to SMMEs using MEGA own funds

Target to be re-evaluated in the next financial year.

Value of funds disbursed to SMMEs through partnerships

Target to be re-evaluated in the next financial year.

Value of home loans approved

Target to be re-evaluated in the next financial year.

Value of housing loans disbursed

Target to be re-evaluated in the next financial year.

Number of business support services provided to SMME and Agricultural loan clients

No strategy required since it's a positive deviation.

Number of post investment support services provided to home loan clients

No strategy required since it's a positive deviation.

REVENUE COLLECTION

	2023/2024					2022/2023
Sources of revenue	**Original Budget**	**Actual Amount**	**Over/(Under)**	**Budget**	**Actual Amount**	**Over/(Under)**
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Municipal Services	98 455	106 160	7 705	82 106	76 399	(5 707)
Rent	30 919	25 025	(5 894)	21 661	24 564	2 903
Loans	17 600	14 743	(2 857)	14 250	14 084	(166)
Other	3 032	11 676	8 644	28 654	8 312	(20 342)
Total	**150 006**	**157 604**	**7 598**	**146 671**	**123 359**	**(23 312)**

PROGRAMME EXPENDITURE

	2023/2024			2022/2023		
Sub- Programme	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Office of the CEO	38 597	39 594	(997)	30 357	31 840	(1 483)
Corporate Services	40 324	33 398	6 987	38 938	31 153	7 785
Finance	55 257	50 640	4 617	53 594	43 958	9 636
Trade & Investment	10 949	8 561	2 388	15 869	14 343	1 526
Properties & Infrastructure	199 505	202 415	(2 910)	191 162	212 951	(21 789)
Funding	57 645	55 556	2 080	72 115	59 460	12 655
TOTAL	**402 278**	**390 164**	**12 114**	**402 035**	**393 705**	**8 330**

CAPITAL INVESTMENT, MAINTENANCE AND ASSET MANAGEMENT PLAN

Highlights on Capital Investment and Asset Management Plan

None.

Infrastructure projects

	2023/2024			2022/2023	
Infrastructure Projects	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**	**Actual Expenditure**	**(Over)/Under Expenditure**
	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)
Mpumalanga International Fresh Produce Market	0	0	0	0	0
Nkomazi Special Economic Zone (SEZ)	0	0	0	0	0
TOTAL	**0**	**0**	**0**	**0**	**0**

THE CURRENT STATE OF THE PUBLIC ENTITY'S CAPITAL ASSETS

DESCRIPTION	% GOOD	% FAIR	% POOR
Plant and machinery	40%	6%	54%
Office furniture, fixtures and equipment	14%	52%	34%
Motor vehicles	12%	22%	65%
IT equipment	11%	22%	67%

MAINTENANCE EXPENDITURE

	2023/2024			2022/2023		
Maintenance expenditure	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Maintenance – vehicles	31	49	(18)	165	62	103
Maintenance – equipment	253	171	82	453	56	397
Maintenance – buildings	5 032	3 086	1 946	5 093	1 845	3 248
Maintenance – infrastructure	803	3 965	(3 162)	4 280	515	3 765
Total	**6 119**	**7 271**	**(1 152)**	**9 991**	**2 478**	**7 513**

PART C: GOVERNANCE

INTRODUCTION

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

RISK MANAGEMENT

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

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

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

FRAUD AND CORRUPTION

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

MINIMISING CONFLICT OF INTEREST

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

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

CODE OF CONDUCT

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

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

HEALTH SAFETY AND ENVIRONMENTAL ISSUES

MEGA is committed to operating a best practice yet proportionate health and safety management system, recognising its importance for enabling an efficient organisation, by minimising unnecessary losses and liabilities.
MEGA is also committed to annually reporting its health and safety performance and its plans for proactive development of strategic health and safety management.

PORTFOLIO COMMITTEES

The entity appeared before the Portfolio Committee to deliberate on the analysis on its Quarter Performance Reports, Budget, and Annual Performance Plan. During the sittings the entity further provided progress reports on the implementation of the House Resolutions. Dates and purpose of the Committee sittings are reflected below:

Date of the Meeting	Subject	Action Plans Undertaken by the Entity
23 March 2023	Portfolio Committee Oversight Visits	Implementation of the House Resolutions emanating from the Oversight Vist to Drink Water Bottle project
1 May 2023	Portfolio Committee Oversight Visits to Thembisile Hani Local Municipality	Implementation of the House Resolutions emanating from the Oversight Vist to Kenneth Mabena Business
25 May 2023	Deliberations on the fourth Quarter Report for 2022/23	Implementation of the House Resolutions emanating from the third Quarter Report for 2022/23
14 July 2023	Questions emanating from the 2023/24 retabled Budget andAPP analysis	Implementation of the House Resolutions emanating from the 2022/23 Budget and APP
24 August 2023	Deliberations on the first Quarter Report for 2023/24	Implementation of the House Resolutions emanating from the fourth Quarter Report for 2022/23
07 September 2023	Portfolio Committee Oversight Visits to PS Leather World	Implementation of the House Resolutions emanating from the Oversight Vist to Kenneth Mabena Business
19 September 2023	Portfolio Committee Oversight Visits to Thaba Chweu	Implementation of the House Resolutions emanating from the Oversight Vist to Pigro Project
2 November 2023	Analysis of the 2022/23 Annual Report	Implementation of the House Resolutions emanating from the 2022/23 Annual Report
16 November 2023	Deliberations on the second Quarter Report for 2023/24	Implementation of the House Resolutions emanating from the first Quarter Report for 2023/24
15 February 2024	SCOPA Hearing on the Auditor General 2022/23 Audit Outcomes	Implementation of the SCOPA House Resolutions emanating from the SCOPA Auditor General 2022/23 Audit Outcomes
07 March 2024	Questions emanating from the 2023/24 retabled Budget andAPP analysis	Implementation of the House Resolutions emanating from the 2023/24 Budget and APP
07 March 2024	Deliberations on the third Quarter Report for 2023/24	Implementation of the House Resolutions emanating from the third Quarter Report for 2023/24

SCOPA RESOLUTIONS

The entity appeared before the SCOPA to deliberate on the analysis on its Annual Financial Statements and Oversight Visits. During the sittings the entity further provided progress reports on the implementation of the House Resolutions. Dates and purpose of the Committee sittings are reflected on the table below:

RESOLUTION NO.	SUBJECT	DETAILS	RESPONSE BY THE ENTITY	RESOLVED (YES/NO)
N/A	House Resolutions on the 2021/22 Audit Report	Implementation of the House Resolutions on the SCOPA 2021/22 Audit Report	Resolutions being implemented	Yes

EXECUTIVE AUTHORITY

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

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

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

DETAILS	SUBMISSION DATE
Submission of the 4th Quarter Report for 2022/23	28 April 2023
Submission of the Annual Report for 2022/23	31 August 2023
Submission of the 2nd Quarter Report for 2023/24	31 October 2023
Submission of the 3rd Quarter Report for 2023/24	30 January 2024

THE ACCOUNTING AUTHORITY / BOARD

INTRODUCTION

- MEGA is a schedule 3D entity by virtue of it being the successor in title of the erstwhile MEGA, which was established by the then MEGA Act 4 of 2005.
- MEGA is governed by a duly appointed Board of Directors. Schedule 3D entities are regulated by Sections 47 & 76(4) of the PFMA.
- The Board is the Accounting Authority of the Agency as contemplated in Section 49(2) (a) of the Public Finance Management Act of 1999, and Section 5(1) of the MEGA Act 1 of 2010 (hereafter referred to as the "Act").
- The Board shall, in respect of the exercise and performance of its powers and functions, be accountable to the Member of the Executive Council. (Section 5 (2) of the MEGA, Act 1 of 2010).

THE ACCOUNTING AUTHORITY / BOARD

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

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

THE ROLE OF THE BOARD

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

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

Define levels of materiality, reserving specific powers to itself and delegating other matters, with the necessary written authority, to management;
Continuously monitor and review the exercise by management of delegated powers;

Ensure that a comprehensive system of policies and procedures is in place and that appropriate governance structures exist to ensure the smooth, efficient, and prudent stewardship of MEGA;
Ensure compliance by MEGA with all relevant laws and regulations, audit and accounting principles, MEGA's Code of Ethics and Conduct, and such other principles as may be established by the Board from time to time;

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

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

Exercise objective judgment on the affairs of MEGA, independent from management, but with sufficient management information to enable a proper and informed assessment to be made; and identify and monitor non-financial aspects relevant to the business of MEGA and ensure that MEGA acts responsibly towards all relevant stakeholders having a legitimate interest in its affairs in order to ensure that MEGA is seen to be a responsible corporate citizen.

BOARD CHARTER

The Board Charter defines the governance parameters within which the Board exists, sets out specific responsibilities to be discharged by the Board and members collectively, as well as certain roles and responsibilities incumbent upon members as individuals.
The Charter accordingly embraces the principles of good governance as set out in the King Code on Good Governance, the Mpumalanga Economic Growth Agency Act, No. 1 of 2010, the Public Finance Management Act, 1999, as amended, as well as the Treasury Regulations ("the PFMA"), the Promotion of Administrative Justice Act, 2000 ("PAJA"), as well as all applicable laws of the Republic of South Africa.

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

SHAREHOLDER'S COMPACT

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

DELEGATION OF AUTHORITY

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

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

During the period 01 April 2023 to 31 March 2024, the full-term Board comprised of the following Members

NAME	DATE APPOINTED	DATE RESIGNED	QUALIFICATIONS	NO. OF MEETINGS ATTENDED (ORDINARY PLUS SPECIAL SITTING)
Mr. MotauChairperson	01 September 2021	N/A	Bachelor of Arts (University of Johannesburg)Bachelor of Arts Honours- Public Management & Governance (University of Johannesburg	6/ 9
Ms D Pule Deputy Chairperson	01 September 2021	N/A	Bachelor of Arts (University of South Africa)Secondary Teachers Diploma (Elijah Mango College)Public Relations Certificate (PRISA)Media Liaison Certificate (PRISA)	9/ 9
Ms M Mothoa Board Member	01 September 2021	N/A	University Diploma in Education (UDE)Higher Diploma in Education (HED)Advanced Certificate in EducationBED (HONS)- Management	9/ 9
Mr. C Pule Board Member	01 September 2021	N/A	BSc-Actuarial & Financial Mathematics (University of Pretoria)	9/ 9
Mr. JL Mahlangu Board Member	01 September 2021	N/A	Diploma in Governance and Public Leadership (Graduate School of Governance-WITS)Certificate in Governance and Public Leadership (Graduate School of Public and Development Management- WITS)Certificate (Graduate School of Leadership (University of South Africa)Management Development Programme (Graduate School of Management- University of Pretoria)Marketing Management (Graduate School of Management- University of Pretoria)	9/ 9
Ms. N Lebambo Board Member	01 September 2021	N/A	Financial Journalism-NQF Level 7 (Rhode University)Online & social media-NQF Level 5 (Media24, FP&Mseta & AIP)Media & Journalism (Jeppe College of Commerce & Computer Studies)	9/ 9
Mr D Maimela Board Member	01 September 20211	N/A	Master's in politics- Cum Laude (University of Johannesburg) BA Hons-International Relations (University of Pretoria)B. PoLSci- Political Sciences (University of Pretoria)United States Studies (Universities of Pretoria & Indiana)Research Proposal Writing Skills (Wits University)Seminar on Economic & Social Development (Academy for International Business Officials (AIBO) Beijing, China	9/ 9
Ms N Mkhumane Board Member	01 September 2021	N/A	Bachelor of Commerce Degree; UNISWA 1997Major: Finance and Management Accounting Chartered Institute of Management Accountants (Diploma in Law and Taxation) IEIC, 2000Executive Management Development Programme; Wits Business School, 2003Project Management Appraisal (Queens University Canada), 2004Certificate in Board Leadership (GIBS Business School), 2009 & 2012 O level: Saint Michaels Girls School, 1992 (passed in Merit category with distinction)	8/ 9
Mr. ZM Masilela Board Member	01 September 2021	N/A	National Diploma (Tshwane University of TechnologyB-Tech in Public Administration (Tshwane University of Technology)Development & Management of Local Government (Wits Business School)Municipal Finance & Supply Chain Management part 1- NQF Level 6	5/ 9

*The board held Four (4) ordinary Board meetings, Five (5) special Board meetings which equals 9 meetings. (this figure excludes the two days for Board Strategy Session)

BOARD INDUCTION AND ORIENTATION

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

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

Have an understanding of the legal and fiduciary responsibilities incumbent on Board members; and discharge their fiduciary responsibilities with due care, skill and diligence so as to ensure that all Members are unequivocally committed to furthering the interests of MEGA.

BOARD EVALUATION AND PERFORMANCE

The Board is evaluated collectively and individually through a set of corporate governance questionnaires annexed to the Board Charter. The assessments in the main, serve as tools for improving governance practice thereby assisting the Board to better understand their own roles and responsibilities and how they can more effectively fulfil their fiduciary duties and obligations. The Board evaluation also serves as a formal method to facilitate Board development and foster communications among Directors and between the Board and Management and increase accountability within the organization.

COMPOSITION OF THE BOARD

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

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

The composition of the Board in terms of the Act, prescribes a minimum number of nine (9) and a maximum number of eleven (11) Board Members, all of whom shall be non-executive members and the Chief Executive Officer, as an ex officio Member. A full term Board was appointed effective from 01 September 2021 and whose term of office shall not exceed four (4) years as contemplated in section 12(1) of the Act.

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

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

SECTION 6(d)

The Members shall be-

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

BOARD COMMITTEES

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

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

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

SOCIAL RESPONSIBILITIES (REGULATION 43 OF THE COMPANIES ACT)

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

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

Social and economic development - including the Agency's standing in terms of the goals and purposes of-

- the 10 principles set out in the United Global Compact Principles ("the UGCP").
- the OECD recommendations regarding corruption.
- the Employment Equity Act; and
- the Broad-Based Black Economic Empowerment Act.

Good corporate citizenship including the Agency's standing in terms of the goals and purposes of

- promotion of equality, prevention of unfair discrimination, and reduction of corruption.
- contribution to development of the communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed; and
- record of sponsorship, donations and charitable giving.

Environment, Health and Safety including the impact of the Agency's activities and of its products or services.

Consumer Relationships including the Agency's advertising, public relations and compliance with consumer protection laws.

Stakeholder relations including community development, stakeholder engagements, Management of Brand and Reputational Risks.

Labour and employment including

- the Agency's standing in terms of the International Labour Organization Protocol on decent work and working conditions; and
- the Agency's employment relationships, and its contribution towards the educational development of its employees.

FINANCE AND INVESTMENT COMMITTEE

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

The objectives of the Committee are inter alia to:

1. Provide inputs on the Strategic Plan of the organization for approval by the Board.
2. Review the accuracy of the draft budget as submitted by management and ensure that the budget is aligned to the approved Strategic Plan.
3. Review the financial quarterly performance reports as submitted by management and recommend same for Board approval.
4. Ensure that MEGA has and maintains sound financial policies.
5. Ensure proper control over MEGA's investment projects

LOANS COMMITTEE

The Loans Committee is comprised of four [4] Non-Executive Directors

The objectives of the Committee are inter alia to:

1. Consider loan applications for Business Development, Agriculture and Housing between the values of R5m – R10m in terms of the Delegations of Authority Framework approved by the Board.
2. Recommend all loans above R10m to the Board for approval.
3. Recommend the design, selection, implementation, oversight and performance of any rating systems employed by the Agency.
4. Recommend any debt write-offs to the Board, Audit Risk & Compliance Committee in line with MEGA's policies.
5. Recommend debt restructuring to the Board with regards to clients affected by economic/climate conditions and any other conditions that may warrant Board's intervention.
6. f. Recommend to the Board, any new lending product area, market or lending jurisdiction.
7. Annually review the loan policies and procedures and present them to the Board for approval.
8. Regularly analyze the loan portfolio and monitor lending areas for alignment to the Agency's risk appetite.
9. Update the Board with regards to the market credit risks and any other matters connected therewith.

Board Committees during the period 01 April 2023 to 31 March 2024

Committee	No. of meetings held	No. of members	Name of members
LOANS	4	4	Ms. D Pule (Chairperson)Mr. M MasilelaMs. N LebamboMs. M Mothoa
HR	*5	4	Mr. D Maimela (Chairperson)Mr. M MasilelaMs. LebamboMs. M Mothoa
BARCC	*8	4	Ms. N Mkhumane (Chairperson)Mr. J MahlanguMr. C PuleMs. D Pule
FINCOM	*5	5	Mr. JL Mahlangu (Chairperson)Mr. D MaimelaMs. N MkhumaneMr. C Pule Ms. D Pule

* The HR Committee held four [4] ordinary meetings and One [1] special meetings,
* BARCC held four [4] ordinary meetings and Four [4] special meetings
* FINCOM held Four (4) ordinary meetings and One (1) special meeting

REMUNERATION OF BOARD MEMBERS

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

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

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

INTERNAL AUDIT UNIT

The functions of Internal Audit Unit are embedded in supporting divisions within the entity as follows:
Risk assessment: located within the Enterprise Risk Management Unit;
Internal Audit: located within the Internal Audit Unit;
Policies and procedures:
a. each division ensures that all policies applicable and necessary for its functioning are developed and reviewed. Monitoring of compliance with policies and relevant prescripts are performed by the Legal Unit.

Internal audit and audit committees

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

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

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

The Internal Audit Function helps MEGA accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.
Internal Audit did review all major areas through an in-depth follow up audit conducted in 2023/24 of all reported areas from both the AGSA Management Report and the various Internal Audit reports concluded in 2023/24. This allowed appropriate coverage of key areas within MEGA.

