

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

“Eastern Cape from Above”

Initiated by ECDC and running from May to November 2009, this world-class photographic exhibition promoting business and tourism opportunities in the Eastern Cape has attracted up to 28 000 visitors per week in host countries Germany, Belgium, Portugal, Sweden and France.



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CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

BALANCE SHEET

	Note(s)	Group		Company	
		2009 R' 000	2008 R' 000	2009 R' 000	2008 R' 000
ASSETS					
Non-current assets					
Investment property	2	927,336	712,839	511,960	481,389
Property, plant and equipment	3	540,219	566,728	19,054	19,272
Investments in subsidiaries	4	-	-	26,119	26,071
Investments in associates	5	45,780	6,094	36,985	3,000
Loans to group companies	6	-	33,765	26,412	55,297
Investments	7	151,847	144,173	151,153	143,450
Deferred tax	8	1,120	1,125	-	-
Loans advanced	9	111,084	56,190	111,069	56,177
		1,777,386	1,520,914	882,752	784,656
Current assets					
Current tax receivable		1,913	246	-	-
Trade and other receivables	10	63,024	34,899	32,140	14,322
Loans advanced	9	103,649	52,079	103,649	52,079
Cash and cash equivalents	11	452,084	435,364	254,500	304,110
		620,670	522,588	390,289	370,511
Total assets		2,398,056	2,043,502	1,273,041	1,155,167
EQUITY AND LIABILITIES					
Equity - equity attributable to equity holders of parent					
Share capital	12	298,683	270,870	298,683	270,870
Reserves	13	741,450	700,039	722,415	680,450
Accumulated loss		(16,504)	(36,799)	(52,724)	(81,354)
Minority interest		3,454	6,392	-	-
		1,027,083	940,502	968,374	869,966
LIABILITIES					
Non-current liabilities					
Loans from group companies	6	-	-	27,771	56,623
Interest bearing borrowings	14	16,139	17,601	16,080	17,601
Retirement benefit obligation	15	16,004	10,756	16,004	10,756
Deferred income	16	526,931	675,689	-	-
Deferred tax	8	-	1,925	-	-
		559,074	705,971	59,855	84,980
Current liabilities					
Interest bearing borrowings	14	1,495	1,483	1,483	1,483
Current tax payable		-	4,260	-	-
Trade and other payables	17	100,699	58,856	29,678	23,633
Deferred income	16	520,385	188,643	30,508	37,495
Project grants	18	189,320	143,787	183,143	137,610
		811,899	397,029	244,812	200,221
Total liabilities		1,370,973	1,103,000	304,667	285,201
Total equity and liabilities		2,398,056	2,043,502	1,273,041	1,155,167

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INCOME STATEMENT

	Note(s)	Group		Company	
		2009 R' 000	2008 R' 000	2009 R' 000	2008 R' 000
Revenue	19	94,572	92,973	70,432	72,211
Other income		20,329	13,781	18,698	11,225
Government grants		147,127	110,270	68,552	54,094
Operating expenses		(301,481)	(250,311)	(201,448)	(179,208)
Operating loss	20	(39,453)	(33,287)	(43,766)	(41,678)
Investment revenue	22	46,490	32,272	74,407	32,573
Fair value adjustments	23	46,771	61,243	41,965	49,870
Income from equity accounted investments		2,701	1,469	-	-
Gain on non-current assets held for sale or disposal groups		1,203	-	-	-
Finance costs	24	(1,579)	(2,672)	(2,011)	(2,850)
Profit before taxation		56,133	59,025	70,595	37,915
Taxation	25	3,633	(1,649)	-	-
Profit for the year		59,766	57,376	70,595	37,915
Attributable to					
Equity holders of the parent		58,578	57,352	70,595	37,915
Minority interest		1,188	24	-	-

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STATEMENT OF CHANGES IN EQUITY

GROUP	Share capital	Fair value adjustment assets available-for- sale reserve	Other NDR
	R' 000	R' 000	R' 000
Open balance as previously reported	239,373	-	572,910
Adjustments			
Prior year adjustments	-	-	-
Balance at 01 April 2007 as restated	239,373	-	572,910
Fair value gains transferred	-	-	53,946
Financial assets	-	74,173	-
Duplicate property derecognised	-	-	(750)
Reversal of loans	-	-	(240)
Net income (expenses) recognised directly in equity	-	74,173	52,956
Profit for the year	-	-	-
Total recognised income and expenses for the year	-	74,173	52,956
Issue of shares	31,497	-	-
Correction of tax provision	-	-	-
Change in degree of control	-	-	-
Total changes	31,497	74,173	52,956
Balance at 01 April 2008 as restated	270,870	74,173	625,866
Changes in equity			
Fair value gains	-	-	41,411
Net income (expenses) recognised directly in equity	-	-	41,411
Profit for the year	-	-	-
Total recognised income and expenses for the year	-	-	41,411
Issue of shares	27,813	-	-
Change in degree of control	-	-	-
Prior period correction	-	-	-
Dividends paid to minority	-	-	-
Total changes	27,813	-	41,411
Balance at 31 March 2009	298,683	74,173	667,277

Total reserves	Accumulated loss	Total attributable to equity holders of the group/company	Minority interest	Total equity
R' 000	R' 000	R' 000	R' 000	R' 000
572,910	(39,024)	773,259	6,371	779,630
-	(1,273)	(1,273)	-	(1,273)
572,910	(40,297)	771,986	6,371	778,357
53,946	(53,946)	-	-	-
74,173	-	74,173	-	74,173
(750)	-	(750)	-	(750)
(240)	-	(240)	-	(240)
127,129	(53,946)	73,183	-	73,183
-	57,352	57,352	24	57,376
127,129	3,406	130,535	24	130,559
-	-	31,497	-	31,497
-	92	92	-	92
-	-	-	(3)	(3)
127,129	3,498	162,124	21	162,145
700,039	(36,799)	934,110	6,392	940,502
41,411	(42,361)	(950)	-	(950)
41,111	(42,361)	(950)	-	(950)
-	58,578	58,578	1,188	59,766
41,411	16,217	57,628	1,188	58,816
-	-	27,813	-	27,813
-	-	-	(48)	(48)
-	3,295	3,295	(3,295)	-
-	783	783	(783)	-
41,411	20,295	89,519	(2,938)	86,581
741,450	(16,504)	1,023,629	3,454	1,027,083

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009: STATEMENT OF CHANGES IN EQUITY

	Share capital	Fair value adjustment assets available-for- sale reserve	Other NDR
	R' 000	R' 000	R' 000
CORPORATION			
Balance at 01 April 2007	239,373	-	559,892
Changes in equity			
Fair value gains transferred	-	-	47,368
Financial assets	-	74,180	-
Duplicate property derecognised	-	-	(750)
Loans reversed	-	-	(240)
Net income (expenses) recognised directly in equity	-	-	-
Profit for the year	-	-	-
Total recognised income and expenses for the year	-	74,180	46,378
Issue of shares	31,497	-	-
Total changes	31,497	74,180	46,378
Balance at 01 April 2008	270,870	74,180	606,270
Changes in equity			
Fair value gains transferred	-	-	41,965
Net income (expenses) recognised directly in equity	-	-	41,965
Profit for the year	-	-	-
Total recognised income and expenses for the year	-	-	41,965
Issue of shares	27,813	-	-
Total changes	27,813	-	41,965
Balance at 31 March 2009	298,683	74,180	648,235

Total reserves	Accumulated loss	Total attributable to equity holders of the group/company	Minority interest	Total equity
R' 000	R' 000	R' 000	R' 000	R' 000
559,892	(71,901)	727,364	-	727,364
47,368	(47,368)	-	-	-
74,180	-	74,180	-	74,180
(750)	-	(750)	-	(750)
(240)	-	(240)	-	(240)
120,558	(47,368)	73,190	-	73,190
-	37,915	37,915	-	37,915
120,558	(9,453)	111,105	-	111,105
-	-	31,497	-	31,497
120,558	(9,453)	142,602	-	142,602
680,450	(81,354)	869,966	-	869,966
41,965	(41,965)	-	-	-
41,965	(41,965)	-	-	-
-	70,595	70,595	-	70,595
41,965	28,630	70,595	-	70,595
-	-	27,813	-	27,813
41,965	28,630	98,408	-	98,408
722,415	(52,724)	968,374	-	968,374

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
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CASH FLOW STATEMENT

	Note(s)	Group		Company	
		2009 R' 000	2008 R' 000	2009 R' 000	2008 R' 000
CASH FLOW FROM OPERATING ACTIVITIES					
Cash used/generated in operations	26	187,037	211,183	(41,257)	(29,668)
Interest income		39,015	25,879	38,383	26,238
Dividends received		137	100	-	44
Finance costs		(1,579)	(2,672)	(2,011)	(2,850)
Tax paid	27	(1,697)	(299)	-	-
Net cash from operating activities		222,913	234,191	(4,885)	(6,236)
CASH FLOW FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment	3	(194,518)	(160,553)	(1,527)	(1,742)
Sale of property, plant and equipment	3	1,389	7	-	-
Sale of investment property	2	12,282	17,137	12,032	16,790
Loans advanced to group companies		-	(5,723)	(1,785)	-
Proceeds from loans from group companies		-	-	-	3,928
Purchase of financial assets		(10,080)	(4,490)	(10,127)	(4,493)
Sale of financial assets		630	600	600	600
Net loan disbursements		(115,745)	(7,624)	(115,743)	(7,623)
Completion of investment property		(178,777)	-	-	-
Completed infrastructure transferred to assets		206,810	-	-	-
Net cash from investing activities		(278,009)	(160,646)	(116,550)	7,460
CASH FLOW FROM FINANCING ACTIVITIES					
Proceeds on share issue	12	27,813	31,497	27,813	31,497
Repayment of interest bearing borrowings		(1,530)	(1,421)	(1,521)	(1,421)
Movement in project grants		45,533	(15,310)	45,533	(15,310)
Net cash from financing activities		71,816	14,766	71,825	14,766
Total cash movement for the year					
		16,720	88,311	(49,610)	15,990
Cash at the beginning of the year		435,364	347,053	304,110	288,120
Total cash at end of the year	11	452,084	435,364	254,500	304,110

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

ACCOUNTING POLICIES

1. PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated annual financial statements of the Eastern Cape Development Corporation have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice and in the manner required by the Public Finance Management Act (Act No. 1 of 1999, as amended) and the Eastern Cape Development Corporation Act. The consolidated annual financial statements have been prepared on the historical cost basis as modified by the revaluations of certain land and buildings, investment properties, available for sale financial assets and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of annual financial statements in conformity with South African Statements of Generally Accepted Accounting Practice requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 1.15.