Specify summary of audit work done

The following internal audits were performed during the financial period under review:

- Trade and Investment;
- IT Application controls, Cyber Security and business continuity;

- Annual Financial Statements and AOPI 4TH Quarter;
- Funding/Equity Investments;
- Audit of Performance Information Q1, Q2 and Q3;
- IT Application controls, business continuity and Cyber security;
- Interim Financial Statements;
- Property Developmene and Infrastructure;
- Supply Chain, Assets and Financial Management;
- Revenue collection, Expenditure and Budget Management;
- Follow-up AGSA and IA reviews;
- Ad-hoc assignments.

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

The BARCC must function in accordance with Treasury Regulations 27.1
BARCC must, amongst others, review the following:

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

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

The BARCC must –

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

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

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

The table below discloses relevant information on the Board Audit, Risk & Compliance Committee Members from 01 April 2023 to 31 March 2024:

NAME	QUALIFICATIONS	INTERNAL OR EXTERNAL	IF INTERNAL, POSITION IN THE PUBLIC ENTIRE	DATE APPOINTED	DATE RESIGNED	NO. OF MEETINGS ATTENDED
Ms. N Mkhumane	Bachelor of Commerce Degree; UNISWA 1997 Major: Finance and Management Accounting · Chartered Institute of Management Accountants (Diploma in Law and Taxation) IEIC, 2000 · Executive Management Development Programme; Wits Business School, 2003 · Project Management Appraisal; Queens University Canada, 2004 · Certificate in Board Leadership; GIBS Business School, 2009 & 2012 O level: Saint Michaels Girls School, 1992 (passed in Merit category with distinction)	External	N/A	01 September 2021	Current	8/ 8
Mr. JL Mahlangu	Diploma in Governance and Public Leadership (Graduate School of Governance-WITS). · Certificate in Governance and Public Leadership (Graduate School of Public and Development Management- WITS). · Certificate (Graduate School of Leadership (University of South Africa). · Management Development Programme (Graduate School of Management- University of Pretoria). · Marketing Management (Graduate School of Management- University of Pretoria).	External	N/A	01 September 2021	Current	8/8
Mr. C Pule	BSc-Actuarial & Financial Mathematics (University of Pretoria)	External	N/A	01 September 2021	Current	8/ 8
Ms D Pule	Bachelor of Arts (University of South Africa) · Secondary Teachers Diploma (Elijah Mango College) · Public Relations Certificate (PRISA) · Media Liaison Certificate (PRISA)	External	N/A	01 September	Current	7/8

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

COMPLIANCE WITH LAWS AND REGULATIONS

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

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

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

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

COMPANY SECRETARY

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

SOCIAL RESPONSIBILITY

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

AUDIT COMMITTEE REPORT

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

AUDIT COMMITTEE RESPONSIBILITY

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

THE EFFECTIVENESS OF INTERNAL CONTROL

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

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

- Trade and Investment;
- IT Application controls, Cyber Security and business continuity;
- Annual Financial Statements and AOPI 4TH Quarter;
- Funding/Equity Investments;
- Audit of Performance Information Q1, Q2 and Q3;
- IT Application controls, business continuity and Cyber security;
- Interim Financial Statements;
- Property Development and Infrastructure;
- Supply Chain, Assets and Financial Management;
- Revenue collection, Expenditure and Budget Management;
- Follow-up AGSA and IA reviews;
- Ad-hoc assignments.

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

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

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

Going concern as a result of budgeted allocations are of concern as the revenue self-generation is under severe pressure due to revenue generation and collection strategies being at its early stage of implementation. The entity is exploring new and innovative ways of doing business to ensure financial sustainability.

FINANCIAL STATEMENTS, IN-YEAR MANAGEMENT AND MONTHLY/QUARTERLY REPORT

The public entity has submitted financial statements, monthly and quarterly reports to the Executive Authority

EVALUATION OF FINANCIAL STATEMENTS

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

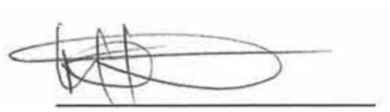
We have also evaluated the expertise and experience of the Chief Financial Officer and finance function and recommended certain improvements especially in the areas relating to the capacitation of the supply chain management and credit control functions.

AUDITOR'S REPORT

The Audit Committee is responsible for ensuring that the Internal Audit function is independent and has the necessary resources, standing and authority within the entity to enable it to discharge its duties. Its duties are focused on the evaluation and improvement of the effectiveness of risk management control and governance processes. The Internal Audit function reports centrally, with responsibility for reviewing and providing assurance on the adequacy of the internal control environment across all the MEGA's operations. The Chief Audit Executive is responsible for reporting the findings of the internal audit work against the agreed Internal Audit Plan to the Audit Committee on a regular basis. The Chief Audit Executive has a functional reporting line to the Audit Committee, primarily through its chairperson, and reports administratively to the Chief Executive Officer. The Audit Committee is also responsible for the assessment of the performance of the Chief Audit Executive and the Internal Audit function.

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

The Audit Committee concurs and accepts the conclusions of the external auditor on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the auditor.



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

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.

Has the Department / Public Entity applied any relevant Code of Good Practice (B-BBEE Certificate Levels 1 – 8) with regards to the following:		
Criteria	**ResponseYes / No**	**Discussion(Include a discussion on your response and indicate what measures have been taken to comply)**
Determining qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law?	N/A	N/A
Developing and implementing a preferential procurement policy?	N/A	N/A
Determining qualification criteria for the sale of state-owned enterprises?	N/A	N/A
Developing criteria for entering into partnerships with the private sector?	N/A	N/A
Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad Based Black Economic Empowerment?	N/A	N/A

PART D:
HUMAN RESOURCE MANAGEMENT

CREATING A CONDUCTIVE WORKING ENVIRONMENT

INTRODUCTION

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

It seeks to:

1. Promote sound employee relations and labour stability.
2. Promote and practice effective recruitment and retention practices.
3. Encourage a culture of excellence and a high work ethic.
4. Promote a safe and healthy working environment for all employees.
5. Constantly develop individual employees through training interventions.
6. Create a risk-intelligent organization.

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

HIGHLIGHTS / PROGRESS MADE

Review Organisation structure

The organizational structure was reviewed to ensure a lean and mean structure and alignment of the Strategic goals of MEGA. The review resulted in the reduction of the number of positions from 259 to 209 as a result the vacancy rates it from 44% to 26% for the 2023/24 financial year.

Review of Human Resources (HR) Policies and Procedures

Seven (7) Human Resources Policies were approved by the Board of Directors and the policies are being implemented. As an aid to promote learning and development of Human Capital, the approved policies include a Bursary Policy and Study Assistance Policy for employees.

Establishment of Labour Management Forum (LMF)

To enhance labour peace within the entity, management, and organized labour agreed to establish a Labour Management Forum. The forum was successfully launched during the under review and serves as a platform where management and organized labour will engage and consult on matters affecting employees and any changes in the entity.

Employee Wellness

To promote wellness in the workplace, the entity formed a partnership with Virgin Active to promote Health and Wellness in the workplace. Employees of MEGA are granted discounts on membership fees throughout South Africa and Virgin Active will also participate in Health and wellness interventions facilitated by MEGA at no cost.
The division continued to develop employees in various fields in line with the Workplace Skills Plan. The entity's interventions include bursaries, skills programmes, and short courses.

Skills Programme: National Skills Fund (NSF) artisan apprenticeship programme

MEGA continues to monitor the implementation of the three (3) artisan programs with its training partners, namely Welding, Plumber, and Electrician.

The theoretical part of the training has been finalized and learners are currently doing their practical work with host employers under the supervision of the service provider (FOREK Institute of Technologies).

The programmes will be finalised in August 2025. Programmes include a module in Business Venture to prepare learners to start businesses.

HUMAN RESOURCE OVERSIGHT STATISTICS

Personnel Cost by programme/ activity/ objective

Programme	Total Expenditure for the entity	No. of employees @ 31 Mar 24	Personnel exp. as a % of total exp.	Average personnel cost per employee
CEO'S office	R14 585 740,15	10	10	R1 458 574,02
Finance	R23 473 167,69	23	16	R1 020 572,51
Corporate Services	R26 628 438,51	38	18	R700 748,38
Properties	R18 737 966,03	24	13	R780 748,58
Trade and Investment	R10 369 136,65	8	7	R1 296 142,08
Funding	R38 851 178,83	47	27	R826 620,83
Interns	R1 430 090,68	8	1	R178 761,34
Main Total	R134 075 718,54	158		
SEZ	R3 078 176,83	2		
Board	R1 277 995,78	12		
EPWP	R1 138 738,38	37		
Tekwane	R3 826 047,21	46		
Donkerhoek	R565 851,08	1		
Total 2	R9 886 809,28	98		
GRAND TOTAL	**R143 962 527,82**	**256**		

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

Personnel cost by salary band (FIGURES TO BE CONFIRMED)

LEVEL	PERSONNEL EXPENDITURE	% OF PERSONNEL EXP. TO TOTAL PERSONNEL COST	NO. OF EMPLOYEES	AVERAGE PERSONNEL COST PER EMPLOYEE
Top Management	16 896 924,04	12	7	R2 413 846,29
Senior Management	17 113 684,56	12	9	R1 901 520,51
Professional qualified	24 383 289,32	17	18	R1 354 627,18
Skilled	54 894 128,75	38	64	R857 720,76
Semi-skilled	8 049 323,50	6	15	R536 621,57
Unskilled	10 498 600,43	7	37	R283 745,96
SUB TOTAL	**131 835 950,60**		**150**	
Interns and fixed-term	1 430 090,68	1	8	R178 761,34
Disability	809 677,26	1	1	R809 677,26
EPWP	1138738,38	1	37	R30 776,71
Tekwane	3826047,21	3	46	R83 174,94
Board	1277995,78	0	12	R106 499,65
SEZ	R3 078 176,83	2	2	R1 539 088,42
Donkerhoek	565 851,08	0	1	R565 851,08
GRAND TOTAL	**143 962 527,82**	**100**	**257**	**R560 165,48**

Performance Rewards

Performance Management and Development system was implemented at Executive level and only the CEO received a Performance Bonus based on contractual obligation.

Training Costs

PROGRAMME	TOTAL EXPENDITURE FOR THE ENTITY	TRAINING COST	NO. OF EMPLOYEES TRAINED PER PROGRAMME	TRAINING EXPENDITURE AS A % OF PERSONNEL COST.	AVERAGE TRAINING COST PER EMPLOYEE
CEO'S office	R14 585 740,15	R92 742,89	6	0,07	R15 457,15
Finance	R23 473 167,69	R4 011,27	4	0,00	R1 002,82
Corporate Services	R26 628 438,51	R117 918,82	27	0,09	R4 367,36
Properties	R18 737 966,03	R69 459,80	5	0,05	R13 891,96
Trade and investment Promotions	R10 369 136,65	R4 968,57	2	0,00	R2 484,29
Funding	R38 851 178,83	R40 806,28	24	0,03	R1 700,26
Interns	R1 430 090,68	R95 072,98	5	0,07	R19 014,60
TOTAL	**R134 075 718,54**	**R424 980,61**	**73**	**0,31**	

Employment and vacancies

DIVISION	FILLED POSITIONS	Vacancies	Vacancy in %
Office of the CEO	10	4	2
Corporate services	38	18	8
Finance	23	13	5
Trade investment promotion	8	6	2
Funding	47	11	4
Properties and infrastructure	24	7	4
TOTAL	**150**	**59**	**25**

Employment changes

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

Employment changes

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

SALARY BAND	EMPLOYMENT AT BEGINNING OF PERIOD	APPOINTMENTS AND PLACEMENTS	TERMINATIONS PLACEMENT EMPLOYEES	EMPLOYMENT AT END OF THE PERIOD
Top Management	8	2	0	10
Senior Management	18	0	0	18
Professional qualified	20	1	2	19
Skilled	50	12	4	58
Semi-skilled	7	0	1	6
Unskilled	40	0	1	39
TOTAL	**143**	**15**	**8**	**150**

Reasons for staff leaving

REASON	NUMBER	TOTAL NO. OF STAFF LEAVING
Death	1	1
Resignation	2	1
Contract expired	0	0
Dismissal	0	0
Medical Boarding	1	1
Retirement	4	3
TOTAL	**8**	**6**

LABOUR RELATIONS: MISCONDUCT AND DISCIPLINARY ACTION

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

Disciplinary cases

OCCUPATIONAL LEVEL	NO. OF EMPLOYEES	DESCRIPTION	STATUS
Professional qualified	1	Gross negligence	The matter commenced in the previous reporting period and was finalized in the period under review. The employee resigned while the Disciplinary process was in progress
Skilled	1	Fraud in the payment of wages to a terminated EPWP worker.	The sanction was a dismissal, however, an alternative sanction of two months' suspension without pay was granted due to mitigation factors presented during the hearing.
	1	Gross dishonesty, fraud by accepting rental from clients, and failure to manage lease agreements	The matter also commenced in the previous reporting period and was finalized in the period under review.The employee resigned while the Disciplinary process was in progress.
	1	Gross in-subordination	Disciplinary actions are in progress
TOTAL	**4**		

Labour Litigation

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

OCCUPATIONAL LEVEL	NO. OF EMPLOYEES	DESCRIPTION	STATUS
Professional	2	Unfair labour practice	The matter was ruled in favour of MEGA by the CCMA.
		Constructive dismissal	The matter was ruled in favour of MEGA at the CCMA
Skilled	2	Unfair labour practice	The matter was withdrawn by the employee.
		Unfair suspension	The matter was withdrawn at CCMA
Unskilled	2	Unfair dismissal	The matter was settled at CCMA
TOTAL	**6**		

EQUITY TARGET AND EMPLOYMENT EQUITY STATUS

The target as per the Employment Equity Plan was partially met due to budgetary constraints only three positions were filled in the period under review.

LEVELS	FEMALES							
	AFRICAN		COLOURED		INDIAN		WHITE	
	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET
Top Management	3	2	1	0	0	0	0	1
Senior Management	2	2	0	1	0	0	1	1
Professional qualified	4	5	2	0	0	1	1	1
Skilled	28	0	1	0	1	0	1	1
Semi-skilled	10	0	0	0	0	0	1	0
Unskilled	24	0	0	0	0	0	0	0
TOTAL	**71**	**9**	**4**	**1**	**1**	**1**	**4**	**4**

LEVELS	MALES							
	AFRICAN		COLOURED		INDIAN		WHITE	
	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET
Top Management	5	2	0	0	0	0	0	0
Senior Management	4	0	0	1	0	0	0	2
Professional qualified	9	0	0	1	0	1	1	2
Skilled	36	0	0	0	0	1	1	2
Semi-skilled	1	0	0	0	0	0	0	0
Unskilled	13	0	0	0	0	0	0	0
TOTAL	**67**	**2**	**0**	**2**	**0**	**2**	**2**	**6**

HEALTH SAFETY AND ENVIRONMENTAL ISSUES

Occupational Health and Safety (OHS)

The OHS committee and OHS representative are actively involved in monitoring and ensuring compliance with the OHS Act. Fire drillers and first aiders were also trained in managing fire in their workplace and providing basic assistance to employees injured on duty.

MEGA continues to liaise with the Department of Employment and Labour for guidance fully compliant with the OHS Act.

Employee Wellness Programme

MEGA has contracted a service provider, Reality Wellness Group (RWG), to run a holistic wellness programme for the organization. The programme aims to promote overall well-being by empowering employees and giving them support where required. It focuses on factors such as mental/psychological, emotional, and social.

In partnership with RWG, MEGA has implemented an online employee wellness program to assist employees and their immediate families in dealing with socio-economic issues i.e. stress management, financial management, legal, etc. The utilization of the program has improved during the period under review.