The annual financial statements have been prepared in the Corporation's functional currency, the South African Rand.

These accounting policies are consistent with the previous period.

Underlying assumptions

The financial statements are prepared on the going concern basis, which assumes that the Corporation will continue in operation for the foreseeable future. The financial statements are prepared using accrual accounting whereby the effects of transactions and other events are recognised when they occur rather than when the cash is received or paid.

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

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

Recognition of assets and liabilities

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

Derecognition of assets and liabilities

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

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

Post-balance sheet events

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

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009: ACCOUNTING POLICIES

1.1 Investment property

Investment property is held for long-term rental yields or for capital appreciation or both and comprises properties not occupied by the Group. Hotel buildings held by the Group are classified as investment property as the Group is not involved in the hotel operations. Investment properties are initially measured at cost, including transaction costs, and are subsequently stated at fair value determined by an independent sworn appraiser every third year.

Fair value

Subsequent to initial measurement investment property is measured at fair value. A gain or loss arising from a change in fair value is included in net profit or loss for the period in which it arises. Fair value gains and losses are transferred from accumulated surplus to reserves.

1.2 Property, plant and equipment

Property, plant and equipment are depreciated on a straight line basis at rates that will reduce the gross carrying amount to estimated residual values over the expected useful lives of the assets. Property, plant and equipment acquired under finance lease agreements are capitalised. Such assets are depreciated on a straight line basis at rates considered appropriate to reduce capitalised cost to estimated residual values over the expected useful lives of the assets. Lease finance charges are amortised over the duration of the finance leases using the effective interest rate method.

The expected useful lives of the assets are as follows:

Item	Average useful life
Land	Indefinite
Buildings and infrastructure	25-50 years
Plant and machinery	4 years
Furniture and fixtures	6-10 years
Motor vehicles	4-5 years
Office equipment	4-5 years
IT equipment	3 years
Computer software	3 years
Other property, plant and equipment	5 years

Land is not depreciated as it is deemed to have an infinite life. The residual value and the useful life of each asset are reviewed at each financial period-end.

On initial recognition, property, plant and equipment is measured at cost. The cost of buildings and infrastructure includes all direct building costs, allocated overhead costs and capitalised borrowing costs. Subsequent to initial recognition, costs incurred to add to, replace part of, or perform major services are included in the cost of an item of property, plant and equipment. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Land and buildings and infrastructure are carried at revalued amounts. All other classes of property, plant and equipment are carried at cost.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

If an asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to equity under the heading of revaluation reserve. However, the surplus 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. If an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in profit or loss. However, the decrease is debited directly to equity under the heading of revaluation reserve to the extent of any credit balance existing in the revaluation reserve in respect of that asset.

Where the carrying amount of an asset is greater than its estimated market value, it is written down to its market value.

1.3 Investments in subsidiaries

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

Consolidated annual financial statements

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

Corporation annual financial statements

In the Corporation's separate annual financial statements, investments in subsidiaries are carried at cost less any accumulated impairment.

The cost of an investment in a subsidiary is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Corporation; plus
- any costs directly attributable to the purchase of the subsidiary.

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

1.4 Investments in associates

Associates are entities, including unincorporated partnerships and companies without a share capital, over which the Group exercises significant influence.

Consolidated annual financial statements

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

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

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

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

The excess of cost of acquisition over the Group's interest in the net fair value of an associate's identifiable assets, liabilities and contingent liabilities is accounted for as goodwill, and is included in the carrying amount of the associate.

The excess of the group's share of the net fair value of an associate's identifiable assets, liabilities and contingent liabilities over the cost is excluded from the carrying amount of the investment and is instead included as income in the period in which the investment is acquired.

Corporation annual financial statements

Associate companies are those companies in which the Corporation holds a long-term equity interest and over which it exercises a significant influence over its financial and operating policies, other than investments in companies acquired to protect advances or as a conduit for advances.

The investments in associate companies are initially recorded at cost. Subsequent to initial recognition, the investment in the associate is carried at fair value as an available-for-sale financial asset in accordance with the accounting policy on financial assets. If fair value cannot be measured reliably, the investment is carried at cost. An appropriate provision is made where there is considered to be a permanent diminution in the value of the investment.

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009: ACCOUNTING POLICIES

1.5 Impairment of assets

An impairment loss on an asset or cash-generating unit is the amount by which the carrying amount, i.e. the amount recognised on the balance sheet after deducting any accumulated depreciation and accumulated impairment losses, exceeds its recoverable amount. The recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. Value in use is the present value of future cash flows expected to be derived from an asset or cash-generating unit.

At each reporting date the carrying amount of the tangible and intangible assets are assessed to determine whether there is any indication that those assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of the cash-generating unit to which the asset belongs is estimated. Value in use is estimated taking into account future cash flows, forecast market conditions and the expected useful lives of the assets.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount is reduced to the higher of its recoverable amount and zero. Impairment losses are recognised in profit or loss. The loss is first allocated to reduce the carrying amount of goodwill and then to the other assets of the cash-generating unit. Subsequent to the recognition of an impairment loss, the depreciation or amortisation charge for the asset is adjusted to allocate its remaining carrying value, less any residual value, over its remaining useful life.

If an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, limited to the carrying amount that would have been recognised had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised in profit or loss. Impairments to goodwill are not reversed in subsequent accounting periods.

1.6 Financial instruments

Financial assets

Recognition and measurement

The group classifies its investments into the following categories:

- financial assets at fair value through income;
- available-for-sale financial assets;
- loans and receivables;
- held-to-maturity financial assets.

a) Financial assets at fair value through profit or loss

A financial asset is classified as held-for-trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

b) Financial assets held-to-maturity

Investments with fixed maturity that the Group has the intent and ability to hold to maturity are classified as investments held-to-maturity and are included within non-current assets.

c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

d) Available-for-sale financial assets

Financial assets classified by the Group as available-for-sale financial assets are generally strategic investments held for an indefinite period of time, or financial assets that are not classified in the other three categories.

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes party to the contractual provisions of the instrument.

Financial assets are initially measured at fair value plus transaction costs. However, transaction costs in respect of financial assets classified as at fair value through profit or loss are expensed.

Investments classified as held to maturity are measured at amortised cost less any impairment losses recognised.

Available-for-sale financial assets are measured at fair value with gains or losses being recognised directly in equity. Fair value, for this purpose, is market value if listed or a value arrived at by using appropriate valuation models if unlisted. Impairment losses are recognised in profit or loss when there is objective evidence that the asset is impaired. Any reversal of impairment losses is recognised directly in equity.

Loans advanced are stated at the outstanding capital amount and accrued interest after deduction of amounts which, in the opinion of the directors, are required as specific impairment allowances. Specific impairment

allowances are made against identified doubtful advances. The aggregate impairment allowances, which are made during the year, less amounts released and recoveries of advances previously written off are charged to the income statement. Irrecoverable advances are written off as irrecoverable when the extent of the loss has been confirmed.

Cash and cash equivalents are measured at fair value, with changes in fair value being recognised in profit or loss.

Financial liabilities

Financial liabilities are initially measured at fair value plus transaction costs. However, transaction costs in respect of financial liabilities classified as at fair value through profit or loss are expensed.

Financial liabilities that are not designated on initial recognition as at fair value through profit or loss are measured at amortised cost. Financial liabilities that are designated on initial recognition as at fair value through profit or loss are measured at fair value, with changes in fair value being recognised in profit or loss.

1.7 Share capital and equity

Ordinary share capital, preference share capital or any financial instrument issued by the group is classified as equity when:

- payment of cash, in the form of a dividend or redemption, is at the discretion of the group;
- the instrument does not provide for the exchange of financial instruments under conditions that are potentially unfavourable to the group;
- settlement in the group's own equity instruments is for a fixed number of equity instruments at a fixed price; and
- the instrument represents a residual interest in the assets of the group after deducting all of its liabilities.

The group's ordinary share capital is classified as equity.

Consideration paid or received for equity instruments is recognised directly in equity. Equity instruments are initially measured at the proceeds received less incremental directly attributable issue costs. No gain is recognised in profit or loss on the purchase, sale, issue or cancellation of the group's equity instruments.

When the group issues a compound instrument, i.e. an instrument that contains both a liability and equity component, the equity component is initially measured at the residual amount after deducting from the fair value of the compound instrument the amount separately determined for the liability component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components of the instrument in proportion to the allocation of proceeds.

Distributions to holders of equity instruments are recognised as dividends within equity in the period in which they are payable. Dividends for the year that are declared after the balance sheet date are disclosed in the notes.

1.8 Government grants and deferred income

Government includes government agencies and similar bodies whether local, national or international. Government assistance is action by government designed to provide an economic benefit specific to an entity or range of entities qualifying under certain criteria. A government grant is assistance by government in the form of transfers of resources.

When the conditions attaching to government grants have been met and the grants have been received, they are recognised in profit or loss on a systematic basis over the periods necessary to match them with the related costs. When they are for expenses or losses already incurred, they are recognised in profit or loss immediately. The unrecognised portion of project spend at the balance sheet date is presented as deferred income. No value is recognised for other government assistance.

Government grants are recognised when there is reasonable assurance that:

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

Government grants are recorded as deferred income when they become receivable and are then recognised as income on a systematic basis over the periods necessary to match the grants with the related costs, which they are intended to compensate.

Government grants related to assets, including non-monetary grants at fair value, are presented in the balance sheet by setting up the grant as deferred income.

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009: ACCOUNTING POLICIES

1.9 Project grants

The grants received and associated expenditure are not included in the income statement of the Group but transferred directly to individual project fund accounts, which are reflected as a current liability. Interest received on the funds is accounted for in the fund account unless the Group is entitled thereto according to the agreement. The funds are applied to either specific expenditure as directed by the funder or in terms of the agreement with the funder.

1.10 Provisions

Provisions are recognised when:

- the Group 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;
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the Group settles the obligation. The reimbursement is 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.

When the Group has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision.

1.11 Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods, services and operating lease income provided in the normal course of business, net of value added tax.

Interest is recognised, in profit or loss, using the effective interest rate method.