PART E:

PFMA COMPLIANCE REPORT

PART E: PFMA COMPLIANCE REPORT

Information on Irregular, Fruitless and Wasteful Expenditure and Material Losses

a) Reconciliation of irregular expenditure

DESCRIPTION	2023/2024	2022/2023
	R'000	R'000
Opening balance	230 527	626 612
Add: Irregular expenditure confirmed	18 142	16 942
Less: Irregular expenditure condoned	-	-
Less: Irregular expenditure not condoned and removed	-	34 140
Less: Irregular expenditure recoverable	-	-
Less: Irregular expenditure not recovered and written off	-	(447 167)
Closing balance	**248 669**	**230 527**

Reconciling notes

DESCRIPTION	2023/2024	2022/2023
	R'000	R'000
Irregular expenditure that was under assessment in 2020/21	0	-
Irregular expenditure that relates to 2020/21 and identified in 2021/22	0	-
Irregular expenditure for the current year	18 142	16 942
Total	**18 142**	**16 942**

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

DESCRIPTION 2	2023/2024	2022/2023
	R'000	R'000
Irregular expenditure under assessment	18 142	16 942
Irregular expenditure under determination	-	-
Irregular expenditure under investigation	-	-
Total	**18 142**	**16 942**

c) Details of current and previous year irregular expenditure condoned

DESCRIPTION	2023/2024	2022/2023
	R'000	R'000
Irregular expenditure condoned	-	-
Total	**-**	**-**

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

DESCRIPTION	2023/2024	2022/2023
	R'000	R'000
Irregular expenditure NOT condoned and removed	-	-
Total	**-**	**-**

e) Details of current and previous year irregular expenditure recovered

DESCRIPTION	2023/2024	2022/2023
	R'000	R'000
Irregular expenditure recovered	-	-
Total	**-**	**-**

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

DESCRIPTION	2023/2024	2022/2023
	R'000	R'000
Irregular expenditure written off	-	447 167
Total	**-**	**447 167**

Additional disclosure relating to Inter-Institutional Arrangements

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

DESCRIPTION
N/A
Total

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

DESCRIPTION	2023/2024	2022/2023
	R'000	R'000
N/A	-	-
Total	**-**	**-**

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

DISCIPLINARY STEPS TAKEN
N/A

a) Reconciliation of fruitless and wasteful expenditure

DESCRIPTION	2023/2024	2022/2023
	R'000	R'000
Opening balance	327	4 233
Add: Fruitless and wasteful expenditure confirmed	95	102
Less: Fruitless and wasteful expenditure written off	(327)	(4 008)
Less: Fruitless and wasteful expenditure recoverable	-	-
Closing balance	**95**	**327**

RECONCILING NOTE

DESCRIPTION	2023/2024	2022/2023
	R'000	R'000
Fruitless and wasteful expenditure that was under assessment in 2021/2022	-	225
Fruitless and wasteful expenditure that relates to 2021 and identified in 2022	-	-
Fruitless and wasteful expenditure for the current year	95	102
Total	**95**	**327**

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

DESCRIPTION 5	2023/2024	2022/2023
	R'000	R'000
Fruitless and wasteful expenditure under assessment	95	102
Fruitless and wasteful expenditure under determination	-	-
Fruitless and wasteful expenditure under investigation	-	-
Total	**95**	**102**

c) Details of current and previous year irregular expenditure recovered

DESCRIPTION	2023/2024	2022/2023
	R'000	R'000
Fruitless and wasteful expenditure recovered	-	-
Total	-	-

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

DESCRIPTION	2023/2024	2022/2023
	R'000	R'000
Fruitless and wasteful expenditure written off	-	4 008
Total	-	**4 008**

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

DISCIPLINARY STEPS TAKEN
N/A

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

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

MATERIAL LOSSES THROUGH CRIMINAL CONDUCT	2023/2024	2022/2023
	R'000	R'000
Theft	-	-
Other material losses	-	-
Less: Recovered	-	-
Less: Not recovered and written off	-	-
Total	-	-

b) Details of other material losses

NATURE OF OTHER MATERIAL LOSSES	2023/2024	2022/2023
	R'000	R'000
	-	-
N/A	-	-
Total	-	-

c) Other material losses recovered

NATURE OF LOSSES	2023/2024	2022/2023
	R'000	R'000
-	-	-
N/A	-	-
Total	-	-

d) Other material losses written off

NATURE OF LOSSES	2023/2024	2022/2023
	R'000	R'000
N/A	-	-
Total	-	-

a) Information on late and / or non-payment of suppliers

DESCRIPTION	Number of invoices	Consolidated Value
		R'000
Valid invoices received	1 396	245 422
Invoices paid within 30 days or agreed period	1 382	200 375
Invoices paid after 30 days or agreed period	-	-
Invoices older than 30 days or agreed period (unpaid and without dispute)	14	49 195
Invoices older than 30 days or agreed period (unpaid and in dispute)	-	-

b) Information on Supply Chain Management

Procurement by other means

PROJECT DESCRIPTION	NAME OF SUPPLIER	TYPE OF PROCUREMENT BY OTHER MEANS	CONTRACT NUMBER	VALUE OF CONTRACT R'000
N/A	-	-	-	-
	-	-	-	-
Total				-

Contract variations and expansions

PROJECT DESCRIPTION	NAME OF SUPPLIER	CONTRACT MODIFICATION TYPE (EXPANSION OR VARIATION)	CONTRACT NUMBER	ORIGINAL CONTRACT VALUE	VALUE OF PREVIOUS CONTRACT EXPANSION/S OR VARIATION/S (IF APPLICABLE)	VALUE OF CURRENT CONTRACT EXPANSION OR VARIATION
-	-	-	-	R'000	R'000	R'000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
Total				**-**	**-**	**-**

PART F:
FINANCIAL INFORMATION

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

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Mpumalanga Economic Growth Agency set out on pages 1 to 86, which comprise the statement of financial position as at 31 March 2024, statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, as well as notes to the financial statements, including a summary of material accounting policy information.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Mpumalanga Economic Growth Agency as at 31 March 2024 and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) as issued by the Accounting Standards Board and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

Basis for opinion

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

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

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

Material uncertainty relating to going concern

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

7. I draw attention to note 36 to the financial statements, which indicates that a loss was incurred during the year ended 31 March 2024 and, as of that date, the entity's current liabilities exceeded its current assets. These events or conditions, along with other matters as set forth in note 36, indicate that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern. Management have also described how they plan to deal with these events and circumstances.

Emphasis of matters

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

Material loss allowance

9. As disclosed in note 10 to the financial statements, the entity incurred material loss allowances of R110,1 million because of the provision for impairment of other financial assets.

10. As disclosed in note 11 to the financial statements, the entity incurred material loss allowances of R175,0 million because of the provision for impairment of trade and other receivables.

Restatement of corresponding figures

11. As disclosed in note 34 to the financial statements, the corresponding figures for 31 March 2023 were restated because of an error in the financial statements of the entity, at and for the year ended, 31 March 2024.

Responsibilities of the accounting authority for the financial statements

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

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

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

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

15. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report. This description, which is located at page number 102 of the annexure to the auditor's report, forms part of my auditor's report.

Report on the audit of the annual performance report

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

17. I selected the following programmes presented in the annual performance report for the year ended 31 March 2024 for auditing. I selected programmes that measures the entity's performance on its primary mandated functions and that are of significant national, community or public interest.

Programme	Page numbers	Purpose
Programme 4: trade and investment	39	The division is mainly responsible for two main functions, namely, Trade and investment promotion and corporate strategy.
Programme 5: properties and infrastructure	43	The core purpose of the division is to use the MEGA/provincial property portfolio and infrastructure assets to advance growth and economic development within the Mpumalanga province. The division is responsible for three main functions, namely, property development, property management and infrastructure development.
Programme 6: funding	47	The division is responsible for the following main functions: provision of finance and non-financial support to small, medium and micro enterprises (SMMEs); cooperatives; housing; agricultural enterprises; equity investments; project management; and administration of regional networks. The core purpose of the division is: • providing access to affordable housing and facilitating home ownership through financing of qualifying Mpumalanga citizens who are unable to obtain finance through the mainstream commercial system • promoting and facilitating growth and development by providing financial support to SMMEs, agricultural enterprises and cooperatives in all prioritised sectors of the economy • Providing non-financial support through training, capacity-building, mentorship, counselling, market facilitation and linkages.

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

19. I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the entity's mandate and the achievement of its planned objectives
- all the indicators relevant for measuring the entity's performance against its primary mandated and prioritised functions and planned objectives are included
- the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements
- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
- the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
- the reported performance information is presented in the annual performance report in the prescribed manner and is comparable and understandable
- there is adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.

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

21. I did not identify any material findings on the reported performance information of trade and investment, properties and infrastructure and funding.

Achievement of planned targets

22. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- or underachievement.

23. The tables that follow provide information on the achievement of planned targets and lists the key indicators that were not achieved as reported in the annual performance report. The reasons for any underachievement of targets are included in the annual performance report on pages 41 to 49.

Programme 4: trade and investment

Targets achieved: 60%

Budget spent: 78%

Key indicators not achieved	Planned target	Reported achievement
Facilitation of new FDI/LDI investment projects for the period	3	1
Trade and investment inward missions/delegations	2	1
Number of foreign trade exhibitions and missions undertaken	3	2
Number of EMIA/SSAS applications facilitated for Mpumalanga companies	4	3

Programme 5: properties and infrastructure

Targets achieved: 55%

Budget spent: 101%

Key indicators not achieved	Planned target	Reported achievement
Number of new development or revitalisation projects identified, conceptialised and awarded to strategic development partners (where appropriate) or packaged internally	2	1
Progress achieved in redeveloping the Kabokweni Shopping Centre	2	1
Progress achieved in redeveloping Siyabuswa Shopping Centre	2	0
Milestones achieved in implementing the Ekandustria Park revitalisation programme	2	1

Programme 6: funding

Targets achieved: 50%

Budget spent: 96%

Key indicators not achieved	Planned target	Reported achievement
Value of loans disbursed to SMMEs using MEGA own funds	R2 650 000	R2 340 000
Value of funds disbursed to SMMEs through partnerships	R80 000 000	R79 900 000
Value of home loans disbursed	R5 110 000	R4 500 000
Value of home loans approved	R5 110 000	R4 000 000

Material misstatements

24. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for programme 4: trade and investment, programme 5: properties and infrastructure, and programme 6: funding. Management subsequently corrected all the misstatements, and I did not include any material findings in this report.

Report on compliance with legislation

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

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

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

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

Annual financial statements

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

Revenue management

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

Expenditure management

31. Effective and appropriate steps were not taken to prevent irregular expenditure as disclosed in note 39 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA.

Procurement and contract management

32. Some of the goods, works or services were not procured through a procurement process that is fair, equitable, transparent and competitive, as required by section 51(1)(a)(iii) of the PFMA.

33. The preference point system was not applied in some of the procurement of goods and services, as required by section 2(a) of the Preferential Procurement Policy Framework Act 5 of 2000 (PPPFA) and treasury regulation 16A6.3(b).

34. Some of the contracts and quotations were awarded to bidders that did not score the highest points in the evaluation process, as required by section 2(1)(f) of the PPPFA and the Preferential Procurement Regulations of 2022.

35. Some of the construction contracts were awarded to contractors that were not registered with the Construction Industry Development Board (CIDB) and did not qualify for the contract in accordance with section 18(1) of the CIDB Act and CIDB regulations 17 and 25(7A).

Other information in the annual report

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

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

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

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

Internal control deficiencies

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

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

42. Oversight responsibility was not fully exercised over financial and performance reporting. Insufficient reviews were conducted over the correct application of the requirements of the IFRS

and there was insufficient monitoring over compliance with laws and regulations. Reports were not prepared regularly as per established polices and there was a lack of effective leadership based on a culture of honesty, ethical business practices and good governance, to protect and enhance the interests of the entity.

Material irregularities identified during the audit

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

Status of previously reported material irregularities

Payment for services not received on the Government Nutrition Programme

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

45. The entity put the programme on hold in March 2019 and subsequently discontinued the programme. The entity did not proactively enter into negotiations with the service provider to terminate the agreement, taking into account the resolution to discontinue implementation of the programme. The entity continued paying the service provider a management fee of R1 771 958,33 per month until August 2019. On 10 October 2019, the entity and the service provider concluded a settlement agreement which obligated the entity to pay the service provider R8 000 000 for management fees for the remaining months of the three-year appointment. No services were rendered by the service provider for the management fees paid, resulting in non-compliance with section 57(b) of the PFMA. The non-compliance is likely to have resulted in a material financial loss for the entity.

46. The accounting authority was notified of the material irregularity on 9 December 2021 and was invited to make a written submission on the actions taken and that will be taken to address the matter. The accounting authority responded with the actions taken to resolve the material irregularity.

47. Based on the accounting authority's written response, I concluded that appropriate actions were not being taken to address the material irregularity.

48. I recommended that the accounting authority should take the following actions to address the material irregularity, which had to be implemented by 23 September 2023:

    - Appropriate action should be taken to investigate the non-compliance with section 57(b) of the PFMA to determine the circumstances that led to the non-compliance for the purpose of taking appropriate corrective actions and to address control weaknesses in terms of the applicable instruction note(s) issued by the National Treasury dealing with fruitless and wasteful expenditure.

    - The financial loss should be quantified.

- All persons, including juristic persons, liable for the losses should be identified and appropriate action should commence to recover the financial loss. The recovery process should not be unduly delayed.

- Effective and appropriate disciplinary steps should be initiated, without undue delay, against all officials that the investigation found to be responsible, as required by section 51(1)(e) of the PFMA.

49. On 7 September 2023, the accounting authority submitted a written response and substantiating documentation on the implementation of the recommendations. I evaluated the response and substantiating documentation, and identified shortcomings in the investigation conducted. The shortcomings were communicated to the accounting authority on 5 April 2024. The accounting authority submitted a supplementary response with a revised investigation report on 10 May 2024, where the shortcomings were addressed. The implementation of the actions in the investigation report is still in process and has not yet been completed.

50. In this regard, the accounting authority has demonstrated satisfactory progress in implementing the recommendations, although some actions committed to by the accounting authority are still in progress and have not yet been completed.

51. I have noted the progress made in addressing this matter and have decided to grant the accounting authority additional time up to 10 September 2024 to implement the recommendations. I will follow up on the actions to implement the recommendations during my next audit.

Auditor-General

Mbombela

31 July 2024

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

The annexure includes the following:

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

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected programmes and on the entity's compliance with selected requirements in key legislation.

Financial statements

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

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

Communication with those charged with governance

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

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

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Public Finance Management Act No.1 of 1999	Section 50(3)(b); 51(1)(a)(iii); 51(1)(b)(i); Section 51(1)(b)(ii); 51(1)(e)(iii); 52(b); 54(2)(c); Section 54(2)(d); 55(1)(a); 55(1)(b); 55(1)(c)(i); Section 56; 57(b); 57(d); 66(3)(d); 66(5); 67
Treasury Regulations, 2005	Regulation 29.1.1; 29.1.1(a); 29.1.1(c); 29.2.1; Regulation 29.2.2; 29.3.1; 31.2.5; 31.2.7(a); Regulation 32.1.1(a); 32.1.1(b); 32.1.1(c); 33.1.1; Regulation 31.1.2(c); 33.1.3
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations, 2004	Regulation 17; 25(7A)
Second amendment to National Treasury Instruction No. 5 of 2020-21	Paragraph 1
Erratum to National Treasury Instruction No. 5 of 2020-21	Paragraph 2
National Treasury Instruction No. 4 of 2015-16	Paragraph 3.4
National Treasury Instruction No. 5 of 2020-21	Paragraph 4.8; 4.9; 5.3
National Treasury Supply Chain Management (SCM) Instruction No. 3 of 2021-22	Paragraph 4.2
National Treasury SCM Instruction No. 11 of 2020-21	Paragraph 3.1; 3.4(b); 3.9
Preferential Procurement Policy Framework Act 5 of 2000	Section 1; 2.1(a); 2.1(f)
Preferential Procurement Regulations, 2022	Paragraph 4.1; 4.2, 5.1; 5.3; 5.6; 5.7; 6.1; 6.2; Paragraph 6.3; 6.5; 6.6; 6.8; 7.1; 7.2; 7.3; 7.5; Paragraph 7.6; 7.8; 8.2; 8.5; 9.1; 10.1; 10.2; Paragraph 11.1; 11.2
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)

ANNUAL FINANCIAL STATEMENTS

MPUMALANGA ECONOMIC GROWTH AGENCY (MEGA)
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024

Mpumalanga Economic Growth Agency (MEGA)

Annual Financial Statements for the year ended 31 March 2024

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	An official development finance institution and the trade and investment promotion arm of the Provincial Government of Mpumalanga, dedicated to positioning the province as an investment destination of choice and a regional trade hub.
Directors	Mr TP Motau (Chairperson) Ms DD Pule Ms MM Mothoa Mr CJ Pule Mr JL Mahlangu Ms N Lebambo Mr DM Maimela Ms NH Mkhumane Mr ZM Masilela
Registered office	MEGA Office Park 02 Eastern Boulevard Riverside Mbombela 1200
Business address	MEGA Office Park 02 Eastern Boulevard Riverside Mbombela 1200
Postal address	PO Box 952 Mbombela 1200
Bankers	Absa Bank Limited Standard Bank Limited First National Bank
Auditors	Auditor-General of South Africa
Company secretary	Advocate SP Morgan

Mpumalanga Economic Growth Agency (MEGA)

Annual Financial Statements for the year ended 31 March 2024

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Mpumalanga Economic Growth Agency (MEGA)

Annual Financial Statements for the year ended 31 March 2024

Directors' Responsibilities and Approval

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

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

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

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

The directors have reviewed the entity's cash flow forecast for the year to 31 March 2025 and, in light of this review and the current financial position, they are satisfied that the entity has or had access to adequate resources to continue in operational existence for the foreseeable future.

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

The annual financial statements set out on pages 8 to 86, which have been prepared on the going concern basis, were approved by the Board on 31 July 2024 and were signed by:

Mr TP Motau
Chairperson

Mpumalanga Economic Growth Agency (MEGA)

Annual Financial Statements for the year ended 31 March 2024

Directors' Report

The directors have pleasure in submitting their report on the annual financial statements of Mpumalanga Economic Growth Agency (MEGA) for the year ended 31 March 2024.

1. Nature of business

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

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

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

2. Review of financial results and activities

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

The entity recorded a net loss for the year ended 31 March 2024 of R (26 767 999). This represented a decrease from the net loss after tax of the prior year of R(141 169 125).

Revenue decreased from R172 719 134 in the prior year to R146 152 052 for the year ended 31 March 2024.

Directors' Report

3. Directorate

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

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

4. Directors' interests in contracts

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

5. Events after the reporting period

On Monday, 01 April 2024, the entity entered into an agreement with Property Solutions at the White House CC to assist with the facilities and utilities management of the Ekandustria Industrial Park. The agreement is for a period of three years. It is anticipated that the appointed company will turn the financial and operational performance of the park around. Responsibilities of the service provider include management of monthly rental and service charges and collections; preparation of account statements and invoicing; collection of deposits and ancillary costs; undertaking financial accounting and reporting (pertaining to the Park); undertaking income, expense, and capital budgeting; identifying expansion, upgrade, and refurbishment opportunities; managing and leasing of vacancies; undertaking lease renewals; managing maintenance within the park; undertaking periodical assessment of conditions of buildings and infrastructure; facilitating solid waste disposal; and cleaning and landscaping the Park.