Operating lease income is recognised as income on a straight-line basis over the lease term or another systematic basis, if more representative of the time pattern of the user's benefit.

Dividends are recognised, in profit or loss, when the Group's right to receive payment has been established.

1.12 Employee benefits

Short-term employee benefits

Employee benefits' cost include all forms of consideration given in exchange for services rendered by employees. The cost of providing employee benefits is recognised in profit or loss in the period they are earned by employees. The cost of short-term employee benefits is recognised in the period in which the service is rendered and is not discounted.

The expected cost of short-term accumulating compensated absences is recognised as an expense as the employees render service that increases their entitlement or, in the case of non-accumulating absences, when the absences occur. The expected cost of performance bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Post-employment benefit obligations

The cost of providing defined benefits is determined using the projected unit credit method. Valuations are conducted annually. The amount recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses.

1.13 Leases

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

Operating leases – lessee

Rentals payable under operating leases are recognised in profit or loss on a straight-line basis over the term of the relevant lease, or another basis if more representative of the time pattern of the Group's benefit. Any contingent rents are expensed in the period they are incurred.

1.14 Tax

Current tax

The charge for current tax is based on the results for the year as adjusted for income that is exempt and expenses that are not deductible using tax rates that are applicable to the taxable income.

Deferred tax

A deferred tax asset is the amount of income taxes recoverable in future periods in respect of deductible temporary differences, the carry forward of unused tax losses and the carry forward of unused tax credits.

A deferred tax asset is only recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised, unless specifically exempt. It is measured at the tax rates that have been enacted or substantially enacted at the balance sheet date and is not discounted.

A deferred tax liability is recognised for taxable temporary differences, unless specifically exempt, at the tax rates that have been enacted or substantially enacted at the balance sheet date and is not discounted. A deferred tax liability is the amount of income taxes payable in future periods in respect of taxable temporary differences. Temporary differences are differences between the carrying amount of an asset or liability and its tax base.

Deferred tax arising on investments in subsidiaries, associates and joint ventures is recognised except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

1.15 Key assumptions concerning the future and key sources of estimation

The financial statements are prepared in accordance with and comply with SA GAAP and its interpretations adopted by the Accounting Practices Board. In the preparation of the financial statements the corporation has assumed certain key sources of estimation in recording various assets and liabilities, as set out below.

Credit impairment of loans and advances

The Group adopted an incurred-loss approach to impairment in accordance with accounting policy 1.6. Impairment losses are incurred only if there is objective evidence of impairment as a result of one or more past events that has occurred since initial recognition. This necessitates the establishment of 'impairment triggers' on the occurrence of which an impairment loss may be recognised.

Credit impairment is based on discounted estimated future cashflows on an asset or group of assets, where such objective evidence of impairment exists. The discount rates used to calculate the recoverable amount exclude consideration of any anticipated future credit losses.

The group has created a portfolio provision for incurred but not reported (IBNR) losses. The purpose of the IBNR provision is to allow for latent losses on a portfolio of loans and advances that have not yet been individually evidenced. Generally, a period of time will elapse between the occurrence of an impairment event and objective evidence of the impairment becoming evident, which is known as the 'emergence period'. The IBNR provision is based on the probability that loans that are ostensibly performing at the calculation date are impaired, and objective evidence of that impairment becomes evident during the emergence period.

The implementation of these principles is at a Corporation level and will be specific to the nature of their individual loan portfolios and the loan loss data available to the investment division.

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009: ACCOUNTING POLICIES

Provisions, contingent liabilities and contingent assets

The group, in the ordinary course of business, enters into transactions that expose the group to tax, legal and business risks. Refer to notes 28 and 29 for further information on provisions, contingent liabilities and contingent assets.

Fair value of investment properties

For valuation methodologies utilised to fair value investment properties, refer to note 2.

Unlisted investment valuations

The valuation of unlisted investments is based on the discounted free cash flows of the investments taking into account the projected future activities of the entity. These values are established either by independent valuers or management and are reviewed by the Development Investment Committee.

1.16 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings;
- weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- expenditures for the asset have occurred;
- borrowing costs have been incurred;
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

NOTES

2. INVESTMENT PROPERTY

	Group		Company	
	2009 R' 000	2008 R' 000	2009 R' 000	2008 R' 000
RECONCILIATION OF INVESTMENT PROPERTY - GROUP - 2009				
Reconciliation of movement				
Balance at beginning of year	712,839	671,689	481,389	449,962
Disposals	(13,137)	(16,297)	(12,897)	(15,957)
Additions resulting from capitalised subsequent expenditure	182,854	-	593	-
Fair value gain	43,870	57,431	41,965	47,368
Other movements	910	16	910	16
	927,336	712,839	511,960	481,389
Reconciliation of fair value gain to income statement				
Fair value gain per balance sheet	43,870	57,431	41,965	47,368
Compensation received for fair value loss on investment property	2,901	3,812	-	2,502
Fair value gain recognised in profit or loss (note 23)	46,771	61,243	41,965	49,870

These properties are situated throughout the Eastern Cape, with the majority of properties concentrated in the areas in and surrounding Mthatha, Butterworth, King William's Town, East London and Queenstown. The portfolio mainly consists of industrial, residential and commercial properties.

	Percentage	Value	Number
	R' 000	R' 000	R' 000
CORPORATION - 2009			
Type of properties			
Residential	48	244,002	558
Commercial	19	96,456	250
Vacant land	5	26,985	777
Industrial	25	126,115	193
Other	3	18,402	115
	100	511,960	1,893

CORPORATION - 2008			
Type of properties			
Residential	48	226,396	593
Commercial	21	103,469	257
Vacant land	6	29,104	813
Industrial	25	122,026	197
Other	-	394	73
	100	481,389	1,933

Investment properties were valued in terms of the accounting policy, which requires a value determined by a sworn appraiser every three years. Valuations are normally based on comparable sales in the area or on the income earning potential of the building.

Investment properties are subject to operating leases with tenants. No rental was charged on certain properties, mainly because the properties are vacant or undeveloped land or unoccupied buildings.

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009: NOTES

Freehold title is held by the Corporation for the majority of properties, but not for all. Properties for which freehold title is not held are recorded when they are managed by the Corporation and result in the receipt of economic benefits and rewards and when the Corporation incurs the risks incidental to ownership.

	Percentage	Value	Number
	R' 000	R' 000	R' 000
CORPORATION - 2009			
Corporation	81	417,044	1,689
Government	9	44,204	131
Tribal land	6	29,978	24
Municipality	4	20,734	49
	100	511,960	1,893
CORPORATION - 2008			
Corporation	80	384,947	1,729
Government	9	44,101	131
Tribal land	7	31,695	24
Municipality	4	20,646	49
	100	481,389	1,933

The categories of freehold title are further described as follows:

- **Corporation** - Freehold title is registered to the Corporation or one of the former corporations consolidated under the Corporation in terms of the Eastern Cape Development Corporation Act, No 2 of 1997, read with Proclamation 1 of 2001.
- **Government** - The title over land is registered to government. The Corporation is in the process of analysing the properties within this group, which comprise mainly entitlement in terms of Proclamation 1 of 2001 by the Premier of the Eastern Cape.
- **Tribal land** - This group comprises mainly of properties where the Corporation has assumed "Permission to Occupy". The majority of these properties are situated on forestry estates and hotels on the Wild Coast.
- **Municipality** - The title is registered to different municipalities within the Eastern Cape, but improvements have been made by the Corporation.

The Corporation's right to occupy properties to the value of R83.5 million (2008: R 83.3 million), included in the above, has not been reduced to writing. However, the Corporation has occupied these properties for a number of years and derives economic benefits from their use and carries the risks that are incidental to ownership.

The valuation method used to value these properties assumes that the Corporation has the right to occupy these properties and will receive economic benefits in perpetuity. In the unlikely event that the right of occupation is disputed or expires, the valuation of these properties may be overstated. In terms of the accounting policy these rights are assessed on an annual basis and adjustments may be effected to the valuation of these properties if necessary.

3. PROPERTY, PLANT AND EQUIPMENT

GROUP	2009			2008		
	Cost/ valuation	Accumulated depreciation	Carrying value	Cost/ valuation	Accumulated depreciation	Carrying value
	R' 000	R' 000	R' 000	R' 000	R' 000	R' 000
Land	21,914	-	21,914	17,186	-	17,186
Buildings	539,764	(29,425)	510,339	560,160	(19,043)	541,117
Leasehold property	80	(16)	64	-	-	-
Plant and machinery	1,986	(1,733)	253	1,986	(1,654)	332
Furniture and fixtures	2,584	(1,368)	1,216	2,502	(1,058)	1,444
Motor vehicles	1,330	(371)	959	557	(268)	289
Office equipment	814	(595)	219	862	(652)	210
IT equipment	11,945	(7,560)	4,385	10,246	(4,834)	5,412
Computer software	3,458	(3,298)	160	3,430	(3,046)	384
Other property, plant and equipment	2,805	(2,095)	710	2,419	(2,065)	354
Total	586,680	(46,461)	540,219	599,348	(32,620)	566,728

COMPANY						
	Cost/ valuation	Accumulated depreciation	Carrying value	Cost/ valuation	Accumulated depreciation	Carrying value
	R' 000	R' 000	R' 000	R' 000	R' 000	R' 000
Land	3,265	-	3,265	3,265	-	3,265
Buildings	15,527	(2,159)	13,368	15,452	(1,849)	13,603
Furniture and fixtures	1,653	(1,019)	634	1,598	(817)	781
Motor vehicles	97	(87)	10	97	(63)	34
Office equipment	487	(380)	107	569	(485)	84
IT equipment	4,685	(3,768)	917	4,016	(3,101)	915
Computer software	3,458	(3,298)	160	3,430	(3,046)	384
Other property, plant and equipment	1,635	(1,042)	593	1,247	(1,041)	206
Total	30,807	(11,753)	19,054	29,674	(10,402)	19,272

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - GROUP - 2009	Opening balance	Additions	Transfers and disposals	Depreciation	Impairment loss	Carrying value
	R' 000	R' 000	R' 000	R' 000	R' 000	R' 000
	Land	17,186	4,820	(92)	-	-
Buildings	541,117	186,413	(206,809)	(10,382)	-	510,339
Leasehold property	-	80	-	(16)	-	64
Plant and machinery	332	-	-	(79)	-	253
Furniture and fixtures	1,444	129	(16)	(325)	(16)	1,216
Motor vehicles	289	774	-	(104)	-	959
Office equipment	210	116	(6)	(100)	(1)	219
IT equipment	5,412	1,750	(41)	(2,743)	7	4,385
Computer software	284	28	-	(252)	-	160
Other property, plant and equipment	354	488	(5)	(127)	-	710
Total	566,728	194,598	(206,969)	(14,128)	(10)	540,219

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009: NOTES

(continued)

	Opening balance	Additions	Transfers and disposals	Depreciation	Impairment loss	Carrying value
	R' 000	R' 000	R' 000	R' 000	R' 000	R' 000
RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - GROUP - 2008						
Land	16,921	-	265	-	-	17,186
Buildings	395,725	154,827	935	(10,370)	-	541,117
Plant and machinery	42	312	-	(22)	-	332
Furniture and fixtures	983	778	-	(313)	(4)	1,444
Motor vehicles	370	40	-	(115)	(6)	289
Office equipment	321	54	-	(164)	(1)	210
IT equipment	3,594	4,483	-	(2,662)	(3)	5,412
Computer software	384	-	-	-	-	384
Other property, plant and equipment	608	59	(5)	(308)	-	354
	418,948	160,553	1,195	(13,954)	(14)	566,728

	Opening balance	Additions	Disposals, transfers and other movements	Depreciation	Carrying value
	R' 000	R' 000	R' 000	R' 000	R' 000
RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - COMPANY - 2009					
Land	3,265	-	-	-	3,265
Buildings	13,603	75	-	(310)	13,368
Furniture and fixtures	781	102	(16)	(233)	634
Motor vehicles	34	-	-	(24)	10
Office equipment	84	81	(6)	(52)	107
IT equipment	915	759	(41)	(716)	917
Computer software	384	28	-	(252)	160
Other property, plant and equipment	206	482	(3)	(92)	593
	19,272	1,527	(66)	(1,679)	19,054

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - COMPANY - 2008					
Land	3,000	-	265	-	3,265
Buildings	12,186	781	935	(299)	13,603
Furniture and fixtures	466	545	-	(230)	781
Motor vehicles	59	-	-	(25)	34
Office equipment	150	45	-	(111)	84
IT equipment	1,443	363	(1)	(890)	915
Computer software	1,214	-	-	(830)	384
Other property, plant and equipment	397	8	-	(199)	206
	18,915	1,742	1,199	(2,584)	19,272

A register containing the information required by paragraph 22(3) of Schedule 4 of the Companies Act is available for inspection at the registered office of the Corporation.

Land, buildings and infrastructure

Included in the carrying amount of the Group's buildings and infrastructure is East London Industrial Development Zone (Proprietary) Limited infrastructure of R 484 million (2008: R 514 million).

Land, buildings and infrastructure are valued by a sworn appraiser every three years. Valuations are normally based on comparable sales in the area or on the income earning potential of the building.

4. INVESTMENTS IN SUBSIDIARIES

	Group		Company	
	2009 R' 000	2008 R' 000	2009 R' 000	2008 R' 000
Investments in at cost			27,453	27,405
Impairments of investments			(1,334)	(1,334)
			26,119	26,071

Details of the Corporation's subsidiaries are disclosed under Supplementary Information (1).

5. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2009 R' 000	2008 R' 000	2009 R' 000	2008 R' 000
RECONCILIATION OF CARRYING AMOUNT				
Investments at cost	55,109	5,654	46,314	3,000
Impairment	(9,329)	-	(9,329)	-
Share of associates' earnings since acquisition	-	3,440	-	-
Share of associates' losses since acquisition	-	(3,000)	-	-
	45,780	6,094	36,985	3,000

BUSHMAN SANDS DEVELOPMENTS (PTY) LTD				
Assets	40,360	22,958	-	-
Liabilities	101	69,836	-	-
Revenue	360	16,998	-	-
Profit (Loss) for the period	259	(12,344)	-	-

The above information is based on management accounts of Bushman Sands Developments (Pty) Ltd for the year ended 31 March 2009. Bushman Sands Developments (Pty) Ltd disposed of its shareholding in Bushman Sands Hospitality (Pty) Ltd. The group now holds a 50% (2008: 20%) interest in the associate.

	Group		Company	
	2009 R' 000	2008 R' 000	2009 R' 000	2008 R' 000
HOLIDAY INN TRANSKEI (PTY) LTD				
Assets	23,041	18,203	-	-
Liabilities	6,168	6,477	-	-
Revenue	33,233	26,138	-	-
Profit for the period	5,148	3,006	-	-

The above information is based on the audited financial statements of Transkei Holiday Inn (Pty) Ltd for the year ended 31 March 2009. The group holds a 49.95% (2008: 49.95%) interest in the associate of which 9.95% (2008: 9.95%) is held by the Corporation.

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009: NOTES

6. LOANS TO (FROM) GROUP COMPANIES

	Group		Company	
	2009 R' 000	2008 R' 000	2009 R' 000	2008 R' 000
SUBSIDIARIES				
Eastern Cape Marketing Authority (Pty) Ltd (ECMA)	-	-	18	1
Centre for Investment and Marketing in the Eastern Cape (CIMEC) (Unsecured loan bearing interest at 10.76% per annum with no fixed terms of repayment)	-	-	11,787	10,564
Cimvest (Pty) Ltd	-	-	(4,507)	(4,893)
Transido (Pty) Ltd	-	-	82,078	82,051
Umtata Small Industries Complex (Pty) Ltd (USICO)	-	-	390	384
Transkei Share Investment Company Limited (INTRASHARE)	-	-	(15,779)	(47,961)
TDC Property Investments (Pty) Ltd	-	-	3,433	3,704
Transdev Properties (Pty) Ltd (Unsecured loan bearing interest at 16% per annum with no fixed terms of repayment)	-	-	(7,485)	(3,769)
Windsor Hotel (Pty) Ltd	-	-	1,012	462
Automotive Industrial Development Centre (AIDC)	-	-	2,000	2,001
Magwa Enterprise Tea (Pty) Ltd	3,756	3,345	3,756	3,345
Subtotal	3,756	3,345	76,703	45,889
Impairment of loans to subsidiaries	(3,756)	(18)	(78,062)	(77,653)
	-	3,327	(1,359)	(31,764)
ASSOCIATES				
Bushman Sands Developments (Pty) Ltd (The loan is secured by surety from the Mantis Group, bears interest at prime plus 1% and is repayable by 30 June 2012)	-	35,946	-	35,946
Worthytrade 93 (Pty) Ltd	4,333	4,333	4,333	4,333
Subtotal	4,333	40,279	4,333	40,279
Impairment of loans to subsidiaries	(4,333)	(9,841)	(4,333)	(9,841)
	-	30,438	-	30,438
Non-current assets	-	33,765	26,412	55,297
Non-current liabilities	-	-	(27,771)	(56,623)
	-	33,765	(1,359)	(1,326)

7. INVESTMENTS

	Group		Company	
	2009 R' 000	2008 R' 000	2009 R' 000	2008 R' 000
AVAILABLE FOR SALE				
Listed shares	694	723	-	-
Unlisted shares	89,914	87,804	89,914	87,804
Subtotal	90,608	88,527	89,914	87,804
Available for sale (impairments)	(6,779)	(5,034)	(6,779)	(5,034)
	83,829	83,493	83,135	82,770
HELD TO MATURITY				
Fixed Term Investments	55,140	48,789	55,140	48,789
Other Investments	12,878	11,891	12,878	11,891
	68,018	60,680	68,018	60,680
ANALYSIS OF AVAILABLE-FOR-SALE INVESTMENTS				
Listed shares at fair value	723	723	-	-
Unlisted shares at cost	8,106	7,770	8,135	7,770
Unlisted shares at fair value	75,000	75,000	75,000	75,000
	83,829	83,493	83,135	82,770
NON-CURRENT ASSETS				
Available for sale	83,829	83,493	83,135	82,770
Held to maturity	68,018	60,680	68,018	60,680
	151,847	144,173	151,153	143,450
The total amount of change in fair value recognised directly in equity (Note 13)	-	74,173	-	74,180

Investments to the value of R26 million (2008: R26 million) are pledged as security for interest bearing borrowings as per Note 14.

8. DEFERRED TAX

	Group		Company	
	2009 R' 000	2008 R' 000	2009 R' 000	2008 R' 000
DEFERRED TAX ASSET / (LIABILITY)				
Fair value gains in investment property	-	(1,925)	-	-
Unutilised tax credits	952	964	-	-
Other temporary differences	168	161	-	-
	1,120	(800)	-	-
Non-current assets	1,120	1,125	-	-
Non-current liabilities	-	(1,925)	-	-
	1,120	(800)	-	-

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009: NOTES

9. LOANS ADVANCED

	Group		Company	
	2009 R' 000	2008 R' 000	2009 R' 000	2008 R' 000
Loans advanced	344,416	210,173	344,401	210,160
Impairment allowance	(129,683)	(101,904)	(129,683)	(101,904)
	214,733	108,269	214,718	108,256

LOANS ADVANCED				
	Group		Company	
	2009 R' 000	2008 R' 000	2009 R' 000	2008 R' 000
Non-current assets	111,084	56,190	111,069	56,177
Current assets	103,649	52,079	103,649	52,079
	214,733	108,269	214,718	108,256

10. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2009 R' 000	2008 R' 000	2009 R' 000	2008 R' 000
Trade receivables	29,453	18,805	18,757	8,367
Prepayments	43	13	-	-
VAT	10,141	4,524	121	-
Other receivables	23,387	11,557	13,262	5,955
	63,024	34,899	32,140	14,322

ANALYSIS OF CARRYING AMOUNT OF TRADE RECEIVABLES				
	Group		Company	
	2009 R' 000	2008 R' 000	2009 R' 000	2008 R' 000
Gross carrying amount	235,615	212,886	196,408	174,084
Impairment allowance	(206,162)	(194,081)	(177,651)	(165,717)
	29,453	18,805	18,757	8,367

OTHER RECEIVABLES				
	Group		Company	
	2009 R' 000	2008 R' 000	2009 R' 000	2008 R' 000
Gross carrying amount	30,803	18,973	20,678	13,371
Impairment allowance	(7,416)	(7,416)	(7,416)	(7,416)
	23,387	11,557	13,262	5,955

11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash and cash equivalents include cash on hand, bank deposits, investments in money market instruments and comprise:

	Group		Company	
	2009 R' 000	2008 R' 000	2009 R' 000	2008 R' 000
Bank balances	213,516	137,190	15,932	5,936
Short-term deposits	238,568	298,174	238,568	298,174
	452,084	435,364	254,500	304,110
Committed to Projects (Note 18)	189,320	143,787	183,143	137,610

12. SHARE CAPITAL

	Group		Company	
	2009 R' 000	2008 R' 000	2009 R' 000	2008 R' 000
AUTHORISED				
50 billion "A" shares of 1 cent each	500,000	500,000	500,000	500,000
50 billion "B" shares of 1 cent each	500,000	500,000	500,000	500,000
	1,000,000	1,000,000	1,000,000	1,000,000
ISSUED				
"A" shares of 1 cent each	149,342	135,435	149,342	135,435
"B" shares of 1 cent each	149,341	135,435	149,341	135,435
	298,683	270,870	298,683	270,870
RECONCILIATION OF NUMBER OF SHARES ISSUED				
Reported as at 01 April 2008	270,870	239,373	270,870	239,373
Share capital received	27,813	31,497	27,813	31,497
	298,683	270,870	298,683	270,870

13. RESERVES

Pre-incorporation reserve

Pre-incorporation reserves represent the net book value of assets and liabilities transferred from previous corporations, adjusted for any changes in the value of these assets due to information which has been established during the current and prior years that refer to the value of assets taken over.