The MEGA Board approved the write-off and derecognition of Investments at fairvalue at the Board sitting of the 30th of April 2024. The write-off results from the limitation of share certificates which should confirm the existence of MEGA's investment.

Directors' Report

6. Going concern

The directors believe that the entity has adequate financial resources which include the collections from MEGA's property portfolio and the receipts of Government grants to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis.

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

1. Losses for the year
The losses for the year are mainly atrributed by the inability of the entity to collect its revenue. The following measures have been put in place to improve revenue collection:

- Long overdue accounts are also handed over to the MEGA Legal Division for collection and/or evictions.
- Regarding municipal services, the Entity is implementing stringent measures to ensure that, overdue accounts are effective managed. This include continuous assessment on Debtors payments and implementation of disconnection measures to Debtors who are not paying.

2. Net current liability position
The R364 million for trade and other payables includes amongst other payables, the outstanding account with the City of Tshwane with a balance of around R271 million. The entity will ensure that, trade and other payables (except for the City of Tshwane outstanding account) are settled during 2024/25 financial year.

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

3. The debt-to-asset ratio and debt-to-equity ratio
The increase in the amount of debt in relation to assets is mainly the result of the significant increase in current trade payables. The entity is in a process to deal with the City of Tshwane outstanding municipal account. The account has a balance of R271 million and the only account resulting in the entity having a negative cash flow from operations.

The following mitigations are in place to deal with the City of Tshwane outstanding account:

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

4. Inability to collect revenue as indicated by the high loss allowance
The following measures have been put in place to improve revenue collection:
- Long overdue account are handed over to MEGA Legal Division for collection
- Regarding municipal services, the Entity is implementing stringent measures to ensure that, overdue accounts relating are effective managed. This include continuous assessment on Debtors payments and implementation of disconnection measures to Debtors who are not paying.

5. High balance of creditors as a percentage of cash and cash equivalents (including the creditor-payment period)
The entity is going to ensure that, all outstanding payables are settled during 2024/25 financial year, except for the City of Tshwane outstanding municipal account. The outstanding municipal account will be address in accordance with item 3 above, under the heading "The debt-to-asset ratio and debt-to-equity ratio".

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

Directors' Report

7. Auditors

Auditor-General of South Africa continued in office as auditors for the entity for 2023/24 in accordance with section 55 of MEGA Act and the PFMA Act.

8. Company secretary

The Company Secretary is Advocate SP Morgan.

Mpumalanga Economic Growth Agency (MEGA)
Annual Financial Statements for the year ended 31 March 2024

Statement of Financial Position as at 31 March 2024

	Note(s)	2024 R	2023 Restated * R	2022 Restated * R
Assets				
Non-Current Assets				
Property, plant and equipment	3	420 502 785	408 611 836	399 731 514
Right-of-use assets	4	249 396 774	262 877 681	-
Investment property	5	438 100 000	420 630 000	469 040 000
Biological assets	6	-	-	-
Intangible assets	7	8 430 013	8 437 651	8 439 584
Investments in associates	8	8 730 539	9 105 543	8 257 020
Other financial assets	10	31 753 298	33 430 250	24 112 373
Investments at fair value	12	12 804 040	11 270 173	14 921 652
		1 169 717 449	**1 154 363 134**	**924 502 143**
Current Assets				
Inventories	9	47 528 939	46 778 235	47 110 593
Other financial assets	10	14 249 269	12 738 100	14 559 492
Trade and other receivables	11	51 070 990	52 243 814	39 859 537
Cash and cash equivalents	13	86 914 089	58 867 210	58 333 256
		199 763 287	**170 627 359**	**159 862 878**
Non-current assets held for sale	14	5 180 000	5 260 000	-
Total Assets		**1 374 660 736**	**1 330 250 493**	**1 084 365 021**
Equity and Liabilities				
Equity				
Reserves		149 629 982	129 205 435	105 684 365
Retained income		488 572 762	509 065 777	646 296 515
		638 202 744	**638 271 212**	**751 980 880**
Liabilities				
Non-Current Liabilities				
Other financial liabilities	16	4 816 364	4 816 364	4 816 364
Lease liabilities	4	262 402 591	254 480 012	-
Provisions	17	1 523 296	1 577 692	1 612 203
		268 742 251	**260 874 068**	**6 428 567**
Current Liabilities				
Trade and other payables	18	364 242 787	355 436 836	256 350 869
Other financial liabilities	16	14 905 522	14 905 522	15 088 799
Lease liabilities	4	19 033 731	17 623 825	-
Unspent conditional grants	19	55 831 935	31 159 781	44 976 979
Provisions	17	13 701 766	11 979 249	9 538 927
		467 715 741	**431 105 213**	**325 955 574**
Total Liabilities		**736 457 992**	**691 979 281**	**332 384 141**
Total Equity and Liabilities		**1 374 660 736**	**1 330 250 493**	**1 084 365 021**

Mpumalanga Economic Growth Agency (MEGA)

Annual Financial Statements for the year ended 31 March 2024

Statement of Profit or Loss and Other Comprehensive Income

	Note(s)	2024 R	2023 Restated * R
Revenue	21	146 152 052	172 719 134
Cost of sales	22	(86 687 155)	(126 550 752)
Gross profit		**59 464 897**	**46 168 382**
Other operating income	23	238 880 541	215 738 122
Other operating gains (losses)	24	14 250 915	(48 323 893)
Employee costs	26	(141 191 760)	(138 102 102)
Other operating expenses		(176 593 930)	(208 445 855)
Operating loss	25	**(5 189 337)**	**(132 965 346)**
Investment income	27	5 910 747	2 095 451
Finance costs	28	(27 114 405)	(11 147 754)
Income from equity accounted investments		(375 004)	848 524
Loss for the year		**(26 767 999)**	**(141 169 125)**
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Gains on property revaluation		26 699 531	27 459 458
Other comprehensive income for the year net of taxation		**26 699 531**	**27 459 458**
Total comprehensive loss for the year		**(68 468)**	**(113 709 667)**

Mpumalanga Economic Growth Agency (MEGA)

Annual Financial Statements for the year ended 31 March 2024

Statement of Changes in Equity

	Revaluation reserve R	Retained income R	Total equity R
Opening balance as previously reported	105 684 365	641 412 012	747 096 377
Adjustments			
Prior period error	-	4 884 503	4 884 503
Restated* Balance at 01 April 2022 as restated	**105 684 365**	**646 296 515**	**751 980 880**
Loss for the year	-	(141 169 125)	(141 169 125)
Other comprehensive income	27 459 457	-	27 459 457
Total comprehensive Loss for the year	**27 459 457**	**(141 169 125)**	**(113 709 668)**
Transfer between reserves	(3 938 387)	3 938 387	-
Total contributions by and distributions to owners of company recognised directly in equity	**(3 938 387)**	**3 938 387**	**-**
Opening balance as previously reported	129 205 435	505 921 256	635 126 691
Adjustments			
Prior period errors	-	3 144 521	3 144 521
Balance at 01 April 2023 as restated	**129 205 435**	**509 065 777**	**638 271 212**
Loss for the year	-	(26 767 999)	(26 767 999)
Other comprehensive income	26 699 531	-	26 699 531
Total comprehensive Loss for the year	**26 699 531**	**(26 767 999)**	**(68 468)**
Transfer between reserves	(6 274 984)	6 274 984	-
Total contributions by and distributions to owners of company recognised directly in equity	**(6 274 984)**	**6 274 984**	**-**
Balance at 31 March 2024	**149 629 982**	**488 572 762**	**638 202 744**

Note(s)

The accounting policies on pages 12 to 33 and the notes on pages 34 to 84 form an integral part of the annual financial statements.

Mpumalanga Economic Growth Agency (MEGA)
Annual Financial Statements for the year ended 31 March 2024

Statement of Cash Flows

	Note(s)	2024 R	2023 Restated * R
Cash flows from operating activities			
Cash receipts from customers		137 277 993	103 293 312
Cash receipts from grants		259 500 406	234 789 000
Cash paid to suppliers and employees		(378 925 246)	(349 145 884)
Cash generated from operations	29	17 853 153	(11 063 572)
Interest income - Investments		5 902 250	2 088 027
Interest income - Loans		4 692 581	11 475 374
Net cash from operating activities		**28 447 984**	**2 499 829**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(2 584 060)	(1 463 998)
Purchase of investment property	5	-	(386 333)
Advances of loans receivable at amortised cost		(7 164 090)	-
Receipts from loans receivable at amortised cost		9 347 045	67 733
Dividends received		-	-
Net cash from investing activities		**(401 105)**	**(1 782 598)**
Cash flows from financing activities			
Repayment of borrowings		-	(183 277)
Net cash from financing activities		**-**	**(183 277)**
Total cash movement for the year		**28 046 879**	**533 954**
Cash at the beginning of the year		58 867 210	58 333 256
Total cash at end of the year	13	**86 914 089**	**58 867 210**

Accounting Policies

Corporate information

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

1. Significant accounting policies

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

1.1 Basis of preparation

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

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

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

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

1.2 Significant judgements and sources of estimation uncertainty

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

Critical judgements in applying accounting policies

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

1.2 Significant judgements and sources of estimation uncertainty (continued)

Lease classification

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

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

Water rights

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

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

MEGA has between 25.1% and 40% shareholding in various unlisted entities. Refer to note 8 for a list of these entities. Management has considered the existence of significant influence such as representation on the board of directors, participation in the policy-making process, including participation in decisions about dividends or other distributions, material transactions between the entity and the investee, interchange of managerial personnel, or provision of essential technical information in determining the level of influence exercised over its investments. Management considers that it has significant influence over these entities and is therefore of the view that classification of these investments as associates is appropriate.

Key sources of estimation uncertainty

Trade receivables and loans and receivables

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

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

Inventory

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

Fair value estimation

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

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

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

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

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

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

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

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

Provisions

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

MEGA has recognised a provision for decommissioning obligations associated with its landfill site at Ekandustria. In determining the provision amount, assumptions and estimates are made in relation to discount rates, the expected cost to rehabilitate the environment and the expected timing of those costs as detailed in note 17.

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

Investment properties and biological assets are recorded at fair value, with changes in fair value being recognised in the statement of profit or loss. In addition, land and buildings and bulk infrastructure are measured at revalued amounts with changes in fair value being recognised in other comprehensive income and accumulated in the revaluation reserve. The entity engaged an independent valuation specialist to assess fair value of bulk infrastructure assets as well as land and buildings as at 31 March 2024. Land and buildings are revalued with sufficient regularity to ensure that the carrying value does not differ significantly from fair value.

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

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

Bulk infrastructure was revalued with reference to the consumer price index (CPI) and a re-assessment of useful lives. The key assumptions used to determine the fair value for property, plant and equipment, biological assets and investment property are further explained in note 3,5 and 6 respectively.

Useful lives of intangible assets

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

1.3 Biological assets

An entity shall recognise a biological asset or agricultural produce when, and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits associated with the asset will flow to the entity; and
- the fair value or cost of the asset can be measured reliably.

Accounting Policies

1.3 Biological assets (continued)

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

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

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

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

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

1.4 Investment property

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

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

Fair value

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

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

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

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

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

1.5 Property, plant and equipment

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

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

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

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

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

1.5 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Buildings	Straight line	20-30 years
Plant and machinery	Straight line	5-15 years
Motor vehicles	Straight line	3-7 years
Office equipment	Straight line	3-15 years
IT equipment	Straight line	3-5 years
Bearer plants	Straight line	25-30 years
Bulk infrastructure	Straight line	4-100 years
Land		Infinite

Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

1.6 Intangible assets

Intangible assets are initially recognised at cost.

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

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

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

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

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

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

Item	Useful life
Water rights	indefinite
Computer software	3 years

Accounting Policies

1.7 Investments in associates

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

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

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

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

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

Accounting Policies

1.8 Financial instruments

Recognition and initial measurement

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

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

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

Classification and subsequent measurement

Financial assets

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

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

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and ;
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and ;
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

Financial assets – Business model assessment:

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

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

1.8 Financial instruments (continued)

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

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

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

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

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

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

Financial assets – Subsequent measurement and gains and losses:

Financial assets at FVTPL

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

Financial assets at amortised cost

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

Debt investments at FVOCI

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

Equity investments at FVOCI

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

Financial assets

The entity classifies financial assets into the following categories:

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

Accounting Policies

1.8 Financial instruments (continued)

- Available-for-sale financial assets

Financial assets at FVTPL

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

Held-to-maturity financial assets

Measured at amortised cost using the effective interest method.

Loans and receivables

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

Available-for-sale financial assets

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

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

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

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

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

Accounting Policies

1.8 Financial instruments (continued)

Derecognition

Financial assets

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

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

Financial liabilities

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

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

Offsetting

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

Impairment

Non-derivative financial assets

Financial instruments and contract assets

The entity recognises loss allowances for ECLs on:

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

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

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

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

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

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

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

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

Accounting Policies

1.8 Financial instruments (continued)

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

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

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

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

Measurement of ECLs

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

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

Credit-impaired financial assets

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

Evidence that a financial asset is credit impaired includes the following observable data

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

Presentation of allowance for ECL in the statement of financial position

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

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

Write-off

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

Cash and cash equivalents

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

Accounting Policies

1.9 Fair value measurement

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

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

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

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

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

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

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

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

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

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

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

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

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

1.10 Leases

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

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

1.10 Leases (continued)

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

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

Entity as lessee

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

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

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

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

Right-of-use assets

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

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

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

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

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

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

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

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

1.10 Leases (continued)

Entity as lessor

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

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

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated by applying IFRS 16.

1.11 Inventories

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.13 Impairment of assets

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

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

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

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

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

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

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

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

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

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

1.14 Share capital and equity

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

1.15 Employee benefits

Short-term employee benefits

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

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

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

1.15 Employee benefits (continued)

Defined contribution plans

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

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

Termination benefits

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

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

Long-term service employee benefits

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

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

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

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

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

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

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

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

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

1.16 Provisions and contingencies

Provisions are recognised when:

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

1.16 Provisions and contingencies (continued)

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

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

Provisions are not recognised for future operating losses.

Restructuring provisions

A constructive obligation to restructure arises only when an entity:

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

Contingencies

Contingent liabilities are possible obligations whose existence will be confirmed by uncertain future events that are not wholly within the control of the entity. An example is litigation against the entity when it is uncertain whether the entity has committed an act of wrongdoing and when it is not probable that settlement will be needed.

Contingent liabilities also include obligations that are not recognised because their amount cannot be measured reliably or because settlement is not probable. Contingent liabilities do not include provisions for which it is certain that the entity has a present obligation that is more likely than not to lead to an outflow of cash or other economic resources, even though the amount or timing is uncertain.

A contingent liability is not recognised in the statement of financial position. However, unless the possibility of an outflow of economic resources is remote, a contingent liability is disclosed in the notes.

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

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

Decommissioning liability

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

Leave provision

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

1.17 Government grants

Government grants are recognised when there is reasonable assurance that:

- the entity will comply with the conditions attaching to them; and
- the grants will be received.

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

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

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

1.18 Revenue from contracts with customers

The entity recognises revenue from the following major sources:

- Sales of goods - wholesale
- Income from municipal services rendered
- Rental income
- Interest income (Trading)

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

Sale of goods - wholesale

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

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

Income from municipal services rendered

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

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

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

Rental income

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

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

Revenue from contracts with customers (continued)

Interest income (Trading)

Interest income from financial assets at Fair value through profit or loss is included in the net fair value gains/(losses) on these assets. Interest income on financial assets at amortised cost and financial assets at fair value through profit or loss calculated using the effective interest method is recognised in the statement of profit or loss as part of revenue related to contracts with customers.

Interest income is calculated monthly by applying the effective interest rate to the gross carrying amount of a financial asset. All financial assets, including financial assets that subsequently became credit impaired, are treated this way. For credit-impaired financial assets the effective interest rate is applied to the gross carrying amount of the financial asset (before deduction of the loss allowance).

1.19 Other operating income

Government grants

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Dividends

Dividends are recognised, in profit or loss, when the entity's right to receive payment has been established, which is generally when shareholders approve the dividend. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognised in Other Comprehensive Income if it relates to an investment measured at fair value through other comprehensive income.

1.20 Cost of sales

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

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

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

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

1.21 Deviations

Deviations arise when a procurement process was implemented which is not in line with the PFMA, either through a sole provider (firm has experience of exceptional worth) or an emergency (a rapid selection is essential). Deviations are disclosed in the notes to the financial statements when approved by the Accounting Officer and the reasons are justifiable and do not constitute Irregular Expenditure. Deviations are disclosed when the affected transaction has occurred as per the accrual basis of accounting (i.e. services received).

1.22 Translation of foreign currencies

Foreign currency transactions

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

At the end of the reporting period:

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

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

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

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

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

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

1.23 Commitments

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

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

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

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

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

1.24 Income Tax and Value Added Tax

Income Tax

The entity is not subject to income taxation as it is a Government Business Enterprise registered as a Schedule 3D Public Entity.

Accounting Policies

1.24 Income Tax and Value Added Tax (continued)

Value Added Tax

Revenues, expenses and assets are recognised net of the amount of VAT except where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable. The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

1.25 Related party disclosure

A related party is a person or entity that is related to MEGA. A person or an entity is related to MEGA if that person or entity:

- is a member of the key management personnel of MEGA;
- has control or significant influence over MEGA;
- is an associate; or
- is a Department within the national Sphere of Government because they operate together to achieve a common objective determined by Cabinet and Provincial Legislature.

Related party transactions are transfers of resources, services or obligations between MEGA and a related party irrespective of whether the transaction took place on arm's length basis or not.

1.26 Irregular expenditure

Irregular expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the total value of the irregularity unless it is impracticable to determine, in which case reasons therefore are provided in the note. Irregular expenditure is removed from the note when it is either condoned by the relevant authority or transferred to receivables for recovery. Irregular expenditure receivables are measured at the amount that is expected to be recoverable and are de-recognised when settled or subsequently written-off as irrecoverable.

1.27 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the total value of the fruitless and wasteful expenditure incurred. Fruitless and wasteful expenditure receivables are measured at the amount that is expected to be recoverable and are derecognised when settled or subsequently written off as irrecoverable.

1.28 Unauthorised expenditure

Unauthorised expenditure is recognised in the statement of financial position until such time as the expenditure is either:

- approved by Parliament or the Provincial Legislature with funding and the related funds are received; or
- approved by Parliament or the Provincial Legislature without funding and is written off against the appropriation in the statement of financial performance; or
- transferred to receivables for recovery.

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

Notes to the Annual Financial Statements

	2024	2023 Restated*	2022 Restated *
	R	R	R

2. Changes in accounting policy

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

3. Property, plant and equipment

	2024			2023			2022		
	Cost or revaluation	**Accumulated depreciation**	**Carrying value**	**Cost or revaluation**	**Accumulated depreciation**	**Carrying value**	**Cost or revaluation**	**Accumulated depreciation**	**Carrying value**
Land	44 614 137	-	44 614 137	44 614 137	-	44 614 137	44 614 137	-	44 614 137
Buildings	59 274 257	(5 744 378)	53 529 879	59 274 257	(2 872 189)	56 402 068	59 274 257	-	59 274 257
Plant and machinery	14 735 249	(6 442 569)	8 292 680	14 850 013	(5 339 579)	9 510 434	15 260 414	(4 545 160)	10 715 254
Motor vehicles	3 062 760	(1 838 072)	1 224 688	3 062 760	(1 309 378)	1 753 382	3 062 760	(1 083 775)	1 978 985
Office equipment	4 264 749	(2 074 685)	2 190 064	4 106 982	(2 130 351)	1 976 631	3 738 147	(1 861 663)	1 876 484
IT Equipment	7 117 507	(4 283 458)	2 834 049	8 546 191	(4 595 563)	3 950 628	7 520 839	(3 726 015)	3 794 824
Bearer plants	17 056 573	(10 469 966)	6 586 607	17 056 573	(8 698 123)	8 358 450	17 056 573	(6 589 822)	10 466 751
Bulk infrastructure	300 147 188	(54 575)	300 092 613	282 092 179	(46 073)	282 046 106	267 048 393	(37 571)	267 010 822
Capital - Work in progress	1 138 068	-	1 138 068	-	-	-	-	-	-
Total	**451 410 488**	**(30 907 703)**	**420 502 785**	**433 603 092**	**(24 991 256)**	**408 611 836**	**417 575 520**	**(17 844 006)**	**399 731 514**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023	2022

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Revaluations	Depreciation	Impairment loss	Total
Land	44 614 137	-	-	-	-	-	44 614 137
Buildings	56 402 068	-	-	-	(2 872 189)	-	53 529 879
Plant and machinery	9 510 434	-	(40 842)	-	(1 176 912)	-	8 292 680
Motor vehicles	1 753 382	-	-	-	(528 694)	-	1 224 688
Office equipment	1 976 631	1 016 837	(314 687)	-	(488 717)	-	2 190 064
IT equipment	3 950 628	572 723	(449 429)	-	(1 239 873)	-	2 834 049
Bearer plants	8 358 450	-	-	-	(716 755)	(1 055 088)	6 586 607
Bulk infrastructure	282 046 106	8 134 919	(3 894 090)	26 699 531	(12 893 853)	-	300 092 613
Capital - Work in progress	-	1 138 068	-	-	-	-	1 138 068
	408 611 836	**10 862 547**	**(4 699 048)**	**26 699 531**	**(19 916 993)**	**(1 055 088)**	**420 502 785**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023	2022

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers	Revaluations	Depreciation	Impairment loss	Total
Land	44 614 137	-	-	-	-	-	-	44 614 137
Buildings	59 274 257	-	-	-	-	(2 872 189)	-	56 402 068
Plant and machinery	10 715 254	-	(352)	(223 117)	-	(981 351)	-	9 510 434
Motor vehicles	1 978 985	-	-	-	-	(225 603)	-	1 753 382
Office equipment	1 876 484	374 835	-	(491)	-	(274 197)	-	1 976 631
IT equipment	3 794 824	1 089 163	(41 635)	-	-	(891 724)	-	3 950 628
Bearer plants	10 466 751	-	-	-	-	(823 727)	(1 284 574)	8 358 450
Bulk infrastructure	267 010 821	-	(870 089)	-	27 459 458	(11 554 084)	-	282 046 106
	399 731 513	**1 463 998**	**(912 076)**	**(223 608)**	**27 459 458**	**(17 622 875)**	**(1 284 574)**	**408 611 836**

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers	Revaluations	Depreciation	Total
Land	44 123 537	-	-	(900 000)	1 390 600	-	44 614 137
Buildings	50 467 807	-	-	(1 400 000)	11 540 937	(1 334 487)	59 274 257
Plant and machinery	11 322 898	346 104	-	-	-	(953 748)	10 715 254
Motor vehicles	2 204 588	-	-	-	-	(225 603)	1 978 985
Office equipment	2 135 592	950	-	-	-	(260 058)	1 876 484
IT equipment	3 222 879	1 365 492	(39 791)	-	-	(753 756)	3 794 824
Bearer plants	11 290 478	-	-	-	-	(823 727)	10 466 751
Bulk infrastructure	317 172 235	183 323	(585 481)	133 010	(38 968 419)	(10 923 847)	267 010 821
Capital - Work in progress	133 010	-	-	(133 010)	-	-	-
	442 073 024	**1 895 869**	**(625 272)**	**(2 300 000)**	**(26 036 882)**	**(15 275 226)**	**399 731 513**

	2024	2023 Restated *	2022 Restated *
	R	R	R

3. Property, plant and equipment (continued)

Property, plant and equipment encumbered as security

None of the property, plant and equipment is encumbered as security for borrowings.

Changes in estimates

Asset Class	Depreciation 2024FY (with residual values adjustments)	Depreciation 2024FY (with no residual values adjustments)	Increase / (Decrease) in depreciation charge for current period	Increase / (Decrease) in depreciation impact on future periods
IT Equipment	1 239 873	1 066 027	173 847	(173 847)
Motor Vehicles	528 694	225 603	303 091	(303 091)
Office Equipment	488 717	376 724	111 994	(111 994)
Plant and Machinery	1 176 912	955 386	221 526	(221 526)
	3 434 196	**2 623 740**	**810 457**	**(810 457)**

During the 2023/24 financial year, management assessed the residual values of the entire population of assets, considering its current renewal and disposal practices. Based on this assessment, the residual values of the asset classes listed above were adjusted to reflect the typical values of assets once it has reached the end of their economic useful lives. The effect of changing the residual value of these assets for the entity during 2023/2024 has increased the depreciation charge for the current year by R810 457 and decreased on future periods.

Other information

If buildings and bulk infrastructure were measured using the cost model, the carrying amount would be as follows:

	2024	2023 Restated *
Buildings		
Cost	43 413 016	43 413 016
Accumulated depreciation and impairment	1 114 317	(7 480 852)
	44 527 333	**35 932 164**
Bulk infrastructure		
Cost	287 039 222	282 864 868
Accumulated depreciation and impairment	(77 147 486)	(68 597 275)
	209 891 736	**214 267 593**

Notes to the Annual Financial Statements

	2024	2023 Restated *	2022 Restated *
	R	R	R

3. Property, plant and equipment (continued)

Details of bearer plants

The vineyards of 21.1 hectares at Loopspruit Estate is situated on the banks of the Loopspruit river, 30km north of Bronkhorstspruit.

The lemon orchard of 118.5 hectares is at Tekwane Estate in the Mbombela District.

Revaluations

The entity uses the revaluation model of measurement of land and buildings and bulk infrastructure. Management determined that these constitute classes of asset under IFRS 13 Fair Value Measurement, based on the nature, characteristics and risks of the property.

Fair value is determined using a market comparable method. Valuations performed by the valuer are based on active market prices, significantly adjusted for any difference in the nature, location or condition of the specific property. The date of the most recent revaluation for bulk infrastructure and land & buildings was 31 March 2024.

Fair value hierarchy of assets at revalued amounts through revaluation reserve

- Level 1 represents those assets which are measured using unadjusted quoted prices in an active market
- Level 2 applies inputs which are based on observable market data
- Level 3 applies inputs which are based on significant unobservable inputs

Level 3	**2024**	**2023**	**2022**
Land	44 614 137	44 614 137	44 614 137
Buildings	53 529 878	56 402 068	59 274 257
Bulk infrastructure	300 092 613	282 046 105	267 010 821
	398 236 628	**383 062 310**	**370 899 215**

There are 2 commercial properties with a fair value of R3 655 570 (2023: R3 795 660) which are controlled by MEGA but not registered in the entity's name, and consequently not recognised as property, plant and equipment by MEGA.

Notes to the Annual Financial Statements

	2024 R	2023 Restated * R	2022 Restated * R

4. Right-of-use assets

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

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

Net carrying amounts of right-of-use assets

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

	2024 R	2023 Restated * R	2022 Restated * R
Buildings	249 396 774	262 877 681	-

Depreciation recognised on right-of-use assets

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

	2024 R	2023 Restated * R	2022 Restated * R
Buildings	13 480 907	6 740 453	-

Lease liabilities

The maturity analysis of lease liabilities is as follows:

	2024 R	2023 Restated * R	2022 Restated * R
Within one year	19 033 731	17 623 825	-
Two to five years	92 629 576	85 768 126	-
More than five years	637 721 480	663 616 662	-
	749 384 787	767 008 613	-
Less finance charges component	(467 948 465)	(494 904 776)	-
	281 436 322	**272 103 837**	**-**
Non-current liabilities	262 402 591	254 480 012	-
Current liabilities	19 033 731	17 623 825	-
	281 436 322	**272 103 837**	**-**

Future cash outflows not reflected in lease liabilities

The Entity is exposed to the following potential future undiscounted cash outflows which are not included in the measurement of lease liability:

Purchase options not reasonably assured	157 952 827

Notes to the Annual Financial Statements

Figures in Rand	2024	2023	2022

5. Investment property

	2024			2023			2022		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	438 100 000	-	438 100 000	420 630 000	-	420 630 000	469 040 000	-	469 040 000

Reconciliation of investment property - 2024

	Opening balance	Additions resulting from substance over form	Disposals	Fair value adjustments	Total
Investment property	420 630 000	14 470 000	(1 770 000)	4 770 000	438 100 000

Reconciliation of investment property - 2023

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

Reconciliation of investment property - 2022

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

* See Note 2 & 34

	2024	2023 Restated *	2022 Restated *
	R	R	R

5. Investment property (continued)
Other disclosures

MEGA is currently administering 21 buildings valued at R16 970 000 (2023: 12 buildings at R12 190 000) on land belonging to tribal authorities which are not currently included as investment properties. These properties will be recognised when MEGA's rights and obligations have been confirmed by the Department of Co-operative Governance and Traditional Affairs.

In addition to the aforesaid there are 35 residential properties with a fair value of R20 550 000 (2023: 34 properties at R20 370 000) and 16 commercial properties with a fair value of R18 250 000 (2023: 21 properties of R26 640 000) which are neither controlled by MEGA nor registered in the entity's name and are consequently not recognised as investment property by MEGA. These properties would only be recognised once MEGA has rental agreements in place and there is evidence of maintenance being assumed by MEGA, then only will these properties indicate substantive rights by MEGA.

There are 31 residential properties with a fair value of R14 460 000 (2023: 35 properties of R16 040 000) which are still registered in the entity's name but are not controlled by MEGA. There is 1 industrial property with a fair value of R800 000 which is still registered in the entity's name but not controlled by MEGA.

Details of valuation

The entity's investment property consists of commercial, industrial, farming and residential properties and vacant land. Management determined that the investment properties consist of five classes of assets commercial, industrial, farming and residential properties and vacant land based on the nature, characteristics and risks of each property. Fair value is determined using a combination of rental capitalisation method and comparable sales method. The most recent valuation was performed at 31 March 2024 by i@consulting.

Fair value hierarchy of assets at fair amounts are as follows:

- Level 1 represents those assets which are measured using unadjusted quoted prices in an active market
- Level 2 applies inputs which are based on observable market data
- Level 3 applies inputs which are based on significant unobservable inputs

Level 3	**2024**	**2023**	**2022**
Commercial	41 130 000	43 200 000	58 000 000
Farms	25 830 000	17 040 000	17 300 000
Industrial	276 480 000	271 460 000	305 170 000
Land	88 940 000	88 930 000	82 940 000
Residential	5 720 000	-	5 630 000
	438 100 000	420 630 000	469 040 000

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

Significant unobservable data

Category	**Rate per square meter**
Commercial properties	R10.09 - R51.12
Industrial properties	R5.25 - R44
Vacant land	R22 - R140
Residential properties	R76.54 - R450
Farms	R1.35 - R28

Notes to the Annual Financial Statements

Figures in Rand	2024	2023	2022

6. Biological assets

	2024			2023			2022		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Produce - Lemons	-	-	-	-	-	-	-	-	-

Notes to the Annual Financial Statements

	2024 R	2023 Restated * R	2022 Restated * R

6. Biological assets (continued)

Reconciliation of biological assets

	Produce - Lemons	Total
At 01 April 2021	15 185 161	15 185 161
Gains or losses arising from changes in fair value less estimated point of sale cost	(15 185 161)	(15 185 161)
At 31 March 2022	-	-
Gains or losses arising from changes in fair value less estimated point of sale cost	-	-
At 31 March 2023	-	-

	2024	2023 Restated *	2022 Restated *
	R	R	R

6. Biological assets (continued)

Nature of the entities biological assets

Tekwane estate is engaged in the production of lemons for supply to export markets. At 31 March 2024 the farm had 118.15ha of mature lemon trees in full production. No new trees have been planted/replaced in the current financial year. The harvest season for lemons is between April and August. During the year the entity sold zero tons lemons for export (2023:787.49 tons) and zero tons lemons for juicing (2023: 2122.13 tons).

Valuation process of measuring biological assets at fair value

MEGA appointed i@consulting to perform a valuation of the biological assets at Tekwane & Loopspruit for the year ended 31 March 2024.

Valuation biological assets at Loopspruit

The Loopspruit Wine Estate hasn't been operational for the past couple of years. Most of the buildings essential to the efficient running of the Wine Estate were destroyed in a fire in 2020. The Eskom transformer has been stolen, and the subject farm doesn't have electricity. There is a backup generator to pump water for domestic use only. The irrigation dam has visible defects, and the pump station needs to be repaired or replaced. The trellises for the vineyards are dilapidated, weeds have taken over, and the neglected 50-year-old vineyards have been left to die.

It is therefor that the bearer plants (22.26ha vineyard) situated on the Remaining Extent of Portion 4 of the Farm Loopspruit No. 435 JR have no value. As the vineyards are non-bearing (they don't produce any grapes due to the condition of the bearer plants), the value of the biological assets (grapes) is also zero.

Valuation biological assets at Tekwane

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

During the 2024 inspection, confirmation was received that the pump station at the irrigation dam had been sabotaged several times. Therefore, the pump station at the dam is not in operation. In addition, the irrigation dam has a very high E. coli concentration due to the poor waste management by the local municipality from the adjacent community. GlobalGap has rejected the lemons, which is why the fruits are left on the trees, as the cost of harvesting will be for nothing.

Other deficiency symptoms were noted due to the continuous lack of irrigation and fertilizer. The irrigation dam is completely covered with water Hyacinth, which negatively affects the water quality used for irrigation. It was also noted that the lemon trees that died were not replaced. Therefore, the tree density per ha is less than the norm. Many of the orchards on the elevated parts have died.
It is therefor the opinion that the biological assets (lemons on 118.15ha) situated on Portion 9 of the Farm Tekwane No. 573 JU, have no value.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023	2022

7. Intangible assets

	2024			2023			2022		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Water rights	8 430 011	-	8 430 011	8 430 011	-	8 430 011	8 430 011	-	8 430 011
Computer software	1	1	2	11 412	(3 772)	7 640	1 733 339	(1 723 766)	9 573
Total	**8 430 012**	**1**	**8 430 013**	**8 441 423**	**(3 772)**	**8 437 651**	**10 163 350**	**(1 723 766)**	**8 439 584**

Reconciliation of intangible assets - 2024

	Opening balance	Disposals	Amortisation	Total
Water rights	8 430 011	-	-	8 430 011
Computer software	7 640	(5 729)	(1 909)	2
	8 437 651	**(5 729)**	**(1 909)**	**8 430 013**

Reconciliation of intangible assets - 2023

	Opening balance	Disposals	Amortisation	Total
Water rights	8 430 011	-	-	8 430 011
Computer software	9 573	(23)	(1 910)	7 640
	8 439 584	**(23)**	**(1 910)**	**8 437 651**

	2024	2023 Restated *	2022 Restated *
	R	R	R

7. Intangible assets (continued)

Reconciliation of intangible assets - 2022

	Opening balance	Additions	Amortisation	Total
Water rights	8 430 011	-	-	8 430 011
Computer software	47 098	11 411	(48 936)	9 573
	8 477 109	**11 411**	**(48 936)**	**8 439 584**

Pledged as security

No intangible assets are pledged as security.