Property revaluation reserve

The property revaluation reserve represents the total revaluation of land and buildings and fair value adjustments on investment properties.

Fair value adjustment available-for-sale assets reserve

Fair value reserves comprise all fair value adjustments that are recognised directly in equity and/or transfers from retained earnings. When an asset or liability is derecognised, the portion of the fair value reserve relating to that asset or liability is transferred to profit or loss.

	Group		Company	
	2009 R' 000	2008 R' 000	2009 R' 000	2008 R' 000
Pre-incorporation reserve	377,324	377,324	384,265	384,265
Property revaluation reserve	289,953	248,542	263,970	222,005
Fair value adjustment on available-for-sale reserve	74,173	74,173	74,180	74,180
	741,450	700,039	722,415	680,450
ANALYSIS OF CARRYING VALUE FOR PROPERTY REVALUATION RESERVE				
Balance at beginning of year	248,542	194,595	222,005	174,636
Total fair value adjustment on investment properties transferred from retained earnings	41,411	53,947	41,965	47,369
	289,953	248,542	263,970	222,005

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009: NOTES

14. INTEREST BEARING BORROWINGS

	Group		Company	
	2009 R' 000	2008 R' 000	2009 R' 000	2008 R' 000
HELD AT AMORTISED COST				
Development Bank of Southern Africa	17,575	19,084	17,563	19,084
Finance lease	59	-	-	-
	17,634	19,084	17,563	19,084
NON-CURRENT LIABILITIES				
At fair value	16,139	17,601	16,080	17,601
CURRENT LIABILITIES				
At fair value	1,495	1,483	1,483	1,483

15. RETIREMENT BENEFIT OBLIGATION

Defined benefit plan

The Corporation provides retirement benefits to employees by contributing to the Eastern Cape Development Corporation pension fund. An actuarial valuation of the fund was conducted and the actuary found the fund to be in a sound financial position. The pension fund is governed by the Pension Funds Act, 1956.

Retirement benefit costs are expensed in the income statement as and when incurred. Furthermore, the Corporation is responsible for 50% of the contributions to medical aid funds of retired employees.

	Group		Company	
	2009 R' 000	2008 R' 000	2009 R' 000	2008 R' 000
POST RETIREMENT MEDICAL BENEFITS				
Present value of the defined benefit obligation	(18,073)	(14,092)	(18,073)	(14,092)
Net actuarial gains or losses not recognised	2,069	3,336	2,069	3,336
	(16,004)	(10,756)	(16,004)	(10,756)
CHANGES IN PRESENT VALUE				
Opening balance	10,756	9,656	10,756	9,656
Contributions by members	(195)	(180)	(195)	(180)
Net expense recognised in the income statement	5,443	1,280	5,443	1,280
	16,004	10,756	16,004	10,756
NET EXPENSE RECOGNISED IN THE INCOME STATEMENT				
Current service cost	847	538	847	538
Interest cost	1,260	742	1,260	742
Actuarial (gains) losses	3,336	-	3,336	-
	5,443	1,280	5,443	1,280

Past (accrued) and future service liability

	Group		Company	
	2009 R' 000	2008 R' 000	2009 R' 000	2008 R' 000
PRINCIPAL ACTUARIAL ASSUMPTIONS				
Health care cost inflation	8,25%	8%	8,25%	8%
Discount rate used	7,25%	9%	7,25%	9%
PRESENT VALUE OF ACCRUED LIABILITY				
Active members	15,018	11,295	15,018	11,295
CAWM's liability	3,055	2,797	3,055	2,797
	18,073	14,092	18,073	14,092
FUTURE SERVICE LIABILITY				
Active members	11,278	8,672	11,278	8,672
CONTRIBUTIONS TO POST EMPLOYMENT RETIREMENT BENEFIT FUND				
Employer	7,604	3,520	7,361	3,339
Employee	1,904	1,831	1,784	1,714
	9,508	5,351	9,145	5,053

16. DEFERRED INCOME

	Group		Company	
	2009 R' 000	2008 R' 000	2009 R' 000	2008 R' 000
Non-current liabilities	526,931	675,689	-	-
Current liabilities	520,385	188,643	30,508	37,495
	1,047,316	864,332	30,508	37,495
ANALYSIS PER GROUP COMPANY				
Eastern Cape Development Corporation	30,508	37,495	30,508	37,495
East London Industrial Development Zone (Pty) LTD (ELIDZ)	1,016,808	826,837	-	-
	1,047,316	864,332	30,508	37,495

Government grants are deferred to the extent that they are unspent.

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009: NOTES

17. TRADE AND OTHER PAYABLES

	Group		Company	
	2009 R' 000	2008 R' 000	2009 R' 000	2008 R' 000
Trade payables	58,538	25,843	771	607
VAT	6,289	5,201	-	468
Accrued leave pay	5,831	5,448	4,039	4,033
Accrued bonus	1,433	1,552	1,078	1,072
Accrued expenses	1,040	713	51	440
Provision for penalties and interest	-	450	-	-
Deposits received	1,115	1,316	-	-
Other payables	26,453	18,333	23,739	17,013
	100,699	58,856	29,678	23,633

18. PROJECT GRANTS

	Group		Company	
	2009 R' 000	2008 R' 000	2009 R' 000	2008 R' 000
Project grants	189,320	143,787	183,143	137,610

Details of project grants are presented under Supplementary Information (3).

19. REVENUE

	Group		Company	
	2009 R' 000	2008 R' 000	2009 R' 000	2008 R' 000
Rendering of services	3,629	4,433	-	-
Rental income	72,432	67,219	51,921	50,890
Interest on loans	18,511	21,321	18,511	21,321
	94,572	92,973	70,432	72,211

20. OPERATING LOSS

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

	Group		Company	
	2009 R' 000	2008 R' 000	2009 R' 000	2008 R' 000
OPERATING LEASE CHARGES				
Premises - Contractual amounts	2,266	1,743	1,690	1,931
Equipment - Contractual amounts	629	882	617	775
	2,895	2,625	2,307	2,706
(Loss) profit on sale of property, plant and equipment	(66)	1	(66)	-
(Loss) profit on sale of investment property	(855)	843	(865)	833
Loss on recognition of financial instruments	-	(142)	-	(142)
Gain on derecognition of liabilities	1,622	-	-	-
Impairment on property, plant and equipment	10	14	-	-
Impairment on investments	11,074	-	11,074	-
Impairment on loans to group companies	-	740	-	740
Reversal of impairment on loans to group companies	(8,509)	-	(5,509)	-
Impairment of loans advanced	16,537	21,471	16,537	21,471
Impairment on trade and other receivables	10,084	19,457	9,669	19,457
Reversal of impairment on trade and other receivables	(10,671)	-	(10,671)	-
Depreciation on property, plant and equipment	14,128	13,954	1,679	2,584
Employee costs	102,295	75,854	70,017	53,922
Direct property operating expenditure	56,042	40,088	48,081	38,498

21. AUDITORS' REMUNERATION

	Group		Company	
	2009 R' 000	2008 R' 000	2009 R' 000	2008 R' 000
Fees	1,664	1,599	1,381	1,376

22. INVESTMENT INCOME

	Group		Company	
	2009 R' 000	2008 R' 000	2009 R' 000	2008 R' 000
DIVIDEND INCOME				
Subsidiaries - Local	67	-	28,686	-
Associates - Local	70	101	-	44
	137	101	28,686	44
INTEREST INCOME				
Bank	39,015	25,879	38,383	26,237
Investment income	7,338	6,292	7,338	6,292
	46,353	32,171	45,721	32,529
Grand total	46,490	32,272	74,407	32,573

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009: NOTES

23. FAIR VALUE ADJUSTMENTS THROUGH PROFIT OR LOSS

	Group		Company	
	2009 R' 000	2008 R' 000	2009 R' 000	2008 R' 000
Investment property	46,771	61,236	41,965	49,870
Other financial assets - Fair value through profit or loss	-	7	-	-
	46,771	61,243	41,965	49,870

24. FINANCE COSTS

	Group		Company	
	2009 R' 000	2008 R' 000	2009 R' 000	2008 R' 000
Finance leases	18	-	-	-
Late payment of tax	(450)	44	-	-
Interest expense	2,011	2,628	2,011	2,850
	1,579	2,672	2,011	2,850

25. TAXATION

Major components of the tax (income) expense

	Group		Company	
	2009 R' 000	2008 R' 000	2009 R' 000	2008 R' 000
CURRENT				
Local income tax - current period	(3,208)	912	-	-
Local income tax - recognised in current tax for prior periods	1,495	-	-	-
	(1,713)	912	-	-

	Group		Company	
	2009 R' 000	2008 R' 000	2009 R' 000	2008 R' 000
DEFERRED				
Originating and reversing temporary differences	(1,953)	685	-	-
Arising from prior period adjustments	33	52	-	-
	(1,920)	737	-	-
	(3,633)	1,649	-	-

RECONCILIATION OF THE TAX EXPENSE - Reconciliation between accounting profit and tax expense				
	2009 R' 000	2008 R' 000	2009 R' 000	2008 R' 000
Accounting profit	56,133	59,025	70,595	37,915
Tax at the applicable tax rate of 28% (2008: 29%)	15,717	17,117	19,767	10,995

TAX EFFECT OF ADJUSTMENTS ON TAXABLE INCOME				
	2009 R' 000	2008 R' 000	2009 R' 000	2008 R' 000
Change in rate of tax	-	(8)	-	-
Other temporary differences	(12)	27	-	-
Fair value gains not subject to capital gains tax	-	(627)	-	-
Exempt income	(13,341)	(14,860)	(19,767)	(10,995)
Reversal of tax provision	(6,101)	-	-	-
Tax losses carried forward	12	-	-	-
Prior year's under-provision	92	-	-	-
	(3,633)	1,649	-	-

The Corporation has been granted exemption from South African normal taxation in terms of Section 10(1)(cA)(i) of the Income Tax Act.