Other information

Water rights impairment

The water rights have not been impaired as no indicators of impairment were identified.

	2024	2023 Restated *	2022 Restated *
	R	R	R

8. Investments in associates

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

Name of company	Carrying amount 2024	Carrying amount 2023	Carrying amount 2022
KaNgwane Anthracite (Pty) Ltd	492 628	492 628	492 628
Hi-Veld Fruit Packers (Pty) Ltd	8 636 569	9 105 543	8 257 020
Dalamba Victorius Trading Enterprise and Projects (Pty) Ltd	-	-	-
Fuma Investments (Pty) Ltd	93 970	-	-
	9 223 167	9 598 171	8 749 648
Impairment of investments in assocs	(492 628)	(492 628)	(492 628)
	8 730 539	9 105 543	8 257 020

KaNgwane Anthracite (Pty) Ltd and Dalamba Victorius Trading Enterprise and Projects (Pty) Ltd have had accumulated losses in the prior years and impairments have therefore been recognised against these investments.

Material associates

The following associates are material to the entity:

	Country of incorporation	Method	% Ownership interest 2024	2023	2022
KaNgwane Anthracite (Pty) Ltd	Johannesburg/ RSA	Equity	40 %	40 %	40 %
Hi-Veld Fruit Packers (Pty) Ltd	Ermelo/RSA	Equity	26 %	26 %	26 %
Dalamba Victorius Trading Enterprise and Projects (Pty) Ltd	Kinross/RSA	Equity	25 %	25 %	25 %
Fuma Investments (Pty) Ltd	Bushbuckridge/ RSA	Equity	25 %	25 %	25 %

Associates with different reporting dates

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

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

The end of reporting year of Hi-Veld Fruit Packers (Pty) Ltd is 31 October.

The end of reporting year of Dalamba Victorius Trading Enterprise and Projects (Pty) Ltd and Fuma Investments (Pty) Ltd is 28 February

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

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	2024 R	2023 Restated * R	2022 Restated * R

8. Investments in associates (continued)

Restrictions relating to associates

No significant restrictions are applicable to all the associates as presented.

Unrecognised share of losses of associates

KaNgwane Antracite (Pty) Ltd	2 001 549	4 034 407	3 830 678
	-	-	-
Dalamba Victorious Trading Enterprise and Projects (Pty) Ltd	1 061 083	1 061 083	1 061 083
Fuma Investments (Pty) Ltd	-	51 620	186 211
	3 062 632	**5 147 110**	**5 077 972**

Nature of relationship with the associates

Associate	**Nature of relationship**
KaNgwane Anthracite (Pty) Ltd	KaNgwane Anthracite (Pty) Ltd was acquired in 2011 . MEGA has a 40% shareholding in KaNgwane Anthracite (Pty) Ltd, mainly for income generation and to stimulate economic growth in the surrounding communities in Nkomazi. However, the investment is under care and maintenance.
Hi-veld Fruit Packers (Pty) Ltd	MEGA has a 26% shareholding in Highveld fruit packers, acquired in 2006. MEGA provided finance for the expansion and restructuring of Highveld fruit packers to allow for its continued positive economic impact in the surrounding communities of Ermelo.
Dalamba Victorious Trading Enterprise and Projects (Pty) Ltd	A loan of R6 390 000 was issued in 2017 to Dalamba Victorious Trading Enterprise and Projects (Pty) Ltd for the construction of a shopping mall (creation of economic hubs) in Kinross. The loan was in the form of preference shares redeemable over a period of 12 years. 639 preference shares were issued by Dalamba (Pty) Ltd to MEGA. In addition, MEGA subscribed to 335 Ordinary shares resulting in the 25.1% shareholding, to allow MEGA to influence the direction of the company.
Fuma Investments (Pty) Ltd	A loan of R9 210 702 was issued to Fuma Investments (Pty) Ltd for the construction of a shopping mall (creating economic hubs) in Bushbuck Ridge. The loan was in the form of preference shares redeemable over a period of 12 years. 921 preference shares were issued by Fuma (Pty) Ltd to MEGA. In addition, subscribed to 251 Ordinary shares, resulting in the 25.1% shareholding, to allow MEGA to influence the direction of the company.

Notes to the Annual Financial Statements

	2024 R	2023 Restated * R	2022 Restated * R
9. Inventories			
Work in progress	45 343 751	45 297 751	45 278 751
Consumables	2 185 188	1 480 484	1 831 842
	47 528 939	**46 778 235**	**47 110 593**

The valuators i@consulting assisted MEGA with assessing the net realisable value of WIP housing inventory as on 31 March 2024.

Inventory pledged as security

None of the inventory is pledged as security.

	2024 R	2023 Restated * R	2022 Restated * R

10. Other financial assets

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

	2024 R	2023 Restated * R	2022 Restated * R
Housing loans Housing loans are generally repayable over 20 years at 10% interest per annum, which is fixed over the term of the loan.	23 276 646	22 910 102	23 894 599
Agricultural loans The loans are for the financing of livestock and crops, with repayment terms varying from 3 months to 8 years. Interest is charged at variable percentages per annum.	5 778	510 971	1 168 216
Small, medium and micro enterprises (SMME) loans The loans entail business capital funding and bridging finance over a maximum of 5 years. Interest rates are charged at the prevailing variable lending rates.	12 227 555	12 254 689	13 116 462
Govan Mbeki Housing Company loan The principal debt is repayable in monthly instalments for a period of 120 months (10 years), calculated from 01 January 2025. Interest will accrue from this date at at fixed rate of 7%.	10 000 000	10 000 000	-
KaNgwane Anthracite intercompany loan The loan is unsecured, interest free and repayable on demand. The loan have been subordinated until such time as KaNgwane Anthracite's asset exceed the liabilities which will provide sufficient funds to pay both existing and future debts as they become due.	492 588	492 588	492 588
	46 002 567	**46 168 350**	**38 671 865**

Split between non-current and current portions

	2024 R	2023 Restated * R	2022 Restated * R
Non-current assets	31 753 298	33 430 250	24 112 373
Current assets	14 249 269	12 738 100	14 559 492
	46 002 567	**46 168 350**	**38 671 865**

Loans pledged as security

Other financial assets are not pledged as security.

Credit quality of other financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

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	2024 R	2023 Restated * R	2022 Restated * R

10. Other financial assets (continued)

Fair value information

Fair values of other financial assets at amortised cost

	2024 R	2023 Restated * R	2022 Restated * R
Housing loans		23 276 646	22 910 102
Agricultural loans		121 806	510 971
Small, medium and micro enterprises (SMME) loans		13 230 193	12 254 689
Govan Mbeki Housing Company loan		10 000 000	10 000 000
KaNgwane Anthracite intercompany loan		492 588	492 588

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

Detail of other financial assets at amortised cost

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

MEGA measures the expected credit loss as the difference between the asset's gross carrying amount and the present value of estimated future cashflows discounted at the financial asset's effective interest rate. Any adjustment is recognised in profit or loss as an impairment gain or loss.

	2024 R	2023 Restated * R	2022 Restated * R
Housing loans			
Current		21 994 683	21 208 554
Non-current		20 185 799	21 350 741
		42 180 481	42 559 295
Less: Loss allowance on other financial assets at amortised cost		(18 903 835)	(19 649 193)
		23 276 646	22 910 102

	2024 R	2023 Restated * R	2022 Restated * R
Loss allowance on other financial assets at amortised cost			
Current		(15 619 709)	(15 257 501)
Non-current		(3 284 126)	(4 391 692)
		(18 903 835)	**(19 649 193)**

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

Housing loans are generally repayable over 20 years at 10% interest per annum, which is fixed over the term of the loan. MEGA measure the expected credit loss as the difference between the asset's gross carrying amount and the present value of estimated future cashflows discounted at the financial assets's effective interest rate. Any adjustment is recognised in profit or loss as an impairment gain or loss.

	2024 R	2023 Restated * R	2022 Restated * R
Fair values of other financial assets at amortised cost			
Housing loans		23 276 646	22 910 102

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

Notes to the Annual Financial Statements

	2024 R	2023 Restated * R	2022 Restated * R

10. Other financial assets (continued)

	2024	2023	2022
Small, medium and micro enterprises (SMME) loans			
Current		71 483 359	80 093 858
Non-current		9 978 947	12 110 754
		81 462 306	92 204 612
Less: Loss allowance on other financial assets at amortised cost		(68 232 113)	(79 949 923)
		13 230 193	12 254 689
Loss allowance on other financial assets at amortised cost		-	-
Current		(64 212 923)	(74 287 407)
Non-current		(4 019 190)	(5 662 516)
		(68 232 113)	**(79 949 923)**

MEGA classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

The loans entail business capital funding and bridging finance over a maximum of 5 years. Interest rates are charged at the prevailing variable lending rates.

MEGA measure the expected credit loss as the difference between the asset's gross carying amount and the present value of estimated future cashflows discounted at the financial assets's effective interest rate. Any adjustment is recognised in profit or loss as an impairment gain or loss.

	2024	2023	2022
Fair values of other financial assets at amortised cost			
SMME loans		13 230 193	12 254 689

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

	2024	2023	2022
Agricultural loans			
Current		22 987 902	26 368 075
Non-current		136 408	4 095 630
		23 124 310	30 463 706
Less: Loss allowance on other financial assets at amortised cost		(23 002 504)	(29 952 735)
		121 806	510 971
Loss allowance on other financial assets at amortised cost		-	-
Current		(22 876 632)	(25 880 068)
Non-current		(125 872)	(4 072 667)
		(23 002 504)	**(31 567 964)**

MEGA classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

The loans are for the financing of livestock and crops, with repayment terms varying from 3 months to 8 years. Interest is charged at variable percentages per annum.

MEGA measure the expected credit loss as the difference between the asset's gross carying amount and the present value of estimated future cashflows discounted at the financial assets's effective interest rate. Any adjustment is recognised in profit or loss as an impairment gain or loss.

Notes to the Annual Financial Statements

	2024 R	2023 Restated * R	2022 Restated * R

10. Other financial assets (continued)

Fair values of other financial assets at amortised cost

	2024	2023	2022
Agricultural loans		121 806	510 971

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

Govan Mbeki Housing Company Loan

	2024	2023	2022
Current		-	-
Non-current		10 000 000	10 000 000
Less: Loss allowance on other financial assets at amortised cost		-	-
		10 000 000	10 000 000

	2024	2023	2022
Loss allowance on other financial assets at amortised cost		-	-
Current		-	-
Non-current		-	-
		-	-

Consolidation of loss allowances

	2024	2023	2022
Housing loans		(18 903 835)	(19 649 193)
SMME loans		(68 232 113)	(79 949 923)
Agricultural loans		(23 002 504)	(29 952 735)
		(110 138 452)	**(129 551 851)**

Reconciliation of provision for impairment of loans and receivables

The loss allowance for other financial assets at amortised cost as at 31 March 2023 reconciles to the opening loss allowance on 1 April 2023 and to the closing loss allowance as at 31 March 2024 as follows:

Housing loans

	2024	2023	2022
Opening loss allowance as at 01 April 2022			25 661 029
Increase/ (Decrease) in loss allowance recognised in profit or loss during the year			(6 011 836)
Closing loss allowance as at 31 March 2023			-
Increase/ (Decrease) in loss allowance recognised in profit or loss during the year			-
Opening loss allowance as at 1 April 2023			19 649 193
Increase/ (Decrease) in loss allowance recognised in profit or loss during the year			(745 358)
Closing loss allowance as at 31 March 2024			**18 903 835**

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	2024 R	2023 Restated * R	2022 Restated * R
10. Other financial assets (continued)			
SMME loans			
Opening loss allowance as at 01 April 2022			82 288 807
Increase/ (Decrease) in loss allowance recognised in profit or loss during the year			(2 338 885)
Closing loss allowance as at 31 March 2023			79 949 923
Increase/ (Decrease) in loss allowance recognised in profit or loss during the year			-
Opening loss allowance as at 1 April 2023			79 949 923
Increase/(Decrease) in loss allowance recognised in profit or loss during the year			(11 717 810)
Closing loss allowance as at 31 March 2024			**68 232 113**
Agricultural loans			
Opening loss allowance as at 01 April 2022			31 567 964
Increase/ (Decrease) in loss allowance recognised in profit or loss during the year			(1 615 229)
Closing loss allowance as at 31 March 2023			29 952 735
Increase/ (Decrease) in loss allowance recognised in profit or loss during the year			-
Opening loss allowance as at 1 April 2023			29 952 735
Increase/ (Decrease) in loss allowance recognised in profit or loss during the year			(6 950 231)
Closing loss allowance as at 31 March 2024			**23 002 504**
Govan Mbeki Housing Company loan			
Opening loss allowance as at 1 April 2022			-
Closing loss allowance as at 31 March 2023			-
Increase (decrease) in loss allowance recognised in profit or loss during the year			-
Opening loss allowance as at 1 April 2023			-
Increase/(Decrease) in loss allowance recognised in profit or loss during the year			-
Closing loss allowance as at 31 March 2024			**-**

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	2024 R	2023 Restated * R	2022 Restated * R

11. Trade and other receivables

	2024	2023	2022
Financial instruments:			
Trade receivables	210 818 263	267 942 718	401 813 655
Loss allowance	(175 000 469)	(233 923 410)	(370 048 246)
Trade receivables at amortised cost	35 817 794	34 019 308	31 765 409
Operating lease straight-lining asset	3 514 708	2 857 240	1 869 133
Department of Arts and Culture	42 191	42 191	42 191
Other receivables	2 133 850	1 037 833	1 185 495
Non-financial instruments:			
VAT	9 077 105	14 058 075	4 685 162
Prepayments	485 342	229 167	312 147
Total trade and other receivables	**51 070 990**	**52 243 814**	**39 859 537**

Trade and other receivables pledged as security

Trade and other receivables are not pledged as security.

Exposure to credit risk

Trade receivables inherently expose the entity to credit risk, being the risk that the entity will incur financial loss if customers fail to make payments as they fall due.

In order to mitigate the risk of financial loss from defaults, the entity only deals with reputable customers with consistent payment histories. Sufficient collateral or guarantees are also obtained when appropriate. Each customer is analysed individually for creditworthiness before terms and conditions are offered. Statistical credit scoring models are used to analyse customers. These models make use of information submitted by the customers as well as external bureau data (where available). Customer credit limits are in place and are reviewed and approved by credit management committees. The exposure to credit risk and the creditworthiness of customers, is continuously monitored.

There have been no significant changes in the credit risk management policies and processes since the prior reporting period.

A loss allowance is recognised for all trade receivables, in accordance with IFRS 9 Financial Instruments, and is monitored at the end of each reporting period. In addition to the loss allowance, trade receivables are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation. Trade receivables which have been written off are not subject to enforcement activities.

The entity measures the loss allowance for trade receivables by applying the simplified approach which is prescribed by IFRS 9. In accordance with this approach, the loss allowance on trade receivables is determined as the lifetime expected credit losses on trade receivables. These lifetime expected credit losses are estimated using a provision matrix, which is presented below. The provision matrix has been developed by making use of past default experience of debtors but also incorporates forward looking information and general economic conditions of the industry as at the reporting date.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

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	2024 R	2023 Restated * R	2022 Restated * R

11. Trade and other receivables (continued)

The entity historical credit loss experience does not show significantly different loss patterns for different customer segments. The provision for credit losses is therefore based on past due status without disaggregating into further risk profiles.

The loss allowance provision is determined as follows:

	2024	2024	2023	2023
Expected credit loss rate:	**Estimated gross carrying amount at default**	**Loss allowance (Lifetime expected credit loss)**	**Estimated gross carrying amount at default**	**Loss allowance (Lifetime expected credit loss)**
Current (0-30days)	12 178 266	-	15 766 257	968 631
31 - 60 days	12 186 000	2 834 352	14 129 251	5 164 890
61 - 90 days	3 578 770	50 120	2 704 535	1 414 232
91 - 120 days	6 439 477	1 650 992	4 435 764	1 345 956
121 - 150 days	6 640 058	1 731 263	6 494 436	3 155 722
151 - 180 days	5 713 719	1 781 129	7 403 618	3 516 488
Older than 180 days	164 081 973	166 952 613	217 008 857	218 357 491
Total	**210 818 263**	**175 000 469**	**267 942 718**	**233 923 410**

Reconciliation of loss allowances

The following table shows the movement in the loss allowance (lifetime expected credit losses) for trade and other receivables

Opening balance in accordance with IFRS 9	**(175 000 469)**	**(233 923 410)**	**(370 048 246)**
Remeasurement of loss allowance - comparative	58 922 941	136 124 836	(64 223 042)

Fair value of trade and other receivables

Due to the short-term nature of the current receivables, their carrying amounts are assumed to be the same as their fair value.

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	2024 R	2023 Restated * R	2022 Restated * R

12. Investments at fair value

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

	2024	2023	2022
At fair value through profit or loss:			
Listed shares	11 359 489	9 683 950	13 337 529
Afrimat Limited shares @R57.83/share, number of shares 196 429 (2023: R49.30/share)			
Unlisted shares	1 444 551	1 586 223	1 584 123
AGRI Limited shares @ R0.00/share (2023:R7.06)			
KWV Holdings Limited shares @R0.00/share (2023: R12.50)			
Stellenbosch Vineyards Group Limited shares @R0.00/share (2023: R5)			
Onderberg Verwerkingskooperasie Beperk 0 shares @R0.25/share (2023: R0.25, number of shares 52 100)			
Capespan Group Limited shares @R6.18/share (2022: R6.18).			
	12 804 040	**11 270 173**	**14 921 652**

Fair value information

Financial assets at fair value through profit and loss are recognised at fair value, which is therefore equal to their carrying amounts.

The following classes of investments at fair value through profit or loss are measured to fair value using the quoted market prices:

- Class 1 - Listed shares
- Class 2 - Unlisted shares

Fair value hierarchy of financial assets at fair value through profit or loss - designated

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements.

Level 1 represents those assets which are measured using unadjusted quoted prices for identical assets.

Level 2 applies inputs other than quoted prices that are observable for the assets either directly (as prices) or indirectly (derived from prices).

Level 3 applies inputs which are not based on observable market data.

There were no transfers between level 1 and level 2 for recurring fair value measurements during the year. The entity's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

The entity has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

13. Cash and cash equivalents

Cash and cash equivalents consist of:

	2024	2023	2022
Cash on hand	5 707	2 792	4 212
Bank balances	86 908 382	58 864 418	58 329 044
	86 914 089	**58 867 210**	**58 333 256**

Notes to the Annual Financial Statements

	2024 R	2023 Restated * R	2022 Restated * R

14. Non-current assets held for sale

A decision was taken to dispose 5 properties in MEGA's investment property portfolio due to the fact of the poor financial performance and/or poor physical condition of these properties. The sale process on these properties have not yet finalised at year end and will remain as non-current assets held for sale until these properties are registered to the new owner.

Assets and liabilities

	2024 R	2023 Restated * R	2022 Restated * R
Non-current assets held for sale			
Investment property	5 180 000	5 260 000	-

15. Financial assets by category

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

2024

	At amortised cost	Fair value through profit or loss - designated	Total
Other financial assets	46 002 567	12 804 040	58 806 607
Trade and other receivables	37 993 835	-	37 993 835
Cash and cash equivalents	86 914 089	-	86 914 089
	170 910 491	**12 804 040**	**183 714 531**

2023

	At amortised cost	Fair value through profit or loss - designated	Total
Other financial assets	46 168 350	11 270 173	57 438 523
Trade and other receivables	59 118 266	-	59 118 266
Cash and cash equivalents	58 867 210	-	58 867 210
	164 153 826	**11 270 173**	**175 423 999**

2022

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

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

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	2024 R	2023 Restated * R	2022 Restated * R

16. Other financial liabilities

	2024	2023	2022
Held at amortised cost			
Secured			
Micro Agricultural Financial Institutions of South Africa (MAFISA) MAFISA reappointed MEGA as one of its implementing agents and consequently this amount must be reinvested in an interest bearing account with no immediate repayment due to MAFISA	14 905 522	14 905 522	15 088 799
Thaba Chweu Municipality The loan is unsecured, interest free and repayable as and when the stands in Sabie, extension 10 are sold.	4 816 364	4 816 364	4 816 364
	19 721 886	**19 721 886**	**19 905 163**

Split between non-current and current portions

	2024	2023	2022
Non-current liabilities	4 816 364	4 816 364	4 816 364
Current liabilities	14 905 522	14 905 522	15 088 799
	19 721 886	**19 721 886**	**19 905 163**

For the majority of the borrowings, the fair values are not materially different to their carrying amounts, since the interest payable on these borrowings is either close to current market rates or the borrowings are of a short term nature.

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	2024 R	2023 Restated * R	2022 Restated * R

17. Provisions

Reconciliation of provisions - 2024

	Opening balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	1 060 573	-	-	-	42 423	1 102 996
Leave provision	11 979 249	12 830 486	(11 107 969)	-	-	13 701 766
Long service award	517 119	29 229	(101 950)	(66 717)	42 619	420 300
	13 556 941	**12 859 715**	**(11 209 919)**	**(66 717)**	**85 042**	**15 225 062**

Reconciliation of provisions - 2023

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

Reconciliation of provisions - 2022

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

	2024	2023	2022
Non-current liabilities	1 523 296	1 577 692	1 612 203
Current liabilities	13 701 766	11 979 249	9 538 927
	15 225 062	**13 556 941**	**11 151 130**

Environmental rehabilitation

The provision is made for the estimated cost of rehabilitating the landfill site. The provision has been estimated using the valuation report of the provision for the final closure and rehabilitation costs of the Ekandustria landfill site. The valuation was prepared by Environmental and Sustainability Solutions CC, a specialist in environmental accounting, that was appointed by MEGA, for 31 March 2019.

A discounted rate of 4% (2023: 4%) has been applied to discount the current prices.

Notes to the Annual Financial Statements

	2024 R	2023 Restated * R	2022 Restated * R

17. Provisions (continued)

Leave provision

The provision is measured at the expected cost to settle the obligation using the accrued leave days at reporting date multiplied by the rate per day.

The rate per day is calculated as follows:
- Permanent and temporary staff - gross remuneration per month divided by 21.75 days
- Seasonal / contract staff - minimum wage as determined by the Department of Labour

Annual leave days entitlement is calculated as follows:
- Permanent staff: 2.0833 days for every 25 days worked
- Temporary staff: 1.75 days for every 21 days worked
- Seasonal staff: 1 day for every 17 days worked

Long service awards

The entity has an obligation to provide long service awards benefits to all its permanent employees. An employee is eligible for a long service award for the first five years of continuous service, and every five years continuous service subsequent to that. The actuarial valuation of the present value of the obligation at 31 March 2024 was carried out by ARCH Actuarial Consulting (Pty) Ltd on behalf of Bonakude.

Assumptions used on last valuation on 31 March 2024:

Discount rate	10,34%	9,03%
CPI	N/A	4,60%
Net discount rate	10,34%	4,24%
Expected retirement age	63 years	63 years

18. Trade and other payables

	2024	2023	2022
Financial instruments:			
Trade payables	296 938 012	238 924 960	180 593 473
Other payables	29 960 364	30 864 363	29 375 675
UIF Programme	112 032	3 115 320	2 918 930
Accrued expense	6 564 849	52 048 496	13 279 412
Deposits received	5 275 825	5 091 992	5 442 363
LONA payable	25 391 705	25 391 705	24 741 016
	364 242 787	**355 436 836**	**256 350 869**

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

Notes to the Annual Financial Statements

	2024 R	2023 Restated * R	2022 Restated * R
19. Unspent conditional grants			
Office of the Premier (Premier Youth Development Fund) The Youth Development Fund is a strategic intent and commitment of the Mpumalanga Provincial Government as an intervention measure to mitigate youth unemployment and economic participation of youth (18 - 35 years).	51 773 544	26 636 655	40 740 531
Department of Public Works (Expanded Public Works Program) Funds were received from the Department of Public Works to create work opportunities in the infrastructure, non-state, environmental and culture and social sectors.	32 082	247 480	310 370
Industrial Development Corporation Funds were received from the IDC for the purpose of upgrading the factory sites located at the Kabokweni industrial area.	871 805	871 805	871 805
Department of Arts and Culture (Bushbuckridge craft project) Funds were received from the Department of Arts and Culture to support crafters in the Bushbuckridge area and to address developmental needs of crafters in the Ga-Mathibela community.	720 000	720 000	720 000
Department of Arts and Culture (Promoting sports and culture project) Funds were received from the Department of Arts and Culture to support socio-economic development by establishing sport and culture as an economic investment and to promote existing cultural facilities for communities.	2 304 273	2 304 273	2 304 273
National Department of Education (NSF Project) MEGA has been allocated descretionary grant funding by the National Skills Fund to implement an Artisan Skills Programme.	100 231	-	-
Department of Economic Development and Tourism Funds were received from the Department of Economic Development and Tourism in relation to the Nkomazi Special Economic Zone	-	349 568	-
COVID relief funding	30 000	30 000	30 000
	55 831 935	**31 159 781**	**44 976 979**

	2024 R	2023 Restated * R	2022 Restated * R

20. Financial liabilities by category

2024

	Financial liabilities at amortised cost	Total
Other financial liabilities	19 721 886	19 721 886
Trade and other payables	364 242 787	364 242 787
Unspent conditional grants	55 831 935	55 831 935
	439 796 608	**439 796 608**

2023

	Financial liabilities at amortised cost	Total
Other financial liabilities	19 721 886	19 721 886
Trade and other payables	355 436 836	355 436 836
Unspent conditional grants	31 159 781	31 159 781
	406 318 503	**406 318 503**

2022

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

21. Revenue

Revenue from contracts with customers		
Municipal services	101 016 276	78 786 151
Interest income (Trading)	6 196 392	45 593 922
Sale of lemons - export	-	4 757 792
Sale of lemons - local	7 490	664 765
Other revenue		
Rental income - properties	38 931 894	42 916 504
	146 152 052	**172 719 134**

Notes to the Annual Financial Statements

	2024 R	2023 Restated * R
22. Cost of sales		
Sale of goods	206 697	4 212 199
Rendering of services	86 476 762	122 298 837
Inventories lost or written off	3 696	39 716
	86 687 155	**126 550 752**
23. Other operating income		
Administration and management fees received	91 730	77 515
Fees earned	1 039 590	551 596
Commissions received	2 887 681	1 989 830
Bad debts recovered	2 038 570	123 256
Conditional grants	4 217 916	5 688 909
Reversal of impairment	46 000	19 000
Government grants	228 559 054	207 288 016
	238 880 541	**215 738 122**

Government grants of R228 559 054 (2023: R207 288 016) are included in other operating income. There are no unfulfilled conditions or other contingencies attaching to these grants. MEGA did not benefit directly from any other forms of government assistance.

Notes to the Annual Financial Statements

	Note	2024 R	2023 Restated * R
24. Other operating gains (losses)			
Gains (losses) on disposals, scrappings and settlements			
Investment property	5	12 700 000	(41 530 000)
Property, plant and equipment	3	(4 704 777)	(1 136 081)
		7 995 223	**(42 666 081)**
Fair value gains (losses)			
Investment property	5	4 690 000	(1 766 333)
Financial assets designated as at fair value through profit or loss		1 565 692	(3 651 479)
Non-current assets held for sale		-	(240 000)
		6 255 692	**(5 657 812)**
Total other operating gains (losses)		**14 250 915**	**(48 323 893)**

25. Operating profit (loss)

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

	2024	2023
Auditor's remuneration		
Audit fees	12 515 973	12 676 889
Remuneration, other than to employees		
Consulting, legal and other professional services	24 950 560	19 865 384
Leases		
Equipment	315 074	286 927
Premises	867 913	3 086 791
Total lease expenses	**1 182 987**	**3 373 718**
Depreciation and amortisation		
Depreciation of property, plant and equipment	19 916 993	17 622 875
Depreciation of right-of-use assets	13 480 907	6 740 453
Amortisation of intangible assets	1 909	1 910
Total depreciation and amortisation	**33 399 809**	**24 365 238**

26. Employee costs

	2024	2023
Employee costs		
Basic	129 606 971	125 584 275
Workmens' compensation contributions	121 275	293 477
Leave pay provision charge	2 425 237	2 933 057
Directors' fees	1 194 426	1 528 526
Acting allowances and other short term costs	7 881 339	7 769 426
Long-term benefits - incentive scheme	(37 488)	(6 659)
	141 191 760	**138 102 102**

Notes to the Annual Financial Statements

	2024 R	2023 Restated * R

27. Investment income

	2024 R	2023 Restated * R
Interest income		
Loans to:		
Directors, managers and employees	29 771	7 425
Investments in financial assets:		
Bank and other cash	5 880 976	2 088 026

28. Finance costs

	2024 R	2023 Restated * R
Non-current borrowings	73 052	101 907
Lease liabilities	26 956 311	10 958 695
Unwinding of discount on provisions and other liabilities	42 423	40 791
Unwinding of discount on long-term employee benefit obligation	42 619	46 361
Total finance costs	**27 114 405**	**11 147 754**

29. Cash generated from/(used in) operations

	2024 R	2023 Restated * R
Loss before taxation	(26 767 999)	(141 169 125)
Adjustments for:		
Depreciation and amortisation	33 399 809	24 365 238
(Gains) losses on disposals, scrappings and settlements of assets and liabilities	(7 995 223)	42 666 081
Income from equity accounted investments	375 004	(848 524)
Interest income	(12 107 139)	(2 095 451)
Finance costs	27 114 405	11 147 754
Fair value (gains) losses	(6 255 692)	5 657 812
Impairment / (reversal) of impairment on fixed assets	1 055 088	1 284 574
Movements in provisions	1 668 121	2 405 811
Changes in working capital:		
Inventories	(750 704)	332 358
Trade and other receivables	(46 172 115)	(53 048 988)
Trade and other payables	54 289 598	98 238 888
	17 853 153	**(11 063 572)**

Notes to the Annual Financial Statements

	2024 R	2023 Restated * R
30. Commitments and lease arrangements		
Authorised capital expenditure		
Already contracted for but not provided for		
• Loans approved but not yet paid	8 185 582	9 187 880
• Supplier commitments	729 763	2 158 317
Operating leases – as lessor (expense)		
Minimum lease payments due		
- within one year	387 484	-
- in second to fifth year inclusive	581 226	-
	968 710	**-**

The entity leases IT equipment and machinery with contract terms of one to three years.

These leases are short-term and/or leases of low-value items. The entity has elected not to recognise right-of-use assets and lease liabilities for these leases.

	2024 R	2023 Restated * R
Operating leases - as lessor (income)		
- Within year 1	18 616 728	18 568 312
- Within year 2	15 732 084	13 104 443
- Within year 3	12 490 046	10 446 107
- Within year 4	6 265 424	6 553 605
- Within year 5	4 653 712	492 086
- remaining later than five years	4 621 153	-
	62 379 147	**49 164 553**

Certain of the company's property is held to generate rental income. Lease agreements vary from month-to-month, indefinite to 20 years. There are no contingent rents receivable.

Notes to the Annual Financial Statements

	2024	2023 Restated *
	R	R

31. Contingencies

1. Roadspan - Claim amount: R4,784,315 (2023: R4,784,315)

On or about 28 February 2020, Roadspan instituted action proceedings claiming that MEGA owes it R4 784 315.52 plus interest of 9.5% per annum for work done at the Mpumalanga International Fresh Produce Market.

Our statement of claim is that MEGA only had a contract with Liviero Civils (Pty) Ltd, which has since been terminated following Liviero's inability to complete the works as per provisions of the contract.

MEGA is opposing Roadspan's claim. Our response thereto was communicated to applicant on 23 April 2020 wherein we denied being indebted to Roadspan nor Liviero Civils in respect of the amount claimed. MEGA is defending the matter.

2. Mr. EL Potgieter - Claim amount: R1,930,217 (2023: R1,930,217)

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

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

3. I@Consulting (Pty)Ltd - Claim amount: R0 (2023: R3,298,833)

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

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

4. Coega Development Corporation (Pty) Ltd - Claim amount: R4,774,394 (2023: R4,774,394)

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

5. LONA Citrus (Pty) Ltd - Claim amount: R26,851,227 (2023: R26 851 227)

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

6. Slip Knot Investments (Pty) Ltd - Claim amount: R22,833,009 (2023: R22,833,009)

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

Notes to the Annual Financial Statements

	2024	2023 Restated *
	R	R

7. ENZA Construction (Pty) Ltd - Claim amount: R662,113 excl. VAT @11.25 from 5 Dec 2020 to date of payment (2023: R43,548,910 + R50,666,432)

ENZA Construction (Pty) Ltd instituted legal proceedings (combined summons) against MEGA as 1st Defendant and the Department of Public Works as 2nd Defendant for breach of contract with regards to provision of professional engineering/construction services at the Mpumalanga International Fresh Produce Market. MEGA's contention is that the contract was ceded to Public Works through an agreement that was signed on 14 March 2023 hence, MEGA should not be enjoined on the matter. MEGA together with Public Works have since filed court papers defending the matter. A notice of set-down has been issued and the matter will be heard at the High Court on a date yet to be determined.

The Contingencies could not be reliably estimated by Management, therefor the summons has been relied upon.