26. CASH GENERATED FROM (USED IN) OPERATIONS

	Group		Company	
	2009 R' 000	2008 R' 000	2009 R' 000	2008 R' 000
Profit before taxation	56,133	59,025	70,595	37,915
ADJUSTMENTS FOR:				
Depreciation and amortisation	12,635	13,968	1,086	2,584
Loss (profit) on sale of assets	921	(843)	931	(833)
Profit on sale of non-current assets and disposal groups	(1,203)	-	-	-
Income from equity accounted investments	(2,701)	(1,469)	-	-
Dividends received	(137)	(100)	(28,619)	(44)
Interest received	(64,851)	(52,387)	(64,219)	(52,745)
Finance costs	1,579	2,672	2,011	2,850
Fair value adjustments	(46,771)	(61,243)	(41,965)	(49,870)
Impairment loss	42,676	43,154	45,278	45,787
Movements in retirement benefit assets and liabilities	5,248	1,280	5,248	1,280
Release from debt on liquidation	-	(2,949)	-	-
Provision for doubtful performance guarantees	-	(1,486)	-	(1,486)
CHANGES IN WORKING CAPITAL:				
Inventories	-	43	-	-
Trade and other receivables	(41,319)	(22,022)	(30,661)	(21,018)
Trade and other payables	41,843	(4,687)	6,045	(5,895)
Deferred income	182,984	238,227	(6,987)	11,807
	187,037	211,183	(41,257)	(29,668)

27. TAX PAID

	Group		Company	
	2009 R' 000	2008 R' 000	2009 R' 000	2008 R' 000
Balance at beginning of the year	(4,014)	(3,401)	-	-
Current tax for the year recognised in income statement	1,713	(912)	-	-
Reversal of tax provision (exemption granted)	2,517	-	-	-
Balance at end of the year	(1,913)	4,014	-	-
	(1,697)	(299)	-	-

28. CONTINGENCIES

The Corporation has exposure to litigation of R 1.3 million (2008: R 1.3 million) against it. The legal claims are expected to be settled in the course of the next twelve months.

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009: NOTES

29. COMMITMENTS

Authorised capital expenditure

	Group		Company	
	2009 R' 000	2008 R' 000	2009 R' 000	2008 R' 000
ALREADY CONTRACTED FOR BUT NOT PROVIDED				
Purchase of shares	1,243	1,291	1,243	1,291
Loans approved not yet disbursed	93,386	28,608	93,386	28,608
OPERATING LEASES – AS LESSEE (EXPENSE) - Minimum lease payments due				
- within one year	3,355	3,050	2,252	2,599
- in second to fifth year inclusive	8,803	8,003	7,185	7,590
	12,158	11,053	9,437	10,189

Operating lease payments represent rentals payable by the Group for certain of its office properties, office equipment and cellular phones. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

30. RELATED PARTIES

Relationships

Subsidiaries	Refer to Supplementary Information (1)
Shareholder	Department of Economic Development and Environmental Affairs (DEDEA)
Directors	Refer to the Director's Report (12)
Key management and other senior managers	<p>Eastern Cape Development Corporation</p> <ul style="list-style-type: none"> - M D Matshamba (<i>Chief Executive Officer</i>) - M Daca (<i>Executive Manager: Finance</i>) - C Biermann (<i>Executive Manager: Development Investments</i>) - L Tsipa (<i>Executive Manager: Property Management and Development</i>) - N Ncokazi (<i>Executive Manager: Development Services</i>) <p>East London Industrial Development Zone (Proprietary) Limited</p> <ul style="list-style-type: none"> - S Kondlo (<i>Chief Executive Officer</i>) - N Madyibi (<i>Chief Financial Officer</i>) - J Burger (<i>Executive Manager: Technical Services</i>) - T Gwintsa (<i>Executive Manager: Investor Services</i>) - T Zweni (<i>Executive Manager: Business Development</i>) <p>AIDC Development Centre Eastern Cape (Proprietary) Limited</p> <ul style="list-style-type: none"> - J Manilal (<i>Chief Executive Officer</i>)

Related party balances

Subsidiaries and associates: Related party balances with subsidiaries and associates are disclosed in Note 6: Loans to (from) group companies.

Other related parties: The Corporation acquires equity investments in certain entities to which it has advanced loan funds as security for these loans or as part of its investment strategy. Outstanding balances with these entities were as follows:

	Preference/ ordinary shares	Loan balance	Accumulated impairment
RELATED PARTY			
Border Copiers	-	7,163	-
Road Safety Apparel	-	433	(347)
Magwa Tea Enterprise (Pty) Ltd	-	3,756	(3,756)
S&P Kareedouw	-	2,674	-
EC Biomass	3,200	3,836	-
Global pack trading	1,500	3,213	(2,165)
Maritime Academy	245	2,245	(2,245)
Bushman Sands Developments (Pty) Ltd	46,314	-	(9,329)
Ikhala Aloes	-	1,181	(1,181)
Singisi Forest Products	3,061	-	-
Amatola berries	2,255	-	-
Ndlambe Natural Industrial Products (Pty) Ltd	-	11,638	-
	56,575	36,139	19,023

Related party transactions

	Group		Company	
	2009 R' 000	2008 R' 000	2009 R' 000	2008 R' 000
SUBSIDIARIES AND ASSOCIATES				
Interest from subsidiaries			1,196	-
Interest from associates			-	2,413
Impairment expense - loans to associates			-	(772)
Management fees			772	664
Rent paid to subsidiaries			1,492	1,399
INTEREST RECEIVED FROM RELATED PARTIES				
Border Copiers (Pty) Ltd			1,010	614
Ndlambe Natural Industrial Products (Pty) Ltd			481	-
RENT RECEIVED FROM RELATED PARTIES				
Eastern Cape Provincial Legislature			-	40
Department of Sport, Arts, Recreation and Culture			29	104
Department of Transport			113	39
Department of Public Works			95	76
Department of Health			237	161
DIVIDENDS RECEIVED				
Singisi Forest Products			-	42
Transkei Share Investments			28,619	-

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009: NOTES

31. DIRECTORS' EMOLUMENTS

Further details in respect of directors' fees are disclosed in the Directors' Report (13).

Non-executive

	Fees	Other expenses	Total
FOR SERVICES AS DIRECTORS			
2009	669	216	885
2008	245	180	425

32. RISK MANAGEMENT

Overview

A comprehensive Investment Policy is used to ensure that all the market risks to which the Group is exposed are understood and managed. Governance structures are in place to achieve effective independent monitoring and management of market risks through:

- the Board and Audit Committee, which is responsible for the overall risk management oversight of the Group;
- the Executive Management Committee through setting up subcommittees to deal with specific financial risks;
- the Development Investment Committee, which is responsible for ensuring that the impact of risks in the loan and equity investments is being effectively managed and reported and that all policy, risk limits and relevant market risk issues are reported to the Group's Board and Audit committee;
- the Investment Committee which is responsible for managing risk associated with the investment of cash and cash equivalents.

Objectives

The group market risks are managed by the Board and Audit Committee through a number of executive management committees. These risks include fair value interest rate risk, currency risk, credit risk, liquidity risk and cash flow interest rate risk.

The Group seeks to minimise the effects of the negative impact of these risks by ensuring compliance with Board approved policies and benchmarks with regard to the following:

- proposed money market investment strategies do not result in the breach of asset/liability mismatch gap limit;
- ensuring that the net interest income volatility is within approved benchmark;
- adequate overnight liquidity limit is complied with by having sufficient call balances;
- credit risk is controlled by entering into money market transactions with high quality counterparty financial institutions;
- instrument limits are set to avoid excess concentration in any given financial investment instrument.

Overall the Group's main financial risk management objective is to ensure enhanced return within very conservative risk profiles or parameters approved by the Board.

Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of capital levels. The Group's overall strategy remains unchanged from 2008.

The capital structure of the Group consists of cash and cash equivalents, disclosed in Note 11, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Notes 12 and 13, respectively. The Group is not subject to externally imposed capital requirements and does not routinely make use of borrowings.

Liquidity risk

The Group is exposed to liquidity risk through its operational and banking activities. Liquidity risk is measured in terms of a Board approved Investment Policy with appropriate dashboard liquidity risk measures on the basis of which the risk is managed by the Finance function.

Interest rate risk

The Group's exposure to interest rate risk arises from primarily the following:

- investment in development loans;
- investment of surplus operational cash.

The interest rate risk is managed in terms of the Board approved investment and development investment policies. The Group monitors and ensures that the interest rate risk profiles are in line with limits and benchmarks stipulated in the policy.

The cash resources of the group are invested mainly with large money market funds and South African banks.

Development investments are also made in line with Board policy and would be less profitable as interest rates drop.

At year end, financial instruments exposed to interest rate risk were interest-bearing borrowings, held to maturity investments and loans advanced. A 1% decrease in the interest rate applicable to these financial instruments would result in a R1,841 million decrease in net interest income with an equivalent decrease in retained earnings.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The Corporation only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party. Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis.

Foreign exchange risk

The Group has no material exposure to foreign exchange risk.

Equity price risk

The Group is exposed to equity risk through its investment in a number of entities as disclosed in Note 7.

Concentration risk

The Group's exposure to concentration risk arises primarily from over exposure to any one given investment instrument. Concentration risk is managed in terms of the Board approved Development Investment Policy, which in turn specifies a percentage exposure in any approved investment instrument or economic sector.