Notes to the Annual Financial Statements

	2024 R	2023 Restated * R

32. Related parties

Relationships

Associates	Refer to note 8
Board members and key management emoluments	Refer to note 33
Close family member of key management (Key management being MEGA officials part of Executive Management)	Mr ZL Dlabazama
Government departments (All government institutions are subject to the same accounting authority in terms of the sphere of government and are also under the same executive leadership and are therefore related parties to MEGA)	Department of Economic Development and Tourism Department of Arts and Culture Department of Human Settlements Department of Public Works Department of Trade and Industry Department of Education Deparment of Health Office of the Premier

Related party balances

	2024 R	2023 Restated * R
Loan accounts - Owing (to) by related parties		
Department of Agriculture, Forestry and Fisheries	(14 905 522)	(14 905 522)
Mr ZL Dlabazama	-	2 071 938
Dalamba Victorius Trading Enterprise and Projects (Pty)	11 182 730	10 390 461
Fuma Investments (Pty) Ltd	6 761 724	7 303 798
Amounts included in Trade receivable (Trade Payable) regarding related parties		
Department of Arts and Culture (Promoting Sports and Culture)	(3 054 273)	(3 054 273)
Office of the Premier (PYDF)	(51 773 544)	(26 636 655)
Department of Public Works (EPWP)	(32 082)	(247 480)
Department of Public Works	(841 137)	(841 137)
KaNgwane Anthracite (Pty) Ltd	492 558	492 558
Department of Economic Development and Tourism (MIFPM)	(24 088 397)	(24 088 397)
Department of Economic Development and Tourism	8 534 643	8 001 417
Department of Education - NSF Project	(100 231)	-
Department of Human Settlement	5 528 326	5 528 326
Amounts owed by client departments for Government Nutrition Programme		
Department of Education	-	802 107
Department of Health	-	169 673

Related party transactions

	2024 R	2023 Restated * R
Loans repaid		
Fuma Investments (Pty) Ltd	1 150 000	1 223 000
Dalamba Victorius Trading Enterprise and Projects (Pty)	70 000	-
Grants received from		
Department of Economic Development and Tourism - Operational Grant	256 776 000	233 289 000
Department of Economic Development and Tourism - EPWP	1 108 000	1 500 000
Office of the Premier - PYDF	107 763 419	59 045 964
National Department of Education (NSF Project)	13 518 988	12 975 014
Department of Economic Development and Tourism - SEZ	2 894 519	4 614 073
Department of Economic Development and Tourism - Donkerhoek	1 982 500	-
Management fees received from related parties		
Office of the Premier - PYDF	2 885 341	2 559 830

Notes to the Annual Financial Statements

	2024 R	2023 Restated * R

33. Board members and key management emoluments

Board members

2024

Directors' emoluments	Directors' fees	Total
Mr TP Motau (Chairperson)	106 188	106 188
Ms DD Pule	162 444	162 444
Ms MM Mothoa	104 748	104 748
Mr CJ Pule	129 504	129 504
Mr JL Mahlangu	137 440	137 440
Ms N Lebambo	115 698	115 698
Mr DM Maimela	121 094	121 094
Ms NH Mkhumane	161 654	161 654
Mr MSK Masilela	59 356	59 356
Travel and Subsistence reimbursement	65 178	65 178
	1 163 304	**1 163 304**

2023

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

	2024	2023 Restated *
	R	R

33. **Board members and key management emoluments (continued)**

Key management

2024

Key management emoluments	**Emoluments**	**Total**
Mr MI Mahlangu (CEO)	3 659 163	3 659 163
Mr ZS Macu	2 535 573	2 535 573
Mr E Nyathikazi	2 463 035	2 463 035
Adv SP Morgan	2 332 537	2 332 537
Mr MS Mkhabela	2 548 825	2 548 825
Ms RF Masuku	2 030 300	2 030 300
Ms CM Nkambule	1 137 100	1 137 100
Ms CA Nkuna	1 463 429	1 463 429
Mr TS Nobela	2 522 339	2 522 339
Travel and Subsistence reimbursement	480 789	480 789
	21 173 090	**21 173 090**

2023

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

	2024 R	2023 Restated * R

34. Prior period restatements

During the current financial year the following retrospective restatements have been made due to the significant nature of the adjustments. These corrections resulted in the following adjustments:

Statement of financial position

Trade and other payables	
Balance previously reported	353 936 204
Accruals not accounted for in previous year	1 500 632
	355 436 836
Property, plant and equipment	
Balance previously reported	403 826 384
Accumulated depreciation adjustments - RUL corrections for 2023	(97 194)
Accumulated depreciation adjustments - RUL corrections in the prior years	4 882 646
	408 611 836
Right-of-use assets	
Balance previously reported	260 759 014
Reversal of 2023 audit adjustment	2 118 667
	262 877 681
Intangible assets	
Balance previously reported	8 433 901
Accumulated depreciation adjustments - RUL corrections for 2023	1 894
Accumulated depreciation adjustments - RUL corrections in the prior years	1 856
	8 437 651
Lease liabilities	
Balance previously reported	269 841 121
Reversal of 2023 audit adjustment	2 262 716
	272 103 837
Retained income	
Balance previously reported 1 April 2022	641 412 012
Depreciation adjustments - RUL corrections in the prior years (PPE)	4 882 647
Depreciation adjustments - RUL corrections in the prior years (Intangible assets)	1 856
	646 296 515

Notes to the Annual Financial Statements

	2024	2023 Restated *
	R	R

34. Prior period restatements (continued)

Statement of Profit and Loss and other Comprehensive Income

	2024 R	2023 Restated * R
Other operating expenses		
Total as previously reported		344 897 699
Accounting for security services		1 118 812
Accounting for professional fees		381 820
Depreciation adjustments - RUL corrections		95 301
Reversal of audit adjustment - depreciation of right-of-use asset		54 325
		346 547 957

	2024 R	2023 Restated * R
Finance costs		
Total as previously reported		11 058 030
Reversal of audit adjustment - lease liabilities		89 724
		11 147 754

Notes to the Annual Financial Statements

		2024 R	2023 Restated * R	

35. Financial instruments and risk management

Categories of financial instruments

Capital risk management

The capital structure of the organisation consists of debt which includes the borrowings, cash and cash equivalents, unspent government grants and equity as disclosed in the statement of financial position.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Consistent with others in the industry, the entity monitors capital on the basis of the gearing ratio. The entity monitors capital using a debt to equity ratio, which is net debt divided by total capital plus net debt. The entity's policy is to keep the debt to equity ratio below 1:2. The entity includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and cash equivalents. Total equity is represented in the statement of financial position.

In order to achieve this overall objective, the entity's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call up loans and borrowings. There have been no breaches of the financial covenants of any interest bearing loans and borrowings in the current period.

The debt equity ratio of the entity at 31 March 2024 and 31 March 2023 respectively was as follows:

Borrowings	16	19 721 886	19 721 886	19 905 163
Lease liabilities		281 436 322	272 103 837	-
Trade and other payables	18	364 242 787	355 436 836	256 350 869
Total borrowings		**665 400 995**	**647 262 559**	**276 256 032**
Cash and cash equivalents	13	(86 914 089)	(58 867 210)	(58 333 256)
Net borrowings		**578 486 906**	**588 395 349**	**217 922 776**
Equity		638 202 744	638 271 212	751 980 877
Gearing ratio		91 %	92 %	30 %

	2024	2023 Restated *
	R	R

35. Financial instruments and risk management (continued)

Financial risk management

Overview

The principal financial liabilities comprise loans and borrowings, trade and other payables, and unspent conditional grants. The main purpose of these financial liabilities is to finance the operations. The principal financial assets include loans and receivables, trade and other receivables, and cash and cash equivalents that arrive directly from its operations.

The entity is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk (currency risk, interest rate risk and price risk).

The entity's senior management oversees the management of these risks. The entity's senior management is supported by a financial risk committee that advises on financial risks and the appropriate financial risk governance framework for the entity. The financial risk committee provides assurance to the entity's senior management that the entity's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with entity policies and entity risk appetite. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

Credit risk

Credit risk is the risk of financial loss to the entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The entity is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institution and other financial instruments.

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

Customer credit risk is managed by the risk control unit subject to the entity's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. Outstanding customer receivables are regularly monitored.

The requirement for an impairment is analysed at each reporting date on an individual basis. The calculation is based on actual incurred historical data. The entity does not hold collateral as security. The entity evaluates the concentration of risk with respect to trade receivables as high due to the volatility of the current market conditions.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

35. Financial instruments and risk management (continued)

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

		2024			2023			2022		
		Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value
Other financial assets	10	156 141 019	(110 138 452)	46 002 567	175 720 201	(129 551 851)	46 168 350	189 851 928	(151 180 063)	38 671 865
Trade and other receivables	11	226 071 459	(175 000 469)	51 070 990	286 167 224	(233 923 410)	52 243 814	409 907 783	(370 048 246)	39 859 537
Cash and cash equivalents	13	86 914 405	-	86 914 405	58 867 211	-	58 867 211	58 333 256	-	58 333 256
		469 126 883	**(285 138 921)**	**183 987 962**	**520 754 636**	**(363 475 261)**	**157 279 375**	**658 092 967**	**(521 228 309)**	**136 864 658**

	2024	2023 Restated *
	R	R

35. Financial instruments and risk management (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash deposits and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions.

At the end of the reporting period the entity held deposits of R86 908 382 (2023: R58 864 418) that are expected to readily generate cash inflows for managing liquidity risk. Due to the dynamic nature of the underlying entity, the finance committee maintains flexibility in funding by managing availability under committed credit lines.

The entity's objective is to maintain a balance between continuity of funding and flexibility through the use of loans and borrowings. Based on the carrying value of borrowings reflected in the financial statement, 76% of the entity's debt will mature in less than one year at 31 March 2024 (2023: 76%). The entity assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available.

The table below analyses the company's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

2024

		Carrying amount
Non-current liabilities		
Borrowings	16	4 816 364
Lease liabilities		262 402 591
Current liabilities		
Trade and other payables		364 242 787
Borrowings	16	14 905 522
Lease liabilities		19 033 731
		(665 400 995)

2023

		Carrying amount
Non-current liabilities		
Borrowings	16	4 816 364
Lease liabilities		254 480 012
Current liabilities		
Trade and other payables	18	355 436 836
Borrowings	16	14 905 522
Lease liabilities		17 623 825
		(647 262 559)

	2024	2023 Restated *
	R	R

35. **Financial instruments and risk management (continued)**

2022

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

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The entity's exposure to the risk of changes in foreign exchange rates relates primarily to lemon export sales of R0.00 (2023: R4 757 792). The lemons are sold to the Middle East through an export sales agent. The export sales agent sells the lemons in US dollars. The entity receives the rand equivalent less the agent fees.

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

Interest rate risk

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

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

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

Price risk

Commodity price risk

The company's operating activities involve leasing of residential and industrial properties, housing, agricultural and SMME financing and sale of lemons and wines. The nature of the products are such that they are not significantly affected by volatility as they are not volatile in nature.

Equity price risk

The entity's unlisted shares are susceptible to market-price risk arising from uncertainties about future values of the investment. The organisation manages the equity price risk by limiting such investment to shares necessary to carry out its agricultural activities.

At the reporting date, the exposure to unlisted shares at fair value was only limited to R2 275 (2023: R47 125) therefore any significant change in the price will have an insignificant impact on MEGA.

	2024	2023 Restated *
	R	R

35. Financial instruments and risk management (continued)

The remainder of the balance amounting to R1 539 098 (2023: R1 539 098) is not exposed to market-price risk as the shares relating to Afgri Limited and Capespan Group Limited will be bought back at a fixed price.

Notes to the Annual Financial Statements

	2024	2023 Restated *
	R	R

36. Going concern

The directors believe that the entity has adequate financial resources which include the collections from MEGA's property portfolio and the receipts of Government grants to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis.

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

1. Losses for the year

The losses for the year are mainly atrributed by the inability of the entity to collect its revenue. The following measures have been put in place to improve revenue collection:

- Long overdue accounts are also handed over to the MEGA Legal Division for collection and/or evictions.
- Regarding municipal services, the Entity is implementing stringent measures to ensure that, overdue accounts are effective managed. This include continuous assessment on Debtors payments and implementation of disconnection measures to Debtors who are not paying.

2. Net current liability position

The R364 million for trade and other payables includes amongst other payables, the outstanding account with the City of Tshwane with a balance of around R271 million. The entity will ensure that, trade and other payables (except for the City of Tshwane outstanding account) are settled during 2024/25 financial year.

The following mitigations are in place to deal with the city of Tshwane outstanding account:

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

3. The debt-to-asset ratio and debt-to-equity ratio

The increase in the amount of debt in relation to assets is mainly the result of the significant increase in current trade payables. The entity is in a process to deal with the City of Tshwane outstanding municipal account. The account has a balance of R271 million and the only account resulting in the entity having a negative cash flow from operations.

The following mitigations are in place to deal with the City of Tshwane outstanding account:

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

4. Inability to collect revenue as indicated by the high loss allowance

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

- Long overdue account are handed over to MEGA Legal Division for collection
- Regarding municipal services, the Entity is implementing stringent measures to ensure that, overdue accounts relating are effective managed. This include continuous assessment on Debtors payments and implementation of disconnection measures to Debtors who are not paying.

5. High balance of creditors as a percentage of cash and cash equivalents (including the creditor-payment period)

The entity is going to ensure that, all outstanding payables are settled during 2024/25 financial year, except for the City of Tshwane outstanding municipal account. The outstanding municipal account will be address in accordance with item 3 above, under the heading "The debt-to-asset ratio and debt-to-equity ratio".

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

	2024	2023 Restated *
	R	R

37. Events after the reporting period

On Monday, 01 April 2024, the entity entered into an agreement with Property Solutions at the White House CC to assist with the facilities and utilities management of the Ekandustria Industrial Park. The agreement is for a period of three years. It is anticipated that the appointed company will turn the financial and operational performance of the park around. Responsibilities of the service provider include management of monthly rental and service charges and collections; preparation of account statements and invoicing; collection of deposits and ancillary costs; undertaking financial accounting and reporting (pertaining to the Park); undertaking income, expense, and capital budgeting; identifying expansion, upgrade, and refurbishment opportunities; managing and leasing of vacancies; undertaking lease renewals; managing maintenance within the park; undertaking periodical assessment of conditions of buildings and infrastructure; facilitating solid waste disposal; and cleaning and landscaping the Park.

The MEGA Board approved the write-off and derecognition of Investments at fairvalue at the Board sitting of the 30th of April 2024. The write-off results from the limitation of share certificates which should confirm the existence of MEGA's investment.

Mpumalanga Economic Growth Agency (MEGA)
Annual Financial Statements for the year ended 31 March 2024

Notes to the Annual Financial Statements

	2024 R	2023 Restated * R

38. Fruitless and wasteful expenditure

Current year expenditure incurred	95 204	101 907

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

39. Irregular expenditure

Current year expenditure incurred	18 141 861	16 942 446

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

40. Deviations from Supply Chain Management Regulations

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

Variation order	-	26 000
Single sourcing of quotations due to emergencies	-	446 020
Sole supplier	4 131 555	3 129 351
Impractical SCM processes	-	74 417
	4 131 555	**3 675 788**

Mpumalanga Economic Growth Agency (MEGA)

Annual Financial Statements for the year ended 31 March 2024

Detailed Statement of Profit or Loss

	Note(s)	2024 R	2023 Restated * R
Revenue			
Municipal services		101 016 276	78 786 151
Interest income (Trading)		6 196 392	45 593 922
Rental income		38 931 894	42 916 504
Sale of lemons - export		-	4 757 792
Sale of lemons - local		7 490	664 765
	21	**146 152 052**	**172 719 134**
Cost of sales			
Opening stock		(1 480 484)	(1 831 842)
Purchases		(87 185 162)	(121 987 195)
Closing stock		2 185 188	1 480 484
Cost of sales for agricultural activities		(206 697)	(4 212 199)
	22	**(86 687 155)**	**(126 550 752)**
Gross profit		**59 464 897**	**46 168 382**
Other operating income			
Administration and management fees received		91 730	77 515
Management fees received		2 887 681	1 989 830
Fees earned		1 039 590	551 596
Reversal of impairment		46 000	19 000
Government grants		228 559 054	207 288 016
Operating cost income		4 217 916	5 688 909
Recoveries		2 038 570	123 256
	23	**238 880 541**	**215 738 122**
Other operating gains (losses)			
Gains (losses) on disposal of assets or settlement of liabilities		7 995 223	(42 666 081)
Fair value gains (losses)		6 255 692	(5 657 812)
	24	**14 250 915**	**(48 323 893)**
Expenses (Refer to page 86)		**(317 785 690)**	**(346 547 957)**
Operating/ (loss) profit	25	**(5 189 337)**	**(132 965 346)**
Investment income	27	5 910 747	2 095 451
Finance costs	28	(27 114 405)	(11 147 754)
Income from equity accounted investments		(375 004)	848 524
Loss for the year		**(26 767 999)**	**(141 169 125)**

Mpumalanga Economic Growth Agency (MEGA)

Annual Financial Statements for the year ended 31 March 2024

Detailed Statement of Profit or Loss

	Note(s)	2024 R	2023 Restated * R
Other operating expenses			
Advertising		(1 275 765)	(1 609 221)
Amortisation		(1 909)	(1 910)
Auditor's remuneration	25	(12 515 973)	(12 676 889)
Bad debts		(14 808 484)	(67 179 535)
Bank charges		(103 013)	(143 272)
Cleaning		(820 003)	(129 289)
Computer expenses		(6 944 035)	(4 744 840)
Consulting and professional fees		(16 762 809)	(15 804 417)
Legal fees		(8 187 751)	(4 060 967)
Depreciation		(33 397 900)	(24 363 328)
Donations		(5 990)	-
Employee costs	26	(141 191 760)	(138 102 102)
Entertainment		(270 934)	(780 060)
Grant expenditure		(4 217 916)	(6 120 656)
COVID 19 expenditure _ PPE		-	(23 000)
Other farming expenses		(168 639)	(97 849)
Gifts		(7 776)	-
Impairment		(1 055 088)	(1 284 574)
Insurance		(8 671 330)	(7 498 992)
Leases of low value assets		(867 913)	(3 086 791)
Short-term leases		(315 074)	(286 927)
Levies		(278 623)	(230 492)
Motor vehicle expenses		(42 397)	(70 764)
Municipal expenses		(21 969 653)	(18 273 351)
Other expenses		(3 917 149)	(2 703 716)
Postage		(32 399)	(38 108)
Printing and stationery		(255 889)	(615 711)
Protective clothing		(41 265)	(6 935)
Repairs and maintenance		(7 271 235)	(2 770 052)
Security		(28 269 955)	(27 340 377)
Staff welfare		(87 604)	(492 174)
Subscriptions		(1 251 232)	(1 118 273)
Telephone and fax		(30)	(1 638 275)
Training		(934 356)	(653 077)
Transport and freight		(10 444)	(949 889)
Travel - local		(1 612 810)	(1 652 144)
Travel - overseas		(220 587)	-
		(317 785 690)	**(346 547 957)**

2024

ANNUAL REPORT

ABOUT MEGA

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

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