The aim of the policy is to protect the Group from any over exposure in any investment instrument where the Group could be exposed to liquidity risk in the event of an over exposure in non-tradable instruments like held to maturity assets. The Group could also be exposed to interest rate risk due to over exposure in any investment cluster

Post-tax profit for the year would increase/decrease as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would increase/decrease as a result of gains/losses on equity securities classified as available for sale.

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009: NOTES

33. FINANCIAL ASSETS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

	Loans and receivables	Fair value through profit or loss - designated	Held to maturity	Available for sale
	R' 000	R' 000	R' 000	R' 000
GROUP - 2009				
Investments	-	-	68,018	83,829
Loans advanced	214,733	-	-	-
Trade and other receivables	63,024	-	-	-
Cash and cash equivalents	-	452,084	-	-
	277,757	452,084	68,018	83,829
GROUP - 2008				
Investments	-	-	60,680	83,493
Loans advanced	108,269	-	-	-
Trade and other receivables	34,899	-	-	-
Cash and cash equivalents	-	435,364	-	-
	143,168	435,364	60,680	83,493
COMPANY - 2009				
Investments	-	-	68,018	83,135
Loans advanced	214,718	-	-	-
Trade and other receivables	32,140	-	-	-
Cash and cash equivalents	-	254,500	-	-
	246,858	254,500	68,018	83,135
COMPANY - 2008				
Investments	-	-	60,680	82,770
Loans advanced	108,256	-	-	-
Trade and other receivables	14,322	-	-	-
Cash and cash equivalents	-	304,110	-	-
	122,578	304,110	60,680	82,770

34. FINANCIAL LIABILITIES BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

	Financial liabilities at amortised cost	Carrying amount
	R' 000	R' 000
GROUP - 2009		
Interest bearing borrowings	17,634	17,634
Trade and other payables	100,699	100,699
	118,333	118,333
GROUP - 2008		
Interest bearing borrowings	19,084	19,084
Trade and other payables	58,856	58,856
	77,940	77,940
COMPANY - 2009		
Interest bearing borrowings	17,563	17,563
Trade and other payables	29,678	29,678
	47,241	47,241
COMPANY - 2008		
Interest bearing borrowings	19,084	19,084
Trade and other payables	23,633	23,633
	42,717	42,717

35. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

Revised standards

The following revisions to International Accounting Standards have not been early-adopted by the Group:

IFRS 3 Business Combinations

Comprehensive revision on applying the acquisition method and consequential amendments to IAS 27 Consolidated and Separate Financial Statements, IAS 28 Investments in Associates and IAS 31 Interest in Joint Ventures. The revised IFRS 3 retains the basic requirements of IFRS 3 (2004) to apply acquisition accounting for all business combinations within the scope of IFRS 3, to identify the acquirer and to determine the acquisition date for every business combination. The most significant change is a move from a purchase price allocation approach to a fair value measurement principle. The revision applies to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The amended IAS 27 requires accounting for changes in ownership interests in a subsidiary that occur without loss of control to be recognised as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value, with the gain or loss recognised in profit and loss. This amendment is effective for the Group for the financial reporting period commencing on 1 April 2010.

The revision and amendment is applicable prospectively and will not affect past transactions.

IFRS 8 Operating Segments

IFRS 8 Operating Segments, which is effective for annual periods commencing on or after 1 January 2009, has not been early-adopted in these financial statements and will replace IAS 14 Segment Reporting. IFRS 8 requires an entity to adopt a management approach to reporting the financial performance of its operating segments. Generally, the information to be reported would be what management is currently using internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Group shall apply this IFRS in its annual financial statements for periods beginning on 1 April 2009. IFRS 8 is not compulsory for unlisted entities.

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009: NOTES

IAS 1 Presentation of Financial Statements

Comprehensive revision including requiring a statement of comprehensive income. The changes made to IAS 1 require information in financial statements to be aggregated on the basis of shared characteristics and introduce a statement of comprehensive income. The revision includes changes in titles of financial statements to reflect their functions more clearly. The main change in the revised IAS 1 is the requirement to present all non-owner transactions in the statement of comprehensive income. The amendment also requires two sets of comparative numbers to be provided for the financial position in any year where there has been a restatement or reclassification of balances. The revised standard will affect the disclosures in the annual report. The revision is effective for annual periods commencing on or after 1 January 2009. The Group will adopt the revised standard on its effective date.

Amendments to IAS 32, Financial Instruments Presentation, and IAS 1, Presentation of Financial Statements

Puttable Financial Instruments Arising on Liquidation and Obligations: the amendment requires additional information to be presented on puttable instruments that are presented as equity. The amendment will not affect the Group as the Group does not have puttable instruments that are presented within equity. The amendment is effective for annual periods beginning on or after 1 January 2009. The Group will apply the amendment from its effective date.

IAS 39 Financial Instruments: Recognition and Measurement: Amendment

Eligible Hedged Items: the amendment clarifies that inflation may only be hedged in instances where changes in inflation are contractually specified portions of cashflows of recognised financial instruments. It also clarifies that an entity is permitted to designate purchased or net purchased options as a hedging instrument in a hedge of a financial or non-financial item, and to improve effectiveness an entity is allowed to exclude the time value of money from the hedging instrument. This amendment is effective for the Group for the annual periods commencing on 1 January 2009 and is not expected to have any impact on the Group as the Group doesn't apply hedge accounting.

IFRS 2 Share-based Payment

Amendment relating to vesting conditions and cancellation Under IFRS 2: failure to meet a condition, other than a vesting condition, is treated as a cancellation. IFRS 2 specifies the accounting treatment of cancellations by the entity, but does not give guidance on the treatment of cancellations by parties other than the entity. The amendment requires cancellations by parties other than the entity to be accounted for in the same way as cancellations by the entity. This amendment is effective for the Group for the annual periods commencing on 1 April 2009 and is not expected to have an impact on the Group as the Group is currently not party to share based payments. IAS 40 Investment Property

The amendment to IAS 40 brings into its scope property that is being constructed or developed for future use as investment property. Such property previously fell within the scope of IAS 16 Property, Plant and Equipment. The amendment is expected to have a significant impact on the results of the Group.

Annual improvements projects

As part of its first annual improvements projects, the IASB has issued its edition of annual improvements. The annual improvement projects aim to clarify and improve the accounting standards. The improvements include those involving terminology or editorial changes with minimal effect on recognition and measurement. There are no significant changes in the current year's improvement that will affect the Group and the improvements are effective for the Group with effect from 1 April 2009.

Interpretations

The following interpretations of existing standards are not yet effective and have not been early-adopted by the Group:

IFRIC 13 Customer Loyalty Programmes

The interpretation clarifies the application of IAS 18 to customer loyalty programmes. The interpretation requires an entity that grants loyalty award credits to allocate some of the initial proceeds from the initial revenue-generating transaction to the award credit as a liability (entity's obligation to provide award). The award is accounted for as a separate revenue-generating transaction. The interpretation is effective for annual periods commencing on or after 1 July 2008. The application of IFRIC 13 will result in the Group deferring a portion of income as a liability. The Group will adopt the interpretation for its annual period commencing 1 April 2009.

IFRIC 15 Real Estate Sales

The interpretation clarifies when real estate sales should be accounted for in terms of IAS 11 Construction Contracts or IAS 18 Revenue. The Group has not early-adopted this interpretation. The Group will adopt the interpretation for its annual period commencing 1 April 2009.

IFRIC 16 Hedges of a Net Investment of a Foreign Operation

The interpretation clarifies which risks can be hedged under a hedge of the net investment in a foreign operation and by which entities within the group the hedging instruments can be held in order to qualify as a hedge of a net investment in a foreign operation. The Group does not currently have any foreign operations and therefore the adoption of this standard will have no effect on the financial performance or position of the Group. This interpretation is effective for annual periods beginning on or after 1 October 2008.

IFRIC 17 Distributions of Non-cash Assets to Owners

IFRIC 17 clarifies that:

- a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity;
- an entity should measure the dividend payable at the fair value of the net assets to be distributed;
- an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss; and
- an entity should provide additional disclosures if the net assets being held for distribution to owners meet the definition of a discontinued operation.

IFRIC 17 is effective for annual periods beginning on or after 1 July 2009 and is not anticipated to have an effect on the Group's accounts as the Group has no history of dividend distribution.

Standards and interpretations adopted in the current year

Revised standards

The following revisions to International Financial Reporting Standards have been adopted by the Group:

IAS 23 Borrowing Costs

The Group has early-adopted the revision that removed the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. There was no effect on the Group financial position and performance of adopting this amendment, as there were no qualifying borrowing costs incurred.

IAS 39 Financial Instruments: Recognition and Measurements

Amendments allowing reclassification of Instruments: this amendment allowed an entity to change the classification of certain 'held for trading' financial assets into financial assets carried at amortised cost, subject to certain criteria being met. There was no effect on the Group of adopting this amendment, as the Group did not reclassify any financial assets.

Interpretations

The following interpretations of existing standards have been adopted by the Group:

IFRIC 11, IFRS 2 Group and Treasury Share Transactions

This interpretation clarifies that, where a parent grants rights to its equity instruments to the employees of a subsidiary, the subsidiary will measure the services received from its employees in accordance with the requirements applicable to equity-settled share-based payment transactions, with a corresponding increase in equity. ECDC Group doesn't have any share based payments and the standard will not affect the Group financial statements.

IFRIC 12 Service Concession Arrangements

The interpretation clarifies the application of existing IFRSs by concession operators for obligations under concession arrangements and rights received in service concession arrangements. The Group is not party to concession arrangements, and the adoption of the interpretation therefore did not have any impact on the Group.

IFRIC 14, IAS 19 The Limit on a Defined-benefit Asset, Minimum Funding Requirements and their Interpretation

The interpretation addresses the implication of minimum funding requirements on the recognition of a defined-benefit obligation. The adoption of this interpretation did not have any effect on the Group's financial position or performance.

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009: NOTES

36. FAIR VALUE OF FINANCIAL INSTRUMENTS

GROUP	2009		2008	
	Carrying amount	Fair value	Carrying amount	Fair value
	R' 000	R' 000	R' 000	R' 000
Fixed term investments	55,140	55,140	48,789	48,789
Other investments	12,878	12,878	11,891	11,891
Listed shares at fair value	694	694	723	723
Unlisted shares at fair value	75,000	75,000	75,000	75,000
Unlisted shares at cost	8,106	Refer below	7,770	Refer below
Loans advanced	214,733	214,733	108,269	108,269
Trade and other receivables	63,024	63,024	34,899	34,899
Cash and cash equivalents	452,084	452,084	435,364	435,364
Other property, plant and equipment	17,634	Refer below	19,084	Refer below
Trade and other receivables	100,697	Refer below	58,856	Refer below
COMPANY				
Fixed term investments	55,140	55,140	48,789	48,789
Other investments	12,878	12,878	11,891	11,891
Unlisted shares at fair value	75,000	75,000	75,000	75,000
Unlisted shares at cost	8,135	Refer below	7,770	Refer below
Loans advanced	214,718	214,718	108,256	108,256
Trade and other receivables	32,140	32,140	14,322	14,322
Cash and cash equivalents	254,500	254,500	304,110	304,110
Other property, plant and equipment	17,563	Refer below	19,084	Refer below
Trade and other receivables	29,678	Refer below	23,633	Refer below

Determination of fair value

Financial instruments with short-term maturities

At year end the carrying amounts of cash and cash equivalents, accounts receivable and accounts payable approximated their fair values due to the short-term maturities of these assets and liabilities.

Unlisted shares carried at fair value

During the year, the Corporation's investment in Singisi Forest Products was revalued to its fair value of R 75 million. The fair value was determined with reference to an offer to purchase the equity instruments and a subsequent valuation performed by an independent external firm of accountants and auditors.

Unlisted shares carried at cost

In accordance with the accounting policy on available-for-sale financial assets, certain unlisted shares are carried at cost as their fair values could not be reliably determined, due to a lack of an active market for these instruments.

Held to maturity investments, loans advanced and interest bearing borrowings

The fair values of these financial instruments are determined based on discounted cash flow techniques, taking account of market related discount rates appropriate to the instrument and economic conditions current at the balance sheet date. At this date, the fair value of the financial instruments approximated their carrying values.

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

SUPPLEMENTARY INFORMATION

1. SUBSIDIARIES

	Group		Company	
	Issued share capital R	Percentage shareholding	Shares at cost less provision R	Indebtedness less provision R' 000
2009				
TDC Property Investments (Pty) Ltd	4,000	100	-	3,433
Transdev Properties (Pty) Ltd	2,000	100	2,000	(7,486)
Centre for Investment and Marketing in the Eastern Cape	-	100	-	11,787
Cimvest (Pty) Ltd	120	100	-	(4,506)
Transkei Share Investments Company Limited	232,757	98	26,116,789	(15,779)
AIDC Eastern Cape	100	75	75	2,000
Transido (Pty) Ltd	1,330,200	100	-	8,162
Umthatha Small Industries Complex (Pty) Ltd	400	100	-	-
East London Industrial Development Zone (Pty) Ltd	1,000	74	740	-
Windsor Hotel (Pty) Ltd	100	100	100	1,012
Eastern Cape Marketing Authority (Pty) Ltd	2	100	2	17
			26,119,706	(1,359)
2008				
TDC Property Investments (Pty) Ltd	4,000	100	-	3,454
Transdev Properties (Pty) Ltd	2,000	100	2,000	(3,769)
Centre for Investment and Marketing in the Eastern Cape	-	100	-	10,564
Cimvest (Pty) Ltd	120	100	-	(4,893)
Transkei Share Investments Company Limited	232,757	98	26,069,016	(47,961)
AIDC Eastern Cape	100	75	75	2,001
Transido (Pty) Ltd	1,330,200	100	-	7,048
Umthatha Small Industries Complex (Pty) Ltd	400	100	-	-
East London Industrial Development Zone (Pty) Ltd	1,000	74	740	-
Windsor Hotel (Pty) Ltd	100	100	100	462
Eastern Cape Marketing Authority (Pty) Ltd	2	100	2	1
			26,071,933	(33,093)

Non-consolidation of equity interests exceeding 50%

Certain of the Group's equity investments have not been included in the consolidated annual financial statements as the Group does not exercise any control over their operations. The entities affected are Magwa Enterprise Tea (Proprietary) Limited and TIDC (Association incorporated under section 21).

Ikhala Aloes has not been consolidated as the shareholding was only acquired as security and the company's financial information is not material to the Group.

Entities which were not equity-accounted

Certain equity investments in which the Group holds 20% or more of the equity have not been equity accounted as the investments were only acquired to protect loan advances. The entities affected are Border Copiers and S&P Kareedow.

Availability of information

A subsidiary, Windsor Hotel (Proprietary) Limited, and an associate, Bushman Sands Developments (Proprietary) Limited, have been consolidated on the basis of limited information due to financial statements for the year ended 31 March 2009 not being available.

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009: SUPPLEMENTARY INFORMATION

2. INTEREST BEARING BORROWINGS

	Instalment	Date of final payment	Interest rate	2009	2008
	R' 000		%	R' 000	R' 000
GROUP					
Development Bank of Southern Africa					
Office Block Loan	700	2012	3 months JIBAR + 0.75%	2,886	3,606
Loan 13942/201	323	2011	3 months JIBAR + 0.75%	831	1,163
Loan 13942/301	460	2016	3 months JIBAR + 0.75%	3,559	4,032
Loan 13942/401	Lump sum on final date	2011	3 months JIBAR + 0.75%	10,287	10,283
Finance lease	12	2013	24	71	-
	1,495			17,634	19,084
CORPORATION					
Development Bank of Southern Africa					
Office Block Loan	700	2012	3 months JIBAR + 0.75%	2,886	3,606
Loan 13942/201	323	2011	3 months JIBAR + 0.75%	831	1,163
Loan 13942/301	460	2016	3 months JIBAR + 0.75%	3,559	4,032
Loan 13942/401	Lump sum on final date	2011	3 months JIBAR + 0.75%	10,287	10,283
	1,483			17,563	19,084

3. PROJECT GRANTS

	Opening balance	Transfers in	Interest	Written off	Transfer payments	Closing balance
	R' 000	R' 000	R' 000	R' 000	R' 000	R' 000
GROUP						
AB350	21,870	-	1,224	-	(21,113)	1,981
ASGISA	-	100,000	-	-	(100,000)	-
DEDEA	54,668	20,000	-	-	(2,636)	72,032
DRISA	5,131	-	-	-	-	5,131
Premier's fund	193	3,560	87	-	(3,630)	210
Treasury (Steinhof)	45,925	43,810	-	-	(10,499)	79,236
EL IDZ	-	119,910	-	-	(119,910)	-
Uvimba Finance	-	17,473	854	-	-	18,327
Mthatha taxi rank	16,000	-	-	-	(3,597)	12,403
Total 2009	143,787	304,753	2,165	-	(261,385)	189,320
Total 2008	159,097	314,967	-	(12,375)	(317,902)	143,787
CORPORATION						
AB350	21,870	-	1,224	-	(21,113)	1,981
ASGISA	-	100,000	-	-	(100,000)	-
DEDEA	48,491	20,000	-	-	(2,636)	65,855
DRISA	5,131	-	-	-	-	5,131
Premier's fund	193	3,560	87	-	(3,630)	210
Treasury (Steinhof)	45,925	43,810	-	-	(10,499)	79,236
EL IDZ	-	119,910	-	-	(119,910)	-
Uvimba Finance	-	17,473	854	-	-	18,327
Mthatha taxi rank	16,000	-	-	-	(3,597)	12,403
Total 2009	137,610	304,753	2,165	-	(261,385)	183,143
Total 2008	152,920	314,967	-	(12,375)	(317,902)	137,610

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009: SUPPLEMENTARY INFORMATION

AB350

The Corporation has been appointed as an implementing agent to revive bus transportation in the rural areas around the former Transkei. The funds were advanced by the Department of Roads and Transport for this purpose.

Department of Economic Development and Environmental Affairs (DEDEA)

The fund represents grants from DEDEA and Provincial Treasury, to be administered on their behalf. It is utilised to assist local business service centres, manufacturing technology centres and local economic development units in the Eastern Cape. Transfers to beneficiaries are only made on specific instructions from the respective Departments.

Digitisation and Remanufacturing Institute of South Africa (DRISA)

DRISA is a section 21 company whose main purpose is Information Communication Technologies for Development, Education and Upliftment. The fund represents amounts that were transferred by DEDEA for this purpose.

East London Industrial Development Zone (Proprietary) Limited (ELIDZ)

Funds transferred to the Corporation by the Department of Economic Development and Environmental Affairs to forward to ELIDZ. These payments are merely channeled through the Corporation to ELIDZ.

Premier's Fund

The fund was created by the Office of the Premier. Transfers to beneficiary institutions are only made on specific instructions from the Office of the Premier.

Treasury (Steinhof)

The funds are for infrastructure upgrade in Ugie for the Steinhof milling plant. The Corporation is an implementing agent for these funds.

Mthatha Taxi Rank

The Mthatha Taxi Rank fund is held to be used to fund the development of a taxi rank in Mthatha by the Eastern Cape Department of Roads and Transport.

LIST OF ACRONYMS USED

ABET	Adult Basic Education and Training
BPESA	Business Process Enabling South Africa
BPO	Business Process Outsourcing
CCMA	Commission for Conciliation, Mediation and Arbitration
CIDB	Construction Industry Development Board
CIPRO	Companies and Intellectual Property Registration Office
CSIR	Council of Scientific and Industrial Research
DBSA	Development Bank of South Africa
DEDEA	Department of Economic Development and Environmental Affairs
EIA	Environmental Impact Assessment
EMIA	Export Marketing and Investment Assistance
HACCP	Hazard Analysis and Critical Control Points
HDI	Human Development Index
HIV	Human Immunodeficiency Virus
HR	Human Resources
ICT	Information Communication Technology
IDC	Industrial Development Corporation
IDP	Integrated Development Plan
IECDM	Integrated Emerging Contractor Development Programme
IETF	International Engineering Technology Fair
LED	Local Economic Development
MEC	Member of the Executive Council
NAFCOC	National African Federated Chamber of Commerce and Industry
NCR	National Credit Regulator
PFMA	Public Finance Management Act
PGDP	Provincial Growth and Development Plan
SACCAWU	South African Commercial, Catering and Allied Workers Union
SDI	Service Delivery Improvement Plan
SEDA	Small Enterprise Development Agency
SMMEs	Small, Medium and Micro Enterprises
TQM	Total Quality Management
VCT	Voluntary Counselling and Testing

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